

Fact Sheet on Transco (Elektroprenos BiH)



Legal basis for the establishment of Transco:

- Agreement between the PMs of the FBiH and the RS on the Transmission Company and Independent System Operator, concluded on 2 June 2003 on the basis of Article III. 5 (b) of the BiH Constitution.
- The Law Establishing the Company for the Transmission of Electric Power in BiH, adopted by the BiH Parliament and published in the Official Gazette of BiH no. 35/04.
- European Partnership requirement, as well as a requirement for negotiating a SAA.

Work results and benefits for the RS:

- Since the commencement of the electricity sector reform in 2002 and the subsequent creation of Transco as a cornerstone of this reform, the international community has invested hundreds of millions of Euros in establishing and upgrading the electricity infrastructure in BiH. As a result, BiH's electricity system is fully functional and ahead of the systems of its neighbors.
- In the first two years of its work, Transco proved to be a profitable company: its profit in 2007 amounted to 13.5 million KM, while its profit in 2008 amounted to 21 million KM.
- Republika Srpska has directly profited from Transco's work results:

- the RS received 3.4 million KM in 2007 and 2.1 million KM in 2008 on the account of the profit tax, which is paid in accordance with the location of the company's HQ in Banja Luka (FBiH received nothing on this account);
- placing the Transco HQ in Banja Luka created 100 jobs;
- despite the RS officials' claims, figures demonstrate that, in 2006 and 2007, the RS had more investments into the transmission network (52.4%) than the FBiH (47.6%), although most of the company's income (63.3%) comes from the FBiH customers and although the FBiH is the majority shareholder in the company;
- at present, there should be ca. 150 million KM on the Transco account, which are intended for investments throughout BiH but cannot be used due to the RS blockage of the management structures. Restoring the operations of the company and its bodies would allow for the actual use of this money and further investments in the RS (and the FBiH).
- There are no arguments supporting the claim that Transco's impact on the RS is negative. In addition to the facts presented above, the *"Analysis of the RS Status in Transco"*, prepared by the Electricity Coordination Center Belgrade in September 2008 at the request of the RS Government, states: *"The results of the analysis of other issues related to the functioning of the company (impact of taxes, electricity transmission revenues, etc.) confirm that, in the long run, the RS, as a minority shareholder, neither suffers nor benefits from the company more than the other shareholder, FBiH"*.

Reasons for HR's Decision of 18 September 2009:

- As the PIC noted on 30 June 2009 and the SBA on 18 September 2009, operations of Transco have continued to

seriously deteriorate as a result of the actions and obstructions by the RS authorities and their representatives. To illustrate:

- the Management Board has not met for more than a year, despite reiterated attempts by the Chairman to convene meetings and despite being paid throughout this period;
- the mandate of four members of the Management Board expired in the last two years;
- the mandate of three key Executive Directors and of all of the members of the Auditing Committee expired half a year ago;
- the mandate of the General Manager (Dusan Mijatovic) would have expired on 19 September 2009.

· The RS was invited by the PIC on several occasions to re-engage in the company's bodies but has failed to do so. Not even the Entity Prime Ministers' Agreement on the Energy Policy Principles of 6 November 2008 and the Transco Shareholders Assembly Agreement of 3 December 2008 have ever materialized.

· The company's operations and even safe electricity supply for citizens were at stake and the HR had to act.

Essence of HR's Decision of 18 September 2009 and the Supervisory Order of 19 September 2009:

· HR's Decision of 18 September 2009 orders the Transco Management Board to initiate the appointment of a new General Manager without delay. It also obliges the current Transco General Manager to hold office and perform all duties as specified by the Law until the appointment of his successor or until his removal. Finally, it provides for a mechanism to replace him during the inter-reign in case of resignation or incapacitation.

· The Supervisory Order of 19 September confirms that the Transco property situated in the Brcko District will continue to belong only to Transco, unless that company ceases to exist as a legal person. In such a situation, the Transco property in the Brcko District will be considered as property of the Brcko District as per the Final Arbitral Award, the Annex to the Final Arbitral Award, and the Constitution of Bosnia and Herzegovina.

Impact of HR's Decision and the Supervisory Order on the ownership of Transco:

· The ownership of Elektroprenos BiH remains as it was: 41% (RS): 59% (FBiH). Neither the HR's Decision nor the Supervisory Order change this ratio.

· HR's Decision does not refer to the Transco ownership at all, while the Supervisory Order simply clarifies that, if Transco ceases to exist as a legal person at some point in future, then its assets located in the Brcko District will belong to the Brcko District as per the Final Arbitral Award, the Annex to the Final Arbitral Award, and the Constitution of Bosnia and Herzegovina.