

SHAREHOLDING COMPANY WITH
MIXED OWNERSHIP OF CAPITAL
ТОПЛИФИКАЦИЈА АД - СКОПЈЕ

ТОПЛИФИКАЦИЈА



**ANNUAL REPORT
2001**

Republic of Macedonia, April 2002

1. INTRODUCTION

The annual report for 2001 was prepared based upon the annual financial calculation, energy and technological balances, as well as separate reports by the separate departments in Toplifikacija AD-Skopje.

It is created in order to supply the necessary information for the Shareholders Assembly on the operation and the results achieved by the shareholding company in the year 2001.

Toplifikacija AD-Skopje is a legal entity carrying out business activities in order to achieve positive financial results - profit. The organizational arrangement of the company has been determined in the form of a Shareholding Company with a mixed ownership of capital

The transformation of the company was achieved during 1999 in accordance with the Law on Transformation of Companies with Public Capital, and also a coordination has been carried out of the company with the Law on Trade companies.

This company has been registered in the registry court Principal Court Skopje I -Skopje, it has been registered in the Trade Registry under T.reg.br.7826 from 05.10.1999 as "Shareholding Company Toplifikacija - Skopje for the Production and Distribution of Heat".

T1. Global Economic Indicators in 2001.

a) Registered consumption in the buildings	565,731	MW
b) Technological capacity		
- Heating plants - available capacity	523.85	MW
- District heating grid - length	148,5	km'
c) Production of heat	694.843	MWh
d) Number of employees on 31.12.2001	370	personnel
e) Consumption of energy sources in our activity:		
- Fuels - in fuel oil equivalents	68.962	t
- Power consumption -active	18.864	MWh
f) Positive financial results - net profit	84,926	10⁶ Den.

The basic economic activity of "Toplifikacija" AD - Skopje consists of production and distribution of heat in the region of the city of Skopje.

The other activities are mainly in function of the basic activity, and are determined as follows: distribution of gas fuels, construction and mounting of structures for district heating and gas supply, investment programs, studies and analyses, investment and technical documentation for thermal energy structures, district heating and gas supply grid, scientific research work, and realization of work in engineering in the thermal-techniques and energy sector, programming and software, as well as other activities. In the past period Toplifikacija has broadened its activities in the fields of marketing and sales as well as in foreign trade.

Toplifikacija is carrying out its activities successfully through several of its sector units: Bureau of Directors; Development, Design and Investments Sector; Sector for Production of Heat and Maintenance of Thermal Apparatuses; Sector of Distribution and Measurement of heat and gas, Economic Sector, Personnel and Legal Issues Sector.

The management of the shareholding company is organized in a two level system in accordance with the Company Law, namely:

- Assembly of the shareholders of the company,
- Supervisory Board of the company,
- Management Board of the company.

The Assembly of shareholders of the company was constituted on 05.10.1999, after coordination of the organization of Toplifikacija Skopje with the Company Law. The Assembly is made up of representatives of the owners of share-holding capital in the company.

The Supervision Board is made up of 5 members supervising the management carried out by the Management Board of the company. Its members are nominated by the shareholders' Assembly.

The Management Board manages the shareholding company, it is an organ made up of 7 members, and its members are nominated by the Supervision Board of the company.

The president of the Management Board manages the shareholding company. The president of the Management Board represents and acts in name of the company in its relations with third parties. The same person is also responsible for issues of the employees and work relations in the company.

The Expert Board is an advisory body to the Director. It reviews all issues of the current operation of the company and the development, and passes decisions and opinions on them.

The employees realize their rights and duties based upon their jobs, in accordance with the Collective Agreement of

the shareholding company.

Health protection of the employees is realized by *Labor Medicine* in our city, and a part of the employees are sent to regular annual recreational vacations. During 2000, there were 8 transgressions on the job, of minor character.

1.1. PERSONNEL STRUCTURE

At the end of 2001 there was a total of 370 employees in "Toplifikacija" AD-Skopje, of which 288 male and 82 female.

T 2a. Personnel structure

Qualification groups			Employees
1			2
1.	VIII /1	+Dr.Sci	1
2.	VII/1	+Univ.Diploma	39
3.	VI/1	+Univ. I-degree	16
4.	V	+Highly Qualified	10
5.	IV	+Secondary school	172
6.	III	+Qualified	98
7.	II	+Half-qualified	20
8.	I	+Non-qualified	14
TOTAL			370

During the year 2001, two persons were employed in the company, with a limited duration. At the same time a total number of 12 employees have left our company, of which 5 went with their old age retirement.

There was a reduction of the work force in the year 2001 from 3880 to 370 employees.

T2b. Number of employees in organizational units

Department / Sector	Employees
Bureau of directors	8
Sector of Development, design and investments	14
Sector of production of heat and maintenance of thermal apparatuses	133
Sector of distribution and measurement of heat and natural gas	80
Sector of economics	84
Sector of legal issues	51
TOTAL :	370

2. REALIZATION OF THE ECONOMIC ACTIVITY

The economic activity of Toplifikacija AD - Skopje consists of production and distribution of heat for the heating of apartment and business buildings which are connected to the district heating system of the city. Toplifikacija carried out its activity in the year 2001 through the district heating plants "Istok" /East/ and "Zapad" /West/, as well as through the boiler houses "11-ti Oktomvri" and "Park". The boiler house "Vodno" is not being operated, the consumption of heat necessary is being satisfied from the Heating Plant Zapad.

The delivery of heat to the consumers is realized in accordance with the mode temperatures diagram which is designed based upon the variation of outside temperatures in the geographic region of the city of Skopje during the heating season.

2.1. CLIMATIC PARAMETERS

The average outside temperatures for each heating plant and for each month separately, are stated in the next table. From table T3, one can see that the average outside temperature in the heating period of the year of 6,69 °C is 1,40°C degrees higher than the design temperature - which is 5,30 °C. Compared with the latest several years, higher average outside temperatures were registered .

T 3 Average outside temperature for the months in 2001

MONTH	Plan	"Istok"	"Zapad"	"11 Okt."	Average
January	0.9	4,1	4,5	4,75	4,26
February	2.7	5,3	5,42	5,16	5,33
March	6.5	12,75	12,81	13,17	12,79
April	11.0	11,68	11,98	12,3	11,81
October	11.0	13,27	12,94	13,13	13,16
November	7.3	6,5	6,49	6,61	6,50
December	3.0	- 3,22	- 2,54	- 2,98	- 2,99
Average:	5.3	6,61	6,82	6,89	6,69

The average outside temperatures in each of the heating plants for each month during the reported period are stated in the previous Table 3. This gives us the average annual temperature for the heating season 2000/2001 amounting to 6,69 °C. This temperature is for 1,40 °C higher than the design temperature (which amounts to 5,29°C).

2.2. HEATING PERIOD

The calendar year of 2001 was planned with 183 heating days or 4.392 heating hours. It was planned for the season of 2000/2001 to end on 15.04.2001, and for the new season 2001/2002 to start on 15.10.2001. The heating season of 2000/2001 started on 16.10.2001 but thus lasted upon 26.04.2001 because of lower temperatures, so the heating period lasted 192 days in the year 2001.

2.3. INSTALLED CAPACITY

The heat from the Heating Plants "Istok" and "Zapad", as well as from the boiler-houses "11 Oktomvri" and "Park", was delivered to the consumers in the heating months of 2000/2001. The boiler house "Vodno", as in the previous heating seasons, remained shut down during the whole year.

The boiler house "Park" was in operation only first 10 days in January 2001 year.

The total installed heating capacity of Toplifikacija AD of the year 2001 amounted 523,850 MW were hot water capacity was 491,130 MW and steam capacity was 32,720 MW.

2.3.1. Hot Water Capacity

The total hot water capacity, at the end of year 2001 amounted to 491,690 MW. Of that, 478,300 MW are in active use. The two existing boilers in KO "Vodno" and KO Park, with a total capacity of 12,830 MW, have been sealed and preserved.

T5. Hot water boiler capacity in active use

Type of hot water boiler	Unit Capacity (MW)	No. of boilers	Location (Heating plant)	Total Capacity (MW)
VKSM - 60	69,780	2	"Istok"	139,560
VKSM - 40	46,520	3	"Istok"	139,560
Total	/	5	TO "Istok"	279,120
VKSM -20	23,260	2	"Zapad"	46,520
VKSM -50	58,150	2	"Zapad"	116,300
BKG-100/a	8,150	1	"Zapad"	8,150
Total	/	5	TO "Zapad"	170,970
BKG - 80	5,965	2	"11 Oktomvri"	11,930
BKG - 200	16,280	1	"11 Oktomvri"	16,280
Total	/	3	"11 Oktomvri"	28,210
TOTAL active		15	Toplifikacija AD	478,300

T5a. Hot water boiler capacity in conserved condition

Conserved hot-water boilers	Unit Capacity (MW)	No. of boilers	Location (Heating Plant)	Total Capacity (MW)
CVG - 120	1,94	2	KO "Vodno"	3,88
BKG - 60	4,475	2	KO Park	8,95
TOTAL conserved	/	4	Toplifikacija AD	12,83

2.3.2 Steam Capacity

Total steam capacity was 32,720 MW from which the heating plants "Istok" and "Zapad" continue to satisfy our own needs of heat and technological steam with two block boilers each. Of the total steam capacity, two steam boilers BKG-100 are in use in the heating plant "Istok" and two steam boilers are in use in "Zapad", while only the steam boiler BKG-80 remains conserved in the heating plant "Istok".

T5b. Steam capacity in active use

Type of steam boiler	Unit Capacity (MW)	No. of boilers	Location (Heating Plant)	Total Capacity (MW)
BKG - 100	7,405	2	"Istok"	14,81
Total	/	2	TO "Istok"	14,81
BKG - 80	5,97	2	"Zapad"	11,94
Total	/	2	TO "Zapad"	11,94
TOTAL active	/	4	"Toplifikacija"	26,75

Table T5b shows the steam boilers which are in active use.

The remaining block boiler in its current location is in the following table.

T5c. Conserved Steam Capacity

Type of steam boiler	Unit Capacity (MW)	No. of boilers	Location (Heating Plant)	Total Capacity (MW)
BKG - 80	5,970	1	TO "Istok"	5,970
TOTAL conserved	/	1	"Toplifikacija"	5,970

2.4. CONNECTED HEAT CAPACITY

The following table shows the state of the capacity according to categories of consumers on 31.12.2000 and on 31.12.2001, according to data from the Economy Sector of Toplifikacija AD - Skopje.

T6. Connected heat capacity on 31.12.2000.

Residential space - fixed rate payment	31.12.2000	31.12.2001
Number of apartments	43.527	45.646
Total surface m ²	2.677.714	2.684.415
Capacity MW	351,391	358,070

Business space - fixed rate payment	31.12.2000	31.12.2001
According to square meters (m ²)	22,385	24,759
According to capacity (MW)	47,048	45,291
Total capacity (MW)	50,182	48,762

Individual residential houses - payment according to measurement	31.12.2000	31.12.2001
Installed capacity (MW)	28,357	30,031
Currently corrected capacity (MW)	29,309	30,824

Business space - payment according to measurement	31.12.2000	31.12.2001
Standard structures - economy		
Installed capacity (MW)	125,204	115,433
Currently corrected capacity (MW)	105,585	101,722
Special structures (kindergartens and institutions)		
Installed capacity (MW)	13,722	13,772
Currently corrected capacity (MW)	12,451	12,539
Elementary Schools		
Installed capacity (MW)	14,253	12,539
Currently corrected capacity (MW)	14,729	13,814

From the tables above and the books of Toplifikacija AD, it is obvious that two kinds of consumption is registered, namely these are *installed* capacity and *registered* capacity of the consumers. The registered capacity is the one determined from the reading of the heat meters during the heating period. A larger part of the consumers from the business as well as individual consumers have a possibility to carry out regulation of the quantity of energy they need, so that the consumption changes compared with the installed situation determined from the mechanical engineering design for the installations of the constructed house.

Heat meters are planned in the development planning of Toplifikacija AD, namely installation of heat meters in all buildings which have been connected to the district heating system.

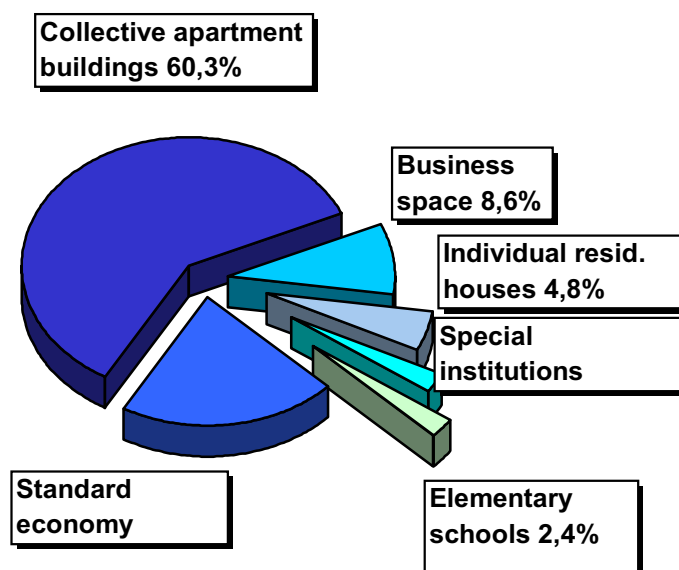
Based upon data from the Economy Sector of Toplifikacija on the consumers with a fixed rate payment, we have accepted the following values for specific heat burdening: 131,228 W/m² for residential apartment buildings and 140 W/m² for business with a fixed rate payment.

The previous table shows that we have a constant change of consumption in the various categories of consumers. We can thus see a constant increase of consumption in the category of collective buildings /high multi-apartment buildings with a vertical distribution in the building) as well as in standard buildings - business.

Of the total number heat consumers connected to our system, residential buildings (individual houses with heat measurement, as well as collective buildings with fixed rate payment) participate with 65,12 % of the installed consumer capacity, and with 67,54 % of the currently corrected consumer capacity.

- **installed capacity** is the capacity according to the design documentation, while the
- **currently corrected** capacity is the one the consumer is currently utilizing and which is corrected every 3 months in accordance with higher or lower consumption.

Only the residential collective buildings make up 60,26 % of the installed capacity, or 62,34 % of the total currently corrected consumption. A graphical depiction follows, of the installed consumer capacity according to categories of consumers.



2.5 FUEL CONSUMPTION

2.5.1. Consumption of Fuel Oil

In the year 2001, 52.370 tons of fuel oil were consumed. The consumption of fuel oil in the separate heating plants and for each month is given in the following table. From the table, one can see that, compared with the planned quantities, all heating plants have realized a lower consumption of fuel oil

Most of the consumption of fuel oil was realized in the two main heating plants "Istok" and "Zapad" which have a greatest consumer capacity connected to them.

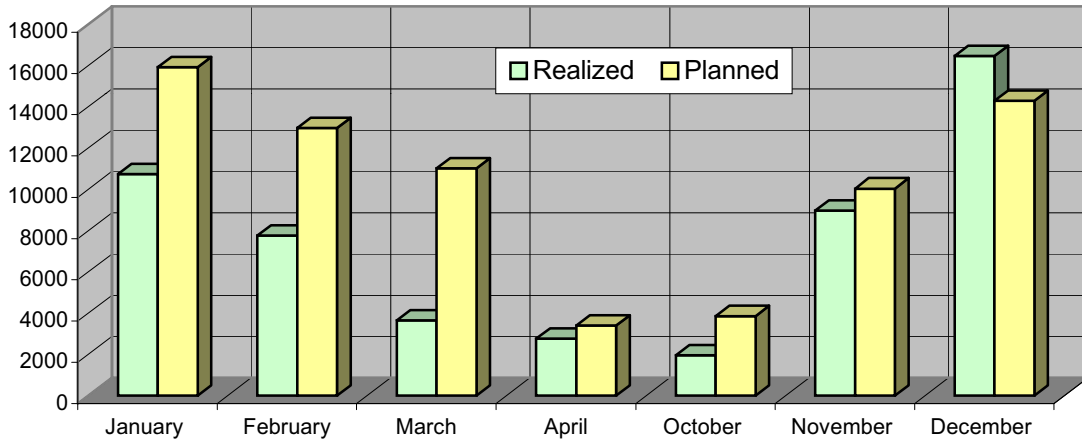
T 7 Consumption of fuel oil in the months of 2000.

MONTH	Istok	Zapad	11 Oktom.	Park	Total
January	5.670,7	4.297,7	689,3	88,3	10.746,0
February	3.905,8	3.293,3	569,7	/	7.768,8
March	1.610,0	1.781,8	264,7	/	3.656,4
April	1.033,0	1.497,6	244,5	/	2.775,1
October	1.040,4	792,0	128,6	/	1.960,9
November	4.960,7	3.472,7	558,6	/	8.992,0
December	9.506,4	5.884,3	1.082,2	/	16.470,9
TOTAL:	27.726,7	21.019,3	3.535,5	88,3	52.370,0

The heating plant "Istok", being the largest energy capacity in our system, has this year also consumed more fuel oil than in the rest of the heating plants together. Compared with the previous years the quantity of consumed fuel oil in this plant is less due to the use of natural gas which is used as substitution for the fuel oil.

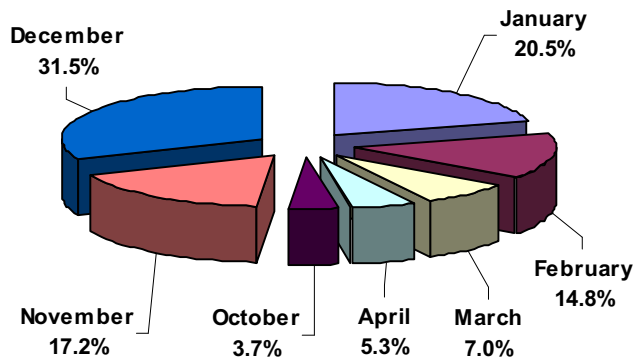
The months with the lowest average outside temperatures (January, February, November and December), when the longest periods of delivery of heat were also registered, also registered the greatest consumption. The following graph shows the consumption of fuel oil per month compared with the planned quantities.

Consumption of Fuel Oil in the year 2001

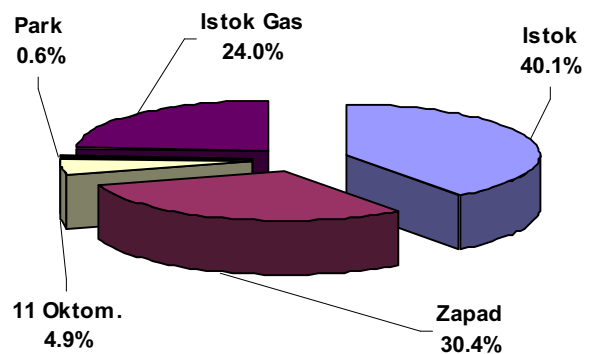


The upper diagram clearly points out that the consumption per month was under the planned value excluding december, yet the situation is not quite clear due to the substitution of fuel oil with natural gas. The following diagrams give a picture of the percentages in separate months, i.e. the various heating plants, in the total consumption of fuel oil, during 2001.

Monthly Consumption of Fuel Oil in 2001

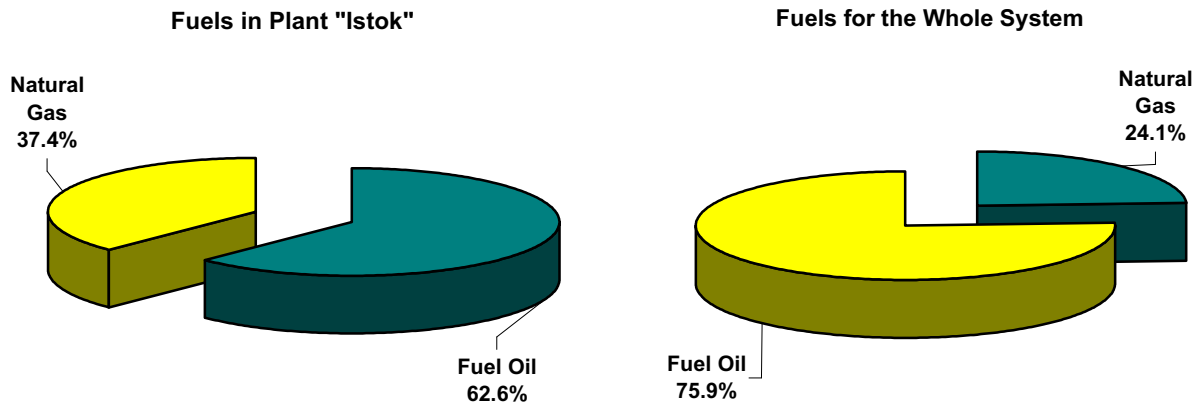


Fuel Oil per Plant in 2001



2.5.2. Consumption of Natural Gas

During the whole of the heating season of 2001 (with varying intensity) natural gas was also used in the Heating Plant "Istok". The participation of natural gas in the consumption of fuel in the heating plant "Istok" as well as compared to the total consumption in the whole system is given in the following pies.

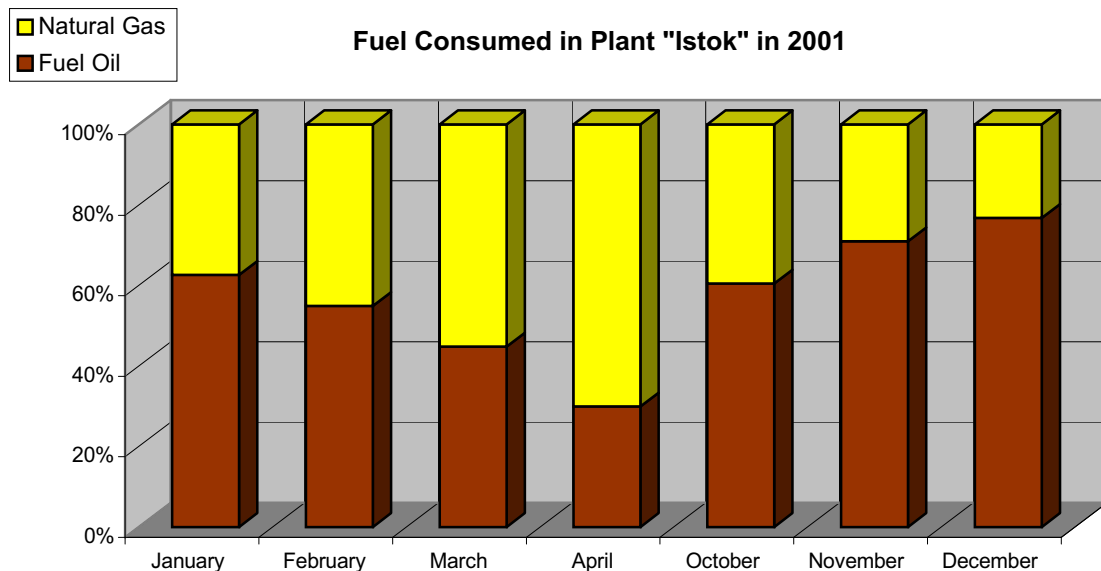


The realized consumption during the heating season of 2001, as well as the appropriate quantities of fuel oil which would have been consumed instead of the natural gas for the months of 2001 are stated in the following table T7a.

T7a Consumption of natural gas in the months of 2000.

MONTH	I	II	III	IV	X	XI	XII	TOTAL
Natural gas (m ³)	4.078.845	3.865.410	2.390.849	2.911.120	819.800	2.443.004	3.460.328	19.969.362
Equivalent Fuel oil (t)	3.388,92	3.211,59	1.986,44	2.418,71	681,13	2.029,78	2.875,02	16.591,61

The bar interpretation gives a percentage of natural gas compared with the fuel oil consumption in the heating months of 2001.



2.6. POWER CONSUMPTION

The total consumption of active electric energy in the heating months of 2001, , amounted to 18.713.418 (kWh).

If we take into account that the planned consumption of electric energy for the year 2001 was 19.925.000 (kWh), the realized total consumption is under the planned level. 149.778 (kWh) of active electric energy has been consumed in

the substations, having in mind that the meters were often blocked , so the consumption in the substations should be taken with certain reserve.

Her we have to know that in TO Istok was in use six series of circulation pumps in the overall part of heating season , which means that the power consumption has to be larger in the future.

We must mention also that the boiler house "Vodno" functions as a substation, i.e. it is using solely the circulation pump.

The variation of power consumption in the past years (1994/2001) is given in the following table.

T8 Power consumption in the period 1994/2001.

Structure	1994 (kWh)	1995 (kWh)	1996 (kWh)	1997 (kWh)	1998 (kWh)	1999 (kWh)	2000 (kWh)	2001 (kWh)
Heating plants	16.636.464	18.819.245	19.357.462	20.387.872	18.837.219	19.120.613	17.733.808	18.713.418
Substations	191.350	200.580	203.964	187.975	165.636	140.448	185.420	149.778
TOTAL	16.827.814	19.019.825	19.561.426	20.575.847	19.002.855	19.261.061	17.919.228	18.863.196

If we compare the consumed quantities of active electric energy in the past several years we can notice that there is a tendency of constant increase of the consumption until the year 1997, when the largest consumption has been registered. The next two years after that there is a mild increase.

The year 2001 registers a little increase of consumed electricity, which is a consequence of the highest number of working days (hours). In December, a sixth series of circulation pumps were commissioned in the Heating Plant "Istok", which will increase the consumption of electric energy in the future also.

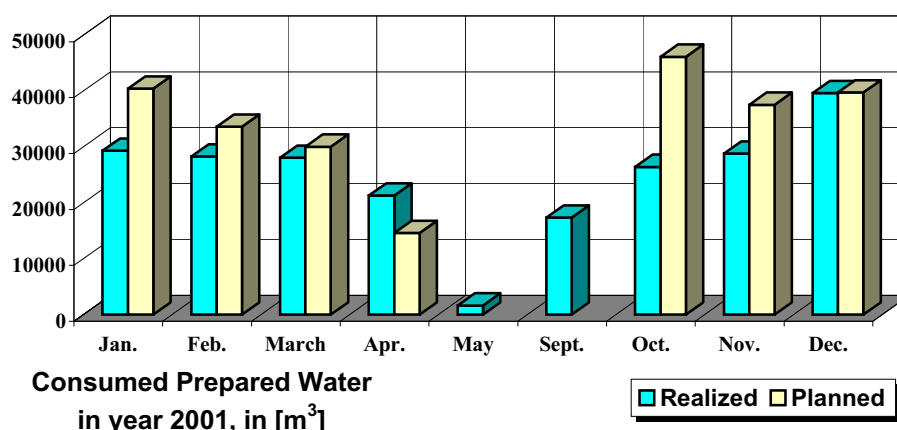
2.7. CONSUMPTION OF CHEMICALLY PREPARED WATER AND SALT

The whole system is supplied with water through the heating plants "Istok" and "Zapad" , while only the plant "11 Oktomvri", which is not connected to the rest of the system, supplies its own water. The consumption of chemically prepared water for the heating plants for each month in year 2000 is given in the following table. The data has been supplied from the Department of Chemical Preparation of Water.

T9 Consumption of chemically prepared water in the months of 2001.

	Istok (m ³)	Zapad (m ³)	11 Oktom. (m ³)	Total (m ³)
January	16.040	11.862	1.381	29.283
February	13.390	13.045	1.847	28.282
March	13.980	13.719	345	28.044
April	12.726	8.124	414	21.264
May	1.069	529	10	1.608
September	14.522	2.496	317	17.335
October	17.903	7.631	865	26.399
November	17.178	9.944	1.659	28.781
December	21.311	16.435	1.849	39.595
TOTAL:	127.050	83.256	8.677	220.591

The following graph gives a picture of the consumption of the chemically prepared water per month in 2001.



The previous graph gives a picture of the consumption of chemically prepared water in each of the months of year 2001. The plan for 2001 intended a quantity of 247.900 (m³) prepared water. The realized consumption of 220.591 (m³) is above the planned quantity for 28.917 (m³) or 11,66% of the total amount. Compared with the consumption for 2000 of 265.648 (m³), there was a somewhat lesser consumption in 2001.

The following table presents the consumption of industrial salt per month in 2001 as well as in the previous several seasons. Obviously we have decreased consumption of salt in the 3 last years, as well, for its regeneration.

T.9a. Consumption of industrial salt in the heating plants in 2000/2001

	1993 (kg)	1994 (kg)	1995 (kg)	1996 (kg)	1997 (kg)	1998 (kg)	1999 (kg)	2000 (kg)	2001 (kg)
Istok	122.500	91.650	116.400	78.050	96.600	132.950	150.000	125.400	112.970
Zapad	98.700	111.300	118.900	90.850	101.650	102.850	87.830	92.000	69.700
11 Okt.	6.200	7.400	5.470	7.200	6.400	6.000	10.950	13.920	11.960
TOTAL:	227.400	210.350	240.770	176.100	204.650	241.800	248.780	231.320	194.630

Taking into account the planned quantity of salt of 247.900 (kg), the actual consumption is under this level.

The specific consumption of salt in 2001 amounts to 0,89 kg/m³ for Heating Plant "Istok", 0,89 (kg/m³) for Heating Plant "Zapad" is better than planned, while the Boiler House "11 Oktomvri" this amounts to 1,38 (kg/m³).

2.8. PRODUCED HEAT

A total amount of 694.839 MWh of heat was produced in the heating months of 2001, which is somewhat under the planned quantity for the year of 717.144 MWh. The following table gives the data on produced heat per heating plant per month during 2001, having in mind that the production of heat with fuel oil and gas, as well as the total amount, in plant "Istok" are given separately.

T10. Production of heat in months and per heating plants in 2001.

	Istok-fuel oil (MWh)	Istok-gas (MWh)	Istok (MWh)	Zapad (MWh)	11 Okt. (MWh)	Park (MWh)	Total (MWh)
January	56.525	35.299	91.824	42.839	6.871	881	142.415
February	38.933	33.452	72.385	32.828	5.679	/	110.892
March	16.048	20.691	36.739	17.760	2.639	/	57.138
April	10.296	25.193	35.489	14.928	2.437	/	52.855
October	10.370	7.094	17.464	7.894	1.282	/	26.641
November	49.449	21.142	70.591	34.616	5.568	/	110.774
December	94.760	29.946	124.706	58.655	10.767	/	194.127
TOTAL:	276.381	172.818	449.198	209.520	35.243	881	694.842

Of the total heat produced, nearly 0,5% is used for our own (technological and working space heating) needs, and only in two main plants and the rest is delivered to the customers. The total heat delivered from the plants amounts to 692.250 MWh. The quantity of delivered heat from all heating plants for 2001 are stated in the following table.

T10a. Delivery of heat at the exit of the heating plants in 2001.

	Istok (MWh)	Zapad (MWh)	11 Oktom. (MWh)	Park (MWh)	Total (MWh)
January	91.535	42.599	6.871	880.5	14.886
February	72.181	32.640	5679	/	110.500
March	36.659	17.669	2.639	/	56.967
April	35.435	14.850	2.437	/	52.722
October	17.414	7.853	1.281	/	26.548
November	70.341	34.422	5.568	/	110.331
December	124.220	58.309	10.767	/	193.296
TOTAL:	447.785	208.343	35.242	880.5	692.250

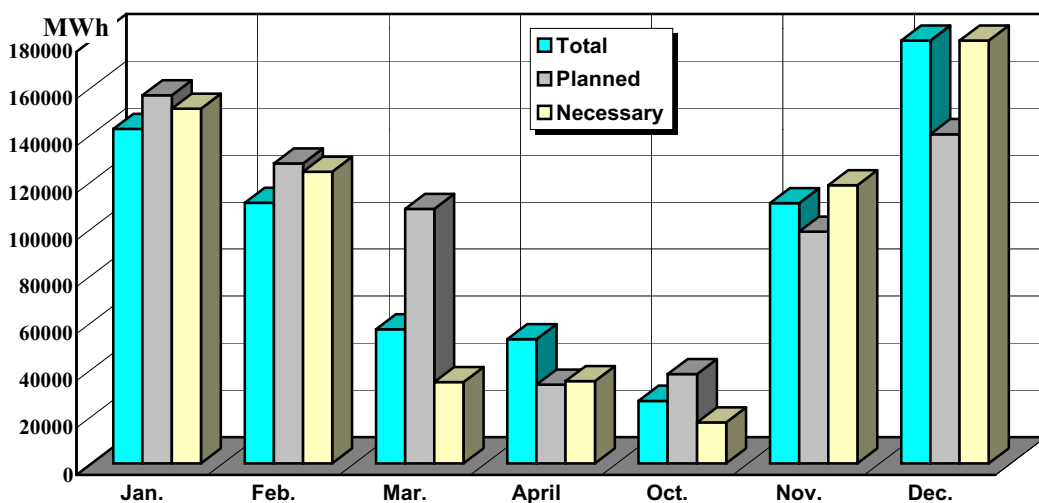
Several years now, the losses from the distributive network are calculated at 17%.

But in 2001 year with installing heat meters in objects the losses in the distributive network become on level of 13% which means that delivered heat amounts 602.257 MWh to the consumers.

The following table presents the values of delivered heat to the consumers from each of the plants per month of the heating season

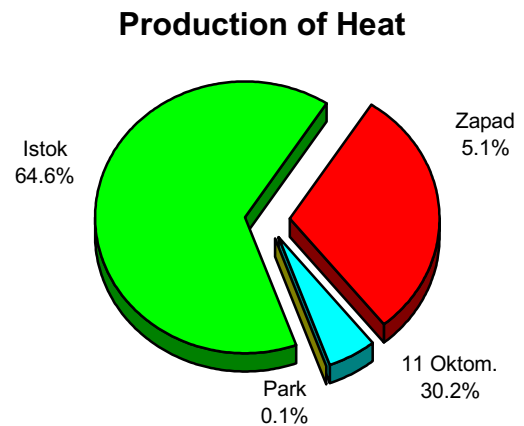
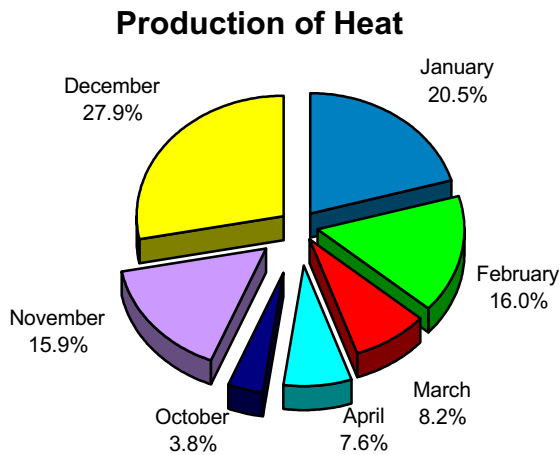
T10b. Delivered heat to the consumers in 2001.

	Istok (MWh)	Zapad (MWh)	11 Oktom. (MWh)	Park (MWh)	Total (MWh)
January	79.635	37.061	5.978	766	123.441
February	62.797	28.397	4.941	/	96.135
March	31.893	15.372	2.296	/	49.561
April	30.828	12.920	2.120	/	45.868
October	15.150	6.832	1.114	/	23.097
November	61.197	29.947	4.844	/	95.988
December	108.071	50.729	9.367	/	168.168
TOTAL:	389.573	181.258	30.660	766	602.257

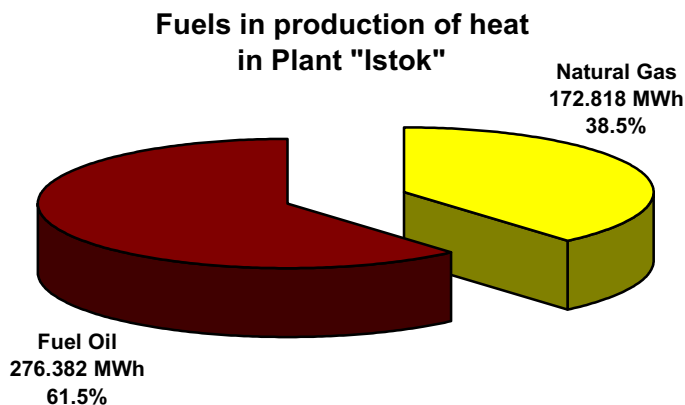
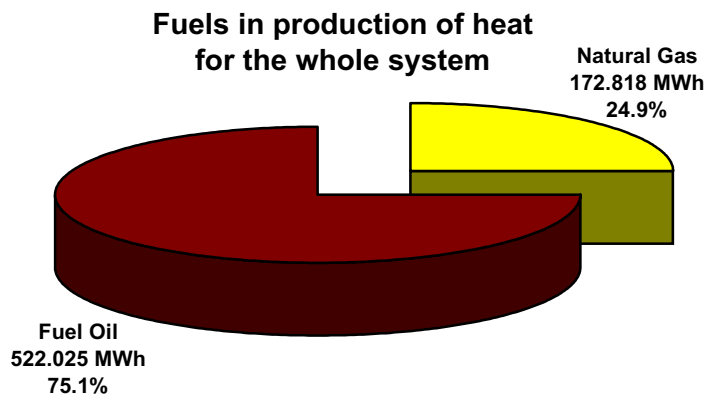


Comparison of Produced, Planned and Necessary Heat in 2001

The production of heat from the separate plants and in the months of the heating season in year 2001 are given with the following pies.



The previous pie shows that in the year 2001 the month of December dominates with its "production" of heat as compared to the rest of the heating months, most of all because of the registered low outside temperatures.



Throughout 2001, gas was used as well as fuel oil in the heating plant "Istok". The produced heat through combustion of gas, expressed in percentages, compared with the total production of heat in the plant "Istok" amounts to 38.5%. Compared to the total produced heat in the whole district heating system the percentage of heat produced with gas amounted to 24.90%.

In comparison with the previous year this percentage of heat produced with gas has not been changed relatively.

The previous graphics present the percentages of natural gas and fuel oil in the production of heat, only in plant "Istok" and in relation to the total produced heat in the district heating system.

3. FINANCIAL FLOWS IN 2001

Based upon the projection of the annual financial calculation of the company for the year 2000, basic financial flows are determined in the activity of Toplifikacija AD - Skopje. First the basic aggregate positions are determined of the financial flows of the company in the following table T.20.

T.20. Basic financial aggregate positions in 2000/2001

amounts in (000) Denars

ELEMENTS	Previous year I-XII- 2000	Current year I-XII- 2001	Column 3(%)	Index (3:2)
1	2	3	4	5
1. Realized total revenues	1.278.243	1.344047	100,00	105,15
2. Realized total expenditures	1.178293	1.251.545	93,12	106,22
3. Gross profit (1-2)	99.950	92.502	6,88	92,55
3.1 Fiscal obligations from the profit	14.993	7.576	0,56	50,53
3.2 Net profit (3-3.1)	84.957	84.926	6,32	99,96

In continuation of the report, certain positions of the financial flows of Toplifikacija for the year 2001, in comparison with the previous year are shown in tables.

T.20.a. Review of balance positions in the financial flows of Toplifikacija AD - Skopje in 2000/2001

ELEMENTS	amounts in (000) Denar		On Column 3		00/99 3:2
	2000	2001	%	%	
1	2	3	4	5	6
I. Balance of revenue positions	1.278.243	1.344.047	100,00	100,00	105,15
1. Heat	1.125.314	1.232.560	91,71	91,71	109,53
- residential space	638.600	689.359	51,29	51,29	107,95
- business space	486.714	543.201	40,42	40,42	111,61
2. Other activities	152.929	111.487	8,29	8,29	72,90
- revenues from financing (rates)	14.587	15.201	1,13	1,13	104,2
- insurance (rev. from paid damages)	18.964	2.454	0,18	0,18	12,94
- own products and services in the investments for fixed assets in Toplifikacija	1.025	0	0,00	0,00	0,00
- court taxes paid	59.274	68.368	5,12	5,12	115,34
- design and supervision	925	543	0,04	0,04	58,70
- sale of waste materials	19.691	9756	0,73	0,73	49,55
- other activities	9.774	14.592	1,08	1,08	142,3
II. Balance of expenditure positions	1.178.293	1251.545	100,00	93,12	106,22
1. Consumed raw materials, spare parts, small inventory, etc.	24.098	20.038	1,60	1,49	83,15
2. Office materials	2.429	2.682	0,21	0,20	110,42
3. Fuel for the basic activity	732.355	769.683	61,50	57,27	105,10
a) Fuel oil	521.355	572.366	45,73	42,59	109,78
b) Natural gas	211.000	197.317	15,77	14,68	93,52
4. Power	47.637	48.472	3,87	3,61	101,75

5. Gasoline, diesel/light oil and lubricants	3.112	2.313	0,18	0,17	74,33
6. Transportation and PTT services	5.094	5.616	0,45	0,42	110,25
7. Services for current and investment maintenance of the assets	18.316	21.238	1,70	1,58	115,95
8. Reservation of costs and risks		0	0	0	0
9. Public utilities, products and services	22.290	17.321	1,32	1,29	77,71
- Court taxes	3.108	3.116	0,25	0,23	100,26
- Intellectual services	1.242	2.679	0,21	0,20	21,70
- Bank services	2.367	3.727	0,30	0,28	157,46
- Taxes for registering the company	3.458	333	0,03	0,02	9,63
- Costs for "Skopje-Sever"	1759	10	0,00	0,00	0,57
- Other costs	9.122	6.424	0,40	0,38	70,42
10. Techn. prepared water	9.214	6.060	0,48	0,45	65,77
11. Depreciation/Amortization	60.311	64.388	5,14	4,79	106,76
- Depreciation according to the min. determined rate	57.770	64.388	5,14	4,79	111,46
- Revaluation of the depreciation	2541	2.541	0,21	0,20	7260,0
- Depreciation of the grid	38.495	0	0	0	0
12. Insurance premiums on work assets of Toplifikacija	10.869	6.424	0,51	0,48	59,10
13. Non-material costs	46.083	35.880	2,87	2,67	77,86
a) Transport and nourishment of the workers	20.678	19.441	1,55	1,45	94,02
b) Other non-material costs	25.405	16.439	1,31	1,22	64,71
* Travel costs	1.174	832	0,07	0,06	70,87
* Labor association	17.273	7.950	0,64	0,59	46,03
* Vacation money	3.812	4.001	0,32	0,30	104,96
* Jubilee awards	866	450	0,04	0,03	51,96
* Representation and solidarity help	2.280	3.206	0,26	0,24	140,61
14. Gross salaries in Toplifikacija	122.654	138.636	11,08	10,31	113,03
- Net salaries and compensations	68.654	81.765	6,53	6,08	119,10
- Deductions and taxes	54.000	56.871	4,54	4,23	105,32
15. Financing expenditures (bank rates)	10.482	32.679	2,61	2,43	311,76
16. Extraordinary expenditures (writing of receivables)	3.313	16.733	1,34	1,24	505,07
17. Other costs of operation	19.925	20.102	1,61	1,50	100,89
* Sale of fuel oil (purchase value)	6.031	3.281	0,26	0,23	54,40
* Spare parts and raw materials (purchase value)	11.622	3.134	0,25	0,23	26,97
* Various taxes and contributions and atachements)	2.272	13.687	0,19	0,18	602,40
III. Gross profit (I-II)	99.950	92.502	7,39	6,88	92,55
1. Tax on profit	14.993	7.576	0,61	0,56	50,53
2. Net profit (III -III/1)	84.957	84.926	6,79	6,32	99,96
1. Non-allocated profit	/	/	/	/	/

3.1. BALANCE OF REVENUES

In the calendar year of 2001 the realization of the activity of Toplifikacija is carried out in conditions of a mainly identical monetary economic policy in Macedonia, realization of the production of heat of 694.843 MWh, heat consumption of our clients of 565,731 MW, as well as other achievements which are mainly in accordance with the Annual Business Plan of the company. .

Toplifikacija has submitted another request for the revision of the price of heat, dated 26.10.2001 for an increase of 12.04 %. The Government of Macedonia has, until today, still not given a positive answer to this Request.

In context of such an economic situation, according to table 20/a, it is determined for the report year 2001 that the balance of revenue positions in the operations of Toplifikacija AD - Skopje is a total amount of: 1.344.047 mil.Denars, which is in accordance with the results from the activities of Toplifikacija.

Based upon such data an increase of the revenues of Toplifikacija AD has been registered amounting 5,15% for this period, which is due to, a larger consumption by the clients, as well as a higher realization in the other fields of activity of Toplifikacija.

The mass of the balance of the revenue elements in 2001, amounting 1.344.047 mil.Denars consists mostly of the achievements realized through the basic activity - delivery of heat - amounting to 1.232.560 mil.Denars or 91,71%, and is made up of the following positions:

- Residential space: 689.359 mil.Denars or 51,29%
- Business space: 543.201 mil. Denars or 40,42%

The achievement in the additional activities is determined for year 2001 at a value of 111.487 mil.Denars, or 8,29 % participation in the mass of the total revenues of the company. These revenues are made up of the following revenue positions:

- Revenues from financing 15.201 mil.Denars
- Revenues from insurance of assets 2.454 mil.Denars
- Maintenance investments and expansion of the grid 68.836 mil.Denars
- Sales of waste materials 9.756 mil.Denars
- Other revenues 15.240 mil.Denars

The revenues from other activities in 2001 amounting 111.487 mil.Denars are registering a decrease of 37,17 %, even they are in function of the basic activities of Toplifikacija AD, due to stagnation of insurance revenues and other revenues.

The Balance of Expenditures of Toplifikacija AD in the year 2001 has been determined at 1.251.545 mil.Denars. This represents an increase of the total costs in the operation of the company in 2001 of 6,22 %.

By comparing the Revenues with the Expenditures from the Balance for 2001 in table 20/a, a positive financial result is determined in the operation of Toplifikacija AD - Skopje at the end of the year 2001 with a gross profit amounting to 99,502 mil.Denars. From this profit, the tax obligations from profit amount to 7.576 mil.Denars, while the net profit from the operation of Toplifikacija in 2000 is an amount of 84.926 mil. Denars

3.2. BALANCE OF EXPENDITURES

In order to realize the full scope of activities of Toplifikacija AD, at the end of the report period for the year 2001, according to table 20/a expenditures in the operation of Toplifikacija have been determined with a value of

1.251.545 mil.Denars. In comparison with the previous period this is an increase of the expenditures amounting to 229,832 mil.Denars or 6,22 %.

The increase of operation expenditures of Toplifikacija AD in this period is greatly due to the expansion of costs for fuel for our activities, , as well as to the increase of the costs of certain energy resources necessary for our operation.

The expenditures in the Balance Sheet of Toplifikacija AD in 2001 are stated in tables 20/a and 20/b, here following :

Energy fuels in the activity of Toplifikacija AD according to table 20/b for the year 2000 amounts to (equivalent of fuel oil) 69.181 tons. The financial funds for this quantity of consumption of fuel an amount of 769.683 mil.Denars has been set aside, which is 57,27 % of the mass of total expenditures in the operation of Toplifikacija AD in the year 2001.

According to the table the financial funds set aside for fuel consumption are registering an increase of 5,10 %, which is due to a registered increase of the ponder price for fuel from 10,586 Denars/ton to 11,161 Denars/ton.

T.20.b. Realized consumption of basic energy sources in the activity in 2000/2001

ELEMENTS	2000	2001	3:2
1	2	3	4
1. Fuel, in equivalent quantity. fuel oil (t)	69.181	68.962	99,68
- amounts in (000) Den	732.355	769.683	105,10
- pondered price Den/t	10.580	11.161	105,43
a) Fuel oil (t)	54.546	52.370	101,59
- amounts in (000) Den.	521.355	572.366	109,78
- pondered price Den/t	10.114	10.929	108,05
b) Natural gas in m _n ³	21.224.449	19.969.356	94,08
- fuel oil equivalent (t)	17.635	16.952	94,08
- amounts in (000) Den.	211.000	197.317	93,52
- pondered price Den/t	11.964	11.892	99,39
2. Electric power in MWh	17.919	18.863	105,26
- amounts in (000) Den.	47.637	48.472	101,75
- pondered price Den/MWh	2.658	2.569	96,65

T.21. Average annual net salary per employee in Toplifikacija AD 2001.

Degree of education	Realized in 2000		Realized in 2001		Index	
	number of employees	average annual salary	number of employees	average annual salary	4:2	5:3
1	2	3	4	5	6	7
University - High education	30	24.800	31	28.232	96,77	113,83
University - Higher education	16	18.210	14	21.168	84,21	116,24
Secondary Education	170	13.240	16	16.602	99,41	125,39
Highly Qualified	35	16.980	34	19.920	89,74	117,31
Qualified	110	14.930	106	17.880	100,91	119,75
Half-qualified	6	12.640	6	15.510	100,00	112,70
Non-qualified	13	9100	13	12.114	100,00	133,12
Total for all	380	15.060	370	18.210	97,93	120,91

Only those employed and active in Toplifikacija during the whole period have been taken into account in the previous table.

3.3. BALANCE OF CONDITIONS ON 31.12.2001**T.22. Conditions of the working assets of Toplifikacija on 31.12.2001**

POSITION	Current value of assets -10 ³ Den		Column 3 %	index 3:2
	2000	2001		
1	2	3	4	5
I. Assets	1.944.322	2.079.167	100,00	100,94
1. Permanent assets	1.293.880	1.229.907	59,15	93,88
1.1. material assets	1.078.678	1.012.708	48,71	93,88
- buildings	377.652	36.040	17,61	96,94
- equipment	605.409	565.131	27,18	93,95
- material assets in preparation	95.617	81.537	3,92	85,27
1.3. Financial investments (long-term)	215.202	217.199	10,45	100,93
- Shares in linked units	150.617	150.617	7,24	100,00
- Investments in securities	64.585	66582	3,20	103,09
- Other investments	760	0	0	0
2. Working (Current) capital	650.442	834.605	40,14	128,31
a) Stock	166.475	112.704	5,42	67,70
- raw materials	118.509	98.594	4,74	83,20
- trading goods	/	12.904	1,05	0,00
- advanced payment, deposits, caution money	47.966	1.206	0,06	2,51
b) Short-term claims	465.132	705.593	33,94	151,70
- claims from buyers	451.278	621.650	29,90	137,75
- claims from employees	1271	976	0,05	76,79
- other claims	12.583	82.967	3,99	659,36
-cash and securities	18.835	16.308	0,78	86,58
II. Liabilities (Sources of funds)	1.944.322	2.079.167	100,00	106,94
1. Capital reserves	1.516368	1.529.080	73,54	100,84
1/1. Called up capital	1.394.100	1.394.100	67,05	100,00
1/2. Legal reserves	0	12.744	0,61	0
1/3. Accumulated profit	37.310	37.310	11,79	100,00
1/4. Profit from the financial year	84.859	84.926	4,08	99,96
2. Long-term reserves for risks	24.000	24.000	1,24	100,50
3. Long-term and short-term liabilities	402.344	509.149	24,49	126,55

- liabilities for investments	743	0	0	0,00
- liabilities for loans and credits	127.300	91.977	4,41	72,10
-liabilities of results participation	0	45.970	0	0
- liabilities for advanced payments, deposits and caution money	48.055	17.561	0,84	36,54
- liabilities to the suppliers	199.698	346.730	16,68	173,63
- liabilities for taxes and contributions	26.538	7.111	0,34	26,80
4. Delayed payment of costs	1.620	16.938	0,81	1.045,56

4. SHAREHOLDING

4.1. Privatization and transformation of capital

After a lengthy procedure Toplifikacija AD - Skopje was re-registered in a new transformed form on 05.04.1999 becoming a totally privatized company. The procedure was carried out in accordance with the procedure of "Privatization by all employees".

Only the above-ground sources, two heating plants and 3 boiler houses, were the subject of this transformation of Toplifikacija AD - Skopje. The grid remains the ownership of the state. The grid has, nevertheless, been given as a concession to Toplifikacija AD - Skopje for maintenance and operation. Any sort of further investment in the grid will be treated as an equity investment by Toplifikacija.

As the company was assessed at 45.000.000 DEM, and a total of 450.000 shares were issued. This was allocated in the following manner.

Pension Fund	Priority shares	.21.343	4,74 %
Privatization Agency	Priority shares		
	Ordinary shares	111.892	24,86 %
Individuals (employees, pensioners from Toplifikacija,...)	Ordinary shares	316.765	70,39 %

* Priority shares are shares which do not give a management right but do bring the right to a dividend. Ordinary shares give both management and dividend rights.

Within the group "Individuals" the total initial number of shareholders was 414 persons. This number has somewhat grown with the transactions and transfer of shares now amounting to 560 "Individuals". The maximum number of shares initially held by one person was in average 741 shares. The maximum held by one person was 2203 shares. In the meantime there has been relatively active trading of these shares, yet never in any dominant or large numbers. It seems that people have found it a very sound investment for their saving instead of putting their money in a bank.

Trading with our shares started on 29.06.1999. That year there were 29 days of trade of our shares and a turnover of 231.580 DEM was achieved. The next year, in 2000, there were 76 days of trade of our shares with a turnover of 866.690 DEM.

In the year 2001, there were 89 days of trading with our shares with turnover of 48.592.033 Denars.

5. EXPECTED CONDITIONS IN THE NEXT YEAR

5.1. FINANCES AND ORGANIZATION

In the past year we had continuously two unfavorable moments for the company from a financial aspect. The price of crude oil on the world market with an annual average was the highest for the past ten years. Additionally, the value of the Dollar was also at its highest level for the past ten years. This has caused a substantial increase of the price of fuels issued in our system.

The increased fuel costs and the additional investment funds for the finalization of DHP Skopje Sever has caused a need for additional funds for current liquidity, which were supplied through short-term credits from domestic commercial banks. By the middle of 2001 it is expected that all short-term credits will be returned. From that moment on the current revenues will be used for the purchase of fuel for the next heating season.

In the year 2001 was made quotation of shares of Toplifikacija AD , Skopje at the first market of Macedonian stock exchange for long term securities.

In the days when it was done as a first company , the price of shares got maximum price , and of that moment the interest for our shares become larger.

Our shares until today are the most traded shares on the stock exchange.

Such trading has until now led to a substantial increase of the number of shareholders in Toplifikacija AD Skopje.

During the year 2001 Elektrostopanstvo na Makedonija /the Power Production Company/ entered the project for the construction of the CHP Plant Skopje, so that together with them we are engaged in the forming of a joint company which will lead the construction of the CHP Plant. The share of Toplifikacija AD in that company would be the same as in the previous planning, 20%.

In 2002 special attention will be given to the improvement of the organization of operation and the defining of procedures for the realization of each task in the company. A substantial improvement of the quality of work should be achieved through this and a reduction of the costs of operation. This should be done by implementing ISO standard.

5.2. TECHNICAL AND TECHNOLOGICAL ASPECTS

The activities of the technical and technological plan for 2002, as in the previous year, will be directed towards:

- revitalization of the basic technological elements;
- increase of the technological security of the system;
- modernization. of the existing equipment

The activities in the previous period have finalized the revitalization of heat sources and the revitalization of the distributive grid.

A greater technological security of the system has been achieved through the realized activities, and this security must be maintained in the forthcoming period.

In the year 2002 the use of natural gas will continue with a gradual increase of the quantities used in the heating plant TO "Istok".

First , and permanent priority in the next year will also be given to the improvement of the characteristics of our heat sources in relation to the environment. In this sense, of crucial importance is the maintenance of the monitoring system, increase of consumption of natural gas and the use of high quality types of fuel oil.

In 2002, the start is expected of measurement of consumption of heat in all connected structures to the district heating system.

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