

Pursuant to Article 4, paragraph 1 in conjunction with Article 65, paragraph 1 of the Law on Public Enterprises (*Official Gazette of RS* No. 119/12 and Article 43, paragraph 1 of the Law on Government (*Official Gazette of RS* Nos. 55/05, 71/ 05-corrigendum, 101/07, 65/08, 16/11, 68/12-US and 72/12),

The Government passes the

DECISION
ON HARMONIZATION OF BUSINESS OPERATIONS OF THE PUBLIC ENTERPRISE
FOR GENERATION, DISTRIBUTION AND TRADING OF ELECTRICITY
WITH THE LAW ON PUBLIC ENTERPRISES

1 Introductory Provisions

Article 1

Public Enterprise Electric Power Industry of Serbia, Belgrade („Elektroprivreda Srbije”, Beograd) (hereinafter: the Public Enterprise) was founded in order to provide conditions for regular and secure electricity supply to tariff customers in the territory of the Republic of Serbia by the Decision on establishing the Public Enterprise for generation, distribution and trading of electricity (*Official Gazette of RS* Nos. 12/05 and 54/10).

Article 2

The Public Enterprise is entered in the Business Entities Register in the Business Registers Agency by the decision No. BD 80380/2005 of 1 July 2005.

Article 3

The founder of the Public Enterprise is the Republic of Serbia (hereinafter: the Founder).

Article 4

The Company shall operate under the business name: Javno preduzeće „Elektroprivreda Srbije”, Beograd (Public Enterprise Electric Power Industry of Serbia, Belgrade).

The abbreviated business name of the Public Enterprise is: JP EPS, Beograd (PE EPS, Belgrade).

The head office of the Public Enterprise is in Belgrade, Carice Milice 2.

Article 5

The Public Enterprise may establish a subsidiary company (hereinafter: the subsidiaries), in accordance with the Law governing the legal status of public enterprises (hereinafter: the Law) and the Articles of Association of the Public Enterprise (hereinafter: the Articles of Association).

Article 6

The Public Enterprise shall have the status of a legal person and rights, obligations and responsibilities stipulated by the law and this Decision.

The Public Enterprise shall be liable for the assumed obligations with its entire property. The Public Enterprise has a stamp and seal, whose appearance and contents are determined by the Articles of Association of the Public Enterprise.

2 Activities of the Public Enterprise

Article 7

The main activity of the Public Enterprise is:

Name of the energy activity: electricity supply

- Business activity code: 35.14

In addition to the main activity, the Public Enterprise also conducts the following activities:

- 1) electricity generation;
- 2) electricity distribution and distribution system management;
- 3) business entity management;
- 4) cable telecommunications.

The Public Enterprise may also conduct other activities in accordance with the Law and the Articles of Association.

Article 8

The Public Enterprise carries out foreign trade activities within the framework of registered activities.

3 Rights, obligations and responsibilities of the Founder to the Public Enterprise and of the Public Enterprise to the Founder

Article 9

The Founder shall give consent to the following by-laws or documents of the Public Enterprise:

- 1) long-term and medium-term work and development plans of the Public Enterprise and annual operations program of the Public Enterprise;
- 2) financial statements and consolidated financial statements of the Public Enterprise;
- 3) distribution of profits of the Public Enterprise and method of covering the loss of the Public Enterprise;
- 4) Articles of Association;
- 5) status changes of the Public Enterprise;
- 6) investment of capital of the Public Enterprise;
- 7) by-laws or documents on establishment and dissolution of subsidiary companies, status changes and change of legal form of these companies;
- 8) assessment of the capital of the Public Enterprise and presenting the capital of the Public Enterprise in shares having specified nominal value - equities, as well as the program and decision on ownership transformation;
- 9) on the increase and reduction of share capital of the Public Enterprise;
- 10) on the change of activity (conducting other activities, except those for which it is established), as well as the change of business name and head office of the Public Enterprise;
- 11) disposal of publicly owned assets (acquisition and alienation) that have been transferred to the ownership of the Public Enterprise, whose value is higher, and which are directly used in conducting the activities of general interest, established by the Articles of Incorporation;
- 12) granting the guarantees, sureties, securities, pledges and other financial security instruments for jobs falling out of the scope of the activities of general interest;
- 13) and other by-laws or documents, in accordance with the law and the Articles of Incorporation.

A by-law or document which is to be approved by the Founder shall be considered adopted upon the Founder's consent.

The Founder shall give its prior consent to the by-law or document on investing the

capital referred to in paragraph 1, item 6) of this Article.

The Founder shall decide on the change of legal form of the Public Enterprise.

Article 10

The Public Enterprise adopts long-term and medium-term work and development plans, in accordance with the Law, program and planning documents of the Founder.

Article 11

The Public Enterprise adopts annual operations program, in accordance with the Law, program and planning documents of the Founder and long-term and medium-term work and development plans of the Public Enterprise.

Annual operations program of the Public Enterprise shall be adopted and submitted to the Founder for approval no later than 1 December of the current year for the following year.

The contents of the annual operations program and the consequences of failure to adopt it are prescribed by the Law.

Article 12

The Public Enterprise is required to monitor the implementation of annual operations program of the Public Enterprise and to submit quarterly reports on the level of implementation of the annual operations program, as well as other reports prescribed by the Law, to the competent authorities within time frames and in the manner provided by the Law.

Article 13

In case of disruptions in operations of the Public Enterprise, the Founder may take measures to ensure smooth functioning and performance of activities of general interest of the Public Enterprise, and in particular:

- 1) change of internal organization of the Public Enterprise;
- 2) dismissal of the bodies and appointment of temporary bodies;
- 3) limitation with regard to the right of disposal of some publicly owned assets;
- 4) other measures provided by the Law.

In case of disruptions in operations of a subsidiary, which jeopardize smooth functioning of the Public Enterprise, the Supervisory Board of the Public Enterprise shall take measures to ensure smooth functioning and performance of activities of that subsidiary.

Article 14

In the event of a strike, the Public Enterprise is required to take measures to ensure minimum service or work process, in accordance with the law governing the conditions for organizing a strike and the Founder's document on determining the minimum service in the Public Enterprise.

If in the Public Enterprise the conditions for achieving minimum service are not provided, the measures determined by the law governing the legal status of public enterprises shall be implemented in the enterprise.

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4 Conditions and manner of determining distribution of profits and method of loss coverage and risk bearing

Article 15

Profit and loss of the Public Enterprise shall be determined and distributed in accordance with the law.

The decision on distribution of profit of the Public Enterprise shall be made by the

Supervisory Board, with the consent of the Founder. The decision determines the portion of funds to be paid into the budget of the Republic of Serbia, in accordance with the Law.

The decision on how to cover the loss shall be made by the Supervisory Board, with the consent of the Founder.

5 Audit Commission

Article 16

The Public Enterprise has an Audit Commission, which is appointed by the Supervisory Board.

The Audit Commission consists of three members, whereas the Managing Director and executive directors cannot be the Commission's members.

The Audit Commission shall:

- 1) prepare, propose and verify the implementation of accounting policies and risk management policies;
- 2) examine the application of accounting standards in the preparation of financial statements and evaluate the content of financial statements;
- 3) examine whether the conditions for preparing consolidated financial statements are met;
- 4) conduct the procedure for election of the auditor of the Public Enterprise and propose an auditor candidate to the Supervisory Board;
- 5) perform other duties entrusted to it by the Supervisory Board.

Method of work of the Audit Commission shall be specified in more detail by a decision of the Supervisory Board.

6 Conditions and method for the Public Enterprise's borrowings

Article 17

The Public Enterprise may borrow under the conditions prescribed by the law governing the public debt.

7 Representing the Public Enterprise

Article 18

In the activities of internal and foreign trade, the Public Enterprise shall be represented by the Managing Director, without limitation.

The Public Enterprise may be also be represented by executive directors and other persons designated in the manner determined by the Articles of Association of the Public Enterprise.

The representative of the Public Enterprise may, within his/her authority, give another person a written power of attorney for representation.

The Managing Director may, with the consent of the Supervisory Board, give or revoke a procuration in accordance with the Law.

8 Amount of share capital, description and type of non-cash contribution

Article 19

The total registered share capital of the Public Enterprise (hereinafter referred to as: the share capital), on 31 December 2004 amounted to RSD 364,575,651,147.46 (in words: three hundred sixty-four billion five hundred seventy-five million six hundred fifty-one thousand one hundred forty seven and 46/100 dinars), of which non-cash amounts RSD 360,365,896,147.77 (in words: three hundred sixty billion three hundred sixty-five million eight hundred ninety-six thousand one hundred forty seven and 77/100 dinars), and cash amounts RSD 4,209,754,999.69 cash (four billion two hundred nine million seven hundred fifty-four thousand nine hundred ninety-nine and 69/100 dinars).

The share capital is fully paid-in and entered.

The share capital referred to in paragraph 1 of this Article is a single share of the Founder, as the only member with the 100 percent share in the equity of the Public Enterprise.

9 Property and alienation of the property of the Public Enterprise

Article 20

The property of the Public Enterprise consists of the ownership right to movable and immovable property, monetary assets, securities and other property rights transferred to the ownership of the Public Enterprise in accordance with the law, including the right to use property in public ownership.

The Government shall regulate the ownership right referred to in paragraph 1 of this Article by a special law:

The Public Enterprise manages and disposes of its property in accordance with the law, the Articles of Incorporation and the Articles of Association of the Public Enterprise.

10 Bodies of the Public Enterprise

Article 21

The management in the Public Enterprise is organized as a two-tier structure.

The bodies of the Public Enterprise are the Supervisory Board, the Executive Board, and the Managing Director.

Supervisory Board

Article 22

The Supervisory Board consists of five members appointed by the Founder, one of whom is a member of the employees, proposed in the manner specified by the Articles of Association of the Public Enterprise, and one member has to be an independent member of the Supervisory Board.

The term of office of the president and members of the Supervisory Board shall be four years.

Article 23

The term of office of the president and members of the Supervisory Board shall cease upon expiry of the period for which they have been appointed, by resignation or dismissal, in accordance with the Law.

If the number of the Supervisory Board members is reduced due to cessation of the term of office of a Supervisory Board member, the president or the member of the Supervisory Board, who is to be appointed instead of the person whose term of office has terminated, shall be designated for the period until the expiration of the term of office of the Supervisory Board to which he/she is appointed.

Article 24

The Supervising Board shall:

- 1) determine the business strategy and business objectives of the Public Enterprise and ensure their implementation;
- 2) adopt quarterly report on the degree of implementation of the annual operations program;
- 3) adopt long-term and medium-term work and development plans of the Public Enterprise and annual operations program of the Public Enterprise, with the Founder's consent, and ensure their implementation
- 4) determine financial statements of the Public Enterprise and consolidated financial statements and submit these statements to the Founder for approval;
- 5) take decision on distribution of profits, i.e. method of covering the loss of the Public Enterprise, with the Founder's consent;
- 6) adopt the Articles of Association, with the Founder's consent;
- 7) decide on status changes and establishment of other legal entities, with the Founder's consent;
- 8) decide on investing the capital of the Public Enterprise, with the Founder's consent;
- 9) decide on the increase and reduction of the share capital of the Public Enterprise, with the Founder's consent;
- 10) adopt the by-law or document on the assessment of capital of the Public Enterprise and on presenting the capital in shares-equities, as well as the program and the decision on ownership transformation, with the Founder's consent;
- 11) make a decision on approving the Managing Director's document on granting or revoking a procuration;
- 12) decide on the change of activity (conducting other activities, except those for which the Public Enterprise is established), as well as the change of business name and head office of the Public Enterprise, and
- 13) propose to the Founder to take decision on changing the legal form and amending the Articles of Incorporation;
- 14) supervise the work of the Managing Director and executive directors, or the Executive Board;
- 15) perform internal supervision of the operations of the Public Enterprise;
- 16) give consent to the Managing Director for undertaking activities or actions in accordance with the Law, the Articles of Association and the Founder's decision;
- 17) establish, approve and monitor the accounting, internal control, financial reports and risk management policy in the Public Enterprise;
- 18) conclude the employment contract with the Managing Director on permanent basis, i.e. employment contracts with the executive directors, and appoint or dismiss executive directors, on the proposal of the Managing Director in accordance with the law;
- 19) appoint the members of the Audit Commission and the auditor of the Public Enterprise.

The Supervisory Board also performs other activities in accordance with the Law, this Decision, regulations governing the legal status of companies, and the Articles of Association of the Public Enterprise.

Article 25

The Supervisory Board shall decide by a majority vote of the total number of members.

The manner of work and decision-making of the Supervisory Board shall be more closely regulated by the Articles of Association of the Public Enterprise.

At the first meeting, the Supervisory Board shall adopt the Rules of Procedure.

Article 26

The president and members of the Supervisory Board shall be entitled to remuneration for their work in the Supervisory Board.

The amount of remuneration is to be determined by the Founder, pursuant to the reports on implementing the annual operations program of the Public Enterprise.

Executive Board

Article 27

The Executive Board consists of executive directors appointed by the Supervisory Board on the proposal of the Managing Director.

The Managing Director of the Public Enterprise is the president of the Executive Board.

Article 28

In the Public Enterprise, seven executive directors shall be appointed, and their authorities shall be stipulated by the Articles of Association of the Public Enterprise, in accordance with the Law.

Executive directors must be employed in the Enterprise.

Executive directors cannot have deputies.

Article 29

The activities and scope of work of the Executive Board and each of the executive directors and method of work of the Supervisory Board shall be closely regulated by the Articles of Association of the Public Enterprise.

A person who meets the requirements prescribed by the Law and the Articles of Association of the Public Enterprise may be appointed as an executive director.

The term of office of an executive director shall be four years, and upon expiration of the term to which he/she is appointed, the executive director may be reappointed.

The term of office of the executive director shall terminate upon the expiry of the period for which he/she is appointed, by resignation and dismissal.

Managing Director

Article 30

The Managing Director is appointed by the Founder for a period of four years, on the basis of a public vacancy announcement, in accordance with the Law.

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Article 31

The Managing Director shall:

- 1) represent the Public Enterprise;
- 2) organize the work of the Public Enterprise and manage the work process;
- 3) perform internal supervision of the operations of the Public Enterprise;
- 4) be responsible for the legality of operation of the Public Enterprise;
- 5) propose annual operations program and take measures for its implementation;

- 6) propose financial statements of the Public Enterprise;
- 7) execute the decisions of the Supervisory Board;
- 8) propose executive directors;
- 9) adopt the by-laws, document on internal organization and job classification, as well as other by-laws or documents the adoption of which is not within the competence of the Supervisory Board;
- 10) perform other tasks specified by the Law, the Articles of Incorporation and the Articles of Association of the Public Enterprise.

Article 32

Managing Director and executive directors are entitled to salary and may be entitled to incentive when the Public Enterprise operates with positive business results.

The decision on payment of incentive shall be made in accordance with the Law.

Incentive can be defined as participation in the distribution of profit and it is quoted separately within the annual financial statements.

Article 33

The term of office of the Managing Director shall terminate upon the expiry of the period for which he/she has been appointed, by resignation and dismissal.

The Director shall submit his/her resignation to the Founder, in writing.

The Director may be dismissed on the grounds stipulated by the Law.

The Public Enterprise may have an acting Managing Director appointed by the Founder in the cases and under the conditions provided by the Law.

The acting Managing Director has all the rights, duties and powers of the Managing Director.

11 Founder's rights, capital investment and management of subsidiaries

Article 34

The Public Enterprise may, independently or together with another domestic or foreign entities, establish companies in the Republic of Serbia, or another state, for conducting energy and other activities, as well as invest capital in other domestic and foreign legal entities, in accordance with the Law and regulations governing the legal status of companies, public-private partnership, performance of energy and other activities and protection of competition, and with this Decision.

Article 35

The Public Enterprise may invest capital in other domestic and foreign entities, provided that this will not jeopardize performance of the activity and the successful business operations of the Public Enterprise.

Article 36

The Public Enterprise may establish branches as separate organizational units, through which it will conduct the activity in the country and branches or representative offices abroad, in compliance with the Law.

12 Environmental protection

Article 37

In carrying out its activities, the Public Enterprise shall provide necessary conditions for the protection and improvement of environment and prevent the causes and remove the consequences that endanger the environment.

13 Transparency in the work of the Public Enterprise

Article 38

Transparency in the work of the Public Enterprise is ensured through regular reporting to the public on the annual operations program of the Public Enterprise and quarterly reports on implementing the annual operations program, and reporting to the public on other facts that may be relevant to it, and particularly on: the audited annual financial statements and the chartered auditor's opinion on these statements, the report on special or extraordinary audits, the composition of the Supervisory Board, the name of the Managing Director, organization of the Public Enterprise and method of communication of the Public Enterprise with the general public.

The Public Enterprise shall publish on its website the adopted annual operations program and quarterly reports on its implementation, audited annual financial statements, the chartered auditor's opinion on these statements, composition of the Supervisory Board and contact data of the Managing Director, i.e. director of the subsidiary, as well as other facts relevant to the general public.

14 By-laws of the Public Enterprise

Article 39

The by-laws of the Public Enterprise are: Articles of Association, decisions, rulebooks, rules of procedures, guidelines and other documents regulating certain issues in a general manner.

The Articles of Association constitute the fundamental by-law of the Public Enterprise. By-Laws of the Public Enterprise must comply with the Articles of Association.

Article 40

The Articles of Association, in accordance with the law and this decision closely regulate: business name and head office of the Public Enterprise, activities of the Public Enterprise that are not specified in this Decision; representation of the Public Enterprise ; reserves; scope and method of work of the Public Enterprise; way of proposing employee representatives in the Supervisory Board; by-laws of the Public Enterprise and the authority for their adoption; way of preparing and monitoring the implementation of work and development plans and annual operations program; principles and method of ensuring coordinated performance and development of the activities of electricity generation and coal production, electricity distribution and distribution system management and supply of electricity, principles of management of subsidiaries, appearance and content of the stamp and seal of the Public Enterprise and other issues relevant to the work and operations of the Public Enterprise.

15 Transitional provisions

Article 41

The Public Enterprise continues its work in accordance with the Law and the Articles of Association.

The acting Managing Director of the Public Enterprise Electric Power Industry of Serbia, appointed by the Decision of the Government 24 No. 119-5734/2012 of 6 September 2012, continues to hold that position with all the rights and duties of the Managing Director in accordance with the Law and this Decision, until the appointment of the Managing Director, in accordance with the Law.

The Board of Directors appointed by the Decision of the Government 24 No. 119-2693 / 2013 of 28 March 2013, continues to perform the duties of the Supervisory Board established by this Decision until the appointment of the president and members of the Supervisory Board in accordance with the Law and this Decision.

The Supervisory Board shall harmonize the Articles of Association of the Public Enterprise with this Decision within 15 days from the date of appointment.

The other by-laws of the Public Enterprise will be harmonized with this Decision and the Articles of Association within 15 days from the adoption date of the Articles of Association.

Article 42

The Public Enterprise shall harmonize the by-laws or documents on founding public enterprises for carrying out energy activities, with registered seat in the territory of the Autonomous Province of Kosovo and Metohija, with the Law, this Decision and the regulations governing the legal status of companies and regulations governing the conditions and manner of performing energy activities within three months from the date when the conditions for alignment of their organization, work and operations are created.

16 Final provision

Article 43

This Decision shall be published in the *Official Gazette of the Republic of Serbia*.

05 No. 023-4502/2013-1
Belgrade, 4 June 2013

GOVERNMENT

Accuracy of the copy certified by
SECRETARY GENERAL

Veljko Odalović sgd.
(Stamp and signature)

PRESIDENT

Ivica Dačić sgd.