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In the Companies "TPP and OPMs Kostolac" and "Electric Power Industry of Serbia", the activities related to the specification of the second phase of the contract with the Chinese company "CMEC" were ended on August 20th. The second phase of the contract refers to the realization of the construction of the new unit B3 in TPP "Kostolac B" and expansion of the OPM "Drmno".

- The Project with the Chinese partners has two phases, and it was concluded on the basis of the International Agreement between Serbia and the Republic of China. Three years ago, the Framework arrangement was signed, which was also followed by the conclusion of the individual contract for the first phase, which realization is on-going.-said Dragan Jovanović, the director of the company "TPP and OPMs Kostolac" . After that, the organization and preparation of the second phase have started and all the elements of the contract for the second phase are harmonized and initialed.

The Expert team of "Electric Power Industry of Serbia", i.e. "TPP and OPMs Kostolac" worked on these matters, and all the technical requirements that EPS and "TPP and OPMs Kostolac" had for the new unit B3 were adopted. The new requirements referring gas emission reduction that are related to the newly adopted European regulation were also included, and all the standards have been harmonized with the valid regulation of the Republic of Serbia.

The total net cost of the second phase is 715.6 million dollars and it remained at the level of 2010, as it is defined by the Framework arrangement . This is a good result because a possible increase of cost, defined by the annual inflation rates is not included in the price. The price of the new unit B3 is 613 million, while the price of the equipment for the mine expansion amounts to 97.6 million dollars. After the final completion of the Feasibility Study and the Study on Environmental Impact Assessment in September, the conditions for the final signing of the contract for the second phase are fulfilled. For this phase, there is a guaranty of the state, given through the budget projections for the Republic of Serbia for 2013.

- I 'm very glad to say that the job was done exclusively by the team of EPS and "TPP and OPMs Kostolac". We didn't hire any additional consultants or other advisory bodies. The contract is very complex and I thank to all the members of the team who took part in this really difficult task.- Mr. Jovanović pointed out.

Mr. Nebojša Mišić, the deputy manager of the team in negotiations with the Chinese partners, says that it is defined by the framework agreement that the unit B3 will have capacity 350 MW with supercritical parameters. It is going to be the first unit in Serbia which will have those parameters, and it is a technology that is widespread in Europe and in

the world. The agreement was reached with the Chinese partners that the equipment of best quality, which will be purchased mostly from China and will originate from Europe and the world. The deadline period for the construction of the unit B3 is 58 months.

For the annual supply of the new unit B3, three million tons of coal are necessary, and therefore it was important to do the Feasibility Study for the OPM expansion, which has shown that one ECS system is necessary, as well as the construction of a new substation.

New ECS system

- The part of the loan appropriated for the equipment for the mine expansion will be directed to the construction of a new ECS system, which capacity and properties will be similar to those of the fifth ECS system, which was put in operation 4 years ago in OPM "Drmno"- said Mr. Miroslav Ivković, a member of the negotiating team. - The new ECS system will be modern and manufactured by the European manufacturers of mining equipment. According to the contract, the period envisaged for the construction of the mining equipment for expansion is 42 months ,i.e. about 18 months before the commissioning of the unit B3. This time will be enough for ensuring new coal amounts for this unit.

Source ; EPS Kwh