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Prominent financial indicators achieved for 2014, listed as measures of success of the company:

- ❖ **Total income** in the amount of **12,957,856 thousand** denars.
- ❖ Achieved **total expenditures** in the amount of **13,516,856 thousand** denars.
- ❖ **Loss before tax** in the amount of **855, 146 thousand** denars.
- ❖ **Loss after tax** in the amount of **874, 742 thousand** denars.
- ❖ **Timely repayment of long term loans** in the amount of **1,356,897 thousand** denars.

Comprehensive income report

End of year as of 31 December 2014

(In thousands)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Income			
Income of sold electricity	5	12,310,526	13,221,560
Other income	6	647,330	627,081
		<u>12,957,856</u>	<u>13,848,641</u>
Costs			
Production costs of lignite	7,8,9,10,11	(5,820,769)	(6,535,531)
Depreciation	7	(1,813,435)	(1,654,815)
Personnel expenses	8	(1,677,694)	(1,646,029)
Costs for maintenance and insurance	9	(461,863)	(365,254)
Raw materials and consumer goods	10	(1,776,523)	(1,709,462)
Other operating expenses	11	(913,102)	(854,394)
Impairment and write-off of user receivables and other receivables, net	12	(1,053,470)	(986,788)
		<u>(13,516,856)</u>	<u>(13,752,273)</u>
(Loss) / Profit from operations		<u>(559,000)</u>	<u>96,368</u>
Income from financing	13	50,104	114,326
Finance expenses	14	(346,250)	(277,285)
Loss before tax		(855,146)	(66,591)
Income tax	15	(19,596)	(65,973)
Net loss for the year		<u>(874,742)</u>	<u>(132,564)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(874,742)</u>	<u>(132,564)</u>

FINANCIAL STATEMENT REPORT

On 31 December 2014

(In thousands-denar currency)

	<u>Note</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
ASSETS			
Non-current assets			
Intangible assets	16	459,448	465,722
Property, plant and equipment	16	41,595,003	39,878,841
Investments in subsidiaries and joint ventures	17	609,939	609,939
Financial assets available for sale	18	1,857	1,857
Long-term receivables	19	611,681	1,361,574
Other financial assets	20	12,791	13,471
		<u>43,290,719</u>	<u>42,331,404</u>
Current assets			
Inventories	21	2,713,888	2,797,696
User receivables and other receivables	22	3,506,709	4,260,486
Prepaid expenses	23	810,315	1,112,288
Short-term bank deposits	24	87,445	20,171
Cash and cash equivalents	25	85,458	97,068
		<u>7,203,815</u>	<u>8,287,709</u>
TOTAL ASSETS		<u>50,494,534</u>	<u>50,619,113</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Equity	26	31,738,878	31,738,878
Reserves		1,193,140	1,193,140
Other capital		1,432,239	1,429,601
Retained (loss)/earnings		(774,818)	91,595
		<u>33,589,439</u>	<u>34,453,214</u>
Non-current liabilities			
Long-term borrowings	27	10,329,025	9,989,010
Provisions	28	854,640	673,361
Donations	29	28,554	30,848
		<u>11,212,219</u>	<u>10,693,219</u>
Current liabilities			
Payables and other liabilities	30	4,297,451	4,073,164
Current maturities of long-term borrowings	27	1,321,232	1,336,713
Short-term borrowings	31	74,193	62,803
		<u>5,692,876</u>	<u>5,472,680</u>
Total liabilities		<u>16,905,095</u>	<u>16,165,899</u>
TOTAL EQUITY AND LIABILITIES		<u>50,494,534</u>	<u>50,619,113</u>

REPORT ON CHANGES IN EQUITY

End of year as of 31 December 2014

(In thousands-denar currency)

	<u>Share capital</u>	<u>Reserves</u>	<u>Other capital</u>	<u>Accumulat ed (loss)/profit</u>	<u>Total</u>
Balance on January 1, 2013	31,738,878	1,145,378	1,429,662	271,921	34,585,839
Allocation of profit from 2012	-	47,762	-	(47,762)	-
Loss for the year	-	-	-	(132,564)	(132,564)
Other	-	-	(61)	-	(61)
Other comprehensive income	-	-	-	-	-
Balance on January 1, 2014	<u>31,738,878</u>	<u>1,193,140</u>	<u>1,429,601</u>	<u>91,595</u>	<u>34,453,214</u>
Loss for the year	-	-	-	(874,742)	(874,742)
Other	-	-	2,638	8,329	10,967
Other comprehensive income	-	-	-	-	-
Balance on 31 December 2014	<u>31,738,878</u>	<u>1,193,140</u>	<u>1,432,239</u>	<u>(774,818)</u>	<u>33,589,439</u>

REPORT ON CASH FLOW

End of year as of 31 December 2014

(In thousands-denar currency)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Loss before tax	(855,146)	(66,591)
Adjustments for:		
Error correction of previous years	8,329	-
Depreciation	2,363,957	2,249,127
Impairment of financial assets available for sale	-	7,500
Impairment of deposits	-	3,000
Impairment and write-off user receivables and other receivables, net	1,053,470	976,288
Foreign exchange gains, net	743	46,376
Interest expense, net	295,403	203,291
Shortages in stock	4,024	2,042
Provision for reclamation of land	94,830	93,064
Reservations / (release of allowance) for employee benefits, net	31,827	(4,422)
Provision from potential losses under litigation	71,667	47,389
Carrying value of alienated and decommissioned property, plant and equipment	7,593	4,421
Income from de recognition of liabilities	(7,857)	(3,041)
Income from amortization of donations	(2,271)	(2,315)
Income from participation in profits of subsidiaries	(255,731)	(84,053)
<i>Operating profit before changes in working capital</i>	<u>2,810,838</u>	<u>3,472,076</u>
<i>Changes in working capital</i>		
Decrease / (increase) in inventories	79,784	(36,260)
Reduction of user receivables, other receivables and long-term receivables	757,491	764,389
Increase / (decrease) in trade payables and other liabilities	291,607	(740,641)
	<u>3,939,720</u>	<u>3,459,564</u>
Interest paid	(344,999)	(247,474)
Paid income tax	(24,914)	(115,162)
Net cash from operating activities	<u>3,569,807</u>	<u>3,096,928</u>
Cash flows from investing activities		
Purchase of tangible and intangible assets,	(4,076,125)	(5,981,650)
Investments in short-term bank deposits	(57,704)	(19,211)
Proceeds from / (given) Loans to resident legal entities	680	(17)
Proceeds from the share in the profit of subsidiaries	255,731	84,053
Net cash used in investing activities	<u>(3,877,418)</u>	<u>(5,916,825)</u>
Cash flows from financial activities		
Dividends paid	-	(37,453)
Proceeds from borrowings,	296,001	2,300,242
Net cash from financial	<u>296,001</u>	<u>2,262,789</u>
Net decrease in cash	(11,610)	(557,108)
Cash at the beginning of the year	<u>97,068</u>	<u>654,176</u>
Cash at the end of year	<u>85,458</u>	<u>97,068</u>

NOTES TO THE FINANCIAL STATEMENTS

1. INCOME ON SOLD ELECTRICITY

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Income from sales of electricity to EVN Macedonia	9,798,030	11,375,553
Income from sales of electricity to AD MEPSO	1,169,377	958,417
Income from sales of electricity of night surpluses	1,002,848	667,421
Income from sales of electricity, thermal energy and heated water to specialist and end consumers	340,271	220,169
	<u>12,310,526</u>	<u>13,221,560</u>

2. OTHER INCOME

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Compensation claims from insurance	28,175	50,827
Income from sales of other products and services	299,521	394,931
Income from participation in profits of subsidiaries	255,731	84,053
Collected penalties	513	279
Release of reservation for employee benefits	302	4,422
Write-off of short-term liabilities	7,857	3,041
Rental income	1,651	1,477
Income from amortization of donations (Note 29)	2,271	2,315
Reimbursement of expenses for employees	22,392	37,895
Other	28,917	47,841
	<u>647,330</u>	<u>627,081</u>

3. DEPRECIATION

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Accrued depreciation for the year	2,363,957	2,249,127
Reduced for lignite production costs	(550,522)	(594,312)
	<u>1,813,435</u>	<u>1,654,815</u>

4. PERSONNEL EXPENSES

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Net salary, income tax and fees from salaries	3,080,177	3,170,384
Other mandatory employee benefits	229,371	224,992
Provisions for employee benefits	32,129	-
	<u>3,341,677</u>	<u>3,395,376</u>
Reduced for lignite production costs	<u>(1,663,983)</u>	<u>(1,749,347)</u>
	<u>1,677,694</u>	<u>1,646,029</u>

5. COSTS FOR MAINTENANCE AND INSURANCE

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Costs for maintenance	2,839,503	3,268,382
Costs for insurance	186,528	212,309
	<u>3,026,031</u>	<u>3,480,691</u>
Reduced for lignite production costs	<u>(2,564,168)</u>	<u>(3,115,437)</u>
	<u>461,863</u>	<u>365,254</u>

6. RAW MATERIALS AND CONSUMER GOODS

	In thousands-denar currency	
	Year finalized on 31 December	
	2014	2013
Cost of electricity sold	189,496	88,475
Spare parts	906,018	797,233
Fuel oil	907,106	779,273
Natural gas	221,646	305,851
Liquid fuel	101,044	110,638
Water	124,298	112,358
Raw materials	131,176	175,114
Expenditures on stationery	10,632	11,297
Electricity consumption	13,210	11,728
Costs for heating	3,346	4,228
Lubricants and oils	10,834	11,980
	<u>2,618,806</u>	<u>2,408,175</u>
Reduced for lignite production costs	<u>(842,283)</u>	<u>(698,713)</u>
	<u>1,776,523</u>	<u>1,709,462</u>

7. OTHER OPERATING COSTS

	In thousands-denar currency	
	Year finalized on 31 December	
	<u>2014</u>	<u>2013</u>
Costs for contract work	176,949	89,697
Ancillary services for the provision of reserve power	180,209	186,518
Other production services		
	25,786	116,744
Mediation services for the sale of surplus electricity	-	18,815
Provision for reclamation of land	94,830	93,064
Additionally paid income tax upon records of PRO (Public Revenue Office)	-	51,526
Provisions for litigation	71,667	47,389
Sponsorships and donations	99,477	110,990
Contribution for water	79,590	73,978
Transportation services	44,599	125,562
Utilities	34,978	30,604
Bank fees	24,077	22,753
Costs for electricity transmission	50,470	10,040
Telephone and postal charges	9,679	12,565
Expenditures	7,068	12,941
Costs of current OSH	11,357	11,194
Membership fees	7,283	6,886
Marketing	10,318	33,830
Court costs	15,889	9,372
Carrying value of alienated property, plant and equipment	7,593	4,421
Professional training	-	3,491
Shortages of supplies in inventory	4,024	2,042
Taxes and contributions not depending on result	225	235
Interest on tax record of the PRO	-	9,213
Other	156,847	148,246
	<u>1,112,915</u>	<u>1,232,116</u>
Reduced for lignite production costs	<u>(199,813)</u>	<u>(377,722)</u>
	<u>913,102</u>	<u>854,394</u>

8. INCOME FROM FINANCING

	In thousand denars	
	Year ended on December 31	
	<u>2014</u>	<u>2013</u>
Income from interest	9,570	86,708
Positive exchange differences	40,534	27,618
	<u>50,104</u>	<u>114,326</u>

9. FINANCIAL EXPENSES

	In thousand denars	
	Year ended on December 31	
	<u>2014</u>	<u>2013</u>
Expenses from interest	(294,119)	(177,748)
Interest on late payments	(10,854)	(25,543)
Negative exchange differences	(41,277)	(73,994)

(346,250) (277,285)

10. MONEY AND MONEY EQUIVALENTS

	In thousand denars	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Monetary assets in banks:		
- in denars	35,338	86,069
- in foreign currencies	49,997	10,913
Cash in hand	<u>123</u>	<u>86</u>
	<u>85,458</u>	<u>97,068</u>

11. CAPITAL AND RESERVES

a. Share capital

The share capital of the Company amounts to 31,738,878 thousand denars and is divided into 31,738,878 ordinary shares with nominal value of 1,000 denars per share. On December 31, 2014 and 2013 the structure of the share capital of the Company according to the Report of the Central Depository of Securities is as follows:

	% structure		In thousand denars	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Government of the Republic of Macedonia	<u>100%</u>	<u>100%</u>	<u>31,738,878</u>	<u>31,738,878</u>
	<u>100%</u>	<u>100%</u>	<u>31,738,878</u>	<u>31,738,878</u>

b. Revaluation reserves

In accordance with Macedonian accounting regulations in previous years, revaluation of property, plant and equipment is calculated based on published price indices of industrial products. These factors influenced the increase in the recorded balances of property, plant and equipment, the effect of which influenced the revaluation reserves.

c. Mandatory reserve

In accordance with the local regulations, the Company is required each year to allocate mandatory reserve, which is formed by capturing 5% of the net income. The allocation is made until the reserve reaches an amount equal to one tenth of the capital. By reaching the legal minimum this reserve can only be used to cover the loss, and when they exceed the required minimum excess can be used for payment of dividends.

d. Other capital

The Company has a special reserve which may be used to cover losses and for other purposes, including: risk insurance to employees, retirement and payment of compensations above the standard amount, charity; death of a worker or family member; severe consequences of natural disasters, illness and a severe disability or serious illness, funeral expenses, professional development and sponsorship. The manner of creation, investment, organization and use, the amount of funds, and plan and program of using the allowance is determined by the Assembly of Shareholders of the Company by a special act.

12. RECEIVABLES FROM CUSTOMERS AND OTHER RECEIVABLES

	In thousand denars	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Receivables from customers - regular		
Receivables from customers in the country	3,134,156	3,173,567
Receivables from customers abroad	4,238	4,311
	<u>3,138,394</u>	<u>3,177,878</u>
Less: impairment losses (Note 12)	(306,884)	(139,838)
	<u>2,831,510</u>	<u>3,038,040</u>
Receivables from customers - divisional balance		
Current portion of receivables from public institutions from concluded agreements	749,275	698,003
Receivables from EVN Makedonija from unsigned agreements with public institutions	73,527	-
	<u>822,802</u>	<u>698,003</u>
Less: impairment losses (Note 12)	(510,703)	-
	<u>312,099</u>	<u>698,003</u>
Receivables from customers - total	3,961,196	3,875,881
Less: impairment losses	(817,587)	(139,838)
	<u>3,143,609</u>	<u>3,736,043</u>
Other receivables		
Receivables from subsidiaries	114,603	100,630
Less: impairment losses	-	-
	<u>114,603</u>	<u>100,630</u>
Receivables from interests	1,117,782	1,115,286
Less: impairment losses (Note 12)	(1,033,380)	(1,041,709)
	<u>84,402</u>	<u>73,577</u>
Receivables based on loan from IBRD	78,933	108,621
Inconsistent receivables of internal relations (transactions between organizational units)	-	20,871
Receivables based on loans given to other domestic legal entities	48,560	8,784
Receivables from employees	3,239	7,827
Receivables from insurance companies	-	24,331
Receivables from Value added tax	-	151,757
Receivables for pre-paid income tax	41,919	36,601
	<u>172,651</u>	<u>358,792</u>
Less: impairment losses (Note 12)	(8,556)	(8,556)
	<u>164,095</u>	<u>350,236</u>
	<u>3,506,709</u>	<u>4,260,486</u>

13. LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

In thousand denars	
<u>31 December 2014</u>	<u>31 December 2013</u>

Suppliers:

Domestic	3,194,692	2,920,544
Foreign	<u>85,124</u>	<u>73,671</u>
	3,279,816	2,994,215

Other liabilities:

Liabilities towards subsidiaries	215,959	451,042
Liabilities for salaries	156,190	162,736
Liabilities from VAT	56,423	-
Liabilities for contributions and payroll taxes	88,022	91,353
Other liabilities to employees	62,851	67,600
Interest liabilities	26,252	26,355
Liabilities under leasing contracts	-	194
Liabilities on the basis of Collective Agreement	1,329	5
Other	<u>34,972</u>	<u>32,164</u>

641,998 831,449

Accrual costs:

Accrued annuities from loan from IBRD	24,923	191
Accrual costs for open letters of credit for the purchase of equipment	347,999	130,009
Other	<u>2,715</u>	<u>40,129</u>
	375,637	170,329

Deferred incomes from undertaken receivables (Note 12) - 77,171

4,297,451 4,073,164