

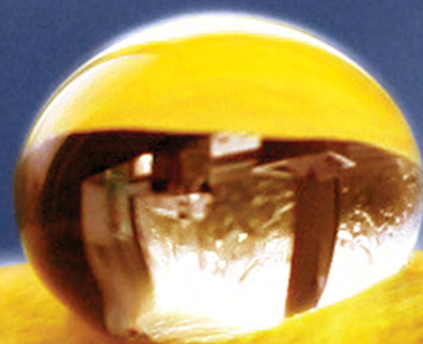


YEAR/ 2012  
SARAJEVO  
VILSONOVO ŠETALIŠTE 15

# 2011 annual report

PUBLIC ENTERPRISE ELEKTROPRIVREDA OF BOSNIA AND HERZEGOVINA D.D.-SARAJEVO

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





# IMPRESUM CONTACTS

**JP ELEKTROPRIVREDA BIH D.D. -SARAJEVO**  
71000 Sarajevo, 15 Vilsonovo Šetalište street  
Bosnia and Herzegovina  
Telephone: 387 33 75 10 00  
Telefax: 387 33 75 10 08

## MANAGEMENT

**General Director**  
Tel: 387 33 75 10 01  
Fax: 387 33 75 10 03

**Executive Director for Economic Affairs**  
Tel: 387 33 75 18 01  
Fax: 387 33 75 18 08

**Executive Director for Production**  
Tel: 387 33 75 17 00  
Fax: 387 33 75 17 07

**Executive Director for Legal and Personnel Affairs**  
Tel: 387 33 75 19 08  
Fax: 387 33 75 19 07

**Executive Director for Distribution**  
Tel: 387 33 75 14 00  
Fax: 387 33 75 14 04

**Executive Director for Capital Investments**  
Tel: 387 33 75 17 50  
Fax: 387 33 75 17 48

**Executive Director for Supplies and Trade**  
Tel: 387 33 75 10 26  
Fax: 387 33 75 10 54

**Secretary of the Company**  
Tel: 387 33 75 19 01  
Fax: 387 33 75 19 05

**ADDRESS:**  
Vilsonovo šetalište 15  
71000 SARAJEVO, BIH

**PUBLISHER :**  
Public Enterprise Elektroprivreda  
of Bosnia and Herzegovina d.d. Sarajevo

**TRANSLATION AND PROOFREADING**  
EC Barbados

**GRAPHIC DESIGN**  
Merima Smajlović

**PRINT:**  
Blicdruk d.o.o.

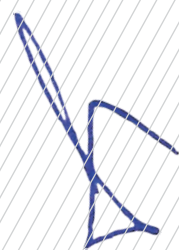
**EDITION:**  
500 copies  
**YEAR OF EDITION:**  
2012

# CONTENTS

<b>1</b> Introductory words of general manager.....	02
<b>2</b> Mission, Vision, Goals.....	04
<b>3</b> Statutory elements about the Society.....	07
<b>4</b> Basic performance indicator.....	10
<b>5</b> Realization of the energy balance .....	13
<b>6</b> Financial plan realization.....	21
● Costs and expenditures.....	24
● Financial results.....	26
● Revenue collection.....	28
● Financial indicator of a successful business operations.....	30
<b>7</b> Realization of investment plan.....	33
● Realization of the plan of investment into the field of distribution in 2011.....	36
● Preparations for the construction of thermalpower plants .....	40
● Preparations for the construction of hydropower plants.....	42
● Preparations for the construction of small power plants from IOE.....	45
● Construction of wind power plants, location Podveležje-Mostar.....	46
● System projects realized on the level of Company.....	47
● Information communication technologies.....	47
<b>8</b> Realization of human resources plan.....	51
<b>9</b> Environment protection.....	55
<b>10</b> Summary.....	60
<b>11</b> Independent auditor's report to the shareholders of PE Elektroprivreda BiH d.d.-Sarajevo.....	62



**GENERAL MANAGER  
DR. ELVEDIN GRABOVICA**



## INTRODUCTION – ANNUAL REPORT

In the year characterized by extremely unfavorable hydrological situation, the worst in the last 60 years which is something that objectively could not be influenced, Public Enterprise Elektroprivreda BiH realized:

- record revenues of 958.5 million KM; a 73.4 million KM or eight percent increase in comparison to 2010,
- record generation of electricity since 1996,
- record sales of electricity since 1996,
- record purchases of coal for operation of units in thermal power plants „Tuzla“ and „Kakanj“; In comparison to previous year, purchase of coal was for 15.5 percent higher,
- record prices of coal; a 2.5 percent increase compared to 2010,
- investments (generation, distribution, investments at Company level) in the amount of 218.5 million KM, which is a 26 percent increase compared to 2010,
- average sales price for non-tariff sales was 14 percent higher on the average compared one realized in 2010.

With revenues of 958.5 million KM, Public Enterprise Elektroprivreda BiH in 2011 preserved the position of the leading company in Bosnia and Herzegovina.

In 2011 Elektroprivreda BiH was the leading company in the country regarding the value of investments (amount 218.5 million KM).

The business year ended with a profit of 1.5 million KM despite unfavorable hydrological conditions, negative trends in foreign currency exchange and a 50% increase in the costs of levies.

The firm position of a leader in the generation of electricity in Bosnia and Herzegovina and the region was preserved as well.

These record results and favorable positions are products of a clear business policy – long-term sustainable development, responsible investments, competitiveness, economic growth and savings measures that rationalized the costs of business operations.

Aware of the current state of thermal capacities and the seriousness of the fact that their lifetime is to end by 2026, activities were intensified on creation of preconditions for realization of our strategic goal – construction of new-replacement thermal capacities and new generation capacities using renewable energy sources pursuant to laws, recommendations and directives of the European Union. Activities were completed regarding acquiring of urban and other permits for construction of Unit 7 in thermal power plant „Tuzla“, Unit 8 in thermal power plant „Kakanj“, acquiring of concession for construction of hydro power plant „Vranduk“, acquiring of permits and approvals for wind park „Podveležje“ and signing of a contract on concession for construction of wind park „Vlašić“.

With the realization of numerous activities, continuation of started activities and preparations for new activities, we have expressed readiness and responsibility for creation of necessary conditions for the commencement of construction of 11 power generation facilities, realization of long-term investments whose value is 3.6 billion KM. New capacities are to increase the degree of reliability of supply, long-term sustainability of the energy sector and positioning in the regional market. In the upcoming period, capital investments into new projects will make Elektroprivreda BiH the main driver and bearer of economic development and progress of the state of Bosnia and Herzegovina.

As the main Company in the Concern, Elektroprivreda BiH, which includes seven mines, has significantly contributed to increased humanization of work in mines and their modernization with significant investments from the program of additional capitalization. With the realization of earlier and launching of new investments, progress was made in creating conditions for increasing of productivity, successful business operations and recovery of losses in mines. Some decisions on the improvement of the living standard of miners were realized as well.

In the year of 2011, we continued meeting our obligations arising from the Contract on the Energy Community of South East Europe. Startup documents were drafted for launching of the first phase of restructuring of the Company – separation of roles and formation of dependent companies for basic power-related functions. With the Contract on the Energy Community of South East Europe, Bosnia and Herzegovina accepted the obligation to implement European Union regulations related to the energy sector, which require Elektroprivreda BiH to timely prepare for changes that include opening of the market for competition, possibility of choice for customers, reorganization in order to separate regulated and market activities, increasing of energy efficiency and development of capacities from renewable sources.

Satisfying the needs of our buyers, maintaining of operational readiness of the existing capacities, preparations for start of construction of new production facilities, improvement of working conditions in mines and their integration, reorganization of the Public enterprise through meeting the requirements and implementation of regulations of the European Union and rationalization of costs were the most important characteristics of our business operations in the year of 2011.

Elektroprivreda BiH - looking forward to new challenges!





# MISSION vision OBJECTIVES

## MISSION

Our mission is the generation and supply of electricity, heating energy and coal pursuant to defined quality standards and providing of services that will fully satisfy the requirements of clients.

Our goal is to restructure the company pursuant to European regulations and to implement the best corporative practices, constant professional improvement of employees with the development of teamwork skills and optimization of processes.

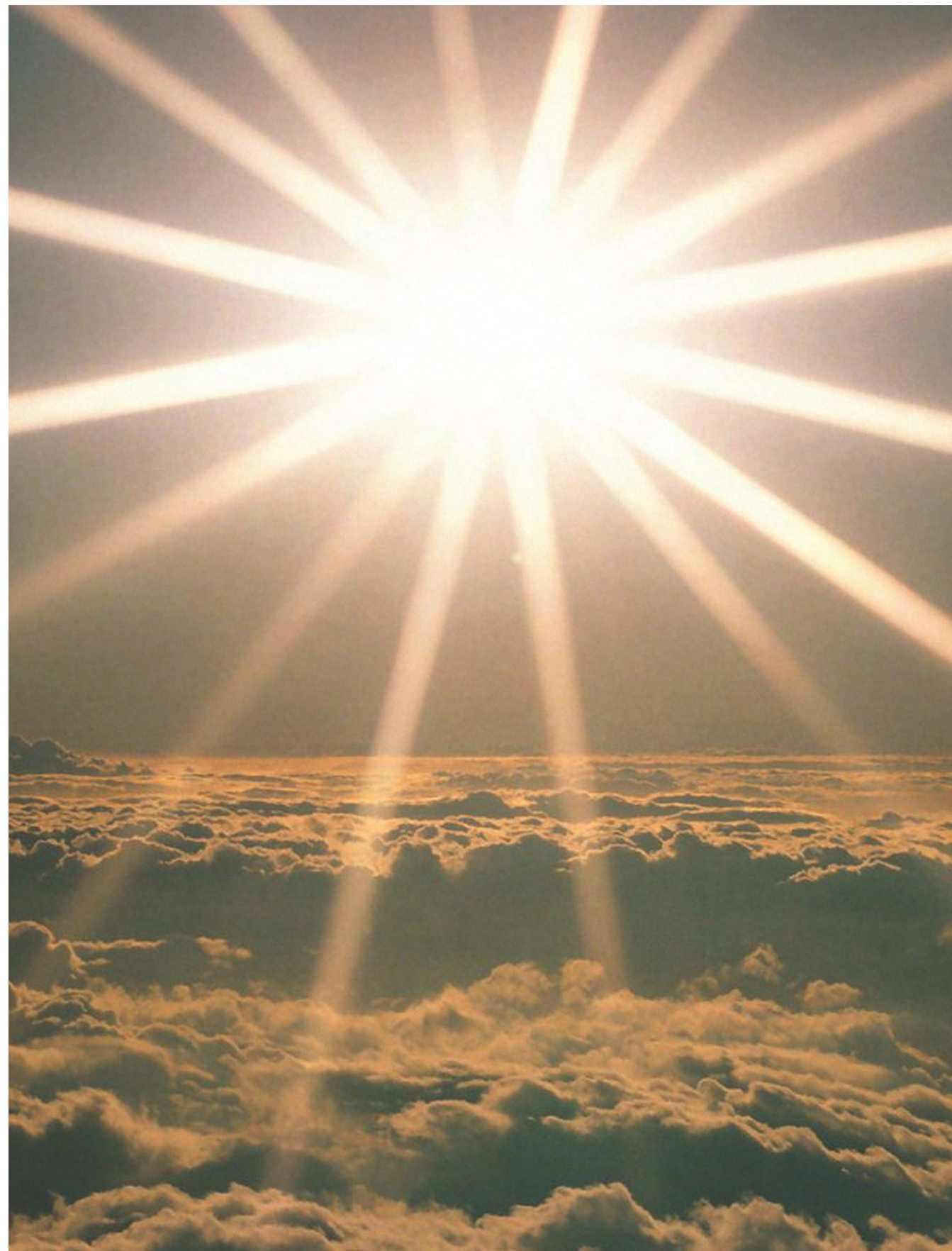
Our objective is to efficiently respond to clients' requirements and perform business operations transparently, as well as to educate clients on efficient use of energy and develop an image that will strengthen the market position and trust of our clients.

## VISION

Public Enterprise Elektroprivreda Bosne i Hercegovine d.d. – Sarajevo (EPBiH) will be an entity that will constantly develop new methods for improving of business performances in order to reach the position of a leader on the electricity market in the region and in order to meet the current and future demand for electricity and heating energy from buyers in accordance with the defined quality standards.

EPBiH shall invest into modernization and development and realize capital investments, whereas special attention will be paid to investing into generation of electricity from renewable sources and increasing of flexibility of the energy portfolio and energy efficiency.

During the performance of its activities, EPBiH shall operate in accordance with European Union standards on protection of environment and develop high conscience on protection of environment.



# MISSION vision OBJECTIVES

## OBJECTIVES

*Strategic goals of Elektroprivreda BiH are:*

- Restructuring of Elektroprivreda BiH,
- Construction of new replacement thermal capacities and new production capacities from renewable energy sources, as well as distribution capacities,
- Restructuring and modernization of mines.

Concerning investments into the segment of generation, the goals of EPBiH are long-term increase of generation and sales of electricity on the markets of Bosnia and Herzegovina and the region. This goal is to be realized by increasing of generation capacities, modernization of the existing capacities and intensive construction of new generation facilities. Construction of new generation facilities is to enable increased sales and placement of electricity on the local and regional market as well as closing of old and inefficient units in thermal power plants.





# STATUTORY elements about COMPANY



# STATUTORY elements about COMPANY

## STATUTORY ELEMENTS ABOUT COMPANY

Public Enterprise Elektroprivreda Bosne i Hercegovine d.d. – Sarajevo (JP EPBiH) is a power company that performs the following activities:

- generation of electricity, distribution of electricity, supplying and trading of electricity, as well as other activities defined by the Statute.

The Company is organized on a functional, process-performing and territorial principle, and it consists of eight branch offices:

- Hydro power plants on Neretva, Jablanica,
- Thermal power plant „Kakanj“, Kakanj
- Thermal power plant „Tuzla“, Tuzla
- „Elektro distribucija“ Bihac,
- „Elektro distribucija“ Mostar,
- „Elektro distribucija“ Sarajevo,
- „Elektro distribucija“ Tuzla,
- „Elektro distribucija“ Zenica.

In regard to the value of its capital, installed generation capacities, total generation, sales of electricity and number of clients, EPBiH is the largest power company and the largest company in Bosnia and Herzegovina in general.

The Company is represented by the general director and executive directors in accordance with the Statute and special act of the Company Management.

### **Company's bodies**

- Assembly
- Supervisory Board
- Company Management, as management bodies, and
- Revision Committee

### **Company Management**

- General director
- Executive Director for Generation
- Executive Director for Distribution
- Executive Director for Supplying and Trade
- Executive Director for Economic Affairs
- Executive Director for Legal and Personnel Affairs
- Executive Director for Capital Investments

## COMPANY'S BODIES

### **Members of Supervisory Board**

- Enver Agic, chairman from March 9, 2011
- Jakub Dinarevic, member from May 16, 2011
- Bahrudin Saric, member from May 16, 2011
- Sanel Buljubasic, member from May 16, 2011
- Selvedin Subasic, member from August 26, 2011
- Davorin Korac, member from August 26, 2011
- Fejsal Hrustanovic, member from August 26, 2011

### **Management members**

- Elvedin Grabovica, general director from May 24, 2011
- Edin Mujagic, Executive Director for Economic Affairs from June 13, 2011
- Senad Sarajlic, Executive Director for Generation from June 13, 2011
- Admir Anđelić, Executive Director for Distribution from June 13, 2011
- Mirsad Sabanovic, Executive Director for Supplying and Trade from June 15, 2011
- Mensura Zuka, Executive Director for Legal and Personnel Affairs from June 20, 2011
- Amil Kamenica, Executive Director for Capital Investments from June 13, 2011

### **Members of Supervisory Board during the year**

- Adil Trgo, chairman until March 9, 2011, and member until May 15, 2011
- Zehrudin Sikira, member until May 16, 2011
- Elvir Cizmic, member until May 16, 2011
- Zoran Mandlbaum, member until May 16, 2011
- Fikreta Besovic, member from March 9 to May 16, 2011
- Enes Cengic, member until August 26, 2011
- Kemal Sikiric, member from May 16 to August 26, 2011

### **Members of Management during the year**

- Amer Jerlagic, general director until May 23, 2011
- Muhamed Razanica, Executive Director for Economic Affairs until June 12, 2011
- Nihad Kadic, Executive Director for Generation until June 12, 2011
- Mustafa Beca, Executive Director for Distribution until June 12, 2011
- Emir Aganovic, Executive Director for Supplying and Trade until June 14, 2011
- Nedim Smailagic, Executive Director for Legal and Personnel Affairs until June 19, 2011
- Almedin Skopljak, Executive Director for Capital Investments until June 12, 2011

### **Revision Committee**

- Sadija Sinanovic, chairman
- Mirsad Kikanovic, member
- Izudin Kesetovic, member

### **Company Secretary**

- Osman Hasanbegovic



# BASIC indicators OF OPERATION

## BASIC INDICATORS OF OPERATION

Public enterprise Elektroprivreda BiH d.d. – Sarajevo is a public enterprise for generation, distribution and sale of electricity. It is the largest power company in Bosnia and Herzegovina considering the value of capital, installed generation capacities, total generation and sales of electricity, as well as number of buyers.

Concerning the ownership structure, Elektroprivreda BiH is a stockholders company with 90 percent of capital owned by the Federation of Bosnia and Herzegovina and 10 percent in private ownership.

The capital stock of Elektroprivreda BiH amounts to 2.155 billion KM, and with an increase on basis of shares in mines it amounts to 2.237 billion KM. The company has installed generation capacities of 1,682 MW, and it serves more than 707,000 buyers in seven cantons on the territory of the BiH Federation.

In 2011 Elektroprivreda BiH managed a distribution network with the voltages of 35 kV, 10/20 kV and 0,4 kV with the total length of 33,383 KM, with 7,315 transformer units with voltage levels of 35/x kV and 10(20)/0,4 kV, the total installed power being 2,754 MVA.

In 2011, Elektroprivreda BiH generated 7,295 GWh of electricity. Total revenues of 958.5 million KM and profit of 1.5 million KM were realized from sales of electricity and other activities.




## KEY INDICATORS ABOUT COMPANY

		December 31, 2011	Plan 2011	December 31, 2010
Share capital	Billion KM	2.237	2.237	2.237
Operational revenues	Million KM	913.5	920.9	843.5
Operational expenses	Million KM	776.7	786.0	737.3
<b>EBITDA</b>	<b>Million KM</b>	<b>136.8</b>	<b>134.9</b>	<b>106.2</b>
Total revenue	Million KM	958.5	955.6	885.1
Revenue from sales of electricity	Million KM	876.7	886.9	809.8
Other revenues		81.8	68.6	75.3
Total costs and expenses	Million KM	957.0	949.7	899.5
Depreciation	Million KM	150.4	147.9	147.3
<b>Profit/Loss</b>	<b>Million KM</b>	<b>1.5</b>	<b>5.8</b>	<b>-39.7</b>

		December 31, 2011	Plan	December 31, 2010
Generation	GWh	7,295	7,290	7,181
Net distribution	GWh	3,878	4,002	3,823
Non-tariff sales	GWh	2,749	2,559	2,848
Number of buyers		707,301		695,833
Number of employees in all categories		4,940	4,907	5,028





# REALIZATION of energy BALANCE



# REALIZATION of energy BALANCE

## REALIZATION OF ENERGY BALANCE

The work of the electric-energy system of Elektroprivreda BiH in 2011 was characterized by:

- Extremely unfavourable hydrological situation, since the realized inflow was 33.9% less than planned, and 61.6% less than the realized inflow in hydrologically-favorable 2010;
- Higher total purchasing of coal, 4.1% more than planned in the balance, and 15.5% higher than the total purchase in 2010;
- Higher total generation of electricity, 0.1% percent more than planned, and 1.6% higher than the realized generation in 2010;
- Total consumption of electricity 3.8% lower than planned, but 1.9% higher than the realized consumption in 2010.

In 2011, the total generation of electricity amounted to 7,294.5 GWh, which is 4.6 GWh or 0.1% higher than the planned generation, and 113.1 GWh or 1.6% higher than the realized generation in 2010.

At the same time this was the record generation of electricity since the end of the war, that is since 1996.

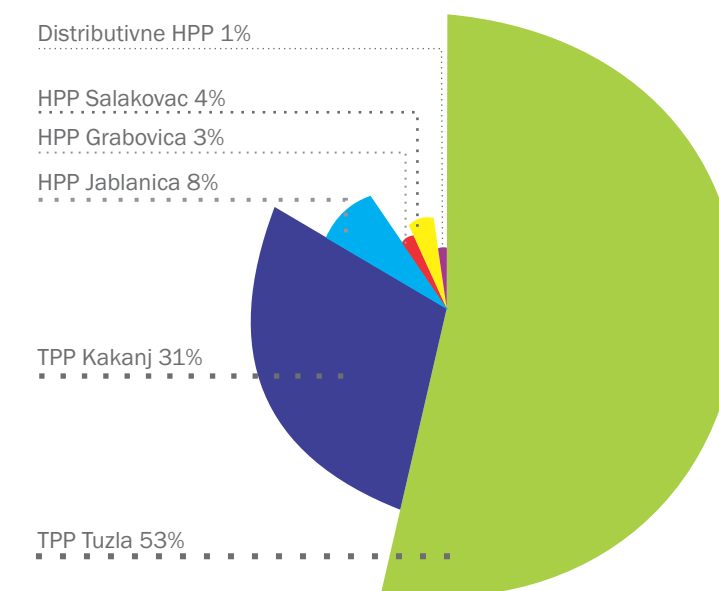
GENERATION (%)	2011	Plan 2011	2010	2009
Hydro-energy	16	20	30	24
Thermal energy	84	80	70	76



# REALIZATION of energy BALANCE

In the period in question, hydro-power plants (Jablanica, Grabovica, Salakovac and small hydro-power plants) generated 1,156.5 GWh, which was 21.1% less than planned, and 46.7% less than in 2010. In the same time, thermal power plants Tuzla and Kakanj realized the generation of 6,138 GWh, which is 5.4% more than planned and 22.4% more than in 2010. Due to extremely unfavourable hydrological situation during most of the year, the generation from hydro-power plants was 310 GWh lower than planned, while, as a consequence, generation from thermal power plants increased by 314.6 GWh. This resulted with extremely unfavourable participation of hydro-power plants in the total production (15.9%) compared to the planned participation (20.1%).

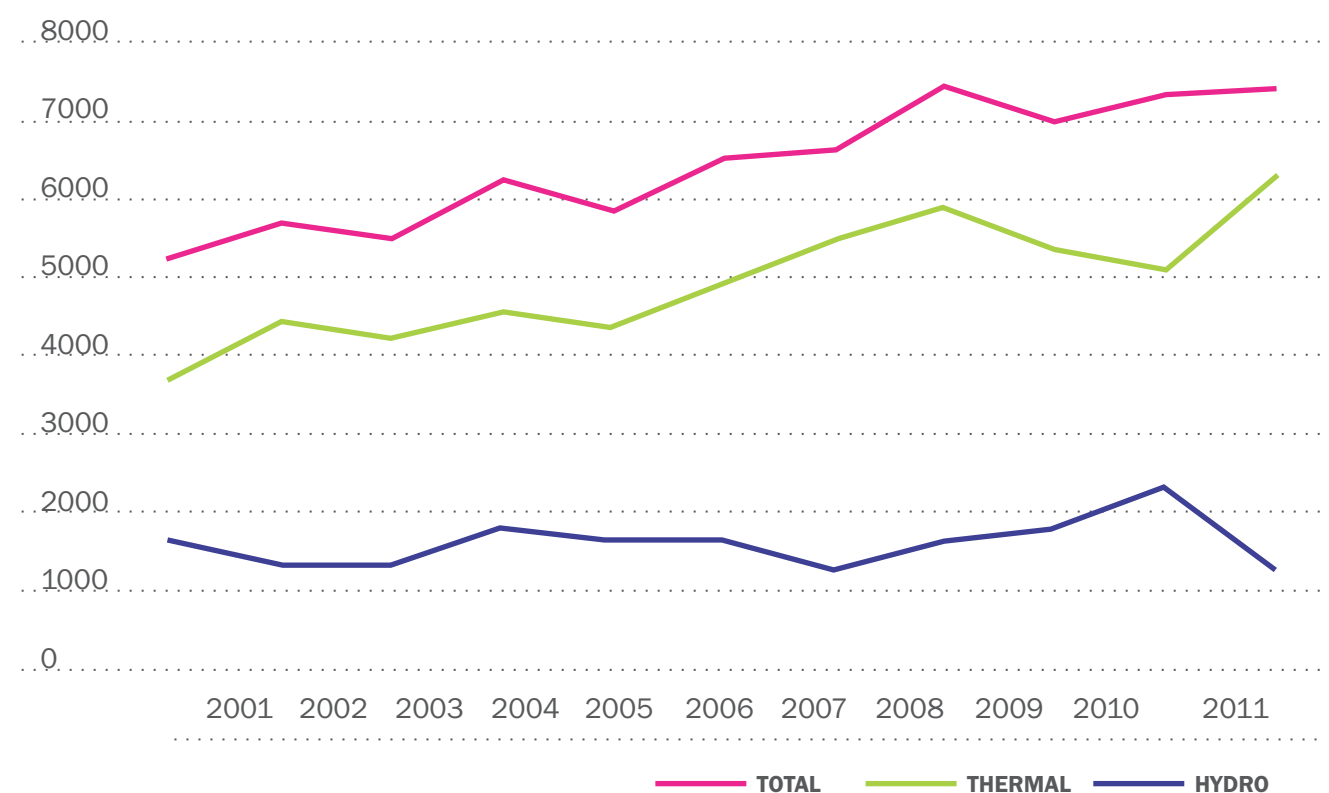
## PARTICIPATION OF POWER PLANTS IN TOTAL GENERATION IN 2011





## REALIZATION OF ELECTRIC ENERGY BALANCE

	GENERATION (GWh)										2011
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Total	5115	5540	5362	6112	5767	6363	6544	7295	6927	7181	7295
Thermal	3589	4307	4114	4435	4219	4812	5356	5750	5234	5013	6138
Hydro	1526	1233	1248	1677	1548	1551	1179	1545	1693	2168	1157
Share of Hydro	30%	22%	23%	27%	27%	24%	18%	21%	24%	30%	16%



In the period of January – December 2011, the total consumption of electricity in the amount of 4,819.9 GWh was realized, which is was 192.9 GWh or 3.8% less than planned, but 91.4 GWh or 1.9% higher than in 2010.

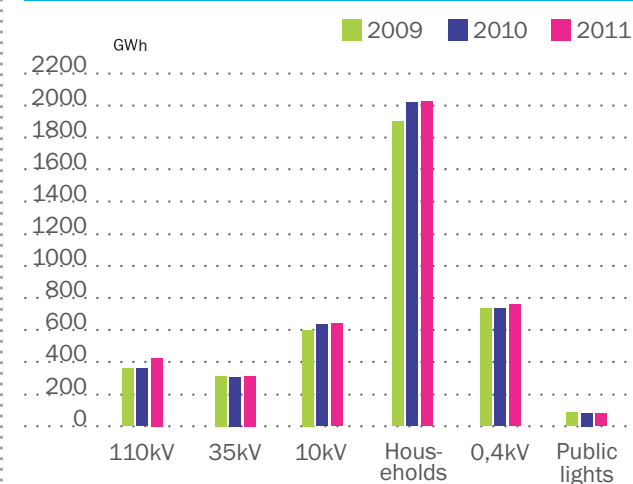
The total consumption consists of gross distribution consumption of 4,284.2 GWh, consumption by direct buyers of 417.2 GWh and losses on distribution network in the amount of 118.6 GWh.

## NET CONSUMPTION

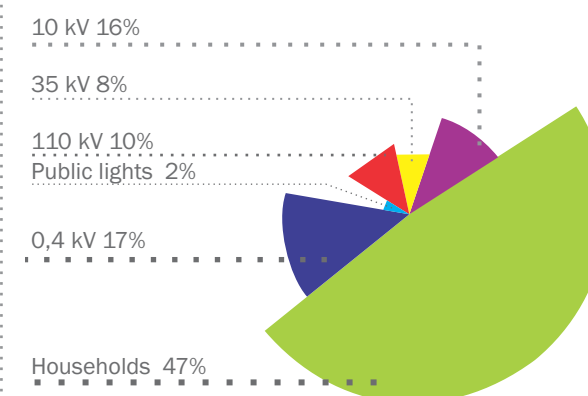
	Consumption: households MWh	Change 11/10 %	Number of households	Consumption Per household kWh/god	Other 0.4 kV consumption MWh	Change 11/10 %	Consumption On VN MWh	Change 11/10 %	Total MWh	Change 11/10 %
Sarajevo	623,782	0.4%	192,330	3,243	304,992	4.5%	340,470	1.3%	<b>1,269,243</b>	1.6%
Tuzla	518,832	0.1%	161,088	3,221	184,975	2.2%	353,897	4.4%	<b>1,057,704</b>	1.9%
Zenica	493,807	1.0%	170,715	2,893	186,698	2.1%	247,606	1.3%	<b>928,111</b>	1.3%
Bihac	280,604	-0.2%	88,446	3,173	95,746	-1.6%	47,964	-0.7%	<b>424,314</b>	-0.6%
Mostar	107,061	1.2%	32,665	3,278	58,985	5.6%	28,541	7.9%	<b>194,587</b>	3.4%
110 kV									<b>417,173</b>	12.3%
<b>Total</b>	<b>2,024,087</b>	<b>0.4%</b>	<b>645,244</b>	<b>3,137</b>	<b>831,396</b>	<b>2.8%</b>	<b>1,018,477</b>	<b>2.4%</b>	<b>4,291,133</b>	<b>2.4%</b>

The trend of structure of consumption and revenues from tariff buyers in the past three years is given below.

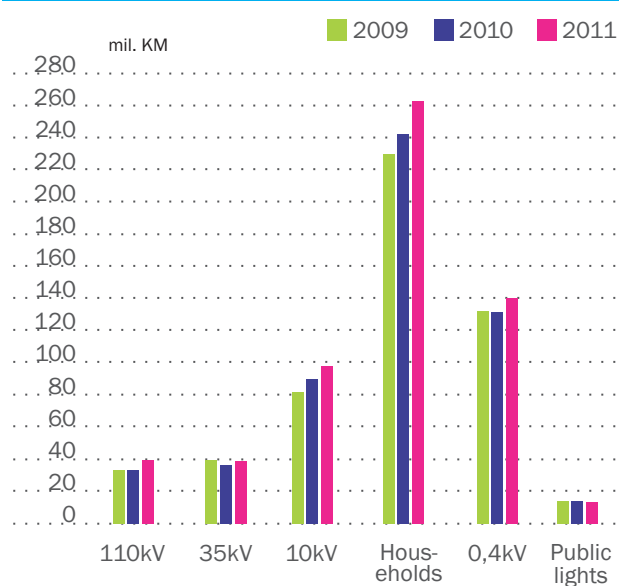
## TREND OF STRUCTURE OF CONSUMPTION



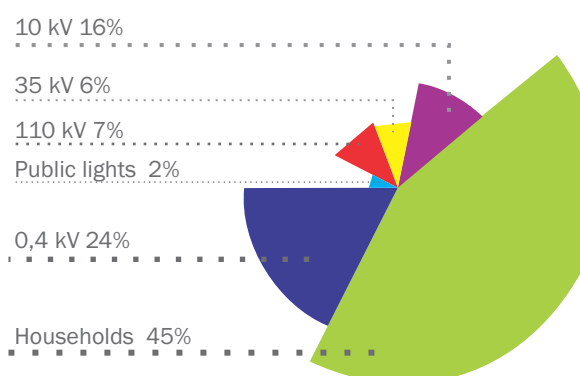
## CONSUMPTION STRUCTURE



## TREND OF STRUCTURE OF REVENUES



## REVENUES STRUCTURE



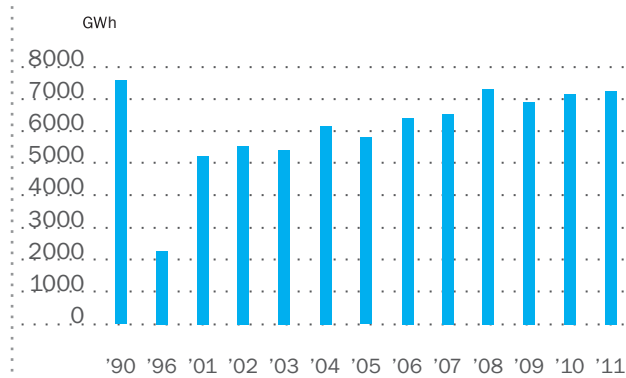


## REALIZATION OF ENERGY BALANCE

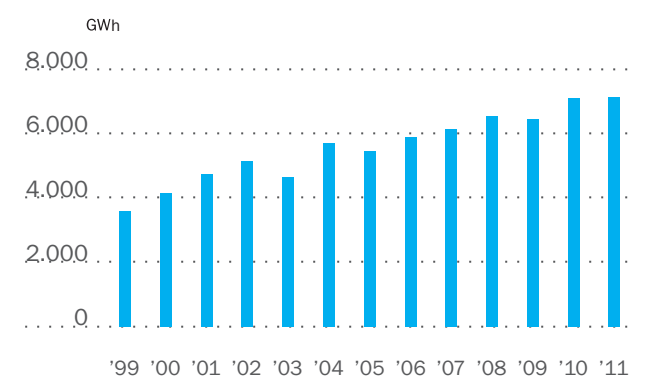
ELEMENTS OF BALANCE	Realization 2011 GWh	Plan 2011 GWh	Realization 2010 GWh	In comparison to plan change %	In comparison to 2010 change %
Hydro-power plants	1,156.6	1,466.5	2,168.6	-21.1	-46.7
- HPP on Neretva	1,113.7	1,397.0	2,094.6	-20.3	-46.8
- small HPP	42.9	69.5	74.0	-38.3	-42.0
Thermal power plants	6,138.0	5,823.4	5,012.8	5.4	22.4
- TPP Tuzla	3,903.9	3,664.9	3,181.8	6.5	22.7
- TPP Kakanj	2,234.1	2,158.5	1,831.0	3.5	22.0
<b>GENERATION</b>	<b>7,294.5</b>	<b>7,289.9</b>	<b>7,181.4</b>	<b>0.1</b>	<b>1.6</b>
RECEIVED (purchase, exchange)	296.6	299.9	435.0	-1.1	-31.8
<b>AVAILABLE</b>	<b>7,591.2</b>	<b>7,589.8</b>	<b>7,616.4</b>	<b>0.0</b>	<b>-0.3</b>
Gross distribution consumption	4,284.0	4,439.9	4,232.9	-3.5	1.2
Direct consumers	417.0	437.3	371.4	-4.6	12.3
Transmission losses	119.0	135.6	124.2	-12.2	-4.2
<b>TOTAL CONSUMPTION</b>	<b>4,820.0</b>	<b>5,012.8</b>	<b>4,728.5</b>	<b>-3.8</b>	<b>1.9</b>
SALE and exchange	2,771.2	2,577.0	2,887.9	7.5	-4.0
<b>TOTAL NEEDS</b>	<b>7,591.2</b>	<b>7,589.8</b>	<b>7,616.4</b>	<b>0.0</b>	<b>-0.3</b>

## TRENDS

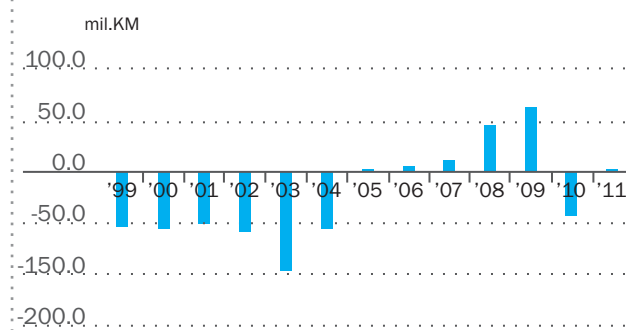
## TREND GENERATION



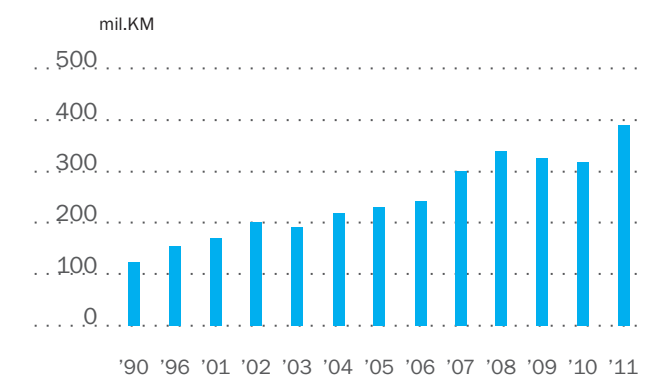
## TREND NET SALES



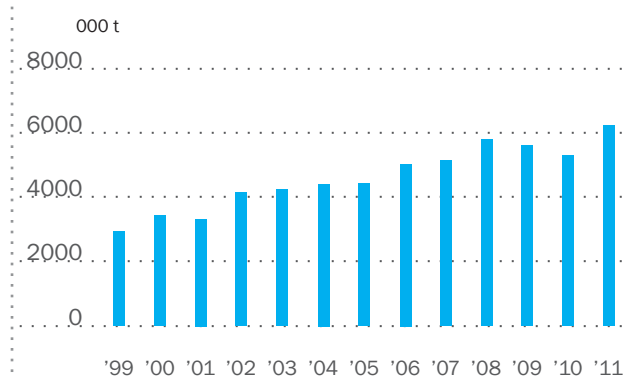
## FINANCIAL RESULTS



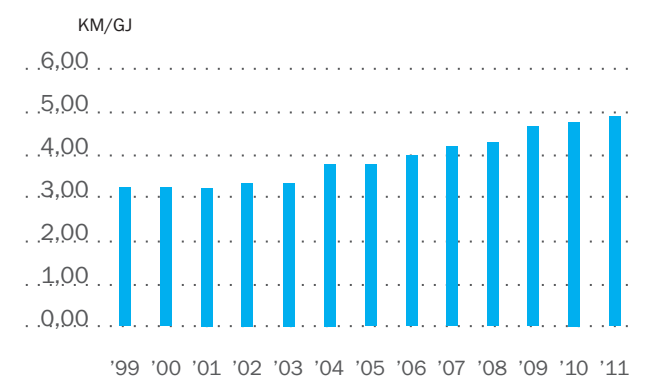
## MATERIAL FOR PRODUCTION



## TREND PURCHASING OF COAL



## TREND PRICES OF COAL





# REALIZATION of financial PLAN

## REVENUES

The total realized revenues of JP Elektroprivreda BiH for 2011 amount ed to 958.5 million KM and or higher 2.9 million KM less than planned. In comparison to 2010, revenues were 73.4 million KM, or 8%.

TYPE OF REVENUES	Realized 2010	Planned 2011	Realized 2011	Index 11/10	Index 11/plan
Revenues from sales of electricity	810	887	<b>877</b>	108	99
- Revenues from sales of electricity to tariff buyers	552	636	<b>597</b>	108	94
- Revenues from sales of electricity to other buyers in Bosnia and Herzegovina	140	159	<b>201</b>	144	126
- Revenues from export of electricity	110	86	<b>74</b>	67	85
- Revenues from sale of reserve power and auxiliary services	8	5	<b>5</b>	64	100
Revenues from auxiliary and secondary activities	14	15	<b>15</b>	107	103
Revenues from sales of materials and services	20	19	<b>22</b>	110	112
Revenues from financing	23	18	<b>19</b>	84	105
Other revenues	19	16	<b>26</b>	137	158
<b>TOTAL REVENUES (millions of KM)</b>	<b>885</b>	<b>956</b>	<b>958</b>	<b>108</b>	<b>100</b>





## SALES PRICES OF ELECTRICITY

STRUCTURE OF SALES	PLAN 2011				2011				2010			
	ENERGY GWh	PRICE F/kWh	INCOME mill.KM	SHARE %	ENERGY GWh	PRICE F/kWh	INCOME mill.KM	SHARE %	ENERGY GWh	PRICE F/kWh	INCOME mill.KM	SHARE %
<b>TARIFF BUYERS</b>												
Direct buyers	437.3	10.07	44.0	5%	417,2	9.26	38.6	4%	371.4	8.60	31,9	4%
Distribution buyers												
35 kV	350.3	11.77	41.2	5%	338.4	11.42	38.6	4%	321.6	10.38	34.8	4%
10 kV	730.8	14.00	102.3	12%	680.1	14.15	96.2	11%	672.6	13.50	90.8	11%
Household	2,075.9	14.67	304.6	35%	2,024.1	13.02	263.6	30%	2,015.2	12.07	243.2	31%
Other 0.4	769.1	17.12	131.7	15%	755.7	18.61	140.6	16%	731.2	18.14	132.6	17%
Public lighting	76.2	16.39	12.5	1%	75.7	16.08	12.2	1%	77.7	15.97	12.4	2%
<b>TOTAL distribution</b>	<b>4,002.3</b>	<b>14.80</b>	<b>592.3</b>	<b>67%</b>	<b>3,874.0</b>	<b>14.23</b>	<b>551.3</b>	<b>64%</b>	<b>3,818.4</b>	<b>13.46</b>	<b>513.9</b>	<b>65%</b>
<b>TOTAL tariff buyers</b>	<b>4,439.6</b>	<b>14.33</b>	<b>636.4</b>	<b>72%</b>	<b>4,291.1</b>	<b>13.75</b>	<b>589.9</b>	<b>68%</b>	<b>4,189.8</b>	<b>13.03</b>	<b>545.8</b>	<b>69%</b>
<b>NON-TARIFF SALES</b>												
Non-tariff buyers in BiH	1,571.2	8.90	139.9	15%	1,883.8	9.52	179.3	24%	1,316.2	8.08	106.4	13%
Export of electricity	876.2	9.86	86.4	10%	643.4	11.46	73.7	9%	1,193.1	9.29	110.9	14%
Revenues on basis of UTS	185.8	10.35	19.2	2%	179.0	10.36	18.6	2%	337.2	9.53	32.5	4%
Energy from auxiliary services				0%	43.1	7.68	3.3	0%	1.8	8.70	0.2	0%
<b>TOTAL non-tariff sales</b>	<b>2,633.1</b>	<b>9.32</b>	<b>245.5</b>	<b>28%</b>	<b>2,749.3</b>	<b>10.00</b>	<b>274.9</b>	<b>32%</b>	<b>2,848.3</b>	<b>8.77</b>	<b>249.9</b>	<b>31%</b>
<b>TOTAL REVENUES FROM ELECTRICITY</b>	<b>7,072.7</b>	<b>12.47</b>	<b>881.9</b>	<b>100%</b>	<b>7,040.5</b>	<b>12.28</b>	<b>864.8</b>	<b>100%</b>	<b>7,038.2</b>	<b>11.31</b>	<b>795.7</b>	<b>100%</b>

\* No revenues on basis of cut-off, unauthorized consumption and sale of energy from renewable sources; these revenues for 2011 amount to 6.92 million KM (in 2010 5.99 million KM)



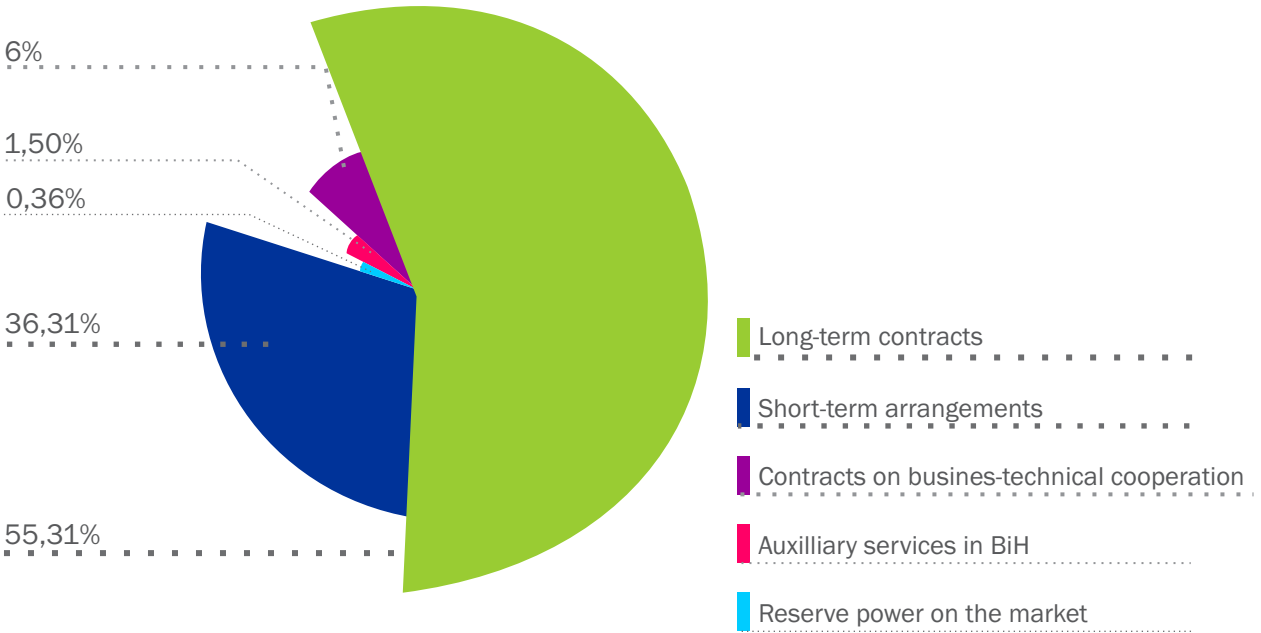
# COSTS and EXPENSES

## COSTS AND EXPENSES

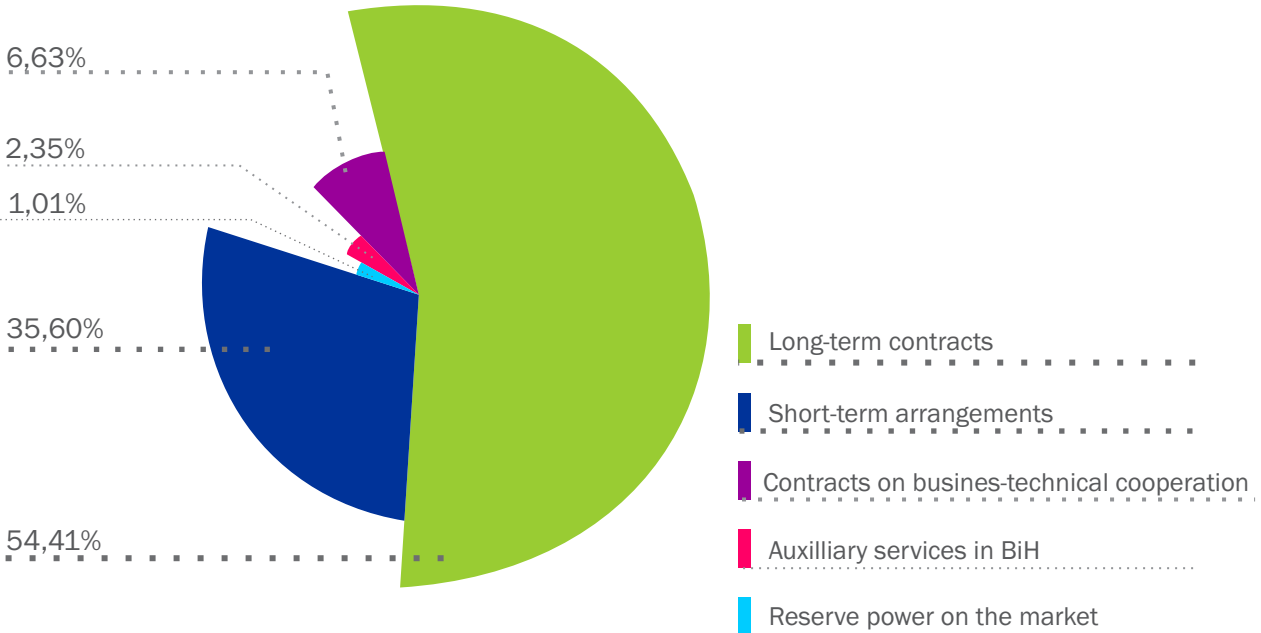
The total realized costs and expenses for 2011 amount to 957 million KM and present an increase of 7.3 million KM or 1%.

TYPES OF EXPENSES	Realized 2010	Planne 2011	Realized 2011	Index 11/10	Index 11/plan
Material for generation, transportation of coal	339	382	419	124	110
Maintenance costs	37	38	34	92	89
Other materials and services	19	26	16	86	62
Depreciation	147	148	150	102	102
Transmission of electricity	55	55	50	91	92
Salaries and other costs of labor	191	193	186	97	96
Levies	36	29	28	78	98
Financial and other expenses	101	79	74	73	93
TOTAL COSTS AND EXPENSES	925	950	957	103	101

## STRUCTURE OF SALE OF ELECTRICITY (MWH)



## STRUCTURE OF REVENUES FROM SALE OF ELECTRICITY (mill.KM)





# FINANCIAL RESULT

## FINANCIAL RESULT

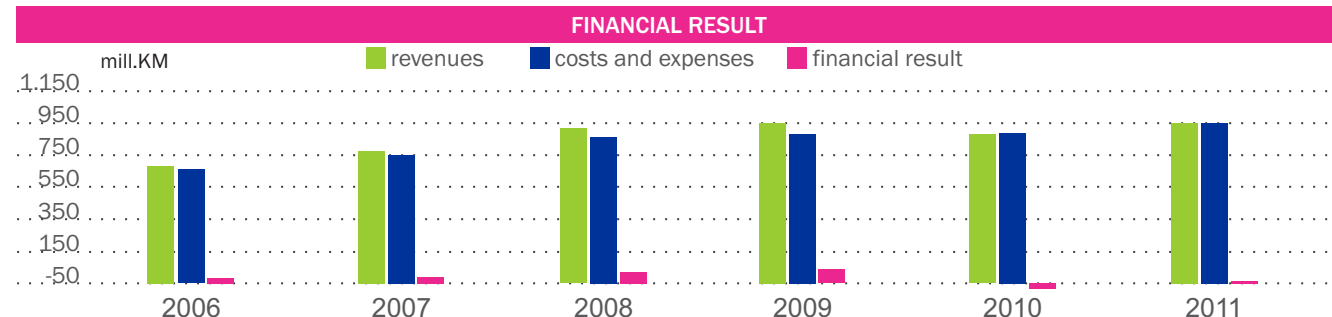
In the year 2011, Elektroprivreda BiH d.d. – Sarajevo realized the total revenue in the amount of 958.5 million KM and total costs and expenses in the amount of 957 million KM, and realized profit in the amount of 1.5 million KM.

The largest share of the total revenue was realized through sales of electricity to tariff buyers. In 2011, revenues from sales of electricity to tariff buyers amounted to 62% of the total revenues. From July 1, 2011, tariffs were changed for sales of electricity to tariff buyers, as a result of implemented tariff procedure, and the average sales price for tariff buyers realized in 2011 was 0.1375 KM/kWh which was 6% higher in comparison to 2010. (0.1303 F/kWh). However, the realization of sales of electricity to tariff buyers dropped 3% short of plan, which had a consequence of lower income from tariff buyers for 6%.

*The following had significant effects on the financial result in 2011:*

- Extremely unfavorable hydrological situation (dry year), which required maximum engagement of thermal capacities, which have high unit prices for generation of electricity;
- Negative movement of the foreign currency exchange – this caused negative foreign currency exchange of 8.2 million KM, and revenues from positive foreign currency exchange amounted to 5.8 million KM, which as a consequence had a negative effect of foreign currency exchange of 2.4 million KM (The plan did not encompass positive or negative effects of foreign currency exchange);
- Introduction of a legal obligation of payment of fees for air pollution, which in 2011 increased the costs of levies for 3.2 million KM (50% of the amount), while in the upcoming years this fee is also to burden the results of business operation in the amount of approximately seven million KM.

Increased tariffs in the second half of the year and introduced restrictive measures through the Savings Program significantly improved the result of business operation of Elektroprivreda BiH in comparison to the first half of the year, and the realized profit for 2011 amounted to 1.5 million KM.



## INCOME STATEMENT

DESCRIPTION	I-XII 2011	PLAN I-XII 2011	I-XII 2010	index	
	hilj. KM	hilj. KM	hilj. KM	1/2	1/3
<b>I. REVENUES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>1/2</b>	<b>1/3</b>
1 Revenue from sales of electricity and auxiliary services	876,731	886,912	809,807	99	108
- Revenues from sales of electricity to tariff buyers	596,834	636,352	551,778	94	108
- Revenues from sales of electricity to other buyers in B&H	201,115	159,098	140,021	126	144
- Revenues from export of electricity	73,740	86,399	110,091	85	67
- Revenues from sale of reserve power and auxiliary services	5,042	5,063	7,917	100	64
2 Revenues from sale of technological steam and heating energy	15,064	14,586	14,026	103	107
- Revenues from technological steam	3,527	3,147	2,966	112	119
- Revenues from heating energy	9,560	8,765	8,875	109	108
- Revenues from sales of by-products	1,976	2,675	2,185	74	90
3 Revenues from sales of materials and services	21,728	19,412	19,676	112	110
4 Revenues from financing	19,036	18,211	22,602	105	84
5 Other revenues	25,903	16,433	18,976	158	137
6 TOTAL REVENUES (1-5)	958,462	955,555	885,088	100	108
<b>II. COSTS AND EXPENSES</b>					
8 Material for generation of electricity	394,318	357,562	318,682	110	124
9 Material for maintenance	17,717	20,382	20,053	87	88
10 Other costs of material	6,021	7,826	7,229	77	83
11 Costs of transportation of coal	24,856	24,731	20,518	101	121
12 Maintenance services	16,190	17,759	16,767	91	97
13 Systematic studies	315	1,500	480	21	65
14 Insurance premium	4,792	5,313	5,339	90	90
15 Other costs of services	4,812	11,051	5,511	44	87
16 Depreciation costs	150,414	147,871	147,325	102	102
17 Costs of transmission of electricity and auxiliary services	50,106	54,629	54,807	92	91
18 Salaries and fees	158,269	163,108	162,109	97	98
19 Other labor costs	27,606	29,966	28,745	92	96
20 Water management fees	14,552	17,780	25,388	82	57
21 Levies for land and other	13,383	10,776	10,346	124	129
22 Other costs of business operations	7,670	10,494	8,765	73	88
23 Costs of financing	1	0	7		13
24 Other expenses	60,633	52,583	76,150	115	80
25 Costs of reserves	5,323	16,390	16,565	32	32
26 TOTAL COSTS AND EXPENSES (8-25)	956,978	949,720	924,785	101	103
<b>PROFIT/LOSS</b>	<b>1,484</b>	<b>5,835</b>	<b>-39,697</b>	<b>25</b>	<b>-4</b>

\* The loss of 39.7 million KM for 2010 deviates from the result expressed in the Annual Report for 2010 for the amount of consequently determined tax duty, change of accounting policy and correction of errors from the earlier period, all of which was retroactively respected in accordance with MRS 8.





# COLLECTION Of REVENUES

## COLLECTION OF REVENUES

The degree of collection of revenues for delivered electricity supplied to tariff buyers (determined by accounting method – current year with balance of receivables from earlier years and claimed receivables) was realized in the percentage of 95.4% and is at the level of realization from 2010. The degree of collection in distribution branch offices is different and ranges from 75.5% in branch office „Elektro distribucija“ Mostar up to 99.2% in branch office „Elektro distribucija“ Tuzla, which is shown below:

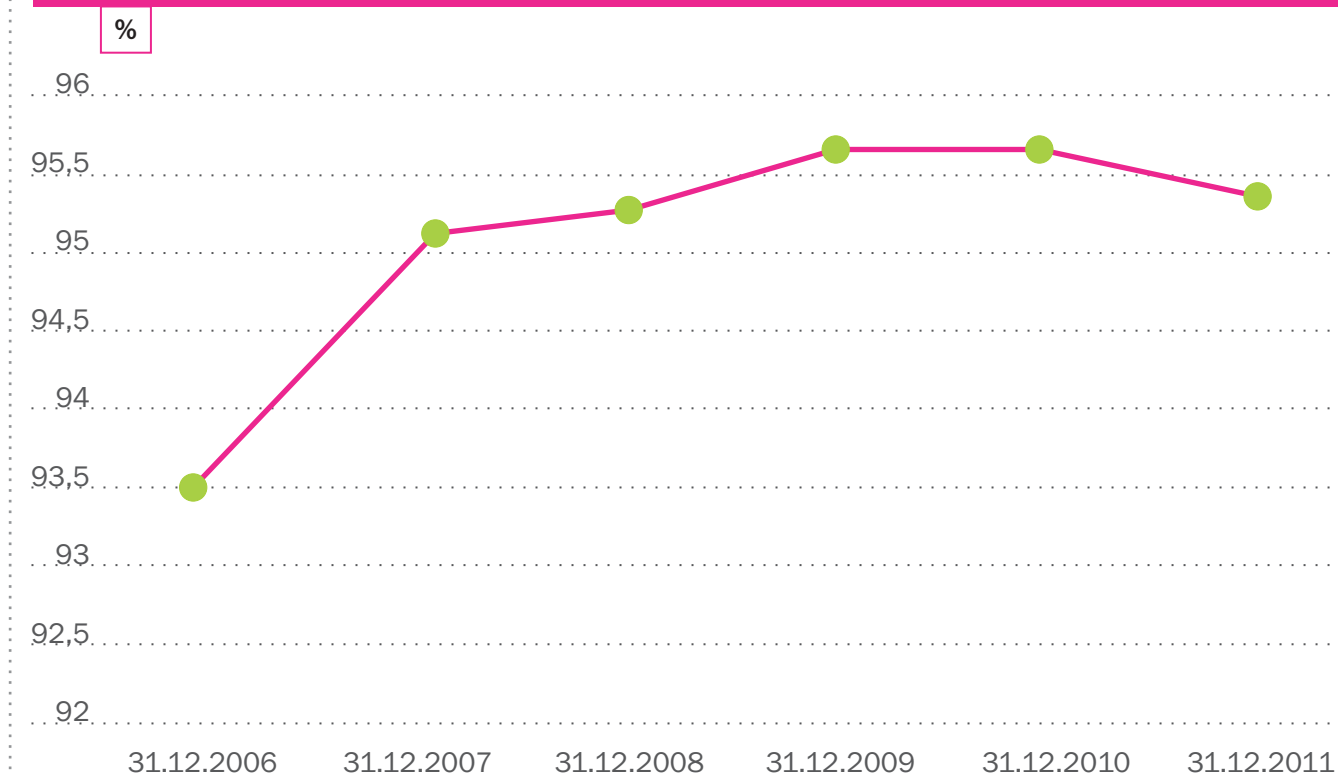
		2010.	2011.
		%	%
1	ED Sarajevo	99.0	97.8
2	ED Tuzla	99.8	99.2
3	ED Zenica	91.4	91.5
4	ED Bihac	98.7	98.9
5	ED Mostar	75.0	75.5
<b>TOTAL branch offices</b>		<b>95.7</b>	<b>95.2</b>
6	Direct (110 kV)	96.9	97.7
<b>TOTAL</b>		<b>95.7</b>	<b>95.4</b>

The funds collected on basis of supply to the second class of buyers (non-tariff buyers in Bosnia and Herzegovina) and trading of electricity (export) were 100% realized.

Year	2006	2007	2008	2009	2010	2011
Collection (%)	93.5	95.1	95.3	95.7	95.7	95.4

# COLLECTION Of REVENUES

## DEGREE OF COLLECTION ON BASIS OF SALES OF ELECTRICITY



The degree of collection is expressed as a relation between collected revenue and invoiced amount in the current year. The percentage of collection is even more favorable and amounts to 99.2%, and is equal to the percentage realized in 2010. This degree of collection is affected by part of revenues collected on basis of claims from previous years.





FINANCIAL INDICATORS OF SUCCESSFUL BUSINESS OPERATIONS			
POKAZATELJI BILANSA USPJEHA	Realized 2010	Realized 2011	Plan 2011
Generation of electricity (Gwh)	7,181	7,295	7,290
Operational revenues (thousand KM)	843,509	913,523	920,910
Revenues from sales of electricity and auxiliary services	809,807	876,731	886,912
Revenues from auxiliary activities, materials and services	33,703	36,792	33,998
Cash operational costs (thousand KM)	737,293	776,737	787,119
- costs of material for generation of electricity and transportation of coal	339,199	419,174	382,293
- materials and maintenance services	36,820	33,907	38,141
- salaries and fees	190,854	185,875	193,074
- other operational expenses	170,419	137,781	173,611
EBITDA	106,216	136,786	133,791
Depreciation (thousand KM)	147,325	150,414	147,325
EBIT	-41,108	-13,628	-13,534
Operational coefficient (operational expense + depreciation)/ operational revenue)	1.05	1.01	1.01
Ratio of cost-effectiveness (total revenues / total costs and expenses)	0.96	1.00	1.01
Productivity (revenue per employee)	178.48	187.99	194.54
Operational coefficient (operational expenses /operational revenues)	0.87	0.85	0.85
Costs of employees per worker	37.51	36.79	39.54
Production per worker	1.41	1.44	1.49
Share of costs and expenses in total revenue	1.04	1.00	0.99
Average number of employees (situation at end of month / 12)	5088	5053	4883
Costs of production /operational revenues	40,21%	45,89%	41,51%
Costs of materials and maintenance services / operational revenues	4,37%	3,71%	4,14%
Cost of labor / operational revenues	22,63%	20,35%	20,97%
Other costs / operational revenues	20,20%	15,08%	18,85%

INDICATORS OF INCOME STATEMENT			
	2010	2011	11/10
Return on assets (ROA = net profit/value of assets)	-0.01	0.00	-3.71
Return on equity (ROE = net profit/value of capital)	-0.01	0.00	-3.74
General liquidity (current assets/current liabilities)	6.58	5.21	79.2
Reduced liquidity (current assets - stocks/current liabilities)	4.86	4.13	85.0
Net working capital (current assets/current liabilities)	483,162	422,074	87.4
Degree of coverage of stocks (net working capital/stocks)	3.24	3.92	121.0
Coefficient of turnover of stocks (revenues from sales/stocks)	5.65	8.48	150.0
Number of days of turnover of stocks (365/coefficient of turnover of stocks)	64.59	43.06	66.7
Degree of coverage of current assets (net working capital/current assets)	0.85	0.81	95.3
Ratio of solvency (own capital/borrowed sources)	6.08	5.80	95.4
Coefficient of indebtedness (total liabilities/total assets)	0.14	0.15	107.1
Indicator of financing of fixed assets by private equity	1.03	1.01	98.1
Indicator of financing of fixed assets by long-term sources	1.16	1.12	96.6

OTHER INDICATORS		2011
Value of share (nominal) KM		71
Profit per share (KM per share)		0.05
Proposed dividend per share (KM per share)		0.022



The background of the slide is a photograph of a white wind turbine against a blue sky with light clouds. The turbine's blades are visible, extending from a central hub. On the left and right sides of the image, there are vertical green bars. The text 'REALIZATION of plan of INVESTMENTS' is centered over the image. 'REALIZATION' and 'INVESTMENTS' are in large, bold, white capital letters with a slight drop shadow. 'of plan of' is in a smaller, white, lowercase font, positioned between the two larger words.

# REALIZATION of plan of INVESTMENTS



# REALIZATION of plan of INVESTMENTS

## REALIZATION OF PLAN OF INVESTMENTS

In the year 2011, Public Enterprise Elektroprivreda BiH d.d. – Sarajevo realized the level of investments in the amount of 218.5 million KM, which was a 26% increase in comparison to realized investments in 2010.

LEVEL OF INVESTMENTS (mill. KM)	2010	2011	Percentage of total investments in 2011	Index 11/10
Generation activities	77.0	122.3	56%	159
Distribution activities	86.8	86.8	40%	100
Investments on level of Company	9.0	9.3	4%	103
<b>Total EPBiH</b>	<b>172.8</b>	<b>218.5</b>	<b>100%</b>	<b>126</b>

### Realization of plan of investments in generation activities in 2011

The planned investments into generation activities in 2011 amounted to 136.2 million KM. The realization of investments was performed in generation branch offices TPP Tuzla, TPP Kakanj and HPP on Neretva. In 2011, investments amounting to 122.3 million KM were realized, which was an increase of 59% in comparison to 2010.

mill.KM					
Branch office	2010	2011	Plan 2011	2011/Plan 2011	Index 11/10
HPP on Neretvi	8.0	10.9	14.8	74%	136
TPP Kakanj	39.8	88.1	71.6	123%	221
TPP Tuzla	29.3	23.4	49.8	47%	80
<b>Total</b>	<b>77.0</b>	<b>122.3</b>	<b>136.2</b>	<b>90%</b>	<b>159</b>

# REALIZATION of plan of INVESTMENTS

The amount of realized investments in 2011 did not include advance payments on basis of contracted works and services for realization of revitalization of Unit 6 - 215 MW in TPP Tuzla.

The objective reasons that fully affected the realization of the Plan of Investments for 2011 were:

- Strict application of the Law on Public Procurement, since certain tender procedures were repeated due to an insufficient number of applicants,
- Long-term process of securing of necessary permits and approvals for realization of projects.

The most important projects realized in 2011 in the generation activities, which had a character of investments were:

- Realization of project of revitalization of Unit 6 – 110 MW in TPP Kakanj;
- Reconstruction of hydraulic and electric installations and rehabilitation of the structure of combined reclaimer and loader of coal in TPP Tuzla;
- Project of replacement of Unit transformer T5 in TPP Tuzla;
- Replacement of mill installation on Unit 4 in TPP Tuzla;
- Realization of project of modernization of coal depot – underway;
- Elaboration of study for realization of project of installation for cleaning of waste waters in TPP Kakanj;
- Replacement of equipment for ecological monitoring in TPP Kakanj;
- Repairing of damages on generator no. 2 HPP Grabovica (defectation of disassembled equipment, fabrication and replacement of parts, assembling of generator);
- Realization of projects:
  - Rehabilitation and modernization of monitoring system of dams HEJ, HEG and HES,
  - Installation of monitoring system,
  - Rehabilitation of landslide Kukovi (underway);
- Replacement of drainage system in HPP Jablanica;
- Procurement and installation of system for automatic measuring of active and reactive energy on facilities of the branch office HPP on Neretva;
- Replacement of switchboard 220 kV in HPP Salakovac;
- Reconstruction of 0.4 kV installations in HPP Jablanica.

During 2010 and 2011, preparations were conducted for the upcoming revitalization of Unit 6 – 215 MW in TPP Tuzla. Contracting procedure is underway for other sub-projects as part of realization of project of revitalization of Unit 6 - 215 MW in TPP Tuzla.



## REALIZATION OF PLAN OF INVESTMENTS IN DISTRIBUTION ACTIVITIES IN 2011

Investment in distribution activities in 2011 amounted to 86.84 million KM, which is on the level of investments in 2010.

mill.KM					
Branch office	2010	2011	Plan 2011	2011/Plan 2011	Index 11/10
TE Bihac	14.7	12.1	12.1	100%	82
ED Mostar	5.3	8.3	7.2	115%	157
ED Sarajevo	22.0	19.8	18.1	109%	90
ED Tuzla	21.4	24.9	21.2	118%	116
ED Zenica	23.3	21.7	20.5	106%	93
<b>Total</b>	<b>86.8</b>	<b>86.8</b>	<b>79.2</b>	<b>110%</b>	<b>100</b>

During 2010, a program of reconstruction of the power distribution network of EPBiH, financed from EBRD credit, was completed as part of distribution activities.

The program of reconstruction of power distribution network of EPBiH financed from EIB credit achieved the realization of 21.3 million KM, which was 37% of the total program, and the contract foresees completion of works in 2013.

Realization of program of rehabilitation/construction of power installations with the goal of return of population was continued, as well as program of reconstruction of billing/measuring locations and replacement of obsolete meters and program of installation of line separators and improvement of system of monitoring and management in medium-voltage distribution networks.

## INVESTMENTS INTO RECONSTRUCTION OF EXISTING AND CONSTRUCTION OF NEW POWER DISTRIBUTION FACILITIES

		2009.	2010.	2011.
Reconstruction of existing facilities	Lines 35 kV [km]	15.2	13.8	9.2
	Lines 10(20) kV [km]	88.1	158.3	233.2
	Lines 0,4 kV [km]	632.7	435.7	345.1
	TS 35/10 kV/kV [pcs.]	2	17	8
	TS 10(20)/0,4 kV/kV [pcs.]	107	113	68
	Rehabilitated measuring locations [pcs.]	31,485	52,534	29,520
Construction of new facilities	Lines 35 kV [km]		3.4	17.8
	Lines 10(20) kV [km]	135.4	249.3	155.7
	Lines 0,4 kV [km]	137.5	295.6	422.2
	TS 35/10 kV/kV [pcs.]		2	
	[MVA]		16.1	
	TS 10(20)/0,4 kV/kV [pcs.]	162	155	147
	[MVA]	59.9	34.8	41.6

Realization of the adopted concept of introduction of Automated Meter Reading/Automated Meter Management (AMR/AMM systems) in the power distribution system of EPBiH is underway.

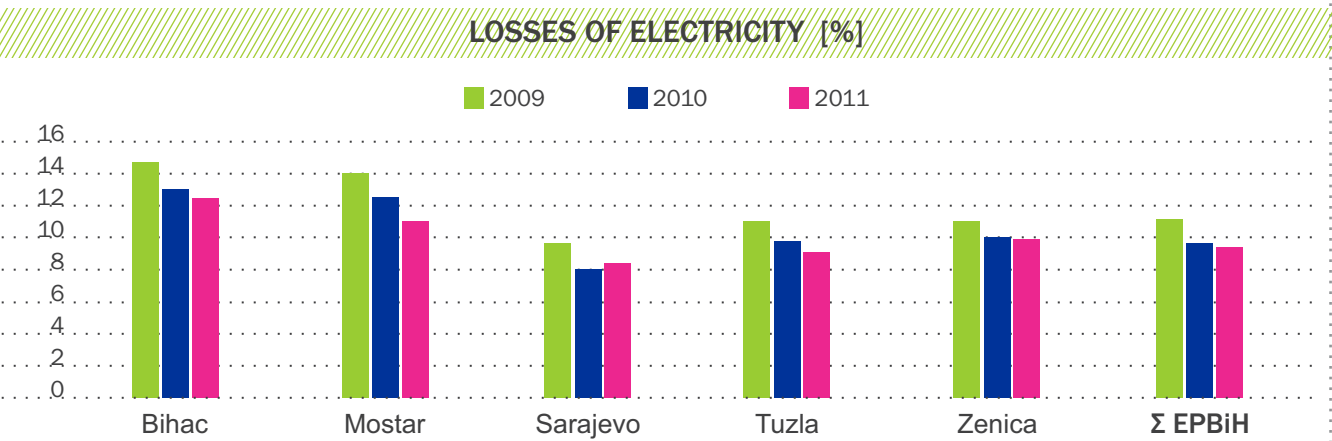
A program of construction of power distribution facilities for providing of reserve supplying for the territories of municipalities of Olovo and Ilijas – Nisicka plateau, whose realization was performed by branch offices "Elektro distribucija" Zenica and "Elektro distribucija" Sarajevo was completed.

Retrofit on seven TS 35/10kV was completed through EBRD program.

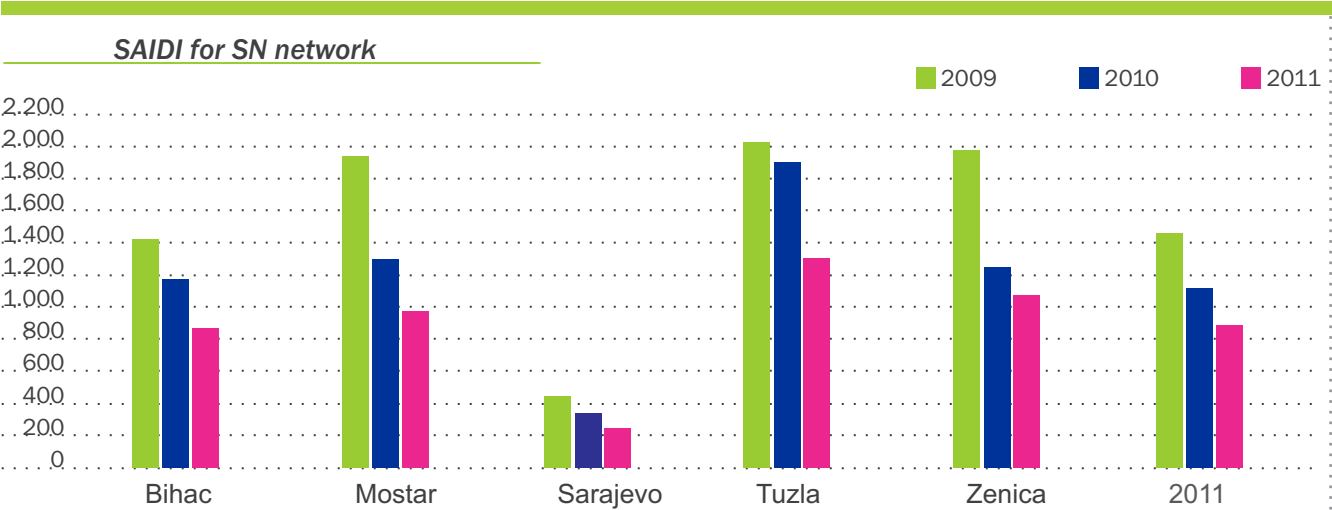
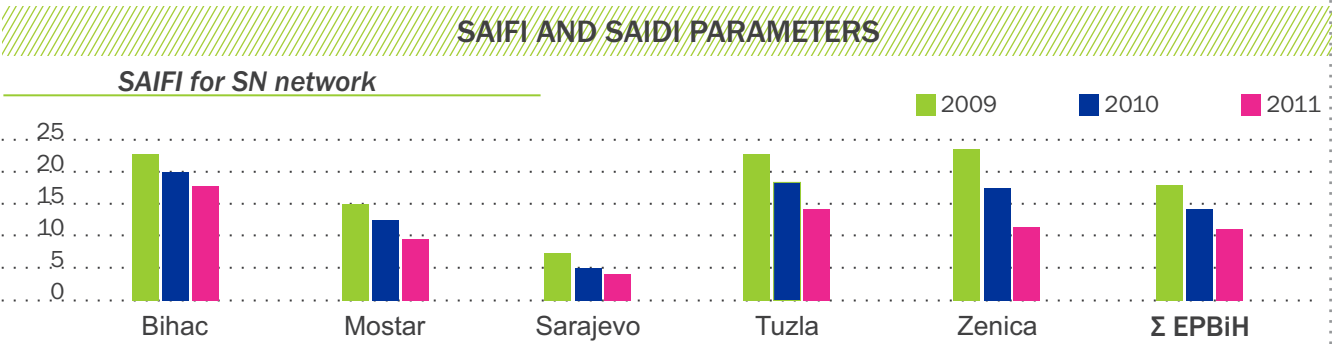
The effects of investment activities in 2011 are, among other things, further reduction of technical losses in the distribution network and improvement of quality and reliability of delivery of electricity.

ELECTRICITY LOSSES ON DISTRIBUTION NETWORK							
		Bihac	Mostar	Sarajevo	Tuzla	Zenica	Σ EPBiH
<b>2009</b>	[GWh]	69.60	29.10	127.00	124.20	107.90	<b>457.80</b>
	[%]	14.52	13.83	9.61	10.90	11.00	<b>11.08</b>
<b>2010</b>	[GWh]	62.80	26.60	107.00	113.00	101.00	<b>410.40</b>
	[%]	12.79	12.37	7.89	9.81	9.92	<b>9.69</b>
<b>2011</b>	[GWh]	60.10	26.60	119.30	115.40	106.90	<b>428.30</b>
	[%]	12.38	10.99	8.34	9.05	9.85	<b>9.49</b>





Increasing of reliability of delivery of electricity to buyers was continued in 2011. Namely, a suitable trend of decreasing the values of corresponding reliability indicators (Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI)), for interruptions caused by planned and those caused by unplanned intermissions. This conclusion is valid for every branch office and thus for the entire distribution system in the jurisdictions of EPBiH.



A part of investments in distribution activities includes investments into joint needs of branch offices (procurement of computer and other office equipment, vehicles, tools, arrangement and equipping of business premises).

Realization of the plan of investments on the level of the Company amounts ed to 9.3 million KM, and 4.6 million KM was invested for preparations for construction of new power facilities in 2011.





## PREPARATION FOR CONSTRUCTION OF THERMAL POWER PLANTS

### UNIT 7 - 450 MW IN TPP TUZLA

#### *Investment and environmental documentation*

Within given deadlines, all previous research was completed and on basis of that complete investment and environmental documentation related to Unit 7 was elaborated, validated and revised.

#### *Approvals and permits*

On basis of the elaborated, validated and revised investment and environmental documentation, the authorities provided all necessary approvals required for making of an investment decision on construction of Unit 7.

#### *Completing the financial package*

The BiH Federation Government adopted decision on preparation and construction of Unit 7 – 450 MW in TPP Tuzla (BiH Federation Official Gazette no. 13/10). The Supervisory board of Elektroprivreda BiH adopted decision on basic principles, criteria and methodology of selection of strategic partner for joint investment into Unit 7 – 450 MW in TPP Tuzla (NO-36-6680-4./10 dated March 25, 2010).

Pursuant to these decision, an international public competition was held, which did not result with selection of a strategic partner for joint investment into the project of Unit 7 – 450 MW in TPP Tuzla.

#### *Environment-friendly Program*

Pursuant to the signed Contract on realization of the Environment-friendly Program, most foreseen projects were agreed with the Tuzla municipality, and the deadline for realization was extended to December 31, 2012.

#### *Other activities*

The following were completed and revised:

- Study on expropriation and determination of purchasing prices of real estate on the location of construction of Unit 7 in the business zone Tuzla, which will be a foundation for purchasing of the remaining land.
- Concept design of optimal transportation and disposal of products of combustion of replacement Unit 7 in TPP Tuzla as part of rehabilitation of mining pits of mines Kreka and Djurdjevik.
- Concept design of connection of Unit 7 into the existing corridor DV from TPP Tuzla to TS Ljubace.

A contract has been prepared for elaboration of project of preparation works on the location of Unit 7, as well as contract for laboratory testing of coal from open pits Sikulje and Dubrave.

### UNIT 8 – 300 MW IN TPP KAKANJ

#### *Investment and environmental documentation*

All previous research was completed within given deadlines, and on basis of that complete investment and environmental documentation related to Unit 8 was elaborated and revised.

#### *Approvals and permits*

On basis of the elaborated, validated and revised investment and environmental documentation, the authorities provided all necessary approvals required for making of an investment decision on construction of Unit 8.

#### *Environment-friendly Program*

Pursuant to the signed Contract on realization of the Environment-friendly Program, most foreseen projects were agreed with the Kakanj municipality, and the deadline for realization was extended to December 31, 2012.

#### *Other projects*

Realization of signed contracts for test burning of coal and provision of limestone is underway.

### UNIT 1 – 300 MW OF ENERGY COMPLEX OF THE MINE AND TPP BUGOJNO

#### *Realized activities:*

- Contract for elaboration of project of research works was realized.
- A Study of economic justifiability for construction of the Mine and TPP Bugojno was elaborated for needs of submission of own offer for awarding of concession.
- A tender has been prepared for performance of detailed geological research works on coal deposit „Kotezi“ in Bugojno. Its announcement has been postponed until completion of checking of justifiability of realization of these tasks within the EPBiH Concern.
- On January 28, 2011, the BiH Federation Ministry of Energy, Mining and Industry made the decision to allow Elektroprivreda BiH to perform geological research of coal in the area of the Bugojno neogene basin.





## PREPARATION FOR CONSTRUCTION OF HYDRO POWER PLANTS

### HPP Vranduk

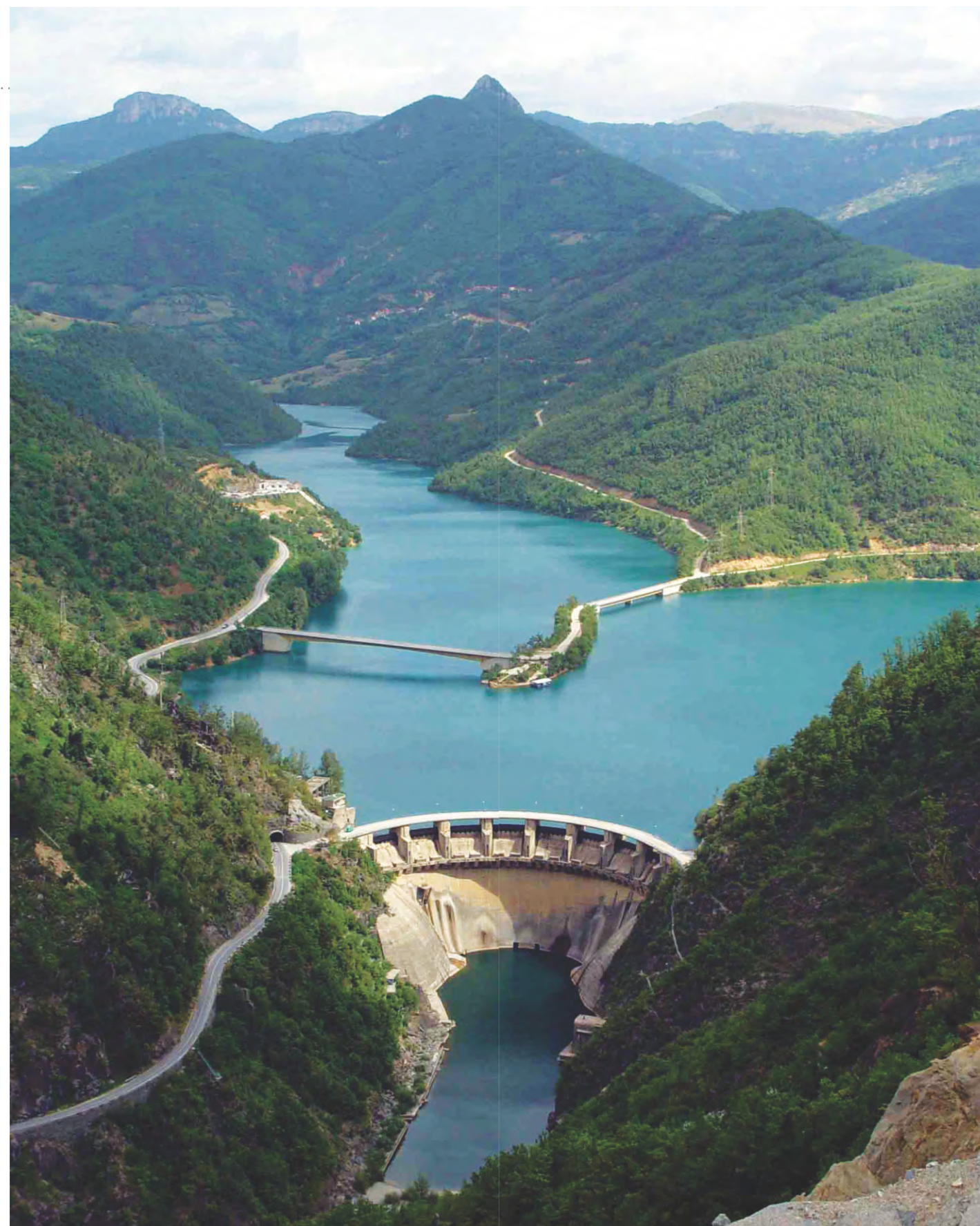
- Concept design elaborated and revised;
- Environmental permit and water management permits acquired;
- The BiH Federation government made the Decision on awarding of concession for construction;
- Contract signed with the Zenica municipality and Environment-friendly Program for HPP Vranduk for the amount of 1,498,300 KM for 34 projects. The Contract comes into effect after signing of the Contract on Concession and acquiring of environmental permit;
- Study on connection to EES elaborated and revised;
- Certificate for connection to EES acquired;
- Study on expropriation elaborated and revised;
- Study on determining of borders of public water welfare and authorization by the BiH Federation Ministry of Agriculture, Water Management and Forestry is underway.

### HPP Ustikolina

- Elaboration of concept design underway;
- Approvals already received from authorized institutions and owners of land for performance of research works;
- Permit for water acquired;
- Since the HPP Ustikolina is not included in the draft spatial plan of the Bosna Podrinje Canton for 2008-2028, activities were undertaken for the inclusion of this HPP into the cantonal spatial plan.

### HPP Unac

The project of HPP Unac was suspended due to the fact that Una river basin was declared a national park.



### HPP Krusevo with HPP Zeleni Vir

- Elaboration of a study of hydro-energy usage of river Biostica in the Olovo municipality and drafting of concept design is underway;
- One million was granted from the Western Balkan Investment Framework for elaboration of a feasibility study with research for the hydro-power plant Krusevo with hydro-power plant Zeleni Vir.

### HPP Janjici

- Tender documentation completed for elaboration of feasibility study with research for hydro-power plant Janjici, public invitation for bids was launched, bids were evaluated and the planner and contractor were selected;
- Elaboration of a feasibility study for construction of the hydro-power plant Janjici is underway and research is performed on the spot. This project is financed by the Government of Germany through the KfW bank.

### HPP Caplje

A total of 800,000 euro were granted from the Western Balkan Investment Framework for elaboration of a feasibility study with research for the hydro-power plant Caplje.





## PREPARATION FOR CONSTRUCTION OF SMALL POWER PLANTS FROM OIE

### PREPARATION AND CONSTRUCTION OF SMALL POWER PLANTS IN NERETVICA RIVER BASIN, KONJIC MUNICIPALITY

So far, the following activities have been performed:

- A study of effects on the environment for 15 small hydro-power plants elaborated.
- Environmental permits for nine small hydro-power plants acquired, decisions in force.
- Approvals received for research (phase one), works completed in February 2011.
- Elaboration and revision of a study of technical-economical justifiability of construction of 15 small hydro-power plants completed.
- Processing of concept designs underway, main projects for first phase.
- A study of connection of 15 small hydro-power plants to the network elaborated and revised.
- Water measuring station Gorani put back into operation in cooperation with the BiH Federation Hydro-Meteorology Bureau.
- A study with hydrological analyses was elaborated in order to define characteristic hydrological parameters on the locations of water intake of certain small hydro power plants.
- The Decision on friendly environment with the Konjic municipality was made, program and contract signed with the Konjic municipality for realization.
- A study handed over to the Konjic municipality for expropriation of land for small hydro power plant Gorovnik Usce from the first phase of project realization.
- Underway:
  - Realization of activities on publishing of a tender for the procurement and installation of automatic water measuring stations for six foreseen measuring locations,
  - Elaboration of terms of reference for defining of the communication system, that is system of remote reading of meters and system of remote control for 15 small hydro power plants in the Neretvica river basin,
  - Elaboration of tender documentation for the needs of realization of construction of small hydro power plants from the first phase,
  - Conclusion of contract on resolution legal-property relations with the Konjic municipality on basis of concluded contract on concession,
  - Acquiring of necessary permits, that is urban permit for small hydro power plant Gorovnik Usce.





## CONSTRUCTION OF WIND PARK WITH 16 WIND POWER PLANTS ON THE LOCATION OF PODVELEZJE – MOSTAR

Implementation of the project of preparation and construction of wind power plant on the plateau of Podvelezje has resulted in the following:

- The government of the Herzegovina Neretva Canton has awarded concession for construction of wind power plant Podvelezje;
- Investment decision made on financing of the construction of wind power plant Podvelezje;
- Urban permit acquired for construction of wind power plant Podvelezje;
- Energy permit acquired for connection of first two wind generators to the 10 kV network;
- A study was elaborated on the connection of generation facilities of wind power plant Podvelezje – first phase, to the distribution network;

## SYSTEM PROJECTS REALIZED ON THE LEVEL OF COMPANY

### *Development projects and studies*

Realized projects:

- Pilot-project of co-combustion of wooden biomass and coal mixture in Unit 5 in TPP Kakanj.
- Pilot-project of remote reading of electricity meters and introduction of AMR/AMM systems in branch offices ED Sarajevo, ED Zenica and ED Tuzla.
- Pilot-project „Monitoring quality of electricity on TS 35 kV in ED Zenica” (realization of another two projects of monitoring of quality of electricity in real time underway in ED Tuzla and ED Mostar).
- Procurement and assembling of measuring equipment completed for testing of wind potentials, and sun radiation. Elektroprivreda BiH currently measures wind potential on nine locations.

Elaborated studies:

1. Analysis of hydraulic characteristics and energy effects of the second phase of reconstruction of HPP Una Kostela Bihac, on basis of realistic results acquired after the first phase of reconstruction
2. Optimization of hydraulic parameters of flow from the dam to outtake facilities of HPP Jablanica and defining of conditions for the arrangement and cleaning of river basin from infilled materials
3. Checking of applied measures of protection from atmospheric power surge and lightning strike on open switchboards 110 kV and 220 kV in HPP and TPP
4. Planning of consumption of electricity per power distribution sections until 2030
5. System for monitoring of quality of electricity in real time
6. Remote collection of data on wind potential and remote supervision and management of wind power plants

## INFORMATION AND COMMUNICATION TECHNOLOGIES

The most important activities and realized projects from the field of Information and Communication Technologies in 2011 were:

### **Construction of optical cable network of Elektroprivreda BiH:**

- Realization and/or designing of optical connection for 15 facilities completed.
- Contracts signed for procurement of equipment for eight sections.
- Procurement of equipment underway for ten sections and connecting of TS 10/04 kV for ED Sarajevo.

### **Construction of transmission network of Elektroprivreda BiH:**

- Phase 1 realized and procurement of equipment contracted for Phase 2 of IP-based access network for medium-voltage facilities of distribution branch offices that includes TS 10/0.4kV.
- Procurement of radio-relay access network for the needs of ED Zenica contracted.



#### **Construction of system of interrupted energy supplying of Information and Communication Technologies equipment:**

- A system of uninterrupted supplying of Information and Communication Technologies equipment was realized for 22 while procurement of equipment was contracted for 15 medium-voltage facilities of distribution and procurement was launched for systems of interrupted power supplying for Information and Communication Technologies centers.

#### **Construction and development of system of vocal radio-connections**

- Realization of control-supervision centers of the system of vocal radio connections was completed in ED Mostar, Zenica and Bihac and the system of vocal radio connections of EPBiH was expanded.

#### **Construction and development of system of remote control and supervision:**

- Reconstruction of distribution centers for management in Tuzla and Bihac
- Realization and expansion of SCADA system
- Realization of system for data collections on flows (part related to forwarding of data into authorized control centers – DC/PCU Jablanica) in HPP Salakovac and HPP Grabovica.

#### **Support to implementation of AMR/AMM system:**

- Introduction of AMR/AMM systems was launched for 134 TP from all distribution branch offices
- AMR systems for collection of data in generation sections and the Company management were implemented, and connection with ISO was established.

#### **IT infrastructure and services:**

- Procurement of computer and network equipment at the level of Elektroprivreda BiH
- Completion of implementation of Disaster Recovery project.
- Upgrading of hardware for virtualization environment in the Business Building. Redundancy of all key hardware components was secured.
- Reconstruction of LAN networks in EPBiH through installation and commissioning of six Enterprise and 54 Standalone Ethernet Switches.
- Realization of project of Internet security.

#### **IT support and development in the segment of calculation and collection of electricity income**

- Completed migration of SOEE and SONN to three-layer platform and application servers and testing prepared on platform AS;
- Tariff meter built in, as well as registering scheme and modules that calculate the consumed electricity and preparation of processing and electronic transfer of data from applications SOEE and SONN into SAP;
- New module was created, which electronically transfers data from business banks of EPBiH, BH Post and automatic derecognition of payments in SOEE and SONN systems, which electronically transfers data from Pension and Disability Insurance Bureau of the BiH Federation and MRSP and calculation of subsidized consumption of electricity for beneficiaries of minimal pensions, which calculates fees for renewable sources, and a module that performs fiscalization of bills of unauthorized and non-registered consumption;

- Changes and addenda were performed in accordance with requirements of users and requirements of the auditor's report and the analytical and synthetic registry of the oldness of claims was harmonized.

#### **Implementation and development of business applications and software solutions**

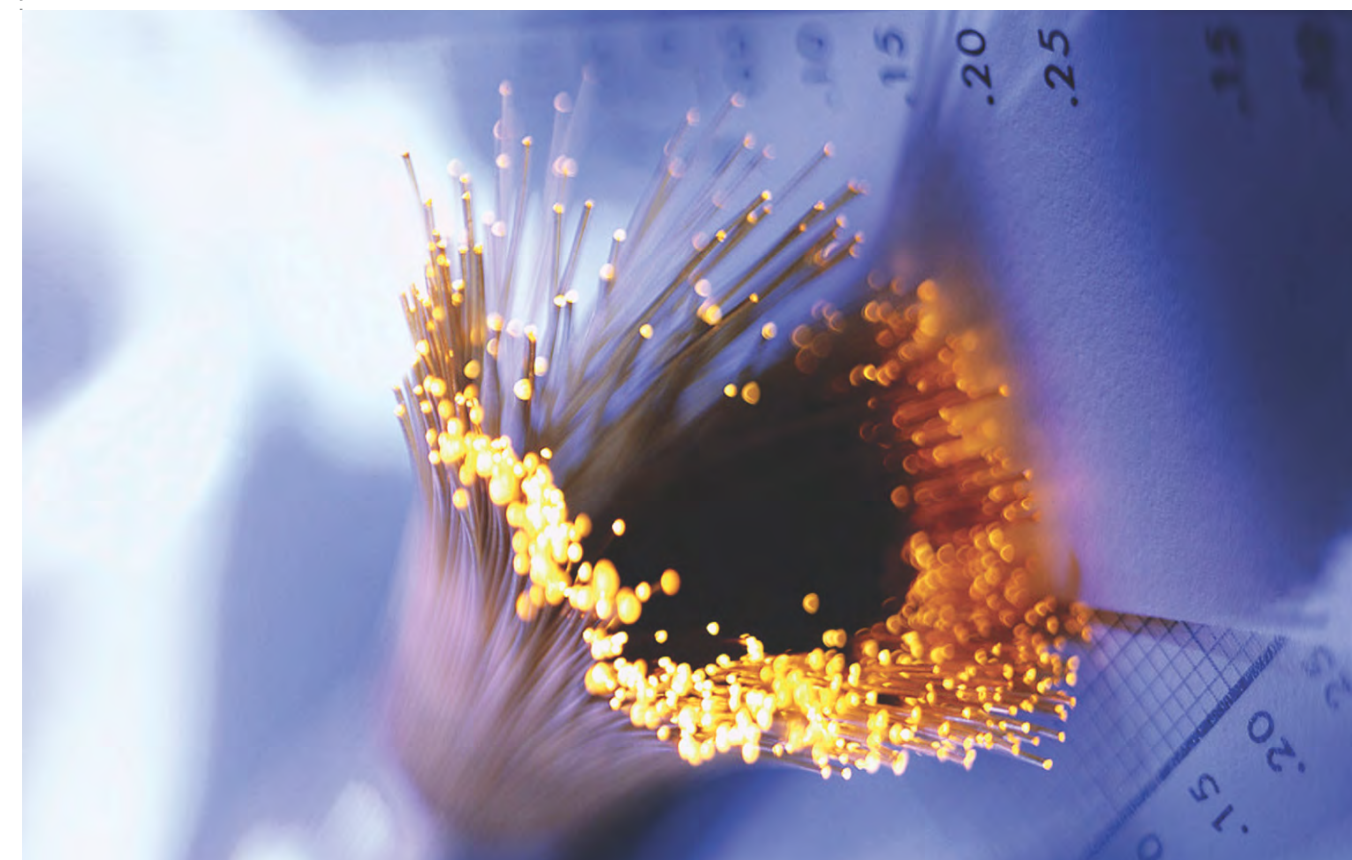
- Document management systems (DMS) and “fiscalization” in EPBiH was implemented;
- Migration of chart of accounts in the business-information system of EPBiH completed;
- Elaboration and implementation of software solution for support to document management processes in the Quality System Department;
- Migration of application Business Trip to three-layer Oracle architecture (application servers) and implementation of application in the Sector for Information and Communication Technologies and Sector for General Affairs;
- Software solutions for management of sessions of the Management and the Supervisory Board, as well as incidents for Information and Communication Technologies services in EPBiH was implemented.

#### **Connecting of mines into the Information and Communication System of EPBiH**

- Concept design to connect mines into the Information and Communication Technologies system of EPBiH was drafted;
- Projects of LAN network in mines „Gracanica“ was implemented and „Abid Lolic“ computer equipment for the needs of the mines was purchased.

#### **Project FMIS**

- Technical support for implementation of the first phase and procurement and implementation of SAP roll-out in all branch offices of EPBiH was provided.





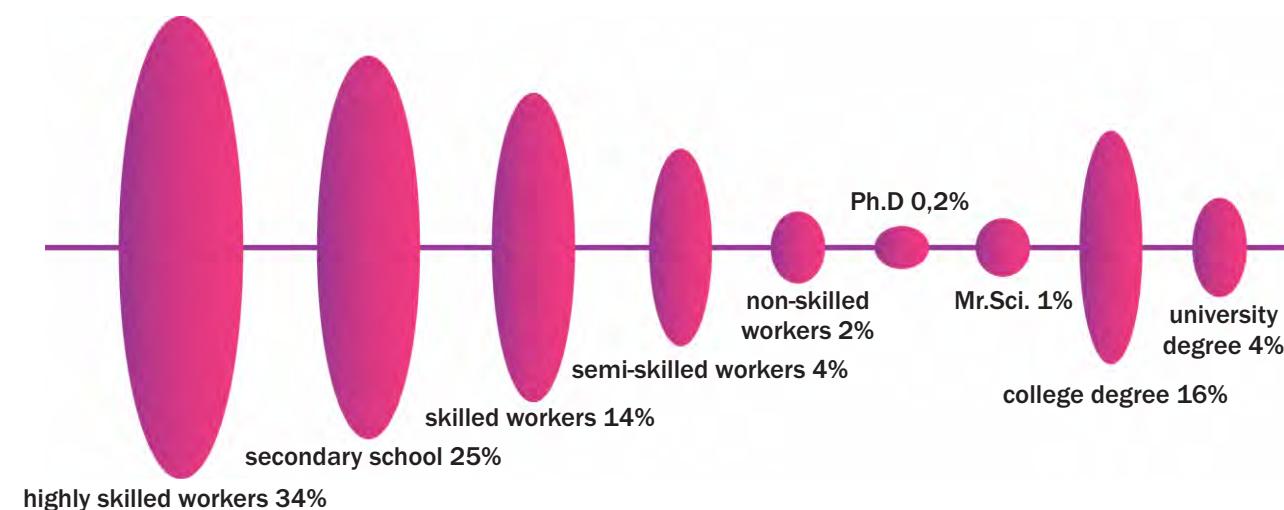
# REALIZACIJA of plan for HUMAN RESOURCES

## REALIZATION OF PLAN FOR HUMAN RESOURCES

The plan of business operations of JP Elektroprivreda BiH d.d. – Sarajevo for 2011 determined that the number of employees at the end of 2011 cannot be higher than 4,907, and during the year the number of employees cannot exceed 5,088, whereas this number did not include employees who were employed temporary as replacements and a special category of interns engaged in accordance with a special public competition published in 2010.

On December 31, 2011, the Company had 4,899 employees, out of whom 4,871 were employed for an indefinite period of time. In addition, another 41 employees were engaged as interns and as replacements for a definite period of time, which in total amounted to 4,940.

### QUALIFICATION STRUCTURE OF EMPLOYEES ENGAGED FOR INDEFINITE PERIOD OF TIME



Non-skilled	Semi-skilled	Skilled	Secondary school	Highly skilled	University degree	College degree	Mr. Sci	Ph. D
99	188	644	1214	1648	178	819	67	14

In the period of the Report, Company tried to secure acting in accordance with the core orientation determined but the Policy of Management of Human Resources, primarily employment of quality personnel, motivation and training of employees, with gradual decreasing of the costs of labor, achieving of planned results and realization of the Company's goals.

The Plans of Activities and Operational Plan of the Company's Directorate elaborated in detail the plans for human resources in a way that they include a concrete review of positions to be filled, type of employment (for a definite or indefinite period of time), plan of admission of interns, as well as the dynamics of realization of employment.

The Operational Plan of the Company's Directorate elaborated a plan for support functions (joint functions of the Company), while plans of activities elaborated plans of activities of branch offices, including corresponding sectors in the Company's Directorate.

The Plans for Human Resources can be revised during the planned period in accordance with changes that are results of restructuring and in accordance with results of realization of new business possibilities.



## NUMBER OF EMPLOYEES IN JP ELEKTROPRIVREDA BIH ON DECEMBER 31, 2011

Situation on December 31, 2011											
	Organizational unit	Situation on December 31, 2010	Plan December 31, 2011	Indefinite	Definite	Interns	Other	Total	Replace-ment	Special interns	Total
1	Management and independent organiz. unit for management	96	93	93	1			94	1		95
2	Sector for generation	12	10	10				10			10
3	Sector for mining	8	8	8				8			8
4	Sector for distribution -operator	11	10	10				10			10
5	Sector for management and trade	22	22	22		1		23			23
6	Sector for supply	11	11	11				11			11
7	Economic affairs	75	71	71				71			71
8	Legal and personnel affairs	15	15	15				15	1		16
9	Capital investments	28	30	30				30			30
10	Development of Company	30	36	36				36			36
11	General Affairs	52	52	52				52			52
12	Office of Company Secretary	4	4	4				4			4
13	Department for Internal Revision	7	8	8				8			8
	<b>DIRECTORATE TOTAL</b>	<b>371</b>	<b>370</b>	<b>370</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>372</b>	<b>2</b>	<b>0</b>	<b>374</b>
1	HPP on Neretva	<b>407</b>	<b>400</b>	<b>396</b>		<b>1</b>	<b>1</b>	<b>398</b>	<b>1</b>		<b>399</b>
2	TPP "Kakanj"	<b>639</b>	<b>621</b>	<b>616</b>		<b>4</b>	<b>2</b>	<b>622</b>	<b>4</b>		<b>626</b>
3	TPP "Tuzla"	<b>730</b>	<b>721</b>	<b>713</b>		<b>7</b>	<b>1</b>	<b>721</b>	<b>1</b>	<b>2</b>	<b>724</b>



	Organizational unit	Situation on December 31, 2010	Plan December 31, 2011	Indefinite	Definite	Interns	Other	Total	Replace- ment	Special interns	Total
4	Elektrodistribucija Bihać	350	343	340	1			341	2	1	344
		57	58	58				58	3		61
		17	18	18				18	1		19
		<b>424</b>	<b>419</b>	<b>416</b>	<b>1</b>			<b>417</b>	<b>6</b>	<b>1</b>	<b>424</b>
5	Elektrodistribucija Mostar	205	199	199				199	1		200
		27	26	26				26			26
		<b>232</b>	<b>225</b>	<b>225</b>				<b>225</b>			<b>226</b>
6	Elektrodistribucija Sarajevo	595	564	558			1	559	5		564
		91	91	88				88			88
		4	4	4				4			4
		<b>690</b>	<b>659</b>	<b>650</b>			<b>1</b>	<b>651</b>	<b>5</b>		<b>656</b>
7	Elektrodistribucija Tuzla	612	592	590		6		596	9		605
		94	95	92				92			92
		11	11	11				11			11
		<b>717</b>	<b>698</b>	<b>693</b>		<b>6</b>		<b>699</b>	<b>9</b>		<b>708</b>
8	Elektrodistribucija Zenica	703	675	677		2		679	7		686
		116	119	115				115	2		117
		<b>819</b>	<b>794</b>	<b>792</b>		<b>2</b>		<b>794</b>	<b>9</b>		<b>803</b>
	<b>JOINT FUNCTIONS</b>	<b>307</b>	<b>309</b>	<b>309</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>310</b>	<b>2</b>	<b>0</b>	<b>312</b>
	<b>ACTIVITY GENERATION</b>										
	<b>TOTAL</b>	<b>1828</b>	<b>1793</b>	<b>1776</b>	<b>0</b>	<b>12</b>	<b>4</b>	<b>1792</b>	<b>7</b>	<b>2</b>	<b>1801</b>
	<b>ACTIVITY DISTRIBUTION</b>										
	<b>TOTAL</b>	<b>2476</b>	<b>2383</b>	<b>2374</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>2384</b>	<b>24</b>	<b>1</b>	<b>2409</b>
	<b>ACTIVITY TRADE</b>										
	<b>TOTAL</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>23</b>
	<b>ACTIVITY SUPPLYING</b>										
	<b>TOTAL</b>	<b>396</b>	<b>400</b>	<b>390</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390</b>	<b>5</b>	<b>0</b>	<b>395</b>
	<b>TOTAL COMPANY</b>	<b>5028</b>	<b>4907</b>	<b>4871</b>	<b>2</b>	<b>21</b>	<b>5</b>	<b>4899</b>	<b>38</b>	<b>3</b>	<b>4940</b>



A photograph of a flock of sheep grazing in a lush green field. In the background, there is a stone building and a line of trees. The text "ENVIRONMENTAL PROTECTION" is overlaid in the center.

# ENVIRONMENTAL PROTECTION



## ENVIRONMENTAL PROTECTION

Environmental policy and environmental protection are important components of the business policy of JP Elektroprivreda BiH - Sarajevo and its dependent companies. The objective is to become a modern energy concern whose activities will be verified as environment-friendly in Europe and the regional energy market of the South-East Europe, as BiH is a member as a signatory of the Contract on the Energy Community. The development plans and activities of JP Elektroprivreda BiH are based on the principles of sustainable development and environmental protection standards. Organizational and technical measures are responsibly and continuously undertaken in accordance with requirements from the area of environment protection, and in accordance with technical and economic possibilities. In accordance with the determined goals, investments in the following fields are continuously planned and realized:

- Modernization of technical and technological solutions,
- increasing of energy efficiency, decreasing of energy losses in generation, distribution network and mines,
- continuous control, monitoring and decreasing of emission of pollutants and damaging substances into the air, water, land and the global environment,
- re-cultivation of depots of products of combustion from thermal power plants and abandoned surface pits,
- adequate management of damaging, dangerous and waste materials, as well as their re-use, recycling and final disposal in an ecologically acceptable manner,
- assessment of the risk and possible incident effects on the environment.

All activities have been and will be transparent, with continuous communication with the local population, executive authorities, international and non-governmental organizations, media and the general public in order to achieve necessary partnership in implementation of energy policy of the BiH Federation and international obligations of Bosnia and Herzegovina in that context. The management and employees were engaged on the transposition and implementation of EU documents, development of environment-friendly investment programs with the use of international financial support and contribution to sustainable development of Bosnia and Herzegovina within European integration.

### *Environmental policy*

JP Elektroprivreda BiH adopted the Environment Policy in 2001. After accession of seven mines to JP EPBiH, due to expansion of activities, environment aspects and obligations, the Company adopted the revised Environment Policy in 2010. Branch office thermal power plant „Kakanj“ adopted a document titled Policy of Quality and Environment on April 12, 2010. Branch office HPP on Neretva also adopted a document titled Policy of Quality and Environment March of 2010. Branch office thermal power plant „Tuzla“ adopted and published its Environmental Policy in the Tuzla Journal on January 19, 2010. Branch office „Elektro distribucija“ Sarajevo adopted its Environmental Policy on December 26, 2011 in accordance with the Environmental Policy of JP Elektroprivreda BiH.

### *Application of regulations in the area of environmental protection*

The Department for Environment Management has created a Registry of legislation from the area of environmental protection (updated Registry of Regulations available on the official webpage of the Company, [www.elektroprivreda.ba](http://www.elektroprivreda.ba)). Due to the mandatory implementation of provisions of complex and comprehensive legislation related to power supply, and in some cases provisions of international legislation important for preparation and making of decisions on financing of development projects by international financial organizations, the Registry of Regulations includes all decisions made on all levels, meaning on the level of Bosnia and Herzegovina, BiH Federation and its cantons and all relevant international regulations.

In addition to regular annual activities from the area of environment protection, some of significant launched and realized projects that will significantly contribute to environmental protection in organizational parts are:

#### **In TPP Kakanj**

- Installation of hybrid filter on Unit 6
- Replacement of equipment for continuous monitoring of parameters of emissions of pollutants and equipment for monitoring of air quality
- Revitalization – modernization of Unit 6
- Installation of burner with low emission of NOx on Unit 6
- Replacement of equipment for continuous monitoring of the quality of reclaimed water, which is after treatment released into river Bosna
- Construction of a drainage system for collection of precipitation from the west side of the slug and ash depot
- Reconstruction of electro-static of Unit 5-110 MW
- Re-cultivation of slag and ash depot
- Elaboration of a study for the plant for purification of waste water

#### **TPP Tuzla**

- Project of revitalization of Unit 6
- Project of „Construction of closed system of return waters“ in TPP Tuzla
- Construction of a slag and ash depot Jezero II
- Project of re-cultivation of the location of the slag and ash depots Divkovici I and II
- Reconstruction of installation for internal transportation of slag in Unit 4
- Reconstruction of plant for remote heating
- Project of „Construction of new silo for electro-filter ash“
- Modernization of the system for coal depositing

#### **HPP on Neretva**

- Reconstruction of cooling and drainage system of power plant Jablanica
- Construction of device for purification of waste waters for the management building, restaurant, workshops and storehouse
- Rehabilitation and modernization of monitoring system of dams on HPP on Neretva



- Floating dam for collecting of floating deposit of accumulation of HPP Grabovica
- Project of reconstruction of landslide in the settlement of Ribic

### Distribution

According to the plan of investment for distribution activities in 2011 and as part of realization of the Power IV project, standard power distribution facilities TS, DV, NN, SCADA systems were built, and they do not have significant effect on the environment. During the performance of works and in the course of exploitation of facilities, adequate environment protection measures were undertaken. All new power facilities (transformer stations 10(20)/0,4 kV) are built with hermetically closed oil transformers and adequate oil beds. Technical performance has satisfied the standards from the field of environment protection.

### Development projects / capital investments

In the year 2011, numerous activities were continued on the preparation of project and environmental documentation, that is acquiring of permits and approvals for construction of new generation facilities, meaning Unit 7 in TPP Tuzla, Unit 8 in TPP Kakanj, HPP Vranduk, HPP Ustikolina, HPP Janjici, HPP Zeleni Vir with HPP Krusevo, system of small hydro power plants in the Neretvica river basin and wind park Podvelezje.

It should be mentioned that in 2011, a total of ten environmental permits were issued as part of preparation of the investment-technical and environmental documentation for the development and construction of new power facilities, as well as for the existing generation facilities, with the goal of harmonization with the regulations and standards for protection of environment and natural resources:

- Planned HPP „Vranduk“ on river Bosna
- Project 15 small hydro power plants on Neretvica – four environmental permits
- TPP „Tuzla“ – existing facility
- TPP „Kakanj“ -existing facility
- Small HPP „Bihac“ and small HPP „Krusnica“ in Bihac- existing facility
- 10 kV power line Gracanica III

### Energy efficiency

Activities were intensified pursuant to the Decision on the establishment of the Energy Efficiency Management System of JP EPBiH, adopted in April of 2010. The goal of the introduction of the energy efficiency management system in JP EPBiH is to contribute to the global obligation of decreasing of greenhouse emissions, meaning to minimize the effect of its activities on climate changes.

### Financial investments

From the financial aspect, environmental protection and fees for use of natural resources present an important segment of business operations of JP Elektroprivreda BiH. Funds are planned and realized as investments and regular maintenance of facilities. Implementation of these activities is an indicator of a responsible relation of EPBiH toward the strategy and policy of environmental protection and protection of natural resources and living conditions of the population.





# SUMMARY

## SUMMARY

Business operations of JP Elektroprivreda BiH d.d. – Sarajevo took place under the influence of global negative business circumstances and market recession, which caused decreased consumption and demand for electricity in Bosnia and Herzegovina and the region.

The most important determinants of business operations of Elektroprivreda BiH in 2011 were:

- Achieved record generation since 1996 , with increased generation from thermal power plants of 22.4%
- Achieved record revenues ,
- The achieved average sales price for non-tariff sales increased for 14% in comparison to the previous year, while realized quantities were lower for 3%,
- Achieved positive indicators of realization of the energy balance (growth of production, growth of sales to direct buyers, decreasing of transmission and distribution losses...),
- High readiness of thermal units,
- Extremely unfavorable hydrological situation,
- III tariff procedure implemented and system of subsidies introduced,
- Growth costs of levies due to introduction of fee for air pollution, which is not included in the price of tariff,
- Negative effect of foreign currency exchange,
- Worldwide recession, meaning decreased consumption and demand for electricity in Bosnia and Herzegovina and the regional market.

### *Activities undertaken on improvement of business operations:*

- Maximal use of available generation resources and maximization of generation from thermal power plants,
- Increased procurement of coal,
- Increased sales of electricity on the market,
- Launching of tariff procedure with introduction of program of subsidies for socially-endangered clients,
- Implementation of savings program (reduction of costs),
- Decreased losses in network,
- Investments into mines (recapitalization),

The result of all undertaken activities at the end of 2011 was the achievement of record revenues of 958 million KM, which was an 8% increase in comparison to the previous year. On the other hand, costs grew 3% mostly due to higher share of generation from thermal power plants, thus the realized profit was 1.5 million KM.

### *Main risks and uncertainties that the Company may face in the upcoming period:*

- Non-existence of policy and strategy of development of energy sector in Bosnia and Herzegovina,
- Increased investment risks,
- Huge indebtedness and liabilities of coal mines in the BiH Federation,
- New increase of coal prices,
- Slowed down dynamics of investments (complex and long procedures for acquiring of permits and approvals, for completion of financial package and procedures of public procurement),
- Problems in collection of revenues due to decreased financial solvency of the population, lack of budgetary funds and non-solvency of business entities,
- Change of prices of oil and natural gas,
- Announcements of intensified construction of competitive generation facilities in the surrounding areas, etc.

### *Priority tasks in upcoming period:*

- Launching of capital investments,
- Creation of preconditions for long-term growth of generation and sales,
- Transformation of company into a group with separated power management activities,
- Modernization and restructuring of mines,
- Improvement of business results – increased profit,
- Connecting of the Company into a single information system for the needs of financial management,
- Maintenance and raising the level of quality of supplying of buyers in accordance with General Conditions for delivery of electricity,
- Development of concept of business ethics as a strategy of the Company.





## REPORT BY INDEPENDENT AUDITOR TO SHAREHOLDERS OF JP ELEKTROPRIVREDA BIH D.D. - SARAJEVO

We have performed an audit of financial reports of JP Elektroprivreda BiH d.d. – Sarajevo (“Company”) and extracted these summarized separate financial reports, in accordance with international audit standards.

In our report dated April 30, 2012, we expressed our opinion with reserve for separate financial reports of the Company, from which these summarized separate financial reports were extracted.

### *Basis for opinion with reserve*

1. The Company was unable to prepare a dated structure of receivables from buyers and other claims.  
Due to the nature of the Company's registry, we were not able to use other auditing procedures to ascertain proper valuing of receivables from buyers and other claims. In accordance with that, we were not able to determine whether any adjustment of the amount of receivables from buyers and other claims, accumulated profit and net results for the year would be necessary. This was one of the facts that served as a basis for a conditional opinion on separated financial reports from the last year.
2. Stocks include slow turnover stocks older than one year in the amount of 37,133 KM (2010: 45,079 KM). The Company did not value the net sales value of its stocks as requested by the MRS 2 International Standard of Financial Reporting – Stocks. Due to that, we were unable to determine whether any harmonization of amounts in stocks, retained earnings at the end of the year and net results for the year was necessary. This was one the facts that served as a basis for the conditional opinion for separated financial reports from the last year.
3. As stated in *Note 18 – Investing into dependent companies*, the Company has investments with accounting value of 115,443 KM. Investing into dependent companies was recognized as costs. There are indications that the recoverable amount of investment into dependent companies is lower than cost of investment. International Standard of Financial Reporting MRS 36 – *Decreasing the value of assets* stipulates that, if such indications exist, the Company formally assess the value of the recoverable amount. Such an estimate was not made. The effect of this deviation to the separated financial reports was not determined.

### *Conditional opinion*

According to our opinion, except for the effects of facts stated in the Explanation of conditional opinion, the separated financial reports show the non-consolidated financial position of the company on December 31, 2011, in a realistic and objective manner, as well as non-consolidated money courses for the year ending on that date in accordance with the International Standards for Financial Reporting.



## IREPORT BY INDEPENDENT AUDITOR TO SHAREHOLDERS OF JP ELEKTROPRIVREDA BIH D.D. – SARAJEVO (CONTINUED)

For better understanding of the financial position of the Company and results of its business operations for this period, as well as the scope of our audit, summarized separated financial reports should be read with separated and consolidated financial repots and our reports.

KPMG B-H d.o.o. za reviziju  
Registrovani revizori  
Zmaja od Bosne 7-7A/III  
71000 Sarajevo  
Bosna i Hercegovina

30. aprila 2012.godine

Za i u ime KPMG B-H d.o.o za reviziju:

Manal Bećirbegović  
Izvršni direktor



Senad Pekmez  
FBiH ovlašteni revizor  
Broj licence: 3090044102





Javno preduzeće  
**ELEKTROPRIVREDA BOSNE I HERCEGOVINE**  
d.d. - Sarajevo

