

Pursuant to Article 4, par 2 of the Law on Public Enterprises and Activities of General interest ("Official Herald of RoS" no.25/00, 25/02,107/05 and 108/05 - correction) and Article 8, par 1, of the Law on Public Roads ("Official Herald of RoS"no.101/05),

The Government has issued the following

DECISION
Establishing Public Enterprise for State Roads Management

Article 1

The Public Enterprise for State Roads Management shall be established hereunder.

The Founder of the Public Enterprise referred to in par 1 of this Article shall be the Republic of Serbia on whose behalf the founder's rights shall be exercised by the Government, Belgrade, Nemanjina Street,11.

Article 2

The Public Enterprise for State Roads Management shall operate under the following corporate name: "Putevi Srbije" (hereinafter referred to as: the Public Enterprise).

The abbreviated corporate name of the Public Enterprise shall be PE "Putevi Srbije".

Article 3

The Public Enterprise shall be based in Belgrade, Bulevar Kralja Aleksandra,282.

Article 4

The core activity of the Enterprise shall be the management of the state roads.

The activity referred to in par 1 of this Article shall involve the following: use of the state roads (organization and control of collection of compensation for the use of the state road, exercise of public authorities and the similar); the exercise of investment function in building and reconstructing the state roads; organization and discharge of professional activities regarding the construction, reconstruction, maintenance and protection of the state roads; sub-contracting of maintenance works on the public roads; arrangement of professional supervision over the construction, reconstruction, maintenance and preservation of the state roads; planning of the construction, reconstruction, maintenance and protection of the state roads; the markings of the roads and record keeping about state roads and technical traffic data about the roads; traffic management and organization and vehicle count on the state roads.

The Public Enterprise shall engage also in other activities defined in its Statutes in compliance with the Law.

The Public Enterprise shall engage in the international trade within the framework of its registered activity.

The Government (hereinafter: the Founder) and the Public Enterprise may regulate the individual rights and obligations referred to in par 1 of this Article under the contract in compliance with the Law.

Article 5

The Public Enterprise shall provide for: ongoing, uninterrupted and good quality maintenance and preservation of the state roads and smooth and safe traffic thereon.

The Public Enterprise shall preserve the environment in carrying out its activities, in compliance with laws and regulations.

The Public Enterprise shall be liable for any damage incurred by the users of the state roads caused by its failure to timely carry certain works out within the regular maintenance of the state roads, provided by the Law governing public roads, and/or by the works noncompliant to the prescribed technical conditions and the method of their execution.

Article 6

The funds for setting up and operating the Public Enterprise shall be those currently used by the Republic Road Management Authority, incorporated under the Law on Roads ("Official Gazette of RoS" No. 46/91, 52/91- as amended,53/91- as amended,48/94-as amended, 42/98 and 101/05-as amended) which are state-owned, as presented in the Balance Sheet of 31 December 2005.

The state roads to be managed by the Public Enterprise, as the public property owned by the state, cannot be disposed of.

Article 7

The Public Enterprise shall make a medium-term plan for the construction and reconstruction, maintenance and preservation of the state roads and annual schedule of works on the maintenance, construction and reconstruction of the state roads, to be approved by the Founder.

The report on the implementation of the schedule referred to in par 1 of this Article, in the part concerned with the construction and reconstruction of the state roads, shall be submitted by the Public Enterprise to the Founder through the ministry in charge of traffic, not later than 31 January of the current year for the preceding one.

The Public Enterprise shall approve an annual operating program for the coming year, to be approved by the Founder and proposed by the Ministry in charge of traffic.

The program referred to in par 2 of this Article shall be presented by the Public Enterprise to the competent ministry by the end-October current year.

Article 8

The financing of investments into construction and reconstruction of the state roads shall be mobilized from:

- 1) The budget of the Republic of Serbia, specifically allocated to that purpose;
- 2) Loans and
- 3) Other sources further to the Law.
- 4)

Article 9

The Public Enterprise shall operate in compliance with market principles and the Law.

The profit of the Public Enterprise, determined in compliance with the legal regulations can be allocated to the increase of the initial capital, reserves or otherwise, in compliance with the Law and the present Decision.

A part of the profit shall be allocated to the Founder and paid to the account of Public Revenues.

Article 10

The Public Enterprise shall earn and accumulate funds from the following sources:

- 1) Road toll;
- 2) Maintenance charges for state roads in the amount of 10.00% of excise on oil derivatives;
- 3) Financial credits;
- 4) Investments by local and foreign persons;
- 5) Budget of the Republic of Serbia;
- 6) Other legal sources.

Article 11

The corporate governance shall be:

- 1) The Managing Board;
- 2) The Director General;
- 3) The Supervisory Board.

Article 12

The Enterprise Managing Board shall have nine members appointed for four years.

The President, Vice-president and members of the Managing Board shall be appointed and recalled by the Founder.

The candidates for the President, Vice-president and four members of the Managing Board shall be proposed by the minister in charge of traffic from the ranks of professionals and scientific circles experiences in finance, banking, law and technical science, experienced in commercial operations and/or achievements in science.

The members of the Managing Board shall be proposed from among the ranks of employees further to the procedure set out in the Statutes.

Article 13

The Managing Board shall:

- 1) Determine the Business policy;
- 2) Approve the Statutes of the Public Enterprise;
- 3) Approve the medium-term plan for construction and reconstruction, maintenance, construction and reconstruction of the state roads and annual plan of operations;
- 4) Approve the bylaw prescribing the methodology of count and recording sheet on the state road;
- 5) Approve the Operating Report of the Public Enterprise, periodic and annual financial statements;
- 6) Decide on profit distribution;
- 7) Decide on the decrease and increase of the Enterprise capital;
- 8) Decide on capital investments;
- 9) Approve the public procurements plan;
- 10) Determine the amount of toll on the state roads referred to in Article 17, items 3) through 12) of the Law on Public Roads;
- 11) Approve investment program and criteria for investments;
- 12) Decide on the way and conditions of utilization of land on which section of the state road is located and which after construction or reconstruction shall no longer belong to the previously constructed or reconstructed state road;
- 13) Decide on the set up of subsidiary companies;
- 14) Decide on the issue, sale and purchase of shares and sale of stakes in the Public Enterprise or purchase of stakes in another enterprise, namely company;
- 15) Transact other affairs determined in the Statute in compliance with the

Law.

The Decisions referred to in par 1, items 2), 3), 6), 7), 8), 10) 13) and 14) of this Article shall be subject to the consent of the Founder.

Article 14

The Director General of the Public Enterprise shall:

- 1) Represent and act on behalf of the Public Enterprise;
- 2) Organize and run the process flow and operations of the Public Enterprise;
- 3) Bear responsibility for the legality of work in the Public Enterprise;
- 4) Propose medium-term plan for construction and reconstruction, maintenance and preservation of state roads, the annual program of works on maintenance, preservation, construction and reconstruction of the state roads, annual operating plan, public procurement plan, bylaw prescribing the methodology of traffic count and recording sheet, amount of toll, way and conditions of use of the land where a part of the state road, which, once constructed or

reconstructed, no longer belongs to the constructed or reconstructed state road and take steps for the implementation thereof;

- 5) Approve the bylaw on internal organization and job classification.
- 6) Draw the financial statements, operating reports and annual accounts;
- 7) Carry out the decisions of the Managing Board;
- 8) Perform other affairs under the Law, this Decision, the Statutes and Collective Labor Contract.

The Director General shall be appointed and recalled by the Founder for the period of four years.

Article 15

The President, Vice-president, Managing Board members and the Director General of the Public Enterprise shall discharge their respective functions in the interest of the Public Enterprise and act as prudent businessmen, in full respect for the benefit of the Founder and social compliance of employees.

Article 16

The Supervisory Board of the Public Enterprise shall have three members appointed for the period of four years.

The President and members of the Supervisory Board shall be appointed and recalled by the Founder.

The President and one member of the Supervisory Board shall be proposed by the minister in charge of traffic from among the ranks of experts in finance and commercial law, experienced in commercial operations.

One member of the Supervisory Board shall be proposed from the ranks of employees, as set out in the Statute.

Article 17

The Supervisory Board shall supervise the operations of the Public Enterprise, review the annual report, annual accounts and proposal for profit distribution.

The Supervisory Board shall report to the Founder, twice a year at least, of the results of supervision.

The report referred to in par 2 of this Article shall be simultaneously presented to the Managing Board.

Article 18

The Public Enterprise shall be represented by the Director General, with no restriction as to powers.

The Director General may, within his authorities, issue proxy for representation to another person.

The Director General, provided the consent of the Managing Board, may issue and recall the proxy, in compliance with the law.

Article 19

The Statutes of the Public Enterprise shall stipulate the following matters: name and seat of the Public Enterprise; activities of the Public Enterprise; representation, distribution of profit and absorption of losses; reserves; governance bodies of the Public Enterprise and appointments, recall and scope of authority of the Public Enterprise bodies; general bylaws and method of their promulgation; rights, obligations and responsibilities of the governance bodies of the Public Enterprise; the status changes of the Public Enterprise; seal and stamp; environmental policy and other issues of relevance for the work and operations of the Public Enterprise and the exercise of the rights, obligations and responsibilities of employees in the Public Enterprise.

Article 20

The employees with the Public Enterprise shall be entitled to strike in compliance with the law governing the conditions for calling the strike, Collective labor contract and the code of the Founder on the minimum level of work flow.

Article 21

The Public Enterprise shall commence as of the date of registration in the Register of Businesses.

As of the day of commencement the Public Enterprise shall assume the rights, liabilities, assets, employees, documents and files of the Republic Road Management Authority which had been incorporated under the Law on Roads ("Official Herald of RoS" no.46/91,52/91 as amended, 53/91- as amended, 67/93- as amended, 48/94as amended, 42/98 and 101/05-as amended).

The Republic Road Management Authority referred to in par 2 of this Article shall cease as of the day of commencement of the Public Enterprise.

Article 22

The Government shall appoint the President and Members of the Supervisory Board of the Public Enterprise before 15 January 2006, at the latest.

The Managing Board shall issue the Statutes of the Public Enterprise by 15.February 2006, at the latest.

Article 23

The Government shall appoint President and members of the Supervisory Board of the Public Enterprise within 30 days of the date of commencement of the Public Enterprise.

Article 24

The Director of the Republic Road Authority shall arrange the process for approval of the Statutes and other matters necessary for incorporation and commencement of the Public Enterprise.

Article 25

This Decision shall enter into force on 1 January 2006.

05 no: 023/8228/2005

In Belgrade, 22 December 2005

THE GOVERNMENT

Transcript certified by
DEPUTY SECRETARY GENERAL
Dragan Blesic

VICE-PREMIER
Miroљjub Labus, signed