

R E S U M E

The more important financial indicators for 2015, which serve to measure the success of the company, are the following:

- ❖ **Realized total income of 14,186,490 thousand denars.**
- ❖ **Realized total expenditures in the amount of 13,325,684 thousand denars.**
- ❖ **Profit before taxation in the amount of 562,739 thousand denars.**
- ❖ **Profit after taxation in the amount of 410,144 thousand denars.**
- ❖ **Timely repayment of long-term loans in the amount of 1,465,190 thousand denars.**

Report on comprehensive profit
Year ending on December 31, 2015
(In thousands Denars)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Income			
Revenue from the sale of electricity	5	13,367,780	12,310,526
Other income	6	<u>818,710</u>	<u>647,330</u>
		<u>14,186,490</u>	<u>12,957,856</u>
Costs			
Increasing/(Decreasing) of coal stocks		108,182	(41,206)
Costs for production of lignite	7,8,9,10,11	(6,208,769)	(5,820,769)
Amortization	7	(1,992,800)	(1,813,435)
Staff costs	8	(1,614,331)	(1,677,694)
Maintenance costs and insurance	9	(512,391)	(461,863)
Raw materials and expendables	10	(1,157,391)	(1,776,523)
Other operating costs	11	(974,040)	(913,102)
Correction of the value of the investment in the subsidiaries	17	(2,090)	-
Correction of the value and write off of trade receivables and other receivables, net	12	<u>(972,054)</u>	<u>(1,053,470)</u>
		<u>(13,325,684)</u>	<u>(13,516,856)</u>
(Lost) /Profit from the operation		<u>860,806</u>	<u>(559,000)</u>
Financing income	13	50,211	50,104
Financing expenses	14	<u>(348,278)</u>	<u>(346,250)</u>
Profit/ lost before taxation		562,739	(855,146)
Income tax	15	<u>(152,595)</u>	<u>(19,596)</u>
Net profit (lost) for year		<u>410,144</u>	<u>(874,742)</u>
Remaining Comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive yearly loss		<u>410,144</u>	<u>(874,742)</u>

REPORT ON THE FINANCIAL SITUATION

On December 31, 2015
(In thousands denars)

	<u>Note</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Assets			
Non-current assets			
Intangible assets	16	616,498	459,448
Real estate, plant and equipment	16	41,095,334	41,595,003
Investments in subsidiaries and joint ventures	17	713,769	609,939
Available-for-sale financial assets	18	1,856	1,857
Long-term receivables	19	83,002	611,681
Other financial assets	20	12,791	12,791
		<u>42,523,250</u>	<u>43,290,719</u>
Current assets			
Stock	21	2,540,012	2,713,888
Trade receivables and other receivables	22	2,981,073	3,506,709
Advance paid expenses	23	666,337	810,315
Short-term deposits in banks	24	211,610	87,445
Money and monetary equivalents	25	197,881	85,458
		<u>6,596,913</u>	<u>7,203,815</u>
TOTAL ASSETS		<u><u>49,120,163</u></u>	<u><u>50,494,534</u></u>
STOCKHOLDER'S PRINCIPAL AND LIABILITIES			
Capital and reserves			
Equity capital	26	31,738,878	31,738,878
Reserves		1,067,766	1,193,140
Remaining capital		1,432,238	1,432,239
Accumulated (lost)/profit		(239,300)	(774,818)
		<u>33,999,582</u>	<u>33,589,439</u>
Non-current obligations			
Long-term loans	27	8,991,447	10,329,025
Reservations	28	1,123,083	854,640
Donations	29	31,323	28,554
		<u>10,145,853</u>	<u>11,212,219</u>
Current obligations			
Obligations towards suppliers and other obligations	30	3,431,565	4,297,451
Current maturity of long-term borrowings	27	1,543,163	1,321,232
Short-term borrowings	31	-	74,193
		<u>4,974,728</u>	<u>5,692,876</u>
Total obligations		<u>15,120,581</u>	<u>16,905,095</u>
TOTAL STOCKHOLDER'S PRINCIPAL AND LIABILITIES		<u><u>49,120,163</u></u>	<u><u>50,494,534</u></u>

REPORT FOR CHANGES IN THE JOINT STOCK COMPANY

Year ending on 31st December 2015
(in thousand denars)

	<u>Shareholder's capital</u>	<u>Reserves</u>	<u>Remaining capital</u>	<u>Accumulated (loss/profit)</u>	<u>Total</u>
Condition on 1 January 2014	31,738,878	1,193,140	1,429,601	91,595	34,453,214
Loss for year	-	-	-	(874,742)	(874,742)
Other	-	-	2,638	8,329	10,967
Other comprehensive profit	-	-	-	-	-
Condition on 1 January 2015	<u>31,738,878</u>	<u>1,193,140</u>	<u>1,432,239</u>	<u>(774,818)</u>	<u>33,589,439</u>
Profit for year	-	-	-	410,144	410,144
Cover of loss	-	(125,374)	-	125,374	-
Other	-	-	(1)	-	(1)
Other comprehensive profit	-	-	-	-	-
Condition on 31 December 2015	<u>31,738,878</u>	<u>1,067,766</u>	<u>1,432,238</u>	<u>(239,300)</u>	<u>33,999,582</u>

REPORT ON CASH FLOW

Year ending on December 31, 2015

(In thousand denars)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Profit/Loss before taxation	562,739	(855,146)
<i>Corrections for:</i>		
Error correction from previous years	-	8,329
Amortization	1,992,800	2,363,957
Correction of value of investments in subsidiaries	2,090	-
Correction of the value and write off of trade receivables and other receivables, net	868,053	1,053,470
Exchange differences, net	27,169	743
Interest expense, net	298,067	295,403
Shortages in stock	176	4,024
Value adjustment of inventories	2,548	
Reservations for reclamation of land	191,570	94,830
Reservations / (release of reservations) for employees' benefits, net	43,215	31,827
Reserve from potential losses on the basis of litigation	86,455	71,667
Unwritten value of alienated and disposed property, plant and equipment	234	7,593
Income from write-off of liabilities	(20)	(7,857)
Income from amortization of donations	(2,601)	(2,271)
Revenue from profit from subsidiaries	-	(255,731)
Operating profit before changes in working capital	4,072,495	2,810,838
<i>Changes in working capital</i>		
Decreasing/(Increasing) of stocks	171,152	79,784
Reduction of trade receivables, other receivables and long-term receivables	290,237	757,491
Increasing/(decreasing) of the obligations towards the suppliers and other remaining obligations	(1,038,695)	291,607
	3,495,189	3,939,720
Paid interest	(298,067)	(344,999)
Paid corporate income tax	(54,362)	(24,914)
Net money from operating activities	<u>3,142,760</u>	<u>3,569,807</u>
Cash flows from investing activities		
Procurement of tangible and intangible assets, net inflows	(1,650,416)	(4,076,125)
Investments in subsidiaries	(105,920)	-
Investments in short-term deposits in a bank	(124,165)	(57,704)
Inflows from / (granted) loans to domestic legal entities	40,004	680
Proceeds from participation in profits from subsidiaries	-	255,731
Net money used for investment activities	<u>(1,840,497)</u>	<u>(3,877,418)</u>
Cash flows from financial activities		
Paid dividends	-	-
Inflows from loans, net	(1,189,840)	296,001
Net money from financial activities	<u>(1,189,840)</u>	<u>296,001</u>
Net increase / decrease in monetary assets	112,423	(11,610)

Financial assets at the beginning of the year	<u>85,458</u>	<u>97,068</u>
Financial assets at the end of the year	<u><u>197,881</u></u>	<u><u>85,458</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. REVENUES FROM ELECTRICITY SALE

	In thousand denars The year ending on December 31	
	<u>2015</u>	<u>2014</u>
Revenues from sale of electricity to EVN Macedonia AD Skopje	11,223,480	9,798,030
Revenues from the sale of electricity to AD Mepso	1,226,410	1,169,377
Revenue from the sale of night surpluses	645,910	1,002,848
Revenues from the sale of electricity, heat and heated water to qualified and end-consumers	<u>271,980</u>	<u>340,271</u>
	<u><u>13,367,780</u></u>	<u><u>12,310,526</u></u>

1. OTHER REVENUE

	In thousand denars The year ending on December 31	
	<u>2015</u>	<u>2014</u>
Compensation for insurance claims	100,851	28,175
Revenue from the sale of other products and services	154,871	299,521
Revenue from profit from subsidiaries	-	255,731
Paid penalties	414,026	513
Exemption of reservation for benefit of the employees	-	302
Write-off of short-term liabilities	20	7,857
Revenues from paid written-off debts	104,001	-
Release of a reservation for court disputes	6,707	-
Rental income	3,121	1,651
Income from amortization of donations (Note 29)	2,601	2,271
Refund of employee benefits	7,503	22,392
Other	<u>25,009</u>	<u>28,917</u>
	<u><u>818,710</u></u>	<u><u>647,330</u></u>

2. AMORTIZATION

	In thousand denars The year ending on December 31	
	<u>2015</u>	<u>2014</u>
Calculated amortization for the year	2,513,836	2,363,957
Reduced for lignite production costs	<u>(521,036)</u>	<u>(550,522)</u>

<u>1,992,800</u>	<u>1,813,435</u>
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3. EMPLOYEE COST

In thousand denars
The year ending on December
31

	<u>2015</u>	<u>2014</u>
Net salaries, personal income taxes and wages	3,043,326	3,080,177
Other mandatory employee benefits	226,207	229,371
Reservations for employee benefits	43,215	32,129
	<u>3,312,748</u>	<u>3,341,677</u>
Reduced for lignite production costs	<u>(1,698,417)</u>	<u>(1,663,983)</u>
	<u>1,614,331</u>	<u>1,677,694</u>

4. COSTS OF MAINTENANCE AND INSURANCE

In thousand denars
The year ending on December
31

	<u>2015</u>	<u>2014</u>
Maintenance costs	3,538,948	2,839,503
Insurance costs	171,819	186,528
	<u>3,710,767</u>	<u>3,026,031</u>
Reduced costs for lignite production	<u>(3,198,376)</u>	<u>(2,564,168)</u>
	<u>512,391</u>	<u>461,863</u>

5. RAW MATERIALS AND CONSUMER GOODS

In thousand denars
The year ending on December
31

	<u>2015</u>	<u>2014</u>
Purchase value of sold electricity	59,606	189,496
Spare parts	835,239	906,018
Mazut	424,505	907,106
Natural gas	193,765	221,646
Liquid fuel	72,063	101,044
Water	132,683	124,298
Raw materials	49,154	89,970
Consumption of small inventory	8,667	10,632
Consumed electricity	14,955	13,210

Costs for heating	2,970	3,346
Lubricants and oils	5,333	10,834
	<u>1,798,940</u>	<u>2,577,600</u>
Reduced for lignite production costs	<u>(641,549)</u>	<u>(842,283)</u>
	<u>1,157,391</u>	<u>1,776,523</u>

6. OTHER OPERATIVE COSTS

	In thousand denars	
	The year ending on December	
	31	
	2015	2014
Costs for contract of work	168,418	176,949
System services for providing power reserve	181,613	180,209
Other production services	17,310	25,786
Services for arranging sales of surplus electricity	-	-
Reservations for land reclamation	191,570	94,830
Additional paid income tax from the record of PRA	-	-
Reservation of court disputes	93,162	71,667
Sponsorships and donations	24,831	99,477
Contribution for water	78,644	79,590
Transportation services	29,985	44,599
Utilities	27,143	34,978
Bank provisions	16,574	24,077
Costs for transmission of electricity	69,740	50,470
Telephone and postage costs	7,134	9,679
Representation	5,552	7,068
Costs for current protection at work	9,813	11,357
Memberships	7,859	7,283
Marketing	125	10,318
Judicial expenses	7,883	15,889
Unwritten value of alienated real estate, plant and equipment	234	7,593
Professional training	452	-
Shortages of supplies in inventory	176	4,024
Taxes and contributions that do not depend on the result	55	225
Value adjustment of inventories	2,548	-
Other	182,610	156,847
	<u>1,123,431</u>	<u>1,112,915</u>
Reduced for lignite production costs	<u>(149,391)</u>	<u>(199,813)</u>
	<u>974,040</u>	<u>913,102</u>

7. INCOME FROM FINANCING

	In thousand denars	
	The year ending on December	
	31	
	2015	2014
Interest income	27,626	9,570
Позитивни курсни разлики	22,585	40,534

<u>50,211</u>	<u>50,104</u>
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8. FINANCE EXPENSES

In thousand denars
The year ending on December
31

	<u>2015</u>	<u>2014</u>
Interest expense	(296,134)	(294,119)
Interest on late payments	(2,390)	(10,854)
Negative exchange rate differences	<u>(49,754)</u>	<u>(41,277)</u>
	<u>(348,278)</u>	<u>(346,250)</u>

9. MONEY AND CASH EQUIVALENTS

In thousand denars
31
31 December **December 201**
2015 **4**

Monetary assets in banks:

- in denars	197,445	35,338
- Foreign currency	365	49,997
-Monetary assets in treasury	<u>71</u>	<u>123</u>
	<u>197,881</u>	<u>85,458</u>

10. CAPITAL AND RESERVES

a. Equity capital

The share capital of the Company is 31,738,878 thousand denars and is divided into 31,738,878 ordinary shares, with a nominal value of 1,000 denars per share. As of December 31, 2015 and 2014, the structure of the Company's core capital according to the Report of the Central Securities Depository is as follows:

	% structure		In thousand denars	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Government of 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 the Macedonian accounting regulations from previous years, the revaluation of real estate, plant and equipment was calculated on the basis of published indices of prices of industrial products. These coefficients influenced the increase in the recorded real estate balances, the plants and the equipment, and the effect of them influenced the creation of the revaluation reserves.

c.Mandatory reserve

In accordance with the local legislation, the Company is obliged to allocate compulsory reserve every year, which is formed by taking 5% of the net profit. Separation is made while the reserve does not reach an amount equal to one-tenth of the core capital. Until the statutory minimum is reached, this reserve can only be used to cover the loss, and when exceeding the minimum prescribed, the excess can be used to pay dividends.

d. Other capital

The Company has a special reserve that can be used to cover losses and other purposes, such as: risk insurance of employees, retirement and payment of remuneration over the established amount, charity; death of a worker or family member; severe consequences caused by natural disasters, long sick leave and severe disability or disease problems, funeral expenses, professional improvement and sponsorship.

The manner of creation, investment, organization and use, the amount of funds, as well as the plan and program of using the special reserve are determined by the Shareholders Assembly of the Company with a special act.

12. CLAIMS FROM BUYERS AND OTHER CLAIMS

	In thousand denars	
	31 December 2015	31 December 2014
Customer orders - regular		
Claims from buyers in the country	3,269,788	3,134,156
Foreign trade receivables	4,234	4,238
	<u>3,274,022</u>	<u>3,138,394</u>
Decreased for: Impairment losses (Note 12)	(528,407)	(306,884)
	<u>2,745,615</u>	<u>2,831,510</u>
Customer Claims-division balance		
Current part of claims of public institutions after concluded agreement	755,840	749,275
Request from EVN Macedonia AD Skopje for non-signed agreements with public institutions	73,357	73,527
	<u>829,197</u>	<u>822,802</u>
Decreased for: Impairment losses (Note 12)	(713,850)	(510,703)
	<u>115,347</u>	<u>312,099</u>
Customer claims - total	4,103,219	3,961,196
Decreased for: Impairment losses	(1,242,257)	(817,587)
	<u>2,860,962</u>	<u>3,143,609</u>
Other receivables		
Claims from subsidiaries	66,695	114,603
Decreased for: impairment losses	(581)	-
	<u>66,114</u>	<u>114,603</u>
Interest payments	1,052,987	1,117,782
Decreased for: Impairment losses (Note 12)	(1,050,537)	(1,033,380)
	<u>2,450</u>	<u>84,402</u>
Credit claims from IBRD	48,257	78,933
Unbalanced claims from internal relations (transactions between organizational units)	-	-
Claims based on loans granted to other domestic legal entities	8,556	48,560
Claims from employees	3,200	3,239
Receivables from insurance companies	-	-
Value added tax receivables	-	-
Claims for a subscription tax	-	41,919

Other	90	
	<u>60,103</u>	<u>172,651</u>
Decreased for: Impairment losses (Note 12)	(8,556)	(8,556)
	<u>51,547</u>	<u>164,095</u>
	<u>2,981,073</u>	<u>3,506,709</u>

13. OBLIGATIONS TOWARDS SUPPLIERS AND OTHER LIABILITIES

	In thousands of denars	
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Suppliers:		
Domestic	2,507,775	3,194,692
Foreign	<u>11,064</u>	<u>85,124</u>
	2,518,839	3,279,816
Other Liabilities:		
Liabilities to subsidiaries	202,312	215,959
Wage Liabilities	166,331	156,190
VAT liabilities	134,670	56,423
Income tax liabilities	98,233	-
Liabilities for contributions and payroll taxes	92,286	88,022
Other obligations towards employees	11,868	62,851
Liabilities for interest	26,252	26,252
Liabilities for leasing contracts	-	-
Obligations under the collective agreement	6	1,329
Other	<u>37,962</u>	<u>34,972</u>
	<u>769,920</u>	<u>641,998</u>
Pre-calculated costs:		
Calculated annuities per loan from IBRD	918	24,923
Pre-calculated costs for open letter of credit for the purchase of equipment	140,624	347,999
Other	<u>1,264</u>	<u>2,715</u>
	<u>142,806</u>	<u>375,637</u>
Deferred revenue on the basis of foreclosed claims (Note 12)	-	-
	<u>3,431,565</u>	<u>4,297,451</u>

