



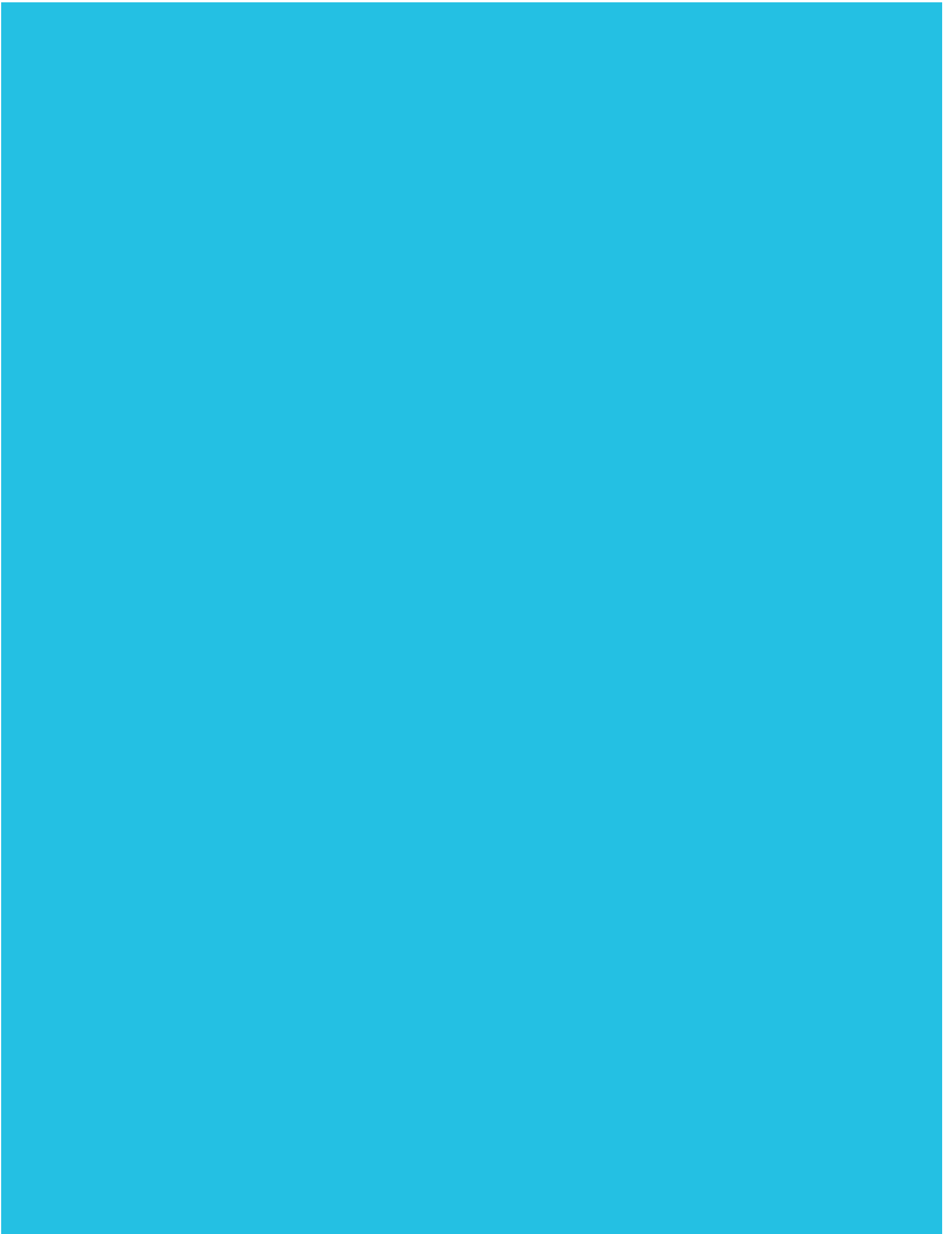
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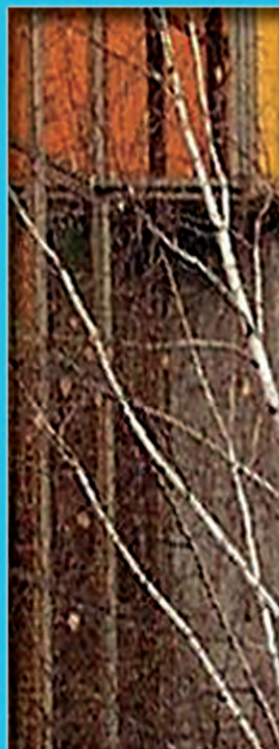
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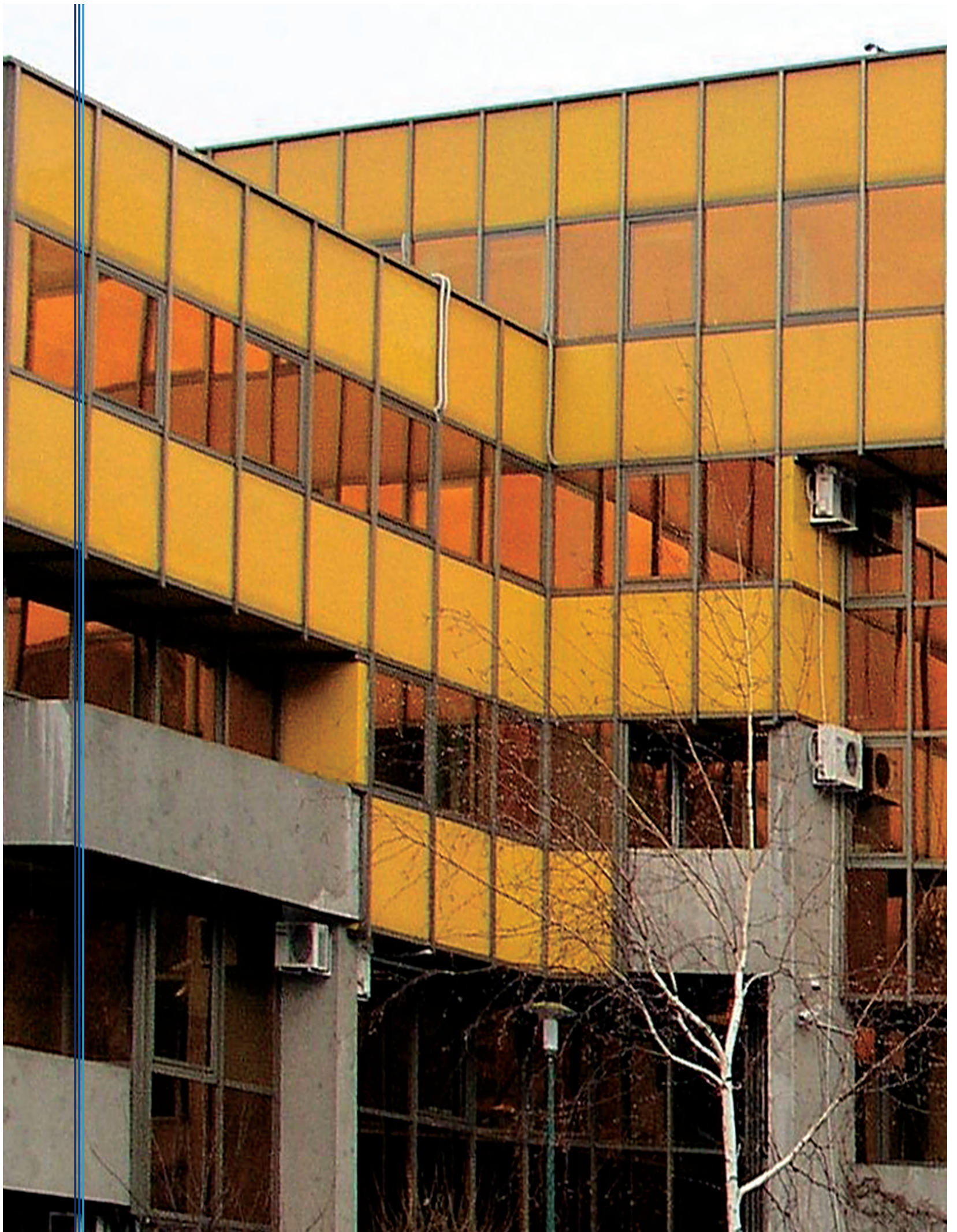
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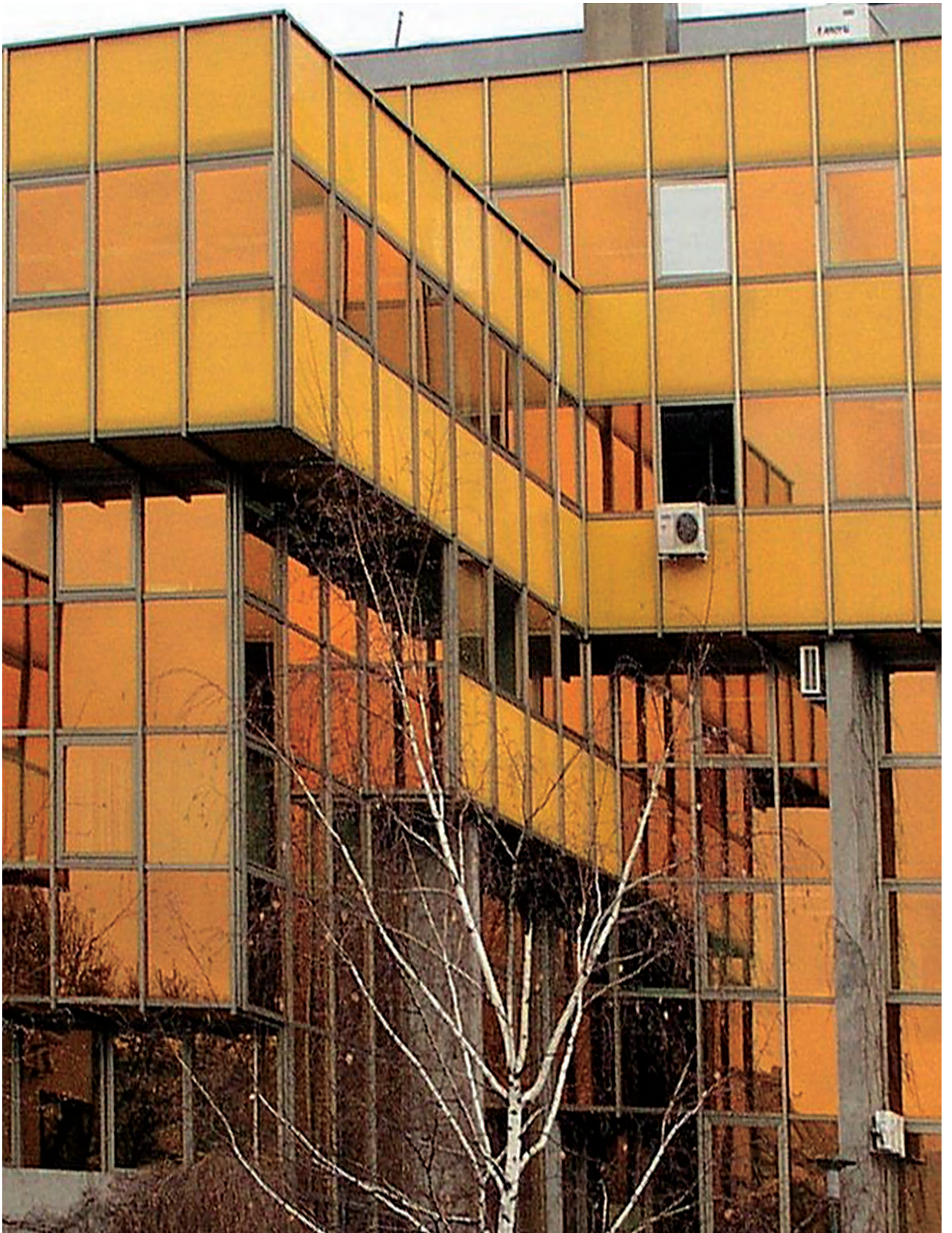
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CERTIFICATE **TÜV NORD**

Management system as per
EN ISO 9001 : 2008

In accordance with TÜV NORD CERT procedures, it is hereby certified that



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_____ d.d. - Sarajevo

Javno preduzeće Elektroprivreda Bosne i Hercegovine d.d. - Sarajevo
Vilsonovo šetalište 15
71000 Sarajevo
Bosnia and Herzegovina

applies a management system in line with the above standard for the following scope

Electricity trading and sales

Certificate Registration No. 44 100 100306
Audit Report No. 3505 9893

Valid until 2013-03-14

G. Bräutigam

Certification Body
at TÜV NORD CERT GmbH

Essen, 2010-03-15

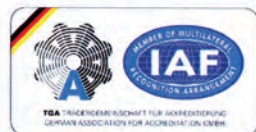
This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures and is subject to regular surveillance audits.

TÜV NORD CERT GmbH

Langemarckstrasse 20

45141 Essen

www.tuev-nord-cert.com



TGA-ZM-07-06-00

*All preparations for the Certificate obtaining have been made in 2009



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REPUBLIKA BOSNA I HERCEGOVINA
AGENCIJA ZA ZAŠTITU I PROMOVISANJE
KULturne BLAGINE I PROMOVISANJE
KULturne BLAGINE I PROMOVISANJE

impressum



INTRODUCTION

The Report on realized business results in Public Enterprise Elektroprivreda Sarajevo for 2010 was elaborated on basis of the accounting presentation of financial reports, International Accounting Standards, International Standards of Financial Reporting and valid legal regulations.

The International Accounting Standards represent the accounting standards that are used in practice to achieve transparency, uniformity and better understanding of financial reports of any business entity, regardless of the activity it performs and the country in which it operates. In fact, the International Accounting Standards present a form of harmonization of different accounting regulations in relation to the preparation and presentation of financial reports, which serve as a basis for comparative analyses for making of economic decisions. As for the International Accounting Standards, they are mostly in the form of norms of conduct and procedures in professional work of accountants, in order for their information about business operations of a business entity to have sufficient quality for potential interested beneficiaries of these information. In their basic meaning, the International Accounting Standards mean the agreed rules on preparation, recognition, valuing and presentation of all items in a financial statement of a business entity.

The Report includes information on the realization of the Electricity Consumption Balance, financial results (revenues, costs, expenses), plan of human resources and investments in comparison to the Plan of Business Operations for 2010 (hereinafter "the Plan") and the results from 2009 and earlier years.

The presented information in this Report represent an objective and realistic overview of the results of business operations in the past year and present a basis for making of business decisions on improving the total results of business operations of the Company in the upcoming period.

All planned amounts expressed in this Report were determined in the Plan of Business Operations for 2010.

The following abbreviations were used in the Report on Business Operations in 2010:

JP Elektroprivreda BiH / Company – Public Enterprise Elektroprivreda of Bosnia and Herzegovina, Sarajevo
Concern – Concern JP Elektroprivreda BiH
IAS – International Accounting Standards
Plan – Plan of Business Operations for 2010
Report – Report on Business Operations for 2010
FMIS - Financial Management Information System
SOEE - System for Calculation and Charging of Electricity Consumption
DMS – Document Management System
Statute – Statute of JP Elektroprivreda BiH
FMERI – BiH Federation Ministry of Energy, Mining and Industry
QMS – Quality Management System
DERK – State Regulatory Commission for Electricity
FERK - Regulatory Commission for Electricity in the BiH Federation
NOS – Independent System Operator
RAK – Communications Regulatory Agency
EE – electric energy
PTZ – business-technical building of JP Elektroprivreda BiH



AMPRODUCTION



AMPRODUCTION, THE FUTURE OF THE FUTURE

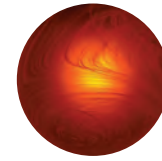


MISSION-VISION-VALUES



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ELEKTROPRIVREDA BOSNE I HERCEGOVINE
d.d. - Sarajevo

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MISSION

Our mission is to produce and deliver electric energy, thermal energy and coal according to defined quality standards and to provide services that will fully satisfy needs of customers.

Our intention is pre-structuring of the Company according to European regulations and application of the best corporate practice, constant improvement of employees and improvement of team work skills and optimization of processes.

An efficacious reply to customers' demand and transparency of operations and education of customers about effective usage of energy, and development of an image which will strengthen our position in the market and customers' trust are our objectives.

VISION

Our mission is to produce and deliver electric energy, thermal energy and coal according to defined quality standards and to provide services that will fully satisfy needs of customers.

Our intention is pre-structuring of the Company according to European regulations and application of the best corporate practice, constant improvement of employees and improvement of team work skills and optimization of processes.

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OBJECTIVES

Key objectives of Elektroprivreda BiH are:

- Pre-structuring of Elektroprivreda BiH and the mine (Concern),
- Merging the coal mine with Elektroprivreda BiH,
- Construction of new production and distribution capacities.

In regard to investments into production segment, objectives of Elektroprivreda BiH are a long-term increase of production and sale in Bosnia and Herzegovina and in the region. This objective will be realized with an increase of production capacities, modernization of existing capacities and an intensive construction of new production facilities. The construction of new production capacities will enable an increase of sale of electric energy on domestic and regional market, but also closing of old and inefficient

MISSION-VISION-OBJECTIVES



STATUTORY ELEMENTS ABOUT COMPANY

Public Enterprise Elektroprivreda Bosnia and Herzegovina – Sarajevo is a power company that manages the generation of electricity, distribution of electricity, electricity supplies, trade, representation and mediation on the local electricity market and conducts other activities determined by the Statute. The Company possesses adequate permits – licenses, issued by regulatory agencies for electricity (FERK and DERK), for the generation, distribution, supplying of class 1 and supplying of class 2 and international trade of electricity.

JP Elektroprivreda BiH is a shareholders company, with its address in Sarajevo, 15 Vilsonovo Setaliste.

The Company is organized in accordance with the functional, working process and territorial principle.

JP Elektroprivreda BiH has eight branch offices:

- “Hydro-Power Plants on Neretva”, Jablanica
- “Thermal Power Plant Kakanj”, Kakanj
- “Thermal Power Plant Tuzla”, Tuzla
- “Elektrodistribucija Bihac”, Bihac
- “Elektrodistribucija Mostar”, Mostar
- “Elektrodistribucija Sarajevo”, Sarajevo
- “Elektrodistribucija Tuzla”, Tuzla
- “Elektrodistribucija Zenica”, Zenica

The branch offices are organized with the goal of providing more efficient business operations of the Company and do not have the attributes of legal entities. The branch offices are entered into the Registry on the address of the Company, pursuant to valid regulations on the registration of business entities, and they operate under the Company's firm and a firm of the branch office, which includes a note that it is a branch office and headquarters of that branch office.

Starting from its importance and character of its activities, the mission of the Company is:

- Securing of technical-technological, organizational and economic unity of the electricity system on the territory of operation of the Company;
- Inclusion into the international electricity market through a single electricity market in Bosnia and Herzegovina;
- Undertaking of measures and activities with the goal of securing of continuous and quality generation and distribution of electricity and supplying of consumers with electricity and heating;
- Undertaking of adequate measures in order to provide stability in the work and operation and achieving a high degree of efficiency in business operations and development of the Company;
- Establishing of business relations in accordance with market conditions, pursuant to the law and regulations of the Company, which regulate the electricity system and the price policy, as well as relations with consumers;
- Efficient providing of services to consumers and transparency in its work;
- Professional development and social security of employees.

By Decision UF/I-392/04, 1-2758 dated May 20, 2004, Public Enterprise Elektroprivreda of Bosnia and Herzegovina was re-registered as a shareholders company.

The capital stock of the Company amounts to 2,155,160,199.00 KM and was determined by Decision on decreasing of the capital stock by decreasing the nominal value of shares, number: SD-12-9330-2./09 dated May 12, 2009.

The capital stock of the Company is divided into 30,345,369 regular shares. The nominal value of one share is 71.00 KM, thus the total value of all shares is 2,155,160,199.00 KM.





Because of the need for rounding of the value of shares, the total remainder in the amount of 7,568,892.54 KM was reallocated to the Company's reserve fund.

The Company is represented by the general manager, executive directors and directors of branch offices, pursuant to the Statute and a special decision of the Company's management.

The Company acts in its own name and for its account with activities from its registered scope of business, meaning within its legal competencies. For liabilities created in business dealings, the Company is accounted for with its entire property, with the exception of natural treasures and goods for general use awarded to the Company for management and use. The Company can enter into legal relations as a mediator or a representative.

The Company's bodies are:

1. Assembly
2. Supervisory Board
3. Management
4. Revision Committee

The Company's bodies work in accordance with the Law on Business Entities, Law on Public Enterprises, Rules for Management of Shareholder Companies adopted by the Commission for Securities in the BiH Federation, other legal and subordinate regulations, the Statute and other general regulations of the Company.

During the year, the following were members of the Supervisory Board:

1. Edhem Bičakčić - Chairman of the Supervisory Board until March 25, 2010,
2. M.Sc. Zijad Džemić - Chairman from June 30, 2010 (when he was appointed as member of the Supervisory Board at the Company's Assembly) until December 6, 2010,
3. Prof. Adil Trgo, PhD - member, acting chairman from December 6, 2010,
4. Zehrudin Sikira - member, acting chairman from March 25 to June 30, 2010,
5. M.Sc. Enes Čengić - member,
6. PhD, assistant professor Elvir Čizmić - member,
7. Mr. Hilmo Šehović - member until December 6, 2010, and
8. Zoran Mandlbaum - member from March 25, 2010.

Members of the Management during the year were as follows:

Amer Jerlagić, General Manager

Besim Halilović, Executive Director of Economic Affairs up to June 30, 2010

Nihad Kadić, Executive Director of Generation

Enver Jamak, Executive Director of Distribution up to June 30, 2010

Emir Aganović, Executive Director of Supply and Trade

Nedim Smajlagić, Executive Director of Legal and Personnel Affairs

Zijad Bajramović, Executive Director of Capital Investments up to June 30, 2010

Muhamed Ražanica, acting Executive Director of Economic Affairs from July 1, 2010

Mustafa Beća, acting Executive Director of Distribution from July 1, 2010



REALIZATION OF COMPANY'S BUSINESS POLICY AND GOALS

The basic factors that influence the Company's business operations and key indicators and activities in 2010 are:

- World-wide recession caused a decrease in the demand for electricity in Bosnia and Herzegovina and the regional market, which led to decreased prices on the market (30%) and a drop in the revenues from non-tariff consumers (74 million KM);
- Low and non-economic tariffs for sale to tariff consumers, which have been in effect for more than ten years, although the prices of coal, water utilities and fees and prices of other materials and services have increased;
- Positive indicators of the realization of the Electricity Consumption Balance have been achieved:
 - Generation grew for 3.7%;
 - Total electricity sales rose for 5.7%, out of which the growth of sales on the market was 11%;
 - The percentage amount of distributive losses was decreased, as well as the specific consumption of heating in thermal power plants;
- Hydrological situation was favorable and on one side led to decreased costs of generation, and on the other hand a large supply of cheap hydro-energy caused additional decreasing of market prices and inability of sales from thermal-power plants;
- Increased costs of fees for water due to doubling of the amount of the fee and generation from hydro-power plants;
- Decisions made on recapitalization of mines and investments in the amount of 121.05 million KM;
- Intensified activities on realization of projects of construction of new generation capacities (replacement of thermal capacities in Tuzla and Kakanj, wind turbine in Podvezlje, Hydro-Power Plant Vranduk and Small Hydro-Power Plants on river Neretva);
- Project of restructuring and reorganization of JP Elektroprivreda BiH, including the mines, launched;
- First phase of introduction of FMIS project implemented.

The most significant activities for JP Elektroprivreda BiH that marked the year of 2010 were:

Generation activities:

- The total generation of electricity of 7,181.4 GWh, which is 2.9% more than planned and 3.7% more than in 2009;
- The generation from thermal power plants amounted to 5,012.8 GWh and is 8% short of the planned amount and 4.2% less than in 2009;
- The generation from hydro-power plants amounted to record 2,168.6 GWh, which is 41.8% more than planned and 28.1% more in comparison to 2009;
- The participation of hydro-power plants in the total generation was 30.2%, since the year was extremely favorable in regard to hydrology;
- The distribution hydro-power plants generated 74.0 GWh, which is 22% more than planned;
- The total investments for 2010 amount to 77.0 million KM;
- The specific consumption of heat in comparison to 2009 was decreased 0.7% and the specific consumption of coal for 2%.

Distribution activities:

- Significantly lower distribution losses were realized (9.69%) in comparison to the planned percentage from the Electricity Consumption Balance (10.01%);
- Decreased number of no-voltage breaks and decreased duration of no-voltage breaks for 20% in comparison to 2009;
- The total investments for 2010 amount to 86.8 million KM.



Supplying of Class I and II and market

- The total sales of electricity rose 5.7%, out of which sales to tariff consumers 2.4% and market sales 11%;
- The total revenues from electricity are 1.5% short of the plan, and 6.5% lower in comparison to 2009;
- The rate of collection of 99.4% was realized, having in mind the invoiced and total collected revenues in the year in question;
- In March 2010, the Company was awarded EN ISO 9001:2008 certificate for trading in electricity;
- Analyses performed and information collected for launching of III tariff procedure;
- Model of transfer prices determined with the price list and instruction for application of transfer prices for the needs of restructuring of the Company and accounting separation.

In the field of economic affairs

- Revision of financial reports for 2009 (by commercial auditor and the Office for Revision of Institutions in the BiH Federation);
- Elaboration of the Report on Listing of Property in JP Elektroprivreda BiH and a set of financial reports for 2009;
- Elaboration of the Report on Business Operations of JP Elektroprivreda BiH for 2009 and revised plan for 2011;
- Analytical harmonization of financial Plans of Activities with the Plan of JP Elektroprivreda BiH and the Concern for 2010-2012, elaboration of Financial Plan of Business Operations of JP Elektroprivreda BiH and the Concern and the Operational Plan of the Directorate for 2010-2012; elaboration of the Dynamical Plan of Business Operations for activities, branch offices and the Directorate.
- Financial affairs related to servicing of contractual obligations of the Company and payment of operations tasks, as well as activities on elaboration of basic documents/acts that regulate the obligations between the Main and Dependant Companies in the Concern;
- Activities related to risk management policy of JP Elektroprivreda BiH, with special attention paid to the mechanism for monitoring of the banking sector, with an overview of the dispersion and protection of solvency of the Company's funds;
- Procurement of goods, works and services on the level of JP Elektroprivreda BiH pursuant to the valid legal regulations; activities on defining of parent documents from the field of procurement (procedures, SQ);
- Determined form and content of unique specification of planned annual procurement of goods, works and services for the Directorate and branch offices, meaning the Plan of Procurements was defined immediately after the adoption of the Plan of Business Operations for the period 2010-2012;
- Foreign trade activities in relation to the import/export of contracted equipment.

In the field of personnel affairs

- Representation of JP Elektroprivreda BiH in procedures before courts in Bosnia and Herzegovina;
- Resolving of requests by coal mines in the BiH Federation and participation in the preparation of decisions by coal mines in the BiH Federation;
- Activities related to replacing of persons authorized to represent all branch offices (acquiring of police clearances, certificates on offense and other necessary documentation), as well as all other changes in the registry of legal entities; Resolution of legal-property relations for the Company's real estate abroad;
- Tasks related to determining of compensation for expropriation of land into property or defining the right of servitude for construction or regular maintenance of power facilities and compensation for damages on real estate or other goods, as well as agreements for regulating the amount of

compensation and obligation of drafting a price list for determining of the amount of compensation;

- Implementation of new organization and systematization of jobs.

In the field of capital investments

- The BiH Federation Ministry of Environment and Tourism issued construction permits to JP Elektroprivreda BiH for construction of Unit 7 in Thermal Power Plant Tuzla and Unit 8 in Thermal Power Plant Kakanj, as well as phase I of construction of Small Hydro-Power Plants on river Neretvica;
- Contracts signed on the realization of program of friendly environment with the municipalities of Tuzla and Kakanj on basis of construction of new units in these municipalities;
- Negotiations were opened for awarding of concessions to JP Elektroprivreda BiH for Hydro-Power Plant Vranduk with a commission for negotiations on behalf of the FMERI;
- A water agreement has been secured for Hydro-Power Plant Ustikolina;
- Reports were elaborated on "Preliminary assessment of environment and technical-economic basis for planning of construction of Hydro-Power Plant Unac" and "Economic-financial analysis for Hydro-Power Plant Krusevo with Hydro-Power Plant Zeleni Vir";
- The "Study of Economic Justifiability for Construction of Hydro-Power Plant Vrhpolje with Hydro-Power Plant Caplje" was elaborated and revised;
- A tender for pre-qualification procedure for selection of a strategic partner for construction of Unit 7 in Thermal Power Plant Tuzla was prepared and published;
- Contractor was selected and activities were started on processing of plans for construction of 15 mini hydro-power plants on river Neretvica;
- Bid was prepared and submitted after publication of tenders for awarding of concessions for the use of land on the plateau of Podvezlje - Mostar, with the goal of construction and use of wind turbines and for awarding of concessions for transformation of wind energy into electric energy - wind turbines on the location of Plateau Vlasic, Travnik municipality.

In the field of development

- Activities were realized on restructuring of JP Elektroprivreda BiH into a Concern, including the coal mines, in accordance with the Program Task and the Operational Plan adopted by the Supervisory Board;
- Activities were continued on the application and development of a model for management of the Company through business goals/success criteria. In cooperation with managers from all levels of management, business goals for 2010 were set for all managing employees, and the necessary modifications and adaptations of the application for reporting were performed;
- As part of the process of restructuring, expert tasks from the field of human resources were performed; The situation in the system of higher education in Bosnia and Herzegovina was continuously monitored and analyzed from the aspect of changes that are a result of implementation of the Bologna process; Possibilities were analyzed for employment of disabled persons with Category II disabilities;
- An analysis of the existing situation in regard to scholarships was also performed, as well as sending employees to post-graduate studies and approving of funds for doctoral dissertations, in order to prepare directives for activities in the upcoming period; Training of employees was performed in accordance with the basic commitments determined by the Plan of Business Operations; Education programs were elaborated and seminars were organized in accordance with these programs, with full respect of provisions of the Law on Public Procurement of Bosnia and Herzegovina.



In the field of general affairs

- The draft Rulebook on Fire Protection was determined, as well as the draft Rulebook on Protection of People and Material Goods from Natural and Other Disasters and the draft Plan of Protection and Saving of the Company's Directorate from Natural and Other Disasters;
- The process of certification of the Quality Management System for the Company's Directorate was completed, pursuant to requirements of ISO 9001:2008;
- The Company's management adopted the Decision on the establishment of a project of integration of the Quality Management System pursuant to ISO 9001:2008 with the system of security management and protection of health pursuant to OHSAS 18001:2007 and adopted the Plan of Realization;
- The Company's management adopted the Decision on the establishment of a project of integration of the Quality Management System pursuant to ISO 9001:2008 with the system of information security management pursuant to 27001:2005 and adopted the Plan of Realization;
- The management issued an order on launching of a quality management system in dependent companies-mines; The Department for Quality System monitors the realization of activities and provides expert assistance;
- Report was elaborated on the social-economic justification of the establishment of the Technical Museum in Sarajevo and the assessment was performed on the old power plant facility in Kotromaniceva street in Sarajevo for the needs of the Technical Museum; Urban permit was granted for construction of an underground garage in front of the business-technical building of JP Elektroprivreda BiH. Hotel Elbih was assessed with the goal of purchasing of shares of JP "Grijanje" Zenica. Urban permit was granted for rehabilitation and adaptation of the Bobovac Home in Kraljeva Sutjeska – Kakanj. Construction works were performed on rehabilitation of a facility in Gradac, Republic of Croatia.
- Pursuant to obligations toward dependant companies, mines were visited and the situation regarding physical and technical protection was registered; tenders were prepared for procurement of protection means for mines as well;
- The main project of the video surveillance system for thermal-power plant Kakanj was elaborated and revised and the contractor had access to the site;
- Periodic medical examinations of employees and positions with special working conditions and systematic checks of other employees, pursuant to the Collective Agreement of JP Elektroprivreda BiH;
- Services of deratization, disinfection and disinfection of business facilities and corresponding outdoor spaces;
- Periodic checks of tools and devices for work, micro-climate and other measurements of the working environment;
- Internal standards of document IST 103/2010 were updated on the level of the Concern;
- Agreement was made for the service of risk assessment in workplaces and working environment in JP Elektroprivreda BiH and elaboration of an adequate expert finding – analysis and report on workplaces with increased risk.

REALIZATION OF FMIS PROJECT

Activities were realized in the phases of Concept Design, Realization and Preparation of Generation, pursuant to the Main Schedule of the FMIS project. On October 1, 2010, productive use of the SAP system started in the Company's Directorate and Elektrodistribucija Sarajevo, with the following functions implemented:

1. Financial accounting: main book, balances of suppliers and buyers, accounting of fixed assets, cash management and financial monitoring of credits
2. Controlling: accounting of cost elements, accounting of cost locations, accounting of internal orders, analysis of profitability
3. Management of materials: procurement, management of stocks, valuing of materials and material accounting, verification and registering of entry invoices and logistics information system
4. Maintenance: processing of working orders for maintenance (prevention, intervention, investment) with the goal of registering of all costs for individual maintenance activities
5. Sale and distribution: processing of sales orders, delivery and invoicing (invoicing to legal and physical persons that is not covered by the application for calculation and collection of electric energy – SOEE)
6. Management of investments and project system: integral monitoring of investments, formation of hierarchical structure of the plan of investments with a registry of planned and budgeted values and accounting and logistic monitoring of individual investment project from the starting phase of planning up to the activation of investment
7. Management of human resources: Basic data from the module for monitoring of human resources in minimum functionality required for registering of parent records of employees with the purpose of processing of work orders, assigning of fixed assets, petty inventory and work and protective clothes
8. Credit management: Financial Management Report – FMR, control of mandatory payoff per organizational units of JP Elektroprivreda BiH, control of obligations for interest, parent records of credit, payment of credit, re-entering of credits in books
9. Basic components: Administrative and application basis of SAP system, description of infrastructure, strategy of preserving of consumers, security policies, back-up and system administration.

The following interfaces toward the existing applications were realized, thus enabling smooth functioning of the information system of JP Elektroprivreda BiH as a whole:

1. System for Calculation and Charging of Electricity Consumption (SOEE),
2. Services and connections,
3. Salaries,
4. Personnel registry,
5. Banking system (external applications of banks operating in Bosnia and Herzegovina),
6. Document Management System,
7. Managerial Report,
8. Main Book,
9. Material and warehouse business operations

Established organization of SAP system support in JP Elektroprivreda BiH.



KEY INDICATORS ABOUT COMPANY

KEY INDICATORS ABOUT COMPANY

Description	December 31, 2010
Shareholders capital	2.237 billion KM
Operational revenues	843.5 million KM
Operational expenditures	722.3 million KM
EBITDA	121.2 million KM
Total revenues	885.1 million KM
Revenues from sales of electricity	809.8 million KM
Other revenues	75.3 million KM
Total expenditures and costs	899.5 million KM
Depreciation	147.3 million KM
Loss	14.4 million KM

Description	December 31, 2010
Generation	7,181 Gwh
Distribution lines	33,435 km
Distribution transformer stations	2,730 MVA
Number of consumers	695,833 consumers
Number of employees	4,924 employees

The fixed capital has been increased on basis of shares in mines in the amount of 81,804,200 KM, thus on December 31, 2010, it amounted to 2,236,964,399 KM.





REALIZATION OF ELECTRICITY CONSUMPTION BALANCE

The operation of the electric energy system of JP Elektroprivreda BiH in 2010 was characterized by:

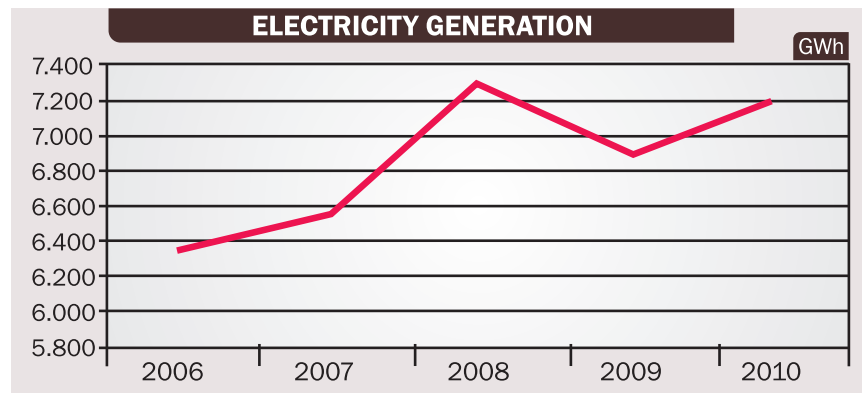
- Extremely favorable hydrological situation, which influenced an increased generation from hydro-power plants of approximately 638.9 GWh or 41.8% higher than planned for 2010;
- Lower procurement of coal from the one foreseen by the Balance for 313,063 tons or 5.5%, and for 294,864 tons or 5.2% lower than the procurement in 2009;
- Coal reserves on depots of thermal power plants at the end of December amounted to 559,521 tons, which is 23,521 tons more than planned by the Balance;
- Higher generation of electricity from the one foreseen by the Plan for 199.3 GWh or 2.9%, or 254.9 GWh or 3.7% higher than the generation in 2009;
- Lower total consumption of electricity than planned for 138.2 GWh or 2.8%, and for 110.8 GWh or 2.4% from the total consumption in 2009;
- Non-tariff sale of electricity in the amount of 2,848.3 GWh is higher for 644.5 GWh or 29.2% than planned, and for 282.8 GWh or 11.0% than the sale in 2009.

The total electricity generated in the amount of 7,181.4 GWh was realized, which is 199.3 GWh or 2.9% higher than the planned generation and 254.9 GWh or 3.7% higher than the generation in 2009.

GENERATION (%)	2010	Plan 2010	2009
Hydro energy	30	22	24
Thermal energy	70	78	76

In the observed period, the hydro-power plants (Jablanica, Grabovica, Salakovac and distribution hydro-power plants) generated 2,168.6 GWh, which is 41.8% higher than the amount foreseen in the Plan, and 28.1% more than in 2009. In the same time, Thermal Power Plants Tuzla and Kakanj realized the generation of 5,012.8 GWh, which is 8.1% less than the amount foreseen in the Plan, and 4.2% less than in 2009. The more favorable amounts of hydro-energy in relation to the Plan for 2010 were realized due to extremely favorable hydrological situation, almost unprecedented so far (one hundred years waters). This is the record generation so far realized by Hydro-Power Plants on river Neretva, and also the highest individually realized generation from Hydro-Power Plant Jablanica, Hydro-Power Plant Grabovica and Hydro-Power Plant Salakovac since their start of operation.





GENERATION (in GWh)					
	2006	2007	2008	2009	2010
	6,363	6,544	7,295	6,927	7,181

In the period of January-December 2010, the total consumption of electricity in the amount of 4,728.5 GWh was realized, which is 138.1 GWh or 2.8% less than the amount foreseen in the Plan, but 110.8 GWh or 2.4% higher than in 2009.

The total consumption consists of gross distribution consumption of 4,232.9 GWh, consumption of direct consumers of 371.4 GWh and losses in transmission network of 123.2 GWh.

REALIZATION OF ELECTRICITY CONSUMPTION BALANCE FOR 2010

ELEMENTS OF THE BALANCE	Realized in 2010	Plan 2010	Realized in 2009	Change in relation to Plan	Change in relation to 2009
	GWh	GWh	GWh	%	%
HYDRO-POWER PLANTS	2,168.6	1,529.7	1,692.9	41.8	28.1
- Hydro-Power Plants on river Neretva	2,094.6	1,460.1	1,631.2	43.5	28.4
- Small Hydro-Power Plants	74.0	69.6	61.7	6.3	19.9
THERMAL POWER PLANTS	5,012.8	5,452.4	5,233.6	-8.1	-4.2
- Thermal Power Plant Tuzla	3,181.8	3,436.2	3,325.6	-7.4	-4.3
- Thermal Power Plant Kakanj	1,831.0	2,016.2	1,908.0	-9.2	-4.0
GENERATION	7,181.4	6,982.1	6,926.5	2.9	3.7
RECEPTION (purchase, exchange)	435.0	106.8	304.7	307.3	42.8
AVAILABLE	7,616.4	7,088.9	7,231.2	7.4	5.3
Gross distribution consumption	4,232.9	4,311.4	4,132.5	-1.8	2.4
Direct consumers	371.4	425.8	367.3	-12.8	1.1
Transmission losses	124.2	129.5	117.9	-4.1	5.3
TOTAL CONSUMPTION	4,728.5	4,866.7	4,617.7	-2.8	2.4
SALE and exchange	2,887.9	2,222.2	2,613.5	30.0	10.5
TOTAL NEEDS	7,616.4	7,088.9	7,231.2	7.4	5.3



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

ANNUAL
REPORT
FOR 2010.



REALIZATION OF FINANCIAL PLAN

Revenues

The total realized revenues of JP Elektroprivreda BiH for 2010 amount to 885.1 million KM and are 2.9 million KM or 0.3% less than planned. In relation to 2009, revenues decreased for 59.0 million KM or 6.3 percent.

STRUCTURE OF REALIZED TOTAL REVENUES

	mil.KM	% participation
Revenues from electricity	810	91
- Revenues from sales of electricity to tariff consumers	552	62
- Revenues from sales of electricity to other consumers in BiH	139	16
- Revenues from export of electricity	111	12
- Revenues from sale of auxiliary services and reserve power	8	1
- Revenues from auxiliary activities	14	2
- Revenues from sales of materials and services	20	2
- Revenues from financing	23	3
- Other revenues	19	2
TOTAL REVENUES	885	100

Revenues from electricity

The revenues from electricity amounted 809.9 million KM, out of which 551.8 million KM was related to revenues from sale of electricity to tariff consumers. The remainder was related to sales to non-tariff consumers in BiH (140.0 million KM) and abroad (110.1 million KM), and the revenue from auxiliary services in Bosnia and Herzegovina in the amount of 7.9 million KM. The revenues from auxiliary services were realized on basis of a DERK decision on determining of tariffs for auxiliary services.



REVENUES FROM SALES OF ELECTRICITY TO TARIFF CONSUMERS

The revenues from sales of electricity to tariff consumers amount to 551.8 million KM, out of which revenues from sales are:

- a) Direct consumers (consumers on 110 kV voltage) – 31.9 million KM
- b) Distribution consumers – 514.6 million KM
- c) Cut-off revenues - 5.3 million KM (readings in January of 2011 for part of electricity from December of 2010).

In comparison to the Plan, revenues from sales of electricity to tariff consumers were lower for 17.5 million KM or 3.1%.

Revenues from sale of electricity to direct consumers amount to 31.9 million KM and are 5.3 million KM or 14.2% less than planned. The basic reason for significantly lower consumption of direct consumers is recession, which is especially related to the consumption of the "Arcelor Mittal" company from Zenica, which is the most important direct consumer of JP Elektroprivreda BiH's electricity. In the period of January to December 2010, this company realized the consumption of 271.0 GWh, which is 9.7% less than planned and is on the level of realized consumption in 2009 (269.7 GWh). In 2008, this company consumed 534.6 GWh, which means that the consumption, meaning the revenues, are 50% lower.

The average realized price for direct consumers is 0.086 KM/KWh, which is 1.6% lower than the planned price (0.087 KM/KWh) for 2010, and 2.3% lower than the price achieved in 2009 (0.088 KM/KWh). In comparison to 2009, revenues from direct consumers dropped for 0.5 million KM.

Revenues from sale of electricity to distributive consumers amount of 514.6 million KM. The expressed revenues are 17.6 million KM or 3.3% less than planned, and in comparison to 2009 increased for 16.7 million KM or 3.4%. The realized net distribution consumption is 1.5% less than planned, while the average realized price is 1.9% lower than planned. In comparison to the planned revenues, revenues are lower for all categories of tariff consumers and the highest deviation was recorded for Street Lights (15.8%), Other Consumers at 0.4 kV (9.3%) and Consumers at 35 kV (3.8%).

The category of "Households" participates with 45% in the total revenues from sales to tariff consumers. The average sales price for sale to tariff consumers in the period of January to December 2010 amounted to 0.13 KM/kWh, which is a minimal deviation from the average price in 2009 (0.1%). The average prices per categories of consumers are given in the table "Structure of sale of electricity per categories of consumers".



STRUCTURE OF SALE OF ELECTRICITY PER CATEGORIES OF CONSUMERS

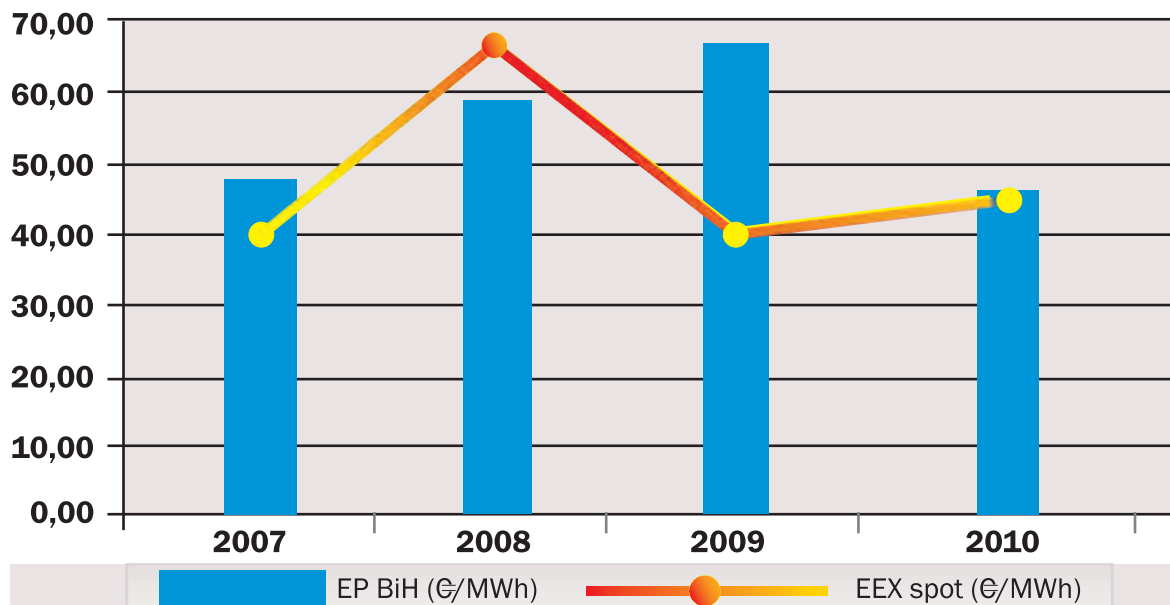
STRUCTURE OF SALE	Period January to December 2010				January to December 2009			
	Energy GWh	Price F/kWh	Revenues million KM	Share %	Energy GWh	Price F/kWh	Revenues million KM	Share %
Tariff consumers								
Direct consumers	371.4	8.6	31.9	4%	367.3	8.8	32.4	4%
Distribution consumers								
35 kV	322.0	10.8	34.8	4%	337.9	11.0	37.3	4%
10 kV	672.6	13.5	90.8	11%	620.0	13.5	83.8	10%
Households	2,017.9	12.1	243.6	30%	1,903.3	12.1	229.9	27%
Others 0.4	732.3	18.2	132.9	16%	735.7	18.3	134.4	16%
Street lights	77.7	16.0	12.4	2%	77.7	16.0	12.4	1%
TOTAL distribution	3,822.5	13.5	514.6	64%	3,674.6	13.5	497.8	58%
TOTAL tariff consumers	4,194.0	13.0	546.5	67%	4,041.9	13.1	530.2	61%
Other sales								
Non-tariff consumers in BiH	1,655.2	8.4	139.0	17%	1,714.0	11.6	199.4	23%
Export of electricity	1,193.1	9.3	110.9	14%	851.6	13.8	117.5	14%
TOTAL other sales	2,848.3	8.8	249.9	31%	2,565.5	12.4	316.9	37%
TOTAL SALES	7,042.3	11.3	796.4	98%	6,607.4	12.8	847.1	98%
Revenues from EP HZHB and ERS				0%			8.9	1%
Revenues from services			7.8				6.1	
Cut off and corrections			5.6					
Total revenues from sale of electricity			809.8	100%			862.2	100%

Revenues from sales of electricity to non-tariff consumers

The Company realized a total of 258.1 million KM of revenues in 2010 on basis of sales of electricity to non-tariff consumers, out of which:

- Sales of electricity to non-tariff consumers in BiH – 139.4 million KM
- Sales of electricity to consumers outside of BiH (export) – 110.9 million KM
- Revenues from auxiliary services – 3.9 million KM
- Revenues from reserve power – 3.9 million KM.

This revenue is was 73.9 million KM lower than in 2009 due to a decrease in market prices. A comparison of the realized average prices of JP Elektroprivreda BiH on basis of revenues from non-tariff consumers in relation to the spot price on the EEX stock exchange in Germany is given in the diagram:



The revenues from sales of electricity to non-tariff consumers in Bosnia and Herzegovina were realized in the amount of 139.4 million KM and in relation to the Plan, they are higher for 6.9 million KM or 5.2%. The realized average sale price is 6% lower than planned. In comparison to 2009, the non-tariff sales in Bosnia and Herzegovina are lower for 33.1%, while the average sale price (0.084 KM/kWh) is lower for 27.6%.

The sale to non-tariff consumers in Bosnia and Herzegovina in the amount of 139.4 million KM was realized with the following structure:

Annual sales.....	62.4 million KM
Short-term sales.....	43.9 million KM
Sales to other power companies in Bosnia and Herzegovina.....	32.5 million KM
Services – tertiary energy.....	0.2 million KM
Corrections from previous years.....	0.4 million KM



Revenues from export of electricity

The revenues from export of electricity were realized in the amount of 110.9 million KM. In relation to the planned amounts, the average sales price for export is lower for 2.2%, while the quantity (GWh) is higher for 2.1%, which resulted in the realization of revenues as planned. In comparison to 2009, the average sale price for export (0.093 KM/kWh) is lower for 32.7%, which is a consequence of the world economic crisis. Although the quantities for sale are higher for 40.1% in relation to 2009, due to lower sale prices revenues are lower for 5.6% than the realized revenues in 2009. The sale of electricity to consumers outside of Bosnia and Herzegovina, which includes sales on foreign markets and sales of auxiliary services abroad, was realized with the following structure:

Annual sales.....	84.6 million KM
Short-term sales.....	24.7 million KM
Services – tertiary energy.....	1.6 million KM

Revenues from auxiliary services for non-tariff consumers in Bosnia and Herzegovina amounted to 3.9 million KM.

Revenues from reserve power, which are realized on basis of international trade, amounted to 3.9 million KM and are within the Plan.

Revenues from auxiliary activities

The revenues from auxiliary activities in the amount of 14 million KM were realized in Thermal Power Plants Kakanj and Tuzla, on the grounds of:

- Technological steam in the amount of 2.9 million KM
- Heating energy (heating steam) in the amount of 8.9 million KM
- Slag and ash in the amount of 2.2 million KM.

The revenues from these activities are 2.4 million KM or 14.7% short of the Plan, because the delivery of technological steam and heating energy did not go in accordance with the planned dynamics, same as the sale of byproducts – slag and ash. The largest deviation of 28.3% was registered for the revenues from the sale of technological steam, and the reason is that the companies-buyers asked for less deliveries than agreed (Dita and Xella asked for lower quantities, Solana was under overhaul and Poliochem ceased working).

Revenues from sales of materials and services

The revenues from sales of materials and services amount to 19.7 million KM and were realized in accordance with the Plan, and even exceeded it for 295,000 KM or 1.5%. In comparison to 2009, revenues dropped for 1.8 million KM or 8.4%. The largest part of these revenues are revenues from services for connection of consumers (connections and electricity approvals) to the electricity system of JP Elektroprivreda BiH, while the remainder are revenues from other auxiliary activities, revenues from company restaurants in branch offices and revenues from leases. The revenues from fees for connections to the electricity network and electricity approvals amounted to 14.2 million KM, which is 5.9% higher than the Plan. In comparison to 2009, it is hard to compare this due to different treatment of these costs from July 1, 2009, because of the application of new General Terms on the delivery of electricity. The remainder of the revenues from sale of materials and services are the revenues realized through different services to consumers (applications, sign-off, etc.) and revenues from the sale of tender documentation. The revenues realized from other services of auxiliary activities amounted to 3.1 million KM, and on basis of leases they amounted to 1.2 million KM.



Revenues from financing

The revenues from financing for the period of reporting amounted to 22.6 million KM. The largest part of these revenues was related to revenues on basis of deposited and fixed-term deposited funds in business banks, in the amount of 16.4 million KM. In this period, there were significant revenues on basis of positive currency exchange differences for credits and loans (1.9 million KM), which is usually not planned, and was realized on basis of fluctuation of foreign currencies.

Other revenues

Other revenues for 2010 amounted to 19 million KM and are higher than planned for 6.5 million KM or 52.3%. The largest part of these revenues is related to co-financing of connections (in funds and materials) in the amount of 7.5 million KM. In addition to this amount, there were also:

- Revenues from sold waste materials in the amount of 1.6 million KM
- Compensation for damages from insurance houses (vehicles and property) in the amount of 1.4 million KM;
- Actuarial surplus in the amount of 1.7 million KM;
- Funds collected on basis of previously written-off claims from various categories of consumers, in the amount of 3 million KM, which is in accordance with the plan;
- Revenues from earlier years in the amount of 0.9 million KM;
- Revenues on basis of reservations of court proceedings in the amount of 0.6 million KM;
- Revenues on basis of writing-off of obligations (credits, suppliers) in the amount of 0.5 million KM;
- Revenues from materials from disassembled fixed assets in the amount of 0.3 million KM;
- Other petty revenues for inventory costs of fixed assets, fines, harmonization of stocks, in the amount of 1.5 million KM.



COSTS AND EXPENDITURES

The total realized costs and expenditures for 2010 amounted to 899.5 million KM and are 3.6 million or 1.5% higher than planned.

STRUCTURE OF REALIZED TOTAL COSTS AND EXPENDITURES

	Million KM	% share
Costs of materials for generation with transportation of coal	339	38
Maintenance costs	37	4
Costs of other materials and services	19	2
Costs of depreciation	147	16
Costs of transmission of electricity	55	6
Employees' costs	191	21
Fees costs	36	4
Other costs and expenditures	76	9
TOTAL EXPENDITURES	900	100

Costs of materials for generation with transportation of coal

The costs of materials for generation with transportation of coal amounted to 339 million KM and made 38% of the total costs and expenditures.

The costs of materials for generation amount to 318.7 million KM and included the costs of coal for generation of electricity, technological steam and heating steam, costs of analysis of coal, chemicals and industrial waters, costs of fuel and lubricants for firing of boilers and work of bulldozers, as well as the abatement and wastage of coal.

The costs of materials for generation were 21.3 million KM or 6.3% lower than planned. The largest part was related to coal expenditures in the amount of 299.6 million KM.

The realized costs of transportation of coal amounted to 20.5 million KM and are for 2.1 million KM or 9.2% lower than planned.

The stocks of coal on depots of thermal power plants at the end of 2010 amounted to 559,521 tons, which is 23,521 tons or 4.4% more than planned (in Thermal Power Plant Tuzla for 37,067 tons lower than the Plan and in Thermal Power Plant Kakanj 60,588 tons higher than the Plan). This level of stocks corresponded to the needs for one-month generation of thermal power plants.

Comparing the quantities on depots at the beginning and at the end of 2010, there was an increase of coal stocks of 48,993 tons. Despite decreased supplies of coal in 2010, coal stocks were higher due to lower generation from thermal power plants than planned (for 8.1%), meaning an increased generation from hydro-power plants occurred.

Out of the total value of stocks on the level of JP Elektroprivreda BiH, the value of coal stocks amounted to 30.8 million KM (27.5% in relation to total stocks), and individually for thermal power plants - 15 million KM in Thermal Power Plant Kakanj and 15.8 million KM in Thermal Power Plant Tuzla.

The realized costs of materials for generation, together with transportation of coal, were lower than the Plan due to lower generation by thermal power plants. The costs of coal for generation of technological steam and



heating steam were 9.1% lower than the Plan, since there were lower deliveries of heating energy and technological steam for heating. The costs of the abatement and wastage of coal were 5% lower than planned.

The highest deviation in relation to the Plan in the amount of 24% is registered for consumed fuel and lubricants for generation of electricity. The costs of fuel and lubricants for firing of boilers was significantly higher since in 2010 there were numerous malfunctions, overhauls, etc., which required re-firing and maintenance of fire, which automatically meant higher consumption of fuel. We would like to emphasize that units also consume fuel during exploitation work, although they are not in operation. Thus, the dynamics of work of units in 2010 required higher consumption of fuel. In addition, thermal power plants have only very-low quality coal, available thus higher quantities of coal and lubricants were used for burning of coal in order to support the work of units, in order to maintain generation.

The materials for generation were 1.9% lower than in 2009, and the level of transportation of coal remained on the level of 2009.

Maintenance costs

The costs of maintenance include materials for maintenance and maintenance services in the total amount of 36.8 million KM. The materials for maintenance amount to 20.1 million KM and were 1.1 million KM or 5.5% higher than planned. In comparison to 2009, these costs increased for 781,000 KM or 4.1%.

In 2010, overhauls of several units were performed, with an emphasis on the capital overhaul of Unit 4 in Thermal Power Plant Tuzla and Unit 7 in Thermal Power Plant Kakanj.

The costs of maintenance services amounted to 16.8 million KM and were higher than planned for 2 million KM or 13.3%. The Plan was exceeded in most parts of this item, and the highest gain was on the services of regular maintenance of buildings, where the planned amount was doubled. These costs were exceeded in most branch office (Thermal Power Plant Kakanj, Thermal Power Plant Tuzla, Elektrodistribucija Bihac, Elektrodistribucija Sarajevo, Elektrodistribucija Tuzla) since the Plan, which attempted to decrease these costs, was restrictive.

Costs of other materials and services

The costs of other materials and services included:

Other costs of materials in the amount of 7.2 million KM, which were 3.6% lower than planned, due to the lack of planned new connections to electricity distribution network and a lower number of interventions on basis of malfunctions than foreseen by the Plan and the exclusion of materials for these purposes.

The costs of system studies in the amount of 480,000 KM, which was 3.9% lower than planned. These costs were not always a burden to the business operations costs but they can be capitalized into fixed assets, depending on the nature and purpose of study.

Insurance premiums in the amount 5.3 million KM, which was 6.4% above the planned amount, and the return of funds on basis of compensation of damages for insurance of property and vehicles amounted to 1.4 million KM. The costs of insurance premiums were higher than planned due to an increased scope of insurance, which represents a basis for calculation of insurance premium.

Other costs of services in the amount of 5.5 million KM were 21.3% lower than planned. In 2010, activities continued on raising of the image of the Company on the domestic market. These costs included various expenses (printing, TV, posters, sponsorships, etc.) and amounted to 293,200 KM. The costs of sponsorship amounted to 93,700 KM and were lower than planned for 32%.



Costs of depreciation

The costs of depreciation amounted to 147.3 million KM, which was 16.4% of the total costs and expenditures of the Company. The realized costs of depreciation were higher than planned for 3.1 million KM, meaning 2.2%, and they were mostly related to increased values of fixed assets.

In comparison to 2009, the costs of depreciation increased for 4.8 million KM or 3.4% because of new investments accepted in the past year. The value of accepted funds was 145.5 million KM.

The largest share in the costs of depreciation goes to generation activities, which has a 70% share in realized costs.

Costs of transmission of electricity

The costs of transmission of electricity present the costs that state company Elektrorenos BiH invoiced to JP Elektroprivreda BiH for services of transmission of electricity for the needs of JP Elektroprivreda BiH.

In 2010, these costs amounted to 54.8 million KM. In relation to the Plan, which was created on basis of achievements in 2009, the realization of transmission costs was increased for 5.5 million KM or 11.2%.

The costs of transmission of electricity also included the costs of auxiliary services, which were not planned in this item, thus this deviation is mostly a consequence of that.

Costs of employees

The costs of employees included the costs of salaries and other working costs and made 21.2% of the total costs and expenditures.

The costs of salaries amounted to 162.1 million KM and were on the level of 2009. Out of this amount, members of the Management received, as salaries, 530,000 KM (net salaries with taxes and contributions).

The costs of salaries were higher than planned for 2.1 million KM or 1.3%. However, the total planned amount of funds for salaries (current work + work on investments) of 166.5 million KM was not exceeded, since the work on investments was lower than planned for 2.1 million KM.

The realized average net salary per employee in JP Elektroprivreda BiH amounted to 1,671 KM and was on the same level as the previous year.

Other financial compensations to employees and others engaged for work in JP Elektroprivreda BiH amounted to 28.7 million KM and were 2.3 million KM or 7.3% lower than planned. The remunerations paid to members of the Supervisory Board amounted to 134,000 KM (net remunerations with taxes and contributions).

The costs of jubilee awards and severance payments were not registered in the Plan in the item Other Costs of Work, but rather on reservation costs, in order to comply with MRS 19.

Costs of taxes

The costs of taxes include the costs of water management taxes and taxes for land and other.

Water management taxes amounted to 25.4 million KM and they were related to costs of contributions for water, fees for protection of water and contributions for the use of hydro-accumulation facilities in accordance with the laws that regulate the field of water management. These costs exceeded the plan for almost 5 million KM or 23.8%. Having in mind the record generation by hydro-power plants in 2010, which is for 41.8% higher than planned, it was expected that the costs of water management fees increase, since they are calculated per generated kWh.

Taxes for land and other include the costs of taxes and contributions toward the BiH Federation, cantons and municipalities, membership fees to chambers of commerce and various fees for NOS, FERK, RAK, etc. For 2010, these costs amounted to 10.3 million KM and are for 1.1 million KM or 9.5% less than planned.

Other costs and expenditures

Other costs of business operations were realized in the amount of 8.7 million KM, which in relation to the planned 10.1 million KM represented a decrease of these costs for 1.4 million KM or 13.9%. The largest expenditures from this group of costs were related to the cleaning and maintenance services – 1.2 million KM, and intellectual services in the amount of 1.5 million KM.

For the needs of education of employees, 321.900 KM was spent, which was 52% less than the planned 671,200 KM.

The total costs related to protection at work, which are mandatory to be planned and implemented pursuant to the Law on Protection at Work, amounted to 861,900 KM. Within this amount, 279,900 KM was spent for medical physical examinations, which was for the first time in this year organized and performed for Elektrodistribucija Sarajevo and the Company's Directorate.

Other expenditures on the level of JP Elektroprivreda BiH amounted to 65.4 million KM and were 25.2 million KM or 62.5% higher than planned. The largest part of these expenditures was related to the costs of procurement of electricity in the amount of 35.1 million KM, which was 5.5 million KM higher than planned (29.6 million KM). The procurement was performed in order to rehabilitate electricity situation in the system (failure of generation parts) but mostly in order to respect agreements on business-technical cooperation (delivery at border areas), especially in the periods of big rains.

In 2010, among others, 5 million KM of claims for electricity from all consumers was written off, as well as 0.4 million KM of non-current stocks and there was 1 million KM of costs and expenditures from previous years.

The engagement of actuaries, in order to comply with MRS 19 – Salaries of employees were related to reservations on basis of jubilee awards, regular severance payments and death of pensioners. On basis of this, 2.1 million KM of interest was spent and 1.7 million of costs on basis of current work was reserved as well as 0.3 million KM of the so-called actuary losses, which made total expenditures on basis of application of MRS 19 in the amount of 4.1 million KM.

There were no costs of reservation in started court proceedings (MRS 37) in 2010, and the planned costs of reservations on this basis amounted to 3.2 million KM.





FINANCIAL RESULT

In 2010, JP Elektroprivreda BiH realized total revenues in the amount of 885.1 million KM and total costs and expenditures in the amount of 899.5 million KM, thus the loss was 14.4 million KM.

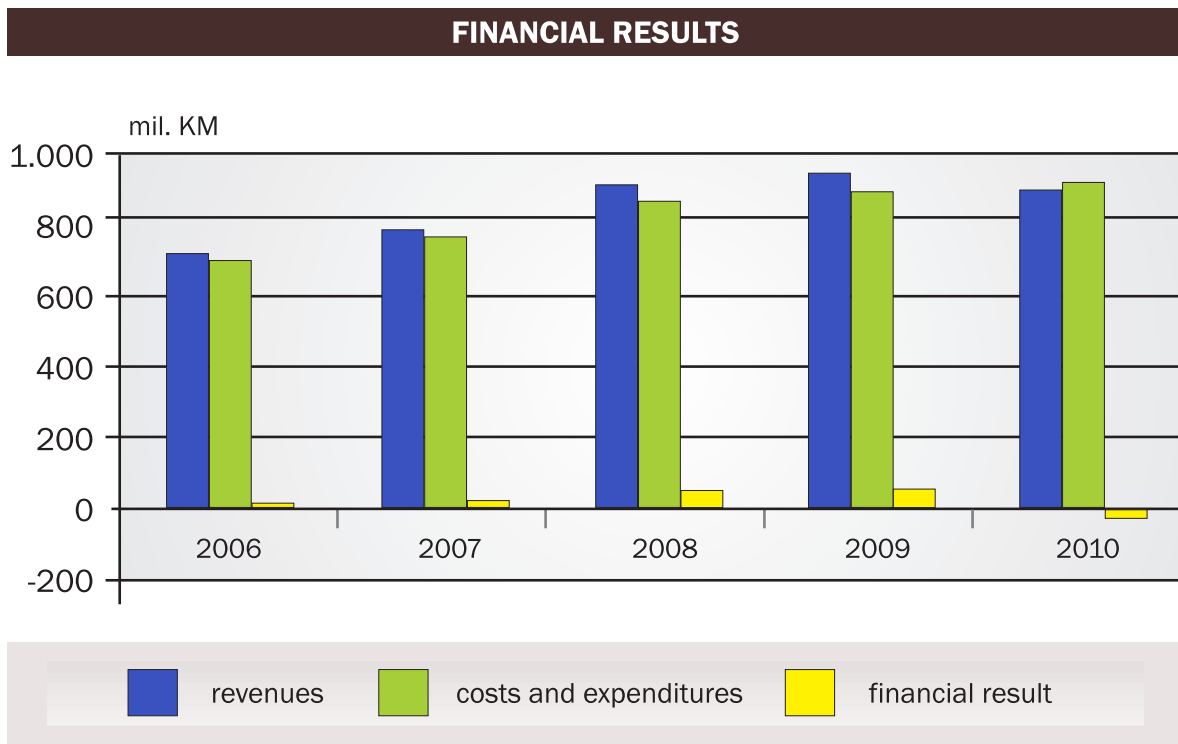
The main reason for this loss in the business operation of JP Elektroprivreda BiH for 2010 was the fact that the existing level of tariff items for sale to tariff consumers was insufficient for covering the costs and expenditures.

JP Elektroprivreda BiH realizes the largest part of its total revenues from sales to tariff consumers (62.3%) on basis of tariff items determined by FERK after the implemented II Tariff Procedure in 2007 (entry data for this procedure are based on the Plan of Business Operations of JP Elektroprivreda BiH for 2007). These tariff items are applied as of January 1, 2008.

We emphasize significant changes on the side of costs of business operations that occurred after the II Tariff Procedure (in 2007) and had a significant impact on the financial result in 2010.

- Average sale price on the market was lower for 29% (non-tariff sale); as a comparison, had the quantities (GWh) in this year been realized in accordance with the price from 2009, revenues would have been higher for approximately 102 million KM;
- The foreign currency exchange rates negatively affected the business operations, negative currency exchange differences of 8.3 million KM were realized, while revenues from positive currency exchange differences amounted to 1.9 million KM, which as a consequence had a negative effect from currency exchange differences of 6.4 million KM (the Plan did not include neither positive nor negative effects of the currency exchange differences);
- In April of 2009, the prices of coal rose 7% and the estimated negative effects on this basis amounted to approximately 20 million KM;
- The application of the Collective Agreement from January 1, 2008, by which the hourly wages were increased for 30%, had an effect of increasing of costs on this basis for 37.9 million KM;
- Doubled rates of contributions for hydro-accumulation, which, together with higher generation from hydro-power plants, resulted with an increase in the costs of water management fees and with higher generation from hydro-power plants realized in this reporting period, the total costs of water management fees were increased for 10.4 million KM.

- Increased generation (achieved in hydro-power plants) was insufficient to compensate for the negative effects that burdened the business operations in 2010, thus a negative financial result in business operations for 2010 was realized.



RESULTS OF BUSINESS OPERATIONS OF EP BIH IN THE PERIOD JANUARY TO DECEMBER 2010

6.1	INCOME STATEMENT	I-XII	PLAN	I-XII	deviation	deviation
	Per planned items	2010	I-XII 2010	2009	realized-plan	realized/plan
	I REVENUES	thousand KM	thousand KM	thousand KM	thousand KM	%
1	Revenues from sales of electricity and auxiliary services	809,807	816,662	862,181	-6,855	-0.8
	- revenues from sales to tariff consumers of EP BiH	* 551,778	569,317	530,222	-17,539	-3.1
	-revenues from sales to other consumers in BiH	** 139,379	132,450	208,277	6,929	5.2
	- revenues from export of electricity	110,891	111,040	117,534	-149	-0.1
	-revenues from sales of reserve electricity and auxiliary services	7,759	3,855	6,148	3,904	101.3
2	Revenues from sale of technological steam and heating energy	14,026	16,434	12,818	-2,408	-14.7
	- revenues from technological steam	2,966	4,139	2,537	-1,173	-28.3
	- revenues from heating energy	8,875	9,340	7,722	-465	-5.0
	- revenues from sales of byproducts	2,185	2,955	2,560	-770	-26.1
3	Revenues from sales of materials and services	19,676	19,381	21,480	295	1.5
	-revenues from connection fees	12,998	12,700	14,429	298	2.3
	-other revenues from sales of materials and services	6,678	6,681	7,051	-3	0,0
4	Revenues from financing		23,000	26,005	-398	-1.7
5	Other revenues	18,976	12,462	21,638	6,514	52.3
	TOTAL REVENUES (1 - 5)	885,088	887,939	944,123	-2,851	-0.3
	II COSTS AND EXPENDITURES					
8	Material for electricity generation	318,682	340,000	324,888	-21,318	-6.3
9	Material for maintenance	20,053	19,000	19,272	1,053	5.5
10	Other costs of materials	7,229	7,500	8,001	-271	-3.6
11	Coal transportation costs	20,518	22,600	20,463	-2,082	-9.2
12	Maintenance services	16,767	14,795	16,894	1,972	13.3
13	Systematic studies	480	500	138	-20	-3.9
14	Insurance premium	5,339	5,020	5,068	319	6.4
15	Other costs of services	5,511	7,000	6,002	-1,489	-21.3
16	Depreciation costs	147,325	144,218	142,533	3,107	2.2
17	Costs of transmission of electricity	54,807	49,304	49,005	5,503	11.2
18	Salaries and compensations	162,109	160,000	161,568	2,109	1.3
19	Other costs of work	28,745	31,000	29,425	-2,255	-7.3
20	Water supply fees	25,388	20,502	13,902	4,886	23.8
21	Fees for land and other	10,346	11,427	9,941	-1,081	-9.5
22	Other costs of business operations	8,765	9,600	7,248	-835	-8.7
23	Financing costs	7	0	0	7	
24	Other expenditures	65,430	40,270	60,100	25,160	62.5
25	Reservation costs	2,029	3,200	7,771	-1,171	-36.6
	TOTAL COSTS AND EXPENDITURES (8-25)	899,530	885,936	882,220	13,594	1.5
	PROFIT/LOSS	-14,442	2,003	61,904	-16,445	-821.0

* includes revenues on basis of non-invoiced electricity (households) from 2009 (cut-off electricity 5,274.2 thousand KM).

** includes revenues on basis of natural exchange (164.6 thousand KM), revenues on basis of correction of electricity -NOS (184.8 thousand KM)



COLLECTING OF REVENUES

The collection rate for electricity on basis of supplying of tariff consumers with electricity (determined by accounting method – current years with claims from earlier years and enforceable claims) was realized in the percentage of 95.7% and was on the level of realization as in 2009. The degree of collection per distribution branch offices was different and it went from 75% in the branch office Elektrodistribucija Mostar up to 99.8% in the branch office Elektrodistribucija Tuzla, which is shown in the following table.

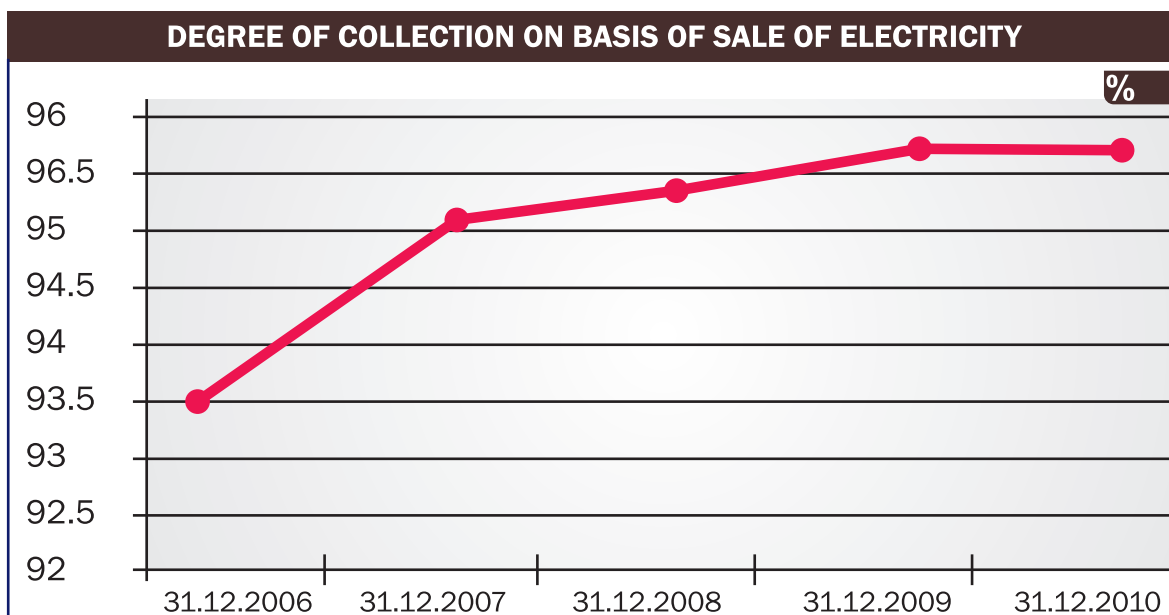
No.	Branch office of JP Elektroprivreda BiH	December 31, 2010	December 31, 2010
		%	%
1.	ED Sarajevo	99.0	98.8
2.	ED Tuzla	99.8	99.4
3.	ED Zenica	91.4	91.9
4.	ED Bihać	98.7	96.7
5.	ED Mostar	75.0	75.4
	TOTAL	95.7	95.5
	Direct	96.9	97.7
	TOTAL	95.7	95.7

The collected funds on basis of supplying of second class (non-tariff consumers in Bosnia and Herzegovina) and trade in electricity (export) were realized 100%.

Degree of collection on basis of sale of electricity (tariff consumers) from 2006 to 2009

Year	2006	2007	2008	2009	2010
Degree of collecting	93.5	95.1	95.3	95.7	95.7





If the collection degree is expressed as a relation between collected revenue and invoiced amount in the current year, then the percentage is even more favorable and amounts to 99.4% and is equal to the percentage realized in 2009. Such a degree of collection was also affected by parts of revenues collected on basis of claims from previous years.

COST PRICE OF GENERATED ELECTRICITY

The realized generation cost price of electricity at the power plant threshold amounts to 0.0778 KM/kWh (out of which for thermal power plants 0.0969 KM/kWh), that is per branch offices:

HE na Neretvi	3,28 F/kWh
MHE	5,72 F/kWh
TE Kakanj	10,84 F/kWh
TE Tuzla	9,03 F/kWh

The cost prices were calculated by method of division calculation in combination with calculation with byproducts. The calculation of the cost price does not include costs from the Company's Directorate, and in the calculation the generation of electricity on the power plants' threshold was applied.

The realized generation cost price of electricity was within the Plan (0.0792 KM/kWh), meaning it was slightly below the Plan (for 1.77%), whereas the realized generation price for Hydro-Power Plants on river Neretva was lower than the Plan (0.0389 KM/kWh) for 15.68%, while for thermal power plants it was higher for 6.02% in comparison to the Plan (0.0914 KM/kWh). The planned cost price for Small Hydro-Power Plants was 0.0529 KM/kWh and was realized with 0.0572 KM/kWh.

The reason for increasing the generation price of electricity in relation to the Plan in thermal power plants was the lower generation than expected, thus the participation of fixed costs per unit of generation was higher, while increased generation from hydro-power plants contributed to decreasing of fixed costs per unit of generation and thus the generation price for hydro-power plants was lower.

FINANCIAL REPORTS (MRS 1)



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

ANNUAL
REPORT
FOR 2010.

BALANCE SHEET ON DECEMBER 31, 2010

BALANCE SHEET ON DECEMBER 31, 2010

	Thousands KM	
	2010	2009
ASSETS	2010	2009
FIXED ASSETS	2,793,051	2.822.514
Fixed non-material assets	2,366	1,943
Real estates, installations and equipment	2,661,158	2,637,807
Other fixed material assets	958	958
Long-term financial investment and loans	123,225	174,656
Long-term claims	5,092	6,558
Long-term accruals	253	592
CURRENT ASSETS	569,728	1.000,961
Stocks	108,873	115,577
Claims from sales	115,777	107,139
Other short-term claims	46,902	437,244
Short-term financial investments	234,810	220,268
Cash and cash equivalents	57,344	118,337
Active time accruals	6,023	2,396
TOTAL ASSETS	3,362,779	3,823,475
LIABILITIES	2010	2009
CAPITAL	2,913,333	2.950,125
Subscribed capital*	2,236,964	2.236,964
Revalorization and transferred reserves	496,009	515,821
Other reserves	29,317	16,936
Accumulated (retained) profit	165,484	180,403
Accumulated (retained) losses	14,442	
LONG-TERM LIABILITIES	352,516	337,686
Long-term financial liabilities	113,157	86,394
Long-term accruals and reserves	239,360	251,292
SHORT-TERM LIABILITIES	96,930	535,664
Short-term financial liabilities	24,321	20,808
Liabilities toward suppliers	49,497	513,722
Passive time accruals	23,112	1,134
TOTAL LIABILITIES	3.362.779	3.823.475

Subscribed capital is increased on basis of share in Mines in the amount of 81,804,200 KM, thus on December 31, 2010 it amounted to 2,236,964,399 KM.



ASSETS (fixed and current assets)

In the structure of assets on December 31, 2010, 2,793.1 million KM or 83.1% were fixed assets, while the remaining 569.7 million KM or 16.9% were current assets.

Fixed assets

The largest portion of fixed assets were real estates, installations and equipment, whose accounting value amounted to 2,661.2 million KM and made 95.3% of the total value of fixed assets.

The structure of fixed assets on December 31, 2010 is given in the following table:

DESCRIPTION	Thousands KM
	December 31, 2010
Fixed assets	2,793,051.2
Fixed non-material assets	2,366.0
Real estates, installations and equipment	2,661,158.2
Other fixed material assets	957.6
Long-term financial investment and loans	123,224.5
Long-term claims	5,091.9
Long-term accruals	253.0

The value of fixed non-material assets on December 31, 2010, was 2.4 million KM. The largest item in the fixed non-material assets were patents, licenses and trademarks, in the amount of 1.5 million KM, or 63.3%. Software was also a significant item with a share of 0.8 million KM or 35.8%. Real estates, installations and equipment are mostly made of construction facilities in the amount of 1,549.6 million KM, installations and equipment in the amount of 871.1 million KM, real estates, installations and equipment in preparation in the amount of 154.3 million KM, land in the amount of 77 million KM and other material fixed assets (buildings and apartments, advance payments) in the amount of 8.6 million KM.

DESCRIPTION	Thousands KM					
	Land	Construction facilities	Equipment	Material assets in preparation	Other material assets	Total
1 Purchase value Situation on December 31, 2010						
Accumulated depreciation	76,968	3,877,193	3,090,919	154,279	8,724	7,208,083
2 Situation on December 31, 2010 Net bookkeeping value	0	2,327,570	2,219,229	0	126	4,546,925
3 Situation on December 31, 2010	76,968	1,549,623	871,690	154,279	8,598	2,661,158



Long-term financial investments on December 31, 2010, amounted to 123.2 million KM and they were related to shares in associated legal entities, shares in dependent companies and other associated entities, loans to associated legal entities, given loans, deposits and investments into securities. The value of these funds significantly decreased in relation to 2009, and the decrease was related to given credits and deposits.

Long-term claims amounted to 5.1 million KM and they were related to reprogramming of claims, interest and claims from branch offices for housing credits.

Long-term accruals on December 31, 2010, amounted to 0.3 million KM and they were related to claims and accrued interest in accordance with reprogramming.

Current funds amounted to 569.7 million KM and represented 20% of the total assets.

Current funds included stocks, claims from sale and other claims, as well as cash and cash equivalents.

Stocks included raw materials and materials (coal, liquid fuels, electro-materials), spare parts, petty inventory, protective clothes and equipment, etc. The value of these stocks amounted to 108.9 million KM and was decreased for 6.7 million KM or 6% in relation to the situation at the beginning of the year. The decrease was achieved by writing off of non-current stocks and rationalization of supplies. The stocks of raw materials and materials amounted to 83.5 million KM, the stocks of petty inventory, car tires and packages amount to 9.7 million KM, the stocks of spare parts amounted to 15.2 million KM, and other petty stocks 0.5 million KM.

Out of the total amount, coal stocks were 30.8 million KM or 28% (Thermal Power Plant Tuzla 15.8 million KM and Thermal Power Plant Kakanj 15 million KM). The stocks of electro-materials amounted to 40.4 million KM.

Claims from sales in the amount of 115.8 million KM were entirely related to claims from consumers in the country and abroad, which increased for 8.6 million KM in comparison to 2009.

THE STRUCTURE OF ASSETS IN JP ELEKTROPRIVREDA BIH ON DECEMBER 31, 2010, IS GIVEN IN THE FOLLOWING TABLE:

	Thousands KM
	December 31, 2010
CLAIM	397,489
Claims from consumers in the country and abroad (1.1+1.2-1.3)	115,777
1.1. Consumers in the country	144,758
Consumers in the country - regular	91,585
Speculative and disputable claims in the country	8,724
Litigated consumers in the country	44,449
1.2. Consumers abroad	15,213
Other claims	0
1.3. Correction of the value of claims from consumers	(44,194)
Other short-term claims	46,902
Short-term financial investments	234,810

The claims from consumers by JP Elektroprivreda BiH on December 31, 2010, amounted to 115.8 million KM (out of which from consumers in the country 144.8 million and consumers abroad 15.2 million KM, and correction of the value of claims from these consumers 41.2 million KM).

Speculative and disputable claims from consumers in the country amounted to 8.7 million KM. Within these claims, the amount of 1.3 million KM related to speculative and disputable claims from consumers for electricity – households, is significant, and the amount of 4.8 million KM was related to claims from other categories of consumers and consumers on other basis.

Litigation claims from consumers in the country were expressed in the amount of 44.4 million KM. Litigation claims from consumers for electricity – large consumers 17.1 million and households 3 million KM.

Claims from consumers in the country and abroad were expressed in the amount of 144.8 million KM, and the largest part was related to claims from consumers in the country, that is distributive consumers, which include legal and physical entities and households, in the amount of 57.5 million KM or 39.7%. The claims from households amounted to 17.5 million KM, while the claims from legal and physical entities amounted to 40 million KM.

Large consumers and other consumers were expressed in the amount of 27 million KM. Claims from large consumers amounted to 3.1 million KM and from other consumers 23.9 million KM. These consumers are dealt with at the level of the Company Directorate and the collection of claims from these consumers is regular.

Claims from consumers from abroad were expressed in the amount of 15.2 million KM. The amount of 14.9 million KM was related to claims for sold products (electricity) and the amount of 0.3 million is related to the provided services.

Short-term claims were expressed in the amount of 0.05 million KM, and they were related to claims on basis of paid liabilities, claims from employees, claims for compensation of damages and claims from state and other institutions.

The amount of the cash and cash equivalents was significantly decreased (for 61 million KM).

LIABILITIES (own capital, long-term and short-term liabilities)

Capital

**THE FOLLOWING CAPITAL WAS EXPRESSED IN THE COMPANY'S FINANCIAL REPORTS,
ON DECEMBER 31, 2010:**

	Thousand KM
	December 31, 2010
C A P I T A L	2,913,332
Shareholders capital stock	2,236,964
Positive effects of revalorization	496,009
Other reserves	29,317
Accumulated (retained) profit	165,484
Loss	-14,442



The capital stock of the Company on December 31, 2010, amounted to 2,237 million KM and it consisted of 30,354,369 shares with the individual value of 71 KM, meaning 2,155.2 million of the shareholders capital stock and non-registered capital in the amount of 81.8 million KM on basis of shares in the mines.

Positive effects of revalorization occurred on basis of an estimate of fixed assets and amounted to 496 million KM.

The reserve fund on December 31, 2010, amounted to 29.3 million KM. This amount included 12.4 million KM on basis of the Management's decision on distribution of profit from 2009 (20% of the total profit pursuant to the Law on Business Companies).

Accumulated profit amounted to 165.5 million KM and presented non-distributed profit from the previous period, and it consisted of 22.5 million KM of retained profit from business operations, 104.4 million KM of accumulated profit from effects of estimation and 38.6 million KM of retained profit for investments.

Accumulated losses on December 31, 2010, amounted to 14.4 million KM.

Within the long-term liabilities, the most important item, although not the biggest one, were is credit obligations – 108.7 million KM, which were increased in comparison to the end of 2009 for 27.5 million KM.

Long-term accruals, which actually represent retained revenue of the Company from donations, were decreased for 49.8 million KM or 25.7% in comparison to the situation from the beginning of the year.

Most short-term liabilities of the Company (96.9 million KM) were liabilities toward suppliers in the country and abroad in the amount of 45.3 million KM (out of which liabilities toward suppliers in the country amounted to 41.7 million KM, while liabilities toward suppliers from abroad amounted to 3.6 million KM), while the remainder of 48.2 million KM is related to financial liabilities and short-term accruals. Liabilities on basis of taxes and contributions were paid regularly and had a negligible share in the total liabilities.

From the Balance Sheet above, it can be seen that the total assets (property) and liabilities (capital and liabilities) of JP Elektroprivreda BiH on December 31, 2010, amount to 3,362,799,000 KM and in relation to the end of 2009 they decreased for 460,696,000 KM. It should be emphasized that the assets and liabilities do not include internal relations between the Directorate and branch offices. In 2009, these internal relations were contained in the Balance Sheet in the amount of approximately 437 million KM.

REPORT ON CASH FLOWS

REPORT ON CASH FLOWS

		Thousands of KM
No.	DESCRIPTION	2010.
A BUSINESS ACTIVITIES		
1	Net profit (loss)	(14.442,4)
ADJUSTMENT OF:		
2	Depreciation/value of adjustment of non-material assets	1.103,2
3	Depreciation/value of adjustment of material assets	146.221,4
4	Losses (profits) from alienation of material assets	(25,1)
5	Other adjustments for non-cash items and cash flows related to investment and financial activities	1.440,6
6	Total 2 to 5	148.740,1
7	Decrease (increase) of stocks	6.703,9
8	Decrease (increase) of claims from sale	(8.637,6)
9	Decrease (increase) of other claims	(32.592,8)
10	Decrease (increase) of active accruals	(3.288,2)
11	Decrease (increase) of liabilities toward suppliers	(36.222,9)
12	Decrease (increase) of other liabilities	(54.918,0)
13	Decrease (increase) of passive accruals	10.045,6
14	Total 7 to 13	(118.910,1)
A	Net cash flow from business activities $\Sigma (1+6+14)$	15.387,6
B INVESTMENT ACTIVITIES		
	Procurement (sale) of old non-material assets	1.654,9
	Procurement (sale) of old material assets	(141.179,7)
	Acquiring (alienation) of share in dependent companies	(5.065,4)
	Acquiring (alienation) of share in associated companies	(410,8)
	Loans given (repayment of loans) to legal entities in group	(12.265,8)
	Loans given (repayment of loans) to other legal entities	48.814,6
B	Net cash flow from investment activities $\Sigma (15-20)$	(108.452,2)
C FINANCIAL ACTIVITIES		
	Received borrowed assets	68.378,8
	Return of borrowed assets	(36.369,3)
	Payment of dividends	61,8
C	Net cash flow from financial activities $\Sigma (21-23)$	32.071,3
	Net increase of cash on account and in cash register (A + B + C)	(60.993,2)
	Initial amount of cash on account and in cash register	118.336,9
	Final amount of cash on account and in cash register	57.343,6
	Net increase of cash on account and cash register (25-24)	(60.993,2)



The accounting policies applied in this calculation period are in accordance with the Rulebook on Accounting and Accounting Policies, Law on Accounting and Revision in the BiH Federation and the International Accounting Standards, and in regard to accounting policies there were no significant changes in comparison to 2009.

NOTES ON FINANCIAL REPORTS

- 1 The gross value of non-material assets at the beginning of the period amounted to 7,574,975.21 KM and at the end of the period 5,920,047.17 KM. The accumulated depreciation at the beginning of the period amounted to 5,631,913.46 KM and at the end of the period 3,554,024.65 KM.
- 2 The gross accounting value of fixed assets at the beginning of the period amounted to 7,066,436,061.47 KM and at the end of the period 7,208,083,629.71 KM.

The accumulated depreciation at the beginning of the period amounted to 4,434,125,625.82 KM and at the end of the period 4,546,925,404.67 KM.

On the non-balance registry, the value of received assets amounted to 20,723,029.29 KM, securities amount to 159,893,495.22 KM and the value of other non-balance assets amounted to 68,957,735.95 KM.

The degree of writing off of fixed assets amounted to 63%.

New procurements of fixed assets under construction in the course of the year amounted to 182,569,460.26 KM.

- 3 The structure of financial instruments in JP Elektroprivreda BiH was as follows:
 Claims from consumers and other claims amount to (gross) 159,970,593.71 KM, out of which:
 - Regular claims amounted to 106,797,072.65 KM,
 - Speculative and disputable claims amounted to 8,724,331.34 KM,
 - Litigation claims amounted to 44,449,189.72 KM,
 The correction of the value of claims amounted to 44,193,983.51 KM.
 Cash and cash equivalents on the account amounted to 57,343,633.76 KM.
 Claims for credits given amounted to (gross) 236,460,609.15 KM, and the correction of the value of short-term financial investments amounted to 1,650,712.03 KM.

- 4 The total stocks of materials on June 30, 2010, amounted to 108,873,197.67 KM.

- 5 Stock capital and reserves

The stock capital of JP Elektroprivreda BiH amounted to 2,155,160,199 KM and the capital on basis of shares in Mines amounts to 81,804,238 KM, which in total amounted to 2,236,964,437 KM.

The nominal value of a share amounted to 71 KM.

The reserve fund on December 31, 2010, amounted to 29,316,993.70 KM.

The accumulated retained profit amounted to 165,484,414,65 KM.

In the period from January to December 2010, JP Elektroprivreda BiH realized losses in the amount of 14,442,398.14 KM.

- 6 The amount of donations on June 30, 2010, was 129,807,680.45 KM.
- 7 Long-term liabilities for credits amounted to 108,712,348.39 KM, and the current part of long-term financial obligations amounted to 14,458,004.39 KM.
- 8 Liabilities toward suppliers in the country amounted to 41,743,973.45 KM, Liabilities toward suppliers from abroad amounted to 3,551,289.55 KM and other liabilities amounted to 4,201,642.79 KM.
- 9 The total revenues in the period from January to December 2010 amounted to 885,087,535.15 KM and are distributed as follows:
 Revenues on basis of sale of electricity amounted to 796,266,304.58 KM, out of which local consumers amounted to 685,375,022.49 KM and export of electricity amounted to 110,891,282.09 KM.
 The revenues from sales of technological steam and heating energy amounted to 11,841,579.87 KM and revenues on other basis amounted to 76,979,650.70 KM. Financial revenues in the amount of 22,602,190.16 KM included interest on credits, default interest, claims for interest on invested funds, revenue from dividends and positive currency exchange rates.
- 10 The total costs and expenditures in the period from January to December 2010 amounted to 899,529,933.29 KM.
 The costs of materials with coal amounted to 340,705,980.94 KM. The costs of depreciation amounted to 147,324,622.75 KM.
 Employees' salaries registered in the Income Statement amounted to 162,725,344.77 KM, while other employees' incomes amounted to 25,927,363.66 KM.
 Payment on basis of severance payments on the occasion of retirement amounted to 51,984.81 KM, and compensations for stimulation severance payments amount to 405,574.33 KM.
 Financial expenditures amounted to 11,752,739.73 KM and they included interest on loans and credits, negative currency exchange rates and financial expenditures on other basis.

Covering of losses

The realized loss for 2010 expressed in the Income Statement in the amount of 14,442,398.14 KM was covered to the burden of accumulated (retained) profit (Decision NO-4751/11-50/3.5 dated February 24, 2011).

11 Shares in dependent companies (Mines) – loans given

By Decision of the Elektroprivreda Assembly dated February 8, 2011, on proposal of the Management and the Supervisory Board, a loan was given to Brown Coal Mine Kakanj, which was to finance the procurement and assembling of an installation for reception, preparation and loading of coal into wagons in the open-pit Vrtliste.

The loan was given with the goal of successful completion of investment tasks on the Vrtliste open-pit, which started before merging into the Concern. The loan was given on 60 months with



an interest rate of 1.5% on the annual level and a 12-month grace period, which will be returned by deliveries of coal for the needs of thermal power plants of JP Elektroprivreda BiH.

In the period up to December 31, 2010, three installments were paid pursuant to the Loan Contract, the first one in the amount of 1,874,694.89 KM, the second one in the amount of 2,249,633.88 KM and the third one in the amount of 1,312,286.43 KM.

A loan was also given to Brown Coal Mine Zenica in the total amount of 3,500,000 KM on 24 months with an interest rate of 1.5% on the annual level. The loan was repaid on April 2, 2010, in the stated amount.

On June 30, 2010, the 17th Assembly of the Company was held, at which shareholders accepted the decisions on short-term loans to Mine Breza of 3.3 million KM on two years, which was repaid on July 14, 2010, and Mine Kakanj in the amount of 6.3 million KM, which was repaid on July 8, 2010.

Events after publication of Balance Sheet

On January 24, 2011, the general manager of JP Elektroprivreda BiH and the general manager of BH Gas signed a pre-investment agreement on the annual delivery of 170 m³ of natural gas for the needs of new Unit in Thermal Power Plant Kakanj with the installed power of 100 MW. This is a CCGT facility, combined cycle of steam and gas turbine, whose construction is foreseen by the Strategic Plan and Program of Development of the Energy Sector in the BiH Federation.

On February 2, 2011, a contract was signed with Strabag in the value of 2.98 million KM. This is a project of rehabilitation and modernization of the system for dam monitoring in Hydro-Power Plant Jablanica, Hydro-Power Plant Grabovica and Hydro-Power Plant Salakovac.



FINANCIAL INDICATORS OF SUCCESS OF BUSINESS OPERATIONS

Financial indicators serve for assessment of the financial situation and success of business operations of JP Elektroprivreda BiH and they are based on relations between the property and sources from which that property is financed, as well as the relation between achieved financial results and assets engaged for achieving of these results. The calculation of indicators is given with the goal of a more realistic review of productivity, cost-effectiveness, liquidity and solvency of the Company.

INDICATORS OF STRUCTURE

Liquidity

General liquidity ————— 5.88 ————— current assets/short-term liabilities

An indicator of general liquidity (so-called ratio of liquidity) is an indicator of the financial structure of a company and should be higher than 1.

Reduced (accelerated) liquidity ——— 4.75 ——— current assets(stocks)/short-term liabilities

An indicator of reduced liquidity (so-called current ratio of liquidity) is a more quality indicator of the financial situation and it more precisely reflects liquidity, since it eliminates stocks as the most non-liquid part of the current assets and should be 1.

From the values of the previous two indicators, we can see that Elektroprivreda BiH on December 31, 2010, had satisfactory liquidity. The current assets can cover a significant share of long-term liabilities.



Capital available for work

Capital available for work ———— 472.798 hilj.KM ———— current assets/short-term liabilities

The capital available for work (or net working assets) shows how much of the current assets are financed from long-term sources (own and borrowed) and it is desirable that it is equal to 1 or higher.

Degree of security of stocks ———— 4,34 ———— capital available for work/stocks

Degree of security of current assets ———— 0,83 ———— capital available for work/ current assets

The degree of security of stocks and the degree of security of current assets shows the security of stocks, meaning the current assets, with the capital available for work. The value of these indicators is satisfactory.

Solvency

Ratio of solvency ———— 6,48 ———— own capital/borrowed

The ratio of solvency or ratio of security, calculated in accordance with the bookkeeping value of the capital and liabilities, has the value of 6.48 on December 31, 2010. This ratio is also called the ratio of security and financial independence.

The ratio of solvency shows that the (bookkeeping) amount of capital of JP Elektroprivreda BiH is much higher than the liabilities toward third persons and that the Company is capable of overcoming possible financial difficulties.

Indebtedness

Coefficient of indebtedness ———— 0,13 ———— total liabilities/total assets

The coefficient of indebtedness is a relation between total liabilities and total assets and a satisfactory value of this indicator on December 31, 2010 was up to 0.5, thus JP Elektroprivreda BiH has low indebtedness.

Indicator of financing of fixed assets by own capital — 1,04 ———— own capital/fixed assets

Indicator of financing of fixed assets by long-term sources — 1,17 ———— (capital+long-term liabilities)/fixed assets

The indicators of financing of fixed assets by own and long-term capital shows in what ratios fixed assets are financed by own and/or long-term capital. We can see that the assets of JP Elektroprivreda BiH are fully financed from the capital. In addition, it is also visible that the amount of long-term sources exceeds (for 17%) the amount of fixed assets, which is in accordance with the rules of financing.



Indicators of success

Cost-effectiveness

Ratio of cost-effectiveness ————— 0.98 ————— total revenues/total costs and expenditures

The ratio of cost-effectiveness of 0.98 indicates non-satisfactory business operations, since the total revenues are lower than the total costs and expenditures.

Productivity ————— 178,517 KM ————— total revenues/employees

Productivity represents a capability of a business entity to achieve as good results as possible with the available resources.

Productivity ————— 1,448 Mwh ————— total generation/employees

Working ratio ————— 0.86 ————— cash operational costs/operational revenues

The working ratio shows a relation between the cash operational costs and operational revenues and in case of JP Elektroprivreda BiH it shows that 86% of operational revenues were required to cover the cash operational costs, while the remainder is used for covering of depreciation and other costs and expenditures.





STANDARD

ANALYTICAL CHEMISTRY, AND PROCESS TYPE PRODUCTS



REALIZATION OF PLAN OF INVESTMENT

In 2010, JP Elektroprivreda BiH continued with intensive activities on realization of the plan of investments. The realized investments in 2010 amount to 172.8 million KM, which was 2.5% less than realized investments in 2009. In the structure of total realized investments on the level of JP Elektroprivreda BiH, 77 million KM (or 44.6%) was related to generation activities, 86.8 million KM was related to distribution activities and 9 million KM (or 5.2%) was related to investments in capital projects, joint projects and information-communication technologies.

BRANCH OFFICE/ACTIVITY	Realized in 2010	Realized 2009	mil.KM	
			Structure within activity	In relation to total investments
Hydro-Power Plants on river Neretva	8.01	6.17	10.40%	4.64%
Thermal Power Plant Kakanj	39.75	27.99	51.59%	23.00%
Thermal Power Plant Tuzla	29.28	28.87	38.01%	16.94%
Total investments in generation activities	77.04	63.03	100.00%	44.58%
Elektrodistribucija Bihac	14.72	15.42	16.97%	8.52%
Elektrodistribucija Mostar	5.33	7.28	6.14%	3.08%
Elektrodistribucija Sarajevo	22.01	27.65	25.37%	12.74%
Elektrodistribucija Tuzla	21.36	25.11	24.62%	12.36%
Elektrodistribucija Zenica	23.34	25.35	26.90%	13.51%
Total investments in distribution activities	86.76	100.81	100.00%	50.21%
Total investments on the level of the Company	9.00	13.36	100.00%	5.21%
REALIZED	172.80	177.20		100.00%

It is visible from the table above that the total value of realized investment activities in 2010 amounted to 172.8 million KM. When advance payment for real estates, installations and equipment in the amount of 7.3 million KM and advance payments for investment activities in the amount of 14.1 million KM are added to the total realized investments, then the total investments amounted to 194.2 million KM.



VALUES OF ACCEPTED FACILITIES ON DECEMBER 31, 2010, ARE GIVEN IN THE FOLLOWING TABLE:

1.	Hydro-Power Plants on river Neretva	1,457,000 KM
2.	Thermal Power Plant Kakanj	55,527,000 KM
3.	Thermal Power Plant Tuzla	7,900,000 KM
	TOTAL GENERATION	64,884,000 KM
4.	Elektrodistribucija Bihac	13,509,000 KM
5.	Elektrodistribucija Mostar	5,717,000 KM
6.	Elektrodistribucija Sarajevo	14,298,000 KM
7.	Elektrodistribucija Tuzla	22,634,000 KM
8.	Elektrodistribucija Zenica	21,324,000 KM
	TOTAL DISTRIBUTION	77,482,000 KM
9.	Directorate – Company level	3,179,000 KM
	TOTAL ELEKTROPRIVREDA BIH	145,545,000 KM

The realization of investment projects in the Generation Activities was completed in branch offices Hydro-Power Plants on river Neretva, Thermal Power Plant Kakanj and Thermal Power Plant Tuzla.

Up to the end of 2010, a total of 77 million KM was realized, which was an increase of 22.2% in relation to 2009.

The most important projects realized in 2010 and which have a character of both investment and current maintenance were:

- Completion of capital overhaul on Unit 4 – 200 MW in Thermal Power Plant Tuzla, works performed on turbine,
- Completion of capital overhaul on Unit 7 – 230 MW in Thermal Power Plant Kakanj, works performed on generator,
- Completion of all other planned overhauls of remaining units,
- Replacement of economizers on Unit 4 – 200 MW in Thermal Power Plant Tuzla,
- Replacement of slag disposal system on Unit 4 – 200 MW in Thermal Power Plant Tuzla,
- Revitalization of mill facility on Unit 4 – 200 MW in Thermal Power Plant Tuzla,
- Replacement of stator of generator in Unit 7 - 230 MW in Thermal Power Plant Kakanj,
- Replacement of pre-heater 5 of boiler in Unit 7 - 230 MW in Thermal Power Plant Kakanj,
- Revitalization and modernization of cooling towers of Unit 7 - 230 MW in Thermal Power Plant Kakanj,
- Replacement of drainage system of Hydro-Power Plant Jablanica,
- Activities on revitalization of generator in Hydro Power Plants on river Neretva.

In the course of 2010, preparations were made for the upcoming revitalization of Unit 6 – 110 MW in Thermal Power Plant Kakanj and Unit 6 – 215 MW in Thermal Power Plant Tuzla. As part of these preparations, all packets for Unit 6 in Thermal Power Plant Kakanj were agreed, except for an agreement on replacement of steamline from the boiler to the turbine. The procedure agreement for this packet is underway.

- Packet 1, LOT 1 – boiler facility and management system
- Packet 2 – turbine and generator
- Packet 3 – electric installations, and
- Packet 4 – electro-filter installation.

Basic designs were adopted for all contracted projects and the adoption of detailed designs is underway. Regular meetings were held with contractors during which the degree of completion of projects and equipment was analyzed. Expert teams from JP Elektroprivreda BiH controlled the fabrication of equipment in factories and in the upcoming period significant activities are planned on the acceptance of such equipment.

For Unit 6 – 215 MW in Thermal Power Plant Tuzla, the following was agreed:

- Revitalization of the boiler installation
- Revitalization of the turbine installation
- Revitalization of generator

The results of investments into Distribution activities were significant due to the achieved amount of realization of 86.8 million KM, which was 84.5% of the total plan for distribution activities in 2010.

The effects of investment activities in 2010 resulted with further decrease of the number of no-voltage breaks, decreasing of duration of no-voltage breaks and further decreasing of technical losses of electricity in the distribution network.

The realization of the adopted Concept of introduction of remote reading and management of electricity meters (AMR/AMM systems) in the electricity distribution system of JP Elektroprivreda BiH was continued.

Within organizational units for capital investments, preparatory activities were conducted in 2010 for construction of new thermal power facilities - Unit 7 in Thermal Power Plant Tuzla, Unit 8 in Thermal Power Plant Kakanj, Mines and Thermal Power Plant Bugojno, new hydro-power plants and power facilities using renewable energy sources, and the following was realized in that regard:

Environmental permits were acquired for construction of Unit 7 in Thermal Power Plant Tuzla, Unit 8 in Thermal Power Plant Kakanj and for Phase I of construction of small Hydro-Power Plants on river Neretvica; Contracts were signed on the realization of a program of friendly environment with the municipalities of Tuzla, Kakanj and Zenica on basis of construction of new power facilities;

A project for Hydro-Power Plant Vranduk was revised as well as a project of optimal transportation and disposing of products of burning of replacement Unit 7 in Thermal Power Plant Tuzla as part of rehabilitation of mining pits in Mines Djurdjevik and Kreka, a project of connection of Unit 7 into the existing corridor DV from Thermal Power Plant Tuzla to Transformer Station Ljubace;

“Study of Environmental Impact” for Hydro-Power Plant Vranduk, “Study of Economic Justification of Construction of Hydro-Power Plant Vrhpolje from Hydro-Power Plant Caplje”, “Study of Economic Justification of Construction of Wind Turbine in Podvelezje”;

Water permits were acquired for Hydro-Power Plant Vranduk, Hydro-Power Plant Ustikolina, Unit 7 in Thermal Power Plant Tuzla, Unit 8 in Thermal Power Plant Kakanj and Small Hydro-Power Plants on river Neretvica;

Reports were made: “Report on connection of Hydro-Power Plant Vranduk on EES”, “Economic-Financial Analysis for Hydro-Power Plant Krusevo with Hydro-Power Plant Zeleni Vir”, “Report on technical-economic justification of construction of wind turbines in Podvelezje, Mostar” and “Report on connection of generation facilities Wind Park Podvelezje – Phase I to the distribution network”;

A tender for construction and commissioning of Hydro-Power Plant Vranduk was prepared and published;



Negotiations are underway for acquiring of concessions for Hydro-Power Plant Vranduk with a commission for negotiations on behalf of the BiH Federation Ministry of Energy, Mining and Industry;

Permits were acquired from the authorities and property owners for performing of research works – Hydro-Power Plant Ustikolina, and activities were started for inclusion of Hydro-Power Plant Ustikolina into the Cantonal Urban Plan and for issuing of urban permits for performing of research;

Terms of Reference were prepared for creation of a feasibility study for the construction of Hydro-Power Plant Janjici;

A pre-qualification document was published for selection of a strategic partner for joint investments into Unit 7 – 450 MW in thermal-power plant Tuzla, through an international competition, and harmonization of a platform is underway for negotiations on joint investments with qualified bidder Alpiq AG;

Tender documentation was created and submitted for public competitions for awarding of concessions for the use of construction land on the plateau of Podvezlje, Mostar, for the purpose of construction and use of wind turbines and for transformation of wind energy into electricity – wind turbines on the location of Vlasic plateau, Travnik municipality.

The Sector for Strategic Development realized a series of pilot projects in 2010 as well as preparatory activities for the planned pilot projects.

Pilot projects:

- “Co-burning of wooden biomass and coal mixture on Unit 5 in Thermal Power Plant Kakanj”
- “Remote reading of electricity meters (Iskraemeco) in Elektrodistribucija Sarajevo”
- “Remote reading of electricity meters on the territory of JP Elektroprivreda BiH – Sarajevo, branch office Elektrodistribucija Zenica”
- “Remote reading of electricity meters on basis of Echelon AMR (NES) system in Elektrodistribucija Tuzla”
- “Construction of two wind generators on the territory of Podvezlje – Mostar”.

In addition, a number of activities were performed for the planned pilot projects:

- Activities were continued on the assembling and establishment of communication with measuring stations for measuring of wind potential. Within these works, three measuring stations of 30 meters and two measuring stations of 10 meters were assembled and capacitated on the territory of the Federation of Bosnia and Herzegovina;
- Six measuring sets were assembled and capacitated for measuring of global sun radiation on the territory that JP Elektroprivreda BiH supplies with electricity.

The most important activities and realized goals of the Sector for Information and Communication Technologies in the period January to December 2010 were:

Construction of an optical cable network of JP Elektroprivreda BiH:

- A total of 14 new facilities connected to the optical cable system of JP Elektroprivreda BiH with laying of 41 km of optical cables;

Construction of a transmission network of JP Elektroprivreda BiH:

- WDM network Sarajevo-Zenica-Tuzla realized;

Construction of a system of uninterrupted electricity supplying of equipment for information and communication technologies:

- System of uninterrupted electricity supply for IT room of JP Elektroprivreda BiH in the PTZ Sarajevo realized;

Construction and development of a system of radio connections

- Control-monitoring centers of the system of radio connections realized in DCU Sarajevo, Zenica, Mostar and Travnik;
- Completed construction of three radio facilities in the ownership of JP Elektroprivreda BiH (Klopacke Stijene, Dzihanici and Trebacko Brdo);

Construction and development of a system of remote control and monitoring

- Expansion of the system of remote control and monitoring by line separators ULR in Elektrodistribucija Bihac, Elektrodistribucija Zenica, Elektrodistribucija Mostar, Elektrodistribucija Tuzla (total 50 ULR and 6 RP/TS);
- Realization of a unique system of remote control and monitoring in Elektrodistribucija Zenica, Phase I;
- Expansion of the system of remote control and monitoring of electricity distribution facilities and corresponding telecommunications system in Elektrodistribucija Bihac, Phase I;
- Forwarding of information from the dam of Hydro-Power Plant Jablanica to SCADA/LFC/TBC system of DC JP Elektroprivreda BiH;
- Introduction of transformer stations of Elektroprenos into the system of remote control and monitoring in Elektrodistribucija Sarajevo (three facilities) and Elektrodistribucija Tuzla (3 transformer stations 35/10kV);

Development of IT system and computer network of JP Elektroprivreda BiH

- Migration to updated software platforms: Active Directory on Windows Server 2008 R2 platform, e-mail on Microsoft Exchange 2010;
- Implementation of storage system in Elektrodistribucija Tuzla, Elektrodistribucija Bihac and Elektrodistribucija Mostar;

IT support and development of business and technical applications

- IT support provided for successful implementation of FMIS project;
- Geographic Information System (GIS) implemented for Elektrodistribucija branch offices;
- Document Management System (DMS) implemented in the Company Directorate and Elektrodistribucija Sarajevo;
- Module for preparation of processing and electronic transfer of data from SOEE and SONN applications into SAP created;
- Elaboration and implementation of new versions of application "Services and connections" in accordance with new General Terms for delivery of electricity in all distribution parts of the Company;
- Elaboration and implementation of new versions of applications for issuing of EES, contract on the use of distribution network and contract on supplying with electricity consumers, in accordance with new General Terms for delivery of electricity.





FINANCIAL

የአገራችንን ግብርናዊ ስልጠናዎችን ለማድረግ ለሚገቡ ሰዎች ስልጠናዎችን።



HUMAN RESOURCES

REALIZATION OF PLAN OF HUMAN RESOURCES



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

ANNUAL
REPORT
FOR 2010.



REALIZATION OF PLAN OF HUMAN RESOURCES

According to the Plan of Business Operations of JP Elektroprivreda BiH for 2010, the number of employees at the end of 2010 cannot be higher than 4,982 employees, and during the year the number of employees cannot exceed 5,143, whereas this number did not include temporarily employed employees for replacement and a special category of interns engaged on basis of a special public advertisement.

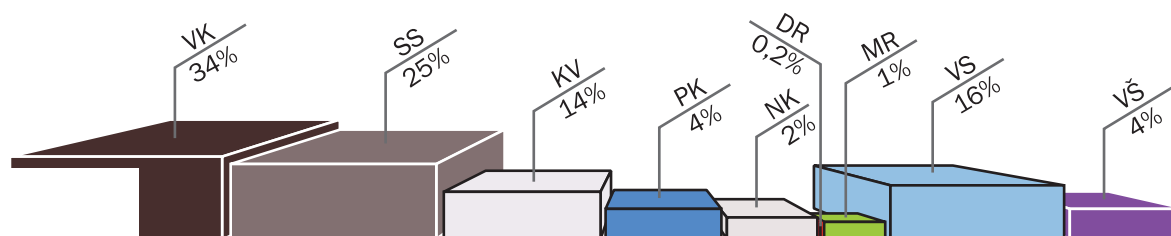
The employment of new employees was performed in accordance with the Decision of the Company's management on determining the method of realization of employment of new employees and engagement of interns in JP Elektroprivreda BiH – Sarajevo for the period 2010-2012, in accordance with the Plan. The employment of 117 new employees was planned for 2010, and on December 31, 2010, 110 new employees were employed.

As for employees for a fixed term, there were two categories, one was employees whose employment was conducted in accordance with the plan of employment for this year and their number was 162 out of 154 planned, and the second category was employees employed as temporary replacement for employees who are on sick leave for longer than 42 days and female employees on maternity leave, and there were 50 of those on December 31, 2010, and this category does not fall into planned limitations, neither the maximum allowed number at the end of the year nor the maximum allowed number at the end of the planning year.

On December 31, 2010, there were 44 interns in the Company, out of which 20 were persons who do not fall into planned limitations, neither the maximum allowed number at the end of the year nor the maximum allowed number at the end of the planning year and were engaged on a special public advertisement.

In the reporting period, 440 labor contracts were terminated, on all grounds (legal retirement, death of employee, agreed termination, resignation by employee, dismissal by employer and expiration of fixed-term contract).

QUALIFICATION STRUCTURE OF EMPLOYEES EMPLOYED ON AN INDETERMINATE PERIOD



PK	KV	SS	VK	VŠ	VS	MR	DR
203	680	1236	1653	188	783	56	12

- unqualified; **PK** – semi-skilled; **KV** – skilled; **SS** – secondary school education; **VK** – highly skilled; **VŠ** – non-university college degree; **VS** – university degree; **MR** – Magister; **DR** - PhD



A significant number of internal and external educations, workshops, presentation, specialist seminars, expert-consultancy meetings from various fields of interest for the Company were realized. During the reporting period, a number of “in-house” trainings were held in the fields that are of importance for the Company:

- Management of intellectual capital,
- Management of changes,
- Process of know-how management,
- Business negotiations,
- Resolving of managerial problems,
- Creation of system of responsibilities in company,
- Management of company with the assistance of business goals/success criteria,
- Finances for managers,
- Regional electricity market,
- Environmental protection in EU and BiH and obligations of JP Elektroprivreda BiH,
- Management of waste and dangerous substances,
- Trade with emissions of greenhouse gases,
- Internal and external revision in public companies,
- Bankruptcy plans as method of collection of claims, differences in collection in executive procedure, bankruptcy procedure and through bankruptcy plans,
- Property relations on real estates in BiH with a special emphasis on resolving of property relations on real estates in JP Elektroprivreda BiH,
- Public procurements
- Internal education “Process of investment and investment documentation”, “Project management of investments” and “Legal framework for realization of investments”,
- Internal education “Methods for improvement of quality management”,
- Communication skills and administrative skills of front office workers,
- Energy efficiency in JP Elektroprivreda BiH.

Approximately 1,000 employees, or around 20%, passed this form of education on the level of the Company. Significant progress was achieved in the selection of lecturers and institutions that performed the education and thus in the quality of education (average grade of the quality of educations was around 4.6). In 2010, four employees of the Company were sent to post-graduate studies and funds were approved for another four employees for the defense of magister's thesis. A total of 15 scholarships were awarded on the level of the Company.

Sending of employees to seminars, counseling, symposia, courses, training for acquiring/extension of validity of licenses, certificates, expert and other examinations (education on invitation) was conducted in accordance with the needs for individual development of employees and timely informing about changes in the environment, thus a total of 260 employees from the Company Directorate were sent to such forms of education.



NUMBER OF EMPLOYEES IN JP ELEKTROPRIVREDA BIH ON DECEMBER 31, 2010

ORGANIZATIONAL UNIT	Situation Dec. 31, 2010	Plan Dec. 31, 2010	Max. allowed number in a year	Indeterminate period	Fixed period per plan	Fixed period out of plan	Interns	Others	Total	Replacement fixed term	Special intern	Total
1 Management and independent organizational units in Management	90	95	95	94		1			95	1		96
2 Sector for Generation	11	11	11	11					11		1	12
3 Sector for Mining		8	8	8					8			8
4 Sector for Distribution, Operator	11	10	11	10					10		1	11
5 Sector for Management and Trade	21	22	22	21			1		22			22
6 Sector for Supplying	11	11	11	11					11			11
7 Economic Affairs	69	75	75	74				1	75			75
8 Legal and Personnel Affairs	15	14	14	14					14		1	15
9 Capital Investments	28	29	29	28					28			28
10 Development of Company	28	32	32	27			1	1	29		1	30
11 General Affairs	60	52	53	51	1				52			52
12 Office of the Company Secretary	4	4	4	4					4			4
13 Department for internal Revision	4	7	7	7					7			7
DIRECTORATE TOTAL	352	370	372	360	1	1	3	1	366	1	4	371
1 Hydro-Power Plants on river Neretva	403	403	407	401			3		404	1	2	407
2 Thermal Power Plant Kakanj	639	635	649	626			3	4	633	4	2	639
3 Thermal Power Plant Tuzla	721	737	766	722			6		728		2	730
4 Elektro distribucija Bihac	349	346	369	343		1	1		345	3	2	350
	59	58	58	57					57			57
	17	17	18	17					17			17
5 Elektro distribucija Mostar	425	421	445	417		1	1		419	3	2	424
	206	202	205	202					202	2	1	205
	26	26	26	26					26	1		27
6 Elektro distribucija Sarajevo	232	228	231	228					228	3	1	232
	587	578	598	575			2	*1	*578	15	2	*595
	88	91	91	87					87	4		91
7 Elektro distribucija Tuzla	5	5	5	4					4			4
	680	674	694	666			2	*1	*669	19	2	*690
	625	605	646	602	1		4		607	3	2	612
8 Elektro distribucija Zenica	92	95	95	92					92	2		94
	10	11	11	11					11			11
	727	711	752	705	1		4		710	5	2	717
COMMON FUNCTIONS TOTAL	708	683	707	684			2	1	687	13	3	703
	120	120	120	115					115	1		116
	828	803	827	799			2	1	802	14	3	819
COMMON FUNCTIONS TOTAL	298	308	309	299	1	1	2	1	304	1	2	307
GENERATION ACTIVITIES TOTAL	1806	1827	1875	1800			12	4	1816	5	7	1828
DISTRIBUTION ACTIVITIES TOTAL	2486	2424	2536	2416	1	1	9	2	2429	36	11	2476
TRADE ACTIVITIES TOTAL	21	22	22	21			1		22			22
SUPPLYING ACTIVITIES TOTAL	396	401	401	388					388	8		396
TOTAL COMPANY	5007	4982	5143	4924	2	2	24	7	4958	50	20	5028

* Employees temporarily reassigned to other organizational unit and whose labor relation in the parent department is "frozen" do not enter into the total number of employees on the level of the Company, since they are included in employees for fixed period in the Department to which they are reassigned.

REALIZATION OF PLAN OF HUMAN RESOURCES





SUMMARY

The business operations of JP Elektroprivreda BiH were conducted under the influence of global negative economic circumstances and market recession, which caused decreased consumption and demand for electricity in Bosnia and Herzegovina and the region. At the end of 2009, in the phase of elaboration of the Plan of Business Operations for 2010, a significant decrease of revenues in relation to 2009 and a negative result for 2010 was foreseen due to decreased demand and prices of electricity on the market and an increase of prices of coal and compensations. That is why the Plan of Business Operations foresaw a profit of only 2 million KM, and in the beginning of 2010 launching of a tariff procedure was initiated in order to change the prices for tariff consumers, which had been at the approximately same level for more than 10 years. However, respecting the views of the BiH Federation Government, the Supervisory Board gave up on its proposal for launching of a tariff procedure and concluded that the issue of launching of a tariff procedure was not to be discussed at the time. The realized business results of JP Elektroprivreda BiH for 2010 are characterized by the most important determinants, those were:

- Worldwide recession caused decreased consumption and demand for electricity in Bosnia and Herzegovina and the regional market, which led to a partial failure to fulfill the plan of sales to tariff consumers and very low prices for sale to non-tariff consumers (decrease of 30%);
- Positive indicators of realization of electricity consumption balance were realized (growth of generation, decreasing of specific consumption of heat, improving the heating value of coal, decreasing of distribution losses, growth of scope of sale on the market, etc.);





- High readiness for operation of power facilities;
- Although the generation of electricity was decreased in thermal power plants for 4.2%, very favorable hydrological situation – increase of hydro-energy for 28.1% in comparison to 2009, enabled an increase in the generation of electricity in total in JP Elektroprivreda BiH for 3.7%, and consequently lower generation costs;
- On the other hand, large supply of hydro-energy caused an additional decreasing of market prices and inability of sale of electricity from thermal power plants;
- Record generation so far of hydro power plants on river Neretva was realized;
- Increased costs of fees for water due to doubling of the amount of the fee and generation from hydro-power plants;
- Increase in the exchange rate of Japanese Yen and U.S. Dollar caused a negative effect on currency exchange rates of 6.4 million KM;
- Decreased number of no-voltage breaks, decreasing of duration of no-voltage breaks and further decreasing of technical losses of electricity in the distribution network.

The main risks that the Company may face in the upcoming period, and which made business operations in 2010 significantly more difficult, are:

- Lack of policy and strategy of development of the electric energy sector in Bosnia and Herzegovina;
- Increased risks of investment due to a decrease and slow recovery of export demand, whose financing is made difficult due to reductions of bank credits, meaning the introduction of even more strict credit criteria and a decrease of foreign investments which are present from the very beginning of the world financial crisis;
- Low level of prices of electricity for tariff consumers;
- Huge indebtedness and accrued liabilities by coal mines in the BiH Federation;
- New increase of prices of coal;
- Slowed down dynamics of investing into mines (complex procedures of public procurement);
- Problems with collection of payments due to decreased financial solvency of the population, lack of budgetary funds and non-liquidity of business entities;
- Change of prices of other energy-generating products (oil and natural gas);
- Announcement of construction of competition's facilities for generation in the surroundings; In the upcoming period, the activities and commitments of the Company will be directed toward the following key areas:
 - Start of construction of new generation capacities, with the priority, in addition to construction of replacement capacities in thermal power plants, being the construction and use of renewable energy sources (wind turbines and small hydro-power plants);
 - Restructuring and modernization of coal mines;
 - Restructuring and reorganization of JP Elektroprivreda BiH.

NATURE CREATES, WE BUILD THE FUTURE...

