



**2014**

# Annual reports on business for 2014

Public Enterprise Elektroprivreda of Bosnia and Herzegovina d.d. - Sarajevo

[www.elektroprivreda.ba](http://www.elektroprivreda.ba)



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# 1. OPENING REMARKS BY THE GENERAL DIRECTOR



With the earned revenue of 980.8 million BAM and profit in the amount of 3.2 million BAM, in spite of financial expenses caused by the obligations arising from the implementation of the new laws and the negative circumstances that required extraordinary commitments, the business operations of Elektroprivreda BiH in 2014 were successful, which maintained the continuity of liquid and stable business operations, the continuity of reliability of supply of customers with electricity, the orderly settlement of obligations to suppliers and obligations prescribed by laws.

The production of electricity reached the amount of 7,403.6 GWh, which is one of the five record-breaking productions of the corresponding production units since 1991. In the period from

2011 to 2014, which was characterized by the extreme weather conditions, unfavourable hydrological situation, snow, floods, the record amounts of generated electricity were achieved in 2011 and 2013. In 2014 Elektroprivreda BiH also maintained the status of the only company with a positive power balance in the region. In the supply activity we achieved the highest collection rate in the last 10 years, while in the trade we have realized 100% of the contracted long-term deliveries with a significant volume of short-term non-tariff sales in the electricity market.

During the year we continued the activities in the implementation of the development cycle of the company. After the approval by the FBiH Parliament (July 2014) on the proposed election of the Consortium Gezhouba Group Company Limited (CGGC) and Gunagdong Electric Power Design Institute (GEDI) China, as the preferred bidder in the selection of project partner for joint investment in the project of construction of the Unit 7 in the TPP "Tuzla", the conditions were created for the start of the Phase Four of the tender process - the process of finalization and the start of construction. An application was submitted to the

Eximbank of China (funds from the Government of China intended for the Central and Eastern European countries) for the amount of 667.8 million EUR, which is 85% of the value of the Contract for the construction of the Unit, and at the end of the year the representatives of the Government of FBiH and the Eximbank of China signed the Memorandum of Understanding on financing the construction of the Unit.

In 2014, we announced the International public invitation for prequalification for the construction of HPP "Vranduk", to which 12 companies and consortia applied, from Italy, Turkey, Spain, Romania, Austria, Croatia, China, Slovenia and Bosnia and Herzegovina. After the evaluation of applications to the International public invitation, which is being implemented according to the procurement procedures of international financial institutions, the EBRD and the EIB who finance the construction of the Hydroelectric power plant with a loan of 63.5 million euros, the companies and consortia that met the criteria were invited to submit final bids. Five of them delivered the final bids.

Along with these activities, the professional teams of Elektroprivreda BiH implemented the necessary actions to obtain necessary permits and approvals for the implementation of other capital projects for which we have planned the construction.

The past year was a year of the most intensive investment in the mines-members of the EPBiH Concern. By the end of its reporting period, 46.8 million BAM was invested in mining equipment and 2 million BAM cash. By the end of December 2014, on the basis of decisions on recapitalization adopted in the period 2010-2014 and their amendments, the contracts worth 157.98 million BAM were signed and in major part implemented.

In accordance with the Law on Electricity of FBiH and by-laws, in 2014 Elektroprivreda BiH began the process of restructuring in the sense of separation of the distribution activity

and the formation of the Distribution System Operator (DSO) as a separate company (new legal entity), 100% owned by EPBiH.

Within the framework of the development policy, the General Assembly of Elektroprivreda BiH adopted the Long-Term Development Plan for the period to 2030 with its Strategic Plan. The plan was initiated by the current, significant changes in the electricity sector relating to the opening of the sector for competition, environmental protection and climate change mitigation.

With the above, 2014 was a year of preparation for the full opening of the electricity market from January 1st 2015 and acquisition of the right for all end users to freely choose their supplier.

Thanks to the consistent implementation of the business policy, responsibility in fulfilling tasks of development and investment cycle, social responsibility through actions that have positive effects on the wider community, its well-being and improvement of quality of life, the fulfilment of the obligations of the parent company of EPBiH Concern, the implementation and activities in relation to the Energy Community Treaty and preparations for the opening of the electricity market, in order to strengthen our competitive ability, another year of success is behind us. The pillar of this success are our employees whose knowledge and determination will make Elektroprivreda BiH stronger and bigger than it was, with new plants, higher production, number of customers, higher exports, revenue and profits, with the leading producer position in the country and in the region, and even stronger pillar of the electricity sector. It is them to whom on the Day of the Company the adapted business and technical building was handed over, which was reconstructed for its intended function in 2014, after the destruction and burning in 1992.

DR.SCI.ELVEDIN GRABOVICA



## 2. MISSION, VISION, GOALS



### Mission

Our mission is generation and supply of electricity, thermal energy and coal according to the defined quality standards, and providing services that will satisfy customer requirements.

Our intention is to restructure the company under European legislation and to apply the best corporate practices, implement constant professional development of employees with the development of skills of teamwork and process optimization.

Our goals are efficient response to customer requirements and transparency in business, as well as education of customers on efficient energy use and the development of the image that will strengthen our market position and customer confidence.

### Vision

PE Elektroprivreda BiH will be an entity that is constantly developing new methods to improve business performance to attain a leading position in the electricity market in the region and to meet current and future demand of electricity and heat according to customer defined quality standards.

PE Elektroprivreda BiH will invest in the modernization and development and realize capital investments, paying special attention to investment in generation of electricity from renewable sources, increasing the flexibility of the energy portfolio and energy efficiency.

In performance of its activities PE Elektroprivreda BiH will operate in accordance with European Union standards on environmental protection and develop a high awareness of preservation of environment.

### Goals

The strategic goals of PE Elektroprivreda BiH are:

- Construction of new replacement thermal capacities and new generating capacities using renewable energy sources, as well as distribution capacities,
- Reorganization in accordance with the requirements of the EU directives and the new Law on Electricity,
- Restructuring and modernization of the mines.

In terms of investment in the generation segment, company's goals are long-term increase in generation and sale of electricity in the BiH and regional markets. This goal will be realized by increasing generation capacity, modernization of existing capacities and intensive construction of new generation facilities.

The construction of new generating capacities will allow an increase in sales and marketing of electricity in the domestic and regional markets, as well as the closure of old and inefficient units in thermal power plants.



### 3. STATUTORY ELEMENTS ABOUT THE COMPANY - ORGANIZATION OF THE COMPANY

Javno Preduzeće Elektroprivreda Bosne i Hercegovine d.d. Sarajevo (Public Electric Utility Company of Bosnia and Herzegovina) (hereinafter the EPBIH or the Company) is a power utility company that performs the following activities: generation of electricity, distribution of electricity, supply and trade of electricity, as well as other activities defined by the Statute. The Company performs these activities in Bosnia and Herzegovina (hereinafter: BiH), more precisely, in the territory of the Federation of Bosnia and Herzegovina (hereinafter the FBiH). The activity of power trading involves trading on the wholesale market within Bosnia and Herzegovina, as well as the export and import of electricity.

The Company is organized on a functional, process-operational and territorial principle and consists of eight subsidiaries:

- Hydroe Power Plants on the River Neretva, Jablanica,
- Thermal Power Plant "Kakanj" Kakanj
- Thermal Power Plant "Tuzla", Tuzla,
- "Elektro distribucija" Bihać,
- "Elektro distribucija" Mostar,
- "Elektro distribucija" Sarajevo,
- "Elektro distribucija" Tuzla,
- "Elektro distribucija" Zenica.

The EPBIH is represented by the General Manager, Executive Managers and Managers of Subsidiaries, in accordance with the Statute and a special act of the Company Management.

Bodies of the Company are:

- Assembly,
- Supervisory Board,
- Management, and
- Audit Committee.

The competences of the Assembly, consisting of shareholders, are prescribed by law and the Company Statute. The Assembly is convened as specified by the law, regulations and the Statute, and when it is deemed to be in the best interest of the Company and its shareholders, but at least once a year.

#### Supervisory Board

The Supervisory Board supervises Company's operations, supervises the work of the Company Management and it has other competences determined by the law and the Company Statute. The Supervisory Board meetings are usually held once a month.

The Supervisory Board consists of seven (7) members, which the Company Assembly

appoints and dismisses in accordance with the FBiH Law on Companies and the Company Statute. Six members of the Supervisory Board are appointed based on the proposal of the majority shareholder (state capital), and one member is appointed based on the proposal of the private capital - small shareholders.

The Supervisory Board acts in the following composition:

- Ph.D. Enver Agić, Electrical Engineer, President
- M.A. Jakub Dinarević, Mining Engineer, Member
- Ph.D. Bahrudin Šarić, Mechanical Engineer, Member
- Selvedin Subašić, B.Sc. Electrical Engineer, Member
- Davorin Korać, B.Sc. Economist, Member
- Fejsal Hrustanović, B.Sc. Economist, Member
- Nedžad Bukvar, B.Sc. Economist, Member (since May 29th 2014)

#### Management

In accordance with the Law on Companies, the Law on Public Companies and the Statute, the Company is managed by the Company Management consisting of:

- General Manager,
- Executive Manager for Generation,
- Executive Manager for Distribution,
- Executive Manager for Procurement and Sales,
- Executive Manager for Economic Affairs,
- Executive Manager for Legal Affairs and Human Resources,
- Executive Manager for Capital Investments.

Members of the Management are:

- Ph.D. Elvedin Grabovica, General Manager
- Senad Sarajlić, Executive Manager for Generation
- Admir Anđelić, Executive Manager for Distribution
- M.A. Mirsad Šabanović, Executive Manager for Procurement and Sales
- Edin Mujagić, Executive Manager for Economic Affairs until May 31st 2014
- Edib Bašić Acting Executive Manager for Economic Affairs starting with June 1st 2014
- Mensura Zuka, Executive Manager for Legal Affairs and Human Resources
- M.A. Amil Kamenica, Executive Manager for Capital Investments





## 3.

Statutory  
elements  
about the  
company  
- organiza-  
tion of the  
company

## Audit Board

The Audit Board consists of three members elected by the Assembly of the Company in accordance with the law and the Statute. The Audit Board elects one of its members as president of the Audit Board. Duties and responsibilities of the Audit Board are prescribed by the law and the Company Statute.

The Audit Board members are:

- Sadija Sinanović, President,
- Ph.D. Mirsad Kikanović, Member,
- Suljo Kasapović, Member.

The Company has its Company Secretary whose responsibilities are defined by the law and the Statute.

## Company Secretary

- Goran Milošević

EPBIH is a Company which has 100% ownership over seven mines and four other companies in other industries with different shares in the property.

With the companies in which it has majority ownership, Elektroprivreda BiH, in accordance with the law is bound in a Concern where EPBIH has the status of the parent company, and the rest of the companies have the status of dependent companies. The subsidiaries employ approximately 10,000 people.

## Subsidiaries - mines (100%)

Mines "Kreka" d.o.o. - Tuzla  
Brown Coal Mine "Đurđevik" d.o.o. - Đurđevik  
Brown Coal Mine "Kakanj" d.o.o. - Kakanj  
Brown Coal Mine "Breza" d.o.o. - Breza  
Brown Coal Mine "Zenica" d.o.o. - Zenica  
Mine "Gračanica" d.o.o. - Gračanica  
Brown Coal Mine "Abid Lolić" d.o.o. - Bila

## Other companies

Eldis tehnika d.o.o. - Sarajevo (100%)  
Hotel ELBiH d.d. - Makarska (100%)  
Iskraemeco Sarajevo d.o.o. (57,5%)  
ETI Sarajevo d.o.o. (49%)



2014

4.  
KEY INDICATORS OF THE  
COMPANY – BASIC  
BUSINESS INDICATORS

In 2014, JP Elektroprivreda BiH d.d. - Sarajevo (EPBiH) generated 7,404 GWh of electricity. Total recorded Income from the sale of electricity and other activities amounted to 980.8 million BAM and profit amounted to of 3.2 million BAM.

According to the capital (2.24 billion BAM), the installed capacity (1,682 MW), and the total generation and sales EPBiH is the largest electric utility company in Bosnia and Herzegovina, serving more than 733,000 customers in seven cantons in the Federation of BiH.

Description		December 31st 2014	Plan 2014	December 31st 2013
Share capital	Billion BAM	2.237	2.237	2.237
Operating income	Million BAM	943.9	943.6	972.7
Operating expense	Million BAM	774.7	781.7	767.7
EBITDA	Million BAM	169.2	161.9	205.0
		2014	plan	2013
Total Income	Million BAM	980.8	970.4	1.008.2
Income from the sale of electricity	Million BAM	903.8	905.9	936.2
Other income	Million BAM	77.0	64.5	72.0
Total expenditure and costs	Million BAM	977.6	967.4	971.2
Depreciation	Million BAM	168.9	165.9	159.8
Net income	Million BAM	3.2	3.0	37.0

Description		2014	plan	2013
Generation	GWh	7,404	7,393	7,473
Net distribution	GWh	3,991	4,015	3,980
Non-tariff sales	GWh	2,784	2,759	2,786
Number of customers		733,600	726,374	724,607
Number of employees in all categories		4,957	4,966	4,928



4.  
Key  
indicators  
of the  
company –  
basic  
Business  
indicators

According to the ownership structure the company is a shareholders company in which 90 percent share of the capital is owned by the Federation of BiH and the remaining 10 percent is privately owned.

According to the list of shareholders, as of December 31st 2014 EPBiH had 2,576 shareholders. The top ten shareholders as of December 31st 2014 are:

No.	Shareholder	Number of shares	Share (%)
1.	Federal Ministry of Energy, Mining and Industry ("state property")	28472181	90.3691
2.	Closed investment fund "BIG - Investment Group" d.d. Sarajevo	647820	2.0561
3.	Closed investment fund HPPRBOS FOND d.d. Mostar	210800	0.6691
4.	Closed investment fund "Forward" d.d. Sarajevo	202128	0.6415
5.	Closed investment fund "prevent INVEST" d.d. Sarajevo	183426	0.5822
6.	Closed investment fund CROBIH FOND d.d. Mostar	182354	0.5788
7.	Raiffeisen Bank d.d. Bosnia and Herzegovina	154776	0.4913
8.	UniCredit bank Mostar	151896	0.4821
9.	Closed investment fund "BONUS" d.d. Sarajevo	150704	0.4783
10.	Closed investment fund "MI - GROUP" d.d. Sarajevo	111542	0.3540



## 5. IMPLEMENTATION OF THE BUSINESS POLICY AND OBJECTIVES OF THE COMPANY



### The most important activities of EPBIH that marked 2014

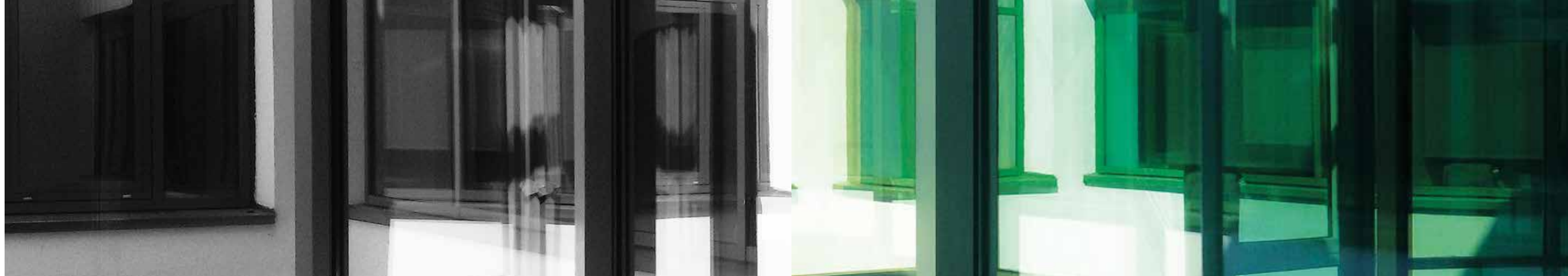
#### Generation

- Total generation of electricity achieved in the amount of 7403.6 GWh, which is 10.8 GWh or 0.1% more than planned generation,
- Power generation in hydro power plants amounted to 1,616.6 GWh, which is 138.2 GWh or 9.3% more than planned generation,
- Power generation in thermal power plants amounted to 5,787.0 GWh, which is 127.4 GWh or 2.2% less than the planned generation, or 237.5 GWh or 4.3% more than generation in 2013,
- Share of hydropower in total generation amounted to 21.8% (plan - 20.0%); thermal power plants share was 78.2% (plan - 80%),
- Total purchase of coal for thermal power plants in 2014 amounted to 5,809,294 tons, which is 371,706 tons, or 6.0% less than the planned amount,
- Thermal power plants consumed a total of 5,804,991 tons of coal,
- Activities carried out related to the energy efficiency projects in generation.

#### Distribution

- Net distributive consumption achieved the amount of 3990.9 GWh, which is 0.6% less than planned net distribution consumption for 2014 and a 0.3% increase compared to 2013,
- Distribution losses amounted to 401.6 GWh (plan - 432.7 GWh), or 9.14% in relation to gross distribution consumption (plan - 9.73%) and 31.1 GWh or 7.2 % less than planned losses,
- 9,743 new end customers connected to the electricity distribution network, of which 8,099 end users from the category of households, 1,505 end customers from the category of other consumption at low voltage and 139 end users connected to the medium voltage - 10 (20) kV distribution network,
- Preparation of power facilities for the transition from 10 kV to 20 kV voltage level, with completion and connection of the 20 kV distribution network in length of 115.8 km with 32 substations,

- Works completed on the installation and commissioning of a mobile substation 110/10 (20) kV Grbavica,
- Construction of 59 substations 10 (20)/0,4 kV completed as well as construction of the distribution network in the length of 716 km, of which 77 km of medium voltage distribution network and 639 km of low-voltage distribution network
- Reconstruction of 8 substations with 35/10 (20) kV voltage level and 77 10 (20)/0,4 kV substations completed as well as reconstruction of the distribution network in length of 274.9 km and 88.3 km and 186.6 km of medium low-voltage distribution networks and rehabilitation of 23.072 measuring points,
- Project of expansion of remote monitoring and control completed through implementation of the following:
  1. EEO (power facilities) preparation project for the introduction into the SCADA/DMS/OMS system. This project included the preparation and connection of a total of 19 facilities to the SCADA system within the DCUs of the distribution subsidiaries: 35/10 kV substation Popović Polje, 10/0,4 kV substation Klisa 2, 10/0,4 kV substation Harmani 2 i 10/0,4 kV substation Todorovo, 35/10 kV substation Trbića Polje, 35/10 kV substation Željuša, 35/10 kV substation Brana, 35/10 kV substation Salakovac, 35/10 kV substation Živinice I, 35/10 substation Živinice II, 35/10 substation Gradačac, 35/10 substation Lukavac II and 35/6 kV substation Cementara for SDNiU, 35/10 kV substation Maglaj 1, 35/10 kV substation Maglaj 2, 35/10 kV substation Olovo, 35/10 kV substation Fojnica, RS 10(20) kV Tovarište and 10(20) kV switchyard Majdan.
  2. Project of installation of cabinets of power line disconnectors with telemetry and communication equipment for 41 pole-mounted location (10 locations in ED Tuzla, 19 locations in ED Zenica, 7 locations in ED Bihac, and 5 locations in ED Mostar)
- Extension of the AMM system completed in distribution subsidiaries, with installation of 14,347 new electronic meters and installation of metering cabinets. Based on the situation on the ground, connections to the distribution network were reconstructed, where necessary.



- The above investments contributed to increase of supply reliability of electricity distribution network. Reliability indicators achieved in 2014 are; SAIFI 7.31 interruptions/customer and SAIDI 641.39 minutes of interruption/customer which is 10.8% better (SAIFI), or 24.3% SAIDI compared to 2013
- The base of the DEEO power facilities was completed and put into operation, as well as the dispatching module, database Priključci (connections) upgrade related to the contracting campaign (DISP) and the integration of the database and the application Priključci and the new DISP application was completed. We also implemented a new additional tool for drawings of connections for distribution network (QGIS) which is used in the process of connecting end customers/generators to the distribution network,
- Works implemented on the introduction of the MDM system for collecting and processing of data from the metering points at the level of Elektroprivreda BiH, and the tender documents for the SCADA / DMS / OMS system were prepared, which will be financed by the KfW bank, as computerization of the process of investment in the distribution network.

## Supply

- Total supply of electricity to end customers was realized in the amount of 4426.4 GWh, which is 19 GWh or 0.4% less than the total planned consumption, and 0.2% more than in 2013,
- In accordance with the legal and regulatory framework this department performed the function of an operator for renewable energy sources and efficient cogeneration up to September, and subsequently harmonized and transferred all such activities to the newly established Operator for renewable energy sources and efficient cogeneration.
- The Decision on the implementation of the Decision on the implementation of measures to reduce the cost of electricity for households and stimulate energy efficiency was implemented,
- Some activities related to energy efficiency projects in the activity of the trade and supply were carried out,
- Collection rate was 101.5% in 2014 (excluding the balance of receivables from previous years) and 95.8% (with the balance of receivables from previous years) when looking at the

- ratio between invoiced and collected total Income in the current year,
- Prices were set for supply of eligible customers which are not under the public supply of PE EP BiH for 2015, as well as the price of services of the public supplier EP BiH for 2015, which were confirmed by the decision of FERC;
- Some activities on the implementation of the Law on financial consolidation of companies in the Federation of BiH were carried out,
- Contract on the settlement of relations between EPBIH and the Operator for OIEiEK was signed,

## Trade

- Total sales of electricity were realized in the amount of 2783.8 GWh, which is 24.8 GWh or 0.9% more than planned sales,
- Total Income from electricity sales was realized in the amount of 248.2 million BAM, which is 5.5 million BAM or 2.3% more than planned income,
- Trade activities generated total income (income from electricity sales, income from auxiliary services and income from the sale of reserve power in the market) in the amount of 252.6 million BAM, which is 4.8 million BAM or 1.9% more than the planned total income,
- Realized annual contracts for the sale of electricity on the market amounted to 1,260.4 GWh, or a total of BAM 111.985 (level of implementation of 100%),
- Realized short-term sale of electricity amounted to 1,311.1 GWh (6.6 GWh, or 0.5% less than planned), or a total of 113.108 million BAM (2.026 million BAM, or 1.8% more than planned),
- Continuous analysis of the market for the sale of electricity on short-term basis was carried out, which allowed a significant placement of short-term surplus of electricity and an increase in total Income compared to planned income from short-term sales,
- All obligations were fulfilled and all requirements under the licenses of FERC and SERC were met for the supply of electricity of the second order and international trade.



## Economic affairs

- A study was developed for the inventory of assets in EPBiH as well as a set of financial reports for 2013,
- The Operational program of the Company Headquarters was adopted for the planning period 2014-2016 after the adoption of the Business plan of the Company.
- Financial reporting to FERC for 2013 was completed in accordance with the Regulations on Reporting,
- The guidelines for development of a three-year business plan 2015-2017 were made and the preparatory works on the draft of the three-year EPBiH business plan for the period 2015-2017 were completed.
- Financial activities of the preparatory work in connection with the implementation of Unit 7 in TPP "Tuzla", and HPP "Vranduk" VF "Podveležje" were completed.
- Tasks regarding the valuation of property, plants and equipment were done in cooperation with consultants,
- Activities on the implementation of the EBRD, EIB and KfW loans, and the KfW donation and other available funds of the Swiss loan were done in accordance with the specific procedures of each of the creditors,
- We worked with the regular annual control of the ITA BiH regarding the fulfillment of obligations based on VAT.

## Legal Affairs and Human Resources

- Activities on EPBiH representation in proceedings before courts in BiH,
- Activities on the development and analysis of normative acts,
- Activities on harmonization of rules of subsidiaries - coal mines with the rules of the EPBiH,
- Participation in resolving the claims of subsidiaries-coal mines,
- Resolution of property relations regarding the real estate of the Company in Bosnia and Herzegovina and abroad,

- Activities related to the registration of persons authorized to represent the Company and persons authorized to represent subsidiaries,
- Activities related to communication with the FERC and the SERC,
- Activities on the preparation and implementation of contracts,
- Activities and jobs in the field of human resources management, personnel affairs and labor relations at the company level,
- SAP HR module management for organizational management, staff development, staff training, on - line learning,
- Representation of the Company in labor disputes and other activities.

## Capital investments

- Realized activities were related to the preparation of construction of thermal power plants, hydro power plants and small power plants using renewable and alternative energy sources such as: preparation of the investment and technical documentation, obtaining necessary permits and approvals, obtaining the preliminary building permits, conducting procedures for the award of concessions,

expropriation of land, closing the financial structure, hiring consultants, preparation of tender documentation for selection of project partners, selection of contractors and suppliers of equipment.

1. *Preparation of construction of thermal power plants*
  - Unit 7 - 450 MW at TPP "Tuzla"
  - Unit 8 - 300 MW at TPP "Kakanj"
2. *Preparation of the construction of hydro power plants*
  - HPP "Vranduk"
  - HPP "Ustikolina"
  - HPP "Una Kostela - Aneks"
  - HPP "Janjići"
  - HPP "Kruševo" and HPP "Zeleni vir"
  - HPP "Kovanići"
  - HPP "Babino selo"
  - HPP "Tegare" and HPP "Kozluk"
3. *Preparation for construction of small power plants using renewable and alternative energy sources*
  - SHPP on the river basin of Neretvica,
  - VF "Podveležje"



## Field of restructuring

The new Law on Electricity in the Federation of BiH, which entered into force on September 5<sup>th</sup> 2013 introduced a substantial scope of the changes and new solutions compared to the previous law. The most influential factor in the preparation of this law were the obligations for harmonization of the legal framework with the EU acquis on the basis of the Energy Community Treaty and the Stabilization and Association Agreement.

The Law on Electricity stipulates that the restructuring of the existing electric utility companies will be carried out in line with the Program for Restructuring of the Electricity Sector in the Federation of BiH, on the basis of the applicable regulations and with the agreement of the Parliament of the Federation of BiH. The FBiH Government adopted this Program on March 6<sup>th</sup> 2014. (Decision No. 350/2014), the FBiH House of Representatives approved it on July 9<sup>th</sup> 2014 and the House of Peoples has not considered this document.

On the other hand, on the basis of the Law on Electricity, the Government of the Federation of BiH adopted the Interim Guidelines for Power Policy of the Federation of BiH ("Official Gazette of FBiH", No. 12/14 from February 14<sup>th</sup> 2014), which were approved by the House of Representatives of the Parliament of the Federation of BiH on July 9<sup>th</sup> 2014 and the House of Peoples on July 31<sup>st</sup> 2014.

These documents are the basis for the restructuring of EPBiH, and the first step in this process is legal unbundling of the distribution activity and the establishment of a distribution company as a separate legal entity.

In November 2014 the EPBiH Management, adopted the document "The Concept of the New Organization of EPBiH and the ODS in accordance with the Law on Electricity". This laid down the basic principles that were guidance in defining the new organization and planning activities at the very beginning.

Taking into account two crucial requirements; in the short term - the implementation of legal obli-

gations and in the long-term - the growth of productivity (competitiveness), determined the initial approach: focusing only on the legally required changes related to the management structure and separation of activities, and minimizing and avoiding any partial or individual requirements and changes in terms of the basic organizational units, systematization and evaluation.

In November 2014, the Company Management adopted the Framework Action Plan for the Restructuring of Elektroprivreda BiH, which was the basis for the start of activities to create preconditions and the preparation of a number of necessary documents in the function of the establishment of the ODS. Adequate analyses were prepared and all the necessary documents for the separation of distribution and the procedure for establishing a new subsidiary company for distribution were prepared in the form of an initial draft (decision on the establishment of the ODS, statute, ordinance on the organization, systematization).

In parallel with this activity we approached the process of identification and allocation of assets and liabilities by activities. This is especially important for the level of distribution subsidiaries which must provide the funds related to the supply and generation (small HPPs). The final result will be to establish the value of assets that will constitute EPBiH's share in the ODS.

## Development area

- The Company Assembly adopted the long-term development plan for EPBiH until 2030 with the Strategic Plan (May 29<sup>th</sup> 2014)
- The most important studies completed during 2014 are:
  1. Impact of coal quality on the cost of generation of electricity and coal price,
  2. Choice of the method for determining the specific consumption of heat of thermal power plants in EPBiH as a basis of the management system functioning for energy efficiency,
  3. Study of utilization of wind at the site Medveđak-Bihać,
  4. Study of perspective for 35 kV voltage level in EPBiH,
  5. Consolidation and integration of information systems in EPBiH.



5. Implementation of the business policy and objectives of the company

### Implementation of environmental policy and environmental protection plans

- Selection of the best available techniques and technologies,
- Cogeneration, co-burning and optimization of generation of electricity and heat,
- Use of renewable energy sources and efficient use of fossil fuels,
- Increase of energy efficiency in generation, distribution and supply,
- Implementation of environmental requirements in the context of research, projects and engineering,
- Risk assessment and assessment of possible incidents to environment, proper
- Management of harmful, hazardous and waste materials, etc.

### General Affairs

- Reconstruction of the business-technical building of EPBIH,
- Continuous implementation of activities of fire protection and operational safety of employees,
- Continuous implementation of activities for the protection of confidential information, information and business in EPBiH,
- Implementation of activities for the realization of the objectives of the requirements of ISO 27001: 2005,
- Successful implementation of the first supervisory audit according to EN ISO 9001: 2008 and OHSAS 18001: 2007 at the EPBIH Headquarters.

### ICT

- Investment ICT projects were implemented in the following project areas: optical cable network, telecommunications equipment, ICT system facilities, IT equipment and ICT services, remote monitoring and management system, AMR/AMM system, software licenses and information systems.
- The ICT sector provided the ICT support within EPBIH on the basis of the catalog of ICT services (69 ICT services) and according to the objectives defined in the catalog. Employees of the ICT sector solved 1068 of 1104 user requests within the framework of support for the ICT services during 2014 (96.7%).
- Development of the system for information security management in accordance with the ISO 27001 standard, in preparation for the certification of the Company.
- Activities on the development of the ICT systems and the integration of the subsidiary companies - mines in the ICT system of EPBIH.



## 6. REALIZATION OF THE POWER BALANCE

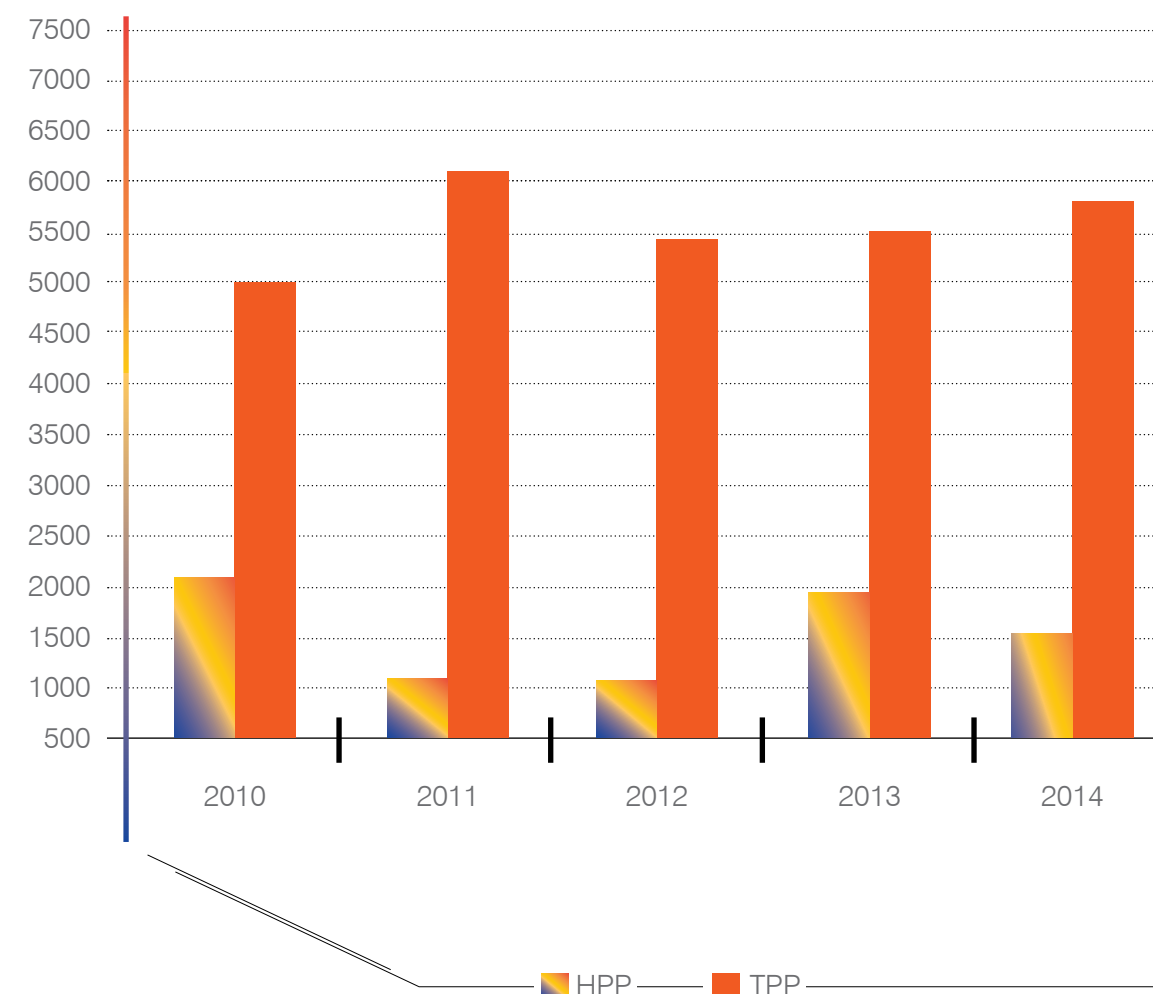
The total electricity generation in 2014 amounted to 7403.6 GWh, which is 10.8 GWh or 0.1% more than the planned generation. The higher generation levels and lower overall consumption, resulted in higher sales of electricity on the market compared to the plan.

In mid-May 2014, a wide area of Bosnia and Herzegovina was hit by unprecedented weather conditions (high rainfall) which caused flooding and landslides in a significant part of the state. Many areas of the Zenica-Doboj Canton, Central Bosnia Canton, Tuzla Canton, Una-Sana Canton and Sarajevo Canton found themselves under water, causing flooding of power facilities, and interruptions in the supply of electricity to end customers. Although the damage was significant, thanks to the extraordinary commitment of the employees of the Company, supply to consumers was reestablished fast, and operation of the power system of Elektroprivreda BiH was safe and under full control.

Operation of the power system of Elektroprivreda BiH in 2014 was characterized by the following indicators:

- electricity generation 0.1% higher than the balance plan (7,403.6 GWh generation in 2014 represents the second highest from respective generation units since 1991);
- total electricity consumption 1.1% lower than planned and 0.5% lower than the total consumption in 2013;
- relatively favorable hydrological conditions (water inflows in hydro power plants were 18.9% higher than planned, but 14.7% lower than the hydrologic inflow during the favorable 2013);
- total procurement of coal was 6.0% lower than the amount planned in the balance but 4.9% higher than procurement in 2013;
- non-tariff sales of electricity were 0.9% greater than planned;
- demand of tariff customers was completely satisfied in the amount of 4,433.7 GWh;
- annual contracts were realized in the amount of 1,260.4 GWh;
- short-term sale of electricity was realized in the amount of 1,311.1 GWh.

### Generation in GWh





6. Realization of the power balance

Generation (u GWh)	2010	2011	2012	2013	2014
HPP	2,168	1,157	1,141	1,924	1,617
TPP	5,013	6,138	5,368	5,549	5,787
Total	7,181	7,295	6,509	7,473	7,404

Hydro power plants (“Jablanica”, “Grabovica”, “Salakovac” and hydro power plants belonging to distributions) generated 1616.6 GWh, which is 138.2 GWh or 9.3% more than planned, but 16.0% lower than generation achieved in 2013, which was characterized by favorable hydrological conditions. Generation of hydro power plants was a result of relatively favorable hydrological conditions during most of the year.

Thermal power plants “Tuzla” and “Kakanj” achieved generation of 5,787.0 GWh, which is 127.4 GWh or 2.2% less than planned, or 237.5 GWh or 4.3% more than generation of thermal power plants in 2013. The achievement of lower generation from thermal power plants compared to planned generation was partly due to transfer of the hydropower generation due to favorable hydrological conditions.

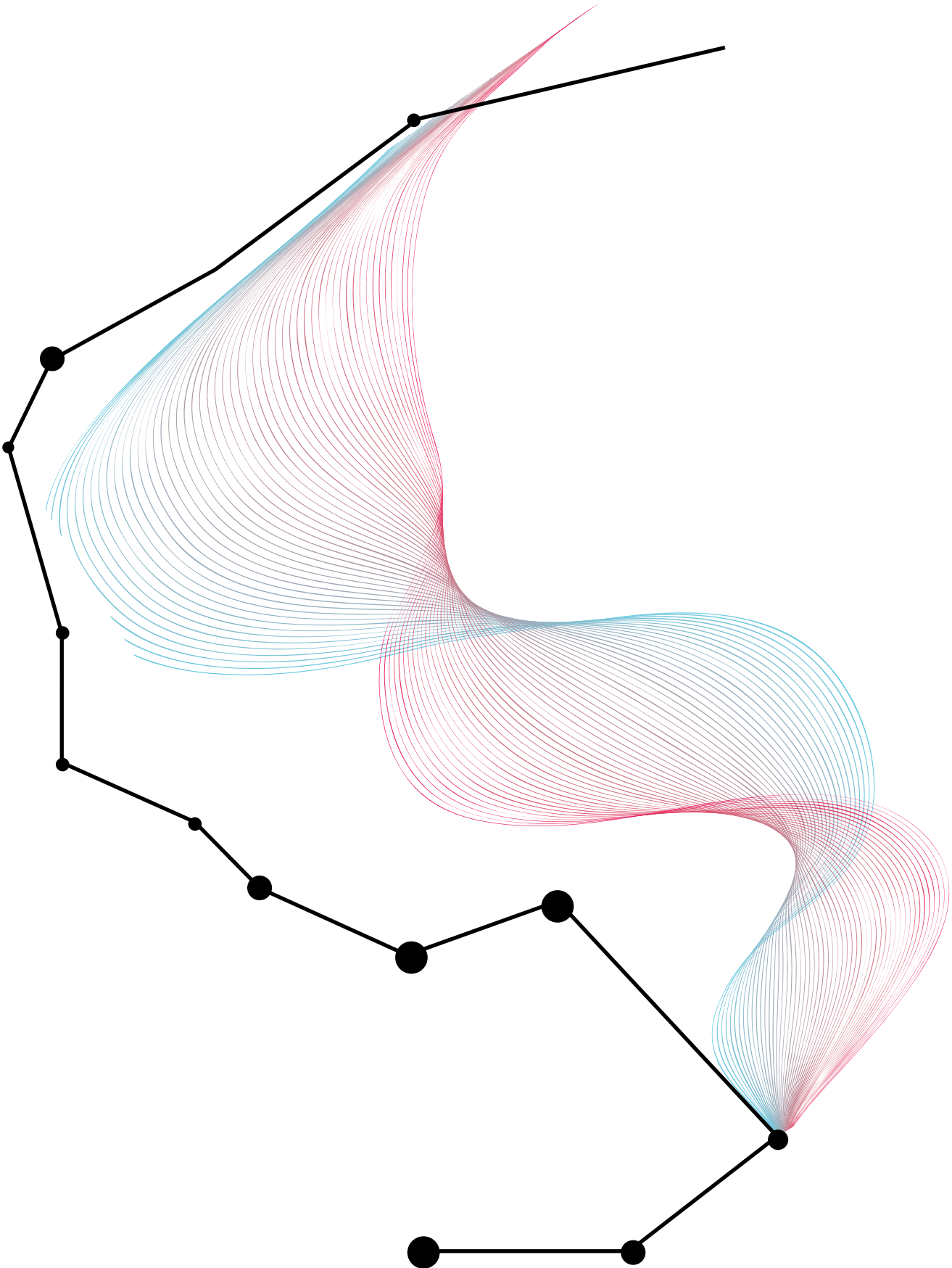
The share of thermal power plants in overall generation amounted to 78%, while the share of hydro power plants was 22%.

Generation ratio (%)	2014	plan 2014	2013	2012
hydropower	22%	20%	26%	18%
thermal power	78%	80%	74%	82%

Total electricity consumption includes gross distribution consumption, consumption of direct customers and the electricity necessary to cover transmission losses. In 2014, the total electricity consumption was recorded in the amount of 4953.4 GWh, which is 54.7 GWh or 1.1% less than planned. Gross distributive consumption amounted to 4392.6 GWh, and end user consumption to 442.8 GWh.

Realization of the power balance for the period january-december 2014

JP Elektroprivreda BiH	Realized	Plan	Realized	Compared to the plan for 2014	Compared to 2013
	2014 GWh	2014 GWh	2013 GWh	change %	change %
1. GENERATION	7,403.6	7,392.8	7,473.0	0.1	-0.9
Hydropower plants	1,616.6	1,478.4	1,923.5	9.3	-16.0
- HPPs on the River Neretva	1,542.6	1,414.0	1,854.4	9.1	-16.8
- Small hydro power plants	74.0	64.4	69.1	14.9	7.1
Thermal power plants	5,787.0	5,914.4	5,549.5	-2.2	4.3
- TPP Tuzla	3,668.4	3,696.0	3,289.3	-0.7	11.5
- TPP Kakanj	2,118.6	2,218.4	2,260.2	-4.5	-6.3
2. RECEIPT (purchase, exchange)	349.8	382.4	323.5	-8.5	8.1
3. AVAILABLE (1 + 2)	7,753.3	7,775.1	7,796.5	-0.3	-0.6
4. CONSUMPTION	4,953.4	5,008.1	4,979.6	-1.1	-0.5
Gross distributive consumption	4,392.6	4,447.7	4,401.5	-1.2	-0.2
Direct consumers	442.8	430.4	448.2	2.9	-1.2
Transmission losses	118.1	130.0	129.9	-9.2	-9.1
5. SALE, exchange, corrections	2,799.9	2,767.0	2,816.9	1.2	-0.6
TOTAL DEMAND (4 + 5)	7,753.3	7,775.1	7,796.5	-0.3	-0.6





## 7. IMPLEMENTATION OF THE FINANCIAL PLAN

### Business results of JP Elektroprivreda BiH in 2014

#### INCOME STATEMENT in thousands BAM

	2014	Plan 2014	2013	Index 14/pl	Index 14/13
	1	2	3	4	5
<b>1. Income from generation of electricity and auxiliary services</b>	<b>903,810</b>	<b>905,897</b>	<b>936,171</b>	<b>99.8</b>	<b>96.5</b>
- Income from sales to tariff customers of EPBiH**	572,043	575,340	567,524	99.4	100.8
- Income from sales to customers based on Public Supply Contract*	79,163	82,777	83,273	95.6	95.1
- Income from sales to other customers in BiH	206,169	189,643	170,902	108.7	120.6
- Income from export of electricity	42,028	53,020	109,453	79.3	38.4
- Income from sales of power reserves and service	4,407	5,117	5,019	86.1	87.8
<b>2. Income from sale of technical steam, heat and by-products</b>	<b>13,444</b>	<b>17,089</b>	<b>14,771</b>	<b>78.7</b>	<b>91.0</b>
- Income from steam	3,159	3,482	3,494	90.7	90.4
- Income from heat energy	8,713	11,724	9,498	74.3	91.7
- Income from sales of other byproducts	1,572	1,883	1,779.8	83.5	88.3
<b>3. Income from sales of materials and services</b>	<b>26,690</b>	<b>20,625</b>	<b>21,747</b>	<b>129.4</b>	<b>122.7</b>
<b>4. Income from financing</b>	<b>10,568</b>	<b>10,024</b>	<b>16,247</b>	<b>105.4</b>	<b>65.0</b>
<b>5. Other income</b>	<b>26,283</b>	<b>16,716</b>	<b>19,288</b>	<b>157.2</b>	<b>136.3</b>
<b>TOTAL INCOME (1 to 5)</b>	<b>980,796</b>	<b>970,351</b>	<b>1,008,223</b>	<b>101.1</b>	<b>97.3</b>
6. Material for generation of electricity	369,191	380,934	368,898	96.9	100.1
7. Material for maintenance	15,439	17,184	15,553	89.8	99.3
8. Other costs of material	6,817	6,585	7,020	103.5	97.1
9. Coal transport cost	24,791	28,131	25,339	88.1	97.8
10. Maintenance	16,275	17,550	16,704	92.7	97.4
11. System studies	269	653	44	41.2	611.7
12. Insurance premiums	4,581	4,604	4,650	99.5	98.5
13. Other costs of services	8,195	9,861	6,095	83.1	134.5
14. Depreciation expenses	168,929	165,887	159,843	101.8	105.7
15. Costs of electricity transmission	46,534	44,595	45,263	104.3	102.8
16. Salaries and contributions for salaries	157,493	156,385	157,459	100.7	100.0
17. Other labor costs	28,307	28,738	29,213	98.5	96.9
18. Water management fees	26,868	18,407	23,151	146.0	116.1
19. Fees for the land and other fees	16,894	16,676	17,165	101.3	98.4
20. Other operating expenses	9,146	9,257	7,368	98.8	124.1
21. Financial and administrative expenses	9,526	6,230	5,283	152.9	180.3
22. Other expenses	57,655	52,076	68,958	110.7	83.6
23. Provisioning costs	10,651	3,600	13,174	295.9	80.9
<b>TOTAL COSTS AND EXPENSES (6 to 23)</b>	<b>977,561</b>	<b>967,355</b>	<b>971,179</b>	<b>101.1</b>	<b>100.7</b>
<b>NET PROFIT</b>	<b>3,235</b>	<b>2,996</b>	<b>37,044</b>	<b>108.0</b>	<b>8.7</b>

#### Income

Total income that EPBiH realized in 2014 amounted to 980.8 million BAM which is 10.4 million BAM or 1.0% higher than planned.

Most of the income came from the sale of electricity and auxiliary services in the amount of 903.8 million BAM, and refers to the income from electricity sales to end customers (tariff customers and those eligible for public supply service) that was achieved below the planned level (1.0% less) and income from market sales (sales in BiH and outside BiH) that was 2.3% greater than planned. Income from sales of electricity and auxiliary services is dominant in the overall structure of income due to the fact that it comprised 92.2% of the income of the Company in 2014.

The remaining income is consisted of:

- Income from the sale of technological steam, heat energy and byproducts in amount of 13.4 million BAM,
- Income from the sale of materials in the amount of 26.7 million BAM,
- Income from investments in the amount of 10.6 million BAM,
- Other income in the amount of 26.3 million BAM.





### Costs and expenses

Total realized costs and expenses in 2014 amounted to 977.6 million BAM, which is 10.2 million BAM or 1.1% more than planned. Compared to 2013, costs and expenses increased by 6.4 million BAM or 0.7% due to the significantly increased costs of water management fees, financial costs and expenses, other expenses and provisioning costs.

Water management fees in the amount of 26.9 million BAM, are related to the costs of water fees, water protection fees, contributions for the use of hydro reservoir facilities, and the costs of cantonal compensation of special importance for the Herzegovina Neretva Canton. These costs were 8.5 million BAM or 46.0% higher than planned, and the key reason is that the business plan did not plan for the cost of the cantonal compensation of special importance for the Herzegovina Neretva Canton, considering that the constitutionality of the law establishing it is doubtful (the Law on Water of the Herzegovina-Neretva Canton), as the cost of this fee in 2014 amounted to 7.7 million BAM (calculated at the rate of 0.005 BAM/kWh). We should also take into account that generation of hydro

power plants was higher than planned which further led to discrepancies.

Financial expenditures and expenses amounted to 9.5 million BAM, exceeding the plan by 3.3 million BAM. These include interest expenses on loans from banks (4.4 million BAM), foreign exchange losses (2.8 million BAM), interest expenses-actuaries (1.8 million BAM) and other financial expenses (0.5 million BAM). The increase compared to the Plan occurred mainly due to the appearance of negative exchange rate differences (the Plan did not plan for positive or negative exchange rate differences) and the realization of interest rate costs related to the dynamics of withdrawals of assets and variability of interest rates.

Provisioning losses were realized in the amount of 10.7 million BAM, which is 7.1 million BAM more than planned, and the most significant provisioning is related to the litigation which was provided for in an amount lower than realized under the Plan.

### Income collection

The level of collection from electricity customers (defined by the accounting method - the ratio of payment (the numera-

tor) by invoices and the amount invoiced for the current year with the balance of receivables from the previous year and disputed receivables) was recorded in the percentage of 95.8%, an increase of 1.6 % relative to 2013. Actual collection rate for 2014 was the highest in the last 10 years.

The following table gives a chronological overview of the collection rate for electricity supplied from distribution and eligible customers in the past eight years.

year	2008	2009	2010	2011	2012	2013	2014
collection rate	95.3	95.7	95.7	95.4	95.0	94.2	95.8

The cumulative rate of collection by distribution subsidiaries is different and ranges from 84.8% in the subsidiary "Elektrodistribucija" Mostar, to 99.4% in the subsidiary "Elektrodistribucija" Bihać (table).

JP EPBiH subsidiary	2014.	2013.
	%	%
ED Sarajevo	96.4	94.7
ED Tuzla	98.6	98.8
ED Zenica	92.9	92.3
ED Bihać	99.4	99.1
ED Mostar	84.8	78.7
<b>TOTAL - distribution companies</b>	<b>95.7</b>	<b>94.6</b>
Eligible customers (110 kV)	97.6	89.8
<b>Σ TOTAL</b>	<b>95.8</b>	<b>94.2</b>

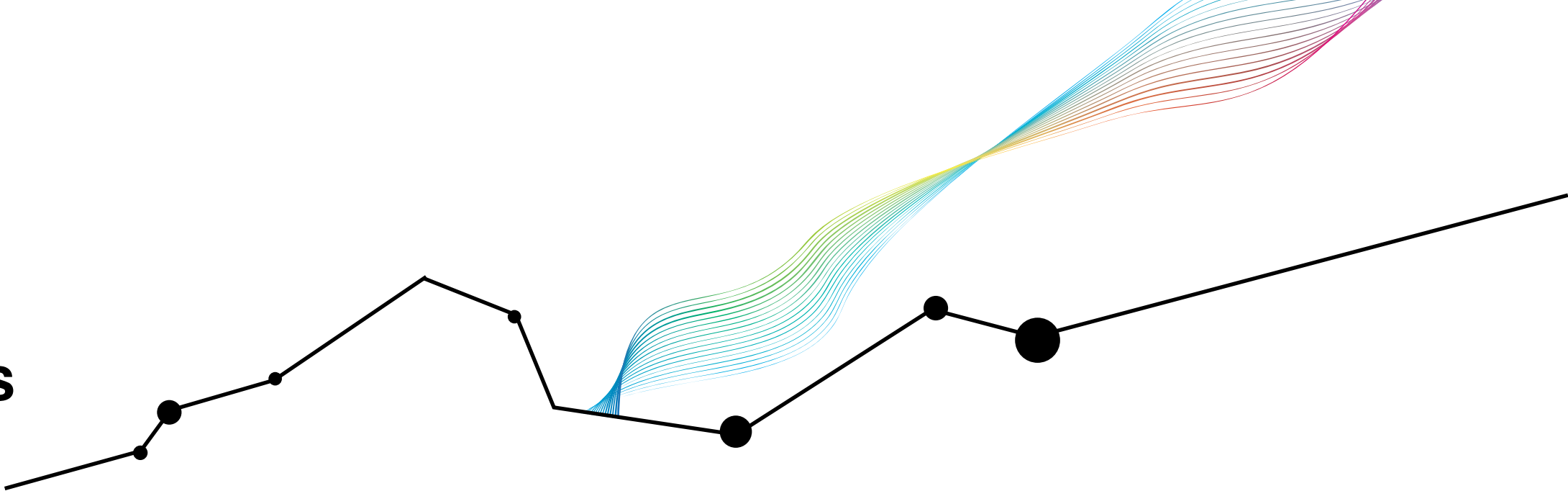
The level of collection of income from the electricity sales, expressed as a ratio of collected income and the amount invoiced in the current year (excluding the balance of outstanding receivables from previous years), gives an even more favorable rate of collection, which is 101.5%.

Money collected based on the supply of the second order and trade in electricity was generated in the amount of 100%.





## 8. FINANCIAL INDICATORS OF BUSINESS SUCCESS



Income statement indicators	Realization 2014	Plan	Realization 2013
Generation of electricity (GWh)	7,403.6	7,392.8	7,473.0
Operating income (BAM thousands)	943,944.4	943,611.1	972,688.9
Income from the sale of electricity and auxiliary services	903,810.1	905,897.3	936,170.6
Income from auxiliary activities, materials and services	40,134.3	37,713.8	36,518.3
Cash operating cost (BAM thousands)	774,709.8	781,669.4	767,649.1
• costs of materials for generation of electricity and coal transport	393,982.7	409,065.5	394,237.1
• material and maintenance services	31,713.3	34,733.7	32,256.3
• salaries and contributions for salaries	185,799.7	185,123.8	186,672.3
• sale dependent costs	82,374.2	84,860.6	78,368.1
• costs of fees	41,297.7	32,794.9	37,934.0
• other operating expenses	39,542.2	35,091.0	38,181.3
EBITDA	169,234.6	161,941.6	205,039.9
Grant income (depreciation of donated assets)	8,294.1	8,379.2	8,316.9
Depreciation (BAM thousands)	168,929.5	165,886.8	159,842.6
EBIT	8,599.2	4,434.0	53,514.2

Income statement indicators	Realization 2014	Plan	Realization 2013
Operating coefficient (operating costs + Depreciation / operating income)	1.000	1.004	0.954
Ratio of cost-effectiveness (total income / total costs and expenditures)	1.003	1.003	1.038
Productivity (income per employee)	198.42	196.31	204.01
Operating ratio (operating expenses / operating income)	0.821	0.828	0.789
Staff costs per worker	37.59	37.45	37.77
Generation per worker	1.50	1.50	1.51
Share of costs and expenses in total income	99.72	99.69	96.33
Average number of employees (at the end of the month / 12)	4,943	4,943	4,942
Cost of generation / operating income	41.7%	43.4%	40.5%
Cost of materials and maintenance services / operating income	3.4%	3.7%	3.3%
Labor costs / operating income	19.7%	19.6%	19.2%
Sales dependent costs / operating income	8.7%	9.0%	8.1%
Costs of fees/ operating income	4.4%	3.5%	3.9%
Other expenses / operating income	4.2%	3.7%	3.9%

## 9. IMPLEMENTATION OF THE INVESTMENT PLAN

In 2014 JP Elektroprivreda BiH realized investments amounting to 123.8 million BAM in the reconstruction and modernization projects of existing power facilities, plants and network, preparation of the construction of new generating capacities, and IT and telecommunications infrastructure and joint projects.

As for the investments in subsidiaries, seven subsidiary coal mines of the Concern Elektroprivreda BiH, the year 2014 was a year of the most intensive investments since the beginning of the process of their recapitalization (2010). Investments amounted to 46.8 million BAM in equipment and 2 million BAM in cash.

### Investments in generation activities

By the end of 2014 the total of 41.6 million BAM was realized, including 800,000 BAM for ICT projects.

The most important projects implemented in 2014, which have the character of investment and maintenance are:

- Restoration of the slag transport on the route to the landfill Divkovići in TPP "Tuzla"
- Reconstruction of the fence of the TPP – first phase in TPP "Tuzla"
- Restoration of the demineralization line no. 8 in TPP "Tuzla"
- Reconstruction of the electrostatic precipitator of Unit 7 in TPP "Kakanj"
- Generator overhaul of Unit 7 in TPP "Kakanj"
- Revitalization of the turbine of Unit 7 in TPP "Kakanj"
- Revitalization the power facility of Unit 7 in TPP "Kakanj"
- Replacement of the superheater "B" of Unit 7 in TPP "Kakanj"
- Replacement of the superheater number 6 on the boiler of Unit 5 in TPP "Kakanj"
- Design and construction of a new entrance to TPP "Kakanj"
- Reconstruction of the 35 kV plant at HPP "Jablanica", HPP "Grabovica" and HPP "Salakovac"
- Restoration of the pre-turbine wicket gate number 3 at HPP "Jablanica"
- Supply and implementation of the software for generation facilities maintenance (EAM



system) at HPPs on the River Neretva and TPP "Kakanj"

- Improving the system of remote monitoring and management of HPP "Grabovica" and HPP "Jablanica" from DC EPBiH Sarajevo.

### Investments in the distribution activity

The level of investments in the distribution facilities amounted to 57.1 million BAM and 3 million BAM in ICT projects, leading to a total of 60.1 million BAM.

The following activities were done in the area of distribution subsidiaries along with the implementation of regular activities on construction and reconstruction of power distribution facilities with the objective of creating the conditions for connection of new end users to the distribution network and improvement of the quality of power supply of existing end users and addressing the issue of sub-consumption:

- Completed construction of 59 substations at 10 (20)/0,4 kV level and construction of distribution network in the length of 716 km, of which 77 km of medium-voltage distribution networks and 639 km of low-voltage distribution network,
- Reconstruction of 8 substations at voltage level of 35/10 (20) kV and 77 substations at voltage level of 10 (20)/0,4 kV and reconstruction of the distribution network in length of 274.9 km, medium voltage network in length of 88.3 km and 186.6 km of low voltage distribution network and rehabilitation of 23,072 measuring points.
- 9,743 new end customers were connected to the distribution network, of which 8,099 end users from the category of households, 1,505 end customers from the category of other consumption at low voltage and 139 end customers were connected to the medium voltage - 10 (20) kV distribution network,
- Completed rehabilitation of 23,072 metering points

Emergency activities on the rehabilitation of distribution facilities and measurement points that were destroyed or damaged due to bad weather and heavy rainfall in May were performed as well.





Many areas of the Zenica-Doboj Canton, Central Bosnia Canton, Tuzla Canton, Una-Sana Canton and Sarajevo Canton found themselves under water, causing flooding, displacement and the collapse of residential buildings with connections to the distribution network (state of emergency). JP Elektroprivreda BiH provided funding in the amount of 7.9 million BAM in order to repair the damage to the electricity distribution facilities.

The most significant projects implemented during 2014 are given below:

#### *ED Bihać*

- Projects of transition of the distribution network of the 35/10 kV substation “Bužim” from 10 kV to 20 kV voltage level, reconstruction of 32 substations; 96.9 kilometers of overhead lines and 3.75 kilometers of underground cables,
- Transition to 20 kV voltage level - 35/10 kV substation “Vakuf”,
- Construction of an underground network in length of 15.22 km (“KfW program” Bihać Municipality),
- Reconstruction of the 35 kV facility at the 35/10 kV substation “Žitoprerada” (4 MVA).

#### *ED Mostar*

- Construction of distribution facilities (Hansko Polje II; Padina -Krstac),
- Reconstruction of the MV and LV networks in the city zone of the City of Mostar,
- Reconstruction of the 10 (20) kV line “Parsovići”, 10 (20) kV line “Blagaj”; 10 (20) kV line Lađanica-section Glavatičevo-Slatinica.

#### *ED Sarajevo*

- Completed installation and commissioning of the 110/10 kV mobile substation Grbavica,
- Construction of the facilities in the area Sovrle,
- Reconstruction of the LV network Gornji Malešići,
- Development of the system for monitoring of the environmentally acceptable flow of water at intake of the small HPP Osanica.

#### *ED Tuzla*

- Rehabilitation of the substation Čelić,
- Rehabilitation of the LV voltage network for villages Križani, TP Križani 1, 2 and 3 in the Municipality Tuzla,
- Cabling of the 10 kV line Ingram and the 10 kV line Špionica.

#### *ED Zenica*

- Interpolation of the new KBTS “Hadžića Hise” at business unit in Donji Vakuf and the KBTS “Turbe-pijaca” at the business unit Travnik into the MV and LV system,
- Electrification of locations / facilities where return was realized in the village Đakovići,
- Reconstruction of the STS-B 10 (20)/0,4 kV “Putkovići” and the corresponding LV network in the village Putkovići,
- Reconstruction of the STS-B 10 (20)/0,4 kV “Kordići” and the corresponding LV network in the village Kordići,
- Reconstruction of the 20 kV cable line “RS Uskoplje - KBTS Kuglični ležajevi”,
- Construction of the 10 (20) kV transmission line “Krupa – Gornje polje”

#### *Joint projects in distribution subsidiaries:*

- Completed project of the extension of remote monitoring and control. This project included the preparation of connection of 19 facilities to the SCADA system: 35/10 kV substation Popović Polje, 10/0.4 kV substation Klisa 2, 10/0.4 kV substation Harmani 2 and 10/0.4 kV substation Todorovo, 35/10 kV substation Trbića Polje, 35/10 kV substation Željuša, 35/10 kV substation Brana and 35/10 kV substation Salakovac, 35/10 kV substation Živinice and 35/10 substation Živinice II, 35/10 kV substation Gradačac, 35/10 kV substation Lukavac II and 35/6 kV substation Cementara for SDNiU, 35/10 kV substation Maglaj 1, 35/10 kV substation Maglaj 2, 35/10 kV substation Olovo, 35/10 kV substation Fojnica, 10 (20) kV switchyard Tovarište and 10 (20) kV switchyard Majdan
- Completed procurement and installation of cabinets for power line disconnectors with telemetry and communication equipment for 41 pole locations (10 in the ED Tuzla, 19 in the ED Zenica, 7 in the ED Bihać and 5 in the ED Mostar) and the extension of the remote monitoring and control for JP EPBiH



- Project implementation of the MDM system and expansion of the AMI infrastructure in JP Elektroprivreda BiH
- Completed extension of the AMM system in distribution subsidiaries with installation of 14,347 new electronic meters including the installation of metering cabinets,

The above investments have contributed to the increase of supply reliability of the distribution network. The performance reliability indicators in 2014 were; SAIFI 7.31 interruptions/customer and SAIDI 641.39 minutes of interruption/customer which is 10.8% (SAIFI), or 24.3% SAIDI better compared to 2013.

### Investment in supply activity

During 2014 we achieved the level of investments in the amount of BAM 262,000. Investments were related to the construction works on the buildings and the purchase of equipment and furniture, with the aim of improving the quality of work and services.

### Investments at the level of the Company

During 2014 capital investments were realized in the amount of 10.7 million BAM.

Investments realized to prepare the construction of thermal power plants during 2014 amounted to 4.4 million BAM and they were related to the following activities:

#### Unit 7 - 450 MW at TPP Tuzla

- Adopted decision on selection of the preferred bidder,
- Signed contract on project cooperation,
- Signed construction contract with Consortium - China Gezhouba Group Company Limited, Beijing, China (leader) and GEDI - Guangdong Electric Power Design Institute, China (a member of the Consortium)
- Submitted application with the Export-Import Bank of China for preferential credit.

#### Unit 8 - 300 MW at TPP Kakanj

Project of analysis of technical supports was completed as well as development of project amendments to Investment-technical documentation for Unit 8 at TPP Kakanj in order to meet the requirements of the Preliminary Water Approval.

Investment on the preparation of the construction of hydro power plants during 2014 was also made and amounted to 5.3 million BAM related to the following subjects and activities:

#### HPP Vranduk - 19.63 MW on the Bosna River - Zenica municipality

- Completed study- selection of the generator type, checking and selection of technical solutions for facilities for the stable operation of the hydro power at all modes of operation,
- Conducted field and laboratory preliminary geological and geotechnical, geophysical and seismological investigation works,
- Prepared main design for construction of the road to village Hanovi,
- Developed the geodetic surveys and stabilization of geodetic points for technical auscultation,
- Contract signed for the study of zero state of the environment,
- Developed baseline study of all the individual buildings in the scope of the architectural set of Stari grad Vranduk,
- Executed the evaluation of applications in the process

of pre-qualification of bidders for the design, supply of equipment, construction and commissioning of HPP Vranduk. Seven bidders were pre-qualified

#### HPP Ustikolina - 60.48 MW on the River Drina in the municipalities Foča-Ustikolina and Goražde

- Application was submitted to the Federal Ministry of Physical Planning for urban permit for the construction of HPP Ustikolina.

#### HPP Una Kostela and Aneks - 9.4 MW and 6.1 MW on the River Una in Bihać municipality

- Contracts were signed for the development and revision of the preliminary design for the reconstruction and expansion of HPP Una Kostela as well as the contract for the study for Qepp research - Environmentally acceptable flow.

#### HPP Janjići - 13.2 MW on the Bosna River in the municipality of Zenica

Signed contracts:

- Concession for the construction of HPP Janjići
- Development of the Baseline study and the Study of the Environmental Impact for HPP Janjići
- Development and review of the Preliminary Design for HPP Janjići
- Loan, worth 30 million euros, with the German development bank - KfW, for the construction of HPP Janjići.



*HPP Kruševo - 10.69 MW and HPP Zeleni vir with - 2.36 MW on the river Bioštica - općina Olovo*

- Demining carried out on an area of 183,301 m<sup>2</sup>,
- Selection of a consultant for the feasibility study with the preliminary design and research works for HPP Kruševo and HPP Zeleni Vir,
- European Commission approved the start of works on the preparation of the feasibility study with the preliminary design for HPP Kruševo and HPP Zeleni Vir.

*HPP Kovanići - 13.5 MW on the River Bosna in Zenica and Žepče*

- Obtained approvals of the municipal councils of Zenica and Žepče to perform the research works
- Signed a contract for the feasibility study,

*HPP Babino Selo - on the river Vrbas*

- Published an international invitation for expression of interest for consulting services – development of a feasibility study with exploratory works and Environmental Impact Assessment for HPP Babino Selo,
- Pre-qualified bidders received the tender documents agreed with the EBRD, and they were invited to submit bids for a feasibility study.



*HPP Čapljje - 11.62 MW on the River Sana - Sanski Most municipality*

The Municipal Council of Sanski Most did not give support to the implementation of the Project, rejected the request for approval to perform the research works in order to prepare the construction of the hydropower plant Čapljje, and after that operations in preparation for the implementation of the Project were discontinued.

The FBiH Government adopted the Decision on proclamation of public interest for the construction of HPP Čapljje.

*HPP Vinac- on the River Vrbas*

The Municipal Council of Jajce adopted its conclusion that it is against use of the part of the River Vrbas, which flows through the territory of the municipality to build large hydropower plants, but that there is interest in the construction of small hydro power plants up to 5 MW, which is not in line with the intentions of EPBIH in this area.

*HPP Unac - peak hydropower plant with installed capacity of 72 MW on the River Unac - municipality of Bihać*

Preparation of building and construction of HPP Unac is prolonged until HPP Unac is included in the spatial planning documents. The implementation of the Supervisory Board decision in the amount of 2.6 million BAM for HPP Unac, is not possible given the lack of harmonization of sectoral decisions and proclamation of the Una National Park in the same area.

*HPP Tegare and HPP Kozluk - at the Drina River*

During 2014, activities were conducted on the conclusion of an international agreement between Bosnia and Herzegovina and the Republic of Serbia in order to realize this project. Activities are being conducted at the level of the



competent ministries of the two countries. EPBIH gave support to the expert part of the preparation of the agreement.

*Study of the River Doljanka*

Municipal Council of the Municipality Jablanica adopted a conclusion stating that “there is no interest in granting concessions for hydropower plants guided by the procedure of self-initiated offers, but that it has an interest in the concession for the use of watercourses for hydropower plant construction in the municipality of Jablanica awarded exclusively through a public auction”. Then came the Conclusion on the end of the process of self-initiated offers.

Investment activities to prepare the construction of small power plants using renewable and alternative energy sources were realized during 2014 and amounted to 1.96 million BAM related to the preparation and construction of SHPPs and wind farms, as follows:

*Preparation and construction of phase I and II of the SHPP on the river basin of Neretvica*

- Implemented procurement activities and setting up of five automatic hydrological stations on the river basin of Neretvica,
- Continued implementation of activities of contractual obligations with contractors on the upgrade of preliminary designs, development of main and detailed designs for the planned small hydro power plants in the first phase of construction,
- Implemented the planned activities under the Program of friendly environment with the Municipality of Konjic,
- Launched a procurement procedure for services of development of investment-technical documentation for six small hydropower plants planned in the second phase of construction,

*Wind farm projects “Preparation and construction of the wind farm Podveležje, City of Mostar”*

- Obtained preliminary consent for the connection of the wind farm Podveležje to the transmission grid,
- Sent an initiative for the Annex to the Concession Agreement,
- Submitted documentation for the purpose of obtaining the energy permit to the competent ministry,
- Completed the main design of internal road network (approximately 10 km) within the concession area, as well as the platform for the installation of wind turbines.
- Drafted and revised the main project for 110/35kV substation Podveležje.
- The consulting company Fichtner GmbH & Co.KG developed the study of optimization of wind turbine positions in the project area,
- Conducted the feasibility study for transport of heavy and bulky objects between the port Ploče and the wind farm Podveležje,
- Obtained the certificate for connection, and accepted technical conditions for connecting wind farm Podveležje to the transmission network.



Joint projects - General Affairs

Completed the joint projects at the level of the Company are related to:

- continuation of reconstruction and rehabilitation of Business-technical building of JP Elektroprivreda BiH,
- purchase of land for the purpose of the underground garage and fountains around the business -technical building

Information and communication technologies - ICT

In the implementation of projects in the field of ICT, i.e. joint projects and the Company Headquarters 6.2 million BAM were invested in 2014, and there were the following investments for projects in individual sectors:

- generation activity 823,000 BAM,
- distribution activity 3 million BAM,
- supply activity 113 thousand BAM.

In the course of 2014 the ICT sector, actively participated in the planning and provision of technical support in the implementation of ICT projects that are being implemented through the recapitalization of subsidiaries - coal mines, the SCADA / DMS / OMS project which is funded by a loan from the KfW and the projects of capital investments (new generation EEO). In 2014, BAM 756,000 was implemented through the ICT projects in the mines.

Investments in subsidiaries - coal mines

Since the beginning of the process of recapitalization of seven subsidiary coal mines, 2014 was a year of the most intensive investments. By the end of the reporting year 46.8 million BAM was invested in equipment and 2 million BAM in cash.

Investment amounts:

- Brown Coal Mine "Kakanj" d.o.o. Kakanj 10.9 million BAM,

- Brown Coal Mine "Breza" d.o.o. Breza 19.1 million BAM,
- Coal Mine "Gračanica" d.o.o. Gornji Vakuf - Uskoplje 171,000 BAM
- Coal Mines "Kreka" in Tuzla, d.o.o. 5.4 million BAM,
- Brown Coal Mine "Đurđevik" in Đurđevik, d.o.o. 7.3 million BAM,
- Brown Coal Mine "Zenica" d.o.o. Zenica 3.8 million BAM.
- Coal Mine "Abid Lolić" d.o.o. Travnik – Bila there were no investments in 2014.

In addition to these amounts, after the damages caused by floods in open pits Šikulje, Potočari and Višća, EPBIH paid 2 million BAM in cash to recapitalize the Brown Coal Mine "Kreka" and the Brown Coal Mine "Đurđevik" in the following amounts:

- Coal Mines "Kreka" in Tuzla, d.o.o. 1.5 million BAM,
- Brown Coal Mine "Đurđevik" in Đurđeviku, d.o.o. 0.5 million BAM,

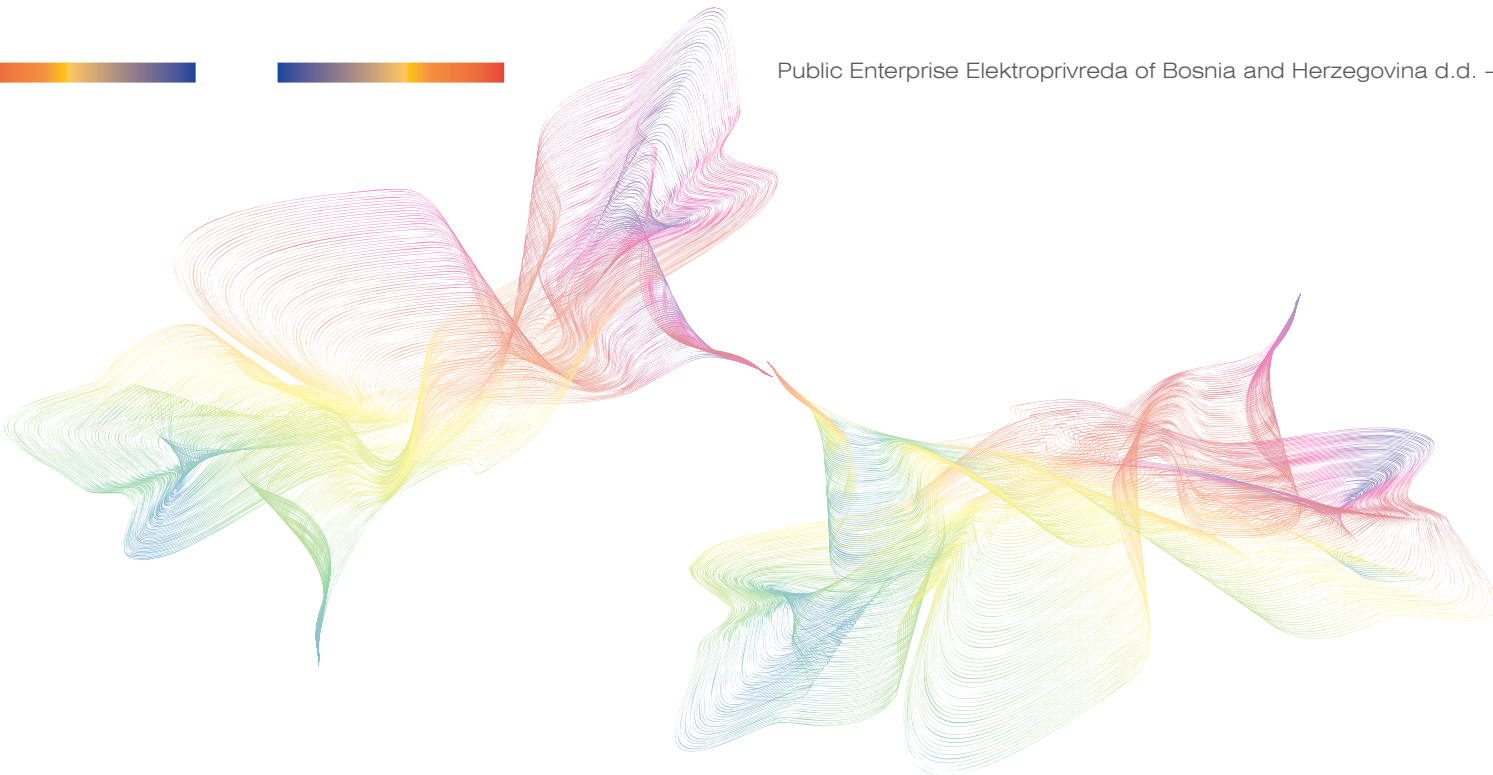
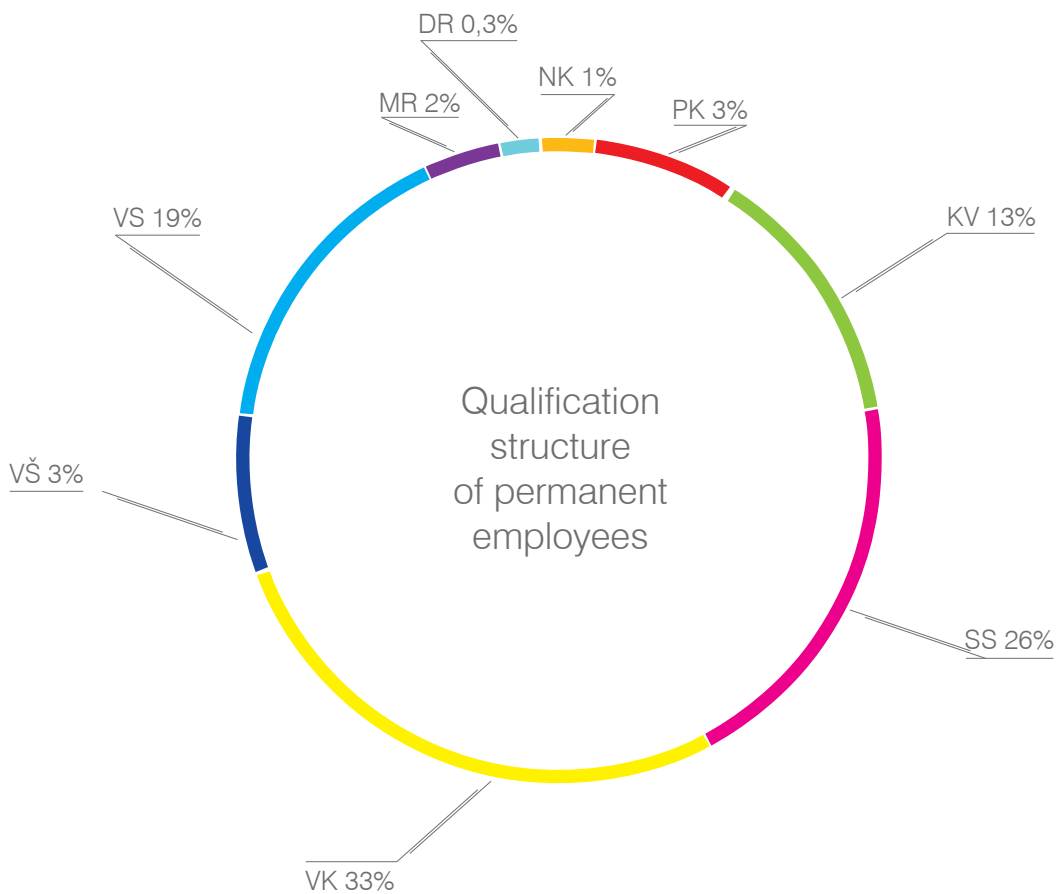
The most significant investments in subsidiaries - coal mines during 2014 were related to the procurement of the following:

- longwall mechanized complexes SHP TAGOR with the excavation machine EICKHOFF SL-300 for the pit Kamenice of the Brown Coal Mine "Breza". The value of this investment is 19.5 million BAM.
- five dumper trucks - brand BELAZ 75135, load capacity of 110 tons and the value of 8.4 million BAM, for Surface Mine "Vrtlište" of the Brown Coal Mine "Kakanj".
- three pipe laying machines TG-222 CHPPTRA, Russia, in the coal mines "Kreka" in Tuzla; value of 1.9 million BAM.
- two bulldozers D155AX- 6, manufacturer Komatsu Japan, for mines "Gračanica" Gornji Vakuf - Uskoplje and "Đurđevik". Investment value - 1.35 million BAM.
- six bulldozers - brand PR 754 Litronic for coal mine "Kreka", worth 3.4 million BAM.
- two dumper trucks - brand BELAZ 75131, with capacity of 136 tons for the Brown Coal Mine "Đurđevik". The investment value is 4.6 million BAM.



10.  
IMPLEMENTATION  
OF THE HUMAN  
RESOURCES PLAN

As of December 31st 2014 the Company had 4,957 employees in all categories. In the course of the year there were 341 terminations of employment on all grounds.



Unskilled	Semiskilled	Skilled	Secondary school	Highly skilled	Non-university college degree	University Degree	Master Degree	Ph.D.
38	146	637	1243	1601	158	922	94	16

A significant number of internal and external trainings, workshops, presentations, specialized seminars, professional consultative workshops was implemented in different areas of interest to the Company. The focus of activities was the recognition of the real needs of certain categories of employees and respective initiation of requests and finding competent educational companies and experts in individual areas. Special attention was paid to managerial trainings, training in the field of public procurement, technical training related to electricity distribution and generation activity, modern systems for electricity metering and remote management, quality systems, energy efficiency, electricity market etc.

The Educational portal was put in operation in October 2014. It is designed as a central spot for all information related to educational activities. The aim of the introduction of the Educational portal, in addition to raising employees' awareness of the importance of continuous and lifelong learning, is improving professional knowledge and skills of employees, increasing efficiency when performing education as well as providing opportunities for access to various educational facilities.

Special novelty and significant improvement in educational activities consists of seven online courses placed on the Educational Portal.

10. Implementation of the human resources plan

EPBiH Employees as of December 31st 2014

Situation as of December 31st 2014

Number	Organizational part	Situation as of December 31st 2013	Plan December 31st 2014 0	Permanent	Contract	Other	Total	Replacement	Merged	Total
1	Headquarters and organizational units of Headquarters	124	136	123		1	124	1	5	130
2	Generation	11	13	10	1		11			11
3	Mining	9	9	8			8	1		9
4	Distribution	12	16	13			13			13
5	Management and trade	23	25	22			22			22
6	Supply	10	15	11			11			11
7	Economic affairs	46	46	46			46	1		47
8	Legal Affairs and human resources	21	25	21			21			21
9	Capital investments	32	39	35			35			35
10	Development of the Company	27	26	25		1	26			26
11	General Affairs	54	57	53			53		1	54
12	Office of the Secretary of the Company	4	4	4			4			4
13	Department of Internal Audit	8	11	8			8		2	10
HEADQUARTERS TOTAL		381	422	379	1	2	383	3	8	393
1	HPPs on the River Neretva	391	396	385			385		6	391
2	TPP "Kakanj"	628	647	611		3	614		11	625
3	TPP "Tuzla"	724	722	715	4		719		8	727
4	ED Bihać	425	430	432			432	3	2	437
5	ED Mostar	227	228	223			223		3	226
6	ED Sarajevo	635	645	641			641	8	1	650
7	ED Tuzla	701	689	688	1		689	3	15	707
8	ED Zenica	792	787	781			781	11	9	801
EPBiH Total		4904	4966	4855	6	5	4866	28	63	4957





## 11. ENVIRONMENTAL PROTECTION



Environmental protection is an important component of the business policy of Elektroprivreda BiH d.d. - Sarajevo (JP EP BiH) and its subsidiaries. In 2014, we continued with the implementation of plans for protection of the environment and natural resources within the defined business objectives. Works of environmental protection are implemented through the competent services within the Headquarters of the Company and its subsidiaries, as well as expert teams, which are formed according to the arising current issues.

### Monitoring of international and domestic legislation

PE Elektroprivreda BiH continuously monitors international and national legislation and timely reacts to the resulting obligations. In accordance with the obligations of implementation of the acquis in the field of the environment according to the Treaty establishing the Energy Community an update was made to the EP BiH program for reduction of emissions from the existing power plants, which was developed in the previous period, in accordance with the decisions of the Ministerial Council of the Energy Community.

The said program will be part of the National Plan to reduce emissions of pollutants into the air from existing large combustion plants (LCP NERP). PE Elektroprivreda BiH is actively participating in the activities of the Energy Community through membership of the working group for environment - EnZ.

### Environmental and Water Permits

In 2014 work continued in the subsidiaries of the Company on the implementation of the activities imposed through the applicable environmental and water permits.

In TPP Tuzla an agreement was signed for construction of the closed system for return water. The main design was developed and revised and the Urban Permit obtained. The demolition of the cooling tower is also part of this project.

The project of construction of a silo for fly – ash was completed.

The activities on preparation of the investment - technical documentation for the reduction of emissions of SO<sub>2</sub> and NO<sub>x</sub> in TPP Kakanj were started. The new (renewed) Water permit was issued on April 18th 2014, with a validity period of 5 years.

“Elektrodistribucija” Sarajevo (ED Sarajevo) obtained a new (renewed) environmental permit for the SHPP “Osanica 1”, issued on October 27th 2014, with the period of validity of 5 years. A system for monitoring of environmental flow (24 - hour remote monitoring of DC) was established.

Elektrodistribucija Bihać obtained a new (renewed) water permit for HPP Una Kostela in Bihać on March 4th 2014 with the period of validity of 5 years. A new (renewed) environmental permit was also issued on March 3rd 2014, with a validity period of 5 years.

### Modernization / reconstruction of existing energy facilities

In TPP Tuzla, the reparation of the environmental monitoring system - emissions of pollutants into the air was contracted in 2014. Preparatory activities were carried out for the development of the desulphurization plant. The Federal Ministry of Environment and Tourism issued a Conclusion on the Study of the environmental impact assessment for construction of the flue gas desulphurization plant for Units 5 and 6. For the purposes of the Reparation - Regulatory Plan we conducted the study on the environmental impact of

the slag and ash landfill Plane, Divković I and Divković II, the study on the possibilities of re-cultivation with the pedological study, the preparatory geotechnical study (mission G1) with an analysis of the impact of underground mining operations at landfills for slag and ash Plane, Divković I and Divković II and the study on disposal of slag and ash from the TPP Tuzla.

Full overhaul of Unit 7 was done at TPP Kakanj.

In the HPPs on the River Neretva investment decisions were adopted for HPP Jablanica for procurement of support insulators and bushings for 6,3 kV and 110 kV bushings, project development and rehabilitation of critical points on the transmission line Jablanica – Brana - Entry building, project development and rehabilitation of the base discharge – outlet and reconstruction of the generators 1 and 2. Investment decisions were adopted for HPP Grabovica for the replacement of the compressor system.

23 new transformer stations were built and put into operation within the distribution subsidiaries (ED Sarajevo13, ED Mostar 8 and ED Tuzla 2 substations). All substations were built with sealed oil transformers, and below each transformer in the cable substations





were built with sealed oil transformers, and below each transformer in the cable substations foundations were built based on a method that allows collection of the entire amount of the power transformer oil in order to meet the technical performance standards of environment protection.

### Development projects

In the development projects context, activities continued on the preparation of project documentation which includes the documentation related to the protection of the environment.

For the project of HPP Vranduk a contract was signed for the “Baseline study of the ecosystem in the area that is affected by the planned HPP Vranduk”. A Management Plan was prepared for the maintenance of the monument Stari grad Vranduk.

For the project of HPP Janjići, a contract was signed for the preliminary design. A contract was also signed for the Baseline study of flora and fauna, as well as environmental impact study for HPP Janjići.

For the project of HPP Una Kostela and Aneks on the River Una a contract was signed for

preliminary design for reconstruction and expansion of HPP Una Kostela. An agreement was also signed for processing of the study with research of environmentally acceptable flow - Qepp on the profile of HPP Una Kostela.

In TPP Tuzla a contract was signed for the construction of Unit 7 - 450 MW in TPP Tuzla - EPC Contract (Engineering, Procurement and Construction Agreement). Tuzla Municipality and Elektroprivreda BiH realized the contract on implementation of friendly environment for the construction of Unit 7 in TPP Tuzla with defined projects and approved funds for the implementation of projects.

In TPP Kakanj the project of analysis and technical supports for the development of project for amendments to the Investment technical documentation for the Unit 8 at TPP Kakanj was developed, in order to meet the requirements of the preliminary water approval. The water approval of the “Agency for the Sava River Basin” Sarajevo was obtained.

For the project of the wind farm Podveležje, a contract was signed for the Baseline study of birds and bats in the area of Podveležje, City of Mostar.

For the project of the wind farm Vlašić, a contract was signed for consulting services for technical assistance for the wind farm Vlašić, Travnik - Baseline study of birds and bats.

### Energy efficiency

JP Elektroprivreda BiH implemented activities of the energy efficiency management system in accordance with the Energy efficiency goals of EPBiH for 2014, with a plan and program of measures for achieving those goals.

In 2014 TPP Kakanj made the basic energy audit. The final report was submitted in this regard, and, among other things, it includes a proposal for activities to improve energy efficiency. One of the proposals is the establishment of a basic energy information system ENIS in the subsidiary TPP Kakanj.





## 12. SUMMARY

JP Elektroprivreda BiH achieved revenues amounting to 980.8 million BAM and net profit of 3.2 million BAM in 2014.

The most important guidelines of the business of Elektroprivreda BiH in 2014:

- Achieved generation of electricity in the amount of 7,403.6 GWh, which represents the second highest achieved generation of its generation units since 1991
- Achieved record level of collection in the period since 2005; achieved higher level of cumulative collection from end customers (95.8%) compared to the previous year (94.2%)
- Regular and reliable delivery of electricity; remedied supply disruptions caused by bad weather in May (floods, landslides) within very short time
- Fully respected the contracts on long-term non-tariff sales and realized the extent of short-term non-tariff sales of 1,311 GWh
- Continued with the preparation of the implementation of significant capital investments and other investments in generation and distribution activities

- Approval of the FBiH Parliament on the proposed selection of the consortium China Gezhouba, as the preferred bidder in the selection of a project partner for joint investment in the project of construction of Unit 7 in TPP "Tuzla", which created the conditions for the start of the fourth stage of the tender process - the process of finalization and the start of construction

- Published international public invitation for prequalification for the construction of HPP Vranduk; applications submitted by 12 companies and consortia; final offers submitted by five consortia and companies

- Launched the process of restructuring regarding the separation of the distribution activities and the establishment of the distribution system operator (DSO) as a separate company, 100% owned by the EPBiH

- The Assembly of Elektroprivreda BiH adopted the Long Term Development Plan by 2030 with the Strategic Plan.

- Finalized preparations for the full opening of the electricity market

- The EPBiH Concern invested 46.8 million in mining equipment and 2 million in cash as part of the recapitalization program of the mines; as of 2014, the value of signed contracts for the purchase of mining machinery and equipment was BAM 157,682,837.75.



## Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH d.d. - Sarajevo

We have audited the accompanying separate financial statements of JP Elektroprivreda BiH d.d. - Sarajevo ("the Company"), which comprise the separate statement of financial position as at 31 December 2014, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### *Basis for Qualified Opinion*


1. As disclosed in *Note 19 - Investments in subsidiaries*, the Company has investments with a carrying value of BAM 217,060 thousand. The investments in subsidiaries have been accounted for at cost. There are indications that the recoverable amount of investments in subsidiaries may be lower than its cost. International Accounting Standard IAS 36 "Impairment of Asset" requires that, where such indications exist, management makes a formal estimate of the recoverable amounts. No such estimate has been made. The effects of this departure from the International Financial Reporting Standards on the separate financial statements have not been determined.



## Independent Auditors' Report to the shareholders of JP Elektroprivreda BiH D.D. – Sarajevo (*continued*)

### *Qualified Opinion*

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2014, and of its unconsolidated financial performance and its unconsolidated cash flow for the year then ended in accordance with International Financial Reporting Standards.

  
**KPMG B-H d.o.o. za reviziju**  
 Registered auditors  
 Zmaja od Bosne 7-7A/III  
 71000 Sarajevo  
 Bosnia and Herzegovina



15 May 2015

This version of the report is a translation from the original, which was prepared in the Bosnian language. In all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.