

In the history of the “Electric Power Industry of Serbia”, this year will be written as the year in which radical reforms and reorganization started by which EPS should become a successful and profitable company, similar to European competition. The interest of the entire EPS comes first to all of us, not only the interest of individual parts of the system stated Aleksandar Obradovic CEO of Power utility EPS.

CEO of “Electric Power Industry of Serbia“ indicates that, on July 1<sup>st</sup>, the first phase of EPS corporatization will be completed and the second phase, which brings substantial changes, will be initiated. In accordance with the decisions of the Supervisory Board of PE EPS and with the approval of the Government of Serbia, as from July 1<sup>st</sup>, all present companies for coal and electricity production will merge with the parent company of EPS, whereas the four companies for electricity distribution will merge with “Elektrodistribucija Beograd” and become “EPS Distribucija “.

Our reorganization process has been performed according to the plan. It only remains to adopt the Financial Consolidation Plan in cooperation with the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development. The most important thing is the support that we have from these international financial institutions stated Obradovic.

Every sector of PE EPS has a role in the whole system of “Electric Power Industry of Serbia” and with the “tightened-up” sectors in the whole system of “Electric Power Industry of Serbia” we will have a “tightened-up” EPS as well. Executive directors are obliged to take full responsibility within their verticals. It will no longer be possible for the director in charge of production or distribution to not know what is happening in the system somewhere in Vranje or Subotica. Functionality is the essence, and not what type of organizational environment is in question or whether it is a branch or a company. When investments are being planned in the production sector, the objective for the sector responsible for investments is to coordinate the operation of the “Iron Gate” and TENT and other production branches.

On July 1<sup>st</sup>, EPS cannot only “jump” from one form into another. It is a process that we are preparing now. A mixed solution has been chosen. Current companies will be branches that, in the first phase, will keep certain specific functionalities as subsidiaries. They will still have their planning and their accounting. It cannot be put out overnight. Their obligations cannot be taken over by someone within the parent company of EPS on July 2<sup>nd</sup>. But, they are a part of the sector in the parent company and they answer to the CEO for the activities they perform. Therefore, during the first transitional period, a mixed approach will be implemented. The aim is that the sectors build their verticals, but the responsibility of a branch director is still for that unit, and that functionality. Certain areas have already been built and, on July 1<sup>st</sup>, there will be very few challenges ahead of them. From July 1<sup>st</sup>, EPS really becomes an integral system in which the directors of branches operate according to

the instructions in the interest of the entire company.