

SHAREHOLDING COMPANY WITH  
MIXED OWNERSHIP OF CAPITAL  
ТОПЛИФИКАЦИЈА АД - СКОПЈЕ

ТОПЛИФИКАЦИЈА



**ANNUAL REPORT  
OF OPERATION AND ACHIEVED RESULTS  
IN THE ECONOMIC ACTIVITIES OF  
"ТОПЛИФИКАЦИЈА" АД - СКОПЈЕ  
FOR THE PERIOD I-XII.2004**

Republic of Macedonia, April 2005

## 1. INTRODUCTION

The annual report for 2004 was prepared basically 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 2004.

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 2004.

<b>a) Registered consumption in the buildings</b>	<b>546.440</b>	<b>MW</b>
<b>b) Technological capacity</b>		
- Heating plants - available capacity	523.850	MW
- District heating grid - length	148.5	km'
<b>c) Production of heat</b>	<b>713,744</b>	<b>MWh</b>
<b>d) Number of employees on 31.12.2003</b>	<b>349</b>	<b>personnel</b>
<b>e) Consumption of energy sources in our activity:</b>		
- Fuels - in fuel oil equivalents	68,791	t
- Power consumption - active	17,216	10 <sup>3</sup> MWh
<b>f) Positive financial results - net profit</b>	<b>98.069</b>	<b>10<sup>6</sup> Den.</b>

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 Sector and Information System.

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 2004, there was 11 transgressions on the job, of minor character and 8 changes of the salary, also of minor character.

### 1.1. PERSONNEL STRUCTURE

At the end of 2004 there was a total of 349 employees in "Toplifikacija" AD-Skopje, of which 274 male and 75 female.

*T 2a. Personnel structure*

Qualification groups			Employees
1.	VIII /1	+Dr.Sci	1
2.	VII/1	+Univ.Diploma	34
3.	VI/1	+Univ. I-degree	9
4.	V	+Highly Qualified	0
5.	IV	+Secondary school	250
6.	III	+Qualified	39
7.	II	+Half-qualified	0
8.	I	+Non-qualified	16
<b>TOTAL</b>			<b>349</b>

During the year 2004 a total number of 19 employees have left our company and 14 new employees come. There was a reduction of the work force in the year 2004 from 354 to 349 employees.

*T2b. Number of employees in organizational units*

Department / Sector	Employees
Bureau of directors	7
Sector of Development, design and investments	11
Sector of production of heat and maintenance of thermal apparatuses	113
Sector of distribution and measurement of heat and natural gas	80
Sector of economics	82
Personnel Sector	54
Information System	2
<b>TOTAL :</b>	<b>349</b>

## 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 2004 through the district heating plants "Istok" /East/ and "Zapad" /West/, as well as through the boiler houses "11-ti Oktomvri". The boiler houses "Vodno" and "Park" have 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, 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 5,29°C. Compared to the last several years, it was on the same level.

*T 3 Average outside temperature for the months in 2004*

MONTH	Plan	"Istok"	"Zapad"	"11 Okt."	Average
January	0.9	1.24	1.16	0.53	<b>1.17</b>
February	2.7	4.69	4.42	3.94	<b>4.56</b>
March	6.5	9.09	8.92	9.07	<b>9.04</b>
April	11.0	14.05	13.97	14.51	<b>14.05</b>
October	11.0	14.7	14.8	14.73	<b>14.73</b>
November	7.3	7.31	6.91	7.82	<b>7.22</b>
December	3.0	4.28	4.08	4.88	<b>4.25</b>
<b>Average:</b>	<b>5.3</b>	<b>6.75</b>	<b>6.56</b>	<b>6.74</b>	<b>6.69</b>

## 2.2. HEATING PERIOD

The calendar year of 2004 was planned with 184 heating days or 4.416 heating hours. It was planned for the season of 2003/2004 to end on 15.04.2004, and for the new season 2004/2005 to start on 15.10.2004. The heating season of 2003/2004 lasted upon 20.04.2004 and heating season 2004/2005 started on 15.10.2004 but had only 9 days of heating because of the high outside temperature, so the heating period lasted 181 days in the year 2004.

## 2.3. INSTALLED CAPACITY

The heat from the Heating Plants "Istok" and "Zapad", as well as from the boiler-house "11 Oktomvri" was delivered to the consumers in the heating months of 2004. The boiler houses "Vodno" and "Park", as in the previous heating seasons, remained shut down during the whole year. The total instal heating capacity of Toplifikacija AD of the year 2004 amounted 523,850 MW where hotwater 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 2004 amounted to 491,130 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
<b>Total</b>	/	<b>5</b>	<b>TO "Istok"</b>	<b>279,120</b>
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
<b>Total</b>	/	<b>5</b>	<b>TO "Zapad"</b>	<b>170,970</b>
BKG - 80	5,965	2	"11 Oktomvri"	11,930
BKG - 200	16,280	1	"11 Oktomvri"	16,280
<b>Total</b>	/	<b>3</b>	<b>"11 Oktomvri"</b>	<b>28,210</b>
<b>TOTAL active</b>		<b>15</b>	<b>Toplifikacija AD</b>	<b>478,300</b>

*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"	3,880
BKG - 60	4,475	2	KO Park	8,950
<b>TOTAL conserved</b>	/	4	Toplifikacija AD	12,830

**2.3.2 Steam Capacity**

Total steam capacity was 32,720 MW from which the heating plants "Istok" and "Zapad" continue to satisfy 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 BKG-80 are in use in "Zapad", while one 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
<b>Total</b>	/	2	TO "Istok"	14,81
BKG - 80	5,97	2	"Zapad"	11,94
<b>Total</b>	/	2	TO "Zapad"	11,94
<b>TOTAL active</b>	/	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
<b>TOTAL conserved</b>	/	1	"Toplifikacija"	5,970

## 2.4. CONNECTED HEAT CAPACITY

The following table shows the state of the capacity according to categories of consumers on 31.12.2003 and on 31.12.2004, according to data from the Economy Sector of Toplifikacija AD - Skopje.

**T6. Connected heat capacity on 31.12.2004.**

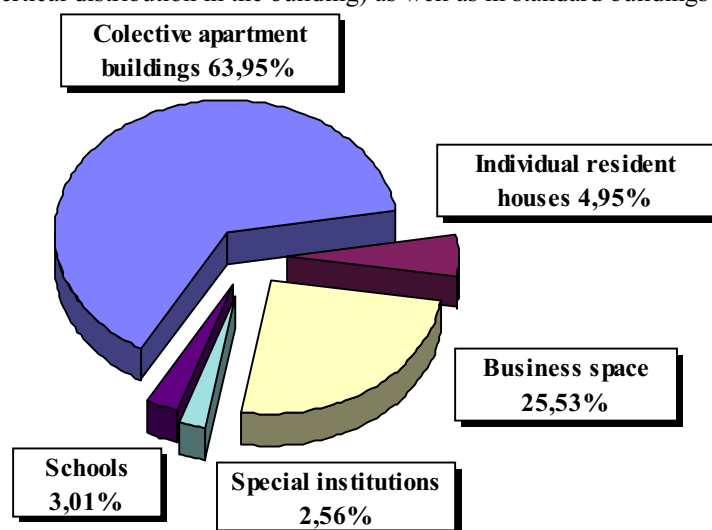
TYPE OF CONSUMERS	2003			2004			Index (7/4)
	Installed	Activ	Engaged (Calculated)	Installed	Activ	Engaged (Calculated)	
1	2	3	4	5	6	7	8
<b>a) Residential space</b>	<b>381.500</b>	<b>375.175</b>	<b>363.766</b>	<b>395.605</b>	<b>387.619</b>	<b>376.494</b>	<b>103.49</b>
1. Colective buildings	354.425	348.100	336.691	368.533	360.547	349.422	103.78
1.1. Payment 6 months	3.386	3.386	3.386	2.166	2.166	2.166	100.00
1.2. Payment 12 months	351.039	344.714	333.305	366.367	358.381	347.256	63.97
2. Individual residential houses	27.075	27.075	27.075	27.072	27.072	27.072	99.98
<b>b) Business space</b>	<b>215.867</b>	<b>215.534</b>	<b>170.053</b>	<b>216.892</b>	<b>203.716</b>	<b>169.946</b>	<b>99.93</b>
1. Fixed rate payment	43.620	43.620	41.846	27.096	27.096	27.096	99.75
2. Peyment according to messuring	138.024	137.691	98.101	156.126	143.522	112.431	99.68
v) Institutions	17.327	17.327	17.327	16.722	16.284	13.969	94.02
g) Elementary schools	16.896	16.896	16.896	16.823	16.814	16.450	107.83
<b>TOTAL:</b>	<b>597.367</b>	<b>590.709</b>	<b>533.819</b>	<b>612.497</b>	<b>591.335</b>	<b>546.440</b>	<b>102.36</b>

From the books of Toplifikacija AD, it is obvious that tree kinds of consumption is registered, namely these are *Installed*, *Active* and *Engaged* capacity of the consumers. The Active 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/m<sup>2</sup> for residential apartment buildings and 140 W/m<sup>2</sup> 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 64,59 % of the installed consumer capacity, and with 65,54 % of the active consumer capacity.

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

## 2.5 FUEL CONSUMPTION

### 2.5.1. Consumption of Fuel Oil

In the year 2004, was consumed 67.087 tons of fuel oil. 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. But on the total level, we have a record consumption of fuel.

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.

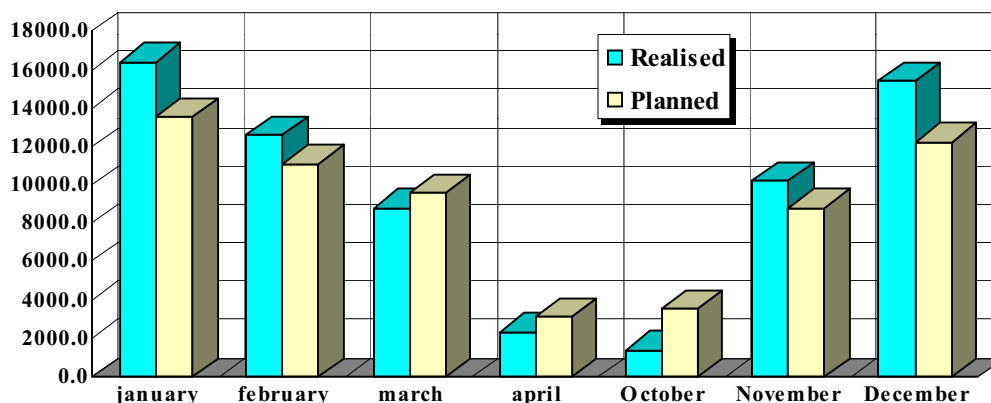
*T 7 Consumption of fuel oil in the months of 2004.*

MONTH	Istok	Zapad	11 Oktom.	Total
January	10758.3	4964.2	673.3	16395.8
February	8075.5	4014.2	480.1	12569.7
March	5529.1	2866.2	388.2	8783.5
April	1468.3	763.0	103.4	2334.7
October	892.5	459.9	31.4	1383.8
November	6363.8	3427.5	420.3	10211.6
December	9973.3	4727.6	707.0	15407.9
<b>TOTAL:</b>	<b>43060.8</b>	<b>21222.5</b>	<b>2803.7</b>	<b>67087.0</b>

The heating plant "Istok", being the largest energy capacity in our system, has this year also consumed more fuel oil than the rest of the heating plants together. Compared with the previous years the quantity of consumed fuel oil in this plant is, on the same level as last few years, with 2003 as an exception.

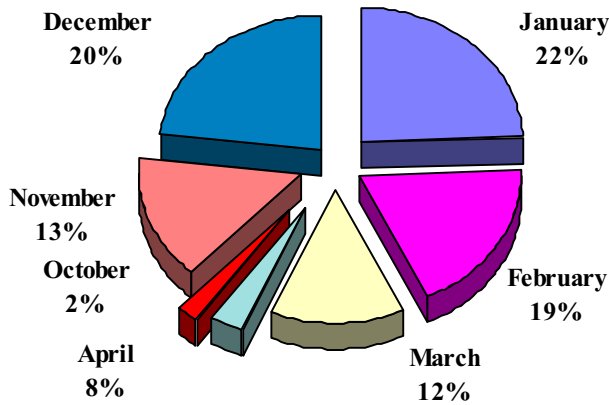
The months with the lowest average outside temperatures (January, especially February and December), when the longest periods of delivery of heat were also registered, also registered the greatest consumption. The following graph shows the consumption of fuel oil per month compared with the planned quantities.

**Consumption of Fuel Oil in The Year 2004**

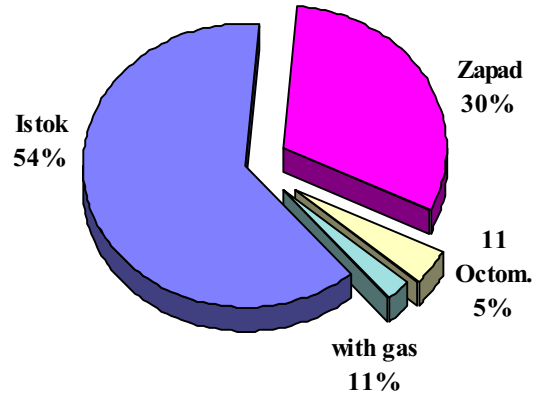


The upper diagram clearly points out that the consumption per month was mostly over the planned value excluding march, april and october, yet the situation is not quite clear due to the substitution of fuel oil with natural gas. The following diagrams give a picture of the percentages in separate months, i.e. the various heating plants, in the total consumption of fuel oil, during 2004.

Montly Consumption of Fuel Oil in 2004



Fuel Oil Per Plant in 2004



2.5.2. Consumption of Natural Gas

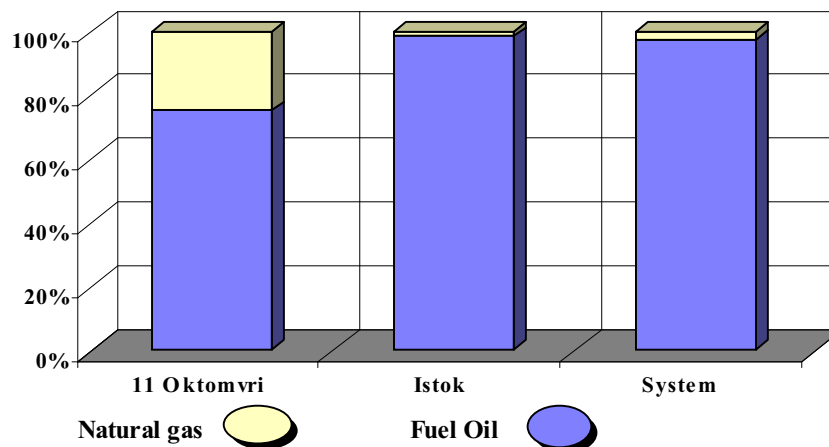
During the whole of the heating season of 2004 (with varying intensity and in smaller quantities compare to past years) natural gas was also used in the Heating Plants "Istok" and "11 Octomvri". The realized consumption during the heating season of 2004, as well as the appropriate quantities of fuel oil which would have been consumed instead of the natural gas for the months of 2004 are stated in the following table T7a.

T7a Consumption of natural gas in the months of 2004.

Natural. gas (m <sub>n</sub> <sup>3</sup> )	I	II	III	IV	X	XI	XII	Total
"Istok"	91.046	57.935	220.161	55.029	128.514	347.264	21.774	921.750
"11 Oktomvri"	188.402	277.570	129.568	19.737	49.671	224.097	222.305	1.111.350
<b>Total</b>	<b>279.448</b>	<b>335.505</b>	<b>349.729</b>	<b>74.766</b>	<b>178.212</b>	<b>571.361</b>	<b>244.079</b>	<b>2.033.100</b>
Equivalent fuel oil (ton)	235.63	282.99	294.89	63.04	150.27	481.76	205.80	1714.28

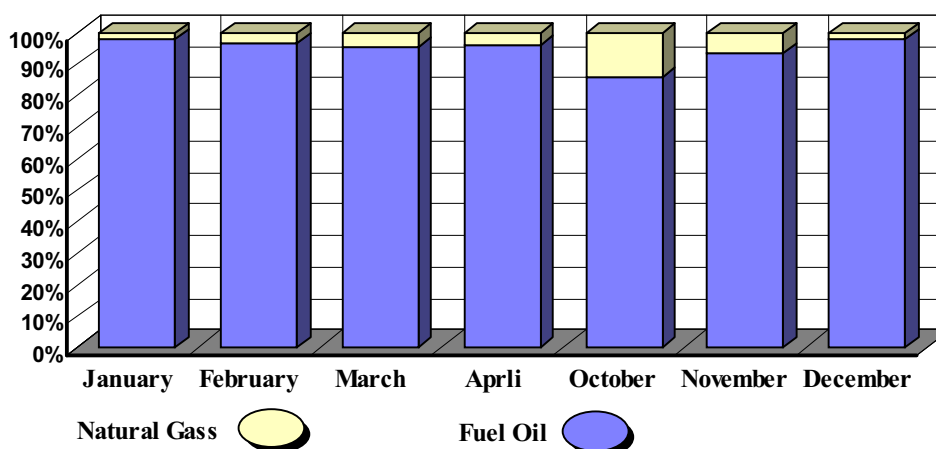
The participation of natural gas in the consumption of fuel in the heating plant "Istok" and "11 Octomvri" as well as compared to the total consumption in the whole system is given in the following bars.

Types of Fuels in "Istok" and "11Oktomvri" Plants



The bar interpretation gives a percentage of natural gas compared with the fuel oil consumption in the heating months of 2004.

**Types of Fuel Consumptions in 2004**



## 2.6. ELECTRICAL POWER CONSUMPTION

The total consumption of active electric energy in the heating months of 2004, amounted to 16.985.806 (kWh). If we take into account that the planned consumption of electric energy for the year 2004 was 18.560.000 (kWh), the realized total consumption is less than the planned level. Amount of 184.122 (kWh) active electric energy has been consumed in the substations. Here we have to know that in TO Istok was not in use the sixth series of circulation pumps in the whole part of heating season, which means that the power consumption could be larger in the future. We must mention also that the boiler houses "Vodno" functions as a substation, i.e. it is using only the circulation pump.

The variation of power consumption in the past years (1997/2004) is given in the following table.

**T8 Power consumption in the heating period in 1997/2004.**

Structure	1997 (kWh)	1998 (kWh)	1999 (kWh)	2000 (kWh)	2001 (kWh)	2002 (kWh)	2003 (kWh)	2004 (kWh)
<b>Heating plants</b>	20.387.872	18.837.219	19.120.613	17.733.808	18.713.418	18.371.727	18.948.112	<b>16.985.806</b>
<b>Sub stations</b>	187.975	165.636	140.448	185.420	149.778	155.787	152.574	<b>184.122</b>
<b>TOTAL</b>	20.575.847	19.002.855	19.261.061	17.919.228	18.863.196	18.527.514	19.100.686	<b>17.169.928</b>

If we compare the consumed quantities of active electric energy in the past several years we can notice that after the year 1997 when the largest consumption has been registered, there was a tendency of small, but constant decrease of the consumption.

The year 2004 registers a little decrease of consumed electricity, which is a consequence of the smaller number of working hours. Smaller number of series of circulation pumps was commissioned in the Heating Plant "Istok". If a sixth series of circulation pumps was commissioned in the Heating Plant "Istok", that would increase the consumption of electric energy, which can be the case in the future.

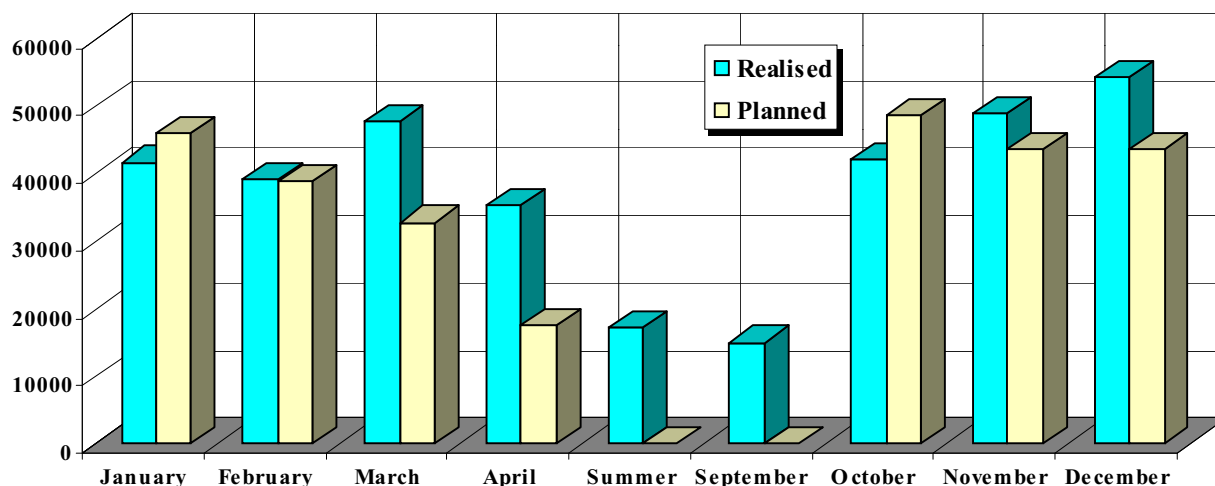
## 2.7. CONSUMPTION OF CHEMICALLY PREPARED WATER AND SALT

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 2004 is given in the following table. The data has been supplied from the Department of Chemical Preparation of Water and Ecology.

*T9 Consumption of chemically prepared water in the months of 2004.*

	Istok (m <sup>3</sup> )	Zapad (m <sup>3</sup> )	11 Oktom. (m <sup>3</sup> )	Total (m <sup>3</sup> )
January	25227	14126	2337	41690
February	24924	12366	1882	39172
March	32306	13554	1892	47752
April	23906	9685	1751	35342
Summer	15419	1670	233	17322
September	14240	717	92	15049
October	31280	9436	1432	42148
November	31121	15926	1892	48939
December	34234	18033	2118	54385
<b>TOTAL:</b>	<b>232657</b>	<b>95513</b>	<b>13629</b>	<b>341799</b>

The following graph gives a picture of the consumption of the chemically prepared water per month in 2004.



**Consumption of Prepared Water in 2004 in m<sup>3</sup>**

The previous graph gives a picture of the consumption of chemically prepared water in each of the months of year 2004. The plan for 2004 intended a quantity of 271.100 (m<sup>3</sup>) prepared water. The realized consumption of 341.799 (m<sup>3</sup>) is above the planned quantity for 70.699 (m<sup>3</sup>) or 26,1% of the total amount. Compared with the consumption for 2003 of 398.210 (m<sup>3</sup>), there was decreased consumption in 2004 for 14,1%.

The following table presents the consumption of industrial salt per month in 2004 as well as in the previous several seasons. Obviously we have increased consumption of salt in the last 3 year after 2 years of decreasing.

*T.9a. Consumption of industrial salt in the heating plants in 1995/2004*

	1996 (kg)	1997 (kg)	1998 (kg)	1999 (kg)	2000 (kg)	2001 (kg)	2002 (kg)	2003 (kg)	2004 (kg)
<b>Istok</b>	78.050	96.600	132.950	150.000	125.400	112.970	139.150	153.450	<b>161.150</b>
<b>Zapad</b>	90.850	101.650	102.850	87.830	92.000	69.700	108.900	157.150	<b>83.000</b>
<b>11 Okt.</b>	7.200	6.400	6.000	10.950	13.920	11.960	19.575	15.175	<b>16.400</b>
<b>TOTAL:</b>	<b>176.100</b>	<b>204.650</b>	<b>241.800</b>	<b>248.780</b>	<b>231.320</b>	<b>194.630</b>	<b>267.625</b>	<b>325.775</b>	<b>260.550</b>

Taking into account the planned quantity of salt of 271.100 (kg), the actual consumption is near to the planned level.

The specific consumption of salt in 2004 amounts to 0,76 kg/m<sup>3</sup> for Heating Plant "Istok", 0,86 (kg/m<sup>3</sup>) for Heating Plant "Zapad" is better than planned, while the Boiler House "11 Oktomvri" this amounts to 1,2 (kg/m<sup>3</sup>).

## 2.8. PRODUCED HEAT

A total amount of 713.744 MWh of heat was produced in the heating months of 2004, which is less than the planned quantity for the year of 762.170 MWh. The following table gives the data on produced heat per heating plant per month during 2004, having in mind that the production of heat with fuel oil and gas, as well as the total amount, in plant "Istok" and "11 Oktomvri" are given separately.

*T10. Production of heat in months and per heating plants in 2004.*

	Istok-fuel oil (MWh)	Istok-gas (MWh)	Istok Total (MWh)	Zapad (MWh)	11 Okt.-fuel oil (MWh)	11 Okt. - gas (MWh)	11 Okt. - total (MWh)	Total (MWh)
<b>January</b>	111606.2	796.4	112402.6	51498.7	6985.2	1648.0	8633.2	<b>172534.5</b>
<b>February</b>	83775.0	506.8	84281.8	41643.4	4980.0	2428.0	7408.0	<b>133333.2</b>
<b>March</b>	57359.3	1925.8	59285.1	29733.5	4027.0	1133.4	5160.3	<b>94179.0</b>
<b>April</b>	15232.1	481.4	15713.5	7914.8	1072.7	172.6	1245.3	<b>24873.7</b>
<b>October</b>	9259.0	1124.4	10383.4	4771.2	325.3	434.5	759.8	<b>15914.4</b>
<b>November</b>	66018.0	3037.6	69055.6	35556.9	4360.6	1960.2	6320.8	<b>110933.3</b>
<b>December</b>	103462.7	190.5	103653.2	49043.9	7334.6	1944.6	9279.2	<b>161976.3</b>
<b>TOTAL:</b>	<b>446712.3</b>	<b>8062.8</b>	<b>454775.1</b>	<b>220162.5</b>	<b>29085.5</b>	<b>9721.2</b>	<b>38806.7</b>	<b>713744.3</b>

Of the total heat produced, in Heating Plants "Istok" and "Zapad" small part is used for own needs (heating the fuel oil and working offices) and the rest is delivered to the customers. The total heat delivered from the plants amounts to 710.132 MWh. The quantity of delivered heat from all heating plants for 2004 are stated in the following table.

*T10a. Delivery of heat at the exit of the heating plants in 2004.*

	Istok (MWh)	Zapad (MWh)	11 Okt. (MWh)	Total (MWh)
<b>January</b>	111772.8	51237.3	8633.2	<b>171643.3</b>
<b>February</b>	83810.6	41438.2	7408.0	<b>132656.8</b>
<b>March</b>	58965.5	29592.7	5160.3	<b>93718.6</b>
<b>April</b>	15629.9	7880.2	1245.3	<b>24755.5</b>
<b>October</b>	10323.7	4728.1	759.8	<b>15811.6</b>
<b>November</b>	68686.1	35385.0	6320.8	<b>110391.9</b>
<b>December</b>	103072.6	48802.9	9279.2	<b>161154.7</b>
<b>TOTAL:</b>	<b>452261.1</b>	<b>219064.5</b>	<b>38806.7</b>	<b>710132.3</b>

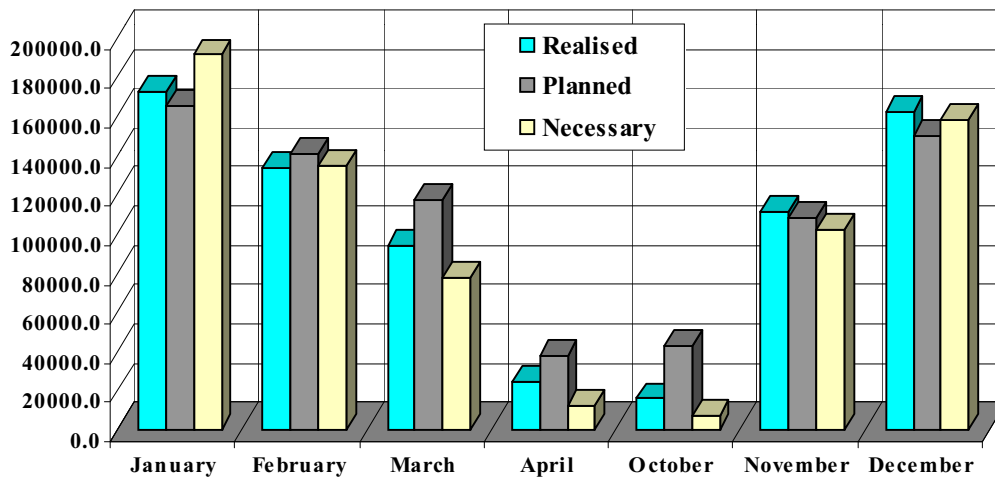
Several years ago, the losses from the distributive network are calculated at 17%. But in 2001 year with instaling heat meters in objects the losses in the distributive network become showed on level of 13% which means that delivered heat amounts to the consumer in the year 2004 was 679.078 MWh.

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 2004.*

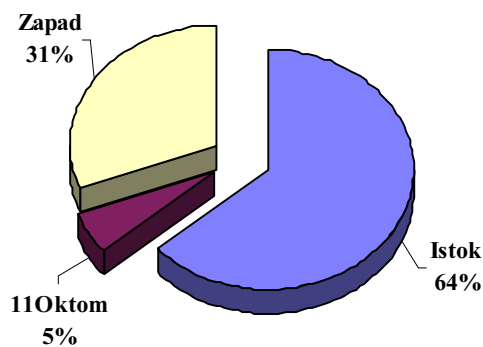
	Istok (MWh)	Zapad (MWh)	11 Oktom. (MWh)	Total (MWh)
<b>January</b>	97242.3	44576.5	7510.9	<b>149329.7</b>
<b>February</b>	72915.2	36051.2	6445.0	<b>115411.4</b>
<b>March</b>	51300.0	25745.7	4489.5	<b>81535.2</b>
<b>April</b>	13598.0	6855.8	1083.4	<b>21537.2</b>
<b>October</b>	8981.6	4113.5	661.0	<b>13756.1</b>
<b>November</b>	59756.9	30784.9	5499.1	<b>96040.9</b>
<b>December</b>	89673.1	42458.5	8072.9	<b>140204.6</b>
<b>TOTAL:</b>	<b>393467.1</b>	<b>190586.1</b>	<b>33761.8</b>	<b>617815.1</b>

Heat Production in 2004 in MWh

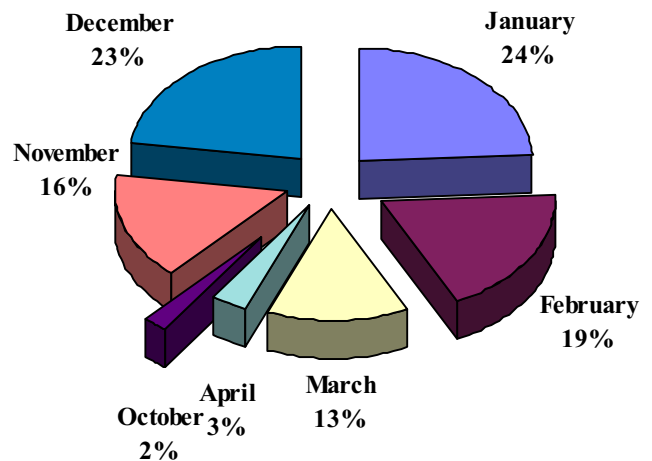


The production of heat from the separate plants and in the months of the heating season in year 2004 are given with the following pies.

Heat Production in 2004

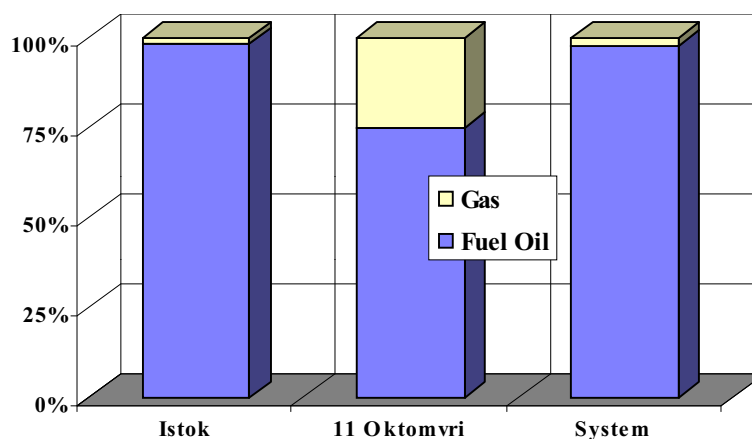


Heat Production in 2004



The previous pie shows that in the year 2004 the months of January, February and December dominates with its "production" over the rest of the heating months, most of all because of the registered low outside temperatures.

Fuels Types in Production of Heat in 2004



Throughout 2004, natural gas was used as well as fuel oil in the heating plants "Istok" and "11 Oktmври". The produced heat through combustion of gas, expressed in percentages, compared with the total production of heat in the whole district heating system amounts to 2,5%.

In comparison with the previous year this percentage of heat produced with gas has dropped, because of the highest prices of natural gas. The previous graphics present the percentages of natural gas and fuel oil in the production of heat, only in plant "Istok", "11 Oktmври" and in relation to the total produced heat in the district heating system.

### 3. FINANCIAL FLOWS IN 2004

Based upon the projection of the annual financial calculation of the company for the year 2004, 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 2003/2004*

*amounts in (000) Denars*

ELEMENTS	Previous year I-XII- 2003	Current year I-XII- 2004	Column 3(%)	Index (3:2)
1	2	3	4	5
<b>1. Realized total revenues</b>	1,541,836	1,549,739	100,00	100,51
<b>2. Realized total expenditures</b>	1,440,095	1,425,162	91,96	98,96
<b>3. Gross profit (1-2)</b>	101,741	124,577	8,04	122,45
3.1 Fiscal obligations from the profit	8,649	26,508	1,71	306,49
3.2 Net profit (3-3.1)	93,092	98,069	6,33	105,35

In continuation of the report, certain positions of the financial flows of Toplifikacija for the year 2004, compared with the previous year are shown in tables.

*T.20.a. Review of balance positions in the financial flows of Toplifikacija AD Skopje in 2003/2004*

No	ELEMENTS	Amounts in (000) Denars		On column 3 (%)	03/04 (%)
		2003	2004		
		2	3	4	5
<b>a)</b>	<b>Balance of revenue positions (1+2)</b>	<b>1,541,836</b>	<b>1,549,739</b>	<b>100,00</b>	<b>100,50</b>
<b>1.</b>	<b>Heat</b>	<b>1,418,352</b>	<b>1,336,502</b>	<b>86,24</b>	<b>94,20</b>
*	Residential space	838,034	843,052	54,40	100,60
*	Business space	580,318	493,450	31,84	85,00
<b>2.</b>	<b>Revenues from activities connected to the basic functions</b>	<b>75,177</b>	<b>107,290</b>	<b>6,92</b>	<b>142,70</b>
2.1	<b>Revenues from financing (rates)</b>	<b>17,703</b>	<b>14,420</b>	<b>0,93</b>	<b>81,50</b>
*	Interests	13,918	9,215	0,59	66,20
*	Other	3,785	5,205	0,34	137,50
<b>2.2</b>	<b>Design and supervision</b>	<b>1,548</b>	<b>916</b>	<b>0,06</b>	<b>59,20</b>
<b>2.3</b>	<b>Sales of various materijals</b>	<b>19,023</b>	<b>19,600</b>	<b>1,26</b>	<b>103,00</b>
<b>2.4</b>	<b>Sales of fuel oil</b>	<b>30,383</b>	<b>65,009</b>	<b>4,19</b>	<b>214,00</b>
<b>2.5</b>	<b>Services for other companies and the labor exchange</b>	<b>5,488</b>	<b>6,047</b>	0,39	110,20
<b>2.6</b>	<b>Services for other companies</b>	<b>1,032</b>	<b>1,298</b>	<b>0,08</b>	<b>125,80</b>
<b>3</b>	<b>Other revenues</b>	<b>48,307</b>	<b>74,415</b>	<b>4,80</b>	<b>154,00</b>
*	Insurance (revenues from paid damages)	1,096	625	0,04	57,00
*	Own products and services in the investments for fixed assets in Toplifikacija	1,552	2,127	0,14	137,00
*	Revenues from investments in maintenance and expanding the network	32,568	56,780	3,66	174,30
*	Rent for basic assets	3,484	3,256	0,21	93,50
*	Extraordinary revenues	9,607	11,627	0,75	121,00
<b>4</b>	<b>Revenues from Proects</b>	<b>0</b>	<b>31,532</b>	<b>2,03</b>	<b>0,00</b>

<b>b)</b>	<b>Balance of expenditure positions</b>	<b>1,440,095</b>	<b>1,425,162</b>	<b>100.00</b>	<b>99.0</b>
1.	Basic expenditure for production	948,363	744,860	52.6	78.50
1.1	Fuel for basic activity	865,189	668,022	46,7	77,20
*	fuel oil	753,713	647,383	45,3	85,90
*	Natural gas	111,476	20,639	1,45	18,50
<b>1.2</b>	<b>Electrical power</b>	<b>50,459</b>	<b>49,038</b>	<b>3,44</b>	<b>97,20</b>
<b>1.3</b>	<b>Technical prepared water</b>	<b>6,607</b>	<b>4,363</b>	<b>0,31</b>	<b>66,00</b>
<b>1.4</b>	<b>Gasoline, diesel/light oil and lubricants</b>	<b>2,019</b>	<b>2,422</b>	<b>0,17</b>	<b>120,00</b>
<b>1.5</b>	<b>Consumed raw and reproduction materijals, spare parts</b>	<b>24,089</b>	<b>21,015</b>	<b>1,47</b>	<b>87,20</b>
<b>2</b>	<b>Maintenance of the system network</b>	<b>19,186</b>	<b>17,041</b>	<b>1,20</b>	<b>88,80</b>
*	Investment maintenance	11,164	9,979	0,70	89,40
*	Current maintenance	8,022	7,062	0,50	88,00
<b>3</b>	<b>Material expenditures</b>	<b>45,825</b>	<b>84,959</b>	<b>5,96</b>	<b>185,40</b>
*	Office materijals	3,357	2,429	0,17	72,40
	Sale of fuel oil (purchase value)	22,018	65,542	4,60	297,70
	Spare parts and raw materials (purchase value)	20,450	16,988	1,19	83,10
<b>4</b>	<b>Expenditures for public services</b>	<b>44,050</b>	<b>45,248</b>	<b>3,17</b>	<b>102,70</b>
*	Transportations and Postal services	7,315	7,970	0,56	109,00
*	Rent for network	3,134	3,154	0,22	100,60
*	Court taxes	3,987	4,506	0,32	113,00
*	Custom taxes and traffic registrations	956	942	0,07	98,50
*	Bank services	4,331	6,191	0,43	142,90
*	Permit (licence) for basic activities	2	0	0,00	0,00
*	Various municipal services	8,635	7,041	0,49	81,50
*	Various taxes and contributions	1,889	1,698	0,12	89,90
*	Expenditures for hiring workers	8,062	9,131	0,64	113,30
*	Insurances	5,739	4,615	0,32	80,40
<b>5</b>	<b>Non Material costs</b>	<b>33,473</b>	<b>36,524</b>	<b>2,56</b>	<b>109,10</b>
*	Transport and nourishment of the workers	19,262	19,540	1,37	101,40
*	Intellectual services	557	167	0,01	30,00
*	Travel costs	845	1,404	0,10	166,20
*	Vacation money	4,186	4,248	0,30	101,50
*	Jubilee awards and compensation money	603	642	0,05	106,50
*	Representations	759	904	0,06	119,10
*	Solidarity help	709	1,270	0,09	179,10
*	Other non-material costs	6,552	8,349	0,59	127,40
<b>6</b>	<b>Gross salaries</b>	<b>137,779</b>	<b>134,510</b>	<b>9,44</b>	<b>97,60</b>
*	Net salaries and compensations	81,321	79,456	5,58	97,70
*	Deductions and taxes	56,458	55,054	3,86	97,50
<b>7</b>	<b>Rashodi na finansirawe</b>	<b>51,559</b>	<b>22,976</b>	<b>1,61</b>	<b>44,60</b>
<b>8</b>	<b>Depreciation/Amortization</b>	<b>61,303</b>	<b>68,944</b>	<b>4,83</b>	<b>112,50</b>
<b>9</b>	<b>Obligations for maintenance of the network, other's basic assets and privatization Agency</b>	<b>43,280</b>	<b>43,280</b>	<b>3,04</b>	<b>100,00</b>
<b>10</b>	<b>Deducted demands</b>	<b>55,277</b>	<b>199,557</b>	<b>14,00</b>	<b>361,00</b>
<b>11</b>	<b>Projects costs</b>	<b>0</b>	<b>27,263</b>	<b>1,91</b>	<b>0,00</b>

### 3.1. BALANCE OF REVENUES

In the calendar year of 2004 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 713.744 MWh, heat consumption of our clients with installed 612.497 MW, as well as other achievements which are mainly in accordance with the Annual Business Plan of the company.

In context of such an economic situation, according to table 20/a, it is determined for the report year 2004 that the balance of revenue positions in the operations of Toplifikacija AD - Skopje is a total amount of: 1.549,739 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 0,5% 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 2004, amounting 1.549.739 mil.Denars consists mostly of the achievements realized through the basic activity - delivery of heat - amounting to 1.336.502 mil.Denars or 86,2%, and is made up of the following positions:

- Residential space: 843.052 mil.Denars or 54,40%
- Business space: 493.450 mil. Denars or 31,84%

The achievement in the additional activities is determined for year 2004 at a value of 313.237 mil.Denars, or 13.75% participation in the mass of the total revenues of the company. These revenues are made up of the following revenue positions:

- Revenues from projects 31.532 mil.Denars
- Revenues from activities connected to the basic function 107.290 mil.Denars
- All other revenues 74.415 mil.Denars

The revenues from other activities in 2004 is amounting 74.415 mil.Denars, so the revenues from other activities are registering increase of 54.05%.

The Balance of Expenditures of Toplifikacija AD in the year 2004 has been determined at 1.425.162 mil.Denars. In 2003 there is expenditure of 1.440.095mil.Denars which represents decrease of the total costs in the operation of the company in 2004 of 1.04 %.

By comparing the Revenues with the Expenditures from the Balance for 2004 in table 20/a, a positive financial result is determined in the operation of Toplifikacija AD - Skopje at the end of the year 2004 with a gross profit amounting to 124.577 mil.Denars. From this profit, the tax obligations from profit amount to 26.508 mil.Denars, while the net profit from the operation of Toplifikacija in 2004 is an amount of 98.069 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 2004, according to table 20/a expenditures in the operation of Toplifikacija have been determined with a value of 1.425.162 mil.Denars. In comparison with the previous period this is decrease of the expenditures amounting 14.933 mil.Denars or 1.04%.

The expenditures in the Balance Sheet of Toplifikacija AD in 2004 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 2004 amounts to (equivalent of fuel oil) 68.801 tons. The financial funds for this quantity of consumption of fuel an amount of 668.022 mil.Denars has been set aside, which is 46,87 % of the mass of total expenditures in the operation of Toplifikacija AD in the year 2004.

According to the table the financial funds set aside for fuel consumption are registering decrease of 15,78 %, which is due to smaller consumption of equivalent fuel for 8.94%, or 22.79% from financial aspects with registered decrease of the ponder price for equivalent fuel for 15.19%.

#### T.20.b. Realized consumption of basic energy sources in the activity in 2003/2004

ELEMENTS	2003	2004	3:2
1	2	3	4
1. Fuel, in equivalent quant. fuel oil (t)	75,562	68,791	91,04
- amounts in (000) Den	865,189	668,022	77,20
- pondered price Den/t	11.450	9,71	84,81
a) Fuel oil (t)	66,936	67,087	100,22
- amounts in (000) Den.	753,713	647,383	85,90
- pondered price Den/t	11.260	9,65	85,71
b) Natural gas in m <sub>n</sub> <sup>3</sup>	10,229,482	2,033,100	19,87
- fuel oil equivalent (t)	8,626	1,714	19,75
- amounts in (000) Den.	111,476	20,639	18,50
- pondered price Den/ m <sub>n</sub> <sup>3</sup>	12,923	12,110	93,70
2. Electric power in MWh	19,101	17,170	89,89
- amounts in (000) Den.	50,459	49,038	97,20
- pondered price Den/MWh	2.642	2,856	108,14

## T.21. Average annual net salary per employee in Toplifikacija AD 2004.

Degree of education	Realized in 2003		Realized in 2004		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 I	6	38,186	6	37,884	100,00	99,21
University - High education II	27	26,082	28	25,990	103,70	99,65
University - Higher education	7	22,481	8	21,664	114,29	96,37
Secondary Education	215	17,977	212	17,926	98,60	99,72
Highly Qualified	41	20,735	40	21,119	97,56	101,85
Qualified	43	16,941	39	15,870	90,70	93,68
Half-qualified	11	12,809	11	14,090	100,00	110,00
Non-qualified	8	11,473	8	11,635	100,00	101,41
<b>Total for all</b>	<b>358</b>	<b>18,924</b>	<b>352</b>	<b>18,887</b>	<b>98,32</b>	<b>99,80</b>

Qualification groups			Employees
9.	VIII /1	+Dr.Sci	1
10.	VII/1	+Univ.Diploma	34
11.	VI/1	+Univ. I-degree	9
12.	V	+Highly Qualified	0
13.	IV	+Secondary school	250
14.	III	+Qualified	39
15.	II	+Half-qualified	0
16.	I	+Non-qualified	16
<b>TOTAL</b>			<b>349</b>

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 31.12.2004

## T.22. Conditions of the working assets of Toplifikacija on 31.12.2004

POSITION	Current value of assets-10 <sup>3</sup> Den		Column 3 %	index 3:2
	2003	2004		
1	2	3	4	5
<b>I. Assets</b>	<b>2,252,861</b>	<b>2,304,725</b>	<b>100,00</b>	<b>102,30</b>
<b>1. Permanent assets</b>	<b>1,286,015</b>	<b>1,298,853</b>	<b>56,36</b>	<b>101,00</b>
1.1. material assets	961,227	972,667	42,20	101,19
- buildings	369,206	379,468	16,46	102,78
- equipment	529,902	524,559	22,76	98,99
- material assets in preparation	62,119	68,640	2,98	110,50
1.2. Financial investments (long-term)	324,788	326,186	14,15	100,43
- Shares in linked units	249,430	249,895	10,84	100,19
- Investments in securities	75,358	76,291	3,31	101,24
- Other investments	0	0	0	0
<b>2. Working (Current) capital</b>	<b>966,846</b>	<b>1,005,872</b>	<b>43,64</b>	<b>104,04</b>
2.1 Stock	106,707	79,617	3,45	74,61
- raw materials	105,893	78,068	3,39	73,72
- trading goods	0	0	0	0
- advanced payment, deposits, caution money	814	1,549	0,07	190,29
2.2 Short-term claims	821,239	908,275	39,41	110,60
- claims from buyers	751,871	604,099	26,21	80,35
- claims from employees	799	475	0,02	59,45

- claims from linked subjects	30,243	30,243	1,31	100,00
- other claims	38,326	273,458	11,87	713,51
2.3 Cash and securities	35,917	17,431	0,76	48,53
2.4 Short terms investments	2,983	549	0,02	18,40
<b>II. Liabilities (Sources of funds)</b>	<b>2,222,618</b>	<b>2,304,725</b>	<b>100,00</b>	<b>103,69</b>
<b>1. Capital reserves</b>	<b>1,563,565</b>	<b>1,582,505</b>	<b>68,66</b>	<b>101,21</b>
1/1. Called up capital	1,394,100	1,394,100	60,49	100,00
1/2. Legal reserves	39,062	53,026	2,30	135,75
1/3. Accumulated profit	37,310	37,310	1,62	100,00
1/4. Profit from the financial year	93,093	98,069	4,26	105,35
<b>2. Long-term reserves for risks</b>	<b>12,000</b>	<b>12,000</b>	<b>0,52</b>	<b>100,00</b>
<b>3. Long-term and short-term liabilities</b>	<b>645,137</b>	<b>708,476</b>	<b>30,74</b>	<b>109,82</b>
- liabilities for investments	0	0	0	0
- liabilities for loans and credits	145,919	78,550	3,41	53,83
- liabilities for advanced payments, deposits and caution money	5,371	5,220	0,23	97,19
- liabilities to the suppliers	381,365	516,139	22,39	135,34
-liabilities to the employes	6,958	7,174	0,31	103,10
-liabilities of results participation	103,489	89,039	3,86	86,04
- liabilities for taxes and contributions	1,987	12,340	0,54	621,04
-other liabilities	48	14	0,31	29,17
<b>4. Delayed payment of costs</b>	<b>1,916</b>	<b>1,744</b>	<b>0,08</b>	<b>91,02</b>

## 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 23.008.050 Euros, and a total of 450.000 shares were issued. This was allocated in the following manner.

Pension Fund	Priority shares	21.343	4,74 %
Individuals (employees, pensioners from Toplifikacija,...)	Ordinary shares	428.657	95,26 %

\* 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 solid 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 was 76 days of trade of our shares with a turnover of 866.690 DEM. In the year 2001, there was 89 days of trading with our shares with turnover of 48.592.033 Denars. In the year 2002, there were 124 days of trading with our shares with turnover of 46.897.199 Denars. (369 transactions).

In the summer of 2003 the privatization of the company went up to 95.26%, after the Ordinary shares owned by Privatization Agency of Republic of Macedonia was sold on the Exchange Market.

In the year 2003, there were 120 days of trading with our shares with turnover of 49.288.619 Denars. (341 transactions).

In the past 2004 year, there were 341 transactions with our shares, with turnover of 216.276.556 Denars.

## 5. EXPECTED CONDITIONS IN THE NEXT YEAR

### 5.1. FINANCES AND ORGANIZATION

In the past years 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.

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. Further more, we are also intending to make quotation of our shares at the market of Athenas stock exchange for the long term securities.

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 2005 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 according to the Certificate of Approval for the Quality Management System standards ISO 9001:2000, which the company received from Lloyd's Register Quality Assurance in the very beginning of the year 2003.

### 5.2. TECHNICAL AND TECHNOLOGICAL ASPECTS

The activities of the technical and technological plan of 2005, 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 2005 the use of natural gas will continue with a gradual increase of the quantities used in the heating plant TO "Istok". Also it is already started with partial exploitation of the boilers in heating plant "11 Oktomvri" on natural gas as fuel and it is expected to be continued.

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 2005, the start is expected for measurement of consumption of heat in all connected structures to the district heating system, which will improve the equalization of the heat distribution to all consumers. In addition, special attention will be given to the project for remote control of the substations. It is planned 300 substations to be adopted for remote controlling.

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