

Vice President

Miroљub Labus, sgd

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On the basis of Art. 4, para 2 of the Law on Public Enterprises and performance of activities of general good"Official Gazette of the Republic of Serbia" No. 25/00 and 25/02) and Art. 171, para 2. of the Energy Law ("Official Gazette of the Republic of Serbia" No. 84/04).

The Government of the Republic of Serbia herewith passes

DECISION
ON
ESTABLISHMENT OF THE PUBLIC ENTERPRISE FOR GENERATION,
DISTRIBUTION AND TRADE OF ELECTRICITY

Art. 1

For the purpose of provision of the conditions enabling smooth and safe electric power supply to tariff consumers on the territory of the Republic of Serbia, it is established the Public Enterprise for the generation and distribution of electricity, control of distributive system and trade of electric power.

The Public Enterprise referred to in para 1 of this Article, provides for the electric power for other customers of the electric power, under law-stipulated conditions.

Art. 2

The trading style of the Public Enterprise for the generation and distribution of electric power, control of distributive system and trade of electric power is: "Elektroprivreda Srbije" Belgrade, the Public Enterprise. (hereinafter referred to as: The Public Enterprise).

The abbreviated trading style of the Public Enterprise is: JP EPS, Beograd.

Art. 3

The business seat of the Public Enterprise shall be in Belgrade, 2, Carice Milice St.

Art.4

The Public Enterprise shall carry out the following activities:

- 1) generation of electric power;
- 2) distribution of electric power;
- 3) distributive system management;
- 4) trade in electrical power;
- 5) coal recovery, processing and transport ;
- 6) heat and hot water production within combined processes;
- 7) hot water utilization and application;
- 8) wholesale of solid, liquid and gas-like fuels and other similar products, metals and metal ores and other trade;
- 9) services in inland (river and lake) traffic;
- 10) research and development;
- 11) designing, construction and maintenance of power and mining facilities and some other facilities;
- 12) designing, construction, maintenance and exploitation of telecommunication facilities and devices;
- 13) engineering;

The Public Enterprise may complete some other Statute-based lines of activities, with full observance of the laws.

Art. 5

The Public Enterprise completes the tasks in the field of foreign trade, within the range of registered activities.

The Public Enterprise completes the services in the field of foreign trade as follows:

- 1) agency and representation in the trade of goods and services;
- 2) investment works abroad and cession of investment works to a foreign person in the country;
- 3) services in the field of telecommunications;
- 4) quality and quantity supervision services in export-import of goods
- 5) scientific-research and research-scientific services and application and utilization of information and knowledge in the field of economy and science.
- 6) Attesting services and some other services in the foreign trade activities, within the range of registered activities.

Art. 6

Assets intended for the establishment and operation of the Public Enterprise include movables and immovables, funds, securities, property rights and some other operating assets of "Elektroprivreda Srbije" Public Enterprise for the generation, transmission and distribution of electric power and coal recovery (hereinafter referred to as JP "Elektroprivreda Srbije"), established pursuant to the Law on Electric Power Industry ("Official Gazette of the Republic of Serbia" No. 45/91, 53/93, 67/93, 48/94, 69/94 and 44/95) and the assets comprising the deposit of the Public Enterprise "Elektorprivreda Srbije" in public and some other forms of enterprises, established by the referred Public Enterprise (hereinafter referred to as "Dependent enterprises"), save for:

- 1) resources wherewith the Public Enterprise "Elektroprivreda Srbije" established "Elektroistok" Belgrade, the Public Enterprise for electric power transmission, and the resources acquired trough the operating activities of the referred Enterprise;
- 2) a portion of the resources used by JP "Elektroprivreda Srbije" in discharging of business activities relating to the management of the transmission system;
- 3) a share of JP "Elektroprivreda Srbije" Belgrade in the Enterprise "Elektroenergetski koordinacioni centar" d.o.o. Beograd.

The resources arising from para 1 of this Article have been established on the basis of assets the balance sheet on 31st December, 2004.

The Public Enterprise manages and avails its property in compliance with the Law and this subject Decision.

Art. 8

In compliance and full observance of the laws, course of actions and development and the operating schedules, the Public Enterprise is held responsible to provide for the conditions enabling safe and regular power supply for tariff electric power customers and the supply of sufficient quantities of energy as per established statement of electric power needs of the tariff customers in the territory of the Republic of Serbia.

The Public Enterprise is held responsible to undertake any and all measures and activities intended for the development of generating and distributing electric power facilities and the facilities for coal recovery and their necessary regular maintenance and smooth

operation, all in compliance with the laws and other regulations governing the conditions enabling the performance of power-related business activities and the conditions for carrying out the activities of public interest.

Art. 9

On the basis of the course of actions and development and the operating programme of the Public Enterprise it is to establish the needs for the electric power on the territory of the Republic of Serbia, including the data as follows: capacities and the conditions indispensable to provide and distribute necessary quantities of electric power intended to the tariff customers; the modes to secure lacking electric power quantities for the needs of herein referred customers; the modes and conditions of securing necessary coal reserves and some other energents for electric power generation; some other conditions enabling realization of the Energy Balance of the of the Republic of Serbia.

Art. 10

The Public Enterprise cannot dispose of facilities and some other immovables, plants and devices being employed in the function of electric power generation and distribution and in the control of distributive system, as well as the facilities and plants for recovery, processing and transport of coal.

The acquisition and disposal of the property of substantial value, being directly applied in the process of electric power generation and distribution, control of distributive system and recovery, processing and transport of coal, as well as disposal of the facilities and plants from para. 1 of this Article, being undertaken for the scope of the replacement of the said due to resulting wear, aimed modernization or technical-technological upgrading shall be effected with the obtained consent from the Government of the republic of Serbia (hereinafter referred to as: The Promoter).

Art. 11

The Promoter and the Public Enterprise may get contract-defined certain rights and obligations relating to the generation, distribution and trade of electric power for the needs of the tariff customers, all in compliance with the law.

Art. 12

In the case of any disturbances in the business operations of the Public Enterprise, the Promoter shall take all necessary measures so as to provide uninterrupted operation and

continuous business activities of the Public Enterprise, while performing the activities of public interest, with full observance of the laws.

Art. 13

The Public Enterprise operates at market conditions, with full observance of the laws.

The operating results of the Public Enterprise shall be periodically established, in the way and procedure as stipulated by the law.

Art. 14

The profit of the Public Enterprise shall be distributed in compliance with the law, this Decision and the Statute.

With the previously obtained Promoter's consent, the Board of Directors of the Public Enterprise passes on decision on profits distribution.

Art. 15

The organs of the Public Corporate are: Board of Directors, Manager General and Supervisory Committee.

Art. 16

Board of Directors has the Chairman and ten members appointed for five-year commitment.

The Promoter is appointed and removed from office by the Chairman and the members of the Board of Directors.

Subject to the appointment letter issued by the Board of Directors, it is placed the Vice Chairman of the Board of Directors out from the member group of referred Board.

The competent Minister in charge of energy sector activities appoints the Chairman and six members of the Board of Directors.

Four members of the Board of Directors are proposed from among the staff group of the Public Enterprise, in the way as stipulated by the Statute.

Art. 17

The Board of Directors of the Public Enterprise:

- 1) decides the business policy of the Public Enterprise;
- 2) passes on the Statute;

- 3) decides on business and developmental schedules and passes the programme of related business activities;
- 4) adopts financial reports;
- 5) decides on the gains distribution and loss coverage;
- 6) decides either to increase or decrease the capital assets of the Public Enterprise;
- 7) decides on the capital investments;
- 8) decides on status changes;
- 9) decides on the establishment of dependent corporate companies;
- 10) decides on the issues within the scope of the activities of the assembly of the dependent corporate company as set by the law, unless otherwise stipulated by the founding act of the referred corporation;
- 11) passes on decision on handling of immovables and other assets, all in compliance with the existing legal regulations, this subject decision and the Statute;
- 12) decides on granting of guarantees, sureties on a bill, warranties, liens and some other security facilities intended for the activities that do not fall within the range of privity objects;
- 13) decides on the change of the trading style, seat and the business activities of the Public Enterprise and passes on decisions on organization and closing of the branches of the Public Enterprise with the full powers in legal transactions;
- 14) Passes on general enactments of the Public Enterprise, having not been categorized within the competence of some other body, subject to the legal regulations, this decision or the Statute of the Public Enterprise.
- 15) Decides on its Operating Procedure;
- 16) Decides on some other relevant issues having been ranked, on the basis of this Decision and the Statute, to fall within the scope of interest of the Board of Directors.

Decisions from para. 1 of the item 2), 3), 5), 6), 7), 8), 9), 12) and 13) of this Article are passed by the Board of Directors jointly with the Promoter's consent.

Art. 18

The Promoter appoints and suspends the Manager General of the Public Enterprise.

The Manager General is elected for five-year commitment.

The Statute of the Public Enterprise closely defines the conditions ruling the appointment and suspension of the Manager General.

Art. 19

The Manager General of the Public Enterprise completes and undertakes the tasks as follows:

- 1) organizes and manages the business activities of the Public Enterprise;
- 2) agency and represents the Public Enterprise;
- 3) provides for legality of the activities and is held liable for the legality of the related business operations undertaken within the Public Enterprise;
- 4) proposes a business policy, work schedules and development programmes as well as the intended programmes of business activities and undertakes appropriate measures for their implementation;
- 5) proposes to the Board of Directors to pass on decisions and some other enactments within the scope of its business activities;
- 6) enforces decisions passed by the Board of Directors ;
- 7) passes on general enactments the adoption of which is in the authority of Statute-powered Manager General.
- 8) decides on individual rights, liabilities and responsibilities of the employees. all in compliance with the law and entered collective agreement;
- 9) decides on some other issues, all in compliance with the law and the Statute of the Public Enterprise.;
- 10) performs and completes some other tasks defined by the law, this Decision and the Statute;

Art. 20

Supervisory Committee comprises the Chairman and four members appointed for five-year commitment.

The Promoter appoints and releases from duty the Chairman and the members of the Supervisory Committee.

The competent Minister in charge of energy sector activities proposes the Chairman and two members of the Supervisory Committee.

Two members of the Supervisory Committee are proposed from among the group of employees of the Public Enterprise, in the way as defined by the Statute.

Art. 21

The Supervisory Committee monitors and supervises the activities of the Public Enterprise, reviews financial reports, proposes profit distribution and loss coverage and performs and completes some other tasks and activities defined by the law and the Statute.

On a yearly basis, the Supervisory Committee reports on the established supervision-resulting conclusions and results to the Promoter of the Enterprise.

Art. 22

The Manager General represents the Public Enterprise, with no power restrictions.

The Manager General may, within the scope of his powers, to grant some other individual in writing power to represent the Public Enterprise.

The Manager General, with the consent of the Steering Committee, may grant and revoke one's proxy, all in compliance with the law.

Art. 23

The Manager General represents the Public Enterprise in foreign trade activities, with no power limits.

Subject to the adopted Statute, some other individuals may represent the Public Enterprise in foreign trade activities.

Art. 24

The Public Enterprise shall organize the performance of its business activities in the way that secures indispensable efficiency and rational business approach.

The Statute, general enactments and some other documents of the Public Enterprise define closely internal labour organization of the referred Enterprise, the scope of activities of the relating bodies, organization of activities by branches and the rights and the liabilities of the respective branches in legal transactions as well as some other issues

relevant for the operation and performance of the Public Enterprise, all in compliance with legal regulations.

Art. 25

The Public Enterprise may establish dependant corporate companies for the performance of the activities within the range of its business operations, all in compliance with the regulations governing the legal status of the business corporates and stipulating the conditions and the ways of performance of herein referred activities of public interest, based upon this subject Decision.

Art. 26

When establishing the business corporates from Art. 25 of this Decision, the Public Enterprise starts from the principles as follows:

- 1) the needs and the possibilities of organization of certain activity within allocated field;
- 2) function- connected tasks organization;
- 3) technical-technological and economic connection;
- 4) rational utilization of the assets intended for the objects performance, natural resources and goods of public interest, subject to the respective nature and purpose.
- 5) Development of economic-financial relations on the basis of the market principles;
- 6) Efficiency in the control of distributive system;
- 7) Achieving necessary degree of coordination in performance of the activity of public interest and carrying out the tasks of general interest for behalf of the Public Enterprise and dependent business corporates;
- 8) Rational use and handling of property and provision of the conditions enabling regular performance of the activities of public interest.

Art. 27

The Public Enterprise shall be held liable to provide for and ensure necessary environmental conditions intended to protect and promote living environment as well as to prevent and remedy any and all consequences that endanger human environment.

The modes of the provision of above-referred conditions, arising from para. 1 of this Article shall be defined by the Public Enterprise, subject to the impact of the performed business activities on the living environment.

Art. 28

The Public Enterprise starts its operations on the day of its entry into the Register of Business Entities.

On the day of the start of its business operations, the Public Enterprise shall take over assets (means), rights, obligations and the employees of JP "Elektroprivreda Srbije", save for a portion of the assets (means), rights, liabilities and employees that are to be taken over by the energy object, established on the basis of the Decision passed by the Government of the Republic of Serbia for the scope of the performance of the activities of electric power transmission and control of transmission system.

Art. 29

The Government of the Republic of Serbia is going to appoint the Manager General, Chairman and the Members of the Managing Board of the Public Enterprise at latest by 15th June, 2005.

The Director of the JP "Elektroprivreda Srbije" proposes three representatives of the employees and one member is to be proposed by the Main Board of the Labour Union of JP "Elektroprivreda Srbije".

The Managing Board is to pass the Statute of the Public Enterprise within five days as from the day of the appointment.

Art. 30

The Government of the Republic of Serbia is to appoint the Chairman and the members of the Supervisory Committee within 30 days as from the day of the beginning of the operation of the Public Enterprise.

Art. 31

The Manager General of JP "Elektroprivreda Srbije" is to organize drafting of the Statute of the subject Public Enterprise as well as all other enactments necessary for the registration of the establishment of the Public Enterprise and performance of some other tasks crucial for the provision of the conditions enabling the beginning of the operations of the referred Public Enterprise.

Art. 32

By the time of passing and adoption of the course of the activities and development and the enactments regulating business dealings and task implementation, enactments on organization and job plan and some other formal documents of the Public Enterprise that are of significance for the completion of the tasks, defined by legal regulations and some other rules, enabling undisturbed operational activities of electric power facilities, there shall be applied the acts of JP "Elektroprivreda Srbije", existing on the day of the beginning of the operation of the Public Enterprise.

Art. 33

The Public Enterprise takes over promoting rights in the dependant enterprises, save for promoting rights in the Public Enterprise for the transmission of electric power "Elektroistok", Beograd and in the Enterprise "Elektroenergetski koordinacioni centar" d.o.o. Beograd.

The Public Enterprise shall be held liable to coordinate the organization, operations and business activities that are to be implemented within the enterprises whose promoting rights have been taken over with respect to regulations setting the legal status of the business corporates and the regulations defining the conditions and the modes of performance of electric-power activities of public interest, all within 6 months as of the date of the beginning of the business operations; the dependant enterprises on the territory of the Kosovo and Metohija shall complete afore-said obligations within three months as of the date of the satisfaction of the conditions enabling the coordination of their respective organizations, operations and business activities with the regulations that define the legal status of the business corporates and the regulations that set the conditions and the modes of performance of the electric power-related activities of public interest.

In the course of the process of coordination of the organization, operations and business activities of the Enterprise, arising from para. 2 of this Article, the Public Enterprise shall observe the principles ruling the establishment of dependent business corporates, defined by this subject Decision.

The existing dependant enterprises shall continue their business operations in compliance with their respective establishing documents and some other enactments defining their operations and business activities until the reached coordination of their organization, operations and business activities, to the effect of para.2 of this Article.

Art. 34

On the date the Public Enterprise has been registered into the Register of Business Entities it shall be consequently deleted from the Register of Business Entities - "Elektroprivreda Srbije", the Public Enterprise for the generation, transmission and distribution of the electric power and coal recovery.

Art. 35

This Decision becomes effective on 1st July, 2005.

05 No. 023-396/2005-1

Dated in Belgrade on 27th January, 2005.

The Translation is identical to the original document