GENERAL MANAGER’S REPORT

Elektroprivreda Hrvatske zajednice Herceg Bosne, d.d. Mostar, a public company for power generation, distribution and supply was founded on August 28, 1992 and since it has operated in 6 cantons in the Federation of Bosnia and Herzegovina. It is one of three power companies in Bosnia and Herzegovina and since April, 2004 it has been a joint stock company. The stock capital of the Company consists of 10% private capital and 90% state capital.

The Company operates six hydro power plants (Rama, Mostar, Jajce I, Jajce II, Poljčani and Čapljina) with the total capacity of 792 MW. The total power generation in 2008 was 1355,64 GWh.

The total length of the distribution network is 11,131 km. On December 31, 2008, EP HZ HB supplied 183,706 customers, including Aluminij d.d. Mostar company as the biggest customer in Bosnia and Herzegovina, and had 1729 employees.

In 2008, in spite of many problems and the business environment burdened with evident consequences of the economic crisis, the Company operated at a gross profit of BAM 7,333,131. The following contributed to good operating results: proper power system control, orientation to loss minimization and collection rate increase, conclusion of flexible contracts with customers and suppliers of electricity with risk sharing, good business relations with customers, control of operating costs and good human resources management. The application of new tariffs according to the FERC’s decision on tariffs for non-eligible (tariff) customers and the planned reduction of delivery to the 100 kV and higher level customers also had a positive influence on the Company performance.

As the strategic objective of the Company is construction of new generation facilities, the year 2008 was marked by continuation of the work on construction of the HPP Mostarsko Blato. Installation of the mechanical and electrical equipment (turbines-generators) and other equipment started in the already constructed facilities. Preparation of the design and tender documents continued for the projects approved through the POWER 4 program for the HPP Rama and PSPP Čapljina. For better efficiency, minor repair work and other activities were carried out in these plants and in the HPPs Jajce I and Jajce II.

For the projects of use of hydro energy, preparation of the feasibility study started and the research work was carried out for the small hydro power plants Kravice, Stubica, Dubrava and Luke. The pre-feasibility study was prepared for the HPP Han Skela and the hydro power plants on the Ugar River. For the PSPP Vrilo, preparation of the feasibility study started and the tender documents for the research work were prepared. For the projects of use of wind energy, we started activities on preparation of a
For further adjustment to the requirements of the modern business operations, all necessary preparations for production of the Financial Management Information System (FMIS) were made. The system will significantly modernize the financial management of the Company as a whole as well as of its organizational units. By implementation of this project, JP Elektroprivreda HZHB will be the first power company in the region to improve its business operations by integrating the processes of purchasing, selling, materials management, finance, controlling and fixed assets in a single, transparent and unified system.

For permanent improvement of the control of all business processes in the Company, we continued the activities on introducing the quality control system according to ISO 9001:2008 as well as on investment in human resources of the Company through awarding scholarships, employment and professional improvement.

Mato-Matan Žarić, B.Sc. (El. Eng.)
General Manager

comprehensive environmental and social impact assessment and of the general design for the 20/110 kV substations for the wind farms Borova Glava, Mesihovina and Velika Vlajna. The activities on issuing the building permits and solving the problem of property-rights relations were intensified.

We carried out the internal review of the report on the detailed geological research in the Kongora Lignite Deposit and started activities for preparation of the study for recognition of the reserves by the competent cantonal ministry.

Regular maintenance of the distribution network and facilities, and continuous investment of our own and credit funds in the distribution network improved the quality of electricity supply. The feasibility study for establishing the modern SCADA/DMS system of operation in the Power Distribution Division was prepared since we try to bring the distribution network and its operation as well as the supply quality to the level as required by the EU Directive. Supply to all customers was safe and reliable and establishment and implementation of the new information systems increased the collection rate.
On December 31, 2008 JP “Elektroprivreda HZ Herceg-Bosne” d.d. Mostar had 1729 employees. In comparison with the end of 2007, the number of employees increased by 7.1% or 114 employees.

At the end of 2008, out of the total number of employees in the Company’s Division and other organizational units, 86 were trainees employed on a temporary basis.

Comparing the qualification structure of the employees at the end of 2007 and 2008, the number of employees having university or associate degrees increased. This will undoubtedly have a positive influence on carrying out the given tasks.

The Company has been continuously working on professional improvement referring its employers to workshops, training courses and other types of education and training, and awarding scholarships and employing trainees to have jobs in high demand.

### HUMAN RESOURCES

#### EMPLOYEE QUALIFICATION STRUCTURE

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Power Generation Division</th>
<th>Power Distribution Division</th>
<th>Power Supply Division</th>
<th>Company’s Division and other organizational units</th>
<th>Total</th>
<th>Index</th>
<th>Structure in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.Sc.</td>
<td>47</td>
<td>97</td>
<td>33</td>
<td>173</td>
<td>118</td>
<td>109.2</td>
<td>109.2</td>
</tr>
<tr>
<td>M.Sc.</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>D.Sc.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>M.Biz.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>114</td>
<td>46</td>
<td>221</td>
<td>169</td>
<td>158.1</td>
<td>158.1</td>
</tr>
</tbody>
</table>

#### TRAINEES

- 1729 employees
- 114 employees increase
- 86 trainees employed on a temporary basis
JP "Elektroprivreda HZ Herceg-Bosne" d.d. Mostar has a good age structure. About 40% are employees under 40 and this enables comparatively easy adjustment to new working and operating conditions.

### EMPLOYEE AGE STRUCTURE

<table>
<thead>
<tr>
<th>Years of Age</th>
<th>Dec. 31, 2007</th>
<th>Dec. 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 10</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>10-19</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>20-29</td>
<td>129</td>
<td>123</td>
</tr>
<tr>
<td>30-39</td>
<td>155</td>
<td>155</td>
</tr>
<tr>
<td>40-49</td>
<td>37</td>
<td>38</td>
</tr>
<tr>
<td>50-59</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>60-69</td>
<td>547</td>
<td>547</td>
</tr>
<tr>
<td>over 70</td>
<td>1098</td>
<td>1131</td>
</tr>
<tr>
<td>Total</td>
<td>4155</td>
<td>4239</td>
</tr>
</tbody>
</table>

### EMPLOYEE EXPERIENCE STRUCTURE

![Employee Experience Structure Chart]

IP "Elektroprivreda HZ Hrvatske zajednice Herceg Bosne", a joint stock company, headquartered in Mostar, 106 A Mile Budak (hereinafter called: Company) has had the legal continuity since November 17, 1992 when the public company "Elektroprivreda Hrvatske zajednice Herceg Bosne" Inc. was registered in the register of companies of the Higher Court in Mostar under No. 1-1177. In July 1996, the Company was transformed into a limited liability company with the name Javno poduzeće "Elektroprivreda Hrvatske zajednice Herceg Bosne" d.o.o. Mostar.

According to the valid Decision on Approval of Registration of Privatization in the Register of Companies made by the Agency for Privatization in BiH Federation No: 03-13-185/04 of January 15, 2004, 10% state capital of the Company was privatized.

Pursuant to the provisions of the stated Decision of the Agency for Privatization in BiH Federation and provisions of Article 76 of the Law on Amendments of the Law on Economic Subjects (Official Gazette of BiH Federation No.29/03), the first meeting of the Shareholders’ Assembly of JP "Elektroprivreda Hrvatske zajednice Herceg Bosne" d.o.o. Mostar was held on March 8, 2003.

There was made the decision on change of the Company organization and adjustment of its status to the Law on Economic Subjects and the stated decision of the Agency for Privatization in BiH Federation, the Company by-law was adopted and its bodies were appointed.

Based on the stated documents, the Company was transformed into a joint stock company, its name was replaced by the name: Javno poduzeće "Elektroprivreda Hrvatske zajednice Herceg Bosne" d.o.o. Mostar, and it adjusted the capital and activities.

The Company activities are determined by the Company by-law.

The Company bodies are appointed according to the Company by-law: the Shareholders’ Assembly, Supervisory Board, Audit Board, and Management Board consisting of the general manager and executive directors of the Company.

The Company was registered in the Register of Companies of the Higher Court in Mostar (it is now under jurisdiction of the Municipal Court) under No. 1-1177 as well as in the Register of the Securities Commission of BiH Federation based on the Commission Decision No: 03-19-221/04 of April 28, 2004. On April 28, 2004, the Company concluded a contract with the Securities Agency of BiH Federation. The contract stipulates registration, keeping and updating of the data on the Company’s securities.

According to the standard classification of activities, the Company was, as a legal entity, registered under the activity subclass code: 40,100 – Power generation and distribution.

The company identification number is 422748350007.

The Company stock capital amounting to BAM 736,166,000 is divided into 7,361,760 ordinary shares.

The nominal value of a share is BAM 100.00.

The stock capital consists of:

- 10% private capital
- 90% state capital

Activities of the Company are: power generation, distribution and supply, trading, representing and agency services in the domestic electricity market, manufacture of the power distribution and control equipment, construction and maintenance of hydro-power plants, electrical installation and other installation work, civil engineering construction, maintenance of facilities in civil engineering and building construction, wholesale of machines for industry, handcraft sector and navigation, telecommunications, renting of own property, machines and equipment, consulting services for computer equipment (hardware), data processing, accounting, bookkee-
ping and auditing business concerning taxes, architectural and engineering activities and technical consulting, research and experimental development in technical and technological sciences and other business activities. Foreign trade operations of the Company are:

- Electricity imports and exports
- Foreign trade transactions in free zones
- Imports of goods and provision of services within the scope of the registered activities
- Agency services and representing in goods and services trade
- Imports of spare parts, raw materials and equipment for carrying out of activities

STRUCTURE OF COMPANY SHAREHOLDERS

According to the Decision of the Agency for Privatization in BiH Federation on Approval of Privatization Program and Company Initial Balance Sheet, in 2002, the public subscription for shares in the second round was carried out and 30% total capital amounting to BAM 73,616,600 was sold. Based on the data from the Securities Agency, on May 27, 2008 (30 days before the sixth meeting of the Shareholders’ Assembly on June 26, 2008), there were 1,635 shareholders. The ownership structure was as follows:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares</th>
<th>% of share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents – physical persons</td>
<td>176,588</td>
<td>2,7%</td>
</tr>
<tr>
<td>Residents – legal entities</td>
<td>7,156,280</td>
<td>97,2%</td>
</tr>
<tr>
<td>Residents – physical persons</td>
<td>7,152,900</td>
<td>99,6%</td>
</tr>
<tr>
<td>Non-residents – physical persons</td>
<td>5,297</td>
<td>0,8%</td>
</tr>
<tr>
<td>Non-residents – legal entities</td>
<td>22,265</td>
<td>0,3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,361,660</td>
<td>100%</td>
</tr>
</tbody>
</table>

The largest share among residents–legal entities is owned by the Government of BiH Federation (6,626,306 shares or 90%) and the rest (735,354 shares or 10%) is owned by investment funds, residents and non-residents – legal entities and physical persons.

STOCK TRADE – SASE

On September 15, 2004, JP *Elektroprivreda Hrvatske zajednice Herceg Bosne** was included in SASE – the Sarajevo Stock Exchange under the issuer symbol JPEMR and the initial share value was BAM 50. During the period of 2.5 years, the JPEMR share value was increased by more than 3 times and on December 31, 2006, the stock exchange quotation was BAM 155. At the beginning of 2007, the share value was BAM 154.2 and JPEMR was included in the MTS trading plan. This is a continuous trading plan and it is characteristic of the shares with a certain level of liquidity, frequency and intensity of trading in the stock exchange.

At the beginning of 2008, the share value was BAM 180. After that, its value decreased and on December 31, 2008 dropped to 55% of its nominal value (55%).

The graph shows the share value of the issuer JPEMR and number of shares traded by month in 2008.

SHARES IN RELATED LEGAL ENTITIES

JP *Elektroprivreda Hrvatske zajednice Herceg Bosne** has a share in the stock capital of the company “Konstruktor-Neretva” d.o.o. Capljina amounting to BAM 859,665. During 2006, the Company stock capital was increased by investment of the member Konstruktor-inženjering d.d. Split. This resulted in the decrease of our Company share to 14%. In the stock capital of the company Elektrokontrol H H BiH Capljina amounting to BAM 432,500.00, JP *Elektroprivreda Hrvatske zajednice Herceg Bosne** has a share of BAM 247,139 or 57.14%.

SHARI iN RELATED LEGAL ENTITIES

The graph shows the share value of the issuer JPEMR and number of shares traded by month in 2008.

The application of new tariffs from January 1, 2008 according to the FERC’s decision on tariffs for non-eligible (tariff) customers and the planned reduction of delivery to the 100 kV and higher level customers (Aluminij d.d. Mostar) had a positive influence on the Company performance.

As Aluminij d.d. Mostar also purchased electricity from other suppliers (HEP, EP BiH, Aluminij as an eligible customer), an adverse effect of the difference between the purchase and selling price according to tariffs was eliminated. So, in 2008 we did not have the problem we had during the whole year 2007.

PROFIT AND LOSS ACCOUNT

The total income amounted to BAM 339,296,892. It was 23% higher than the plan and 2% lower than in the previous year.

The operating income (income from sales of electricity and services) amounted to BAM 319,254,145. It was 23% higher than the plan. The income from sales of electricity included the income from sales to tariff customers at the distribution voltage levels (63.3%) and at 110 kV and higher levels (28.9%), and the income from international trade – electricity exports (7.8%).

The income from sales of services amounted to BAM 21,481,691. It included the income from sales of services to third parties (BAM 2,883,481) and the income from sales of reserve power in the international market according to the concluded contracts (BAM 18,598,210). The income from sales of services to third parties included the income from: issue of power connection certificates, project reviews, maintenance-
in and organization of the power network (Power Distribution Division), inspection of metering points, meter calibration, replacement of time switches, and cutting and reconnection of customers (Power Supply Division).

The other income (BAM 19,449,456) included the income from: previous years (BAM 414,822), collection of written-off receivables (BAM 2,714,284) and compensations for damages from insurance companies (BAM 323,426), subsequently determined expenses from the previous years (BAM 178,108).

The operating expenses (without depreciation costs, costs of electricity purchases and staff costs) were 10% lower than the plan and 8% lower than in the previous year. They were lower than the plan due to the reduced costs of raw materials and materials (76.1%), maintenance services (78%), spare parts (85.4%), insurance of property and persons (58.2%), contributions, membership fees and other levies (94.8%), PTT services (90.9%), other staff costs (85.4%).

The total expenses were 19.9% higher than the plan and 17 lower than in the previous year.

The salary budget was 1% smaller than the plan. It was 28% bigger than in the previous year due to the increase according to the Collective Agreement signed between the Trade Union of Electricity Workers of BiH and the Government of FBiH.

This Agreement stipulates the new payroll computation method based on the lowest net hourly rate of BAM 2.45 and average number of working hours of 1.4. This method was applied retroactively from January 1, 2008.

On December 31, 2008, the total receivables were BAM 200,715,197. Receivables from the tariff customers at distribution voltage levels were lower than at the end of the previous year. They were reduced to the greatest extent (by BAM 4.8 M) in the Supply Area Unit SOUTH.

The remaining portion included penalties and compensations for damages (BAM 23.426), subsequently determined expenses from the previous years (BAM 3,411,750), shortages (BAM 162,217) and other expenses (BAM 278,108).

The operating expenses (without depreciation costs, costs of electricity purchases and staff costs) were 10% lower than the plan and 8% lower than in the previous year. They were lower than the plan due to the reduced costs of raw materials and materials (76.1%), maintenance services (78%), spare parts (85.4%), insurance of property and persons (58.2%), contributions, membership fees and other levies (94.8%), PTT services (90.9%), other staff costs (85.4%).

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The remaining portion included penalties and compensations for damages (BAM 23.426), subsequently determined expenses from the previous years (BAM 3,411,750), shortages (BAM 162,217) and other expenses (BAM 278,108).
In the total assets, a share of the fixed assets was 88% and of the current assets 12%.

In the liabilities, a share of the capital was 78%, of the long-term liabilities 15% and of the current liabilities 7%.

### BALANCE SHEET

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>As of Dec. 31, 2007</th>
<th>As of Dec. 31, 2008</th>
<th>Share (in %)</th>
<th>Index %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Fixed assets</td>
<td>1,188,122,574</td>
<td>1,262,470,262</td>
<td>88</td>
<td>102,4</td>
</tr>
<tr>
<td>1.2</td>
<td>Current assets</td>
<td>234,017,473</td>
<td>238,811,575</td>
<td>12</td>
<td>103,6</td>
</tr>
<tr>
<td>2</td>
<td>Total Assets (1.1+1.2)</td>
<td>1,422,139,047</td>
<td>1,501,281,837</td>
<td>100</td>
<td>102,5</td>
</tr>
<tr>
<td></td>
<td>Contingent assets</td>
<td>126,719,721</td>
<td>126,719,721</td>
<td></td>
<td>100,0</td>
</tr>
<tr>
<td>0</td>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Capital</td>
<td>918,087,149</td>
<td>925,646,875</td>
<td>78</td>
<td>100,0</td>
</tr>
<tr>
<td>3.2</td>
<td>Long-term financial commitments</td>
<td>142,719,830</td>
<td>172,946,516</td>
<td>15</td>
<td>121,8</td>
</tr>
<tr>
<td>3.3</td>
<td>Long-term accruals and provisions</td>
<td>15,563,231</td>
<td>17,952,753</td>
<td>4</td>
<td>97,8</td>
</tr>
<tr>
<td>3.4</td>
<td>Current liabilities (3.1+3.2+3.3)</td>
<td>8,211,004</td>
<td>10,021,110</td>
<td>17</td>
<td>98,0</td>
</tr>
<tr>
<td>3.5</td>
<td>Short-term financial commitments</td>
<td>8,887,450</td>
<td>10,819,955</td>
<td>13</td>
<td>108,7</td>
</tr>
<tr>
<td>3.6</td>
<td>Trade payables and other liabilities</td>
<td>2,851,531</td>
<td>11,658,870</td>
<td>86</td>
<td>95,5</td>
</tr>
<tr>
<td>3.7</td>
<td>Other current liabilities</td>
<td>595,087</td>
<td>581,783</td>
<td>1</td>
<td>97,8</td>
</tr>
<tr>
<td>4</td>
<td>Total Liabilities (3.1+3.2+3.3)</td>
<td>1,188,122,574</td>
<td>1,262,470,262</td>
<td>100</td>
<td>102,5</td>
</tr>
<tr>
<td></td>
<td>Contingent liabilities</td>
<td>126,719,721</td>
<td>126,719,721</td>
<td></td>
<td>100,0</td>
</tr>
</tbody>
</table>

In the long-term liabilities, a share of the deferred income was 4% and of the long-term credits 57%.

The capital consists of the stock capital amounting to BAM 736,166,001.00, revaluation reserves BAM 262,970,524, retained earnings BAM 28,673,601 and accumulated losses BAM 92,163,950.

The Power Generation Division is a part of JP "Elektroprivreda HZ Herceg Bosne" d.d. Mostar which core activity is power generation but auxiliary and system services are also provided.

The total capacity of six hydro power plants (HPPs Rama, Mostar, Jajce I, Jajce II, Peć Mlini and PSP Čapljina) is 192 MW. The HPP Mostarsko Blato (2x30 MW) with the planned annual output of 167 GWh is expected to be put into operation in the last quarter of 2009.

The operating conditions in all hydro power plants are very good and they are included in the systems of generation remote control from the Main Dispatch Centre of EP HZ HB in Mostar.

Activities on the projects of power generation from renewable sources are in progress. This would provide additional MWs for the needs of EP HZ HB.
HPP MOSTAR

The hydro power plant Mostar is the last plant in the range of the plants constructed on the Neretva river and is located 3.73 km upstream of the city of Mostar in Herzegovina-Neretva Canton. It was put into operation in 1968.

Number of generating sets: 2
Installed capacity: 160 MW
Type: Diversion - storage

Generators:
- Type: 3-phase synchronous S-4758-16
- Manufacturer: Končar
- Put into operation: 1968
- Nominal power: 90 MVA

Turbines:
- Type: Francis
- Manufacturer: Litostroj
- Installed capacity: 80 MW
- Installed capacity: 23.6 MW

DAM AND RESERVOIR:
- Dam construction height: 103 m
- Dam height: 96 m
- Hydraulic height: 89 m
- Crest length: 205 m
- Headrace tunnel length: 915 m
- Headrace tunnel diameter: 5 m
- Crest elevation: 81 m a.s.l.

HPP RAMA

The hydro power plant Rama is the largest plant in the system of the hydro power plants on the Neretva river. It is located in Herzegovina-Neretva Canton. The power house is situated by the road Jablanica-Rama and the dam and reservoir in the very vicinity of the town of Prozor-Rama. It was put into operation in 1968.

Number of generating sets: 2
Installed capacity: 160 MW
Type: Diversion - storage

Generators:
- Type: 3-phase synchronous S-4758-16
- Manufacturer: Končar
- Put into operation: 1968
- Nominal power: 90 MVA

Turbines:
- Type: Francis
- Manufacturer: Litostroj
- Installed capacity: 80 MW
- Installed capacity: 23.6 MW

DAM AND RESERVOIR:
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- Dam height: 96 m
- Hydraulic height: 89 m
- Crest length: 205 m
- Headrace tunnel length: 915 m
- Headrace tunnel diameter: 5 m
- Crest elevation: 81 m a.s.l.
The hydropower plant Peć Mlini is located in the municipality of Grude in West Herzegovina Canton. It uses energy potential at a head of 107 m between the Imotski-Grude field–Nuga reservoir and power house in the Petnik hill foot in Peć Mlini. It was put into operation in 2004.

**PSPP Čapljina**

The pumped storage power plant is located on the lower Trebišnjica river in Herzegovina–Neretva Canton. It collects its catchment inflow water and the Trebišnjica water through the Popovo field. It was put into operation in 1979.

### HPP Peć Mlini

- **Number of generating sets**: 2
- **Installed capacity**: 30 MW
- **Plant type**: Diversion - run-of-river

#### GENERATORS
- **Type**: 3-phase synchronous
- **Manufacturer**: Končar
- **Put into operation**: 2004
- **Nominal power**: 15 MW

#### TURBINES
- **Type**: Francis
- **Manufacturer**: Litostroj
- **Installed capacity**: 15.60 MW

#### DAM and RESERVOIR
- **Upper reservoir level - maximum**: 252 m a.s.l.
- **Upper reservoir level - minimum**: 249 m a.s.l.
- **Nominal discharge – turbine mode**: 15 m³/s
- **Headrace tunnel length**: 1547 m
- **Headrace tunnel diameter**: 3.6 m

### PSPP Čapljina

- **Number of generating sets**: 2
- **Installed capacity**: 440 MW
- **Plant type**: Reversible - pumped storage

#### GENERATORS
- **Type**: 3-phase synchronous
- **Manufacturer**: AEG
- **Put into operation**: 1979
- **Nominal power**: 240 MVA

#### TURBINES
- **Type**: Francis
- **Manufacturer**: Riva- Calzoni
- **Installed capacity**: 210 MW

#### DAM and RESERVOIR
- **Upper reservoir level - maximum**: 231.5 m a.s.l.
- **Upper reservoir level - minimum**: 224 m a.s.l.
- **Nominal discharge – turbine mode**: 112 m³/s
- **Nominal discharge – pumping mode**: 95 m³/s
The hydro power plant Jajce II was constructed on the Vrbas river 1.7 km downstream of the town of Jajce in Middle Bosnia Canton. It was put into operation in 1954.

**HPP JAJCE II**

- Number of generating sets: 3
- Installed capacity: 30 MW
- Plant type: Diversion - run-of-river

**Generators**
- Type: 3-phase
- Synchronous
- Manufacturer: Končar
- Put into operation: 1954
- Nominal power: 12.5 MVA

**Turbines**
- Type: Francis
- Manufacturer: Voith + Litostroj
- Installed capacity: 10 MW

**DAM and RESERVOIR**
- Minimum operating reservoir level: 326.5 m a.s.l.
- Maximum operating reservoir level: 328.5 m a.s.l.
- Headrace tunnel length: 1080 m
- Headrace tunnel diameter: 5.5 m

The hydro power plant Jajce I is located on the left bank of the Vrbas river by the road Jajce- Banjaluka in Middle Bosnia Canton. It is 7 km far from the town of Jajce. It collects the water of the Big Pliva lake which is situated at the height of 428 m a.s.l. It was put into operation in 1957.

**HPP JAJCE I**

- Number of generating sets: 2
- Installed capacity: 60 MW
- Plant type: Diversion - run-of-river

**Generators**
- Type: 3-phase
- Synchronous
- Manufacturer: Končar
- Put into operation: 1957
- Nominal power: 36 MVA

**Turbines**
- Type: Francis
- Manufacturer: KMW
- Installed capacity: 30 MW

**DAM and RESERVOIR**
- Minimum operating reservoir level: 425.8 m a.s.l.
- Maximum operating reservoir level: 427.1 m a.s.l.
- Headrace tunnel length: 5700 m
- Headrace tunnel diameter: 5.4 m
HPP MOSTARSKO BLATO UNDER CONSTRUCTION

The hydro power plant Mostarsko Blato is located south-west of Mostar and will use energy potential of the Lištica river at the head of 176 m between Mostarsko Blato and Mostarsko Polje.

Construction period: 2006 – 2009

The hydro power plant Mostarsko Blato will be connected to the 110 kV Mostar 4 (Čule) – Mostar 5 (Kodža) transmission line.

PREPARATION AND DELIVERY OF GENERAL AND FINAL DESIGNS FOR HPP MOSTARSKO BLATO

The design team of Elektroprojekt prepared the general designs for the HPP Mostarsko Blato and in 2008, preparation of the final designs was in the final stage.

CONSTRUCTION OF INTAKE STRUCTURE, HEADRACE TUNNEL, SURGE CHAMBER AND VALVE CHAMBER

In 2008, we started the intensive work on construction of the intake structure, headrace tunnel, surge chamber and valve chamber. We also started installation of the trashrack in the intake structure and grouting of the reinforced concrete lining in the headrace tunnel. With this, construction of the headrace tunnel as a big and important facility will be completed.

CONSTRUCTION OF PENSTOCK, POWER HOUSE, TAILRACE BASIN AND FLOOD CHANNEL

The penstock supports and power house were constructed. This enabled installation of the mechanical and electrical equipment.

Installation of the generating sets (turbines-generator) and other equipment started in the power house.

MECHANICAL AND ELECTRICAL EQUIPMENT

Most of the mechanical and electrical equipment was manufactured, factory tested, transported to the site and partially installed. We started installation of the generating sets 1 and 2 and other equipment.
### POWER GENERATION IN HYDRO POWER PLANTS IN 2008 BY MONTH (GWh)

<table>
<thead>
<tr>
<th>Month</th>
<th>HPP Jajce II</th>
<th>HPP Jajce</th>
<th>HPP Mostar</th>
<th>PSPP Čapljina</th>
<th>HPP Rama</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>56,37</td>
<td>20,69</td>
<td>23,02</td>
<td>12,70</td>
<td>19,72</td>
</tr>
<tr>
<td>February</td>
<td>60,48</td>
<td>8,25</td>
<td>20,76</td>
<td>13,17</td>
<td>15,45</td>
</tr>
<tr>
<td>March</td>
<td>73,77</td>
<td>3,35</td>
<td>22,72</td>
<td>14,44</td>
<td>13,09</td>
</tr>
<tr>
<td>April</td>
<td>24,20</td>
<td>0,00</td>
<td>21,37</td>
<td>17,27</td>
<td>7,20</td>
</tr>
<tr>
<td>May</td>
<td>73,93</td>
<td>0,94</td>
<td>14,80</td>
<td>13,81</td>
<td>2,84</td>
</tr>
<tr>
<td>June</td>
<td>24,20</td>
<td>0,00</td>
<td>14,80</td>
<td>13,81</td>
<td>2,84</td>
</tr>
<tr>
<td>July</td>
<td>16,45</td>
<td>5,33</td>
<td>35,02</td>
<td>120,65</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>23,10</td>
<td>0,00</td>
<td>21,79</td>
<td>23,32</td>
<td>17,27</td>
</tr>
<tr>
<td>September</td>
<td>71,25</td>
<td>2,10</td>
<td>12,00</td>
<td>7,16</td>
<td>0,94</td>
</tr>
<tr>
<td>October</td>
<td>68,72</td>
<td>1,58</td>
<td>19,35</td>
<td>8,66</td>
<td>0,95</td>
</tr>
<tr>
<td>November</td>
<td>32,26</td>
<td>0,00</td>
<td>22,68</td>
<td>12,81</td>
<td>0,94</td>
</tr>
<tr>
<td>December</td>
<td>42,21</td>
<td>1,51</td>
<td>12,00</td>
<td>7,16</td>
<td>0,94</td>
</tr>
</tbody>
</table>

**Total**

|          | 557,31       | 115,42    | 250,25     | 209,21        | 152,38   |

### SHARE OF PLANTS IN TOTAL POWER GENERATION IN 2008 (%)

- HPP Jajce II: 42%
- HPP Jajce: 16%
- HPP Mostar: 15%
- PSPP Čapljina: 9%
- HPP Rama: 11%

### TOTAL POWER GENERATION IN 2007 AND 2008 (GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>HPP Rama</th>
<th>PSPP Čapljina</th>
<th>HPP Mostar</th>
<th>HPP Jajce</th>
<th>HPP Jajce II</th>
<th>HPP Peć Mlini</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>467,03</td>
<td>111,24</td>
<td>115,62</td>
<td>113,24</td>
<td>111,24</td>
<td>39,71</td>
<td>1124,07</td>
</tr>
<tr>
<td>2008</td>
<td>557,31</td>
<td>115,42</td>
<td>250,25</td>
<td>209,21</td>
<td>152,38</td>
<td>71,08</td>
<td>1355,64</td>
</tr>
</tbody>
</table>

### POWER GENERATION FROM 2000 TO 2008 (GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>HPP Rama</th>
<th>PSPP Čapljina</th>
<th>HPP Mostar</th>
<th>HPP Jajce</th>
<th>HPP Jajce II</th>
<th>HPP Peć Mlini</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>653,00</td>
<td>722,30</td>
<td>445,00</td>
<td>570,00</td>
<td>614,98</td>
<td>728,26</td>
<td>4673,31</td>
</tr>
<tr>
<td>2001</td>
<td>603,00</td>
<td>283,18</td>
<td>117,00</td>
<td>162,00</td>
<td>327,20</td>
<td>317,93</td>
<td>1079,57</td>
</tr>
<tr>
<td>2002</td>
<td>181,13</td>
<td>197,34</td>
<td>199,00</td>
<td>200,00</td>
<td>251,10</td>
<td>239,02</td>
<td>1668,69</td>
</tr>
<tr>
<td>2003</td>
<td>193,33</td>
<td>197,34</td>
<td>199,00</td>
<td>200,00</td>
<td>251,10</td>
<td>239,02</td>
<td>1668,69</td>
</tr>
<tr>
<td>2005</td>
<td>1107,27</td>
<td>1668,04</td>
<td>1173,00</td>
<td>1232,00</td>
<td>1688,05</td>
<td>1768,65</td>
<td>11240,07</td>
</tr>
<tr>
<td>2007</td>
<td>467,03</td>
<td>111,24</td>
<td>115,62</td>
<td>113,24</td>
<td>111,24</td>
<td>39,71</td>
<td>1124,07</td>
</tr>
<tr>
<td>2008</td>
<td>557,31</td>
<td>115,42</td>
<td>250,25</td>
<td>209,21</td>
<td>152,38</td>
<td>71,08</td>
<td>1355,64</td>
</tr>
</tbody>
</table>

### POWER GENERATION IN HYDRO POWER PLANTS IN 2008 PER MONTHS

- **HPP Jajce II**
- **HPP Jajce**
- **HPP Mostar**
- **PSPP Čapljina**
- **HPP Rama**
- **HPP Peć Mlini**

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28 2008 ANNUAL REPORT

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### Power Generation Trend from 2000 to 2008

<table>
<thead>
<tr>
<th>Year</th>
<th>HPP Rama</th>
<th>HPP Čapljina</th>
<th>HPP Mostar</th>
<th>HPP Jajce I</th>
<th>HPP Jajce II</th>
<th>HPP Peć</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>653.80</td>
<td>122.65</td>
<td>181.13</td>
<td>197.95</td>
<td>152.63</td>
<td>1307.17</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>722.90</td>
<td>283.18</td>
<td>197.34</td>
<td>226.81</td>
<td>170.31</td>
<td>1600.54</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>455.00</td>
<td>117.00</td>
<td>199.00</td>
<td>229.00</td>
<td>173.00</td>
<td>1173.00</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>570.00</td>
<td>162.00</td>
<td>200.00</td>
<td>163.00</td>
<td>122.00</td>
<td>1375.00</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>674.98</td>
<td>327.20</td>
<td>241.54</td>
<td>161.00</td>
<td>6,89</td>
<td>1668.65</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>729.26</td>
<td>317.59</td>
<td>242.47</td>
<td>161.70</td>
<td>75.22</td>
<td>1894.79</td>
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<tr>
<td>2006</td>
<td>864.94</td>
<td>335.68</td>
<td>256.25</td>
<td>152.38</td>
<td>72.08</td>
<td>2192.80</td>
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<tr>
<td>2007</td>
<td>467.03</td>
<td>323.74</td>
<td>263.13</td>
<td>170.00</td>
<td>98.79</td>
<td>1519.97</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>557.11</td>
<td>315.42</td>
<td>250.25</td>
<td>209.21</td>
<td>1155.94</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Power Generation in 2007 and 2008 by Month

- May: 0 (2007), 0 (2008)
- June: 0 (2007), 0 (2008)
- July: 0 (2007), 0 (2008)
- August: 0 (2007), 0 (2008)
- November: 0 (2007), 0 (2008)
- December: 0 (2007), 0 (2008)
In order to have our own development program and meet the demands of our customers, we launched development projects having in mind the electricity demand up to 2023.

Our development is based on:
- Use of wind energy
- Use of hydro energy
- Kongora lignite mine and thermal power plant

In addition, the preparations are made for the project of use of solar energy and we have to consider the place and role of EP HZHB in the projects of gasification in this area.

According to the strategic plan and program for BiH energy, the development projects of EP HZHB are included in the top-priority projects in BiH.

USE OF WIND ENERGY

After the activities on research and development that started in 2004, three wind farm projects are ready for implementation: Borova Glava – Ljuma (26 wind turbines x 2 MW), Mesihovina – Tomislavgrad (22 x 2 MW) and Velika Vlajna – Mostar (16 x 2 MW). The foreseen annual output in these wind farms is 370 MWh.

In 2008, we started preparation of the general design for the 20/110 kV substations for the wind farms Borova Glava, Mesihovina (Tomislavgrad Municipality) and Velika Vlajna. For these substations, the research work was carried out, research reports were prepared and preliminary design was prepared and reviewed. The activities on issuing of the building permits for the first three wind farms were intensified.

Within the bilateral cooperation between the Federal Republic of Germany and BiH, the German Development Bank (KfW) indicated its willingness to finance construction of the wind farm Mesihovina with a possibility of extension of the cooperation to other projects. The Loan Agreement for construction of the wind farm Mesihovina was concluded between the Government of the Federal Republic of Germany and the Council of Ministers of BiH. The funds would be available in 2009.

Before providing the credit funds for construction of the wind farm Mesihovina, KfW provided a grant for preparation of the feasibility study that confirmed a possibility of use of wind energy in three sites: Mesihovina, Borova Glava and Velika Vlajna. KfW accepted the study in October, 2008. The Development Department of EP HZHB gave the technical support for preparation of the study and reviewed it. We started the activities on preparation of a comprehensive environmental and social impact assessment also financed out of the grant funds provided by KfW.

Similar arrangements were negotiated with other potential financiers and significant progress was made in the field of cooperation with some financial institutions (EBR, EIB, WB).

USE OF HYDRO ENERGY

Elektroprivreda HZHB d.d. Mostar works on the projects of research and development of small, pumped storage and conventional hydro power plants in the Neretva, Tihaljina – Mlade – Trebižat (T-M-T), Lištica, Upper Cetina and Vrbas river basins. The total installed capacity of these plants will be about 211 MW and annual output about 546 GWh. The Development Department prepared the study “Hydro Power Solutions in Neretva River Basin downstream of HPP Mostar” and after that the Faculty of Civil Engineering of Mostar University prepared the pre-feasibility study for the HPP Okalja.

In the T-M-T and Lištica river basins, the research work was carried out and the research reports were prepared for the small hydro power plants Kranje, Ilibica, Dubrava, Luke and Jokotarica. The studies of alternatives were prepared for the stated small hydro power plants in the T-M-T and Lištica river basins.
In the Vrbas river basin, the study "Hydro Power Plants on Ugar River" for three plants: Ugar Ušće, Ivik and Vrletna Kosa was prepared and reviewed. For the HPP Bravnice (Han Skela) on the Vrbas river, the tender documents were prepared and the procedure for public procurement of the service of the design preparation was carried out.

In the Upper Cetina river basin, the research program was prepared within the preparation of the feasibility study for the PSPP Vrilo. Based on this program, the Financing Agreement for the project implementation was signed between KfW and JP EP HZHB.

The European Bank for Reconstruction and Development (EBRD) finances the study "Strategic Environmental Assessment of Trebižat and Cetina River Basins" to be prepared in accordance with the EU directives (Directive 2001/42/EC) and appropriate documents. The Draft Final Report was prepared and we started the activities for carrying out of public consultations.

**KONGORA LIGNITE MINE AND THERMAL POWER PLANT**

In the period 2007 -2008, JP Elektroprivreda HZHB d.d. Mostar carried out the detailed geological research in the Kongora Lignite Deposit in Tomislavgrad. This research supplemented the previous research. In 2008, the following documents were prepared: Report on Research Drilling and Excavation, Study on Coal Quality and Study on Geomechanical and Laboratory Testing of Physical-Mechanical Features of Coal and Accompanying Seam. Preparation of the Study on Kongora Lignite Deposit Classification, Categorisation and Estimate of Reserves was started.

The results of the geomechanical testing and hydrogeological research prove that this deposit is suitable for surface extraction with application of the latest technologies. The obtained results confirm the assumptions. In some important parameters (weighted lower heating value, total sulphur and total balance reserves) they are even better than the assumption. It enables continuation of preparation of the designs and studies for the Kongora Lignite Mine and Thermal Power Plant.

We started preparation of the hydrogeological study for the Kongora Deposit. Preparations were started for the analysis of the level of exploration for coal in the rest of Herceg Bosna Canton.

**GIS PROJECT**

The official cadastral plans and maps MC L:1:2500 and 1000 were vectorized for the project of the PSPP Vrilo. The usufrust data base was made for the projects of the wind farms Mešchina, Bonova Glava and Velika Vlaja, and the small hydro power plants Kavice, Stobic, Dubrava, Luke and Fran. Tarska. The 3D models were created for making of complex geanalyses, automatic calculation of surface and cubic volume within the given area, automatic profile generation etc. on the basis of the created network 3D models in the GIS tool environment.

### Table – Installed capacity and annual output of existing and new generation facilities

<table>
<thead>
<tr>
<th>Item</th>
<th>Name</th>
<th>Installed capacity</th>
<th>Annual output 2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wind farms</td>
<td>MW</td>
<td>0</td>
<td>128</td>
<td>338</td>
<td>466</td>
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<tr>
<td>1.</td>
<td></td>
<td>GW</td>
<td>0</td>
<td>368</td>
<td>886</td>
<td>1294</td>
</tr>
<tr>
<td>2.</td>
<td>Hydro power plants</td>
<td>MW</td>
<td>174</td>
<td>337</td>
<td>560</td>
<td>818</td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>GW</td>
<td>550</td>
<td>1078</td>
<td>1450</td>
<td>1880</td>
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<tr>
<td>2. 1.</td>
<td>Pumped storage power plant</td>
<td>MW</td>
<td>440</td>
<td>544</td>
<td>648</td>
<td>744</td>
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<tr>
<td>2. 1.</td>
<td></td>
<td>GW</td>
<td>600</td>
<td>766</td>
<td>886</td>
<td>1028</td>
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<tr>
<td>2. 2.</td>
<td>Small hydro power plants</td>
<td>MW</td>
<td>0</td>
<td>55.28</td>
<td>78.62</td>
<td>97.62</td>
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<tr>
<td>2. 2.</td>
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<td>GW</td>
<td>0</td>
<td>123</td>
<td>159</td>
<td>205</td>
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<tr>
<td>3.</td>
<td>Thermal power plants</td>
<td>MW</td>
<td>550</td>
<td>930</td>
<td>990</td>
<td>1050</td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td>GW</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
</tr>
<tr>
<td>4.</td>
<td>Renewable energy sources</td>
<td>MW</td>
<td>782</td>
<td>1128</td>
<td>1288</td>
<td>1444</td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td>GW</td>
<td>1296</td>
<td>1493</td>
<td>1693</td>
<td>1893</td>
</tr>
<tr>
<td>5.</td>
<td>Fossil fuels</td>
<td>MW</td>
<td>0</td>
<td>550</td>
<td>550</td>
<td>550</td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td>GW</td>
<td>0</td>
<td>3000</td>
<td>3000</td>
<td>3000</td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td>GW</td>
<td>0</td>
<td>1078</td>
<td>1358</td>
<td>2050</td>
</tr>
<tr>
<td>6.</td>
<td>Total</td>
<td>MW</td>
<td>1800</td>
<td>2494</td>
<td>6429</td>
<td>7117</td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td>GW</td>
<td>2494</td>
<td>6429</td>
<td>7117</td>
<td>7117</td>
</tr>
</tbody>
</table>

**Map of existing and planned generation facilities of JP EP HZHB**
In 2008, a share of the Power Distribution Division in the total investment of the Company was 35.5%.

The network and facilities are operated conventionally through five dispatch centers in the headquarters of the distribution area units and sections. The modern SCADA/DMS system of operation is planned to be established soon. The feasibility study was prepared in 2008.

In 2008, there were 8,346 power connection applications out of which 8,091 were approved.

TELECOMMUNICATIONS AND COMPUTER NETWORK
As late as 2005, establishment of the connection system through HT was completed. This enabled closing and connecting of the distribution business system. Using the established computer network, the work of users was organized and connection to Internet was made. Internet access is controlled through the ISA server and antivirus protection is ensured through the system.

In 2008, the computer equipment was procured and development of the computer networks continued. We started preparation of the telecommunication infrastructure project of installation of optic cables between the 110/15kV substations and office buildings. This would enable closing of the telecommunications system through OPGW cables.

METERING IN POWER SYSTEM
At the points of electricity acceptance from TRANSCO, meters are installed by TRANSCO. At the 0.4 and 10 kV points of electricity acceptance between power companies, meters are installed by the Power Distribution Division in cooperation with the Power Supply Division. Meters are installed and electricity and power are metered in all points.

Activities on installation of control meters started. This project is financed out of the EBRD credit funds and also includes construction of the distribution metering center in Mostar. This is a very important project because its implementation will make it possible for us to have exact data on losses in the MV network and locate losses in the LV network.
### DISTRIBUTION FACILITIES IN 2008

#### (1)CAB

<table>
<thead>
<tr>
<th>Substations</th>
<th>35/10(20) kV substations</th>
<th>10(20)/0.4 kV substations</th>
<th>35 kV MV lines</th>
<th>10(20) kV MV lines</th>
<th>0.4 kV LV lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of substations installed (MVA)</td>
<td>Number of substations installed (KVA)</td>
<td>Installed power (MVA)</td>
<td>Installed power (KVA)</td>
<td>Length of overhead lines (km)</td>
<td>Length of underground lines (km)</td>
</tr>
<tr>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DAU SOUTH</td>
<td>8</td>
<td>27</td>
<td>2.189</td>
<td>662.356</td>
<td>119</td>
</tr>
<tr>
<td>DAU WEST</td>
<td>9</td>
<td>22</td>
<td>713</td>
<td>221.660</td>
<td>58</td>
</tr>
<tr>
<td>DAU NORTH</td>
<td>3</td>
<td>28</td>
<td>287</td>
<td>82.620</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15</td>
<td>66</td>
<td>3.189</td>
<td>965.216</td>
<td>218</td>
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</table>

#### (2)CAB

<table>
<thead>
<tr>
<th>Substations</th>
<th>110/10(20) kV substations</th>
<th>35/10(20) kV substations</th>
<th>10(20)/0.4 kV substations</th>
<th>35 kV MV lines</th>
<th>10(20) kV MV lines</th>
<th>0.4 kV LV lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of substations installed (MVA)</td>
<td>Number of substations installed (KVA)</td>
<td>Installed power (MVA)</td>
<td>Installed power (KVA)</td>
<td>Length of overhead lines (km)</td>
<td>Length of underground lines (km)</td>
<td>Total length (km)</td>
</tr>
<tr>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td></td>
<td></td>
<td></td>
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<td>22</td>
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<td>PC TRANSCO</td>
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<td>28</td>
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<td>TOTAL</td>
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<td>76</td>
<td>3.771</td>
<td>965.236</td>
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#### (3)CAB

<table>
<thead>
<tr>
<th>Substations</th>
<th>35/10(20) kV substations</th>
<th>10(20)/0.4 kV substations</th>
<th>35 kV MV lines</th>
<th>10(20) kV MV lines</th>
<th>0.4 kV LV lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of substations installed (MVA)</td>
<td>Number of substations installed (KVA)</td>
<td>Installed power (MVA)</td>
<td>Installed power (KVA)</td>
<td>Length of overhead lines (km)</td>
<td>Length of underground lines (km)</td>
</tr>
<tr>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
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<td>3.189</td>
<td>965.216</td>
<td>218</td>
<td>7</td>
</tr>
</tbody>
</table>
POWER SUPPLY DIVISION

The organizational parts of the division are:
1. Executive Director’s Office
2. Supply Area Unit SOUTH
3. Supply Area Unit CENTER
4. Supply Area Unit NORTH

Supply area units consist of departments and sections carrying out the activity of power supply.

The employees of the division are responsible for safe and reliable supply to customers as well as for electricity billing and collection. On December 31, 2008, there were 183,570 customers.

NUMBER OF CUSTOMERS BY CLASS AS OF DECEMBER 31, 2008:

<table>
<thead>
<tr>
<th>Class</th>
<th>Number of customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 kV</td>
<td>3</td>
</tr>
<tr>
<td>35 kV</td>
<td>3</td>
</tr>
<tr>
<td>10 (20) kV</td>
<td>119</td>
</tr>
<tr>
<td>Households</td>
<td>167,101</td>
</tr>
<tr>
<td>Other consumption</td>
<td>14,870</td>
</tr>
<tr>
<td>Street lighting</td>
<td>1,474</td>
</tr>
<tr>
<td>Total</td>
<td>183,570</td>
</tr>
</tbody>
</table>

CUSTOMERS BY SUPPLY AREA UNIT

<table>
<thead>
<tr>
<th>Supply Area Unit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH</td>
<td>65%</td>
</tr>
<tr>
<td>CENTER</td>
<td>26%</td>
</tr>
<tr>
<td>SOUTH</td>
<td>9%</td>
</tr>
</tbody>
</table>

ACCEPTED ELECTRICITY BY SUPPLY AREA UNIT

<table>
<thead>
<tr>
<th>Supply Area Unit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH</td>
<td>8%</td>
</tr>
<tr>
<td>CENTER</td>
<td>22%</td>
</tr>
<tr>
<td>SOUTH</td>
<td>70%</td>
</tr>
</tbody>
</table>
COLLECTION RATE AT DISTRIBUTION LEVEL:
- Supply Area Unit SOUTH: 99.69%
- Supply Area Unit CENTER: 99.73%
- Supply Area Unit NORTH: 99.67%

DISTRIBUTION NETWORK LOSSES:
- Supply Area Unit SOUTH: 18.34%
- Supply Area Unit CENTER: 18.37%
- Supply Area Unit NORTH: 10.26%

NUMBER OF SUITS BROUGHT FOR DEBT:
- Supply Area Unit SOUTH: 2,691
- Supply Area Unit CENTER: 1,760
- Supply Area Unit NORTH: 101

NUMBER OF INSPECTIONS OF METERING POINTS AND CONNECTIONS:
- Supply Area Unit SOUTH: 33,968
- Supply Area Unit CENTER: 16,646
- Supply Area Unit NORTH: 3,444

STRUCTURE OF BILLED ELECTRICITY (MWH)
- 11% Other users
- 20% 10kV customers
- 11% 35kV customers
- 53% Street lighting

RATIO OF ELECTRICITY ACCEPTED BY CUSTOMERS AT DISTRIBUTION LEVEL AND BY OTHER TARIFF CUSTOMERS
- Households: 39%
- Other customers: 61%

MAXIMUM (DECEMBER 31, 2008 AT 7 P.M.) AND MINIMUM (JUNE 26, 2008 AT 5 A.M.) DAILY CONSUMPTION IN 2008

MAXIMUM AND MINIMUM HOURLY CONSUMPTION BY MONTH IN 2008

DAILY LOAD DIAGRAM
- June 26, 2008
- December 31, 2008
In 2008, the total power generation in the hydro power plants operated by our company was 1355.64 GWh or 88.7% of the plan. Power generation in all hydro power plants except in the HPP Mostar was lower than the plan due to unfavorable hydrological circumstances. The total power consumption (2,432.04 GWh) was higher than the plan (107.4%).

The losses at the distribution voltage levels of 15.62% were still higher than the plan (13.77%) but lower than in the previous year (16.63%).

The collection rate was 97.83%. It was at the level of the plan (97%). Achievement of the planned collection rate had a positive influence on the Company liquidity. All liquidity ratios – ratios of current liquidity, day-to-day liquidity, accelerated liquidity and financial stability were within the scope of the plan and better than in 2007.

In the period January – December 2008, the planned investment amounted to BAM 144,943,321 and realized investment BAM 72,591,576 or 50%.

As a result of the good Company performance in 2008, the profitability ratios – gross profit margin, ROA (return on assets), ROE (return on equity), ROI (return on investment) and EBITDA (earnings before interest, taxes, depreciation and amortization) and EBIT (earnings before interest and taxes) were better than in the previous year.

The investment indicators – labour productivity and EPS (earnings per share) were better than in 2007.

The economic indicators – coefficients of economy of all business activities, and operating and working factors were better than in 2007 and were at the level of reference values except the coefficient of economy of financing that was below the reference value since the financial expenses (interest on loans from the previous years) were higher than the financial income (return interest and positive exchange rate differences).

After evaluation of the Company's performance in 2008, the Management Board set the following tasks to be carried out in the following period:

- Electricity loss minimization and collection rate increase through implementation of the project of remote reading and consumption control for theft prevention and proper control of the power distribution system
- Conclusion of flexible contracts with customers and suppliers of electricity with delivery risk sharing
- Cultivation of good business relations with all customers for joint planning of the future services
- Safe and reliable supply to customers at all voltage levels
- Control of operating expenses in all business activities
- Successful human resources management in the Company