

EPS will not record a loss in the 2013th and it is very important, the result is repaired for even 200 MEUR in relation to the planned financial transactions. - Implementation of the Starting points is main task of the company in order to become successful, effective and profitable. - The statute is the basis for all future changes within the EPS. Record production , successful electricity export, improvement of the financial situation and the first steps in the company reorganization are the most important business results of the “Serbia Power Utility Company” in 2013th- stated General Director of EPS. The first man in EPS indicates that the 2013th year was historic in business, because the electricity market at high voltage was opened in the year when it was celebrated 120 years since the beginning of the electric power activity. EPS is managed to remain dominant on that market, kept 97 percent of the market and gained additional revenues of 20 MEUR.

How did EPS finish 2013th?

“Serbia Power Utility Company” achieved record production in 2013th and it is one of the best financial results in the EPS history. Production records were broken in all production sectors, both in the thermal sector, and in the electricity production from hydro capacity. Electricity production reached about 37.4 billion kilowatt - hours in 2013th and increased 429 million kilowatt - hours compared to the plan and increase reaches nearly three billion kWh in comparison to the 2012th. Electricity export also achieved record. EPS exported three billion kilowatt - hours and thus achieved revenue of about 130 MEUR. This is unprecedented in the “Serbia Power Utility Company “.

What are the financial results?

EPS will not record a loss in 2013th and this is very important. In relation to the planned financial performance score is repaired for even 200 MEUR. More specifically, we will have data in mid-January.

During 2013th we worked on the company reorganization and the implementation of the Starting points adopted by the Government of Serbia. What have been done?

Implementation of the Starting point, which were adopted by EPS founder, the Government of Serbia, are the main tasks of the company in order to become effective, efficient and profitable. The company “EPS Supply ” started to work in 2013th, but still remain much to do in the way of corporatization. EPS operates successfully in an open liberalized market, and even with all the inefficiencies that currently exist in the system, EPS manages to retain a dominant role in Serbia. EPS will go through major organizational changes during 2014th, because a new market segment in the medium voltage is opened from 1st January of 2014th. Most companies at medium voltage, about 3.000 customers, go out in the open market and choose its electricity supplier. I expect “Serbia Power Utility Company” to achieve excellent results also in this segment, to remain the dominant supplier and to bring additional financial income.

Some electricity traders complain because of a dominant EPS position and show

that it is easy to the largest producer also to be the largest retailer. Is it all just so?

Market game has already begun. There are valid market rules. Now it can be seen why I insisted on establishing of the "EPS Supply ". At the beginning of 2013th then Board of Directors has blocked for long time the decision on establishment of "EPS Supply " and it started working just on 1st July this year . But with all the problems in "EPS Supply " establishing and with a large boycott of some system parts that were opposed to change , " EPS Supply" works better and largely signs contracts with customers . Single customer at the high voltage that we have lost at the beginning of 2013th we managed to come back as a customer at medium voltage. It just shows that the EPS, even when loses a customer, it may return it with the good organization, the correct approach and clear communication of benefits. Ever since September 2013th "EPS Supply" has organized meetings with clients, presentations to customers where was explained what means the market liberalization. The whole EPS system is very active in co-operation with the Government of Serbia, the Ministry of Energy and many institutions in the country.

You often point to the necessary changes in EPS. That as it is now, inefficient and inadequately organized, cannot work well. What should be done?

Inefficiency is primarily a problem for the owner. What does it mean inefficiency in EPS? This means that we have costs that should not have. And we have the higher costs of finance, legal affairs, IT procurement, human resources, public relations ... Instead of do something once, we do it now around 14 times. Such an organization is not optimal, and it will have to be changed. It is estimated these costs are at least around 36 MEUR annually. This means that we lose about 100.000 EUR every day. This is a general EPS problem and we can change it only by corporatization, its amendments and EPS reorganization. There are problems also in the organization because of inefficiencies. But despite all inefficiencies I thank the colleagues who are, nonetheless, managed to achieve fantastic results. Imagine what would happen if we would reorganize EPS and become more efficient. The goal is not to sign as many contracts and increase revenue. To the owner, in my opinion, should be important how much the company is profitable. Because if on the one hand you increase revenues and on the other hand increase expenditures, the situation may be worse than before. The EPS efficiency should be in the first place. We need to be more efficient - it is based.

Why?

Only the strongest survive in the market. That is not any longer matter of decision of the Government of Serbia, but the business market. View "Telekom", "Telenor" and "VIP". Who does guarantee customer to "Telecom "today? No one . Therefore, it is not well to link arms and legs to EPS. I always give an example of reorganization in "Telekom" and JAT. "Telekom" was reorganized and operates successfully, and JAT was collapsed, so remains to give the key from the rest, a little health part of company to someone else. Anyone who

hinders the EPS transformation in a modern, efficient company also hinders the progress of the Serbian economy. Everything else is just makeup.

The Serbian government has appointed a Supervisory Board. What are the next steps?

The first step was made. According to the Law on Public Enterprises, the Board of Directors was abolished and the Supervisory Board was appointed. I expect the new Company Statute to be adopted, which the Government of Serbia approves then. I hope that this statute be the basis for any future changes within the EPS and change in the founding documents of all companies.

What does it all mean?

The details of these organizational changes will be discussed more when start changes in the founding documents that should be done at the beginning of 2014. We create first a legal framework within the company, and then based on that, the reorganization starts. The new statute allows us to change all internal documents within the EPS, what is precondition for the start of corporatization. A guideline to all these changes are Starting points for the reorganization, which the Government of Serbia adopted, and I will work according this document as acting General Director.

Will the responsibility get” full name “by the new EPS Statute?

Statute should allow it. In the document states that the director regulates the governing documents, writes responsibilities, defines the responsibility between the parent and subsidiary companies. It is created now a mechanism to establish the rules under which responsibility has “full name “. Statute provides company regulation and it is director’s job. We have initiated these changes thanks to the Ministry of Energy, and the Ministry begins to fulfill the Starting points for the reorganization. It will be resistance, for sure, but changes are needed.

It was announced from the Ministry of Energy that EPS would pass soon into joint-stock company, it is discussed that the capital assessment has not been a requirement for it. Is that correct?

Capital has to be estimated in some moment. We were not able until now to make an capital assessment, because it is necessary to know what is the property of EPS. Due to the Law on public property all is prolonged. According to the information from the Ministry of Finance, it will be enough the first step to be a change of legal form, and then to evaluate the capital.

You mentioned that a public company can hardly obtain with the market. What if EPS stays PE and also welcome 2015th as a public enterprise?

Electricity production is not any more the production of general interest, and in the eyes of state authorities and the public, EPS is a public company where the production still is activity of common interest. That endangers a lot the ability to quickly react on the market. It is created the illusion that the EPS as a state-owned company has a dominant position,

and EPS was actually at a disadvantage compared to other electricity sellers. They can be supplied with electricity quickly and flexibly, and our production capacities can be compromised. One example is the deadlock in certain jobs because of public procurement procedures. Our competitors are not occupied with public procurement.

The production sector has warned on that for months. What to do?

EPS Power plants are old, and for the safe and reliable production, indispensable works on equipment and plant facilities must be done well and on schedule. It is important to have delays in the implementation of public procurement as little as possible, and that planning be as accurate as possible. Because if the repair volume would be reduced due to the delay in the procedures, it may result in a reduction of the operational readiness of those capacities in which have been invested in recent years. The production endurance was tested in 2013th and successfully passed, but we have to invest in maintaining and improving the existing production levels.

Plan at the end of March

Is there any news in the investment sector?

With the market opening and reorganization, thanks to which EPS will be more effective, one of the tasks is the investment plan. By the end of March of 2014th, in cooperation with the relevant ministries, we will prepare a concrete investment plan where all priority investments will be allocated. We signed a contract with our Chinese partners in 2013th to build a new thermal plant “Kostolac B 3” and to extend mine “Drmno “. It is currently the largest investment in the “Serbia Power Utility Company” and the first investment in production capacity in the last 20 years. We launched an investment of 200 MEUR related to the environment protection and coal homogenization in MB “Kolubara”. There are ongoing activities in “Djerdap” and “Zvornik “.

A strong signal from the Ministry

You insisted on the unique price of network fee for customers who enter the market. It has not been resolved within the EPS by establishment of one distribution system operator, is there any movement that all buyers on the market really have equal access prices to the distribution system?

We have a strong signal from the Ministry of Energy that our ministry will provide legal possibility to establish a unique network fee price from 1st January. This means that all customers on the open market, regardless of the distribution they belong to, should have the same price of network fee on the whole territory of the Republic of Serbia.

Source: Serbia Energy/ EPS