

Exclusive: Sale of 12 billion EUR worth EPS or false claims?

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Managing Director of “Elektrovojvodina” one of the EPS DSO companies, Srdjan Kruzevic, stated that he is convinced that EPS is going to be privatized. He added that he got an order to decrease “Elektrovojvodina” property for 18, 63% on the base of the last property listing.

-This is called capital devaluation- Kruzevic said and added that this would make EPS salary easier. On the other side, EPS’s chairmen and Energy Minister Zorana Mihajlovic have stressed several times that there will be no privatization.

EPS privatization has been mentioned many times in the last couple of years, but we get impression that authorities in Serbia have never had an actual idea what to do with this company. The most of domestic politicians from all garnitures in the Government think that state should continue to manage this company, despite privatization profits would be huge (capital inflow, financial market development, more efficient resources’ directing).

Former Managing Director of Elektroprivreda, Dragomir Markovic, stated last year that this company estimates its value to 12 billion dollars. He said that EPS’s value was increased with constant investments which amounted to 250 million EUR on annual plan from 2002 to 2005, and accomplished 500 million EUR from 2006 to 2011.

Expert estimation show that EPS price in case of privatization can significantly grow if it sells electricity at market price, not like it was so far where electricity price was social category in order not to ruin social standards. On the other side, if EPS is privatized with current electricity price, future owner would get it at lower price and so it would pick up the leftovers. We can’t really understand what happens in EPS these days but we know that are some issues and misunderstanding among Acting Managing Director, Managing Board members and Serbian Government. It became clear when company asked for credit in order

to avoid bankruptcy because of huge debts from citizens and industry but the Government didn't approve it.

Kruzevic also talks about misunderstandings. He says that he doesn't understand that EPS Director can be stronger than Government. -If they think that privatization is model that should be carried on, I will call some well-known politician to come out and say that EPS Managing Director does a good thing. I don't understand that some Managing Director of EPS can be stronger than state- Kruzevic said for Radio-Televizija Vojvodine.

EPS finished 2011 year positively with profit close to 27 billion dinars, contrary to 2010 when it made almost 3 billion's loss. The last year's harsh winter almost brought to electricity restrictions is a proof that things are different now, next to conflicts and big debts toward EPS.

Mihajlovic and Obradovic state that privatization is not the same as strategic partnership with foreign companies. This shows that something is being planned for EPS. We should remind on recent estimation of Ratko Bogdanovic from Direction for Economy Business of EPS who stated that privatization of this company is necessary because it is the way to make this company stable and profitable. He stated that around 10,5 billion EUR suppose be invested in EPS by 2015 in order to keep existing level of production. It is hard for state to provide this money as an owner.

Piece by piece

The company reorganization will be needed in the case of privatization surely because experts warn that EPS mustn't be sold completely. Consultant for Foreign Investments, Milan Kovacevic, has estimated earlier that EPS should not be sold as a holding. It should be reorganize it and form separate societies and then decide which parts should be privatized.

This includes separation of electricity production and distribution before all: certain west countries admitted that they made mistake when they privatized electricity distribution because they changed state monopoly into private one. On the other side, the competitiveness can be made in electricity production.

Source;Serbia Energy/Dnevnik/RTV/MERZ