

LAW
**On Guaranteeing the Repayment of Funds the European Bank for
Reconstruction and Development extends to the Government of the Republic
of Macedonia in the pre-privatization process, for acquiring shares when
privatizing AD ESM**

Official Gazette of the Republic of Macedonia no. 68/2004

Article 1

The Republic of Macedonia shall guarantee the repayment of funds, in the amount of EUR 45 million to the European Bank for Reconstruction and Development (EBRD), having seat in London.

During the pre-privatization process of Elektrostopantsvo na Makedonija (Electric Power Company of Macedonia), state –owned Joint Stock Company for electricity generation, transmission and distribution (hereinafter AD Elektrostopantsvo na Makedonija) EBRD shall extend to the Government of the Republic of Macedonia funds in the amount of EUR 45 million so as to obtain the right to acquire shares during the privatisation of Elektrostopantsvo na Makedonija, state –owned Joint Stock Company for electricity generation, transmission and distribution, abbreviated name AD ESM.

Article 2

Terms and conditions for obtaining the funds, the rights and the obligations of the Republic of Macedonia and the terms and conditions, the rights and the obligations of EBRD with respect to acquiring the shares during the privatization of AD ESM shall be regulated with an Agreement for the conditional deferred share sale and purchase in connection with the pre-privatization of AD Elektrostopanstvo na Makedonija to be concluded between the Government of the Republic of Macedonia and EBRD.

Article 3

With respect to the disbursed amount out of the total available funds in the amount of EUR 45 million, costs for the ceded funds shall be calculated at + 1% EURIBOR rate from the day of disbursing the individual tranches, whereby:

- a) costs can be capitalized in a period not longer than 24 months from the moment of disbursing the first tranche from, or up to the moment of the final notification by the Government of the Republic of Macedonia or by EBRD for acquiring or cancellation of the sale and purchase of shares in the privatization of AD ESM , or
- b) calculated costs to be paid to EBRD on the day of transfer of AD ESM shares.

Article 4

The Republic of Macedonia shall service fully or partially the financial liabilities towards EBRD upon occurrence of some of the following cases:

- a) If EBRD submits irrevocable written notification, stipulating that it does not want to acquire (purchase) shares from AD ESM;
- b) Upon expiry of 70 days after EBRD having submitted notification to the Government of the Republic of Macedonia on the intention to renounce the shares in the company. The period of 70 days shall also cover the period of 60 days, envisaged for consultations between the Republic of Macedonia and EBRD;
- c) If, within the envisaged period of 24 months for privatization of AD Elektrostopanstvo na Makedonija, the 51% of the part of AD ESM envisaged to be privatized is not privatized;
- d) If EBRD uses only part of the total amount of EUR 45 million earmarked for purchase of shares;
- e) If privatization of AD ESM is cancelled prematurely and is not realized due to circumstances which are not under control of the Government of the Republic of Macedonia;
- f) If following the expiry of 70 days from the submission of written notification by the Government of the Republic of Macedonia to EBRD about the intentions to renounce the sale of shares of AD ESM and the cancellation of AD ESM privatisation. The period of 60 days envisaged for consultation between the Republic of Macedonia and EBRD shall not be covered in the period of 70 days.

Article 5

Only in case of cancellation of AD ESM privatization or annulment of AD ESM privatization by the Government of the Republic of Macedonia, pursuant to Article 5 item (f) of this Law, costs for the ceded funds shall be calculated at +2.5% EUIBOR rate annually with respect to the disbursed amount.

Article 6

The Republic of Macedonia shall execute the payment of the financial liabilities towards EBRD when the cases referred to in Article 4 of this Law occur:

- a) Within 181 days from the date of occurrence of the relevant cases/and or accompanied by receiving or sending written notification by the Government of the Republic of Macedonia or by EBRD; or
- b) Within 5 years in 10 equal semi-annual rates, upon written notification by EBRD, whereby interest shall be calculated at EURIBOR +1% rate annually for the total or part of the disbursed amount of funds increased by calculated and capitalized costs for the ceded funds.

Article 7

The Republic of Macedonia shall pay the interest-related obligations, calculated on the unpaid instalments referred to in Article 6 item (b) of this Law semi-annually and at the same time when paying the instalments.

Article 8

In case of late servicing of the obligations or late transfer of the shares, EBRD shall calculate and charge the Republic of Macedonia with default interest at +2% EURIBOR rate annually for the amount related to the late payment.

Article 9

The Republic of Macedonia can agree for the unpaid amount of the funds referred to in Article 6 item (6) of this Law to be converted into share during any AD ESM privatisation if EBRD expresses its intention.

Article 10

Disbursed funds referred to in Article 1 paragraph 2 of this Law shall be revenues of the Budget of the Republic of Macedonia.

Funds for servicing the obligation referred to in Article 1 paragraph 1 of this Law shall be provided from the Budget of the Republic of Macedonia.

Proceeds realized by the sale of shares of AD ESM or parts of AD ESM, i.e. proceeds realized from sale of fixed assets in the process of transformation and privatization of AD Elektrostopantsvo na Makedonija shall be revenues of the Budget of the Republic of Macedonia.

Article 11

This Law shall enter into force on the day it is published in the "Official Gazette of the Republic of Macedonia".