



JP ELEKTROPRIVREDA
HRVATSKE ZAJEDNICE HERCEG BOSNE d.d. Mostar

2009 ANNUAL REPORT

JP ELEKTROPRIVREDA HZ HB d.d Mostar

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GENERAL MANAGER'S REPORT

In 2009, Elektroprivreda Hrvatske zajednice Herceg Bosne, d.d. Mostar, as many other economic subjects, operated under very difficult circumstances primarily caused by the economic – social crisis.

However, the Company's performance was very good due to good operation of the power system, efficient measures and reduced costs.

The Company operates six hydro power plants. Thanks to good operating conditions, good control and favourable hydrological circumstances, the total power generation in 2009 was 1,939.8 GWh or 30.3% higher than the plan.

In the period January – December 2009, JP "Elektroprivreda HZ Herceg-Bosne" d.d. Mostar operated at a gross profit of BAM 23,343,901. The amount of BAM 73,841,158 (out of which BAM 29,238,986 our own funds) was invested in various projects in all organizational parts.

The most important activities in 2009 were preparations and construction of new generating plants. Construction of the HPP Mostarsko Blato was completed. The final testings of the installed facilities and equipment and trial run follow.

There were also other activities including research work and testings, preparation of Feasibility Studies, solving the problem of property-rights relations, and obtaining different permits within the preparation for construction of hydro power plants and wind farms at several locations in the area of responsibility of our Company.

Comprehensive preparations were made for the project of the wind farm Mesihovina near Tomislavgrad, the construction of which will be financed out of KfW loan funds of BAM 140,000,000 (already provided) and



our own funds of BAM 12,000,000, and for the project of the PSPP Vrilo. For the Integrated Lignite Mining and Power Project Kongora, the reserves were recognized on the basis of the Study on Kongora Lignite Deposit Classification, Categorization and Estimate of Reserves. The next step will be preparation of the Strategic Environmental Assessment.

Reconstruction and construction of the distribution facilities and network, and electrification of new areas were also activities of the Company carried out by the criteria of priority and equal investment.

Our Company made considerable progress in application of information systems and technologies: SAP system, that is applied in accounting and will also be applied in human resources, remote control and metering system in substations and the system of optical communication link between distribution facilities.

In 2009, power supply to all our customers was very good and after a long period, we concluded a supply contract with our biggest customer Aluminij d.d. Mostar in due time. In this manner we closed the energy balance for 2010.

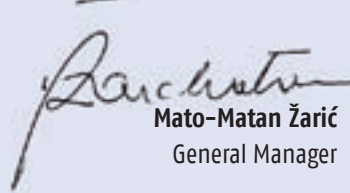
Our Company celebrated the thirtieth anniversary of putting into operation of the PSPP Čapljina that is very important and considerably contributes to stability of our generation system. We carry out revitalization of this and other hydro power plants as much as we can.

In 2009, we had unplanned increase in some operating expenses, primarily a 100% increase in the reservoir tax.

Considering the overall business environment and performance, the Management Board of JP Elektroprivreda HZ HB is determined to keep on application of efficient measures and good management resulting in good performance in 2009.

Our objectives are launching development projects in accordance with the decisions of the Company's majority owner, electricity loss minimization, keeping the achieved collection rate and efficient control of operating expenses in all business activities.

Satisfaction of our employees and all customers of JP Elektroprivreda HZ HB is in the first place in the Company's business policy. Safe, reliable and quality supply to customers at all voltage levels remains our priority.


Mato-Matan Žarić
General Manager

MISSION

The mission of JP Elektroprivreda HZ HB d.d. Mostar is quality, reliable and secure power generation, distribution and supply, and development of new power facilities according to the development needs of users in line with the development plans of Bosnia and Herzegovina.

In achievement of its mission, JP Elektroprivreda HZ HB d.d. Mostar will follow its objectives:

- Sustainability of overall development
- Implementation of worldwide experience and ideas in power activities
- Business efficiency
- Development of competencies of specialists needed in power activities
- Support to partners in similar activities

JP Elektroprivreda HZ HB d.d. Mostar has a specific role in the process of integration of Bosnia and Herzegovina into the European energy area.

VISION

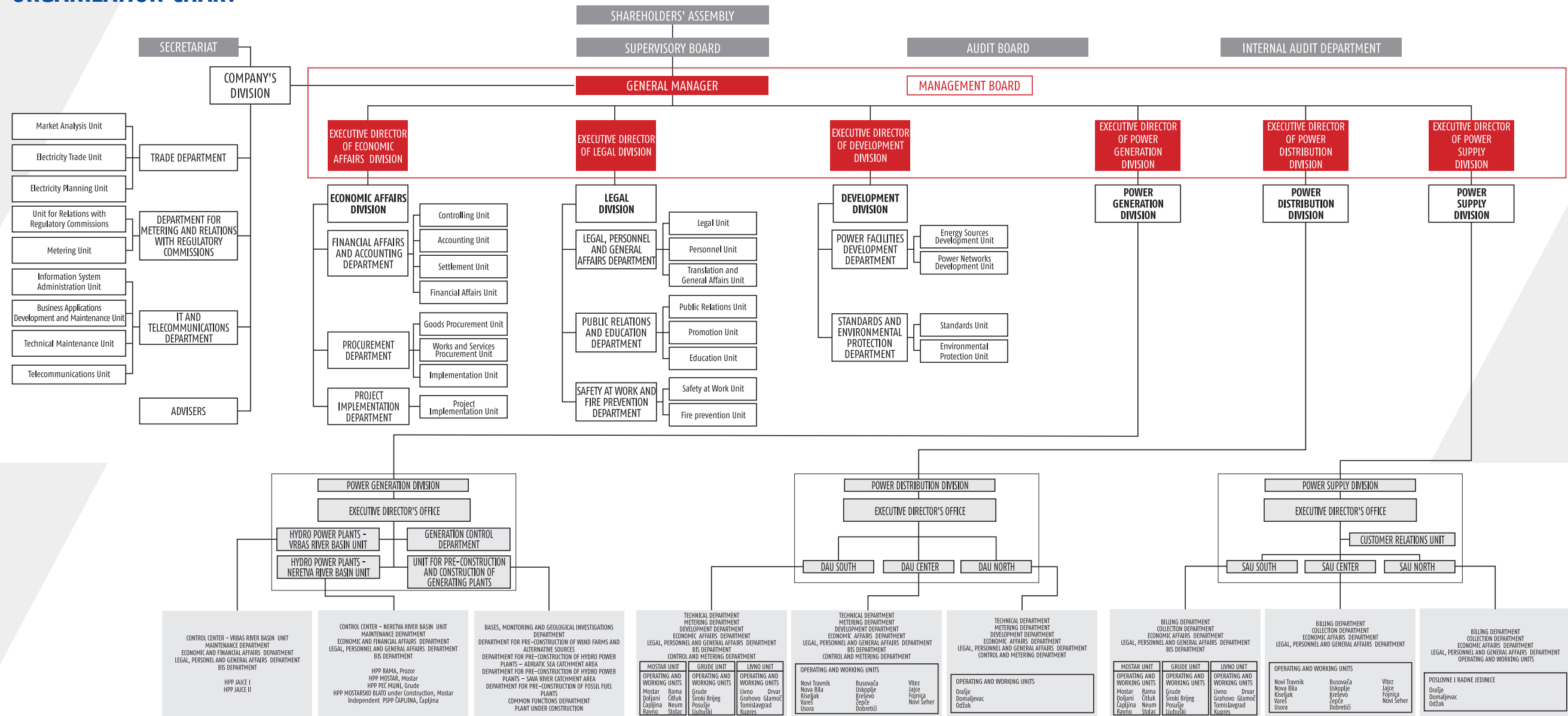
JP Elektroprivreda HZ HB d.d. Mostar wishes to become the main driving force of economic development in the areas of its responsibility and an active participant in the overall development of Bosnia and Herzegovina.

All of our development programs should enable development of other activities for the benefit of all citizens of Bosnia and Herzegovina primarily for our benefit through the power system development

STRATEGY

The top-priority medium-term objective of JP Elektroprivreda HZ HB d.d. Mostar is finding a solution for balancing power generation and increasing electricity demands primarily by construction of renewable sources taking into consideration the principles of sustainability and decrease in electricity imports. This objective will be accompanied by establishing the system of management of quality, environment and business risks in the existing processes and investment projects.

ORGANIZATION CHART



GOVERNING BODIES

THE SHAREHOLDERS' ASSEMBLY

The Shareholders' Assembly is composed of shareholders. It decides on matters determined by the Law and Articles of Association. Meetings of the Shareholders' Assembly are convened once a year at least for reporting on the Company Business Report that includes the financial statements and reports of the Independent Auditor, Supervisory Board and Audit Board.

THE SUPERVISORY BOARD

The Supervisory Board consists of five (5) members appointed and revoked by the Shareholders' Assembly pursuant to the Law. It supervises the business affairs of the Company and decides on other matters determined by the Law and Articles of Association. The meetings of the Supervisory Board are held as circumstances require but once in three months at least.



JERKO PAVLIČEVIĆ
Chairman



KARMELA MILETIĆ
Member



MAID LJUBOVIĆ
Member



ANTE KOLOBARIĆ
Member



IVAN ZANE
Member

THE AUDIT BOARD

The Audit Board consists of three members. Obligations and responsibilities of the Board are determined by the Law and Articles of Association.

THE MANAGEMENT BOARD

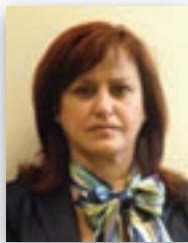
The Management Board manages the business affairs of the Company, represents and acts for the Company and is responsible for regularity of operations.



MATAN ŽARIĆ
General Manager



MILA BULE
Executive Director of
Economic Affairs Division



BRANKA DADIĆ
Executive Director of
Legal Division



IVICA ČULE
Executive Director of Power
Generation Division



ILIJA BAKALAR
Executive Director of Power
Distribution Division



STIPE BAGARIĆ
Executive Director of Power
Supply Division



STJEPAN KRASIĆ
Executive Director of
Development Division

LEGAL FRAMEWORK

JP “Elektroprivreda Hrvatske zajednice Herceg Bosne”, a joint stock company, headquartered in Mostar, 106 A Mile Budaka 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. 1–3177. 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: 03–19–185/04 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 the Law on Economic Subjects, the first meeting of the Shareholders’ Assembly of JP “Elektroprivreda Hrvatske zajednice Herceg Bosne d.d. Mostar was held on March 8, 2004. 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 Articles of Association were passed 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” dioničko društvo Mostar (hereinafter called: Company).

The Company bodies are appointed according to the Articles of Association: 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 with the Tax Administration of the Federation of Bosnia and Herzegovina – Cantonal Office in Mostar under identification number 4227248350007.
VAT ID No is 227248350007.

The Company stock capital amounting to BAM 736,166,000 is divided into 7,361,660 ordinary shares. The nominal value of a share is BAM 100.00.

The stock capital consists of:

- 10% private capital
- 90% state capital

Home trade activities of the Company are: power generation, distribution and supply, trading, representing and in the domestic electricity market, manufacture of distribution control equipment, manufacture of other electrical equipment, generation of hydro, thermal and other power, power transmission, sale and distribution, construction and maintenance of civil engineering and building construction facilities and their parts, construction and maintenance of hydro power plants, electrical installation and other installation work, agency services in specific products trade, wholesale of machines for industry and other business activities.

Foreign trade activities of the Company are:

- Imports of electricity and goods, and providing services included in the registered activities
- Exports of electricity and goods, and providing services included in the registered activities
- Agency services and representing in goods and services trade and
- 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 10% total capital amounting to BAM 73,616,600 was sold. Based on the data from the Securities Agency of BiH Federation of, on May 15, 2009 (30 days before the seventh meeting of the Shareholders’ Assembly), there were 1,675 shareholders. The ownership structure was as follows:

Structure of Company’s Shareholders

SHAREHOLDERS	NUMBER OF SHARES	% OF SHARE
Residents – physical persons	172,914	2.4
Residents – legal entities	7,100,085	96.5
RESIDENTS	7,272,999	98.9
Non- residents – physical persons	17,166	0.2
Non- residents – legal entities	71,495	0.9
NON-RESIDENTS	88,661	1.1
TOTAL	7,361,660	100.0

The largest share among residents–legal entities is owned by the Government of BH 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.

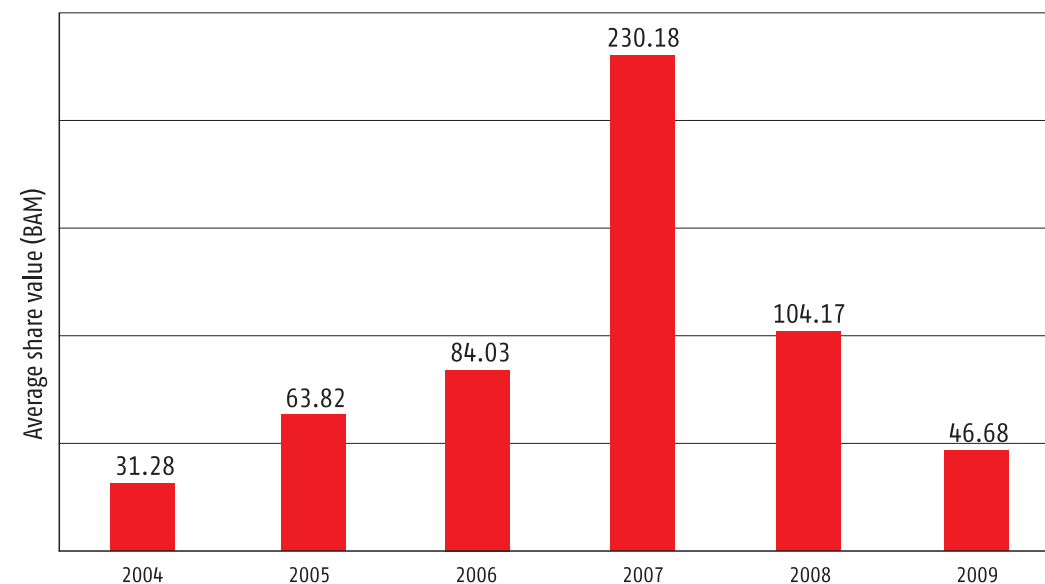
STOCK TRADE – SASE

On September 15, 2004, JP “Elektroprivreda Hrvatske zajednice Herceg Bosne d.d. Mostar 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 154.1 and JPEMR was included in the MFTS 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.

JPEMR was included in SAX-10 i.e. in the group of 10 issuers with the highest value of the market capitalization.

At the beginning of 2009, the share value was BAM 55, on June 30, 2009 BAM 52.90 and on December 31, 2009 BAM 61.00.

By the Decision of the Shareholders’ Assembly, the dividends amounting to BAM 3,239,130.40 were paid to the shareholders in 2009.



Dividends per Group of Shareholders as of June 26, 2009

SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES	DIVIDEND/ SHARE (BAM)	TOTAL AMOUNT OF DIVIDEND (BAM)	5% TAX	TOTAL AMOUNT PAID TO SHAREHOLDERS
1	2	3	4	5	6	7
Physical persons – residents	1,530	172,914	0.44	76,082.2	0.0	76,082.2
Physical persons – non-residents	95	17,166	0.44	7,553.0	0.0	7,553.0
Legal entities – residents	36	7,100,085	0.44	3,124,037.4	0.0	3,124,037.4
Legal entities – non-residents	10	17,872	0.44	7,863.7	393.3	7,470.4
Dividend-paying bank	4	53,623	0.44	23,594.1	1,151.7	22,442.4
TOTAL	1,675	7,361,660	0.44	3,239,130.4	1,545.0	3,237,585.4

SHARES IN RELATED LEGAL ENTITIES

JP “Elektroprivreda Hrvatske zajednice Herceg Bosne d.d. Mostar has a share in the stock capital of the company “Konstruktor–Neretva” d.o.o. Čapljina 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 period January – December 2009, the company “Konstruktor–Neretva” d.o.o. Čapljina operated at a gross profit of BAM 45,306.

In the stock capital of the company Elektrokontrol HZ H B Čapljina amounting to BAM 432,500.00, JP “Elektroprivreda Hrvatske zajednice Herceg Bosne d.d. Mostar has a share of BAM 247,139 or 57.14%. In the period January – December 2009, the company operated at a gross profit of BAM 43,341.

HUMAN RESOURCES

On December 31, 2009 JP "Elektroprivreda HZ Herceg-Bosne" d.d. Mostar had 1,752 employees. In comparison with the end of 2008, the number of employees increased by 1.3% or 23 employees.

Comparing the qualification structure of the employees at the end of 2008 and at the end of 2009, the number of employees having university or postgraduate degrees (B.Sc., M.Sc., D.Sc.) increased by 7%.

In 2009, we employed a number of trainees and awarded scholarships to university students.

The Company has been continuously working on professional improvement referring its employees to workshops, training courses and other types of education and training.

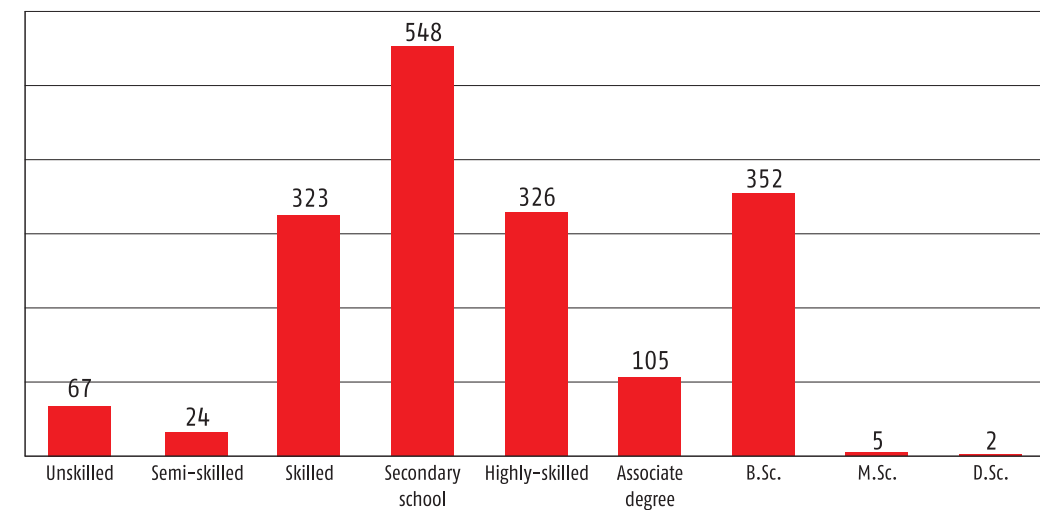
The increased number of employees having university or postgraduate degrees and continued education of lower, middle and top-level managers will undoubtedly contribute to contemporary and profitable business and successful carrying out of the given tasks.



Employee Qualification Structure

Educational level	Power Generation Division		Power Distribution Division		Power Supply Division		Company's Division and other organizational units		Total		Index 11/10	Structure in %
	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009		
1	2	3	4	5	6	7	8	9	10	11	12	13
Unskilled	40	35	24	27	5	4	1	1	70	67	95.7	4
Semi-skilled	2	2	27	19	4	2	0	1	33	24	72.7	2
Skilled	74	70	178	181	114	67	19	5	385	323	83.9	19
Second. school	119	129	164	224	186	170	52	25	521	548	105.2	31
Highly-skilled	77	74	152	227	65	23	1	2	295	326	110.5	19
Assoc. degree	23	26	41	54	21	15	4	10	89	105	118.0	5
B.Sc.	86	85	93	104	62	58	92	105	333	352	105.7	20
M.Sc.	1	2	0	2	1	1	0	0	2	5	250.0	0
D.Sc.	1	1	0	0	0	0	0	1	1	2	200.0	0
Total	423	424	679	838	458	340	169	150	1,729	1,752	101.3	100

Employee Qualification Structure of 1,752 employees as of December 31, 2009

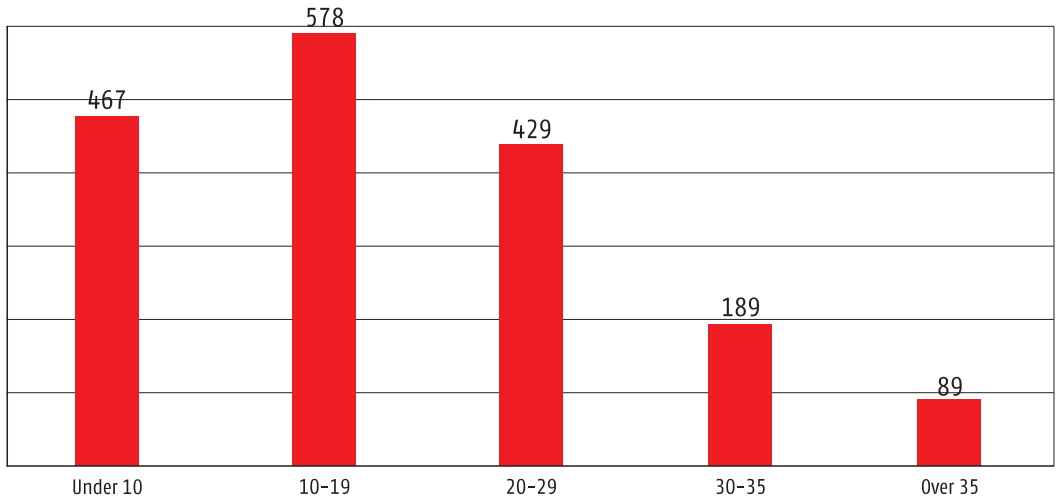


Employee Age Structure

Years of age	Power Generation Division		Power Distribution Division		Power Supply Division		Company's Division and other organizational units		Total		Index 11/10	Structure in %
	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009	Dec.31, 2008	Dec.31, 2009		
1	2	3	4	5	6	7	8	9	10	11	12	13
Under 30	35	42	67	112	79	54	87	56	268	264	98.5	15
30-39	84	81	176	199	109	92	39	36	408	408	100.0	23
40-49	123	120	244	310	162	109	19	32	547	571	104.4	33
50-59	155	150	165	191	97	79	20	21	437	441	100.9	25
Over 60	26	31	27	26	11	6	5	5	69	68	98.6	4
Total	423	424	679	838	458	340	170	150	1,729	1,752	101.3	100

JP "Elektroprivreda HZ Herceg-Bosne" d.d. Mostar has a good age structure. About 39% are employees under 40 and this enables comparatively easy adjustment to new working and operating conditions.

Employee Experience Structure of 1,752 employees as of December 31, 2009



COMPANY'S PERFORMANCE

In the period January – December 2009, JP "Elektroprivreda HZ Herceg-Bosne" d.d. Mostar operated at a gross profit of BAM 23,343,901 due to exceptionally favourable hydrological circumstances in the last year resulting in 30.3% higher power generation than the plan.

PROFIT AND LOSS ACCOUNT

The total income amounted to BAM 311,864,900. It was 11% higher than the plan and 8% lower than in the previous year.

The operating income (income from sales of electricity and services) amounted to BAM 306,180,807. It was 12% higher than the plan. The income from electricity sales included the income from sales to tariff customers at the distribution voltage levels (58.4%) and at 110 KV and higher levels and other non-tariff customers (30.1%), and the income from international trade – electricity and service exports (5.8%).

The income from electricity sales in the international market amounted to BAM 16,990,060. It included the income from electricity sales (BAM 13,004,576) and the income from reserve power sales (BAM 3,985,484).

The income from sales to tariff customers at 110 KV and higher levels and other non-tariff customers included the income from electricity sales to the following customers: Aluminij d.d. Mostar (BAM 60,465,292), Elektroprivreda BiH (BAM 13,353,982) increased by the bill for electricity supply to EP BiH by December 31, 2008 according to the supply harmonization agreement between EP BiH and EP HZ HB Mostar in the areas of their cooperation (BAM 8,101,869), other non-tariff customers within BiH (BAM 11,313,242) and Railways of FBiH (BAM 360,631).

The income from sales of services amounted to BAM 9,948,647. It included the income from electricity loss billing for the customers at 110 KV and higher levels (BAM 1,827,336), the income from sales of services to third parties (BAM 8,121,311) consisting of the income from: issuing power connection certificates, design audit, maintenance and reconstruction 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 5,022,272) included the income from donations (BAM 2,715,645), the income from collection of written-off receivables (BAM 1,859,757), surplus income (BAM 134,832), the income from compensations for damages from insurance companies (BAM 68,783), the income from previous years (BAM 25,708) and other income (BAM 217,547).

Profit and Loss Account (BAM)

Item	Description	Jan.-Dec. 2008 Realization	Jan.-Dec. 2009 Plan	Jan.-Dec. 2009 Realization	Index 5/3	Index 5/4
1	2	3	4	5	6	7
1	Operating income (1.1. + 2. + 3.)	319,254,145	273,174,175	306,180,807	96	112
1.1.	Income from electricity sales (1.1.1.+1.1.2.+1.1.3.+ 1.1.4.)	297,772,454	265,824,175	292,246,676	98	110
1.1.1.	Income from tariff customers at distribution voltage levels	171,709,247	184,169,375	172,889,953	101	94
1.1.2.	Income from other 35 kV customers	16,741,968	17,816,240	12,757,131	76	72
1.1.3.	Income from 110 kV and higher level customers and other non-tariff customers	86,078,497	63,838,560	93,595,016	109	147
1.1.4.	Income from electricity sales in international market	23,242,742	0	13,004,576	56	0
2.	Income from sales of services in international market	18,598,210	0	3,985,484	21	0
3.	Income from sales of services in domestic market	2,883,481	7,350,000	9,948,647	345	135
4.	Financial income	593,291	825,000	661,820	112	80
5.	Other income	19,449,456	7,000,000	5,022,273	26	72
6.	TOTAL INCOME (1+2+3+4+5)	339,296,892	280,999,175	311,864,900	92	111
7.	Operating expenses (7.1.+ 7.2.+ 7.3.+ 7.4)	316,974,634	261,468,300	263,539,294	83	101
7.1.	Costs of electricity purchases	161,549,160	97,308,500	95,863,576	59	99
7.2.	Operating expenses	66,312,780	72,230,500	72,337,104	109	100
7.3.	Depreciation costs	39,818,327	42,221,000	41,516,788	104	98
7.4.	Staff costs	49,294,367	49,708,300	53,821,826	109	108
8.	Financial expenses	1,899,285	2,150,000	1,844,619	97	86
9.	Other expenses	13,089,842	10,000,000	23,137,086	177	231
10.	TOTAL EXPENSES (7+8+9)	331,963,761	273,618,300	288,520,999	87	105
11.	Gross profit/loss (6 -10)	7,333,131	7,380,875	23,343,901	318	316

Note: Item 1.1.3. - Income from 110 kV and higher level customers and other non-tariff customers includes the amount of BAM 8,101,869 that refers to billing electricity supply to EP BiH by December 31, 2008 according to the supply harmonization agreement between EP BiH and EP HZ HB Mostar in the areas of their cooperation.

The total expenses amounted to BAM 288,520,999. They were 5% higher than the plan and 13% lower than in the previous year. The expenses were lower than in the previous year due to the reduced costs of electricity purchases.

The operating expenses amounted to BAM 263,539,294, financial expenses (interest and negative exchange rate differences) BAM 1,844,619 and other expenses BAM 23,137,086.

The costs of electricity purchases amounted to BAM 95,863,576, depreciation costs BAM 41,516,788, staff costs BAM 53,821,826 and other operating expenses BAM 72,337,104.

Other operating expenses were 2% lower than the plan due to the reduced costs of raw materials and materials (index 83.5), small inventory, packing material and tires (index 57.7), maintenance services (index 84.1), transportation services and rent (index 28.5), intellectual and personal services (index 66.3), business travel allowances (index 46.6), allowances for other employees costs (index 83.9), insurance (index 63.6), banking services (index 50.8), expense account (index 67) and other operating expenses (index 72.8).

The reservoir tax costs (index 166) were about BAM 5 M higher than the plan. According to the Amendments of the Water Storage Law, the reservoir tax increased by 100% (Now it is 0.01 BAM/kWh instead of 0.005 BAM/kWh).

The salary budget amounted to BAM 53,821,826 and was 9% bigger than in the previous year. The average monthly net salary was BAM 1662.20 and it increased by 11.3% compared to 2008 (BAM 1,493.5).

At first sight, there is a discrepancy between a growth in the number of employees (index 101.3) and staff cost (index 109) due to the following:

1. According to the Income Tax Law (Article 47), we introduced a new system of payroll computation. The net salary from 2008 had to be converted into the gross salary by application of the method that included 5% payroll tax. The average net salary therefore rose.
2. According to the Income Tax Law, the gross salary included taxable items and contributions on: holiday cash grants, jubilee cash awards, religious holiday allowances and compensations in kind, benefit and services. The new system of payroll computation, and tax and contribution calculation also included earnings other than the salary determined in the Collective Agreement.



If the amount of the net salary is divided by the average number of employees obtained on the basis of the working hours, the average monthly net salary in 2009 was BAM 1488.84.

The largest portion of other expenses included the bad and doubtful debts (BAM 16,128,760) written-off after one year according to the accounting policies of the Company (households and other classes of customers).

The remaining portion of BAM 7,008,326 included inventory value harmonization (BAM 5,552,174) (MRS 2), shortages (BAM 501,544), penalties and compensations for damages (BAM 185,509), subsequently determined expenses from the previous years (BAM 116,951), undepreciated value write-off (BAM 294,476) and other expenses (BAM 357,672).

On December 31, 2009, the total receivables from the tariff customers at distribution levels, customers at 110 KV and higher levels and customers abroad amounted to BAM 165,974,710, adjustment of receivables (BAM 99,563,450) and receivables after adjustment (BAM 66,411,261) that were 10.5% lower than the same receivables at the beginning of the year.

BALANCE SHEET

On December 31, 2009, the Company assets value was BAM 1,203,081,912. It was higher than on December 31, 2008 (index 101.8).

The value of the fixed assets (intangibles, real property, facilities and equipment) increased by 3.2% and of the current assets (raw material, material and spare part inventories, small inventory, receivables from customers within and outside the country and other short-term receivables) decreased by 8.3%.

In the total assets, a share of the fixed assets was 89% and of the current assets 11%.

In the liabilities, a share of the capital was 78%, of the long-term liabilities 18% and of the current liabilities 4%.

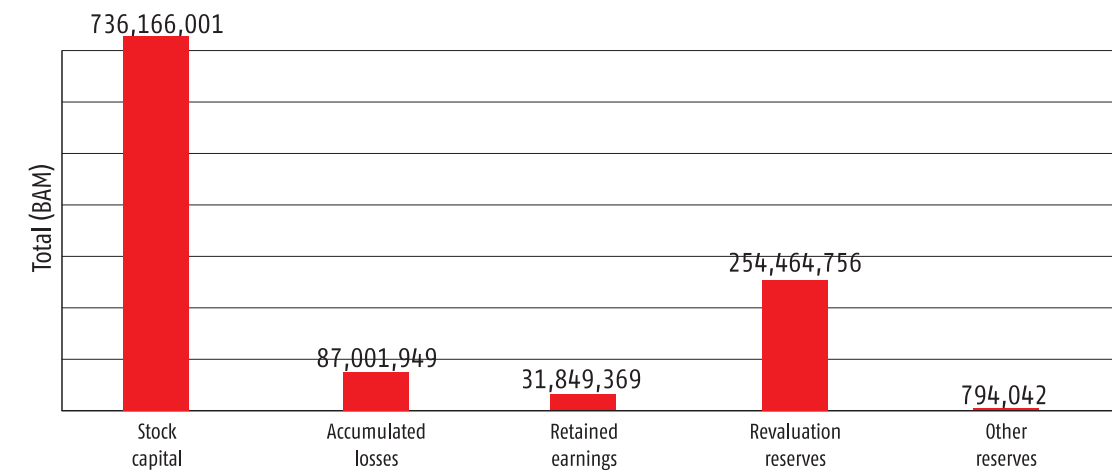
In the long-term liabilities, a share of the deferred income was 40% and of the long-term credits 60%.

The capital consists of the stock capital amounting to BAM 736,166,001.00, revaluation reserves BAM 254,464,756, retained earnings BAM 31,849,369, accumulated losses BAM 87,001,949 and other reserves BAM 794,092.

Balance Sheet (BAM)

Item	DESCRIPTION	As of Dec.31, 2008	As of Dec.31, 2009	Share (in %)	Index 4/3
1	2	3	4	5	6
I	ASSETS				
1.	Fixed assets	1,042,470,262	1,075,824,029	89	103.2
2.	Current assets	138,811,575	127,257,883	11	91.7
A	TOTAL ASSETS (1+2)	1,181,281,837	1,203,081,912	100	101.8
	Contingent assets	326,719,721	327,016,191		100.0
II	LIABILITIES				
1.	Capital	925,646,875	936,272,268	78	101.1
2.	Long-term liabilities (2.1+2.2)	172,564,354	211,483,104	18	122.6
2.1.	Long-term financial commitments	98,611,602	127,899,837	60	129.7
2.2.	Long-term accruals and provisions	73,952,752	83,583,267	40	113.0
3.	Current liabilities (3.1+3.2+3.3)	83,070,608	55,326,540	4	66.6
3.1.	Short-term financial commitments	10,819,955	10,628,781	19	98.2
3.2.	Trade payables and other liabilities	71,668,870	42,100,173	76	58.7
3.3.	Other current liabilities	581,783	2,597,586	2	446.5
B	TOTAL LIABILITIES (1+2+3)	1,181,281,837	1,203,081,912	100	101.8
	Contingent liabilities	326,719,721	327,016,191		100.0

Capital Structure as of December 31, 2009



Investments of JP EP HZ HB in 2009

ORGANIZATIONAL PART	2009 PLAN				2009 REALIZATION				INDEX 6 / 2	INDEX 7 / 3	INDEX 8 / 4
	TOTAL	OWN FUNDS	LOANS	OTHER	TOTAL	OWN FUNDS	LOANS	OTHER			
1	2	3	4	5	6	7	8	9	10	11	12
JP ELEKTROPRIVREDA HZ HB d.d. MOSTAR	136,003,822	42,180,345	91,960,777	1,862,700	73,841,158	29,238,986	43,462,057	1,140,115	54	69	47
Ongoing investments	84,607,722	25,300,045	59,307,677	0	64,504,812	25,164,247	39,340,565	0	76	99	66
New investments in 2009	51,396,100	16,880,300	32,653,100	1,862,700	9,336,346	4,074,739	4,121,492	1,140,115	18	24	13
A. POWER GENERATION DIVISION	96,791,100	24,758,000	71,133,100	900,000	53,509,693	20,143,158	32,320,920	1,045,615	55	81	45
A.1. Ongoing investments	65,052,000	16,052,000	49,000,000	0	47,789,534	17,431,706	30,357,828	0	73	109	62
A.2. New investments in 2009	31,739,100	8,706,000	22,133,100	900,000	5,720,159	2,711,452	1,963,092	1,045,615	18	31	9
B. POWER DISTRIBUTION DIVISION	32,606,920	11,814,305	19,829,915	962,700	19,426,411	8,190,774	11,141,137	94,500	60	69	56
B.1. Ongoing investments	18,482,920	9,173,005	9,309,915	0	16,380,400	7,397,663	8,982,737	0	89	81	96
B.2. New investments in 2009	14,124,000	2,641,300	10,520,000	962,700	3,046,011	793,111	2,158,400	94,500	22	30	21
C. POWER SUPPLY DIVISION	2,850,000	2,850,000	0	0	285,691	285,691	0	0	10	10	0
C.1. Ongoing investments	50,000	50,000	0	0	35,113	35,113	0	0	70	70	0
C.2. Ongoing investments	2,800,000	2,800,000	0	0	250,578	250,578	0	0	9	9	0
D. COMPANY'S DIVISION AND OTHER ORGANIZATIONAL UNITS	3,755,802	2,758,040	997,762	0	619,363	619,363	0	0	16	22	0
D.1. Ongoing investments	1,022,802	25,040	997,762	0	299,765	299,765	0	0	0	1	2
D.2. Ongoing investments	2,733,000	2,733,000	0	0	319,598	319,598	0	0	12	12	0



INDEPENDENT AUDITORS' REPORT

Deloitte.

To the Shareholders of JP ELEKTROPRIVREDA HRVATSKE ZAJEDNICE HERCEG-BOSNE d.d., Mostar

We have audited the accompanying financial statements of JP Elektroprivreda Hrvatske zajednice Herceg-Bosne d.d. Mostar (the "Company"), set out on pages 4 to 44, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the paragraph "Limitation of Scope", we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

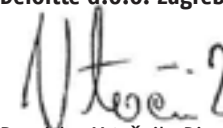
LIMITATION ON SCOPE

- As disclosed in Notes 3 and 16, the Company has included receivables from Elektroprijenos Bosne i Hercegovine a.d. Banja Luka in other non-current receivables, based on draft Principles of separation as of 28 February 2006 in the amount of KM 31,644 thousand. Until the date of our report, we did not obtain confirmation for these receivables nor were we able to satisfy ourselves that they are fairly stated and recoverable by means of other auditing procedures. As of 31 December 2008 receivables from Elektroprijenos Bosne i Hercegovine a.d. Banja Luka amount to KM 30,551 thousand. As of the date of our report, the Company is unable to quantify the effect of the above described matter on the financial statements for the year ended 31 December 2009.

OPINION

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the areas described in the section "Limitation on scope" above, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

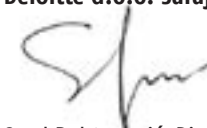
Deloitte d.o.o. Zagreb



Branislav Vrtačnik, Director and Certified Auditor
Zagreb, Republic of Croatia
6 April 2010



Deloitte d.o.o. Sarajevo



Sead Bahtanović, Director and Certified Auditor
Sarajevo, Bosnia and Herzegovina
6 April 2010





POWER GENERATION DIVISION

The Power Generation Division carries out the activities of preparation, planning and integration of power generation, regular and investment maintenance, research, revitalization of the existing plants, pre-construction and construction of new plants and other activities according to the Regulations of Internal Organization of JP Elektroprivreda HZ HB d.d. Mostar.

The main organizational parts of the Division are: Executive Director's Office, Generation Control Department, Hydro Power Plants – Neretva River Basin Unit, Hydro Power Plants – Vrbas River Basin Unit and Unit for Pre-Construction and Construction of Generating Plants.

All power is generated in hydro power plants with the total capacity of 792 MW and possible annual output of 2,110 GWh.

In 2009, the main activities were regular maintenance and monitoring the generation process. The operating conditions in all hydro power plants were therefore very good. The plants generated 1,939,817,790 kWh (30.3% more than the plan).

Generating Plants

HYDRO POWER PLANT	PUT INTO OPERATION	AVAILABLE CAPACITY (MW)
HPP Rama	1968	2 x 80
PSPP Čapljina	1979	2 x 220
HPP Mostar	1987	3 x 24
HPP Jajce 1	1957	2 x 30
HPP Jajce 2	1954	3 x 10
HPP Peć Mlini	2004	2 x 15

In addition to regular maintenance, inspection and testing of the electrical and mechanical equipment, the following activities were carried out:

HPP RAMA

- Replacement and installation of the air-conditioning and ventilating equipment in the power house, surge shaft and office building
- Preparation of the technical documents for the projects included in the Power IV program: replacement of the generators, turbines, block transformers, extension of the 220kV switchgear (KfW loan) completed
- Preparation of the technical documents for the second stage of the grout curtain construction (EIB loan) completed



PSPP ČAPLJINA

- Replacement of all disconnectors in the 245 kV switchgear
- After the procedure carried out according to the EIB rules through the Power IV program, the contracts for replacement of the 35 kV switchgear, 220 kV measuring transformers and 220 kV surge arresters, 220 kV oil cables and cable terminals, and the excitation system for both generators were concluded (EIB loan)

VRBAS RIVER BASIN

- Procurement and installation of the house transformer in the HPP Jajce II
- Preparation of the design documents for revitalization of the HPP Jajce II

HPP MOSTARSKO BLATO

- Construction of the reservoir started
- Construction of the intake structure completed
- Headrace tunnel, surge tank and valve chamber ready for filling, pressure testing and operation
- Construction of the penstock with bifurcation completed, planned inspection of the installation, welding and anticorrosive protection work carried out, the penstock ready for pressure testing and operation
- Construction of the power house completed
- Generating set 1 and 2 and the joint generating set system installed; dry testing done, wet testing to be done
- Enclosed busbars tested
- Block transformers tested
- 110 kV HIS tested
- Control gate in the intake structure, surge shaft gate in the valve chamber and draft tube stoplog tested
- Construction of the tailrace basin completed



HPP RAMA

POWER GENERATION DIVISION

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.

MAIN DATA	Number of generating sets	2	
	Installed capacity	160	MW
	Plant 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
DAM and RESERVOIR	Dam construction height	103	m
	Dam height	96	m
	Hydraulic height	89	m
	Crest length	230	m
	Headrace tunnel length	9,536	m
	Headrace tunnel diameter	5.0	m



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 6 km upstream of the city of Mostar in Herzegovina– Neretva Canton. It was put into operation in 1987 and again in 1997 after rehabilitation of the war damages.

MAIN DATA	Number of generating sets	3	
	Installed capacity	72	MW
	Plant type	Adjacent-to-dam – storage	
GENERATORS	Type	3-phase synchronous	S-6546-40
	Manufacturer	Končar	
	Put into operation	1987/1988	
	Nominal power	30	MVA
TURBINES	Type	Kaplan	K – 5
	Manufacturer	Litostroj	
	Installed capacity	23.6	MW
DAM and RESERVOIR	Dam construction height	44	m
	Dam height	28	m
	Crest length	255.6	m
	Crest elevation	81	m a.s.l.



HPP PEĆ MLINI

POWER GENERATION DIVISION

The hydro power 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.

TURBINES	Number of generating sets	2	
	Installed capacity	15	MW
	Plant type	Diversion – run-of-river	
TURBINES	Type	3-phase synchronous	
	Manufacturer	Končar	
	Put into operation	2004	
	Nominal power	18	MVA
TURBINES	Type	Francis	K – 5
	Manufacturer	Litostroj	
	Installed capacity	15.88	MW
DAM and RESERVOIR	Upper reservoir level – maximum	252	m a.s.l.
	Upper reservoir level – minimum	249	m a.s.l.
	Nominal discharge	15	m³/sec
	Headrace tunnel length	1,547	m
	Headrace tunnel diameter	3.6	m



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.

MAIN DATA	Number of generating sets	2	
	Installed capacity	420	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 – Calconi	
	Manufacturer	250	MW
DAM and RESERVOIR	Upper reservoir level – maximum	231.5	m a.s.l.
	Upper reservoir level – maximum	224	m a.s.l.
	Nominal discharge – turbine mode	112.5	m³/sec
	Nominal discharge – pumping mode	85	m³/sec
	Headrace tunnel length	8,110	m
	Headrace tunnel diameter	8.0	m



HPP JAJCE I

POWER GENERATION DIVISION

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 asl. It was put into operation in 1957.

MAIN DATA	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	5,700	m
	Headrace tunnel diameter	5.4	m



HPP JAJCE II

The hydro power plant Jajce II was constructed on the Vrbas river 17 km downstream of the town of Jajce in Middle Bosnia Canton. It was put into operation in 1954.

MAIN DATA	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	2,880	m
	Headrace tunnel diameter	5.5	m



HPP MOSTARSKO BLATO UNDER CONSTRUCTION

POWER GENERATION DIVISION

Plant type	Derivation storage
Number of generating sets	2
Turbine type	Francis,vertical
Rated discharge (m³/s)	2x18; max. 2x20
Maximum gross head(m)	182
Rated net head (m)	178.20
Gross head for minimum operating reservoir level 221.50 (m); tail water level 47.00	174.50
Rated speed of rotation (r/min)	500
Nominal power (MVA)	2x35.300
Generator rated voltage (kV)	10.5
Generator rated power factor	0.85
Rated capacity at sill (MW)	2x29.880
Maximum capacity (MW)	2x32.650
Mean annual output(GWh)	167
Block transformer rated power (MVA);	35.3
Transmission ratio(kV/kV); tapping range	10.5/115; ±2x2.5%
Year of work commencement	2006
Investment	BAM 140,000,000

The **HPP Mostarsko Blato** is located south-west of Mostar and uses energy potential at the head of 178m between Mostarko Blato and Bišće Field i.e. the Neretva river valley.

The HPP Mostarsko Blato collects the Lištica catchment inflow water. This plant will not only be used for power generation but also for the field flood protection by construction of new structures of the headrace tunnel and enclosed flood channel to the Neretva river.

Before construction of the HPP Mostarsko Blato, the Mostarsko Blato field was used for agricultural and water management purposes, but now it is planned to be also used for power supply.

In addition to the improved infrastructure, the local community will have other direct and indirect benefits from the HPP Mostarsko Blato (particularly from the reservoir tax) when the plant is completely constructed and put into operation.

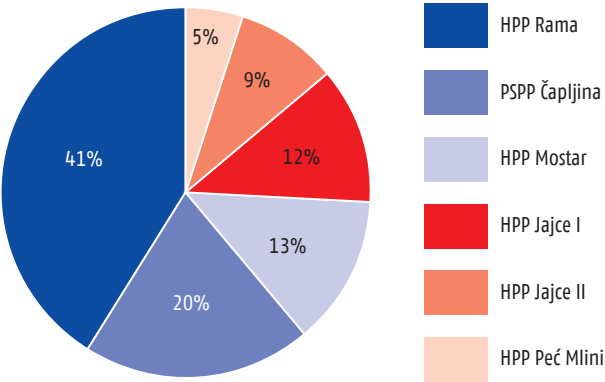
The plant consists of 9 civil structures – power facilities: reservoir, intake structure, headrace tunnel, surge tank and valve chamber, penstock, power house, tailrace basin, enclosed flood channel and linking transmission line.



Monthly Power Generation (GWh) in Hydro Power Plants in 2009

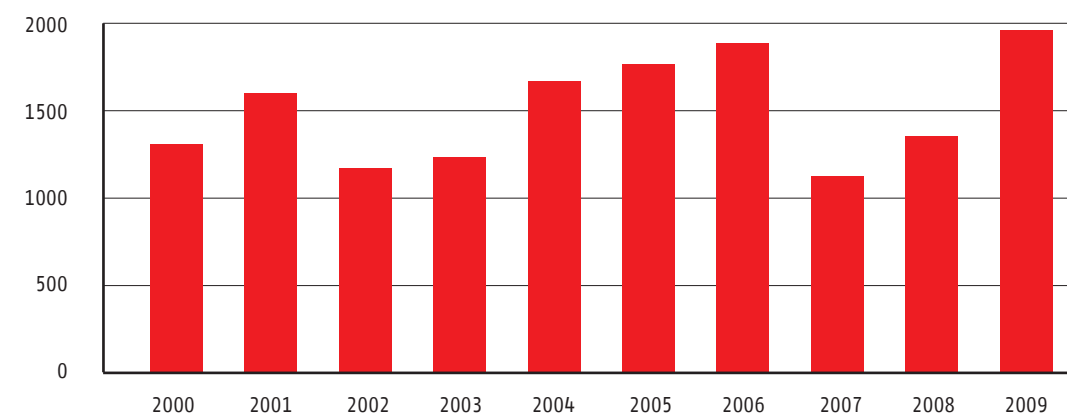
	January	February	March	April	May	June	July	August	September	October	November	December	Total
HPP Rama	65.97	96.93	91.69	75.95	67.22	64.54	41.01	55.29	53.73	77.58	65.92	50.00	805.82
PSPP Čapljina	72.84	110.21	61.82	2.96	0.00	0.00	0.60	2.67	0.17	15.68	35.88	83.44	386.28
HPP Mostar	28.89	29.07	30.00	29.84	20.11	16.88	10.65	12.10	9.79	17.32	22.13	30.56	257.33
HPP Jajce 1	25.25	26.33	28.69	30.68	22.24	22.57	19.45	10.45	7.08	7.13	10.21	22.56	232.64
HPP Jajce 2	16.81	17.62	19.77	19.54	17.26	16.09	14.11	8.62	5.72	7.07	9.15	14.96	166.72
HPP Peć Mlini	17.23	19.03	16.72	8.44	5.85	4.83	2.20	0.51	0.13	0.35	2.63	13.11	91.03
TOTAL	226.98	299.19	248.69	167.41	132.68	124.91	88.02	89.63	76.62	125.13	145.92	214.62	1,939.82

Shares of Hydro Power Plants in Total Power Generation in 2009



POWER GENERATION TREND FROM 2000 TO 2009 (GWH)

	HPP Rama	PSPP Čapljina	HPP Mostar	HPP Jajce I	HPP Jajce II	HPP Peć Mlini	TOTAL
2000	653.80	121.65	181.13	197.95	152.63		1,307.17
2001	722.90	283.18	197.34	226.81	170.31		1,600.54
2002	455.00	117.00	199.00	229.00	173.00		1,173.00
2003	570.00	162.00	200.00	163.00	137.00		1,232.00
2004	674.98	327.20	257.10	241.48	161.00	6.89	1,668.65
2005	729.26	317.59	239.02	240.63	173.65	68.53	1,768.69
2006	864.64	331.68	242.47	229.07	161.70	55.22	1,884.79
2007	467.03	111.24	193.33	170.90	141.79	39.79	1,124.07
2008	557.31	115.42	250.25	209.21	152.38	71.08	1,355.64
2009	805.82	386.28	257.33	232.64	166.72	91.03	1,939.82

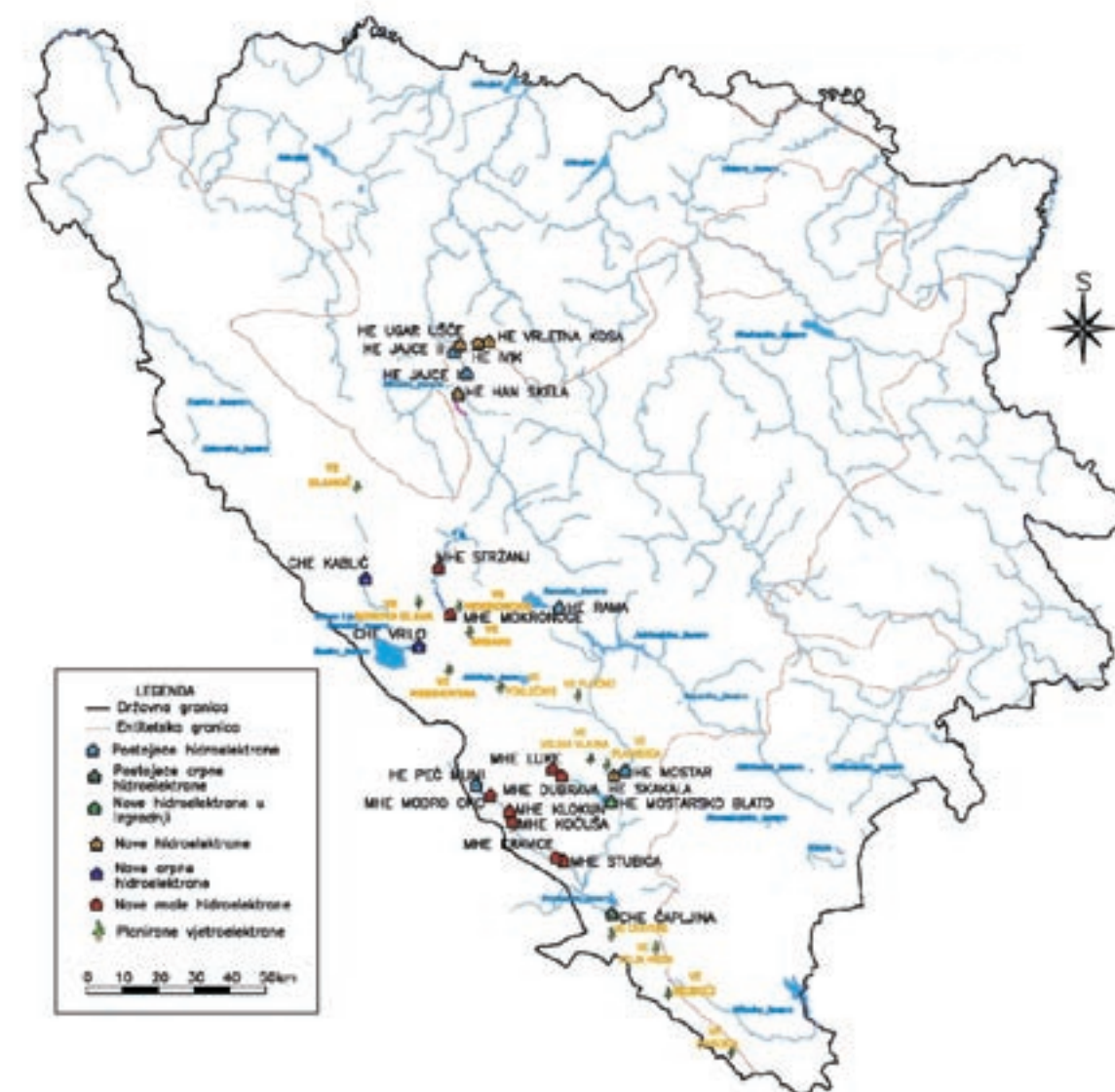


POWER GENERATION FROM 2000 TO 2009 (GWH)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
HPP Rama	653.80	722.90	455.00	570.00	674.98	729.26	864.64	467.03	557.31	805.82
PSPP Čapljina	121.65	283.18	117.00	162.00	327.20	317.59	331.68	111.24	115.42	386.28
HPP Mostar	181.13	197.34	199.00	200.00	257.10	239.02	242.47	193.33	250.25	257.33
HPP Jajce I	197.95	226.81	229.00	163.00	241.48	240.63	229.07	170.90	209.21	232.64
HPP Jajce II	152.63	170.31	173.00	137.00	161.00	173.65	161.70	141.79	152.38	166.72
HPP Peć Mlini	-	-	-	-	6.89	68.53	55.22	39.79	71.08	91.03
TOTAL	1,307.17	1,600.54	1,173.00	1,232.00	1,668.65	1,768.69	1,884.79	1,124.07	1,355.64	1,939.82

Map of existing and planned generation facilities of JP EP HZ HB

POWER GENERATION DIVISION





DEVELOPMENT PROJECTS

DEVELOPMENT PROJECTS

In order to have our own development program and meet the demands of our customers, we launched development projects for use of hydro, wind and fossil energy having in mind the electricity demand up to 2023.

In addition, 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.

PROJECTS OF USE OF WIND ENERGY

- The Environmental Impact Assessment of three wind farm locations (Mesihovina, Borova Glava and Velika Vljajna) was prepared
- The public consultations were held and environmental permit obtained for the wind farm Mesihovina
- The Concession Contract was signed with the Government of Herzeg Bosnia Canton
- The Cooperation Agreement was signed with the Municipality of Tomislavgrad (wind farm Mesihovina)
- Preparation of the Feasibility Studies for the wind farms Mesihovina, Borova Glava and Velika Vljajna was completed
- The tender procedure for preparation of the Preliminary Design for the wind farm Mesihovina and for procurement of the measuring equipment was carried out
- The Loan Agreement was ratified by the competent institutions of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina
- Activities for preparation of the Terms of Reference for selection of the consulting firm for the wind farm Mesihovina were carried out

PROJECTS OF USE OF HYDRO ENERGY

- PSPP Vrilo – According to the Financing Agreement with KfW, the tender procedure and research work were carried out for preparation of the Feasibility Study with appropriate reports. The Study of Alternatives and the Power Connection Study were prepared.
- Preparation of the Feasibility Studies for the small hydro power plants Stubica, Kravice, Dubrava, Luke and Fratarska was completed
- Preparation of the Pre-Feasibility Study was completed and the tender procedure was carried out for preparation of the Feasibility Study for the small hydro power plant Mokronoge
- Preparation of the Strategic Environmental Assessment of T-M-T and Upper Cetina River Basins was completed (project financed by EBRD, consulting firm SNC Lavalin Canada, EPHZHB a member of the Supervisory Group).

PROJECTS OF USE OF FOSSIL ENERGY

- The internal control of the performed research activities was carried out in the Kongora Lignite Deposit
- The tender procedure was carried out and the Study on Kongora Lignite Deposit Classification, Categorization and Estimate of Reserves was prepared
- The state audit was carried out and the Decision on Reserves Recognition was made by the competent cantonal ministry
- Activities for preparation of the Terms of Reference for the Strategic Environmental Assessment of Kongora Lignite Mine and Thermal Power Plant were carried out
- Activities for preparation of the Terms of Reference for the Study on Gasification in the Area of Responsibility of EPHZHB were carried out

OTHER ACTIVITIES

- Cooperation in preparation of planning documents (Physical Plan for BiH Federation for Period 2008 – 2028, Physical Plan for Herzeg Bosnia Canton for Period 2005 – 2025)
- Cooperation in preparation of the Catalogue of Power Facilities in the Federation of Bosnia and Herzegovina
- Cooperation in preparation of the Regulation on Utilization of Renewable Energy Sources and Cogeneration in the Federation of Bosnia and Herzegovina
- Cooperation in preparation of the Terms of Reference for "Vrbaš River Basin Integrated Water-Energy Study" (project financed by the World Bank).

Future Priority Generation Facilities

Item	Installed capacity (MW)	Output (GWh)	Construction duration (years)	To be put into operation (year)	Investment (mil. euros)	Construction workers (man/year)	New employees (No)
THERMAL POWER PLANTS	550.00	3,000.00			1,100.00	6,000	790
Mine and TPP Kongora	550.00	3,000.00	5	2017	1,100.00	6,000	790
HYDRO POWER PLANTS	162.60	452.24			213.25	2,050	81
PSPP VRILLO	64.00	249.50	3	2013	98.60	400	25
PSPP KABLIĆ	52.00	73.13	3	2017	58.42	400	25
HPP HAN SKELA	12.00	52.00	2	2014	29.50	300	10
HPP UGAR UŠĆE	11.60	33.19	2	2015	12.87	350	7
HPP VRLETNA KOSA	11.80	22.54	2	2017	6.93	300	7
HPP IVIK	11.20	21.88	2	2016	6.93	300	7
WIND FARMS	200.00	626.11			305.39	1,270	62
WF BOROVA GLAVA	52.00	149.62	2	2014	78.00	350	16
WF MESIHOVINA	44.00	128.53	2	2012	66.67	300	14
WF VELIKA VLAJNA	32.00	89.36	2	2013	52.72	220	10
WF POKLEČANI	72.00	258.60	2	2014	108.00	400	22
TOTAL	912.60	4,078.35			1,618.64	9,320	933

Note: Small hydro power plants are not included.

POWER DISTRIBUTION DIVISION

The Power Distribution Division carries out the activities of power distribution to customers, regular maintenance (inspection, control and overhaul) of lines and facilities and investment maintenance of distribution lines and facilities, activities related to telecommunications and information system and other activities according to the Regulations of Internal Organization of JP Elektroprivreda HZ HB d.d. Mostar.

The main organizational parts of the Division are: Executive Director's Office, Distribution Area Unit SOUTH, Distribution Area Unit CENTER and Distribution Area Unit NORTH.

Due to regular maintenance in 2009, the number of faults in the distribution facilities was significantly reduced and there was not any major failure.

This Division operates and maintains 15 35/x kV substations.

Reconstruction of the 35/10kV switchgear Svitava and Hutovo, and overhaul of the 35/0,4kV switchgear Elektro-Bosna Jajce were completed. The planned primary testing and servicing of the protection equipment, and testing of the auxiliary supply equipment, touch and step voltage equipment and earthing system were carried out.

The federal energy inspector inspected five 35/x kV substations.

In 2009, the Division's organization was changed by establishing the dispatch centers of the Mostar Unit and Distribution Area Unit South.

The SCADA system with over 500 remote control points was put into operation.

The network and facilities are operated from five unit dispatch centers.

2258 remote reading meters and 1868 remote reading modems were installed in 10/0.4 substations. All the data are stored in the AMR center database.

There were comprehensive preparations and activities on installation of remote reading meters.

This contributes to reading cost reduction, loss reduction and more efficient testing of electricity quality data. The cutting procedure is easier and more efficient and the billing procedure is shorter.

In addition, new technological solutions of electronic meters enable application of modern methods of communication and acceptance of electricity quality data, and storage and analysis of these data without a man's approach to a meter.

Distribution Facilities

DAU	Substations						Lines								
	110/10(20) kV substations		35/10(20)kV substations		10(20)/0.4kV substations		35 kV MV lines			10(20)kV MV lines			0.4 kV LV lines		
	Number of substations	Installed power (MVA)	Number of substations	Installed power (MVA)	Number of substations	Installed power (MVA)	Length of overhead lines (km)	Length of underground lines (km)	Total length (km)	Length of overhead lines (km)	Length of underground lines (km)	Total length (km)	Length of overhead lines (km)	Length of underground lines (km)	Total length (km)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
DAU South (EP's property)	-	-	10	31	1,950	447,970	126.422	1	127.422	2,212.046	528.434	2,740.48	4,578.881	477.709	5,056.59
DAU South (third party's property)	-	-	1	0	461	245,475	75.4	0	75.4	48.688	76.222	124.91	11.58	29.42	41
DAU Center (EP's property)	-	-	4	30.5	592	126,700	58.77	1.96	60.73	564.731	75.304	640.035	1,811.913	111.905	1,923.818
DAU Center (third party's property)	-	-	0	0	147	97,270	0	0.1	0.1	16.69	28.532	45.222	14.895	9.197	24.092
DAU North (EP's property)	-	-	3	36	242	62,600	20	1	21	221.95	47.49	269.44	439.88	23.15	463.03
DAU North (third party's property)	-	-	0	0	52	19,100	0	0	0	0	5.78	5.78	0	0	0
TOTAL EP'S PROPERTY	-	-	17	97.5	2,784	637,270	205.192	3.96	209.152	2,998.727	651.228	3,649.955	6,830.674	612.764	7,443.438
TOTAL THIRD PARTY'S PROPERTY	-	-	1	0	660	361,845	75.4	0.1	75.5	65.378	110.534	175.912	26.475	38.617	65.092
GRAND TOTAL	-	-	18	97.5	3,444	999,115	280.592	4.06	284.652	3,064.105	761.762	3,825.867	6,857.149	651.381	7,508.53

Telecommunications

The former activities on establishing the remote control and data acquisition system were based on construction of the local and access fiber – optical communication network on the optical (OPGW) network of TRANSCO BiH.

The optical communication link between the future communication equipment in the distribution facilities, some generation facilities and local communication network with transformers and switchgears was set up with the SMF 24 cables installed in the laid PEHD 50 pipes.

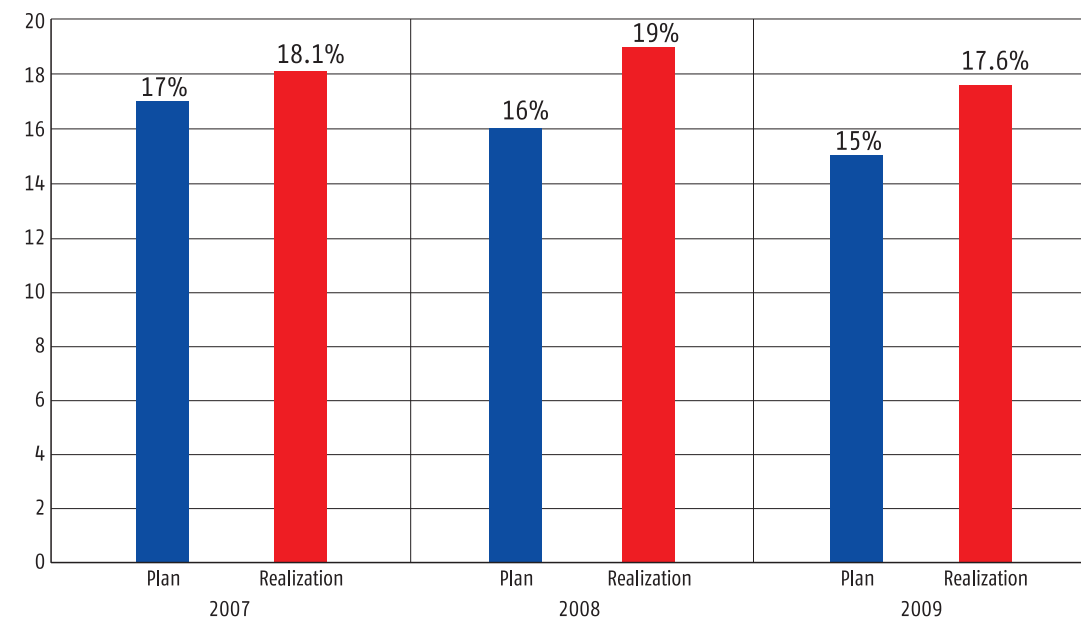
In the Distribution Areas South, Center and North, in addition to PEHD pipes included in the Power IV Project, 14.5 km long routes were excavated and 20.6 km PEHD pipes were laid in them. 40.8 km SMF 24 cables were installed in the pipes.

Energy and Investment

In 2009, construction and rehabilitation of the distribution facilities financed out of the EBRD loan were completed. This significantly improved supply to our customers taking into consideration both voltage continuity and quality. We also invested our own funds in the distribution network reconstruction to improve voltage quality and reduce losses.

There were 8,242 power connection applications out of which 7,776 were processed. The issued power connection certificates show that there is a need for additional 62 MW peak power.

Losses at Distribution Levels



POWER SUPPLY DIVISION

The Power Supply Division carries out the activities of power supply to tariff customers, data processing for power supply, settlement, billing and collection, and other activities according to the Regulations of Internal Organization of JP Elektroprivreda HZ HB d.d. Mostar.

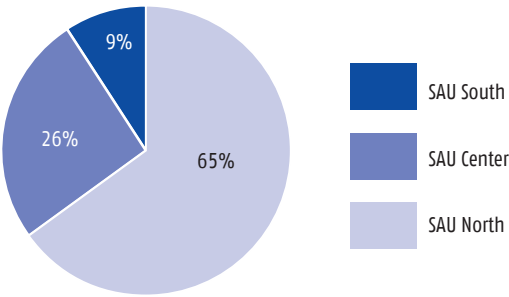
The main organizational parts of the Division are: Executive Director's Office, Customer Relations Unit, Supply Area Unit South, Supply Area Unit Center and Supply Area Unit North.

In 2009, the Division provided all customers with a quality and reliable power supply service.

All employees are responsible for quality supply to customers. On December 31, 2009, there were 340 employees and 185,267 customers.

NUMBER OF CUSTOMERS PER SUPPLY AREA UNIT IN 2009	
Supply Area Unit South	120,427
Supply Area Unit Center	47,576
Supply Area Unit North	17,264
TOTAL	185,267

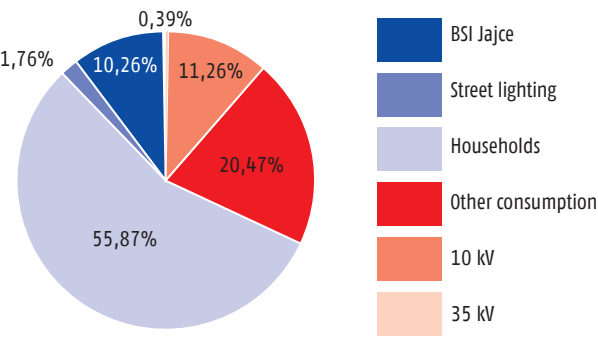
Shares of Customers per Supply Area Unit (%)



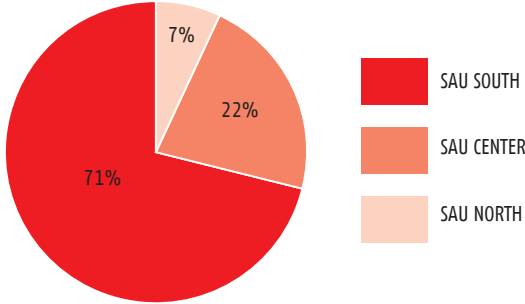
Number of Customers per Class as of December 31, 2009:

CLASS	NUMBER OF CUSTOMERS
110 kV	3
35 kV	3
10 (20) kV	125
Households	168,805
Other consumption	14,847
Street lighting	1,484
TOTAL	185,267

Structure of Billed Electricity at Medium and Low Voltage in 2009 (MWh)



Accepted Electricity per Supply Area Unit



PAYMENT COLLECTION

The main activity of the Division is payment collection as one of the key indicators of the quality and efficiency of all business operations. In 2009, the global crisis was an additional burden in payment collection. In spite of this, thanks to taking a number of intensified actions as well as to making a maximum effort and cooperation between all employees, the collection rate at the distribution levels was 98.25%.

COLLECTION RATE IN 2009	
Supply Area Unit South	97.82
Supply Area Unit Center	98.75
Supply Area Unit North	100.54

To avoid debt expiring, we brought a number of suits for debt. This was one of the extreme measures taken in payment collection.

NUMBER OF SUITS BROUGHT FOR DEBT:	
Supply Area Unit South	2,023
Supply Area Unit Center	1,155
Supply Area Unit North	57

RELATIONS WITH CUSTOMERS

In line with our business policy, customers are the center of our attention and the whole business strategy is adjusted to them. In 2009, we intensified and improved communication with customers by developing all types of support, primarily by improving the activities of informing customers and the quality of correspondence in writing and of electronic and telephone correspondence, by defining and standardizing the work processes as well as by providing additional education and training to employees.

HARMONIZATION OF BUSINESS OPERATIONS WITH NEW GENERAL CONDITIONS FOR POWER SUPPLY

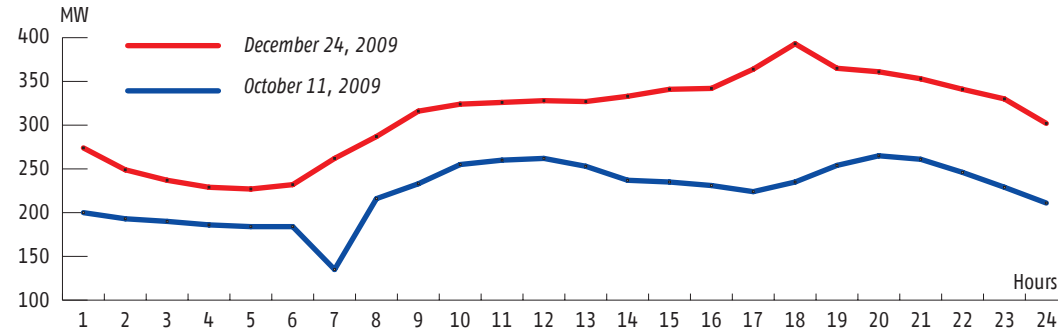
In 2009, the Federal Energy Regulatory Commission (FERC) adopted the new General Conditions for Power Supply being applied since July 1, 2009. They set new requirements and obligations as well as higher standards in the business operations. The process of signing contracts for power supply with all customers started in 2009 and it is still going on. The business methods were improved and adjusted to new requirements. Business operations of all organizational parts of the Division were improved by setting universal procedures.

Payment collection and electricity prices in 2009

Item	Description	2008 realization		2009 realization		Collection rate (%)				Selling price (pf/kWh)	
		Billing (BAM)	Collection (BAM)	Billing (BAM)	Collection (BAM)	2008 realization	2009 plan	2009 collection compared to 2008 collection	2009 realization	2008 realization	2009 realization
1	2	3	4	5	6	7	8	9=6/4	10	11	12
1,	SAU South	118,001,759	117,638,194	119,416,694	116,805,939	99.69		99.29	97.81	15.39	15.38
2,	SAU Center	39,647,522	39,538,619	39,387,909	38,895,487	99.73		98.37	98.75	16.58	16.45
3,	SAU North	14,059,965	13,984,766	14,085,350	14,160,994	99.47		101.26	100.54	15.45	15.36
4,	Other customers at 35 kV	16,741,968	16,806,524	12,757,131	12,509,460	100.39		74.43	98.06	9.26	9.37
5,	Total (1,+2,+3,+4,)	188,451,214	187,968,103	185,647,084	182,371,880	99.74	97.00	97.02	98.24	14.75	14.92
6,	Customers at 110/220 kV	81,233,976	76,001,433	60,825,923	62,570,097	93.56		82.33	102.87	10.17	9.87
7,	Total (5,+6,)	269,685,190	263,969,536	246,473,007	244,941,977	97.88		92.79	99.38	12.99	13.25
8,	Other non-tariff customers in BiH	2,127,493	1,123,768	24,667,223	22,983,733	52.82		2,045.24	93.18	13.36	8.36
9,	Exports	23,196,976	23,524,206	13,004,576	18,104,764	101.41		76.96	139.22	14.77	7.79
10,	Total JP EP HZ HB (7,+8,+9,)	295,009,659	288,617,510	284,144,806	286,030,474	97.83	97.00	99.10	100.66	13.12	12.23

Note: Item 5 - Total (1.+2.+3.+4.) refers to billing and collection from customers at distribution levels per Supply Area Unit and the customer B.S.I. Jajce. Item 6 - Customers at 110/220 kV refers to customers at 110 kV and higher levels : Aluminij d.d. Mostar and Railways of FBiH as tariff customers and Aluminij d.d. Mostar as a non-tariff (eligible) customer that purchased 110.9 GWh in the electricity market. Out of other non-tariff customers, Elektroprivreda BiH has the largest share with the bill of BAM 13,353,982 for supply of 1074,8 GWh. The collection rate (100.66%) was higher than the plan (97%) and higher than the collection rate in 2008 (97.83). The average electricity price was 12.23 pf/kWh.

Daily Load Diagram



Maximum (December 24, 2009 at 6 p.m.) and Minimum (October 11, 2009 at 7 a.m.) Daily Consumption in 2009

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
MAX (MW)	274	249	237	229	227	232	262	287	316	324	326	328	327	333	341	342	364	393	365	361	353	341	330	302
MIN (MW)	200	193	190	186	184	184	135	216	233	255	260	262	253	237	235	231	224	235	254	265	261	246	229	211

Maximum and Minimum Hourly Consumption per Month in 2009

Month	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
MAX (MW)	356	355	338	289	270	275	298	294	298	342	341	393
MIN (MW)	197	185	183	143	153	162	164	180	160	135	180	197

CONCLUSION

MANAGEMENT BOARD'S REPORT

In 2009, the total power generation in the hydro power plants operated by our Company was 1939.82 GWh or 130.3% of the plan.

Power generation in all hydro power plants was higher than the plan due to very favourable hydrological circumstances.

The total power consumption (3,532.79 GWh) was lower than the plan (index 96.2).

The losses at the distribution voltage levels (17.3%) were still higher than the plan (15%) but lower than in the previous year (17.8%).

The collection rate (100.66%) was higher than the plan (97%). Achievement of this 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 the previous year .

In the period January – December 2009, the planned investment out of our own funds amounted to BAM 42,180,345 and realized investment BAM 29,238,986 or 69%.

As a result of good performance in 2009, the profitability ratios – gross profit margin, ROA (return on assets), ROE (return on equity), ROI (return on investment), 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 2008.

The economic indicators – coefficients of economy of all business activities, and operating and working factors were better than in 2008 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).

Taking into consideration the Company's performance in 2009, the Management Board set the following tasks to be carried out in the following period:

- Launching development projects in accordance with the decisions of the Company's owner
- Electricity loss minimization
- Keeping the achieved collection rate
- Control of operating expenses to minimize them in all business activities
- Safe, reliable and quality supply to customers at all voltage levels
- Successful human resources management in the Company

SUPERVISORY BOARD'S EVALUATION OF COMPANY'S PERFORMANCE

At the 36th meeting held on February 25, 2010, the Supervisory Board unanimously adopted the 2009 Business Report of JP Elektroprivreda HZ HB d.d. Mostar and the Report on Investment per Organizational Part in 2009.

The Supervisory Board concluded that the profit made in 2009 was a result of the good management of the Company and good operating conditions in all generating plants. Its members were appreciative of the efforts the General Manager and the Management Board made to achieve very good results.

ASSEMBLY'S EVALUATION OF PERFORMANCE

At the 9th meeting held on June 2, 2010, the Shareholders' Assembly of JP Elektroprivreda HZ HB d.d. Mostar unanimously adopted the 2009 Company Business Report that includes the financial statements and reports of the Independent Auditor, Supervisory Board and Audit Board. The decisions on adopting the three-year business plan and the 2010 business plan were made.

On June 18, 2010, the Assembly continued the 9th meeting and made the decision on distribution of profits of JP Elektroprivreda HZ HB d.d. Mostar for 2009 according to the directives of the Government of BiH Federation given to representatives of the state capital in bodies of public companies.

The shareholders will be paid the dividends amounting to 40% of the profit i.e. BAM 9,337,560 as the profit of JP Elektroprivreda HZ HB d.d. Mostar in 2009 was BAM 23,343,901.

The determined dividend value per share was BAM 1.26. The above-mentioned decision also includes providing funds for legal reserves, covering a portion of the accumulated loss as well as for donations in 2010.

The Assembly's members, especially the representative of the majority state capital of the Company, expressed their satisfaction with the Company's performance that was very good in spite of the economic crisis. They supported the Management Board of the Company that is determined to keep on operating with the objectives and measures that resulted in very good performance.