

PUBLIC ENTERPRIZE ELECTRIC POWER INDUSTRY OF SERBIA, BELGRADE

Carice Milice 2

Number: 2392 / 21-14

Belgrade, 17-10-2014

Subject: additional clarifications no. 3 in accordance with Article 63 paragraph 3 of Public Procurement Law ("Official Gazette of the Republic of Serbia" number 124/12) in an public procurement procedure **PP No. 61/14/DEFP**, for which Invitation to tender was published on Public Procurement Portal on **10.10.2014.**

Five and more days prior to expiry date foreseen for submission of tenders in subject public procurement procedure, interested party has submitted to the Employer via e-mail request for additional information, i.e. clarifications, regarding which the Employer, i.e. Public Procurement Committee, in accordance with provision of Article 54 paragraph 12 item 1) of the Law shall provide the following information i.e. clarifications within three days from the day of the receipt of the request:

Potential Tenderer submitted the QUESTION no 3.1:

"Why the report of the auditor to individual balance of EPS is not published on BRA, nor is the part of the official tender documents?"

ANSWER by the Employer to QUESTION no. 3.1:

"In accordance with the Law on Accounting of F&S (Official Gazette no.62/13), Article 51, September 30, 2014 is the deadline for the submission of the edited financial statements for reporting 2013 to Business Registers Agency. Business Registers Agency shall disclose them on its website no later than October 31, 2014. This applies for individual-statutory financial statements, in this case the financial statement of PE EPS, and the same as for consolidated financial statements. In accordance with the stated, PE EPS has submitted the edited financial statement with the auditor's opinion on September 30, 2014."

Potential Tenderer submitted the QUESTION no 3.2:

"Why EPS Loan Table as of 30/09/2014 is not the part of tender documents"

ANSWER by the Employer to QUESTION no. 3.2:

"EPS Loan table as of 30/09/2014 is not the part of tender documents since it was not stipulated by PPL and bylaws. EPS Loan table as of 30/06/2014 is attached with answer by the Employer to question no.1.2."

Potential Tenderer submitted the QUESTION no 3.3:

"Why did you change the auditor in 2013 compared to 2012"

ANSWER by the Employer to QUESTION no. 3.3:

"The selection of the auditor is performed in accordance with the Law on Public Procurement Law on Accounting, Law on Audit and other relevant laws. The selection of the auditor is performed in an open procedure for public procurement of auditing service for PE EPS and all EPS subsidiaries. For this tender document the stated conditions are in accordance with Article 75 and Article 76 of Public Procurement Law which the Tenderer has to fulfill and the decision on the selection of the most favorable tender in public

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procurement PE EPS adopted by applying the criterion „economically the most favorable tender“, and the evaluated tender of auditor's office KPMG was the most favorable one."

Potential Tenderer submitted the QUESTION no. 3.4:

"Why the balances are not corrected in accordance with the auditor's opinion, which is repeated in the past two years, and refers to shown value of fixed assets in preparation and the value of supplies"

ANSWER by the Employer to QUESTION no. 3.4:

"In accordance with International Auditing Standards, the auditor is responsible to express opinion about subject financial statement based on performed audit, and the management of legal entity is responsible for true, objective and fair display of financial items, performances and cash flows of legal entities. In this case, the management of PE EPS does not agree with the reserve that the auditor expressed, and which refers to the value of fixed assets in preparation and the value of supplies and believes that the shown value of fixed assets in preparation and the value of supplies is true and objective."

Potential Tenderer submitted the QUESTION no 3.5:

"Does the implementation of Article 206 of the Energy Law mean that since 01/01/2015 all electricity customers will have to select their supplier and with that the regulated electricity price is not valid except for socially vulnerable customers?"

ANSWER by the Employer to QUESTION no. 3.5:

"Households and small customers are entitled to public supply at regulated prices also in 2015, which is around 55% of the consumption in Serbia. No one can force them to enter market unless they decide it themselves. Since the regulated price is significantly lower than market price of electricity it is not expected that households and small customers will switch to market in 2015. "

Potential Tenderer submitted the QUESTION no 3.6:

"What is the status of HPP Piva? Did it start operating or is it still being constructed?"

ANSWER by the Employer to QUESTION no. 3.6:

"HPP Piva is hydro power plant which is owned by the Electric Power Industry of Montenegro and it has been operating since 1976. Electric Power Industry of Serbia had a contract on business and technical cooperation until 01.01.2014 based on which it had at its disposal the production of this plant. On 01.01.2014 the Contract was terminated."

Potential Tenderer submitted the QUESTION no 3.7:

"What is the reason for almost double interest expense according to all items stated in Note 12 in individual financial statement of EPS in 2013? Your debts towards banks are not significantly higher than in assessed period except that there is a change of debt structure in favor of long term loans, approved by domestic banks."

ANSWER by the Employer to QUESTION no. 3.7:

"In the financial statement for 2012 the debt towards banks is shown for loans as of 31.12.2012, whereas the part, in the amount of around RSD 15 billion refer to liabilities from December 2012 (new loans). That is one of the reasons why expenses are higher based on the interest in 2013 compared to 2012. The other more significant reason of difference is the interest according to public revenues."

Potential Tenderer submitted the QUESTION no 3.8:

"What do other receivables by companies within EPS of RSD 18,305,179 thousand in 2013 refer to and what caused the growth in 2013 compared to 2012 (Note no.12 in separate balance of EPS)"

ANSWER by the Employer to QUESTION no. 3.8:

"Other receivables by subsidiaries refer to due amounts of principal and interest for loans which the Company as parent company received and paid, including the amounts which arise from Inter-state Agreement dated April 27, 2007 concluded between the Government of Russian Federation and the Government of the Republic of Serbia on regulating liabilities of former USSR, as stated in the Notes 27 and 29 of the financial statement of PE EPS for 2013."

Potential Tenderer submitted the QUESTION no 3.9:

"The same note, correction of value: other affiliated legal entities, in the amount of RSD 4,617,489 thousand which it refers to, i.e. there was a growth in the correction of value for the assessed period, therefore we ask what is the reason for write-down?"

ANSWER by the Employer to QUESTION no. 3.9:

"In accordance with the Conclusion of the Government of the Republic of Serbia, number 021-6624/2009-002, adopted at the session of the Government dated November 30, 2009. Public Enterprise Electric Power Industry of Serbia, by engaging its available capacities, temporarily secures electricity in order to supply the area at the north of Kosovo and Metohija where is the majority of Serbian citizens Accordingly, the receivables were recognized for supplied electricity JP Elektrokosmet, Priština, in the amount of RSD 4,617,489 thousand. At the same time, unpaid amount is recognized as the expense by indirect write-down."

Potential Tenderer submitted the QUESTION no. 3.10:

"Pursuant to the fact that you did not fulfill all financial liabilities, i.e. „covenants" defined in the Loan Agreement with EBRD (given in the official auditor's opinion for 2012 to separate balances of EPS), the question is whether there was a change of these contractual obligations, i.e. how was this problem solved?"

ANSWER by the Employer to QUESTION no. 3.10:

"There were no amendments to contractual obligations– in 2013, EPS realized all financial liabilities, i.e. „covenants" defined in the Loan Agreement with EBRD"

Potential Tenderer submitted the QUESTION no. 3.11:

"In the official notes to separate financial statements of EPS for 2013, in the part: events after balance it was stated that the change of legal form of EPS was planned, therefore we ask what is the plan i.e. until when you plan to implement the change of legal form and what effects will it have on business operation of EPS? If we talk about joint-stock company we would like to know what type of joint-stock company is planned. Also, the restructuring is mentioned, so please shortly present the basic concept of restructuring and main positive effects."

ANSWER by the Employer to QUESTION no. 3.11:

"At the session held on November 16, 2012, the Government of the Republic of Serbia adopted the Decision 05 number 023-784/202 by which the Framework for reorganization of Public Enterprise Electric Power Industry of Serbia is accepted. Framework determines the basic concept and directions of reorganization of PE EPS and subsidiaries, which inter alia foresees the following:

- The change of legal form of PE EPS into joint-stock company with the Republic of Serbia as the only shareholder at the moment of change of legal form
- Clear legal, organizational and functional unbundling of activities of EPS between market activities (electricity generation and sale) and activities of public interest (that shall be organized through one Distribution System Operator (DSO) and one Public Supplier (PS) of electricity)

- Centralizing activities like finances, legal, IT and other shared activities for all subsidiaries of EPS, with the aim of optimizing expenses and revenues at the level of EPS as a group, and also achieving profitable EPS, which assumes corporatization and changes in governance and centralization of certain activities
- Organizational improvement and changes in governance, managing and organizing activities within EPS shall be conducted primarily with the aim of achieving higher business efficiency of entire EPS and each separate member, improving business capability and rationalization of business operation, achieving safe, reliable and efficient electricity generation, securing necessary coal quantities, development of production capacities and distribution system, safe and uninterrupted electricity supply of customers in accordance with the scope and structure of electricity consumption, entering energy market of electricity of South-East Europe."

Potential Tenderer submitted the QUESTION no. 3.12:

"Questions regarding the attached projection as an integral part of tender documents: If on consolidated level EPS realized sale (AOP 202) dated RSD 210,173 million in 2013, who is it possible to project sale income for 2015 in the amount of RSD 211,848 million which presents only 1% of growth if you assumed that the price increase will be 15% that will be applied as of 01.04.2015 which means that the growth of income should be 11,25% at annual level since the effect of price growth shall be realized only in the period of 9 months in 2015"

ANSWER by the Employer to QUESTION no.3.12:

„Sale income in 2015 amounts to RSD 224,192 million and is higher than the income from 2013 by around 6.5%. Data of RSD 211,848 million refers to charged income and is taken over from Cash flow balance, and it is not comparable to the income from 2013 in the amount of RSD 210,173 million. Electricity price increase by 15% dated 01.04.2015 refers only to customers from the category „public supply“. In addition to that, due to the flood consequences that will have the impact also in 2015, Electric Power Industry of Serbia shall have lower sale of electricity to licensed customers and lower export than realization in 2013.“

Potential Tenderer submitted the QUESTION no. 3.13:

"Questions regarding the attached projection as an integral part of tender documents: How is it possible to project in 2017 7% income increase per annum i.e. RSD 256,624 million when you stated annual growth by 3.5%?"

ANSWER by the Employer to QUESTION no. 3.13:

„Data stated in the question refer to charged income on which in addition to price the % of collection has an effect. Income in 2017 amounts to RSD 274 billion, and in 2016 amounts to RSD 260 billion and has the growth of 5.4%, which is the result of price increase by 3.5% and carried over price increase, since in 2016 price increased only on 01.04.2016.“

Potential Tenderer submitted the QUESTION no. 3.14:

"Questions regarding the attached projection as an integral part of tender documents: What do liabilities towards state refer to?"

ANSWER by the Employer to QUESTION no. 3.14:

„Liabilities towards state include property tax, fee for the use of mineral raw material, fee for the use and protection of water, environmental protection fee, charges and other liabilities“

Potential Tenderer submitted the QUESTION no. 3.15:

"Questions regarding the attached projection as an integral part of tender documents: To what investments precisely refers the item: necessary funds for investment financing?"

ANSWER by the Employer to QUESTION no. 3.15:

„The precise list of investment of EPS group is not submitted to external users. “

Potential Tenderer submitted the QUESTION no. 3.16:

“Regarding your consolidated six-month profit and loss statement the item other expenses in the amount of RSD 28,552,373 thousand to which it precisely refers since those are double compared to the same period last year?”

ANSWER by the Employer to QUESTION no. 3.16:

“Substantively the most significant part of other expenses refers to the correction of value- impairment of receivables by electricity customers which are not charged within 60 days as of the due date, as well as the impairment of restructured receivables from electricity customers.”

These additional clarifications shall be submitted to the applicant via e-mail and shall be published at Public Procurement Portal and website of the Employer.

Attachment: As stated in the text

Copy:

- Archive
- Public Procurement Committee

PUBLIC PROCUREMENT COMMITTEE

