

**AGREEMENT ON SALE AND PURCHASE THROUGH SUBSCRIPTION OF NEWLY
ISSUED SHARES IN CAPITAL INCREASE**

among

(1) CRNOGORSKI ELEKTROPRENOSNI SISTEM, AD, PODGORICA

(2) TERNA – RETE ELETTRICA NAZIONALE S.p.A.

and

(3) STATE OF MONTENEGRO

Relating to the issuance, and subscription by Terna S.p.A., of 32,288,915 ordinary shares of
Crnogorski Elektroprenosni Sistem a.d. Podgorica

Podgorica, November 23, 2010

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This agreement (the “**Agreement**”), is entered into as of this 23rd day of November 2010 among

(1) Akcionarsko društvo Crnogorski Elektroprenosni Sistem, Podgorica, a joint-stock company organized under the laws of Montenegro, whose registered office is at Bulevar Svetog Petra Cetinjskog 18, 81000, Podgorica, Montenegro, represented by Mr. Zoran Djukanović in his capacity of Chairman, as evidenced and authorized by the board of directors’ resolution dated October 8, 2010, attached as Exhibit 1 to this Agreement, (“**CGES**” or the “**Company**”),

and

(2) **Terna Rete Elettrica Nazionale**, S.p.A. a company organized under the laws of the Republic of Italy, whose registered office is at Viale Egidio Galbani 70, 00156, Rome, Italy, represented by Mr. Flavio Cattaneo in his capacity of Chief Executive Officer, as evidenced and authorized by the board of directors’ resolution dated June 17, 2009, attached as Exhibit 2 to this Agreement (“**Terna**”),

and

(3) **State of Montenegro**, represented by the Government of Montenegro (“**Montenegro**”), the Government of Montenegro being herein represented by Mr. Branko Vujović, Minister of Economy, in accordance with the Government resolution dated October 7, 2010, as evidenced by a certificate issued by the Secretary General, attached as Exhibit 3 to this Agreement

each of them, a “**Party**” and together, the “**Parties**”

RECITALS

- (A) CGES is a joint-stock company organized and existing under the laws of Montenegro, registered with the Central Registry of the Commercial Court in Podgorica under the registration number 4-0008972/001, with the total registered capital amounting to EUR 120,846,515.417 (*onehundredtwenty million eighthundredfortysix thousand fivehundred fifteen point fourhundredseventeen*), divided into 113,887,961 (*onehundredthirteen million eighthundredeightyseven thousand nine hundred sixty one*) ordinary shares. Nominal value of each share is EUR 1.0611;
 - (B) Montenegro owns a total of 80,397,282 (*eighty million three hundred and ninetyseven thousand two hundred and eighty two*) ordinary shares of CGES representing 70.5933% of all shares issued by CGES;
 - (C) On 28 July 2009, CGES and Terna signed a term sheet setting out the basic elements for (i) the construction and operation of the new entire electricity interconnection system between Italy and Montenegro, comprising the New Interconnection, Associated Network Infrastructures (collectively, the “**New Interconnection System**”) and Additional Network Infrastructures, (ii) the subscription by Terna of at least a 22% interest in the common voting share capital of CGES, and (iii) implementation of the Strategic Partnership between CGES, Montenegro and Terna (“**Term Sheet**”);
 - (D) On February 6, 2010, Montenegro and the Republic of Italy have entered into an intergovernmental agreement which declares their institutional support and sets forth the agreement between the states concerning the construction and operation of the New Interconnection System, the Additional Network Infrastructures and the implementation of the Strategic Partnership, through the direct negotiations and implementation of the Strategic Partnership between Montenegro, CGES and Terna (“**Intergovernmental Agreement**”), and this Intergovernmental Agreement has been ratified by the Montenegrin Parliament and is, therefore, in full force and effect, thus authorizing the implementation of the Strategic Partnership;
 - (E) Pursuant to the Intergovernmental Agreement, *inter alia*, Terna shall be responsible for the construction of the New Interconnection, which shall be owned by Terna and form an integral part of the Italian transmission network (as public infrastructure), and CGES shall be responsible for the construction of the Associated Network Infrastructures, which shall be owned by CGES and form an integral part of the Montenegrin transmission network (as public infrastructure);
 - (F) Pursuant to the Intergovernmental Agreement, Montenegro and the Republic of Italy also agreed that the transmission capacity made available by the New Interconnection System and the relevant congestion revenues should be split as follows: 80% to the Italian power system and 20% to the Montenegrin power system;
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- (G) The Parties acknowledge and agree that the investments by Terna pursuant to this agreement and in the New Interconnection and the investments of CGES in the Associated Network Infrastructures are made with the goal and for the purpose of implementing the Strategic Partnership within the framework of the Intergovernmental Agreement, completing the construction of the New Interconnection System and at least one of the Additional Network Infrastructures and making the Montenegrin transmission grid the platform of electricity connection between Italy and South-Eastern Europe; the Parties further acknowledge and agree that Terna is fully relying on the fact that the Associated Network Infrastructures and at least one of the Additional Network Infrastructures will be completed within the deadlines agreed by the Parties and subject to the terms of the Project Coordination Agreement, and that the completion of the Associated Network Infrastructures and at least one of the Additional Network Infrastructures is essential to Terna and that CGES is fully relying on the fact that the New Interconnection will be completed within the deadlines agreed by the Parties, and that the completion of the New Interconnection is essential to CGES;
- (H) CGES' board of directors in its next meeting to be held as soon as possible after the date hereof shall duly approve the draft decision on capital increase with exclusion of preemptive rights, the draft decision on the adoption of the new articles of association and the draft decision on the removal and appointment of new directors, attached as Exhibit 4, such draft decisions to be submitted for final approval to the Shareholders Assembly in accordance with this Agreement, and on October 8, 2010 CGES' board of directors duly approved the Business Plan (including the Plan of Development), attached as Exhibit 5, which addresses the investments to be made by CGES in connection with this transaction and the consummation of the Strategic Partnership, including the investments in the Associated Network Infrastructures. Pursuant to the aforementioned board decision concerning the capital increase, CGES' Shareholders Assembly will be called to resolve upon and approve the issuance of the New Shares, subject to the terms and conditions of this Agreement.
- (I) On the date of the signing of this Agreement, the Parties have reviewed the contents of the Data Room DVD and confirm that the Data Room Index contained therein accurately lists the documents comprising the Data Room Bundle.
- (J) Neither this Agreement nor the Strategic Partnership require Terna, alone or jointly with Montenegro, to make any takeover offer over the shares of CGES.

NOW, THEREFORE, on the basis of the foregoing Recitals, which – together with the Schedules and Exhibits hereto - are an integral part of this Agreement, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalised terms used in this Agreement and not otherwise defined shall have the following meanings:

“Accounting Date”	shall mean 31 March 2010.
“Additional Network Infrastructures”	shall mean (i) a new 400 kV transmission line between Pljevlja, Montenegro and Bajina Basta, Serbia (the “New Montenegro-Serbia Interconnection Line”) and/or (ii) a new 400 kV transmission line between Pljevlja, Montenegro and Visegrad, Bosnia and Herzegovina (the “New Montenegro-Bosnia and Herzegovina Interconnection Line”).
“Affiliate”	of any Person shall mean any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Person.
“Agreement”	shall mean this Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase.
“Applicable Law”	shall mean laws, regulations, decrees, order, judgment, injunction, or any other type of primary and secondary or other legislation in force from time to time in Montenegro.
“Articles of Association”	means the new articles of association of CGES in the form set out in Schedule 3.1.1 to be adopted and be effective on the Closing Date.
“Asset”	shall mean any property, movable or immovable, tangible or intangible owned or used (whether in whole or in part) by CGES for the purpose of performing the Core Activity;
“Associated Network	shall mean the new transmission infrastructures on the Montenegrin transmission network necessary to the

Infrastructures	operation and full utilization of the New Interconnection, composed of the following infrastructures: (a) Grid Connections in Montenegro; and (b) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the new Tivat/Kotor substation, internal to the electricity transmission network of Montenegro.
“Audited 2009 Accounts”	shall have the meaning ascribed thereto in Section 5.1.10(a)(i).
“Business Day”	shall mean any day other than a Saturday, Sunday or a day on which banks in Montenegro or Italy are authorized or obligated by law to close.
“Business Plan”	shall mean the business plan of CGES attached hereto as Exhibit 5 approved by the board of directors of CGES on October 8, 2010, relating to the forthcoming five-year period, setting out details of CGES’ strategic planning in respect of the New Interconnection System, the Additional Network Infrastructures, the transmission grid in general and other activities of CGES as well as the targets for operating revenues and margins, operating expenses, resource capacity forecasts, cash flow statement, capital plan, investment plan, capital contribution requirements, part and product pricing and manpower action plan in respect of the business of CGES for the same period, which includes, as an essential part thereof, the Plan of Development.
“Central Registry”	shall mean the Central Depository Agency, AD, Podgorica, where CGES’ shares are registered.
“CGES’ Ear-Marked Account”	shall have the meaning given to it in Section 3.1.10.
“CGES’ Segregated Account”	shall have the meaning given to it in Section 3.2.1(vi).
“Closing”	shall mean the subscription of the New Shares by Terna, the payment of the Price to CGES and the issuance of the New Shares to Terna as contemplated by this Agreement and in accordance with Section 3.2, and, in general, the execution and exchange of all documents and agreements and the performance and consummation of all the obligations, actions and transactions required to be executed, exchanged, performed or consummated on the Closing Date pursuant to Section 3.2 and this Agreement.

“Closing Date”	shall mean the 5 th (fifth) Business Day following the date on which all the Conditions Precedent contemplated in Sections 3.1.1 to 3.1.13 will all have been satisfied or waived in accordance with this Agreement (provided that all of the remaining Conditions Precedent contemplated in Section 3.1.14 shall have remained satisfied or waived up to the Closing Date), or such other date as the Parties may agree in writing.
“Companies Act”	shall mean the Montenegrin Companies Act published by the "Official Gazette of Montenegro" no. 6/2002, 17/2007 and 80/2008, as amended from time to time.
“Competition Authority”	shall mean the Competition Authority of Montenegro established pursuant to the Law on Protection of Competition (Zakon o zaštiti konkurencije, Official Gazette of Montenegro, n. 69/05 and 37/07).
“Conditions Precedent”	shall have the meaning assigned to such term in Section 3.1.
“Contract”	shall mean any contract, agreement, lease, license agreement, loan agreement, letter of credit, mortgage, security agreement, guarantee, purchase order, bond, or similar or other commitment or arrangement, in each case as amended, supplemented, waived or otherwise modified.
“Control”	shall mean holding, directly or indirectly, of a decisive voting power at a Person’s ordinary shareholders’ meetings or board of director’s meeting, through ownership of the capital of that Person, direct or indirect exercise of voting rights or contract.
“Core Activity”	shall mean the transmission of electric energy and the system operations of the Montenegrin electricity system as currently conducted under the Transmission License and the Transmission Grid Operator License.
“Data Room Bundle”	shall mean the documents and written information made available by CGES for inspection to Terna and its advisers prior to the signing of this Agreement contained in their full text on the Data Room DVD.
“Data Room DVD”	shall mean the DVD(s) attached hereto as Exhibit 6 (initialized by CGES and Terna).

“Data Room Index”	shall mean the index detailing the contents of the Data Room Bundle included in the Data Room DVD.
“Disclosure Schedule”	shall mean the disclosure schedule attached as Exhibit 7 to this Agreement.
“Deal”	shall mean (i) the construction of the New Interconnection System, and (ii) the implementation of the Strategic Partnership between Terna, Montenegro and CGES.
“Encumbrance”	shall mean any charge, mortgage, pledge, security, lien, option, retention of title, right of pre-emption, right of first refusal, security interest of any kind or other third party property right or lease (or similar right) or any agreement to create any of the foregoing and, with respect to the New Shares only, any other third party right.
“Environment”	shall mean fauna, flora, health and safety of human-beings and all or any of the media of air, water and land (including the soil, subsoil and underground).
“Environmental Losses”	shall mean any and all Losses arising out of, based upon, attributable to, existing in connection with or resulting from the breach or inaccuracy of the representations and warranties contained in Section 5.1.7(i), 5.1.13(c) or 5.1.15 to the extent the matter giving rise to the relevant Losses relates, directly or indirectly, to the Environment or to the pollution or protection of the Environment (including with respect to the emission of electric, magnetic and electromagnetic fields and the use, generation, storage, transportation or disposal of PCB).
“EPCG”	shall mean Elektroprivreda Crne Gore, a.d. Nikšić.
“Financial Statements”	shall have the meaning ascribed thereto in Section 5.1.10(a)(ii).
“Grid Connections in Montenegro”	shall mean (i) the new AC 400 kV Tivat/Kotor substation including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation, (ii) the 400kV transmission lines connecting the new AC 400 kV Tivat/Kotor substation to the existing Montenegrin electricity transmission grid (in particular, the

existing 400 kV line “Podgorica 2 – Trebinje” in an Input-Output configuration), and (iii) the AC transmission infrastructures (lines or cables), if any, connecting the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro.

“Liabilities”

shall mean all liabilities or obligations (whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due) including any liability for Taxes.

“Longstop Date”

shall have the meaning ascribed thereto in Section 3.3.

“Losses”

shall mean any losses (including, unless otherwise expressly provided in this Agreement, loss of profits to the extent such loss of profits was reasonably foreseeable, but excluding, for the avoidance of doubt loss of profits related to Terna not being able to build and operate, fully or partially, the New Interconnection); Liabilities; damages; indemnities; deficiencies; claims; actions; obligations; reasonable fees and costs; charges; fines; penalties and expenses, but excluding any consequential damages.

“Managers”

shall have the meaning assigned to this term in the Strategic and Shareholders’ Agreement.

“Market Operator Activity”

shall mean the market operator activities conducted under the license no. L-E-009 issued by Energy Regulatory Agency of Montenegro and contained in the Decision of the Board of the Energy Regulatory Agency, no. 09/1369-10, dated 30.07.2009.

“Material Adverse Change”

Shall mean:

- (i) any of the following:
 - (a) the filing with a court of law of a request or application concerning the commencement of insolvency proceedings against CGES;
 - (b) the filing with a court of law or commercial registry of the request for the voluntary dissolution of CGES; or
 - (c) the occurrence of any event relating to Montenegro or the Company that would prevent Terna from obtaining

the New Shares on the terms set forth herein;

(d) loss or adverse amendment of the Transmission License and/or Transmission Grid Operator License; or

(ii) any of the following:

(a) the loss of an asset or assets of CGES;

(b) the commencement of court or arbitral proceedings against CGES which would require provisioning under IFRS;

(c) any adverse change caused by the actions of any Public Authority of Montenegro in respect of or affecting an asset or the assets of, or the profitability of CGES;

(d) any material adverse effect on the business, operations, financial condition, assets, liabilities, or prospects of CGES,

if such loss, such proceeding or such adverse change or effect (as provided above under item (ii)), individually or in the aggregate, (A) has resulted or may result in a Loss to CGES greater than €5,000,000 (five million) or (B) prevents or may prevent CGES from carrying on its Core Activity or any material part thereof.

The Parties specifically agree that the simple consolidation of the Transmission License and the Transmission Grid Operator License into one license issued to the Company pursuant to the New Energy Law shall not be treated or considered as a Material Adverse Change under item (i)(d) above.

“Material Agreement”

shall mean (i) any Contract that exposes CGES to liabilities that in aggregate exceed € 100,000 (onehundred thousand), expenditure that in aggregate exceeds € 100,000 (onehundred thousand), and/or that has revenue, value or payment obligations associated with it in excess of € 100,000 (onehundred thousand) in aggregate; (ii) any mortgage, pledge, security agreement or other similar agreement with respect to any of its real or movable property, (iii) any Contract to merge with or acquire another entity or substantially all assets of another entity; (iv) any non-competition agreement to which CGES is bound; (v) any Contract relating to any indebtedness for borrowed

money, surety, line of credit or other loan or financing arrangement in excess of € 200,000 (two hundred thousand); (vi) any partnership or joint venture Contract; (vii) any Contract for the employment of any director or executive director; (viii) Contracts relating to any derivative or hedging transaction; (ix) Contracts with Related Parties (excluding those having an amount less than € 80,000 (eighty thousand)); (x) Contracts relating to dispatching and ancillary services; and (xi) Contracts relating to any guarantee, support, indemnification, assumption or endorsement of, or any similar commitment with respect to, the obligations, Liabilities or indebtedness of any third party, in each case that exceed € 50,000 (fifty thousand).

“Minimum Actions”

shall mean with respect to the spin-off from CGES of the Market Operator Activity, the following actions and resolutions having been validly adopted and completed by Montenegro: formal decision by Montenegro to establish a new company to which the Market Operator Activity will be transferred.

“New Energy Law”

shall mean the Energy Law (*Zakon o energetici, Official Gazette of Montenegro, n.28/10*).

“New Interconnection”

shall mean the new electricity interconnection between Italy and Montenegro, which will be composed of the following infrastructures: (a) the ground cables connecting the AC/DC Converter Station in Italy, located in Cepagatti, with the existing Italian transmission grid at 400 kV Villanova substation; (b) the AC/DC Converter Station of Cepagatti in Italy; (c) the DC ground cable located in the Italian territory connecting the Cepagatti AC/DC Converter Station to the landing point in Italy, located in the municipality of Pescara, (d) the entire High Voltage Direct Current (HVDC) undersea interconnection power cables running between the Italian landing point and the landing point in Montenegro, located in the municipality of Kotor, including the electrodes system and the related medium voltage cables allowing the return of electricity to be used only under contingency operation; (e) the DC ground cable located in the territory of Montenegro connecting the landing point in Montenegro to the AC/DC Converter Station in Montenegro; and (f) the new AC/DC Converter Station in Montenegro, including the related 400 kV bus bars and

those bays necessary for the infrastructures of connection to the new AC 400 kV Tivat/Kotor substation.

“New Interconnection System” shall have the meaning assigned to it in Recital (C) above.

“New Shares” shall mean 32,288,915 (*thirtytwo million twohundred eightyeight thousand nine-hundredfifteen*) new ordinary shares to be issued by CGES with the same rights (voting, economic, administrative, etc.) as the existing ordinary shares of CGES, each with the nominal value of EUR 1.0611 (*one point zerosixoneone*) and in the total nominal value of EUR 34,261,767.71 (*thirtyfour million two hundred sixty one thousand seven hundred sixtyseven point seventyone*), together representing 22.0889% (*twenty two point zero eight eight nine per cent*) of the issued share capital of CGES after giving full effect to the capital increase, in a closed offer reserved to Terna only as pre-defined investor, thus increasing CGES’ registered capital from EUR 120,846,515.417 (*onehundredtwenty million eighthundredfortysix thousand fivehundred fifteen point fourhundredseventeen*) to EUR 155,108,283.12 (*one hundred fiftyfive million onehundredeight thousand two hundred eighty three point twelve*).

“Ordinary Course of Business” shall mean an action taken by CGES:

(i) that is consistent with the past practices of CGES and is taken in the ordinary course of the normal day-to-day operations of CGES; and

(ii) that is similar in nature and magnitude to actions customarily taken in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as CGES and are of the similar size in terms of revenue, value and relevance.

“Permits” shall have the meaning ascribed thereto in Section 5.1.15.

“Person” shall mean and include any individual, contractual partnership, joint venture, joint-stock company, corporation, limited liability company, general partnership, limited liability partnership, trust, incorporated organization or government or any department or agency thereof.

“Plan of Development”	shall mean the plan of development of CGES attached as Exhibit 4 to the Shareholders’ Agreement, containing the definition and details of the Associated Network Infrastructures and other key transmission infrastructures and operational activities for the proper development, valorization and renovation of the Montenegrin transmission grid.
“Price”	shall have the meaning assigned to this term in Section 2.2.
“Project Coordination Agreement”	shall mean the agreement to be executed at the Closing among Terna, Montenegro and CGES in the form attached hereto as Exhibit 8 and setting forth schedules, milestones and deadlines for construction of the Associated Network Infrastructures, the New Interconnection and at least one of the Additional Network Infrastructures.
“Public Authority”	shall mean any: (a) supra-national, national, federal, state, regional, provincial, territorial, municipality, local, or other jurisdiction of any nature; or (b) governmental or quasi governmental authority of any nature (including any governmental division, department, agency, commission, official, organization, unit, body or entity and any arbitral tribunal, court or other tribunal or self-regulating organization).
“REA” or “ERA”	shall mean Energy Regulatory Agency of Montenegro established pursuant to the Energy Law (<i>Zakon o energetici, Official Gazette of Montenegro, nos. 39/03, 53/09</i>).
“Real Properties”	shall mean buildings, other facilities and land owned or in the possession of or used by CGES, excluding land not owned by CGES on which the transmission lines and cables are positioned.
“Related Party”	shall mean Montenegro or any of its Affiliates. For the avoidance of doubt, EPCG shall be considered a Related Party of CGES.
“Securities Commission”	shall mean the Securities Commission of Montenegro pursuant to the Securities Law (<i>Zakon o hartijama od vrijednosti, Official Gazette of Montenegro, nos. 59/00, 10/01, 43/05, 28/06, 53/09</i>).
“Shareholders’ Agreement”	shall mean the Strategic and Shareholders’ Agreement regulating, <i>inter alia</i> , the rights and obligations of the

Parties with respect to management and operation of CGES, to be signed among Montenegro, CGES and Terna at the Closing in the form attached hereto as Exhibit 9.

“Signing Date”

shall mean the date on which the Parties sign this Agreement, as stated at the outset of this Agreement.

“Strategic Partnership”

shall mean, collectively, (i) issuance of the New Shares to Terna under, and the consummation of, this Agreement, (ii) the execution and implementation of the Shareholders’ Agreement, (iii) the construction of the Associated Network Infrastructures by CGES, (iv) the construction of at least one of the Additional Network Infrastructures, and (v) the construction of the New Interconnection.

“Tax” or “Taxes”

shall mean all state, local or foreign income, gross receipts, windfall profits, severance, social security, employment, property, assets, production, sales, use, license, excise, franchise, withholding, transfer, payroll, goods and services, value-added, registration or stamp tax and any other tax, custom, duty, governmental fee, or other like assessment or charge of any kind whatsoever, together with any interest, penalties, inflation adjustments specifically required under Montenegrin tax law, charges, surcharges, fines, related liabilities or additions thereto and shall include any liability for such amounts as a result either of being a member of a combined, consolidated, unitary or affiliated group or of a contractual obligation to indemnify any Person (or group of Persons).

“Tax Returns”

shall mean any return, report, declaration, form, claim for refund or information return or similar statement (including independent auditor reports relating to annual income tax returns prepared in accordance with Montenegrin tax law) relating to any Taxes (including any attached schedules), including, without limitation, any claim or refund, amended return and declaration of estimated Tax.

“Term Sheet”

shall have the meaning ascribed thereto in Recital (C) above.

“Transaction”

shall have the meaning ascribed thereto in Section 4.1.3.

“Transmission License”

shall mean the license no. L – E – 007 issued by Energy Regulatory Agency of Montenegro and contained in the Decision of the Board of the Energy Regulatory Agency, no 09/1369-8 dated 30.07.2009, pursuant to which CGES is

granted to be the Licensee of the energy transmission in Montenegro until 29.07.2024.

“Transmission Grid Operator License”

shall mean the license no. L – E – 008 issued by Energy Regulatory Agency of Montenegro and contained in the Decision of the Board of the Energy Regulatory Agency, no 09/1369-9 dated 30.07.2009, pursuant to which CGES is granted to be the Licensee of the transmission system operation in Montenegro until 29.07.2019.

“TSO Non-binding Agreement”

shall mean a non-binding agreement relating to the development and construction of at least one of the Additional Network Infrastructures among the Company and the transmission system operator/independent system operator of the relevant neighboring country and, possibly Terna (if Terna so chooses at its discretion and if the transmission system operator of the relevant neighboring country so agrees), which shall at least contain the following items and aspects: (i) whether or not such infrastructures shall be constructed and operated as “private interconnectors” (in accordance with Electricity Regulations 714/2009 and 1228/2003) or as public infrastructures, (ii) starting and ending points, line layout and preliminary routing, (iii) evaluation related to the investments for the entire infrastructure and the main elements and components, and (iv) indicative construction and commissioning deadlines and, possibly, related remedies.

“Unaudited March 31, 2010 Financial Statements”

shall have the meaning ascribed thereto in Section 5.1.10(a)(ii).

“Withdrawal Rights”

shall mean the right of minority shareholders of CGES (including, in particular, those who voted against the Decision on Capital Increase and/or the Decision on the New Articles and/or notified their opposition to the above in advance) to withdraw from CGES and ask from CGES to repurchase their shares at “weighted average market value” in accordance with the Applicable Law.

“Withdrawal Warning”

shall have the meaning ascribed thereto in Section 3.1.4.

1.2 Singular/Plural – References – General Interpretative Principles

- (a) In this Agreement, unless the context otherwise requires, words denoting the singular include the plural and vice versa.
- (b) In this Agreement, references to a specified Article, Section, Schedules or Exhibit shall be construed as a reference to that specified Article, Section, Schedule or Exhibit of this Agreement.
- (c) The headings and the Table of Contents are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.
- (d) The term “include,” “includes” or “including” will be deemed to be followed by the words “without limitation”.
- (e) All figures that are expressed in EUR shall include their equivalent in other currencies, as the case may be.
- (f) With respect to the representations and warranties given under this Agreement with respect to CGES, its business, assets, activities, properties, operations, unless the relevant representation and warranty expressly provides otherwise, the reference to CGES shall be construed to refer also to the period before CGES was established as a separate legal entity, i.e. to its predecessors, and in particular to the period when CGES formed part of EPCG.
- (g) Whenever in this Agreement a reference is made that a Party shall “cause”, “ensure” or “procure” for something, that Party shall be obliged to ensure that such objective is, in fact, reached, including through any right to direct or cause the direction of a Person or any corporate or other body of such Person and shall be fully responsible if such objective is not finally reached.

2. SUBSCRIPTION OF NEW SHARES

2.1 Subject-matter of the transaction

- (a) Subject to the terms and conditions of this Agreement and in reliance upon the representations, warranties, covenants and agreements contained herein, CGES shall, and Montenegro shall procure CGES to, validly issue and offer to Terna all of the New Shares in a closed subscription reserved to Terna only and, at the Closing, Terna, upon subscription of the New Shares and payment of the Price, shall become

the sole and exclusive owner of, and shall acquire full title to, the New Shares, free of all Encumbrances.

2.2 Price

- (a) Subject to the terms and conditions of this Agreement and in reliance upon the representations, warranties, covenants and agreements contained herein, the purchase price for the subscription of the New Shares to be paid at Closing by Terna to CGES shall be, in the aggregate, EUR 34,261,767.71 (*thirtyfour million two hundred sixty one thousand seven hundred sixtyseven point seventyone*), i.e. EUR 1.0611 (*one point zerosixoneone*), per each New Share (“**Price**”).

3. CLOSING

3.1 Conditions Precedent

The Closing is conditional upon the following conditions precedent being satisfied, provided that the conditions precedent stated under 3.1.1(ii) through (iv), (e), 3.1.8, 3.1.9, 3.1.10, 3.1.12, 3.1.13 and 3.1.14(i) and (ii) and (iv) through (vii) may be waived in writing by Terna only, in its discretion, the condition precedent under 3.1.14(iii) may be waived in writing by CGES only, in its discretion, and the remaining conditions precedent under this Section 3.1 may be waived in writing only by Terna and CGES together:

- (a) Without prejudice to the provisions of Section 4.3.3, the Shareholders’ Assembly of CGES shall have duly rendered and approved, in accordance with Applicable Law, the following decisions:
 - (i) the capital increase of the New Shares through closed offer to Terna for an aggregate value of EUR 34,261,767.71 (*thirtyfour million two hundred sixtyone thousand seven hundred sixtyseven point seventyone*), at a price per New Share of EUR 1.0611 (*one point zerosixoneone*), duly excluding the pre-emption right of the existing CGES shareholders and duly offering and making available the New Shares for subscription to Terna, free and clear of all Encumbrances (the “**Decision on Capital Increase**”);
 - (ii) adoption of the Plan of Development, including the investments in the Associated Network Infrastructures and the Additional Network Infrastructures;

- (iii) adoption of the new Articles of Association, in the form attached hereto as Schedule 3.1.1 (the “**Decision on the New Articles**”), such Articles of Association to be conditional upon and effective as of the Closing Date; and
 - (iv) removal of existing members of board of directors and actual appointment of new members of board of directors of CGES in accordance with, and as indicated in, Schedule 3.1.1(iv), such removal and appointment to be conditional upon and effective as of the Closing Date.
- (b) The Securities Commission, on the basis of CGES’s request for registration of short prospectus, shall have favourably issued its final decision on registration of the prospectus for the issuance of the New Shares and closed subscription of the same shares by Terna (in Montenegrin “*rješenje o evidentiranju skraćenog prospekta za zatvorenu ponudu emisije hartija od vrijednosti*”) and such decision shall have fully approved the capital increase procedure;
- (c) The Competition Authority shall have issued its final and unconditional approval of the transactions contemplated under or pursuant to this Agreement (including the Strategic and Shareholders’ Agreement);
- (d) In the event that any existing shareholder of CGES in the context or as a consequence of the Decision on Capital Increase and/or the Decision on the New Articles referred to in Sections 3.1.1 and 4.3 (or otherwise in connection with the Deal) has submitted to CGES, prior to the decisions referred to in Section 3.1.1 (i) and (iii) being taken, a notice or warning that it would or may exercise its Withdrawal Rights (pursuant to Article 32a of the Companies Act), should the shareholders’ assembly render and approve any of the above decisions (the “**Withdrawal Warning**”), no more than a maximum aggregate amount of EUR 3,625,395.64 (*three million six hundred twentyfive thousand three hundred ninetyfive point sixtyfour*) or more than 3% of the share capital of CGES (prior to the issuance and subscription contemplated by this Agreement - *i.e.*, 3,416,639 shares) of Withdrawal Warnings shall have been received by CGES or shall exist, such amount and percentage to be determined based on the number of shares covered (expressly or implicitly) by such Withdrawal Warnings and the price for such shares to be paid by the Company in connection with the exercise of the Withdrawal Rights in accordance with Applicable Law;
- (e) REA shall have confirmed in writing that it would not initiate procedure for amending the Transmission License or the Transmission Grid Operator License or

that such licenses shall not be amended or require amendment as a result of the transactions contemplated under or pursuant to this Agreement (including the Shareholders' Agreement) and that, in general, the above transactions do not require any approval by the REA;

- (f) Securities Commission of Montenegro shall have confirmed in writing that the acquisition by Terna of the New Shares and any of the transactions and actions contemplated under this Agreement or the Shareholders' Agreement shall not trigger the provisions and rules on mandatory public offers under the Takeover Act or other Applicable Laws and that Terna has no obligation to launch, alone or jointly with Montenegro or with third parties, any public offer over the shares of CGES.
- (g) [*Intentionally left blank*]
- (h) The spin-off from CGES of the Market Operator Activity shall have been completed and performed, and be effective, in accordance with Section 4.4 or, to the extent not completed and performed, at least the Minimum Actions having been completed and performed;
- (i) The REA shall have duly approved CGES' Plan of Development with respect to the construction of the Associated Network Infrastructures and at least one of the Additional Network Infrastructures;
- (j) CGES shall have opened an ear-marked account for the purpose of receipt of the Price (the "**CGES' Ear-Marked Account**") in accordance with the Escrow Agreement, and shall have notified the details of such account to Terna in writing at least 7 (seven) Business Days before the Closing Date;
- (k) Terna shall have opened a securities ownership account with the Central Registry and shall have sent an evidence thereof to CGES at least 3 (three) Business Days before the Closing Date;
- (l) A TSO Non-binding Agreement shall have been concluded among CGES, possibly Terna (if Terna so chooses at its discretion and if the transmission system operator of the relevant neighboring country so agrees) and the relevant transmission system operator/independent system operator from Serbia or Bosnia & Herzegovina (as the case may be) for the construction of at least one of the Additional Network

Infrastructures in accordance with the provisions of this Agreement, the Shareholders' Agreement and the Project Coordination Agreement;

- (m) All other governmental or regulatory approvals or authorizations necessary for the Closing shall have been obtained;
- (n) As of the Closing Date:
 - (i) Unless the Transmission License and the Transmission Grid Operator License have been consolidated into one license issued to CGES pursuant to the New Energy Law or there is a pending procedure for their consolidation and issuance to CGES (in which case such consolidated license shall be in full force and effect, and no procedure shall have been initiated and remain pending by or before any Public Authority challenging the validity or effectiveness of such consolidated license and/or its issuance to CGES), each of the Transmission License and the Transmission Grid Operator License shall be in full force and effect, and no procedure shall have been initiated and remain pending by or before any Public Authority challenging the validity or effectiveness of the Transmission License or the Transmission Grid Operator License;
 - (ii) The representations and warranties of CGES and Montenegro set forth in Article 5 shall have remained accurate in all material respects and no breach of covenants set forth in Articles 2.1 and 4 by CGES or Montenegro shall have occurred;
 - (iii) The warranties of Terna set forth in Article 6 shall have remained accurate in all material respects;
 - (iv) No Material Adverse Change shall continue to exist;
 - (v) No procedure shall have been initiated and remain pending before or by any Public Authority challenging this Agreement or, assuming their execution, Shareholders' Agreement or the Project Coordination Agreement, or the insertion and inclusion in the Montenegrin Detailed Spatial Plan of the Associated Network Infrastructures, the Additional Network Infrastructures and the portion of New Interconnection in the territory of, or subject to the jurisdiction of, Montenegro;

- (vi) No Public Authority of Montenegro shall have enacted, or formally introduced into the procedure a proposal for, a law, regulation, order or other binding action (including, without limitation, a change in binding interpretation) that has had or would likely have a materially adverse effect on the construction of the New Interconnection System or the Additional Network Infrastructures or the validity or enforceability of this Agreement, and assuming their execution, the Shareholders' Agreement and the Project Coordination Agreement;
- (vii) No transaction or event shall have occurred that has or would be reasonably likely to have a material adverse impact on the Business Plan, the ability of CGES to act in accordance with the Business Plan and/or to reach the results set forth therein.

(each of the foregoing clauses, a “**Condition Precedent**” and collectively, the “**Conditions Precedent**”).

- (o) The Parties shall use their reasonable commercial efforts to enable satisfaction of the Conditions Precedent as soon as reasonably possible and shall keep each other informed on the status thereof.
- (p) It is understood that the waiver by any Party of one or more Conditions Precedent shall not be construed as a waiver to any other Condition Precedent and shall not prejudice (or be considered or construed as a waiver of) any other provisions of this Agreement (including the obligations undertaken by the Parties hereunder, the representations and warranties and their indemnifications obligations). Furthermore, notwithstanding the completion of the Closing, the Parties agree to perform (or to make best efforts in order to procure the performance of, to the extent possible) all further acts, including the fulfillment of any Condition Precedent or pre-closing undertaking or Closing action, which may have been waived by any other Party if requested by the Party that waived the Condition Precedent and to the extent such Condition Precedent is still capable of being fulfilled and/or remedied by the requested Party.

3.2 **Payment of the Price, Subscription of New Shares and other Obligations and Actions at Closing**

- (a) Subject to the Conditions Precedent having been satisfied (or waived, as applicable), the following actions and transactions shall be taken (to the maximum extent possible, simultaneously) on the Closing Date:
- (i) Montenegro, the Company and Terna shall execute the Shareholders' Agreement in the form and content of Exhibit 9.
 - (ii) Each of the Parties shall execute the Project Coordination Agreement in the form and content of Exhibit 8.
 - (iii) Each of Montenegro and Terna shall execute an "agreement of shareholders on voting", which shall contain and reflect the provisions of the Shareholders' Agreement that fall within the application of Article 39a of the Companies Act, in the form and content of Schedule 3.2.1(iii).
 - (iv) On the Closing Date, Terna shall subscribe to the New Shares and pay the Price for the New Shares by wire transfer of the Price to the CGES' Ear-Marked Account and shall procure that the Price is actually deposited on the CGES' Ear-Marked Account and shall deliver to CGES and Montenegro reasonable satisfactory evidence that the Price (net of all charges) has been transferred to CGES' Ear-Marked Account (the "**Payment Notice**").
 - (v) On the Closing Date, immediately upon receipt by CGES of the Payment Notice, CGES shall, and Montenegro shall cause CGES to, (i) procure that the receiving bank promptly issue a bank certificate confirming that the Price (net all of charges) has been credited to the CGES' Ear Marked Account, (ii) immediately submit to the Securities Commission an application for the determination that the issuance of New Shares to Terna has been successful, and (iii) deliver to Terna satisfactory evidence of all the above.
 - (vi) On the Closing Date, immediately upon receipt of the bank certificate referred to in paragraph (v) above, the Parties, each in its respective role and power shall, and Montenegro shall cause CGES to, (A) issue the New Shares to Terna, take all the actions necessary for, and procure, the registration of the New Shares on the securities ownership account with the Central Registry held by Terna effective on the Closing Date, all in accordance with Applicable Law, (B) execute all other documents, make all necessary filings and take all the actions and formalities required under Applicable Law to

procure that Terna acquires full, exclusive and marketable title to the New Shares and, on and effective as of the Closing Date, thereby becoming the sole, legitimate, exclusive, beneficial and registered owner of record of the New Shares, free and clear of any Encumbrance, (C) transfer by wire transfer the amount of the Price for the New Shares from the CGES' Ear-Marked Account to a segregated bank account of CGES, suitable for international banking transactions, with the Escrow Agent ("**CGES' Segregated Account**") all in accordance with and subject to the terms and conditions of the Escrow Agreement, such account to be used, managed and the relevant amounts drawn in accordance with Section 3.2 of the Shareholders' Agreement, and (D) deliver to Terna satisfactory evidence of all of the above.

- (vii) On the Closing Date, Montenegro and CGES shall execute all other documents, make all necessary filings and take all the actions and formalities required under Applicable Law (if any) to procure that: (A) the Articles of Association and the appointment of the new Board of Directors (and, possibly, of the Chairman, the Executive Director, the Deputy Chairman and the Manager/Manager(s) in accordance with Schedule 3.2.1(vii)) become effective on the Closing Date, immediately upon consummation of the Closing; (B) the registrations with the Commercial Court in Podgorica, Montenegro of the (1) capital increase relating to the New Shares (2) the new Articles of Association, and (3) the new appointments indicated in letter (A) above is made effective on the Closing Date or with respect to the Chairman and the Executive Director, if not possible, as soon as practically possible thereafter; and (C) any and all other necessary registrations and/or notifications with the relevant Public Authority are made in accordance with Applicable Law.
- (viii) On or before the Closing Date, Montenegro and CGES shall, or shall procure the appropriate corporate body of CGES to, revoke and/or amend the powers, if any, delegated to the Executive Director, the chief financial officer and the other managers or executives of CGES, to the extent necessary to comply with the powers, provisions, limitations and restrictions set forth in the Strategic and Shareholders' Agreement.
- (ix) On the Closing Date, Montenegro and CGES shall deliver to Terna a certificate to the effect and confirming that the Conditions Precedent set

forth in Section 3.1 above (other than 3.1.11 or 3.1.14(iii)) have been satisfied and fulfilled or waived (as the case may be), it being understood that in such certificate any reference to an act or omission of a Public Authority shall refer exclusively to a Public Authority of Montenegro.

- (x) To the extent possible on the Closing Date and, in any event, immediately thereafter, Montenegro and Terna shall execute all other documents, make all necessary filings and take all the actions and formalities required under Applicable Law to create the restrictions and prohibitions set forth in Section 4.1 of the Shareholders' Agreement and register them with the Central Registry, in compliance with the provisions of Section 4.1 of the Shareholders' Agreement.
- (b) Subject to the provisions of Section 3.2.3, the Closing shall be deemed to have occurred when the New Shares are registered on the Terna's securities ownership account with the Central Registry and Terna has acquired full, exclusive and marketable title to the New Shares and has become the sole, legitimate, exclusive and beneficial and registered owner of record of the New Shares, free and clear of any Encumbrance.
- (c) All actions contemplated under this Section 3.2 to occur or become effective at Closing shall constitute the Closing and shall be deemed to occur simultaneously and no such action will be considered completed unless all of such actions have been completed, so that, at the option of the Party having an interest in the carrying out of a particular action or transaction, no action or transaction shall be deemed to have taken place unless all other actions and transactions have duly taken place. To this end, at the option of the non-defaulting Party, any and all actions and transactions performed by the defaulting Party in light of the Closing shall be unwound and reversed back so to reconstitute the original *status quo*. The Parties acknowledge the essential nature of this provision.
- (d) Without prejudice to the actions, events and transactions that pursuant to this Agreement shall occur or become effective on the Closing Date, each of Montenegro and CGES undertakes to make its reasonable best efforts to procure that the actions contemplated under Sections 3.2.1(vi)(C), 3.2.1(vii)(B)(3) with respect to the Chairman, the Executive Director, the Deputy Chairman and the Manager/Manager(s), 3.2.1(vii)(C) and 3.2.1(x) are all carried out and occur on the Closing Date.

- (e) Without prejudice to the foregoing, the Parties acknowledge and agree that if it is not possible for all actions contemplated under Sections 3.2.1(vi)(C), 3.2.1(vii)(B)(3) with respect to the Chairman, the Executive Director and the Deputy Chairman, 3.2.1(vii)(C) and 3.2.1(x) to occur on or prior to the Closing Date, Montenegro and CGES shall procure that they occur in the course of maximum one (1) subsequent Business Day after the Closing Date, in which case the Closing shall, however, be deemed to have occurred on the Closing Date.
- (f) As soon as the Closing has occurred, on the Closing Date or on the first Business Day after the Closing Date, Montenegro and CGES shall procure that the board of directors of CGES appoints and elects the Chairman, the Executive Director, the Deputy Chairman and the Manager/Manager(s) in accordance with Schedule 3.2.1(vii), such election and appointment to be effective as of the Closing Date or, as the case may be as of the first Business Day following the Closing Date.

3.3 Termination prior to Closing

- (a) In case one or more of the Conditions Precedent are not fulfilled within 60 days following the Signing Date, as such date may be discretionally extended in writing prior to the expiration of the foregoing deadline for up to a maximum of 15 days by (i) Terna, should the Conditions Precedent still outstanding and not fulfilled be one or more of those set forth in Sections 3.1.1, 3.1.2, 3.1.3, 3.1.5, 3.1.6, 3.1.8, 3.1.9, 3.1.10, 3.1.13, and 3.1.14 (other than subsection (iii) thereof); (ii) CGES, should the Conditions Precedent still outstanding and not fulfilled be one or more of those set forth in Sections 3.1.11 and 3.1.14 (iii), (iii) Terna and CGES jointly, should the Condition Precedent still outstanding and not fulfilled be the one set forth in Section 3.1.12 (such date, as possibly extended in accordance with items (i), (ii) and/or (iii), the “**Longstop Date**”), either Party shall have the right to immediately terminate this Agreement by written notice delivered to the other Parties.
- (b) If either Party fails to comply with any obligation set out in Section 3.2, Terna, in the case of non-compliance by CGES/Montenegro, or CGES, on its own behalf and on behalf of Montenegro, in the case of non-compliance by Terna, shall be entitled, (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages, provided, however, that such damages shall not include any consequential damages or loss of profits) to immediately terminate this Agreement by written notice to the other Parties.

- (c) If any of the Conditions Precedent set out in Section 3.1.14 (other than subsection (iii) thereof) is not satisfied at any time before the Closing Date for any reason, and such circumstance has not been fully and definitely cured by CGES, if capable of cure, within thirty (30) days following the giving of written notice of such circumstance by Terna to CGES, Terna shall be entitled (in addition to and without prejudice to the right to claim damages in the event of non-fulfillment of the Condition Precedent set out in Section 3.1.14(ii), provided, however, that such damages shall not include any consequential damages, including loss of profits) to immediately terminate this Agreement by written notice to the other Parties.
- (d) If the Conditions Precedent set out in Section 3.1.14 (iii) is not satisfied at any time before the Closing Date, and such circumstance has not been fully and definitely cured by Terna, if capable of cure, within thirty (30) days following the giving of written notice of such circumstance by CGES to Terna, CGES shall be entitled (in addition to and without prejudice to the right to claim damages, provided, however, that such damages shall not include any consequential damages, including loss of profits) to immediately terminate this Agreement by written notice to the other Parties.
- (e) In the event of termination of this Agreement pursuant to this Section 3.3, this Agreement shall thereafter become void and have no effect and, except as otherwise contemplated in Sections 3.3.2, 3.3.3 and 3.3.4, no Party shall have any further liability to the others, provided however that the obligations of the parties contained in Sections 8.2, 8.8 and 8.14 shall survive such termination and provided further that nothing herein will relieve Party for liability from any willful or intentional breach of this Agreement prior to such termination.
- (f) Without prejudice to the right of Montenegro to terminate this Agreement in accordance with its terms by its own action, Montenegro hereby expressly authorizes CGES to act on its behalf, at CGES' discretion, in connection with the exercise of its right to terminate this Agreement, to the extent permitted in and subject to the conditions provided in this Agreement.

4. PRE-CLOSING COVENANTS

4.1 Interim Management Pre-Closing Covenants

- (a) During the period from the Signing Date until the Closing Date, CGES shall, and Montenegro shall procure that CGES:
 - (i) carry on its business in the Ordinary Course of Business, unless otherwise expressly provided for in this Agreement;
 - (ii) notify the transaction contemplated under this Agreement to its creditors and business partners, if the contracts concluded by CGES with any such creditors or business partners so require.

- (b) Without limiting the generality of the provision set forth in Section 4.1.1(i), during the period between the Signing Date and the Closing Date, CGES undertakes not to, and Montenegro shall procure CGES not to, render any decisions, take or carry out any action or transaction, which relate to any of the following, without the prior written consent of Terna, such consent not to be unreasonably withheld:
 - (i) initiation or causing initiation of insolvency proceedings or liquidation proceedings with respect to CGES;
 - (ii) increase or decrease of its registered capital, issue of new shares or convertible bonds or other securities representing obligations that ensure ownership rights in CGES (warrants, etc.), other than as contemplated by this Agreement;
 - (iii) acquisition of or merger into or with any other entity, division, spin-off (other than the spin-off of the Market Operator Activity), joint venture or undergoing any other form of a corporate reorganization;
 - (iv) approval of the business plan and of any material amendments thereto;
 - (v) entering into transactions or agreements with a value greater than EUR 100,000 (onehundred thousand);
 - (vi) approval/payment of any distribution of dividends/reserves/assets and/or amendments to the dividend policy;
 - (vii) any other action that would be considered a Reserved Matter, as such term is defined in the Shareholders' Agreement, other than as expressly contemplated by this Agreement; or

- (viii) agree to any of the foregoing.
- (c) During the period between the Signing Date and the Closing Date, CGES shall (and Montenegro shall procure CGES to) inform Terna in writing of any transaction or action referred to or falling under the scope of Section 4.1.2 above, which CGES intends to carry out (each a “**Transaction**”). Together with such notice CGES shall provide all reasonable information and documentation, each in the English language or accompanied by an English translation thereof, necessary for Terna to understand and evaluate the Transaction for which the consent is sought. It is hereby agreed that if Terna, within 7 (seven) Business Days of the notice by CGES, does not expressly notify in writing to CGES its consent to the Transaction, the Transaction shall be deemed to have been approved by Terna and may be carried out.
- (d) CGES undertakes to make a representative of CGES available to Terna to facilitate communication between CGES and Terna in the period between the Signing Date and the Closing Date concerning the performance of the provisions of this Article 4. CGES shall, to the maximum extent permitted by Applicable Law, fully cooperate with Terna’s representative and immediately inform that representative of the occurrence of any event, circumstance or occurrence which might have an impact on the accuracy of the representations and warranties set forth in Article 5 or on the satisfaction of the Conditions Precedent set forth in Article 3. Furthermore, during the period between the Signing Date and the Closing Date, to the maximum extent permitted by Applicable Law, CGES shall, and Montenegro shall procure CGES to, (i) make available to Terna, its representatives and advisors all information and documentation reasonably requested by any of them relating to CGES and to its operations (including, without limitation, copies of material of the Board of Directors of CGES), and (ii) provide Terna with access to the Company’s management, advisors and auditors.

4.2 **Other Pre-Closing Covenants**

- (a) Terna undertakes to file with the Competition Authority, as soon as reasonable possible following the Signing Date, an application of the intention of concentration, in accordance with Applicable Law and the laws of the other jurisdictions to which the transactions contemplated hereunder are subject to, in order to obtain full and unconditional approval of the transactions contemplated under this Agreement, if needed. For the avoidance of doubt, the Parties acknowledge and agree that, notwithstanding any other provision in this Agreement to the contrary,

and without prejudice to Terna's obligation to submit all documentation required by the Competition Authority to be submitted in support of the filing to the Competition Authority, Terna, CGES and/or their Affiliates shall have no obligation whatsoever to take, offer, undertake, implement and/or accept any commitment, order, condition, obligation, prescription, remedy or measure or any other corrective measures or provisions indicated, imposed or suggested (formally or informally) by the Competition Authority or any other Public Authority in order to obtain any approval or clearance of the transactions contemplated under or pursuant to this Agreement (including the Shareholders' Agreement).

- (b) CGES shall cooperate with Terna and provide, without delay, all necessary information and assistance reasonably required in order to allow Terna to prepare documentation for submission to the Competition Authority and, after the filing, to obtain the necessary approvals.
- (c) CGES undertakes to open the CGES' Ear-Marked Account with the Escrow Agent as soon as reasonably practicable after the Signing Date and in no event later than 7 (seven) Business Days before the Closing Date.
- (d) Terna undertakes to open a securities ownership account with the Central Registry as soon as reasonably practicable after the Signing Date and in no event later than 3 (three) Business Days before the Closing Date.
- (e) CGES undertakes, and Montenegro shall procure CGES, to prepare a short prospectus (and/or all such other documents as may be required) in connection with the issuance of the New Shares to Terna and to file such prospectus on the date of the Shareholders' Assembly of CGES and all such other documents with the Securities Commission in order to obtain as promptly as possible, the registration of the prospectus and any other necessary authorization, approval and consent from the Securities Commission, all in accordance with Applicable Law and this Agreement and pay the fee for the registration of such short prospectus.
- (f) Terna undertakes to deliver to CGES:
 - (i) the original excerpt from the relevant companies' registry in Italy (and apostilled, if so required by the Securities Commission), along with a sworn translation into Montenegrin;

- (ii) a statement, duly signed by its authorized representative(s) and sealed, confirming that Terna is familiar with investment risks and the operational results of CGES as an issuer and that, subject to the terms and conditions of this Agreement, and in particular subject to the fulfillment (or waiver in accordance with this Agreement) of all Conditions Precedent, it undertakes to subscribe the New Shares, and such statement shall be submitted along with a sworn translation thereof into Montenegrin. For the avoidance of doubt, the delivery by Terna of the aforementioned statement or any other statement or document that Terna may release or issue to CGES or the Securities Commission, shall not affect, limit, amend or substitute the provisions of this Agreement, and in particular the representations and warranties of CGES and Montenegro under Article 5 and their indemnification obligations under Article 7.

Terna shall also use its reasonable best efforts to provide any other such documents that may be required by the Securities Commission or other competent authority in Montenegro for the purpose of completion of the transaction contemplated under this Agreement.

- (g) In the event that (i) the transactions contemplated under this Agreement or the execution of the Shareholders' Agreement requires any filing with, notification to, or approval of, the REA under Applicable Law, or (ii) the terms of the Transmission License or the Transmission Grid Operator License or any other license held by CGES require any filing with, notification to, or approval of, the REA in light of the execution, performance or consummation of this Agreement or the Shareholders' Agreement or the transactions contemplated hereby or thereby, CGES shall, and Montenegro shall procure CGES to, perform all filings, requests, actions and formalities as necessary for compliance with such requirements and issuance of all necessary approvals prior to Closing.
- (h) With reference to the documentation, filings, approvals, registrations and decisions under Sections 3.1.2, 3.1.5, 3.1.6, 4.2.5 and 4.2.7, CGES shall, and Montenegro shall procure CGES to, prepare, complete and submit all the necessary documentation, requests and filings – subject, in any case, to the prior discussion and agreement with Terna on the timing and contents thereof – and provide the competent authorities with all the information necessary to obtain such registrations, decisions and approvals.

- (i) Terna shall cooperate with CGES and use its reasonable best efforts to provide all necessary information and assistance reasonably required in order to allow CGES to meet its obligations under Sections 4.2.5, 4.2.7 and 4.2.8.
- (j) Should any of the transactions or events indicated in Section 3.1.14(vii) occur, the Parties agree to discuss and negotiate in good faith possible amendments and changes to the Business Plan as necessary in order to update it and overcome the adverse consequence of the above transactions or events on the Business Plan.
- (k) At the latest 10 (ten) Business Days before the Closing Date, and to the extent not already done before, the Parties shall enter into an escrow agreement with the bank or other financial institution that CGES, after consultation with Terna, will communicate in writing to Terna within 15 (fifteen) Business Days after the Signing Date (the “**Escrow Agent**”) in the form set out in Exhibit 4.2.11 (the “**Escrow Agreement**”), with whom CGES shall open the CGES’ Ear-Marked Account indicated in Section 4.2.3 and whereby the Parties will irrevocably instruct the Escrow Agent to hold in escrow the Price and immediately transfer it from CGES’ Ear-Marked Account to the CGES’ Segregated Account upon delivery of appropriate documentary evidence of (i) the New Shares having been duly registered on the securities ownership account with the Central Registry held by Terna, (ii) Terna’s nominees indicated in Schedule 3.2.1(vii) having been duly appointed in their respective offices and positions, and (iii) the fact that CGES’ Segregated Account can be used, managed and the relevant amounts drawn only with a joint signature of a Terna Director.
- (l) Montenegro shall procure that before the Closing Date and effective on such date the board of directors of CGES amends the rulebooks of the Company on (i) the Systematization of Work Posts, (ii) the Activities of the Assembly of Joint Stock Company CGES, (iii) the Board of Director's Activities, and (iv) the Organization of the Joint Stock Company CGES, so as to reflect the provisions of the Shareholders’ Agreement (in particular with respect to the provisions relating to the Managers set forth in Section 2.3(d) thereto) in such rulebooks.

4.3 **Decision on Capital Increase, Decision on the New Articles and other Pre-closing Actions**

- (a) Without prejudice to Section 4.3.3, prior to the Closing Date Montenegro shall:
 - (a) cause CGES to validly hold a Shareholders’ Assembly of CGES the earlier of (1) no later than the fifth Business Day before the expiration of the Longstop Date and

(2) the thirty-second day after all the Conditions Precedent (other than the Condition Precedent under Section 3.1.4) have been satisfied or waived and to validly and favorably resolve upon and approve:

- (i) the Decision on Capital Increase and, therefore, the issuance of the New Shares through closed offer to Terna for an aggregate value of EUR 34,261,767.71 (*thirtyfour million two hundred sixtyone thousand seven hundred sixtyseven point seventyone*), at a price per New Share of EUR 1.0611 (*one point zerosixoneone*), with valid exclusion of the pre-emptive rights of the existing CGES shareholders, such New Shares to be offered and made available for subscription only to Terna as the pre-defined investor;
 - (ii) the Plan of Development, including the investments in the Associated Network Infrastructures and the Additional Network Infrastructures;
 - (iii) the Decision on the New Articles and, therefore, the adoption of the new Articles of Association, in the form attached hereto as Schedule 3.1.1, such Articles of Association to be conditional upon and effective as of the Closing Date; and
 - (iv) the removal of existing members and the actual appointment of new members of board of directors of CGES in accordance with, and as indicated in, Schedule 3.1.1(iv), such removal and appointment to be conditional upon and effective as of the Closing Date; and
- (b) cause the resolutions under items (i), (iii) and (iv) referred to in the preceding paragraph (a) to be duly registered with the Commercial Court in Podgorica.
- (b) On the date of the Shareholders' Assembly, immediately before the adoption and approval of the decision indicated in Section 4.3.1(a), CGES shall, and Montenegro shall cause CGES to, provide Terna with the complete numbers and details of the existing shareholders that have delivered any Withdrawal Warning and, prior to such date, keep Terna timely and regularly informed concerning the Withdrawal Warnings received from time to time by CGES.
- (c) For the avoidance of doubt, unless the Parties otherwise agree in writing, CGES will not be obliged or permitted (without the prior written consent of Terna) to hold the shareholders' assembly referred to in Sections 3.1.1 and 4.3 hereof and Montenegro will not be obliged or permitted (without the prior written consent of Terna) to participate at such shareholders' assembly or vote and adopt the Decision

on Capital Increase and the Decision on the New Articles if (1) the Condition Precedent referred to in Section 3.1.4 is not satisfied or waived jointly by the Parties prior to or on the date of such shareholders' assembly and (2) the other Conditions Precedent referred to in Sections 3.1 are not satisfied or waived by Terna and/or CGES pursuant to Section 3.1 prior to the date of such shareholders' assembly and, in such circumstances, neither Party shall have any liability whatsoever based on non-occurrence of the Condition Precedent referred to in Section 3.1.1, non-occurrence of the Closing or under this Article 4.3.

4.4 Spin-Off of the Market Operator Activity

- (a) Prior to the Closing Date (if possible) and, in any event, no later than 6 months from the entry into force of the New Energy Law, Montenegro shall cause CGES to complete and perform the spin-off from CGES of the Market Operator Activity in accordance with Applicable Law and in a way such that CGES will not incur or suffer any Losses arising out of, relating to, or resulting from, the operations and business relating to the Market Operator Activity or the completion and performance of the spin-off of the Market Operator Activity (excluding, for the avoidance of doubt, loss of profits or income from the Market Operator Activity).
- (b) Montenegro shall, upon request by Terna (which shall be expressly entitled to request the payment and indemnification on behalf and for the benefit of CGES), pay, indemnify and hold CGES harmless from and against any Losses existing, incurred or suffered by CGES arising out of, relating to, or resulting from, the operations and business relating to the Market Operator Activity or the completion and performance of the spin-off of the Market Operator Activity (excluding, for the avoidance of doubt, loss of profits or income from the Market Operator Activity).

5. REPRESENTATIONS AND WARRANTIES OF CGES AND MONTENEGRO

5.1 Representations and warranties of CGES

CGES hereby represents and warrants to Terna that the following statements are true on and as of the date of this Agreement and shall be true on and as of the Closing Date:

- (a) Organization, Good Standing, Authority
 - (i) CGES is a joint-stock company established pursuant to Applicable Law and duly registered and validly existing under Applicable Law, and it has full

power to own its properties and conduct its business as currently being conducted and as contemplated by this Agreement.

- (ii) CGES has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby, including the construction of the Additional Network Infrastructures on the territory of Montenegro and the Associated Network Infrastructures, subject, where applicable, to the approval of the Shareholders' Assembly set forth in Section 4.3.
 - (iii) This Agreement has been duly authorized and executed by CGES and constitutes the binding legal and valid obligation of CGES, enforceable against in accordance with its terms.
 - (iv) At Closing, the Articles of Association of CGES set forth in Schedule 3.1.1 shall become legally binding and effective articles of association of CGES, effective as of the Closing Date.
 - (v) CGES has the power and authority to issue the New Shares and offer them to Terna under Applicable Law and its charter and articles of association. As of the Closing, the Decision on Capital Increase and the Decision on the New Articles shall have been adopted in compliance with Applicable Law and the pre-emptive rights of the existing shareholders have been duly excluded. At Closing, the issuance of the New Shares and their offering to Terna will be duly and properly authorized by all necessary action of CGES and its shareholders, and no other proceeding on the part of CGES or third party will be necessary to authorize the issuance of the New Shares and their offering to Terna.
 - (vi) Pursuant to the Intergovernmental Agreement, which expressly permits direct negotiation among Terna, CGES and Montenegro, CGES is entitled and allowed to offer and deliver the New Shares to Terna, and Terna is entitled and allowed to subscribe to and acquire them, in a closed offer as contemplated and in accordance with this Agreement.
- (b) No Violation
- Neither the execution and delivery of this Agreement, nor the performance or consummation of the transactions contemplated hereby: (a) violate or conflict with

any license, judgment or order to which CGES is a party or by which CGES' property is bound, or give any Person the right to revoke, withdraw, suspend, cancel, terminate or modify any such license, judgment or order, (b) contravene any law or regulation having applicability to CGES, (c) conflict with any term of the constitutive documents of CGES or (d) result in or require the creation or imposition of any Encumbrance with respect to any Assets owned by CGES.

(c) Approvals, Consents, Etc.

Except for those approvals or consents that constitute Conditions Precedent under Sections 3.1.2, 3.1.3, 3.15 and 3.16 of this Agreement, all consents, authorizations or approvals of, or waivers or exemptions by, or filings or registrations with any Public Authority or any other Person as may be required to be obtained or made in connection with the execution, delivery, performance or consummation by CGES of this Agreement or the transactions contemplated hereby have been obtained or made.

(d) Capitalization; New Shares

- (i) On the Signing Date, the total registered capital of CGES amounts to EUR 120,846,515.417 (*onehundredtwenty million eighthundredfortysix thousand fivehundred fifteen point fourhundredseventeen*) and consists of 113,887,961 (*onehundredthirteen million eighthundredeightyseven thousand nine hundred sixty one*) issued fully paid ordinary shares issued in dematerialized form and registered with the Central Registry, with a nominal value of EUR 1.0611 (*one point zerosixoneone*) per share;
- (ii) No Person other than Terna has a right to acquire the New Shares or any rights thereon. Save for the issuance of the New Shares, CGES has not issued, committed to issue or committed to redeem (except as a consequence of the exercise of any Withdrawal Right) any shares, options, conversion, warrants, subscription or other rights to purchase from CGES or subscribe any shares representing its share capital, or any other instrument which can be converted or exchanged into share capital;
- (iii) New Shares will be duly and validly issued and will rank *pari passu* with all other issued ordinary shares of CGES and at Closing, upon the consummation of the Closing, Terna will acquire full and marketable title

to, and will become the sole, legitimate, exclusive and registered owner of, the New Shares, free and clear of any Encumbrances, and the New Shares will be duly authorized, validly issued, fully paid up. Subject to the actual adoption by the CGES Shareholders' Assembly of the Decision on the Capital Increase, there are no pre-emptive, option, or other rights, agreements, contracts, commitments or acts of any kind, written or oral, in favor of any third parties (including any minority shareholders), which grant or could grant the right to purchase, subscribe for, acquire, acquire any right on, in any manner, in whole or in part, the New Shares in the future;

- (iv) Except for any shares subject to Withdrawal Rights, CGES has not repurchased or agreed to repurchase, any of its own shares referred to under paragraph (i) of this Section 5.1.4 or reduced or agreed to reduce its share capital referred to under paragraph (i) of this Section 5.1.4 and, except for this Agreement, there is no current obligation on CGES to issue any shares or other securities or procure that any third party purchases any shares or other securities which have been issued by CGES; and
 - (v) On the Closing Date, subject only to any shares that may have been repurchased as a result of Withdrawal Rights, the total registered capital of CGES shall amount to EUR 155,108,283.12 (*one hundred fiftyfive million onehundredeight thousand two hundred eighty three point twelve*) and consist of 146,176,876 (*onehundred fortysix million onehundred seventysix thousand eight hundred seventysix*) issued fully paid ordinary shares issued in dematerialized form and registered with the Central Registry, with a nominal value of EUR 1.0611 (*one point zerosixoneone*) per share, and the New Shares shall constitute 22.0889% (*twenty two point zero eight eight nine per cent*) of the total ordinary shares authorized to be issued and issued by CGES.
- (e) New Shares - Freedom of claims etc.
- There is no claim, action, proceeding, arbitration, investigation or hearing pending, or, to the knowledge of CGES, threatened against or affecting the New Shares, by or before any Public Authority.
- (f) Spin-off from EPCG

- (i) The procedure of CGES' spin-off from EPCG ("**Spin-off**") has been completed and performed in accordance with the Applicable Law and there is no claim, action, proceeding, arbitration, investigation or hearing pending, or, to the knowledge of CGES, threatened against CGES in connection with the Spin-off.
 - (ii) (1) CGES has no Liabilities and (2) neither EPCG nor any other Person has any right or authority to claim any amounts or obligations against CGES (including in relation with the possible joint and several liability of CGES and EPCG after the Spin-off), in both cases (1) and (2): (x) for any activities, business, events or circumstances occurring prior to the effectiveness of the Spin-off which do not clearly and exclusively relate to the Core Activity, and (y) other than as duly and specifically recorded in the Audited 2009 Accounts.
- (g) Compliance with Laws and Tax
 - (i) CGES is and has been in compliance with all material Applicable Laws and Permits (including, without limitation, competition, energy, environmental, health and safety, property, planning, money laundering, public procurement Applicable Law applicable to CGES and/or its operation, business, assets or properties) except for possible incidents of non-compliance that do not and would not reasonably be expected to be material to CGES or, however, cause Losses to CGES in excess of EUR 85,000 (eighty-five thousand). Since December 31, 2005, neither CGES nor its predecessor has received any written notice from a Public Authority of any actual or alleged violation of or failure to comply in any material respect with Applicable Law with respect to CGES or its operation, assets or business.
 - (ii) All material Tax Returns required to be filed with respect to CGES or any of its income, properties, franchises or operations have been timely filed (taking into account all extensions of due dates) and are true, correct and complete in all material respects; (ii) other than as disclosed in the Audited 2009 Accounts or in the Unaudited March 31, 2010 Financial Statements and fully reserved for in such accounts and financial statements, all material Taxes attributable to CGES that are or were due have been paid, except to the extent such Taxes are being contested in good faith in appropriate proceedings; and (iii) CGES has complied with all Applicable Law relating

to the payment, withholding and collection of material Taxes and has duly and timely withheld or collected and paid over to the appropriate tax authorities all material amounts required to be so withheld or collected and paid over.

(h) Insolvency; Liquidation

No insolvency proceedings are pending against CGES and no order has been made, proceeding issued, or resolution passed for the winding up of CGES, and no receiver or similar Person has been appointed (in an insolvency or liquidation situation) over the whole or any part of the assets, business or revenue of CGES, nor do circumstances exist which may lead to the same.

(i) Business Changes; Finances

Since the Accounting Date:

- (i) there has been no Material Adverse Change and no event has occurred which will or may result in any such change; and
- (ii) the business of CGES has been carried on in the Ordinary Course of Business and in compliance with Section 4.1.2.

(j) Financial Statements

(a) CGES has delivered to Terna true, correct and complete copies of:

- (i) the audited balance sheet and related income statement, change of stockholders' equity and cash flows of CGES as of and for the fiscal year ended December 31, 2009, in each case prepared in accordance with IFRS and including all exhibits, interrogatories, notes and schedules thereto and any actuarial opinions, affirmation or certification, if any, prepared in connection therewith, approved by the board of directors and shareholders' meeting of CGES, together with the report and unqualified opinion of CGES' independent auditors thereon (the "**Audited 2009 Accounts**"); and
- (ii) the unaudited balance sheet and the related unaudited income statement, change of stockholders' equity and cash flows of CGES as of and for the

three-month period ended March 31, 2010, in each case prepared in accordance with IFRS and including all exhibits, interrogatories, notes and schedules thereto and any actuarial opinions, affirmation or certification, if any, prepared in connection therewith (the “**Unaudited March 31, 2010 Financial Statements**” and together with the Audited 2009 Accounts, the “**Financial Statements**”).

- (b) Except as noted therein, each of the Financial Statements have been prepared in accordance with IFRS and fairly presents, in all material respects, the financial position and the results of operations of CGES as of the dates and for the periods indicated. The Audited 2009 Accounts comply in all material respects with all Applicable Laws, there were no material omissions therein, and no material deficiency has been asserted with respect to the Audited 2009 Accounts by any Public Authority.
 - (c) Except to the extent reflected in the Unaudited March 31, 2010 Financial Statements, CGES has no Liabilities except (i) Liabilities arising as a result of the ordinary course performance in accordance with their terms of any Contracts to which CGES is a party, and (ii) Liabilities that are both (x) incurred after March 31, 2010 in the Ordinary Course of Business, and (y) individually and in the aggregate are not and would not reasonably be expected to be greater than EUR 100,000 (onehundred thousand).
 - (d) All obligations and liabilities (accrued, contingent or otherwise) incurred by or transferred to CGES as a result of the Spin-off are duly recorded in the Audited 2009 Accounts or in the Unaudited March 31, 2010 Financial Statements.
- (k) Trading and Contractual Arrangements
- (i) Schedule 5.1.11 to this Agreement contains a full and complete list of all Material Agreements, except for purchase or sales orders made since the Signing Date in the Ordinary Course of Business and providing for aggregate payments by or potential liabilities of CGES not exceeding 100,000 (onehundred thousand). CGES has furnished during the due diligence process complete copies of each such Material Agreement (including all modifications, supplements, amendments and waivers thereunder).

- (ii) CGES is not in material default under any Material Agreement.
 - (iii) Until and including the Signing Date, CGES has not received any written notice that any party to any Material Agreement intends to cancel or terminate any such Material Agreement.
 - (iv) No Material Agreement or other agreement essential and necessary for the operation of CGES contains any provision providing that any other party thereto may terminate, amend or withdraw from the same by reason of this Agreement or the consummation of the transactions contemplated hereunder (or any transactions related thereto) or contains any other provision that would be altered, accelerated or otherwise become applicable solely by reason of this Agreement or the consummation of the transactions contemplated hereunder (or any transactions related thereto).
- (l) Employees
- (i) The Company does not have more than 301 employees employed for indefinite period of time and on a full time basis and not more than 19 employees employed for definite period of time. Except as provided by Applicable Law, there are no pensions, life insurance benefits, disability benefits or other obligations undertaken by CGES for the benefit of any of their respective directors, employees or managers, or former directors, employees or managers or relatives or dependants thereof.
 - (ii) There are no amounts owing to any present or former directors or employees of CGES for salaries and other amounts accrued and arising out of their employment relation with the Company, except for regular salary and other regular amounts associated with directorship and/or employment with CGES in line with past practice which do not in the aggregate exceed € 85,000 (eighty-five thousand). No employee or former employee has a valid title to claim that he/she is entitled to further rights in addition of those actually granted to him/her and/or that he/she is entitled to further payments in addition of those actually made to him/her and/or that he/she is entitled to higher category/level of qualification or to a different treatment (including with reference to the duration of the employment relationship).
 - (iii) CGES has complied in all material respects with all legal and contractual requirements for the payment of contributions for pension, social security

and health insurance and other contributions and insurances the payment of which is mandatory under the Applicable Law or otherwise due pursuant to contractual arrangements or otherwise, except for mandatory payment contribution which do not exceed Euro 3,000 individually and Euro 85,000 in the aggregate.

(m) Assets

- (a) Save for current assets disposed of in the Ordinary Course of Business, the assets included in the Audited 2009 Accounts:
 - (i) are exclusively owned by CGES or CGES has a valid right of use in respect of such assets, free and clear of any Encumbrance;
 - (ii) are in the exclusive possession or under the exclusive control of CGES;
 - (iii) with respect to equipment, are in reasonable working condition, and have been installed and operated substantially in compliance with good industry standards and manufacturer guidelines; and
 - (iv) are sufficient to conduct the business of the Company as currently conducted and operated.
- (b) Schedule 5.1.13 contains complete list of all Real Properties owned or used by CGES. CGES owns the rights with respect to the Real Properties listed in Schedule 5.1.13 as set forth in Schedule 5.1.13. All Real Properties are listed in Schedule 5.1.13 and are free from any Encumbrances, save for those stated in Schedule 5.1.13.
- (c) CGES is sole and legitimate owner of all the assets which form part of the Montenegrin transmission network (including all transmission lines, cables and substations) and it validly holds and benefit of all necessary easement rights or similar rights necessary for the construction, operation and maintenance of such network. CGES constructed and it is using and maintaining its Montenegrin transmission network and the energy objects fully in accordance with all Applicable Law and third party rights.
- (n) License for the Transmission of Electric Energy, License for the Operation of the Transmission Grid, Permits

CGES has and validly holds under its name a valid License for the Transmission of Electric Energy issued on July 30, 2009, which is valid until July 29, 2024, and a valid License for the Operation of the Transmission Grid issued on July 30, 2009, which is valid until July 29, 2019, and there are no grounds for revocation or negative amendment of such licenses except for possible simple consolidation of these licenses into one issued to CGES pursuant to the New Energy Law which shall not have any impact or effect on the conduction by the Company of its transmission or transmission grid operator activities. Such licenses, and, if they are consolidated into one license pursuant to the New Energy Law, the new license issued to CGES, are sufficient for CGES to conduct its transmission and transmission grid operator activities, as currently conducted, and will continue to be in full force and effect at least until the date of their validity indicated above (without adverse change) following the consummation of the transactions contemplated by this Agreement.

(o) Permits

CGES owns or validly holds all material permits, licenses, and authorization (“**Permits**”) that are necessary for it to own, lease, use or operate its assets and for the performance of its Core Activities and to conduct its business as now conducted. All such Permits are in full force and effect, and no proceeding or investigation is pending or, to the knowledge of CGES, threatened in writing which would reasonably be expected to lead to the revocation, amendment adverse to CGES, failure to renew, limitation, suspension or restriction of any such Permit. CGES does not have outstanding obligations towards the REA including fees associated with the License for the Transmission of Electric Energy or the License for the Operation of the Transmission Grid held by it.

(p) Litigation

(i) There is no litigation, claim, dispute, action, proceeding, suit or formal investigation (each a “**Legal Proceeding**”) pending or, to the knowledge of CGES, threatened in writing that questions the validity of this Agreement or any action taken or to be taken by CGES or Montenegro in connection with, or which seeks to enjoin or obtain monetary damages in respect of, the consummation of the transactions contemplated in this Agreement (or any transactions related thereto).

- (ii) There is no Legal Proceeding pending or, to the knowledge of CGES, threatened, against CGES in, before or by any Public Authority, jurisdictional body, arbitrator, court, agency or other body or Person (i) in which the amount claimed by the plaintiff exceeds € 85,000 (eighty-five thousand) each or it is not quantified, or (ii) in which the plaintiff is seeking to enjoin or obtain other non-monetary relief against CGES or its assets.
 - (iii) Except with respect to Taxes due in the ordinary course of business, there are no unsatisfied or outstanding orders of any Public Authority against CGES.
- (q) **Regulatory Proceedings**

There are no facts, events or circumstances that may require CGES to pay, reimburse, refund or compensate (also by way of set-off) any amount received or accrued before the Closing Date pursuant to the energy regulatory framework adopted, published and applied in Montenegro (including the tariff system relating to the performance of the Core Activity and the Market Operator Activity) and no Legal Proceeding against CGES in, before or by any Public Authority, jurisdictional body, arbitrator, court, agency or other body or Person, is pending or will be commenced, as a result of which CGES may be requested to pay, reimburse, refund or compensate (also by way of set-off) any amount received or accrued before the Closing Date pursuant to the energy regulatory framework adopted, published and applied in Montenegro (including the tariff system relating to the performance of the Core Activity and the Market Operator Activity) prior to the Closing Date.
- (r) **Insurance**

CGES is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the business in which it is engaged or in any case adequate for the relevant purposes.
- (s) **Ancillary Services**

CGES has not incurred or suffered and will not incur or suffer any Liability relating to, or resulting from, the ancillary services provided by EPCG and its Affiliates to CGES for the period before and up to the Closing Date.
- (t) **Participations**

CGES does not own, nor is under any obligation to purchase, any shares of, or equity interest in, any Person.

(u) Accuracy of Information

No written information furnished by or on behalf of CGES in connection with the transactions contemplated hereby contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

(v) Reliance on Representations

In entering into this Agreement, CGES has not relied on any representation or warranty, express or implied, or information made or given by or on behalf of or attributable to Terna or any representatives thereof, other than the representations and warranties of Terna expressly set forth in Article 6.

5.2 Representations and Warranties of Montenegro

Montenegro hereby represents and warrants to Terna that the following statements are true on and as of the date of this Agreement and shall be true on and as of the Closing Date:

(a) Requisite Authority; Due Execution; Binding Obligation

Montenegro has all requisite powers and authorities to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly authorized and executed by Montenegro and constitutes the binding legal and valid obligation of Montenegro, enforceable against in accordance with its terms.

The Intergovernmental Agreement duly entitles and allows direct negotiation among Terna, CGES and Montenegro pursuant to Applicable Law, and, therefore, CGES is entitled and allowed to offer and deliver the New Shares to Terna, and Terna is entitled and allowed to subscribe and acquire them, in a closed offer as contemplated in this Agreement.

(b) Stock Ownership

Montenegro is the sole owner of 80,397,282 (*eighty million three hundred and ninetyseven thousand two hundred and eighty two*) issued and fully paid ordinary

shares of CGES, and it has not entered into any agreement to sell any such shares and following the consummation of the Closing and the issuance of the New Shares Montenegro will hold 55% of the share capital of CGES.

(c) **Reliance on Representations**

In entering into this Agreement, Montenegro has not relied on any representation or warranty, express or implied, or information made or given by or on behalf of or attributable to Terna or any representatives thereof, other than the representations and warranties of Terna expressly set forth in Article 6.

5.3 Limitations on Representations and Warranties

The representations and warranties set forth in this Article 5 constitute the only representations and warranties made by CGES and Montenegro, respectively, in connection with the transactions contemplated hereby and are to the exclusion of all other express or implied representations or warranties, whether statutory or otherwise. The Parties acknowledge and agree that Terna enters into this Agreement in full reliance upon the representations and warranties given by CGES and Montenegro under this Section 5.

6. REPRESENTATIONS AND WARRANTIES OF TERNA

Terna hereby represents and warrants to CGES that the following statements are true on and as of the date of this Agreement and will be true on the Closing Date:

6.1 Organisation and Good Standing

Terna is a joint-stock company, established and duly registered and validly existing under the laws of Italy.

6.2 Authorisation; Due Execution

Terna has all requisite corporate power and authority to execute this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated thereby. This Agreement has been duly authorized and executed by Terna and constitutes the binding legal and valid obligation of Terna enforceable in accordance with its terms.

6.3 No Violation

Neither the execution nor delivery by Terna of this Agreement, nor the consummation of the transactions contemplated hereby: (a) violate any license, judgment or order to which Terna is a party or by which Terna's property is bound, or give any person the right to revoke, withdraw, suspend, cancel, terminate or modify any such license, judgment or order, (b) contravene any law or regulation having applicability to Terna, (c) conflict with any term of the foundation documents of Terna, or (d) result in or require the creation or imposition of any Encumbrance of any nature upon or with respect to, any material properties owned by Terna.

6.4 Approvals, Consents, Etc.

Except for those representing the Conditions Precedent pursuant Sections 3.1.2, 3.1.3, 3.15 and 3.16 of this Agreement, all consents, authorizations or approvals of, or waivers or exemptions by, or filings or registrations with any Italian Public Authority or any other Person as may be required to be obtained or made in connection with the execution or performance by Terna of this Agreement have been obtained or made.

6.5 Litigation

There is no material claim, action, proceeding, arbitration, investigation or hearing pending or, to the knowledge of Terna, threatened by or before any Public Authority against Terna involving the transactions contemplated by this Agreement.

6.6 Financing

Terna has sufficient resources available to perform its obligations under this agreement, and, in particular, to enable it to pay the Price.

6.7 Accuracy of Information

No written information furnished by or on behalf of Terna in connection with the transactions contemplated hereby contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading. All subjective assessments have been made in good faith after careful consideration of the information upon which such assessments have been made.

6.8 Reliance on Representations

Terna in entering into this Agreement has not relied on any representation or warranty, express or implied, or information made or given by or on behalf of or attributable to CGES, or any representatives thereof, other than the warranties of CGES expressly set forth in Article 5.

7. INDEMNIFICATION; LIMITATION OF LIABILITY AND RELATED MATTERS

7.1 Indemnification

- (a) Subject to the submission of a notice of claim to CGES before the first Business Day after the expiration of the applicable period specified in Section 7.1.3(e), and subject to limitations of liability set forth in this Section 7 (if and where applicable), CGES and Montenegro, jointly and severally, hereby agree to indemnify and hold Terna harmless from and against any Losses imposed on, sustained, incurred or suffered by, or enforced against, Terna arising out of, based upon, attributable to or resulting from:
 - (a) any inaccuracy in or breach (for the avoidance of doubt, in each case whether as of the date hereof or as of the Closing Date) of any representation or warranty made by CGES in this Agreement; or
 - (b) any breach or non-fulfillment on the part of CGES of any agreement or covenant contained in this Agreement.

The Parties agree that the indemnifiable Losses of Terna pursuant to this Section 7.1 attributable or resulting from Losses imposed on, sustained, incurred or suffered by, or asserted against, CGES shall be equal and limited to Terna's proportionate share of Losses imposed on, sustained, incurred or suffered by, or asserted against, CGES, such proportionate share to be based on Terna's participation in the share capital of CGES on the Closing Date amounting to 22.0889% of the total registered share capital and that in case Terna seeks indemnity from CGES and CGES indemnifies Terna in respect of any such Losses, the amount of such Losses shall be increased by the amount necessary for Terna, as a result of being a shareholder of CGES, not to indirectly bear any cost or loss resulting from any such indemnity payment being made by CGES. Furthermore, the Parties agree that, in case Terna seeks indemnity from Montenegro in respect of any indemnifiable Losses pursuant to this Agreement, Montenegro may not commence or pursue any claim, action, proceeding or arbitration or otherwise seek any compensation, recourse or indemnification (also by way of set-off) – whether as a consequence of any joint and several liability of

CGES and Montenegro under this Agreement or otherwise- from or against CGES for any amounts paid or due by Montenegro pursuant to this Agreement.

- (b) Subject to the submission of a notice of claim to Montenegro before the first Business Day after the expiration of the applicable period specified in Section 7.1.3(e), Montenegro hereby agrees to indemnify and hold Terna harmless from and against any Losses imposed on, sustained, incurred or suffered by, or asserted against, Terna arising out of, based upon, attributable to or resulting from:
 - (a) any inaccuracy in or breach (for the avoidance of doubt, in each case whether as of the date hereof or as of the Closing Date) of any representation or warranty made by Montenegro in this Agreement; or
 - (b) any breach or non-fulfillment on the part of Montenegro of any agreement or covenant contained in this Agreement.
- (c) Notwithstanding the foregoing obligations in Section 7.1.1 and 7.1.2:
 - (a) CGES and Montenegro shall not be liable for individual claims (a series of related claims or claims of a similar kind or nature or arising from a same or similar set of facts shall be aggregated and treated as an individual claim for purposes of this Section 7.1.3(a)) pursuant to Section 7.1.1 (a) (other than in respect of any inaccuracy or breach of any of the Specified Warranties) unless the associated Loss or Losses exceed(s) EUR 15,000 (fifteen thousand) (the “**De Minimis Amount**”);
 - (b) CGES and Montenegro shall only be liable for Losses under Section 7.1.1 (a) (other than in respect of any inaccuracy or breach of any of the Specified Warranties) to the extent that the aggregate amount of Losses for which indemnification has been sought pursuant to Section 7.1.1 exceeds EUR 225,000 (two hundred twenty-five thousand) (the “**Threshold Amount**”) and, for the avoidance of doubt, CGES and Montenegro shall be liable for the full amount, from the first Euro, of any and all Losses once the Threshold Amount is exceeded and not the difference between the amount of such Losses and the Threshold Amount;
 - (c) The maximum aggregate liability of CGES and Montenegro towards Terna pursuant to Section 7.1.1(a) (other than in respect of any (1) inaccuracy or breach of representations or warranties contained in Sections 5.1.1 (Organization, Good Standing, Authority), 5.1.2 (No Violation), 5.1.3 (Approvals, Consents), 5.1.4 (Capitalization and New Shares), 5.1.5 (New Shares – Freedom of claims), 5.1.14

(License for Transmission of Electric Energy, License for the Operation of the Transmission Grid, Permits), 5.1.17 (Regulatory Proceedings), or 5.2.1 (Requisite Authority; Due Execution; Binding Obligation) (collectively, the “**Specified Warranties**”), (2) inaccuracy or breach of the representations or warranties contained in Sections 5.1.6 (Spin-off from EPCG) and 5.1.7(ii) (Compliance with Tax), and (3) the Environmental Losses) shall not exceed an amount equal to EUR 13,704,707.08 (*thirteen million sevenhundred four thousand sevenhundred seven point zero eight*) (the “**Cap Amount**”);

- (d) Neither CGES nor Montenegro shall be liable under Section 7.1.1(a) or, as the case may be, Section 7.1.2(a) of this Agreement if and to the extent that:
- (i) the matter giving rise to the claim by Terna arises wholly or partially from an event or circumstance occurring on or before the Closing at the written request or direction of, or with the prior written consent of, Terna;
 - (ii) the matter giving rise to the claim by Terna relates to an amount for which CGES has a right of recovery against, or an indemnity from a third Person, whether under a provision of applicable law, insurance policy or otherwise, and the amount has been actually and definitively recovered or received by CGES (after deducting any costs incurred in making such recovery and any Tax incurred as a result of receipt of such recovery). If Montenegro or CGES has made any payment to Terna and subsequently CGES actually and definitively receives and recovers a sum from such third Person with respect to the matter giving rise to the claim of Terna, then Terna shall repay to Montenegro or CGES (as the case may be) an amount equal to the sum actually and definitively received and recovered by CGES from such third Person (after deducting any costs incurred in making such recovery and any Tax incurred as a result of receipt of such recovery) up to the amount paid by Montenegro or CGES (as the case may be) to Terna in respect of such claim. For the avoidance of doubt, the Parties further agree that the amounts indicated in this paragraph (d)(ii) to be repaid and returned by Terna to Montenegro or CGES shall be equal to a percentage of the sums actually and definitively recovered and received by CGES from the third Person equal to the percentage of share capital held by Terna in CGES at the time Montenegro or CGES has made the relevant indemnification payment to Terna;

- (iii) with respect to claim by Terna for breach of representations and warranties set forth in Section 5.1.7(ii) (Compliance with Tax) or Section 5.1.17 (Regulatory Proceedings), the matter giving rise to the claim by Terna relates to an amount which CGES is undoubtedly able to recover or be compensated by virtue of such amount being explicitly recognized by ERA as part of tariff approved to CGES payable to it in the three years following the incurrence of the Loss by CGES and the amount has been actually and definitively recovered or received by CGES (after deducting any costs incurred in making such recovery and any Tax incurred as a result of receipt of such recovery).
- (e) The representations and warranties set forth in this Agreement shall survive the Closing until the expiration of the eighteenth month of the Closing Date, except that (i) the representations or warranties set forth in Sections 5.1.6 (Spin-off from EPCG), 5.1.7. (Compliance with Laws and Tax), 5.1.14 (License for Transmission of Electric Energy, License for the Operation of the Transmission Grid), 5.1.17 (Regulatory Proceedings), and 5.1.19 (Ancillary Services) shall survive the Closing until the expiration of forty-second month of the Closing Date and (ii) the warranties set forth in Sections 5.1.1 (Organization, Good Standing, Authority), 5.1.2 (No Violation), 5.1.3 (Approvals, Consents), 5.1.4 (Capitalization and New Shares), 5.1.5 (New Shares – Freedom of claims) and 5.2.1 (Requisite Authority; Due Execution; Binding Obligation) shall survive the Closing until the expiration of the applicable statute of limitations or, in the event that there is no applicable statute of limitations, at a date no later than the tenth anniversary of the Closing Date, provided, however, that Terna's rights and CGES' and Montenegro's obligations hereunder shall survive the expiration of the time limits set out above in respect of any actual or alleged breach of the representations or warranties which has been notified by Terna to CGES, or, as the case may be, Montenegro by virtue of a notice referred to in Section 7.2.1 below before such expiry. The covenants and other agreements contained in this Agreement shall survive the Closing until the expiration of the applicable statute of limitations.
- (d) The Parties acknowledge and agree that amounts paid by Terna or CGES to third parties as a result of breach of the representations, warranties or covenants by CGES or Montenegro under this Agreement shall be indemnifiable even if they include an amount that represent a restrictions or exclusions contained in the definition of "Losses", subject to the limitations of liability set forth under this Agreement..

- (e) (a) CGES and Montenegro shall not be liable for any claim pursuant to Section 7.1.1(a) or, as the case may be, Section 7.1.2(a) (other than in respect of any (1) inaccuracy or breach of the Specified Warranties, (2) inaccuracy or breach of the representations or warranties contained in Sections 5.1.6 (Spin-off from EPCG) and 5.1.7(ii) (Compliance with Tax), and (3) the Environmental Losses) to the extent that the facts and circumstances forming the basis for such claim had been fairly disclosed:
 - (i) in the body of this Agreement (other than its exhibits and Schedules);
 - (ii) in the Disclosure Schedule and in any of the documents annexed to the Disclosure Schedule (and accordingly annexed to this Agreement), provided that, where a reference in the Disclosure Schedule is made to a particular representation or warranty, that reference is for convenience only and the disclosure applies, to the extent to which it is fair, to all of the representations and warranties to which it is, or may be, appropriate and a disclosure is not limited to the specific representation or warranty to which it specifically refers; or
 - (iii) in any document or written information forming part of the the Data Room Bundle.
- (b) CGES and Montenegro shall not be liable for any claim pursuant to Section 7.1.1(a) in respect of (1) any inaccuracy or breach of the representations or warranties contained in Sections 5.1.6 (Spin-off from EPCG) and 5.1.7(ii) (Compliance with Tax), and (2) the Environmental Losses, to the extent that the facts and circumstances forming the basis for such claim had been fairly disclosed in the Part 2 of the Disclosure Schedule or in any of the documents annexed to Part 2 of the Disclosure Schedule (and accordingly annexed to this Agreement), provided that, where a reference in Part 2 of the Disclosure Schedule is made to a particular representation or warranty, that reference is for convenience only and the disclosure applies, to the extent to which it is fair, to all of the representations and warranties to which it is, or may be, appropriate and a disclosure is not limited to the specific representation or warranty to which it specifically refers.
- (f) Terna shall not be entitled to claim more than once for the same Loss, on its own account or any of Terna's Affiliates.
- (g) Terna shall not be entitled to claim more than once for the same Loss, based on different provisions of this Agreement.

- (h) Without prejudice to other provisions of this Section 7 (including, but without limitation to, Section 7.1.7), the rights and remedies of Terna in respect of any inaccuracy or breach of any representation, warranty, covenant or agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts or circumstances upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement as to which there is no inaccuracy or breach. Without prejudice to other provisions of this Section 7 (including Section 7.1.5), the representations, warranties and covenants of CGES and Montenegro and Terna's rights to indemnification with respect thereto shall not be limited, reduced affected or deemed waived by reason of any statement made by any Person to Terna, any investigation or review made by or on behalf of Terna (including by any of its advisors, consultants or representatives) (including any due diligence exercise) or by reason of the fact that Terna or any of such advisors, consultants or representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Terna's waiver of any condition set forth in Section 3, or by the fact that Terna consummated the Closing
- (i) Terna hereby agrees to indemnify and hold CGES and/or Montenegro (as the case may be, and, for the avoidance of doubt, without duplication) harmless from and against any Losses imposed on, sustained, incurred or suffered by, or enforced against, CGES and/or Montenegro arising out or, based upon, attributable to or resulting from:
 - (i) any inaccuracy in or breach (for the avoidance of doubt, in each case whether as of the date hereof or as of the Closing Date) of any representation or warranty made by Terna in this Agreement; or
 - (ii) any breach or non-fulfilment on the part of Terna of any agreement or covenant contained in this Agreement.

7.2 Procedures for Indemnification

- (a) Without prejudice to the provisions of Sections 7.1.3(e), Terna shall give written notice to CGES or Montenegro (as the case may be) of any event which in its opinion could reasonably be expected to give rise to CGES or Montenegro's liability under Section 7.1, indicating the basis of its claim for indemnification in reasonable detail (if and to the extent possible and actually known by Terna) within

30 Business Days of Terna becoming fully aware of the relevant event which may give rise to the claim, provided (without prejudice to the provisions of Sections 7.1.3(e)) that CGES or Montenegro is not already aware of the facts, events or circumstances which may give rise to the claim by Terna, and provided further that any delay or incompleteness in giving such notice shall not relieve or reduce the indemnification obligations hereunder unless and to the extent CGES' defense or liability with respect to any such matter is actually and materially prejudiced or increased by such delay or incompleteness in giving the notice.

- (b) In the case of any Legal Proceeding brought by a Third Party (a "**Third Party Claim**"), that may result in a claim for indemnification under Section 7.1, the Party that is the party to such proceeding shall promptly notify the other Party or Parties of such claim and, when known, the facts constituting the basis for such claim, provided that failure by Terna to promptly notify the other Parties shall not relieve CGES or Montenegro from any liability it may have under Section 7.1, except to the extent such failure results in a lack of or delay in actual notice to CGES or Montenegro (as the case may be) and CGES or Montenegro (as the case may be) shall have been actually prejudiced by such failure.
- (c) The Parties agree to cooperate with each other in all reasonable respects with respect to the defense or prosecution of any Third Party Claim, and shall furnish, or cause to be furnished, such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith. A Party may, at its own expense, participate in the defense of any such Third Party Claim with the counsel of its choice without any right of control thereof.
- (d) No Party shall consent to a settlement or entry of judgment of a Third Party Claim without the prior written consent of the other Party or Parties (which consent shall not be unreasonably withheld or delayed) if such settlement or entry of judgment (A) provides for injunctive or other non-monetary relief affecting such other Party or Parties or (B) exceeds €100,000 (one-hundred thousand) or the equivalent in other currencies.
- (e) The Parties agree that CGES and/or Montenegro shall respond to Terna's written request for consent to settlement or entry of judgment of a Third Party Claim within 15 (fifteen) Business Days after the receipt of any such request. Failure to respond within this time period by CGES and/or Montenegro shall be deemed as an irrevocable consent to Terna's proposed settlement or entry of judgment.

- (f) The Parties agree that Terna shall respond to CGES' written request for consent to settlement or entry of judgment of a Third Party Claim within 15 (fifteen) Business Days after receipt of any such request. Terna's failure to respond within this time period shall be deemed as an irrevocable consent to CGES' proposed settlement or entry of judgment.

7.3 **Exclusive Remedy**

After the full consummation of the Closing, and except in case of fraud, willful misconduct or gross negligence by a Party, a claim for indemnification under Section 7.1 shall be Parties' exclusive remedy for breach of Parties' representations and warranties and covenants (other than with respect to the representations and warranties set forth in Sections 5.1.1 (Organization, Good Standing, Authority), 5.1.2 (No Violation), 5.1.3 (Approvals, Consents), 5.1.4 (Capitalization and New Shares), 5.1.5 (New Shares – Freedom of claims etc.), 5.1.14 (License for the Transmission of Electric Energy, License for the Operation of the Transmission Grid, Permits) if the breach of such representation or warranty would prevent CGES to conduct its Core Activity as currently conducted for a period of longer than 3 months, and 5.2.1 (Requisite Authority; Due Execution; Binding Obligation)) under this Agreement, except that any Party shall have the right to seek specific performance of the non-monetary obligations of any other Party.

7.4 **Insurance**

The Parties shall, if that is reasonable, make a claim or use its reasonable best efforts to cause another relevant Person to make a claim under any relevant insurance policy, or otherwise act in good faith to mitigate the Loss suffered.

8. GENERAL

8.1 **Expenses**

- (a) Except as otherwise expressly provided in this Agreement, each Party shall bear all fees, costs and expenses incurred by it in connection with the preparation, negotiation, entry into and performance of this Agreement and the transaction contemplated hereunder, including but not limited to all fees and expenses of any agents, representatives, attorneys, accountants, finders, investment bankers and other advisors.

- (b) Without limitation to the generality of Section 8.1.1, Terna shall be obligated to pay the following bank fees, costs and charges in respect of the payment of the Price: the fees payable to the Central Registry and to the Escrow Agent with respect to the Escrow Agreement.
- (c) Without limitation to the generality of Section 8.1.1, Terna shall be obligated to pay and responsible for the discharge the following transfer fees, costs charges and taxes (if any) due or incurred in relation to the issuance, subscription and registration of the New Shares: the fees payable to the Central Registry and to the Escrow Agent with respect to the Escrow Agreement.

8.2 **Applicable Law Dispute Resolution and Waiver of Immunity**

- (a) This Agreement shall be governed, enforced, construed and interpreted in accordance with the laws of Montenegro.
- (b) In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Agreement arises, including but not limited to, its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit to final arbitration before a panel of three arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the “ICC” and “ICC Rules”).
- (c) The arbitration panel shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Agreement, this Agreement shall govern.
- (d) The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Agreement,

the Shareholders' Agreement or the Project Coordination Agreement, the Parties shall not unreasonably oppose their consolidation.

- (e) The arbitration panel shall award the prevailing party its reasonable attorney's fees and costs, arbitration administrative fees, panel member fees and costs, and any other reasonable costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof if sent as set forth in Section 8.4 of this Agreement. In no event the arbitration panel may award punitive, consequential and/or special damages.
- (f) Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.
- (g) Each Party represents that it is entering into this Agreement in a commercial capacity and that with respect to this Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:
 - (i) agrees that, should the other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Agreement, no immunity of such proceedings (which shall be deemed to include suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and
 - (ii) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

8.3 Waiver

- (a) None of the terms of this Agreement shall be deemed to have been waived by either Party hereto, unless such waiver is in writing and signed by that party. The waiver by either Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement or of any further breach of the provision so waived. No extension of time for the performance of any obligation or act hereunder shall be deemed to be an extension of time for the performance of any other obligation or act.

- (b) The exercise or partial exercise, or any delay or omission in exercising any right conferred by this Agreement on either party shall not constitute a waiver of that or any other right or remedy available to that Party; and the rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by Applicable Law, unless such other rights or remedies provided by Applicable Law are explicitly excluded by this Agreement.

8.4 Notices

All notices and other communications that are required or permitted to be given under this Agreement shall be in writing and in the English language and shall be deemed to have been duly given if delivered personally or by registered mail (return receipt requested), or faxed and addressed as follows:

- (i) if to CGES:

Crnogorski Elektroprenosni Sistem AD
Bulevar Svetog Petra Cetinjskog 18
81000 Podgorica
Montenegro

Attention: Aleksandar Mijušković

Facsimile: +382 20 241 616
E-mail: aleksandar.mijuskovic@cgcs.me

- (ii) if to Montenegro:

Ministry of Economy
Rimski trg 46, Podgorica, Montenegro

Attention: Deputy Minister of Economy

Facsimile: + 382 20 234 027
Phone: + 382 20 482 163

- (iii) if to Terna:

TERNA Rete Elettrica Nazionale S.p.A.
Viale Egidio Galbani 70
00156 Roma
Italia

Attention: Avv. Filomena Passeggio

Facsimile: +39 06 8313 8218

E-mail: filomena.passeggio@terna.it

with a copy to (which shall not constitute notice):

Cleary Gottlieb Steen & Hamilton LLP

Via San Paolo, 7

20121 Milano

Italia

Attention: Avv. Matteo Montanaro

Facsimile: +39 02 8698 4440

E-mail: mmontanaro@cgsh.com

and/or to such other addressee and/or address as any of the above shall have specified by notice delivered in accordance with this Section. Each notice or other communication, which shall be delivered personally, mailed or faxed in the manner described above, shall be deemed sufficiently given, served, sent, received or delivered for all purposes on the first Business day following the date that it is delivered to the addressee (with the return receipt, the delivery receipt, the affidavit of messenger or, with respect to a fax, the machine-generated receipt confirmation, being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

8.5 Entire Agreement

This Agreement (including all Exhibits and Schedules hereto) and transactional agreements to be executed pursuant to this Agreement (including the Strategic and Shareholders' Agreement) contains the entire agreement, and supersedes all prior agreements and understandings and arrangements, oral or written, between the parties hereto with respect to the subject matter hereof and thereof.

8.6 Amendments and Modifications

This Agreement may not be modified, amended or changed in any respect except in a writing duly signed by the Parties.

8.7 Assignment

No Party shall assign this Agreement nor sub-contract any obligation contained in it, in whole or in part, without the prior written consent of the other Party, and any such assignment or sub-contracting contrary to the terms hereof shall be null and void and of no force or effect, except that Terna may assign any or all its rights or obligations under this Agreement to one or more of

its controlled subsidiaries, without the prior written consent of CGES or Montenegro, provided that it remains jointly and severally liable with such controlled subsidiary with respect to the performance of its obligations hereunder. No permitted or purported assignment of all or any portion of this Agreement shall effect a release of the transferor of its obligations under this Agreement without an express written release of such obligations by the other Party hereto.

8.8 Confidentiality

- (a) Each Party undertakes to other Parties that it shall, together with the employees, officers, advisors and other agents, hold in strict confidence all written or verbal, non-public information related to other Parties and obtained pursuant to this Agreement or otherwise by such other Parties (“**Confidential Information**”) and will not, and will ensure that such other Persons do not, disclose such Confidential Information to others without the prior written consent of other Parties; except that a Party may provide such Confidential Information in response to legal proceedings or if required under applicable laws or regulations or other regulatory, stock exchange or other Public Authority having jurisdiction over the relevant Party, and provided that, where practicable, a Party notifies the other Parties of its obligation to provide such Confidential Information (provided that it may lawfully do so) and co-operates with other Parties to protect the confidentiality of such Confidential Information so far as is practicable. Confidential Information shall not include any information that:
- (i) is at the date hereof available within the public domain other than as a result of a breach of this Agreement;
 - (ii) subsequent to the date of this Agreement, becomes available within the public domain other than as a result of a breach of this Agreement or by means of other unauthorised disclosure or use; or
 - (iii) is provided to a disclosing Party by a Person (other than a Party hereto) that is lawfully in possession of such information and has the lawful right to disclose or use it.

8.9 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid, but if any provision of this Agreement shall be unenforceable or invalid, such provision shall be ineffective only to the extent of such unenforceability or invalidity, and the remaining provisions of this Agreement shall continue to be binding and in full force and effect. In the event of such unenforceability or invalidity the Parties shall negotiate in good faith to agree on changes or amendments to this Agreement which are required to carry out the intent of this Agreement in light of such unenforceability or invalidity.

8.10 Counterparts

This Agreement is executed in 3 counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute one and the same legal document.

8.11 Languages

This Agreement and any amendments or other modifications hereof shall be executed in English.

8.12 Headings

The Section and other headings contained in this Agreement are for convenience only and shall not be deemed to limit, characterize, or interpret any provisions of this Agreement.

8.13 Further Assurances

Terna, Montenegro and CGES shall each, at the request of the other, execute, acknowledge, deliver and file without further consideration, all further assignments, conveyances, endorsements, powers of attorney, consents and other documents or procure the same and take or procure the taking of such other action as may be reasonably requested to consummate the transactions contemplated by this Agreement.

8.14 Announcements

The Parties shall, subject to the requirements of applicable laws or the rules and regulations of any recognized stock exchange, consult together as to the content of, timetable for and manner of publication of any announcement to shareholders, employees, customers, suppliers, distributors and sub-contractors and to any recognized stock exchange or other authorities and to the media or otherwise which any of the parties may desire or be obliged to make regarding this Agreement, and neither one of them shall issue any such announcement without the prior written consent of the other, such consent not to be unreasonably withheld or delayed.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto as of the date first above written.

Place and Date: Podgorica, November 23, 2010

Crnogorski Elektroprenosni Sistem AD

By: _____

Title: Chairman

TERNA Rete Elettrica Nazionale S.p.A.

By: _____

Title: Chief Executive Officer

The State of Montenegro

By: _____

Title: Minister of Economy

EXHIBIT 1

CGES REPRESENTATIVE'S AUTHORIZATION



No.: 10019

Podgorica, 11.10. 2010.

Pursuant to 53, paragraph (1), item 23) of the Articles of Association of Crnogorskog elektroprenosnog sistema AD, the Board of Directors of the Company at II session, held on 8 October 2010, has passed the following:

D E C I S I O N

1. The Board of Directors has adopted proposals of the agreements to be concluded between Montenegro, Crnogorskog elektroprenosnog sistema AD and Terna, Rete Elettrica Nazionale S.p.A., with the aim of constructing a new interconnection system and implementing strategic partnership between the transmission system operators of Montenegro and Italy:
 - 1.1. Proposal of the Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase with the related Annexes;
 - 1.2. Proposal of Strategic and Shareholders Agreement with the related Annexes
 - 1.3. Proposal of Project Coordination Agreement with the related Annexes.
2. The Chairman of the Board of Directors, Zoran Đukanović is entitled to sign, on behalf of Crnogorskog elektroprenosnog sistema AD, the Agreements with the Annexes attached thereto, stated herein under item 1.
3. This Decision shall enter into effect on the day of its adoption.

Submitted to:

CHAIRMAN OF BOARD OF DIRECTORS,
Zoran Đukanović, B.Sc.E.E.

- 10 -00
- 10 -00 -10
- 10 -20 -10
- a/a

EXHIBIT 2

TERNA REPRESENTATIVE'S AUTHORIZATION

MINUTES OF MEETING OF THE BOARD OF DIRECTORS

ON 17 June 2009

On June, 17th, 2009, at 5.45 PM, in Rome, Via Arno no. 64, the Board of Directors of TERNA S.p.A. held a meeting.

The following were present:

Luigi ROTH – Chairman

Flavio CATTANEO – Chief Executive Officer

Cristiano CANNARSA – Board Member

Paolo DAL PINO – Board Member

Matateo DEL FANTE - Board Member

Salvatore MACHI' - Board Member

Michele POLO - Board Member

Vittorio RISPOLI - Board Member (via conference call)

Luca Aurelio GUARNA – Chairman of the Board of Auditors

Lorenzo POZZA – Statutory Auditor (via conference call)

The absences of Board Member Claudio Machetti, Auditor Marcello Cosconati and Secretary Dr. Ernesto Calaprice have been justified.

In accordance with article 18 of the company's Articles of Association, the chairmanship of the meeting was assumed by the Chairman. After ascertaining that the meeting has been convened according to the regulations and that the board has been properly constituted, the Chairman declared the meeting open.

Filomena Passeggio, Director of the company's corporate and legal secretary, also attended the meeting at the invitation of the Chairman.

Given the absence of the Secretary, the Chairman asked Ms. Passeggio to take the minutes of the meeting.

The Chairman then moved onto the items of the

AGENDA

1. Chairman and Chief Executive Officer's Communication

2. Development initiatives

3.

4.

OMISSIS

OMISSIS

2. Development Initiatives

a) Montenegro

OMISSIS

OMISSIS

The Board, after acknowledging the information report and awaiting further developments in the project and the activities pertaining thereof, unanimously approved the authorisation of the project itself and all necessary activities, whether they be adequate or instrumental for its accomplishment. To this end, the Board conferred on the Chief Executive Officer all necessary and/or adequate powers for the execution of this resolution, with the express power of sub-delegation, and specifically:

- (i) to proceed with the negotiation, definition, signing and possible change and implementation of records, also by means of a Terna subsidiary, of all the deeds, documents, declarations, certifications and contracts with third parties as well as with the aforementioned subsidiary company required and/or merely adequate for the completion of the Project, including, but not limited, the Project Agreements, thus determining the terms and conditions including both amounts and economic terms;
- (ii) perform any further necessary and/or adequate activity in relation to the project and to take any relevant, instrumental, complementary, similar or accessory action to those previously mentioned in this resolution;
- (iii) exert the right to vote within the meetings of subsidiary and/or associate companies, both in ordinary and extraordinary meetings, moreover, taking steps towards statutory changes, or other company actions deemed necessary or merely adequate for the completion of the Project;
- (iv) represent the Company to third parties and/or banks, financial institutions and relevant authorities in Italy and/or abroad to undertake any activity and practice pertaining and/or practical to the tasks indicated above, or necessary and/or adequate for the completion of the Project, providing address for subsidiary companies, and signing and receiving contracts, records, documents, declaration concerning or with a practical application to the above mentioned activities;
- (v) perform any other necessary and/or adequate activity with the objective of complying with the ruling regulatory requirements related to the Project.

OMISSIS

OMISSIS

There being nothing further to resolve upon, the meeting was closed at 7.10 PM

The Chairman

Luigi Roth

The Secretary

Filomena Passeggio

EXHIBIT 3

MONTENEGRO REPRESENTATIVE'S AUTHORIZATION

Montenegro
Government of Montenegro
Number: 03-8421
Podgorica, 12 October 2010

MINISTRY OF ECONOMY

PODGORICA

The Government of Montenegro, at its session held on 7 October 2010, considered the Brief on activities related to Project on construction of the submarine interconnection DC cable between EES Montenegro and Italy with proposed agreements, that have been submitted by the Ministry of Economy.

With regard to this, the Government has adopted the following

CONCLUSIONS

1. The Government has adopted the Brief on activities related to Project on construction of the submarine interconnection DC cable between EES Montenegro and Italy with the agreements.
2. The Government has accepted:
 - Agreement on Sale and Purchase Through Subscription of Newly Issued Shares in Capital Increase
 - Strategic and Shareholders' Agreement
 - Project Coordination Agreement.
3. Branko Vujović, the Minister of Economy, has been authorized to sign these agreements.
4. The Ministry of Economy has been assigned to establish a working group, which will also include the representatives of institutions and Montenegrin energy transmission system, to monitor and coordinate activities related to fulfillment of preconditions for closure of the Agreement on Sale and Purchase Through Subscription of Newly Issued Shares in Capital Increase, which will create the conditions for signing of the remaining two agreements (Strategic and Shareholders' Agreement and Project Coordination Agreement).
5. The Ministry of Economy has been ordered to inform the Government on the dynamics in fulfilling the preconditions for closure of the Agreement on Sale and Purchase Through Subscription of Newly Issued Shares in Capital Increase and other issues of significance for successful realisation of this Project at least once in a month.

NOTE: This conclusion is an extract from the Draft Minutes taken on the session dated 7 October, which is to be verified on the following session.

SECRETARY GENERAL

Žarko Šturanović

CO: Branko Vujović, Minister of Economy

EXHIBIT 4

**BOARD OF DIRECTORS' RESOLUTION ON DRAFTS DECISIONS ON
CAPITAL INCREASE, AMENDMENTS OF THE NEW ARTICLES OF
ASSOCIATION AND REMOVAL OF AND APPOINTMENT OF NEW
DIRECTORS**

SHAREHOLDERS' ASSEMBLY

No.[*insert*]

-EXTRAORDINARY SHAREHOLDERS' ASSEMBLY-

Podgorica [*insert date*] 2010

On the basis of Article 35 paragraph 2, item 12 and Article 53 paragraph 9 of the Companies Law („*Sl. list RCG*“ Nos. 6/02, 17/07 and 80/08) and Article 31 paragraph 2, item 13 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC, the Shareholders' Assembly on its first extraordinary session held on [*insert date*] has adopted the following

DECISION ON

ABOLISHION OF THE PRE-EMPTION RIGHT

- I. Hereby the pre-emption right of the existing shareholders of Crnogorski Elektroprenosni Sistem JSC (the “**Company**”) with respect to the shares to be issued under the Decisions of first extraordinary Shareholders' Assembly nos. [*insert number*] and [*insert number*] of [*insert date*]2010, on capital increase and first share issuance through closed offer to known investors, has been abolished.
- II. As existing shareholders shall be deemed those shareholders of the Company that has such status on the day of holding of first extraordinary session of Shareholders' Assembly and adoption of the Decision on capital increase set forth in Article 1 of this Decision,
- III. This Decision is coming into force on the day of its adoption.

Chairman of the Shareholders'
Assembly

No. [insert number]

Podgorica, [insert date]

On the basis of Article 35, paragraph 2, item 1 of the Companies Law („Sl. list RCG“ Nos. 6/02 and „Sl. List CG“17/07 and 80/08) and Article 31, paragraph 2, item 1 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC the Shareholders' Assembly of Crnogorski Elektroprenosni Sistem JSC, on its first extraordinary session held on [insert date] 2010 adopted the following

DECISION

ON ADOPTION OF NEW ARTICLES OF ASSOCIATION OF CRNOGORSKI ELEKTROPRENOSNI SISTEM JSC

1. **The new Articles of Association of CRNOGORSKI ELEKTROPRENOSNI SISTEM JSC attached hereto as Annex 1 are hereby enacted**, constituting the integral part of this Decision (the “**New Articles of Association**”).
2. The New Articles of Association is coming into force on the day of its registration with the Commercial Court of Podgorica and the New Articles of Association shall be effective as of the Closing Date, as such term is defined in the Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase executed between the Company, Montenegro and Terna Rete Elettrica Nazionale S.p.A..
3. The certificate duly issued by the Central Depository Agency of the Republic of Montenegro confirming that Terna has become the registered owner of [32,288,915] ordinary voting shares of the Company with nominal value of EUR 1.0611 per share shall serve as irrevocable and definitive evidence that the Closing Date has duly occurred.
4. This Decision is coming into force on the day of its adoption.

Chairman
Dragan Laketic

No. [insert number]

Podgorica, [insert date]

On the basis of Article 35 paragraph 2 of the Companies Law („Sl. list RCG“ Nos. 6/02, and “Sl. list CG” 17/07 and 80/08) and Article 31 paragraph 2 item 2 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC (the “Company”), the Company’s Shareholders’ Assembly on its first extraordinary session held on [insert date] 2010 adopted the following

DECISION

ON APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS OF CRNOGORSKI ELEKTROPRENOSNI SISTEM JSC

1. For the members of the Board of Directors of Crnogorski Elektroprenosni Sistem JSC are appointed the following persons:
 - 1) _____
 - 2) _____
 - 3) _____
 - 4) _____
 - 5) _____
 - 6) _____
 - 7) _____
2. The mandate of the members of the Board of Directors referred to in the item 1 of this Decision shall expire on the following ordinary annual Shareholders' Assembly.
3. This Decision is coming into force on the day of adoption, and it shall apply from the Closing Date, as defined in Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase concluded between the Company, Montenegro and Terna Rete Elettrica Nazionale S.p.A.
4. The certificate duly issued by the Central Depository Agency of Montenegro confirming that Terna has become the registered owner of [32,288,915] ordinary voting shares of the Company with nominal value of 1.0611 per share shall serve as irrevocable and definitive evidence that the Closing Date has duly occurred.

Chairman

Dragan Laketic

SHAREHOLDERS' ASSEMBLY

No. [insert]

-EXTRAORDINARY SHAREHOLDERS' ASSEMBLY-

Podgorica
[date]

On the basis of Articles 40 and 57 of the Companies Law („*Sl. list RCG*“ Nos. 6/02, 17/07 and 80/08), and Article 43, paragraph 3 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC, the Shareholders' Assembly on its first extraordinary session held on [insert date] has adopted the following

DECISION ON CAPITAL INCREASE

- I. The share capital of Crnogorski Elektroprenosni Sistem JSC (the “**Company**”) which currently amounts to EUR 120,846,515.42 in total, and is divided into 113,887,961 ordinary voting shares ISIN MEPRENRA1PG3, with nominal value of EUR 1.0611 per share, is increased by this Decision for the aggregate nominal amount of

EUR 34,261,767.71

(in words: thirty-four million twohundred sixty-one thousand sevenhundred sixty-seven point seventy-one),

by issuing 32,288,915 (thirtytwo million twohundred eighty-eight thousand nine-hundredfifteen) new ordinary voting shares with the same rights as the existing ordinary voting shares of the Company, each with the nominal value of EUR 1.0611.

- II. The capital increase set forth in Article I of this Decision is to be performed and implemented by way of the issuance of shares through closed offer to known investors, on the basis of (i) a subsequent Decision of the Shareholders' Assembly to be held on the date hereof and governing the issuance of shares through closed offer to known investors and (ii) the Decision of the Securities Commission on the success of the share issuance through closed offer to known investors.

- III. The share capital of the Company after the capital increase stipulated in Article I of this Decision amounts to EUR [155,108,283.12 (onehundred fifty-five million onehundredeight thousand two hundred eighty-three point twelve)] and is divided into [146,176,876 (onehundred forty-six million onehundred seventy-six thousand eight hundred seventy-six)] ordinary voting shares, with nominal value of EUR 1.0611 per share.
- IV. The known investor and purchaser of the Company's shares issued under the Decision of Shareholders' Assembly set forth in Article II of this Decision shall be TERNA-RETE ELETTRICA NAZIONALE S.p.A., and it shall become exclusive and sole owner of such shares, with no encumbrances on those shares, and such shares shall represent [22.0889%] of the total Company's share capital after giving effect to the capital increase set forth in Article I of this Decision.
- V. This Decision is coming into force on the day of its adoption, and shall be applicable as of registration in the Central Register of the commercial Court in Podgorica.

Chairman of the Shareholders' Assembly

No. [insert number]

Podgorica, [insert date]

On the basis of Article 35 paragraph 2 of the Companies Law („*Sl. list RCG*“ Nos. 6/02, and “*Sl. list CG*” 17/07 and 80/08) and Article 31 paragraph 2 item 2 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC (the “Company”), the Company’s Shareholders’ Assembly on its first extraordinary session held on [insert date] 2010 adopted the following:

DECISION

ON DISMISSAL OF THE MEMBERS OF THE BOARD OF DIRECTORS OF CRNOGORSKI ELEKTROPRENOSNI SISTEM JSC

1. The following members of the Board of Directors of Crnogorski Elektroprenosni Sistem JSC are hereby dismissed:
 - 1) Zoran Đukanović, the Chairman and a member of the Company’s Board of Directors, ID number: 0711964210229;
 - 2) Milica Raičević, a member of the Company’s Board of Directors, ID number: 2707954215247;
 - 3) Radivoje Brajović, a member of the Company’s Board of Directors, ID number: 1101935210016;
 - 4) Boiša Šotra, a member of the Company’s Board of Directors, ID number: 2605959150016;
 - 5) Vesna Bracanović, a member of the Company’s Board of Directors, ID number: 2110973215253
2. This Decision is coming into force on the day of adoption, and it shall apply from the Closing Date, as defined in Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase concluded between the Company, Montenegro and Terna Rete Elettrica Nazionale S.p.A.
3. The certificate duly issued by the Central Depository Agency of Montenegro confirming that Terna has become the registered owner of [32,288,915] ordinary voting shares of the Company with nominal value of 1.0611 per share, shall serve as irrevocable and definitive evidence that the Closing Date has duly occurred.

Chairman

Dragan Laketic

BOARD OF DIRECTORS CGES

No.[*inset number*]

Podgorica_____

PODGORICA

RE: Report on the reasons for the abolition of the pre-emption right

Pursuant to Article 53 paragraph 9 of the Companies Law („Sl. list RCG“ nos. 6/02, 17/07 and 80/08) and Article 53 paragraph 1 item 5 of the Articles of Association of Crnogorski Elektroprenosni Sistem JSC (“**CGES**”), the Board of Directors at the meeting held on [*inset date*] 2010 has determined and, hereby, delivers to the Shareholders’ Assembly the following :

R E P O R T

on the reasons for the abolition of the pre-emption right and justifying the issue price

Having in mind the significance and strategic importance of infrastructure investment and development purposes of energetics sector of Montenegro, on July 9, 2010 the Parliament of Montenegro has ratified the Intergovernmental Agreement between Montenegro and the Republic of Italy on the construction of the undersea electricity interconnection between the transmission networks of Montenegro and Italy and the implementation of a strategic partnership transmission system operators.

The realization of the renewal, development and valorisation purposes of the transmission grid of Montenegro regarding future exploitation of the New System of Interconnection which is envisaged by the Strategic partnership with the operator of the transmission system of the Republic of Italy, the Italian company TERNA - RETE ELETTRICA NAZIONALE S.p.A. , are the reasons for the abolition of the pre-emption right of shares issued under the Decision on issuance of shares of Crnogorski Elektroprenosni Sistem JSC through closed offer to known investors no.[*inset number*] of [*inset date*] 2010.godine.

The purchase price for the subscription of new shares which should be paid by TERNA - RETE NAZIONALE ELETTRICA S.p.A. is equal to the nominal value of the shares in the amount of EUR 1.0611 and is determined by the Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase entered into between Crnogorski Elektroprenosni sistem JSC, TERNA - RETE NAZIONALE ELETTRICA S.p.A. and the Republic of Montenegro.

As the provision of Article 53 paragraph 2 of the Companies Law („Službeni list RCG” nos. 6/02, 17/07 and 80/08) prescribes issuer’s obligation to offer respective shares for purchase to the existing shareholders in proportion to their contribution in the share capital, in case of capital increases by pecuniary contribution, in order to achieve the Strategic partnership from the previous paragraph and efficient implementation of capital increase, it was necessary to use the legal possibility prescribed under Article 53 paragraph 9 of the Companies Law and to propose the adoption of the Decision on the abolition of pre-emption right.

Chairman of the Board of Directors

Zoran Djukanovic,

SHAREHOLDERS ASSEMBLY

No.

Podgorica, [date] 2010.

On the basis of Articles 25 and 44a, paragraph 2, item 4 of the Securities Law („*Sl. list RCG*“ Nos. 59/00, 10/01, 43/05, 28/06 and 53/09), and Article 4 of the Rules on the Content of the Abbreviated Prospectus and on the Manner and Procedure of Registration of Closed Offers relating to Proprietary and Long-Term Securities ("*Sl. list RCG*", Nos. 34/07 and 39/08) and Article 31 of the Articles of Association of the Joint Stock Company Crnogorski Elektroprenosni Sistem, the Shareholders' Assembly of Crnogorski Elektroprenosni Sistem JSC, on its first extraordinary session held on [date] 2010, has adopted the following:

DECISION ON THE FIRST ISSUANCE OF SHARES OF CRNOGORSKI ELEKTROPRENOSNI SISTEM JSC THROUGH CLOSED OFFER TO KNOWN INVESTORS

Article 1

Crnogorski Elektroprenosni Sistem JSC, with its registered seat in Podgorica, at the address Bulevar Svetog Petra Cetinjskog no. 18 (the "**Issuer**") registered in the Register of Issuers held with the Securities Commission under the registration number 496, in line with the Agreement between Montenegro and the Italian Republic on the Construction of the Undersea Electricity Interconnection between the Transmission Networks of Montenegro and Italy with the Implementation of a Strategic Partnership between Transmission System Operators ratified by the National Assembly of Montenegro on 9 July 2010 and the Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase concluded between the Crnogorski Elektroprenosni Sistem JSC, Montenegro and Terna dated [insert date] 2010, performs by this Decision first issuance of shares through closed offer to known investors.

Article 2

On the date of this Decision, the Issuer's share capital amounts to EUR 120,846,515.42 in total and is divided into 113,887,961 ordinary voting shares, ISIN MEPRENRA1PG3, with nominal value of EUR 1.0611 per share. Pursuant to the Decision of first

extraordinary Shareholders' Assembly no. [*insert number*] on the date hereof, the share capital of the Issuer has been increased for an aggregate nominal amount of EUR [34,261,767.71], such capital increase to be performed and implemented through the issuance of 32,288,915 new ordinary voting shares in a closed offer to known investors.

Article 3

The aggregate nominal amount of share issuance under this Decision amounts to EUR [34,261,767.71] and is divided into [32,288,915] new ordinary voting shares serial no. [*insert serial no.*], having the same rights as the existing ordinary voting shares of the Issuer and nominal value of EUR [1.0611] per share (the “**New Shares**”).

Article 4

TERNA – RETE ELETTRICA NAZIONALE S.P.A., with its registered seat in Rome, Italy (the “**Purchaser**”), undertook, subject to the prior satisfaction of certain conditions, the obligation to subscribe and pay the entire volume of share issuance.

Subscription and payment of the shares by the Purchaser may be done no later than 3 months following the delivery of the decision of the Securities Commission on registration of the abbreviated prospectus for closed offer of the New Shares.

Payment of the shares shall be in cash, in the amount equal to their total nominal value, i.e. EUR [1.0611] per share.

Article 5

The Purchaser from Article 4 paragraph 1 of the Decision shall be informed on the conditions of share issuance by delivery of the abbreviated prospectus.

Article 6

In order for the issuance of the shares to be considered successful, it is necessary that all of the offered shares are subscribed and paid no later than 3 months following the day of registration of the abbreviated prospectus indicated by Article 4 paragraph 2 of this Decision .

In the event of failure of the share issuance, the Issuer shall repay the proceeds not later than eight days following the receipt of the decision on determination of the failure of the share issuance.

Article 7

“If at any time during the period set forth in Article 6 paragraph 1 all of the offered shares have been subscribed and paid, the issuance of the shares shall be irrevocably considered final, successful and completed at such time, without the need to wait the expiration of the above 3-month period.”

Without prejudice to the completion of the issuance of the shares before the deadline set forth in Article 6 paragraph 1 as provided under paragraph 1 of this Article, the Issuer reserves the right to suspend subscription and payment of the shares in the event any of the Conditions Precedent referred to in Section 3.1 of the Agreement on Sale and Purchase of Shares is not fulfilled or waived by the expiry of the deadline stipulated in Article 6 paragraph 1 of this Decision.

Article 8

Sale of the shares through closed offer shall be performed over-the-counter, and the Purchaser shall pay the proceeds for the purchase of the shares issued through closed offer on the ear marked bank account which is to be opened by the Issuer for this purpose.

Article 9

The Issuer shall submit the application for registration of the abbreviated prospectus for closed offer of the shares within [1 (one) day] following the adoption of this Decision.

Article 10

The New Shares are ordinary voting shares with the same rights as the existing ordinary voting shares of the Issuer.

The New Shares give the following rights as the existing ordinary voting shares of the Issuer:

- management right
- right on dividend
- right on the participation of the Issuer's property in the event of bankruptcy or liquidation procedure
- other rights determined by the law or the Articles of Association of the Issuer.

Article 11

The Issuer shall perform registration of changes in the Central Registry of the Central Depository Agency required under the relevant legislation and the provisions of this Decision.

Article 12

A person authorize to perform all activities with respect to the share issuance is Olgica Ivanovic, a bachelor.

Article 13

This Decision is coming into force on the day of its adoption, and the issuance of the New Shares shall be effective as of the release of the positive decision by the Securities Commission on the registration of the issuance of shares for closed offer share issuance.

Chairman of the Shareholders' Assembly

EXHIBIT 4.2.11

ESCROW AGREEMENT

ESCROW AGREEMENT

BETWEEN:

1. Akcionarsko društvo Crnogorski Elektroprenosni Sistem, Podgorica, a joint-stock company organized under the laws of Montenegro, whose registered office is at [●],

Hereinafter referred to as “**CGES**”,

AND:

2. Terna Rete Elettrica Nazionale, S.p.A. a company organized under the laws of the Republic of Italy, whose registered office is at [●],

Hereinafter referred to as “**Terna**”,

AND:

3. The State of Montenegro, represented by the Government of Montenegro in accordance with Article [●] of [●],

Hereinafter referred to as “**Montenegro**”,

AND:

4. [●], a commercial bank organized under the laws of Montenegro, whose registered office is at [●], Podgorica,

Hereinafter referred to as the “**Escrow Agent**”.

(Hereinafter referred to collectively as the “**Parties**” and individually as a “**Party**”.)

WHEREAS:

- A. Pursuant to an agreement on sale and purchase through subscription of newly issued shares in

capital increase dated [●] (the “**Share Purchase Agreement**”), among other things, and subject to the terms and conditions set forth therein, (i) CGES undertook to, and Montenegro undertook to procure that CGES, validly issue and offer to Terna the New Shares (as defined below) of CGES in a closed subscription offer reserved to Terna only; (ii) Terna undertook to pay the subscription price for the New Shares on the CGES’ Ear-Marked Account (as defined below); and (iii) CGES, Terna, and Montenegro undertook to enter into an escrow agreement with the Escrow Agent in order to regulate, among other things, the release of the subscription price for such new shares from the CGES’ Ear-Marked Account to the CGES’ Segregated Account (as defined below) opened by CGES with the Escrow Agent;

- B. CGES, Terna, and Montenegro have mutually agreed to appoint, as set forth herein, the Escrow Agent as escrow agent for the purposes of the Share Purchase Agreement;
- C. The purpose of this agreement (the “**Escrow Agreement**”) is to set forth the conditions of the Escrow Agent’s assignments and the terms and conditions under which the price for the New Shares of CGES shall be released.

NOW, THEREFORE:

In consideration of the foregoing and intending to be legally bound, the Parties agree as follows:

1 **DEFINITIONS**

Capitalised terms used in this Escrow Agreement and not otherwise defined shall have the following meanings:

“**Authorized Person**” shall have the meaning set forth in Article 16 hereof.

“**Business Day**” shall mean any day other than a Saturday, Sunday or a day on which banks in Montenegro or Italy are authorized or obligated by law to close.

“**Central Registry**” shall mean the Central Depository Agency, AD, Podgorica, where CGES’ shares are registered.

“**Closing Date**” shall have the meaning ascribed to it in the Share Purchase Agreement.

“**CGES’ Ear-Marked Account**” shall mean account no. [●], SWIFT code [●], opened by CGES with the Escrow Agent for the purpose of receipt of the Escrow Funds, in accordance with the Share Purchase Agreement.

“**CGES’ Segregated Account**” shall mean the segregated bank account no. [●], SWIFT code

[●], suitable for international banking transactions, opened with the Escrow Agent by CGES, to be used, managed, and the relevant amounts drawn, with a joint signature of a director (or other officer, manager or employee) of CGES appointed upon a designation by Montenegro, and a director (or other officer, manager or employee) of CGES appointed upon a designation by Terna and indicated by Montenegro and Terna, respectively, in writing to the Escrow Agent, in accordance with the Share Purchase Agreement.

“**Confidential Information**” shall have the meaning set forth in Section 13.1 hereof.

“**Disclosing Party**” shall have the meaning set forth in Section 13.1 hereof.

“**Escrow Agreement**” shall have the meaning set forth in the Recitals hereof.

“**Escrow Funds**” shall mean EUR [●] ([●]) (*i.e.*, EUR [●] ([●]) per each newly issued CGES share).

“**Fee**” shall have the meaning set forth in Section 8.1 hereof.

“**ICC Rules**” shall have the meaning set forth in Section 18.2 hereof.

“**Interest**” shall mean the result of

$$\sum_{t=1}^d \left(\frac{EF \times i_t}{360} \right)$$

where:

“EF” is the Escrow Funds

“d” is the number of days between the Closing Date (included) and the date on which the Escrow Funds shall be released according to Section 4 and Section 10 (not included)

“i” is the EONIA rate (Euro OverNight Index Average) determined by the European Banking Federation for any relevant day and displayed on the appropriate page of the Reuters screen.

“**New Shares**” shall mean [●] ([●]) new ordinary shares to be issued by CGES with the same rights (voting, economic, administrative, *etc.*) as the existing ordinary shares of CGES, each with the nominal value of EUR [●] ([●]) and in the total nominal value of EUR [●] ([●]), together representing [●]% ([●]) of the issued share capital of CGES after giving full effect to the capital increase, in a closed offer reserved to Terna only as pre-defined investor.

“**Receiving Party**” shall have the meaning set forth in Section 13.1 hereof.

2 APPOINTMENT OF THE ESCROW AGENT

Terna, CGES and Montenegro hereby appoint the Escrow Agent as escrow agent to act in accordance with the terms hereof. The Escrow Agent hereby accepts such appointment and shall have all the rights, powers, duties, and obligations provided herein.

3 ESCROW FUNDS – CGES’ EAR-MARKED ACCOUNT

- 3.1 On the Closing Date, subject to, and in accordance with, the terms and conditions of the Share Purchase Agreement, Terna shall deposit the Escrow Funds on the CGES’ Ear-Marked Account. The Escrow Funds shall be applied and disbursed only as provided herein. No moneys shall be transferred out of, or withdrawn from, the CGES’ Ear-Marked Account, except as provided herein.
- 3.2 The Escrow Agent shall not recognize, implement, accept, or otherwise authorize, any transfer or withdrawal of funds from the CGES’ Ear-Marked Account, except as otherwise provided in this Escrow Agreement.
- 3.3 Immediately after the deposit of the Escrow Funds on the CGES’ Ear-Marked Account, the Escrow Agent shall issue and deliver to CGES, Terna, Montenegro, and the Central Registry, a certificate indicating that the Escrow Funds have been received and deposited on the CGES’ Ear-Marked Account in the form necessary for the Central Registry to approve the issuance of the New Shares to Terna.

4. RELEASE OF ESCROW FUNDS

- 4.1 The Escrow Funds, together with any Interests accrued thereon, shall be released by the Escrow Agent either:
- (i) upon receipt of, and in accordance with, joint written instructions in the form of **Annex A** executed by the Authorized Person of CGES, Terna, and Montenegro; or
 - (ii) upon receipt of a copy of a definitive arbitral award of the International Chamber of Commerce, rendered pursuant to section 8.2 of the Share Purchase Agreement, ordering the allocation of the Escrow Funds, together with a request to implement such allocation executed by an Authorised Person of CGES, Terna, or Montenegro; or
 - (iii) in accordance with Section 4.2 hereof.
- 4.2 The Escrow Agent shall release the Escrow Funds and transfer them from the CGES’ Ear-

Marked Account to the CGES' Segregated Account immediately upon receipt of all of the following:

- (i) a certificate in writing issued by the Central Registry (and bearing a signature and the stamp of the Central Registry) confirming that the New Shares have been duly registered on the securities' ownership account held by Terna with the Central Registry.
- (ii) copy of the minutes of the shareholders' meeting and board of directors' meeting of CGES (as applicable) confirming that: (a) each of [●] and [●] has been duly appointed as a director of CGES; (b) [●] has been duly appointed as deputy chairman of CGES; and (c) [●], [●], and [●] have been duly appointed as Managers (as defined in the Share and Purchase Agreement) of CGES [*TBD form of the necessary documentary evidence*]; and
- (iii) the documents necessary and sufficient to establish that the CGES' Segregated Account may be used, managed, and the relevant amounts drawn, only with the joint signature of any of the following directors of CGES [●] and [●] who have been appointed upon designation by Montenegro, on the one hand, and any of the following directors of CGES [●] and [●] who have been appointed upon designation by Terna, on the other hand (or any other two directors appointed upon designation by Montenegro and Terna, respectively, and notified in writing to the Escrow Agent).¹

4.3 Upon receipt of a written arbitral award as set forth in Section 4.1(ii) hereof, the Escrow Agent shall promptly notify a copy thereof to the other Parties together with a copy of the accompanying request.

4.4 The Escrow Agent confirms and agrees that the transfer of the Escrow Funds into the CGES' Ear-Marked Account and from the CGES' Ear-Marked Account to the CGES' Segregated Account (or any other accounts) shall be made at no costs, charges, expenses and/or fees due by Terna, CGES or Montenegro, other than the Fee due by Terna.

4.5 Immediately upon completion of a transfer of the Escrow Funds in accordance with Section 4.2 hereof, the Escrow Agent shall issue and deliver to CGES, Terna, and Montenegro, a certificate indicating that such transfer has occurred.

5. PAYMENT OF ESCROW FUNDS

5.1 Any payment hereunder shall be made pursuant to the provisions of Section 4 in Euros to the

¹ The this item (iii) could be already fulfilled when CGES' Ear-Marked Account and CGES' Segregated Account are opened.

CGES' Segregated Account or to the bank account of Terna indicated in advance in writing by Terna (as the case may be).

- 5.2 The Escrow Agent shall execute all payments and transfers under this Escrow Agreement by wire transfer in immediately available funds to the relevant bank accounts on the same Business Day that such payments and transfers are to be made under this Escrow Agreement.

6. DUTIES OF THE ESCROW AGENT

- 6.1 The Escrow Agent's sole duties hereunder shall be to hold the Escrow Funds and any monies received or accrued with respect thereto, to make payments and deliver funds in accordance with the terms of this Escrow Agreement, and otherwise to discharge its obligations hereunder. The Escrow Agent shall not be liable for any action or step taken or omitted by it in good faith or for anything which it may do or refrain from doing in connection herewith, except for its own wilful misconduct or negligence. The Escrow Agent may act upon any notice, certificate, instrument, request, paper or other document reasonably believed by it to be genuine or to have been made, sent, signed, prescribed or presented by the proper person or persons, and accordingly the Escrow Agent (i) shall incur no liability for, or in respect of, any action taken, or omitted, by it in such reliance; and (ii) shall be held harmless from anything suffered by it because of such reliance, except in the event of bad faith, wilful misconduct or negligence of the Escrow Agent.

The Escrow Agent shall be under no obligation to commence or defend any action, suit or legal proceeding in connection herewith, unless indemnified to its reasonable satisfaction by the Party or Parties requesting that it undertake such action. The Parties, severally and not jointly, undertake to reimburse and indemnify the Escrow Agent for all and any losses, costs, expenses, liabilities, claims, actions or demands including reasonable court and legal costs duly documented, which the Escrow Agent has incurred in connection with the Escrow Agreement, with exclusion of all and any losses, costs, expenses, liabilities, claims, actions or demands that have resulted from, or arisen in connection with, the Escrow Agent's negligence, wilful misconduct, or infringement of the provision of law or of this Agreement.

- 6.3 The Escrow Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any agreement or arrangement entered into among CGES, Terna, and Montenegro other than this Escrow Agreement. CGES, Terna, and Montenegro acknowledge that the Escrow Agent is not a party to the Share Purchase Agreement, nor any

other agreement relating to the same matters entered into by them or by them and third parties (other than this Escrow Agreement), and the Escrow Agent shall not be liable for the performance of any such agreement and for any conflict among CGES, Terna, and Montenegro, or between them and any third party. It is understood that no provision included in the Share Purchase Agreement, unless expressly referenced to or replicated herein, might be opposed to the Escrow Agent. Except in the event of wilful misconducts, the Escrow Agent is not responsible for or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of any of the instructions, documents, certificate or other materials received by it pursuant to Section 4.1 or 4.2. While acting with due care, the Escrow Agent shall have no obligation to examine validity, genuineness, transferability or enforceability of the instructions, documents, certificate or other materials received by it pursuant to Section 4.1 or 4.2 or of the signatures thereon.

Nothing herein contained shall be deemed to obligate the Escrow Agent to deliver any cash unless the same shall have first been received by the Escrow Agent or deposited in the relevant account pursuant to this Escrow Agreement.

- 6.5 The Escrow Agent does not have any interest in the Escrow Funds and is acting as an escrow agent only. The Escrow Agent shall not have, and expressly waives, any right to appropriate, seize, confiscate, apply, or use as collateral the Escrow Funds to satisfy, set-off against, or otherwise secure payment of, any obligations due hereunder to the Escrow Agent.
- 6.6 The provisions set forth in this Article 6 shall survive the removal or resignation of the Escrow Agent, the termination or expiration of this Escrow Agreement for any reason, and the payment of all amounts hereunder.

7. EFFECTIVENESS

This Escrow Agreement shall become effective on the date hereof.

8. COMPENSATION OF THE ESCROW AGENT

- 8.1 In consideration for its duties hereunder, the Escrow Agent shall be entitled to a fee of EUR 4.000,00 (four thousands/00 Euro) (the “**Fee**”), it being understood that no further amounts shall be due to the Escrow Agent in connection with this Escrow Agreement, including, for the avoidance of doubt, to cover for any expenses, costs, or charges incurred by the Escrow Agent in the performance of its duties hereunder.

- 8.2 Terna shall pay the Fee in full on the date on which the Escrow Funds shall be released according to Section 4 and Section 10, it being understood that such Fee shall be non-refundable, even if an event described in Article 9 below occurs.

9. REMOVAL OF THE ESCROW AGENT

- 9.1 The Escrow Agent (including any subsequent escrow agent appointed pursuant to Article 10 below) may be removed at any time upon joint written notice by CGES, Terna, and Montenegro, with or without cause, delivered 5 (five) business days in advance to the Escrow Agent.

Notwithstanding any removal of the Escrow Agent pursuant to this Article 9, the Escrow Agent shall continue to serve in its capacity as escrow agent, unless otherwise instructed by joint written notice by CGES, Terna, and Montenegro, until (i) a successor escrow agent is appointed in accordance with the provisions of Article 10 hereof and has accepted such appointment and (ii) the Escrow Funds have been transferred, upon joint written instructions by CGES, Terna, and Montenegro delivered to the Escrow Agent, to, and received by, such successor escrow agent. Terna, CGES and Montenegro shall promptly take the necessary actions to appoint a successor escrow agent in accordance with the provisions of Section 10 below.

10. APPOINTMENT OF A SUCCESSOR ESCROW AGENT

If at any time the Escrow Agent shall be removed pursuant to this Escrow Agreement, a successor escrow agent shall be jointly appointed by CGES, Terna, and Montenegro among top tiers banks with minimum credit rating "A-" by S&P or equivalent rating by Moody's, by a joint written instrument delivered to the successor escrow agent. Upon the appointment and acceptance of any successor escrow agent hereunder, the removed Escrow Agent shall immediately transfer the Escrow Funds to its successor in accordance with the joint written instructions of CGES, Terna, and Montenegro. Upon receipt by the successor escrow agent of the Escrow Funds, the removed Escrow Agent shall be discharged from any continuing duties or obligations under this Escrow Agreement, but such discharge shall not relieve the removed Escrow Agent from any liability incurred prior to such event, and the successor escrow agent shall be vested with all rights, powers, duties and obligations of the removed Escrow Agent under this Escrow Agreement.

11. AMENDMENTS; WAIVERS

This Escrow Agreement and its Annex may be amended only by an agreement in writing of all the Parties hereto. No waiver of any provision nor consent to any exception to the terms of this Escrow Agreement shall be effective unless in writing and signed by a Party, and then only against such Party and to the specific purpose, extent and instance so provided.

12. ASSIGNMENT, SUCCESSORS AND ASSIGNS

This Escrow Agreement shall be binding upon all the Parties hereto and their respective successors and assigns, administrators and representatives. None of the Parties may assign any of its rights or obligations under this Escrow Agreement without the prior written consent of all the other Parties.

13. CONFIDENTIALITY

- 13.1 All information disclosed by any Party (the “**Disclosing Party**”) whether before or after the date hereof, in connection with this Escrow Agreement, the transactions contemplated hereby, or the discussions and negotiations preceding this Escrow Agreement (the “**Confidential Information**”), to any other Party (the “**Receiving Party**”) shall be kept strictly confidential by such Receiving Party and shall not be used by any persons other than as contemplated by this Escrow Agreement, except (i) to the extent that the Receiving Party can prove that such Confidential Information (a) was known by the recipient when received, (b) is or hereafter becomes lawfully obtainable from other sources or in connection with other arrangements, (c) must be disclosed to a public authority, supervisory or regulatory body having jurisdiction over such Receiving Party, or (ii) to the extent that such duty of confidentiality is waived in writing by the Disclosing Party.
- 13.2 If this Escrow Agreement is terminated, each Receiving Party shall use all reasonable efforts to return, upon written request from the Disclosing Party, all documents (and reproductions thereof) received by it from such Disclosing Party that include Confidential Information not within the exceptions contained in Section 13.1 hereof, except for the Escrow Agreement and any sent or received notice or instructions under this Escrow Agreement, unless the Receiving Party provides assurances reasonably satisfactory to the requesting Party that such documents have been destroyed. In all cases, the obligations set forth in this Section 13.2 shall apply (i) to the extent technically practicable, and (ii) to the extent that the Receiving Party is not required to retain any Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policies.
- 13.3 The Receiving Party may disclose Confidential Information to its (and its affiliates’) employees, directors, internal or external advisors, to the extent that such individuals need to know such Confidential Information for the purpose of this Escrow Agreement.
- 13.4 The provisions set forth in this Article 13 shall survive the removal of the Escrow Agent, the termination or expiration of this Escrow Agreement for any reason, and the payment of all amounts hereunder.

14. PARTIES IN INTEREST

This Escrow Agreement shall be binding upon and inure to the benefit of each Party hereto, and nothing in this Escrow Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever by, under, or by reason of, this Escrow Agreement. Nothing in this Escrow Agreement is intended to relieve or discharge the obligation of any third person to, or to confer to any third party a right of subrogation or action against, any Party hereto.

15. NOTICES

All notices and other communications made in connection with this Agreement shall be in writing in English and shall be deemed to have been duly given if delivered personally or by registered mail (return receipt requested) or transmitted by fax to the following respective addresses:

If to CGES, to:

[•]

If to Terna, to:

[•]

Attention: [•]

If to Terna, to:

[•]

If to the Escrow Agent, to:

[•]

Fax: [•]

Attention: [•]

or to such other address or to such other person which a Party may notify to the other Parties from time to time in accordance with this clause. Notices delivered pursuant to this Article 15 shall be deemed delivered on the Business Day that they are delivered to the addressee (with the machine-generated receipt confirmation being deemed conclusive, but not exclusive,

evidence of such delivery).

16. AUTHORIZED PERSON

CGES, Terna, and Montenegro will provide to the Escrow Agent, upon its request, on or prior to the execution of this Escrow Agreement the following documents, unless already in possession of the Escrow Agent:

- a. excerpt of updated commercial registry of CGES and Terna under the applicable law, evidencing the legal representatives of the relevant company empowered to represent it vis-à-vis third parties;
- b. identity cards or passports with specimen of signatures of the aforesaid legal representative and the persons indicated in letter c. below (if any);
- c. copy of the power of attorney delivered by such aforesaid legal representatives or other appropriate documents (*e.g.*, minutes of board of directors meetings) granting the necessary powers to the person(s), other than such legal representatives, authorized to execute and perform this Escrow Agreement (the legal representatives and such other empowered persons, collectively the “**Authorized Person**”), if any.

CGES, Terna, and Montenegro shall notify the Escrow Agent in case of change of Authorized Person. In such a case, the relevant Party shall provide the Escrow Agent with the documents listed in this Article 16 evidencing the change of the Authorized Person.

17. TERM

This Agreement shall terminate when the entirety of the Escrow Funds and Interests accrued thereon shall have been released pursuant to its terms.

18. APPLICABLE LAW – DISPUTE RESOLUTION

18.1 This Agreement shall be enforced, governed by, and construed in accordance with, the laws of England and Wales.

18.2 In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Escrow Agreement arises, including with respect to its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit to final arbitration before a sole arbitrator under the Rules of Arbitration of the International Chamber of Commerce (the “**ICC Rules**”).

18.3 The arbitrator shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Escrow Agreement,

this Escrow Agreement shall govern.

- 18.4 The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Escrow Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Escrow Agreement and the Share Purchase Agreement the Parties shall not unreasonably oppose their consolidation.
- 18.5 The arbitrator shall award the prevailing party its reasonable attorney's fees and costs, arbitration administrative fees, panel member fees and costs, and any other reasonable costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof if sent as set forth in Article 15 of this Escrow Agreement. In no event the arbitrator may award punitive, consequential and/or special damages.
- 18.6 Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.
- 18.7 Each Party represents that it is entering into this Escrow Agreement in a commercial capacity and that with respect to this Escrow Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:
- (i) agrees that, should any other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Escrow Agreement, no immunity of such proceedings (which shall be deemed to include, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and
 - (ii) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

19. GENERAL CONDITIONS

- 19.1 Each of the Parties to the Escrow Agreement warrants and represents that it has full power, authority and legal right to incur the obligations, to execute and deliver, and to perform and observe the terms and provisions of the Escrow Agreement and that the Escrow Agreement

constitutes legally binding and valid obligations enforceable in accordance with its terms and does not conflict with any law, regulation or instrument binding on it and that the Escrow Agreement is within its powers and has been duly authorised by it, that all necessary actions have been taken and all consents and approvals have been granted to authorise the execution, delivery and performance of the Escrow Agreement and that the person signing the Escrow Agreement on behalf of each of them is authorized to do so.

19.2 Should any provision of the Escrow Agreement be prohibited or ineffective or otherwise unenforceable in whole or in part for whatever reason, such provision shall cease to have effect without prejudicing the validity of the other provisions hereunder. The Parties hereto agree to discuss and negotiate in good faith to replace such provision by another provision so that, to the maximum extent possible, the overall balance of the Escrow Agreement will be fully preserved.

19.3 The Escrow Agreement contains the entire agreement of the Parties concerning rights and obligations of the Parties with respect to the Escrow Agent's assignments.

Made in [●], in four original copies.

CGES

By: _____

Name: _____

Terna

By: _____

Name: _____

Montenegro

By: _____

Name: _____

The Escrow Agent

By: _____

Name: _____

Annex A

Joint instruction letter

[Date]

To: [Escrow Agent]

We refer to the escrow agreement dated [●], among Terna, CGES, Montenegro and yourselves as Escrow Agent (the “**Escrow Agreement**”).

Defined terms used herein shall have the meaning given to them in the Escrow Agreement.

We give you the instruction to [immediately] pay out of the CGES’ Ear-Marked Account [within [●] (●) Business Days from the date hereof] the entire amount of the Escrow Funds to:

- [- CGES' Segregated Account;] or
- [- to Terna at : [● – *details of bank account*]

All interests possibly accrued on the amounts credited to the CGES' Ear-Marked Account shall be paid together with the Escrow Funds.

Capitalised terms used but not defined in this letter have the meaning ascribed to them in the Escrow Agreement.

Yours sincerely,

Terna

CGES

Montenegro

EXHIBIT 5

BUSINESS PLAN

OMISSIS

EXHIBIT 6
DATA ROOM DVD

INDEX LIST						
MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
CORPORATIVE PART	1.01.	Decision on restructuring through splitting -up and establishment of a new company	23.03.2009.		As a annex to this document will be found Draft conditions and methods of separation by establishment of a new Company	Delivered
	1.02.	Decision on share emission for the establishment of the new company	23.03.2009.			Delivered
	1.03.	Decisions on selection of Board directors members	27.03.2009.			Delivered
	1.04.	Bylaw of PRENOS AD Podgorica (Statute)	27.03.2009.			Delivered
	1.04.1	Changes and amendments to Bylaw of AD Prenos	June 2010.			
	1.05.	Amendments to the EPCG Statute	23.03.2009.			Delivered
	1.06.	Collective agreement of AD Prenos-	march 2010.			Delivered

	Podgorica				
1.07.	Company shareholders on 31.12.2009	31.12.2009.	CD		Delivered
1.08.	Reduced ownership structure of AD Prenos on 31.12.2009.	31.12.2009.			Delivered
1.09.	The Rule book of the Company's Shareholder's assembly	27.03.2009.			Delivered
1.10.	Rule book of the Boards of Directors	27.03.2009.			Delivered
1.11.	Rule book on job classification	03.06.2009.			Delivered
1.12.	Rule book for Workers protection	22.09.2009.			Delivered
1.13.	Capacity Allocation Contract				Delivered
1.14.	Agreement on Prenos AD membership to CDA	02.04.2009.			Delivered
1.15.	Agreement on usage of transmission network for 2010			Final version	Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
CORPORATIVE PART	1.16.	The contract for the delivery of electricity to			Final version	Delivered

	cover losses				
1.17.	Operational agreement within SMM block				Delivered
1.18.	Agreement on average energy supply with EMS				Delivered
1.19.	Bilateral agreement on mutual cooperation and energy exchange through interconnective OHLs with EMS			Draft	Delivered
1.20.	Agreement on the operation of the transmission lines with NOS BiH			Draft	Delivered
1.21.	Operational Agreement - OST			Draft	Delivered
1.22.	Minutes from the Constitutional Assembly of Prenos AD from 27.03.2009.	27.03.2009.			Delivered
1.23.	ACT of Prenos Registration (Central register of Business court in Podgorica)	01.04.2009.		Within this document will be also found a certificate renewal from 27.03.2010.	Delivered

	1.24.	Decision on registration of transfer in the Register of Issuers of Securities Commission's Securities	03.04.2009.		Within this document will be also found a registration list of EPCG	Delivered
	1.25.	Act of Prenos AD Registration for VAT	07.04.2009.			Delivered
	1.26.	Fiscal registration Prenos AD	07.04.2009.			Delivered
	1.27.	Registration to statistics institute	01.04.2009.			Delivered
	1.28.	Organizational chart and Rulebook of CGES	03.06.2009.			Delivered
	1.29.	Minutes from the Assembly of "Prenos"AD Boards of Directors from 27.03.2009-14.04.2010	27.03.2009.- 14.04.2010.			Delivered
	1.30.	Agreement over transferring assets and liabilities	23.03.2009.			Delivered
	1.31.	License for market operation	30.07.2009.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
CORPORATIVE PART	1.32.	License for Electricity Transmission	30.07.2009.			Delivered

1.33.	License for Transmission system operator	30.07.2009.			Delivered
1.34.	License for performing: electromagnetic installation, devices, switchgear facilities etc.	07.10.2009.			Delivered
1.35.	License for carrying out projects of high voltage	07.10.2009.			Delivered
1.36.	License for civil construction projects and other construction projects	01.04.2010.			Delivered
1.37.	Shares in other legal entities: EKC Belgrade and Invest Bank Montenegro	31.12.2009.			Delivered
1.38.	Rules for allocation of available transmission capacities				Delivered
1.39.	ITC clearing and settlement agreement			Document includes data for 2008.,2009., 2010.	Delivered
1.40.	License and service agreement with Oracle company				Delivered
1.41.	List of employees with job termination by mutual agreement in 2010				Delivered

	1.42.	The list of employees hired in 2009.				Delivered
	1.43.	AD Part of the Official Gazette of Montenegro on the establishment of CGES				Delivered
	1.44.	Material for I regular Shareholders' Assembly	June 2010.			Delivered
	1.45.	The decision overhead adopting the report on operations for 2009.	June 2010.			Delivered
	1.46.	The decision on adopting of financial statements for 2009. with the auditor's report	June 2010.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
CORPORATIVE PART	1.47.	The decision on allocation of profit and loss coverage for 2009.	June 2010.			Delivered
	1.48.	The decision on the change of business name	June 2010.			Delivered
	1.49.	The decision on the promulgation of	June 2010.			Delivered

		amendments to the Statute and establishing the purified the Statute				
	1.50.	The decision on dismissal of members of the Board of Directors	June 2010.			Delivered
	1.51.	The decision on the election of members of the Board of Director	June 2010.			Delivered
	1.51.1	The decision on election of Chairman of the Board of Directors				
	1.52.	The decision on the election of auditor	June 2010.			Delivered
	1.53.	Agreement on transboundary transmission capacity from NOS BiH and Elektromreža Serbia				Delivered
	1.54.	Ecotoxicological Department Report of categorization of waste				Delivered
FINANCIAL AND PAYMENT SYSTEM	2.01.	Study list with attached tables for 2009	31.12.2009.			Delivered
	2.02.	Work agreement -by month	march			Delivered
	2.03.	Business plan of CGES for 2009.	June 2009.			Delivered
	2.04.	Business plan of CGES for	July 2009.			Delivered

		period 2009-2013.				
	2.05.	Business plan of CGES for 2010.	February 2010.			Delivered
	2.06.	Economic sector reports (January, February and march) 2010.	January, February and march 2010.			Delivered
	2.07.	Synthetic records of realized expenses for 01.04.-31.08.2009.	01.04. -			Delivered
	2.08.	Realized income of CGES for 01.04.-31.08.2009.	01.04. - 31.08.2009.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
FINANCIAL AND PAYMENT SYSTEM	2.09.	Loans of CGES			Cover letter EIB to pay the first tranche of the loan and application form for the withdrawal of the first tranche	Delivered
	2.10.	Synthetic records of realized expenses of AD Prenos for 2009.	2009			Delivered
	2.11.	Contracts of CGES in the amount from	status on date 16.04.20			Delivered

	50.000 to 100.000€	10.			
2.12.	Monthly invoices for losses issued by EPCG	Apr - Dec 2009.			Delivered
2.13.	Invoices issued for EPCG for usage of transmission network in 2009 and 2010.	Apr 09- Feb 10			Delivered
2.14.	Templates OPD1	April 2009.			Delivered
2.15.	Templates PR PDV - 2	April 2009.			Delivered
2.16.	List of receivable under loans for residential purposes				Delivered
2.17.	Monthly reports on transmission and electricity delivered for 2009. and 2010.				Delivered
2.18.	Information on other payments such as costs for assistance, grants and rehabilitation				Delivered
2.19.	Information on paid interests by loans during 2009.				Delivered
2.20.	Bank statements according to Protocol for EPCG debt settlement against CGES	march 2010.		Example of invoice related to the Protocol on Settlement of Debt by EPCG to	Delivered

					Prenos	
	2.21.	Quarterly financial report	31/03/10			Delivered
ACCOUNTING	3.01.	Balance sheet on date 31.12.2009.				Delivered
	3.02.	Income statement 01.04.- 31.12.2009.				Delivered
	3.03.	Cash flow statement for period 01.04.- 31.12.2009.				Delivered
	3.04.	Statements of changes in net assets (equity) for period 01.04.- 31.12.2009.				Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
ACCOUNTING	3.05.	Comments on financial statements for period 01.04.- 31.12.2009.				Delivered
	3.06.	Template PD for period 01.04.- 31.12.2009.				Delivered
	3.07.	Appendix PG 1 - template				Delivered
	3.08.	Appendix PG 2 - template				Delivered
	3.09.	Template OA for period 01.04.-				Delivered

	31.12.2009.				
3.10.	Accounting rules and polices of CGES				Delivered
3.11.	Protocol over debt payment between EPCG and CGES				Delivered
3.12.	Trial balance on date 15.04.2010.				Delivered
3.13.	Compensation for usage of transmission network				Delivered
3.14.	Compensation of transmission losses				Delivered
3.15.	Decision on assets tax	26.06.2009.			Delivered
3.16.	Analytical ledger card				Delivered
3.17.	Tax return filing certificate	April 2009.- februar 2010.			Delivered
3.18.	Transmission losses in Montenegro transmission network for 2009.				Delivered
3.19.	Report on customers status				Delivered
3.20.	Report on suppliers status				Available in CGES
3.21.	Ledger accounts				Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
REGULATORY PART	4.01.	Regulation on electricity tariffs			Document is published in Official Gazette RCG 47/2005, 50/2005; 42/2007; 6/2007, 54/2009	Delivered
	4.02.	Energy law				Delivered
	4.03.	Law on ratification of the Agreement between European Community and the Republic of Montenegro	November 2006.		Document is published in Official Gazette of Montenegro 66/2006 from 3.11.2006.	Delivered
	4.04.	Regulation on technical conditions for connection of small power plants on the electric distribution network	11.05.2007.		Document is published in Official Gazette of Montenegro 25/2007 from 11.05.2007	Delivered
	4.05.	Energy Development Strategy of Montenegro by 2025.	Dec 2007.			Delivered
	4.06.	Decision on the model of the electricity market in	June 2007.			Delivered

	Montenegro				
4.07.	Instructions on establishing the methodology for calculating the purchase price of electricity from small hydropower plants	31.07.2007.		Document is published in Official Gazette of Montenegro 46/2007 from 31.07.2007	Delivered
4.08.	Regulation on third-party access to transmission and distribution network	11.12.2007.		Document is published in Official Gazette of Montenegro 13/2007 from 18.12.2007.	Delivered
4.09.	Decision on regulating electricity transmission price that will be implemented for quantities imported by KAP in its own arrangements	February 2008.			Delivered
4.10.	Decision on qualified electricity customers	26.12.2008.		Document is published in Official Gazette of Montenegro 1/2009 from 09.01.2009.	Delivered
4.11.	Decision on the opening of the electricity market	30.12.2008.		Document is published in Official Gazette of Montenegro 1/2009 from 09.01.2009.	Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
REGULATORY PART	4.12.	Decision on approval of Market Rules	30.12.2008.		Document is published in Official Gazette of Montenegro CG 2/2009 from 16.01.2009.	Delivered
	4.13.	Market Rules	30.12.2008.		Document is published in Official Gazette of Montenegro 2/2009 from 16.01.2009.	Available in CGES
	4.14.	Judgment of the Administrative Court of Montenegro on the basis of CGES lawsuit against the ERA	03.02.2010.			Delivered

	4.15.	Rules on electricity market establishment and functioning	SL 1/2009.		Document is published in Official Gazette of Montenegro 1/2009 and 54/2009.	Delivered
	4.16.	Decision on establishing the prices for using the transmission network and the cost of energy losses in transmission network	30.07.2009.			Delivered
	4.17.	Regulation on resolving disputes and handling appeals of the entities in the electric power sector	12.11.2009.		Document is published in Official Gazette of Montenegro 79/2009 from 04.12.2009	Delivered
	4.18.	The decision on approving the regulatory allowed revenue for CGES for 2010.	23.12.2009.			Delivered
	4.19.	Decision on establishment of the electricity price table that will be applied from 01.01.2010	23.12.2009.		Document is published in Official Gazette of Montenegro 87/2009 from 8/2010	Delivered
	4.20.	Decision on license fees for 2010.				Delivered
	4.21.	Decision on variation on electricity tariffs approved by the agency	25.03.2010.		Decision was on the court and CGES won the dispute	Delivered

		decision to approve electricity price table no. 08/379-32 from 30.05.2008.				
	4.22.	Table Data Comparison in accordance to ERA's decision from 23.12.2009.	23.12.2009.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
REGULATORY PART	4.23.	CGES' claim due to annulment of Decision on tariffs changes				Delivered
	4.24.	Calculation of license fees for the first and second quarter of 2010.				Delivered
	4.25.	ERA conclusion based on resolving the problem of CGES' revenue reduce			Appendix document is a letter to ERA about transfer of the billing to EPCG	Delivered
	4.26.	Guidelines for improving of regulatory framework	July 2010.			Delivered
	4.27.	Temporary methodology for determination				Delivered

		of regulatory allowed revenues				
LEGAL PART	5.01.	Information about court disputes on 28.05.2010	28.05.2010.			Delivered
	5.02.	List of immovable property of Prenos AD Podgorica by title deeds, on 01.04.2010.	01.04.2010.			Delivered
	5.03.	Information about registering a change of ownership and the transformation of forms of property in accordance with the Law on property rights				Delivered
	5.04.	Information about resolving property relations for construction of OHL 110 kV Tivat - Kotor, extension SS 110/35 kV Andrijevica and connection of SS to OHL 110/35 kV EVP Trebješica - Berane, itd;	mart 2010.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
LEGAL PART	5.05.	Agreements on land expropriation; agreements on damage compensation and decisions on the establishment of official duties for the following projects: OHL 110 kV Tivat - Kotor; extension of SS 110/35 kV Andrijevica and SS connection to OHL 110 kV EVP Trebješnjica - Berane; OHL 220 kV Mojkovac - Podgorica 1 as extension of SS 220/110/35 kV Mojkovac; OHL 400 kV Podgorica - Tirana and OHL 110 kV Podgorica - Bar to SS 110/35 kV Virpazar				Delivered
	5.06.	Labor Law				Delivered
	5.07.	Employment contract full time and part time - template				Delivered
	5.08.	Employment termination-warning notice (template)				Delivered

5.09.	Agreement on the regulation of mutual rights and obligations - template				Delivered
5.10.	List of employees from 01.04.2010.				Delivered
5.11.	Cancellation of the Employment Contracts - template				Delivered
5.12.	Proposal to change the contract of employment-terms or conditions of work				Delivered
5.13.	Annex to the Employment Contract i.e. contracts on regulation mutual rights and obligations - template				Delivered
5.14.	A decision on the introduction of overtime work - template				Delivered
5.15.	Pay rise decision - template				Delivered
5.16.	Decision on adjustment to earnings - template				Delivered
5.17.	Decision on holiday entitlements - template				Delivered

	5.18.	Occupational Safety and Health Act	December 2004.		Published in Official Gazette of RCG no. 79/2004	Delivered
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MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
LEGAL PART	5.19.	Safety guidance/instructions applied for work in switchyards and OHLs	mart 2010.			Delivered
	5.20.	Safework training program	mart 2010.			Delivered
	5.21.	Regulation on personal protective tools and equipment at work	mart 2010.			Delivered
	5.22.	List of employees with position titles, particularly one with increased risk - template				Delivered
	5.23.	Statistics about on-the job injuries - template	2009. and 2010.			Delivered
	5.24.	Employees Safety Training Record-template				Delivered
	5.25.	Records of completed inspection and testing of work resources and of personal	2008			Delivered

	protective tools and equipment at work - template				
5.26.	Previous and periodic health examination records-template				Delivered
5.27.	List of agreements on land expropriation for construction of tower location ,on OHLs				Delivered
5.28.	Agreement on property right transfer of construction land for its purpose setting	June 2008.			Delivered
5.29.	Regulation on solving employee housing needs	16.10.2006.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
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LEGAL PART	5.30.	List of CGES employees on 31.12.2009.	31.12.2009.		Additional document is annual report of contributions and taxes paid on personal income for 2009 and report on management salaries	Delivered
	5.31.	Table review of job classification on 01.04.2010.	01.04.2010.			Delivered
	5.32.	List of CGES employees with job termination	31.03.2010.			Delivered
	5.33.	Information on litigation in which Prenos is sued party on 11.02.2010.	11.02.2010			Delivered
	5.34.	Interjudgement of Commercial Court by KAP's claim				Delivered
	5.35.	Complaint of CGES against interjudgement no 445/06				Delivered
	5.36.	Criteria and measures for evaluation of work performance				Delivered
	5.37.	Claim on the annulment of ERA the decision about regulatory revenue			Additional document is call to CGES as an interested party to the hearing	Delivered

	5.38.	Response to CGES' claim to ERA				Delivered
	5.39.	Supplement information on resolving property-legal relations	12.05.2010.			Delivered
	5.40.	Information on the activities of the land registration				Delivered
	5.41.	Submission of materials for expertise				Delivered
	5.42.	Agreement between EPCG and CGES				Delivered
	5.43.	Contract with World Bank			Additional document is translated version	Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.01.	Law on physical planning and construction, official gazette of Montenegro no.51/2008god.				Available in CGES
	6.02.	Rules for maintenance of electric power facilities - standards and technical regulation- Yugoslavian Electric power			Testing and analysis required under the regulation on maintenance are done by the third	Available in CGES

	Community			parties, exp.fuel analysis of power transformer, testing of electric instalation, testing of tank under pressure	
6.03.	Collection regulation of electric engineering - federal regulation				Availa ble in CGES
6.04.	Examination of operational readiness of substations and overhead lines for 2008 and 2009 for Regulatory agency				Availa ble in CGES
6.05.	Monthly examination of operational readiness of substations and overhead lines for 2008 and 2009 for Regulatory agency				Availa ble in CGES
6.06.	Monthly Examination of operational readiness of substations and overhead lines for 2008 and 2009 for ELEKTROPRE				Availa ble in CGES

	NOS --for Director				
6.07.	Single line diagram of our substation with basic data			Preparing is in progress due to innovation of existing ones	Availa ble in CGES
6.08.	Basic technical documentation of all our substations			Preparing is in progress due to innovation of existing ones	Availa ble in CGES

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.09.	List of the required approvals by the competent authority in accordance with special regulations for facilities pursuant to Article 91 of the Law on Physical planning and construction of facilities for which construction license is issued by the Ministry of Economic Development-February 2009.			For any required approvals, applications are submitted with financial obligation determined by the competent ministry. Upon completion of extension, construction of new facilities, obtained approvals, design of the main project, commission is formed for acceptance of the facilities which also requires financial resources. Upon acceptance given by the Technical	Available in CGES

				commission ,application is filed with competent authority for obtaining a Use Permit	
6.10.	Interpretation of Ministry of Economy -of the Energy inspector what is implied by the reconstruction of certain equipment.			Interpretation given to Join Stock Company Prenos - Elektroprenos- Podgorica, letter no. 0404-1468/2 from 08.10.2009.	Available in CGES
6.11.	Market Operator Maintenance Plan for 2010.				Delivered
6.12.	NOOS Plan for Market Operator for 2010.				Delivered
6.13.	Procurement Plan for Market Operator office equipment for 2010.				Delivered
6.14.	Tender documents for				Available in

		construction of 400OHLkV Podgorica2-Tirana				CGES
	6.15.	Tender documents for construction of OHLk Podgorica2-border of Albania				Available in CGES

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.16.	Contract no. 1881 from 26.02.2010.				Available in CGES
	6.17.	Contract no. 1882 from 26.02.2010.			In progress	Available in CGES
	6.18.	Contract no. 9066 from 31.12.2009.				Available in CGES
	6.19.	Contract no. 8682 from 23.12.2009.			in progress	Available in CGES
	6.20.	Contract no. 30-00-8710 from 16.10.2008.			in progress	Available in CGES
	6.21.	Contract no 30-00-10563 from 08.12.2008.				Available in CGES
	6.22.	Contract on construction of SS 110/35, 2x20MVA Virpazar No 10-				Available in CGES

		00-8712				
	6.23.	Contract on procurement of equipment for the extension of SS Mojkovac and SS Andrijevica No. 30-00-733, 30-00-734 and 30-00-735				Available in CGES
	6.24.	Contract on work performance on extension of SS Mojkovac and SS Andrijevica no 3377 from 10.07.2009.				Available in CGES
	6.25.	Contract on SS Podgorica 5 and SS Ribarevine construction (with KfW bank, Consultant and Consortium SIEMENS - DALEKOVOD ZG)				Available in CGES

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.26.	Contract for construction of overhead lines 110 kV Tivat - Kotor				Available in CGES

6.27.	Contract for delivery of 110KV SF6 facilities for construction of SS 110/35/10kV Kotor				Available in CGES
6.28.	Project document preparation contract for extension of SS110/35 kV Tivat				Available in CGES
6.29.	Contract for construction of overhead line 400 kV Podgorica 2 - Albania and extension of SS 400/110 kV Podgorica 2				Available in CGES
6.30.	Development study of transmission and distribution network of Podgorica and Nikšić for period up to 2025.				Available in CGES
6.31.	Main design for SS Virpazar, Podgorica 5 and Ribarevine in digital form		CD		Available in CGES
6.32.	Rules of technical standards for construction of overhead power lines with nominal voltage				Available in CGES

		of 1kv to 400kV (official gazette of SFRJ1 65/88 and Official gazette SRJ 18/92)				
	6.33.	Regulations on maintenance of electrical facilities of transmission network GSE 78/91				Availa ble in CGES
	6.34.	Revision and overhaul plan for electrical facilities for 2010.				Availa ble in CGES
	6.35.	Work plan for the following months				Availa ble in CGES
	6.36.	Monthly report on the operation of department for maintenance of substations				Availa ble in CGES
	6.37.	Monthly report on the operation of department for maintenance of overhead lines				Availa ble in CGES

MATTER	IND EX	TITLE OF THE DOCUMENT	DATE	DOCUME NT FORMAT	COMMEN T	STAT US
TECHNICAL PART	6.38.	Work orders				Availa ble in CGES
	6.39.	Reports on work executed by work order				Availa ble in CGES

6.40.	Technical reports on the activities of a larger scope and complexity				Available in CGES
6.41.	Work program				Available in CGES
6.42.	Reports on regular examination of the OHL				Available in CGES
6.43.	Report form for damage to machinery, mechanical devices, installations and appliance				Available in CGES
6.44.	Adverse events report form (for third parties)				Available in CGES
6.45.	Monthly reports on the discharge of fuel				Available in CGES
6.46.	Report form on break down of vehicle				Available in CGES
6.47.	Travel orders				Available in CGES
6.48.	Travel orders for vehicles				Available in CGES
6.49.	Attest for construction equipment				Available in CGES
6.50.	Reports on the discharge of materials				Available in CGES
6.51.	Issuance of warehouse receipts				Available in CGES

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.52.	Storage ladings				Available in CGES
	6.53.	Storage returnees				Available in CGES
	6.54.	Regulation on Electrical Facility Maintenance in transmission network GSE 78/91				Available in CGES
	6.55.	IEC International Engineering Standards, Ed. 2009.				Available in CGES
	6.56.	Grid code				Available in CGES
	6.57.	Investment plan for period 2010-2014				Available in CGES
	6.58.	SS 110/35 kV, 2x20MVA Virpazar: § Contract for construction of SS Virpazar »turn key with Consortium ABB-ELNOS BL- BEMAX no 10-008712 § Contract for construction supervision no 30-00-8966				Available in CGES

		<p>§ Contract on Revision of the Main design no 30-00-409</p> <p>§ Annex 1 to the Contract for construction of o SS Virpazar no 10-00-15032</p> <p>§ Annex 3 to the Contract for construction of SS Virpazar no 6716</p>				
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MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.59.	<p>SS Ribarevine and Podgorica5:</p> <p>§ Contract with KfW bank no 10-00-12959 from 23.07.2007.</p> <p>§ Separate Contract with KfW bank. no10-00-12959 from 23.07.2007.</p> <p>§ Contract with Fichtner GMBH&CO</p> <p>§ Contract with SIEMENS &DALEKOVO D 10-00-1565</p>			Additional document is consortium Simens - Dalekovod (delivered)	Available in CGES

	<p>from 16.12.2008. § Contract with Minel el.equipment and facilities Beograd no.30- 00-8175/07 § Contract with Energoinvest Sarajevo no.30- 00-8212/07</p>				
6.60.	<p>SS Mojkovac and Andrijevic: § Contract with ABB Zagreb no.30-00-735 § Contract with Minel Beograd no.30-00-734 § Contract with ETRA Ljubljana no. 30-00-733 § Contract with Dalekovod Zagreb no.30- 00-2412 § Contract with SEEC Beograd no. 30-00 – 11021 § Annex to the Contract with ETRA Ljubljana no. 1053</p>			Contract for delivery of equipment	Availa ble in CGES
6.61.	<p>Contract with Dalekovod Zagreb no.3377</p>			Contract for works	Deliver ed

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TECHNICAL PART	6.62.	SS Tivat : § Contract with ELNOS BL no. 3909				Available in CGES
	6.63.	OVERHEAD LINE 110 kV Tivat-Kotor : § Contract with Dalekovod Zagreb no. 10-00-5519 § Contract with Energosistems no. 2198 § Annex to the Contract with Energosistems no. 4272			Available agreement 10-00-5519 / The contract for performing works	Available in CGES
	6.64.	SS 110/35/10 kV Kotor : § Contract with Korona inžinjering no. 5404 § Contract with SEEC Beograd no. 30-00-2076 § Contract with Consortium ABB-Dalekovod no. 10-00-6654			Available scanned version of agreement 10 - 00 - 6654	Available in CGES

MATTER	IND	TITLE OF	DATE	DOCUMENT FORMAT	COMMENT	STAT
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	EX	THE DOCUMENT			T	US
TECHNICAL PART	6.65.	<p>Overhead line 400 kV Podgorica- Albania: § The contract with Fichtner GMBH&CO no. 2001-40- 798 § The contract with Dalekovod Zagreb no. 10- 00- 12971 § The contract with KESH Albania no. 10- 00 - 13077 § The contract with S.P.A.K. Podgorica no. 30-00-11257 § The contract with GEOPROJEKT no. 2166 § The contract with Konstrukcija- Podgorica no.30-00-160 § The contract with Refleksing Podgorica no. 30-00- 2439 § The contract with the Institute of Public Health no. 8389</p>				Availa ble in CGES

	6.66.	Review of maintenance and supply for NDC's for 2010.			The document contains: 1) plan investment and maintenance , 2) Plan of equipment and spare parts, 3) Plan of procurement of tools, small inventory and supplies, and 4) Plan of acquisition of other fixed assets	Available in CGES
	6.67.	Investment development plan	June 2010.			Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
TELECOMMUNICATION	7.01.	License No.01-129 for a private telecommunications network and usage of radio frequency				Delivered

7.02.	Contract br.30-00-4733 with Corona-Slovenia for providing consulting services for OPGW				Delivered
7.03.	Contract no. 30-00-381 with Draka-Germany for the procurement of OPGW cable				Delivered
7.04.	Contract no. 30-00-5870 with Elnos-BiH for the erection of OPGW cable				Delivered
7.05.	Contract no. 232 and 233 for the purchase and installation of OPGW between SS Tološi - SS Virpazar				Delivered
7.06.	The contract with T-COM for the lease of 2 Mb / s for all of our facilities				Delivered
7.07.	The contract with T-COM about mobile telephony				Delivered
7.08.	Procurement plan of equipment and spare parts for 2010				Available in CGES
7.09.	Plan of equipment and spare parts for 2010				Available in CGES

	7.10.	The contract with the Broadcast Centre on usage of repeaters Spas and Tvrdas				Delivered
	7.11.	The contract with Promonte about usage of repeater Ostrog			Extra document is Annex of this document	Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
PUBLIC PROCUREMENT	8.01.	The Law on Public Procurement				Delivered
	8.02.	Regulation on the methodology of presenting the criteria in the appropriate number of points, the manner and process of evaluation and comparison of tenders				Delivered
	8.03.	Procurement plan for 2010 for CGES				Delivered

	8.04.	Public procurement contracts of Prens AD with: Transmission line Zagreb: Trebješica - Berane by the system "input-output", functional testing and commissioning of a "turnkey". Preparation of Main Design and Project of facility maintenance , delivery of steel lattice construction poles, construction and extension works on SS 220/110/35 kV Mojkovac and connection to OHL 220kV Podgorica 1 - Pljevlja 2 per system »entry-exit", functional testing and commissioning based on "turnkey" system				Delivered
	8.05.	Enel Nik: Current transformers Si 123-15 pieces				Delivered

	8.06.	Higijena prostora Danilovgrad: Cleaning and hygiene				Delivered
	8.07.	ABS Minel Beograd: Transport and repairing power transformers 110/36, 75/6.3 kV, 63 MVA				Delivered

MATTER	INDEX	TITLE OF THE DOCUMENT	DATE	DOCUMENT FORMAT	COMMENT	STATUS
PUBLIC PROCUREMENT	8.08.	Matkom Nik: Current transformers Si 420 (pcs 3) capacitive voltage transformer 420 (no 3), Instrument transformers Si 123 (kom24), Measuring current transformer 35 kV (pieces 18), Conductive Insulators 35 kV (pcs 36)				Delivered
	8.09.	ABB Zagreb: Numerical multifunctional microprocessor				Delivered

	power transformers protection - Conductive Insulator 420kV				
8.10.	Elektroenergetski koordinacioni centar Beograd: Consulting-design, telecommunication and information and educational services				Delivered
8.11.	Batara Podgorica: Loop equipment lines - ropes - insulators - cables				Delivered
8.12.	Elnos Banja Luka: Delivery of OPGW cable (30 km.) and associated equipment				Delivered
8.13.	Elnos Banja Luka: Installation of OPGW cable (30 km) and associated equipment				Delivered
8.14.	Matkom Nikšić: Spare parts for production switches Minel				Delivered
8.15.	Elnos Banja Luka: Electrical and civil works on the exchange 7 new 400 kV disconnectors in				Delivered

		the 400/110 kV Substation Podgorica 2, with the purchase and installation of the missing secondary equipment and materials by the selected contractor.				
	8.16.	Konzorcijum Lovćen osiguranje Podgorica & SWSS Osiguranje Podgorica: Property insurance for CGES in 2010.				Delivered

EXHIBIT 7

DISCLOSURE SCHEDULE

PART 1

Section 5.1.13 Assets

- **Substation 220/110/35 kV Mojkovac**

Pursuant to the Decision of Real Property Administration no. 116-954-120/9 of 3 December 2009, the object is registered as ownership in favour of Prenos (CGES). The land is registered as ownership of Municipality Mojkovac, on which Prenos (CGES) has the right of use. In line with the Law on Proprietary Relations (*Zakon o svojinsko pravnim odnosima »Sl.list CG br. 19/09«*), a request was filed for formal conversion of the right of use on the land into ownership. Pursuant to the Decision of Real Property Administration no. 116954-144/9 of 19 March 2010, the conversion was denied. Prenos (CGES) appealed to this Decision and appellate procedure is pending.

- **Substation 110/35 kV Tivat**

The object is registered as ownership of Prenos (CGES). The land is registered as ownership of Municipality Tivat, on which Prenos (CGES) has the right of use. In line with the Law on Proprietary Relations (*Zakon o svojinsko pravnim odnosima »Sl.list CG br. 21/09«*), a request was filed for formal conversion of the right of use on the land into ownership.

- **Business building of Transmission line team in Bijelo polje**

The objects are registered as ownership of Prenos (CGES). The land is registered as ownership of Municipality Bijelo Polje, on which Prenos (CGES) has the right of use. In line with the Law on Proprietary Relations (*Zakon o svojinsko pravnim odnosima »Sl.list CG br. 21/09«*), a request was filed for conversion of right of use on the land into ownership.

- **Substation 110/35 kV Herceg Novi**

EPCG is currently registered as user of the building. Pursuant to the decision of Real Property Administration no. 954-109-UP/I-3018/1-2009 of 18 March 2010, Prenos (CGES) was registered as owner of the object with right of use on the land. The same decision determined conversion of the right of use on the land into ownership in favour of Prenos (CGES). However, the part of the decision which determined the conversion of the right of use on the land into full ownership was appealed by the Basic State Prosecution from Herceg Novi. The appellate procedure is pending.

- **Urban construction land in Podgorica**

Please refer to point 2 under “Spin-Off from EPCG” of Part 2 below.

- **Business building in Bulevar Svetog Petra Cetinjskog broj 18, Podgorica**

The business building is in co-ownership of Akcionarsko društvo Prenos with share of 55% and Elektroprivreda Crna Gore AD Nikšić with share of 45%. Activities on the division of the building are pending.

- **Hotel in Gornja Bukovica**

The object and land are registered as co-ownership of Elektroprivreda Crna Gore AD Nikšić with share of 45% and Akcionarsko društvo Prenos with share of 55%.

- **Business building NDC in Podgorica**

Building and land are currently registered as ownership of Municipality of Podgorica. However, since Elektroprivreda Crne Gore AD Niksic had obtained this land for the purpose of development with its designated purpose and subsequently developed it Elektroprivreda Crne Gore AD Niksic submitted request for registration of ownership on the building area of 517 m² constructed on the cadastre parcel 1330/2 Cadastral Municipality Podgorica as well as on the land area of 1500 m² located on the cadastre parcels 1330 and 1331 Cadastral Municipality Podgorica. The Real Estate Administration adopted the request for registration of ownership on the building and right of use on the land under the building in favour of Elektroprivreda Crne Gore AD Niksic, and denied registration of ownership on the land located on the cadastre parcels 1330 and 1331 Cadastral Municipality Podgorica. The Municipality of Podgorica remained registered owner of this land. Elektroprivreda Crne Gore AD Niksic appealed to the denial of registration of ownership over the land, the appeal was adopted and the decision of Real Estate Administration – branch Podgorica was set aside. New proceeding before the Real Estate Administration is pending.

- **Repeater for the radio station (Ultra short waves) Bjelasica**

The repeater is registered as state ownership of the Federal Secretariat for National Defense. However, notwithstanding the above, according to the Agreement on mutual relations, method of use and maintainance of Ultra Short Waves objects executed between Broadcasting center Podgorica, Military Post-Office 2939 Titograd, Postal Services Company and Elektroprivreda Crne Gore, this object is co-owned by these parties, with CGES share of 12,2%.

- **Repeater for the radio stations (Ultra short waves) Lovcen**

The repeater is registered in the property sheet no. 163 CM Njegusi, with the right of use of Elektroprivreda Crne Gore AD Niksic. However, notwithstanding the above, according to the Agreement on mutual relations, method of use and maintainance of Ultra Short Waves objects executed between Broadcasting center Podgorica, Military Post-Office 2939 Titograd, Postal Services Company and Elektroprivreda Crne Gore, this object is co-owned by these parties, with CGES share of 9,7%. The legal successor of Broadcasting center Podgorica and Postal Services Company initiated procedure for registration of co-ownership with the Cadastre.

- **Plant 35kV**

CGES is owner of the 35 kV plants in its substations, but operationally they are managed by Distribution.

- **Registration of land on which are located pillars of newly constructed 400 kV transmission lines Podgorica – Tirana of Akcionarsko društvo Prenos**

With respect to the 400 kV transmission line Podgorica – Tirana, in certain cases (where inheritance proceedings had not been conducted) the agreements on purchase of the land for the purpose of placement and construction of pillars relating to such line were executed with persons not registered as owners, on the bases of court certified statements given under material and criminal liability confirming that pertinent land was in their ownership. This was performed in order to save time and enable CGES to install and construct pillars of the transmission line 400 kV Podgorica – Tirana. However, as a result, it is not possible to register ownership over the land purchased in the aforementioned manner. The land relevant for the 400 kV transmission line Podgorica – Tirana is mostly located in the area of Malesia (towards Albanian border) and smaller part in the area of Kuc (nearby Podgorica).

Part 2

Spin-off from EPCG (Sections 5.1.6)

1. All foreign loans of the Company were originally entered into by Elektroprivreda Crne Gore AD Niksic and, following the unbundling of Prenos, such loans (or portion of such loans) were transferred to the Company. The terms and conditions regulating the formalization of the transfers of such loans and the additional legal obligations relating to the foreign loans between Prenos, Elektroprivreda and foreign banks which granted and approved such loans have been and are currently being discussed, adjusted and formalized in separate agreements. In particular, (i) with respect to the loans with the World Bank, the relevant parties signed a World Bank Loan Transfer Agreement, (ii) a contract with KfW – the German Development Bank, is in the process of been signed, and (iii) one such agreement with EIB – the European Investment Bank, Luxembourg – still need to be negotiated and finalized.
2. Pursuant to the Decision on Establishment of AD PRENOS, Shareholders Assembly of EPCG assigned a part of the land, surface area 3.873 m², cadastral lot 2161/1, 2161/3 and 2161/4 in Podgorica to CGES (then Prenos) as newly established company. EPCG on June 24. 2008 had (at the time Prenos was still an integral part of it) concluded contract on the construction of residential and office building with a private investor DOO Radenko – Podgorica on the above lots, pursuant to which the private investor shall be entitled to 71,8% surface of the newly built facility.

Upon spin off, EPCG and CGES reached an agreement to divide between them the ownership of the portion equal to 28,2% of the area of new constructed objects in the following ratio 75% to CGES and 25% to EPCG.

3. Certain agreements entered into by EPCG

EPCG and CGES are currently discussing the way to manage the following contracts entered into by EPCG and third parties dealing with certain works and equipment that relate to certain transmission projects of CGES:

- Project – construction of a 110 kv facility TS110/35/10 kV KOTOR (Škaljari)

“Turn-key” construction agreement executed by EPCG in June 2009 with the consortium ABB-Dalekovod Zagreb.

- Project – Transmission line 110kV Tivat - Kotor (Škaljari)

On 13 May 2009 EPCG and Dalekovod D.D. – Zagreb, executed agreement on purchase of the equipment for a transmission line for the amount of EUR 386,191,00.

EXHIBIT 8

PROJECT COORDINATION AGREEMENT

PROJECT COORDINATION AGREEMENT

by and among

THE STATE OF MONTENEGRO,

TERNA RETE ELETTRICA NAZIONALE S.P.A.

and

CRNOGORSKI ELEKTROPRENOSNI SISTEM A.D.

[•], 2010

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<u>Annex 5</u>	List of Company Procurement Works
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PROJECT COORDINATION AGREEMENT

This **PROJECT COORDINATION AGREEMENT** (this “Agreement”) is entered into as of [●], 2010 by and among the State of Montenegro, represented by Mr. [●] in his capacity as [●] (the “Montenegro”), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy, having its registered office in Rome, Italy, at Viale Egidio Galbani 70, registered at no. [05779661007] on the register of enterprises of Rome, represented by Mr. [●] in his capacity as [●] (“Terna”), and Crnogorski Elektroprenosni Sistem AD, a joint stock company organized and existing under the laws of Montenegro, having its registered office in 81000 Podgorica, at Bulevar Svetog Petra Cetinjskog 18, Montenegro, registered at no. 4-0008972/003 on the register of enterprises of [●], represented by Mr. [●] in his capacity as [●] (the “Company” or “CGES”). Each of Montenegro, Terna and the Company is referred to herein as a “Party,” or, collectively, as the “Parties.” Unless otherwise indicated herein, capitalized terms used herein shall have the meanings ascribed to them in Annex 1 attached hereto.

RECITALS

WHEREAS, on July 28, 2009, Terna and the Company executed a term sheet (the “Term Sheet”) setting forth the guidelines and certain terms and conditions for the implementation of the Strategic Partnership and the construction and operation of the new entire electricity interconnection system between Italy and Montenegro, comprising the New Interconnection, the Associated Network Infrastructures, and at least one of the Additional Network Infrastructures;

WHEREAS, on February 6, 2010, Montenegro and the Italian Government entered into an intergovernmental agreement (the “Intergovernmental Agreement”) declaring their institutional support and agreement concerning the construction and operation of the New Interconnection, the Associated Network Infrastructures, the Additional Network Infrastructures and the implementation of the Strategic Partnership;

WHEREAS, pursuant to the Intergovernmental Agreement, *inter alia*, Terna shall be responsible for the construction of the New Interconnection, which shall be owned by Terna and form an integral part of the Italian transmission network (as public infrastructure), and the Company shall be responsible for the construction of the Associated Network Infrastructures, which shall be owned by the Company and form an integral part of the Montenegrin transmission network (as public infrastructure);

WHEREAS, pursuant to the Intergovernmental Agreement, the State of Montenegro and the Republic of Italy also agreed that the transmission capacity made available by the New Interconnection and the relevant congestion revenues should be split as follows: 80% to the Italian power system and 20% to the Montenegrin power system;

WHEREAS, pursuant to that certain Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase (the “Sale and Purchase Agreement”), dated as of [●], 2010, by and among Terna, the Company and Montenegro, Terna acquired approximately 22% of the outstanding capital stock of Company (on a fully-diluted basis) through the subscription of a capital increase reserved to Terna;

WHEREAS, in furtherance of the Strategic Partnership, the Parties have entered into a strategic and shareholders’ agreement (the “Shareholders’ Agreement”), dated as of the date hereof, pursuant to

which, *inter alia*, they agreed on certain aspect of the management and corporate governance of the Company, including voting on the level of the Company's shareholders' assembly and board of directors;

WHEREAS, the Parties acknowledge and agree that the investments by Terna pursuant to the Sale and Purchase Agreement and in the New Interconnection are made with the goal and for the purpose of implementing the Strategic Partnership, completing the construction of the New Interconnection, the Associated Network Infrastructures and at least one of the Additional Network Infrastructures; the Parties further acknowledge and agree that Terna is fully relying on the fact that the Associated Network Infrastructures and at least one of the Additional Network Infrastructures will be completed within the deadlines agreed by the Parties and indicated in this Agreement and that the completion of the Associated Network Infrastructures and at least one of the Additional Network Infrastructures within such deadlines is essential to Terna and that CGES is fully relying on the fact that the New Interconnection will be completed within the deadline agreed by the Parties and indicated in this Agreement and that the completion of the New Interconnection within such deadline is essential to CGES;

WHEREAS, the Parties further acknowledge and agree that the construction of the Associated Network Infrastructures, the Additional Network Infrastructures, and of a portion of the New Interconnection will require certain permits, concessions or authorizations (including environmental, regulatory, energy and building permits, concessions or authorizations) to be issued and released by the competent Montenegrin Governmental Bodies and that Terna is relying on the fact that Montenegro will support the Company, Terna and/or the relevant entity (as the case may be) in order to obtain all such permits, concessions or authorizations and rights over the land, necessary for the construction of the Associated Network Infrastructures, the Additional Network Infrastructures and the portion of the New Interconnection located in or otherwise subject to the jurisdiction of Montenegro, in each case subject to the relevant applicant fulfilling Montenegrin law requirements for issuance of such permits, concessions and authorizations; and

WHEREAS, in furtherance of the Strategic Partnership, the Parties desire to set forth in this Agreement the terms and conditions for the construction of the New Interconnection and the Associated Network Infrastructures and certain key terms and conditions for the construction of the Additional Network Infrastructures, including any relevant milestones and deadlines, as well as the mechanisms for cooperation, coordination and oversight to be shared by the Parties to ensure the timely and proper completion of these projects.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.

NEW INTERCONNECTION, ASSOCIATED NETWORK INFRASTRUCTURES AND ADDITIONAL NETWORK INFRASTRUCTURES.

Section 1.1. The New Interconnection.

(a) The Parties agree that the "New Interconnection" shall mean the new electricity interconnection between Italy and Montenegro, which shall be composed of the following infrastructures: (i) the ground cables connecting the AC/DC Converter Station in Italy, located in Cepagatti, with the existing Italian transmission grid at the 400 kV Villanova substation (the

“Villanova Grid Connection”); (ii) the AC/DC Converter Station of Cepagatti in Italy (the “Cepagatti AC/DC Station”); (iii) the DC ground cable located in the Italian territory (the “Italian Ground Cable”) connecting the Cepagatti AC/DC Station to the landing point in Italy, located in the municipality of Pescara (the “Italian Landing Point”); (iv) the entire High Voltage Direct Current (HVDC) undersea interconnection power cables running between the Italian Landing Point and the landing point in Montenegro, located in the municipality of Kotor (the “Montenegrin Landing Point”), including the electrodes system and the related medium voltage cables allowing the return of electricity to be used only under contingency operation (the “Undersea Cable”); (v) the DC ground cable located in the territory of Montenegro connecting the Montenegrin Landing Point to the AC/DC Converter Station in Montenegro (the “Montenegro Ground Cable”); (vi) the new AC/DC Converter Station in Montenegro, including the related 400 kV bus bars and those bays necessary for the infrastructures of connection to the new AC 400 kV Tivat/Kotor substation (the “Montenegrin AC/DC Station”, and together with the Montenegro Ground Cable, the Montenegrin Landing Point and the portion of the Undersea Cable located in territory of, or subject to the jurisdiction of, Montenegro, the “Montenegrin NI Portion”). For additional clarity, a technical description of the components of the New Interconnection is attached hereto as Annex 2.1.

(b) Terna shall be solely in charge and responsible for the project, design, authorizations request, construction, operation and maintenance of the New Interconnection, which the Parties agree shall be owned by Terna and form an integral part of the Italian transmission network (as public infrastructure), and shall perform, or shall cause its subsidiaries, Affiliates, contractors or subcontractors to perform, all such activities and construction in line with the terms and conditions set forth herein.

(c) As of the date hereof, the forecasted capital expenditure necessary to complete the satisfactory and timely construction of the New Interconnection is € 758 million (the “Initial New Interconnection CAPEX”). Terna shall be solely responsible for funding, and/or ensure the funding of, the construction of the New Interconnection regardless of whether the amount of the Initial New Interconnection CAPEX will be exceeded. Any costs and expenses necessary for the completion of the New Interconnection shall be exclusively borne by Terna including those that are above and beyond the Initial New Interconnection CAPEX. For the avoidance of doubt, the Parties acknowledge and agree that the final costs and expenses related to and associated with the construction of the Montenegro Ground Cable and the Montenegrin AC/DC Converter Station will depend, *inter alia*, on the final location of the New Tivat/Kotor Substation and that Terna shall exclusively bear the costs and expenses relating or associated to such infrastructures regardless of the location of the New Tivat/Kotor Substation.

Section 1.2. The Associated Network Infrastructures.

(a) The Parties agree that the “Associated Network Infrastructures” shall mean the new transmission infrastructures in the Montenegrin transmission network necessary to the operation and full utilization of the New Interconnection, composed of the following infrastructures: (i) the new AC 400 kV Tivat/Kotor substation (the “New Tivat/Kotor Substation”), including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the New Tivat/Kotor Substation to the Montenegro AC/DC Station, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation; (ii) the 400kV transmission lines connecting the New Tivat/Kotor Substation to the existing Montenegrin electricity transmission grid (in particular, the existing 400 kV line

“Podgorica 2 – Trebinje” in an Input-Output configuration), (iii) the AC transmission infrastructures (lines or cables), if any, connecting the New Tivat/Kotor Substation to the Montenegrin AC/DC Station (the “AC Transmission Infrastructures”), (all such infrastructures, lines and cables contemplated in items (i) to (iii), collectively, the “Grid Connections in Montenegro”); and (iv) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the New Tivat/Kotor Substation (the “Pljevlja-Tivat/Kotor Transmission Line”), internal to the electricity transmission network of Montenegro. For additional clarity, a technical description of the components of the Associated Network Infrastructures is attached hereto as Annex 2.2.

(b) The Company shall be responsible for the project, design, authorizations request, construction, operation and maintenance of the Associated Network Infrastructures, which the Parties agree shall be owned by the Company and form an integral part of the Montenegrin transmission network (as public infrastructure), and shall perform, or shall cause its Affiliates, contractor or subcontractors to perform, all such activities and construction in line with the terms and conditions set forth herein.

(c) As of the date hereof, the forecasted capital expenditure necessary to complete the satisfactory and timely construction of the Associated Network Infrastructures is € 100.28 million (the “Initial Associated Network Infrastructures CAPEX”), of which the forecasted capital expenditure necessary to complete the satisfactory and timely construction of Grid Connections in Montenegro is € 34.15 million (the “Initial Grid Connections in Montenegro CAPEX”) and the forecasted capital expenditure necessary to complete the satisfactory and timely construction of Pljevlja-Tivat/Kotor Transmission Line is € 66,13 million (the “Initial Pljevlja-Tivat/Kotor Transmission Line CAPEX”). The Company shall be solely responsible for funding, and/or ensure the funding of, the construction of the Associated Network Infrastructures regardless of whether the amount of the Initial Associated Network Infrastructures CAPEX will be exceeded. Any costs and expenses necessary for the completion of the Associated Network Infrastructures shall be exclusively borne by the Company including those that are above and beyond the Initial Associated Network Infrastructures CAPEX. For the avoidance of doubt, the Parties acknowledge and agree (x) that costs and expenses related to and associated with construction of the infrastructures indicated in paragraphs 1.2(a)(ii), (iii) and (iv) above will depend, *inter alia*, on the final location of the New Tivat/Kotor Substation and (y) that the Company shall exclusively bear the costs and expenses relating or associated to such infrastructures regardless of the location of the New Tivat/Kotor Substation.

Section 1.3. The Additional Network Infrastructures.

(a) The Parties acknowledge and agree that (i) the construction of at least one of the Additional Network Infrastructures is necessary for the full utilization of the New Interconnection, regardless of whether it is constructed and operated as private or public interconnection, and the Parties shall discuss in good faith whether to proceed with the construction of just one or both of the Additional Network Infrastructures, depending on their technical and economic feasibility as assessed by Terna and the Company following costs-benefits analyses and considering the time plan for their realization and also the willingness of the transmission system operator(s) of the relevant neighboring country(ies) to enter into a TSO Binding Agreement, (ii) the construction of at least one of the Additional Network Infrastructures shall be developed in parallel with the New Interconnection and shall be

completed in accordance with the deadlines determined in this Agreement, subject to the transmission system operator of the relevant neighboring country entering into a TSO Binding Agreement concerning the development and construction of at least one of the Additional Network Infrastructure, (iii) it is the intent of the Parties that the Additional Network Infrastructures shall be constructed and operated as “private interconnectors” in accordance with Electricity Regulations 714/2009 and 1228/2003 provided that their technical and economic feasibility will be proven in the reasonable opinion of Terna and the Company, and (iv) the Parties will use their reasonable best efforts to support the realization of the Additional Network Infrastructures as “private interconnectors,” as best to serve the public interest and minimize the economic impact on Montenegrin customers.

(b) The Parties agree to use their reasonable best efforts, also through their representatives in the Working Groups, to finalize the feasibility studies (to the extent not already finalized) with respect to at least one of the Additional Network Infrastructures as promptly as possible.

(c) The Parties, also considering the technical, economic, legal and regulatory analysis performed, shall evaluate and negotiate in good faith the scheme of implementation (in particular whether the interconnection shall be “public” or “private”) of at least one of the Additional Network Infrastructures as soon as possible and use their reasonable efforts to enter into a TSO Binding Agreement in connection with such infrastructures in accordance with the terms and conditions of this Agreement (including, for the avoidance of doubt, the definition of “TSO Binding Agreement” as set forth in Annex 1 to this Agreement).

(d) If the Parties determine in good faith that the implementation of the Additional Network Infrastructure(s) is feasible as “private interconnector(s)”:

- (i) the construction and operations of such infrastructure(s) shall be the responsibility of a consortium (one for each of the two, if both are constructed) to be formed for such a purpose;
- (ii) [OMISSIS]
- (iii) any investments necessary for the construction of the Additional Network Infrastructure(s) shall be made by the parties thereto in proportion to their ownership interest in each of such consortia, unless differently agreed among them;
- (iv) any revenues deriving from the incremental net transfer capacity due to the Additional Network Infrastructure(s) which belong to the consortium will be distributed among the members of the relevant consortium in proportion to their ownership interest in such consortium, unless differently agreed among them;
- (v) the Parties agree that they will negotiate in good faith the legal structure of the consortium and the associated transaction documents relating thereto, including the TSO Binding Agreement, the shareholders/partnership’s agreement and other agreements regulating the creation of the consortium, its governance, the rights and obligations of the parties related to the Additional Network Infrastructure(s) and such other aspects as customary for similar transactions in light of the relevant

ownership interests in the consortium by its members and the principles set forth in this paragraph (d);

- (vi) each of the Parties shall give full support to the development and implementation of the Additional Network Infrastructure as "private interconnector" and undertakes to use its best effort to develop, realize and commission such infrastructure within the deadline indicated in paragraph (a) above.

(e) If the Parties determine that it is not technically and/or economically feasible to operate an Additional Network Infrastructure(s) as "private interconnector," in accordance with Electricity Regulations 714/2009 and 1228/2003 and/or that the regulatory frameworks of Montenegro and the relevant neighboring country (Serbia and/or Bosnia-Herzegovina) do not allow such operation, the construction of one of such Additional Network Infrastructures shall be the responsibility of the Company and the transmission system operator from the relevant neighboring country, subject to the transmission system operator of the relevant neighboring country entering into a TSO Binding Agreement concerning the development and construction of at least one of the Additional Network Infrastructures with the Company, in which case the completion of the construction and commissioning of at least one of the Additional Network Infrastructures shall occur no later than (x) June 30, 2014 if the TSO Binding Agreement is executed within the TSO Binding Agreement Deadline or, (y) 36 months after the execution of a TSO Binding Agreement if such agreement is executed after the TSO Binding Agreement Deadline. In this event, the Company, the transmission system operator of the relevant neighboring country and, possibly Terna (if Terna so chooses at its discretion and if the transmission system operator of the relevant neighboring country so agrees) may, but will not be obliged, enter into a new project coordination agreement (the "Additional Network Infrastructure Project Coordination Agreement"), or such other agreements that the relevant parties may agree for such project that may set forth specific project schedules, milestones, deadlines and related penalties (in line with or in addition to the milestones, deadlines and related penalties with respect to the Additional Network Infrastructure(s) set forth in Sections 3.3 and 4 of this Agreement) to make sure that this project proceeds in accordance with the agreed schedule and that no Party is harmed as a result of delays and will be prepared consistent, *mutatis mutandis*, with the provisions of this Agreement.

(f) The construction and scheme of investment (private or public) of transmission infrastructures included within the Additional Network Infrastructures will be subject to approval of the Montenegrin Ministry of Economy, and/or the Montenegrin Energy Regulatory Agency (ERA), as well as any competent authorities from the involved countries, in accordance with the relevant local law.

(g) Each Company and Terna undertakes to use its best efforts to develop and carry out the construction of the Additional Network Infrastructure(s) in cooperation with the transmission system operators of the relevant neighboring country, regardless of whether such Additional Network Infrastructure(s) are eventually classified as "private" or "public" interconnector(s). Furthermore, Montenegro agrees to (i) use its best efforts to plan the projects contemplated in the Additional Network Infrastructures within the Detailed Spatial Plan and (ii) to support the Company, Terna and/or the relevant entity (as the case may be) in order to obtain all permits, concessions and authorizations and appropriate rights on the land necessary for the construction of the Additional Network Infrastructures (whether it is constructed and operated as private or public interconnection), provided that the Company,

Terna and/or the relevant entity (as the case may be) submits all requisite documentation and fulfill other requirements for such permits, concessions and authorizations and acquisition of appropriate rights on the land in accordance with the Montenegrin law.

ARTICLE II.

PURPOSE – MILESTONES AND DEADLINES.

Section 2.1. Overall Goal and Deadline.

(a) In line with the Parties' overall goal, (i) Terna agrees to ensure that the New Interconnection is commissioned in line with the parameters and criteria set forth in Annex 2.5 attached hereto (“NI Commissioning Status”) no later than April 30, 2015, (ii) the Company agrees to ensure that Grid Connections in Montenegro are commissioned in line with the parameters and criteria set forth in Annex 2.5 attached hereto (“GC Commissioning Status”) no later than October 31, 2014, and (iii) the Company agrees to ensure that the Pljevlja-Tivat/Kotor Transmission Line is commissioned in line with the parameters and criteria set forth in Annex 2.5 attached hereto (the “Pljevlja-Tivat/Kotor Commissioning Status”) no later than October 31, 2015.

(b) If, in accordance with the provisions of Section 1.3(e), one of the Additional Network Infrastructures shall be developed by the Company and the relevant neighboring transmission system operator as public interconnection (and not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), the Company, subject to a TSO Binding Agreement concerning the development and construction of at least one of the Additional Network Infrastructures between the Company and the transmission system operator/independent system operator of the relevant neighboring country having been executed within July 1, 2011, agrees to use its best efforts to ensure that the construction of such Additional Network Infrastructure will be completed and be commissioned no later than June 30, 2014 (the “Additional NI Commissioning Deadline”), in line with the parameters and criteria set forth in Annex 2.5 attached hereto (the “Additional Network Infrastructures Commissioning Status”), provided, however, that if the TSO Binding Agreement is not executed within the TSO Binding Agreement Deadline, the Additional Network Infrastructures Commissioning Status shall occur no later 36 months after the execution of a TSO Binding Agreement.

(c) The Parties may modify the parameters for the NI Commissioning Status, the GC Commissioning Status, the Pljevlja-Tivat/Kotor Commissioning Status and the Additional Network Infrastructures Commissioning Status or the dates of the deadlines indicated in paragraphs (a) and (b) above only by mutual agreement among them, without prejudice to the provisions of Section 4.6 hereof.

Section 2.2. Intermediate Milestones and Deadlines for the New Interconnection and Associated Network Infrastructures.

The Parties agree that the following intermediate milestones and sub-milestones (and corresponding deadlines) are necessary to ensure that the New Interconnection attains the NI Commissioning Status, the Grid Connections in Montenegro attain the GC Commissioning Status, and the Pljevlja-Tivat/Kotor Transmission Line attains the Pljevlja-Tivat/Kotor Commissioning Status by the

deadlines indicated in Section 2.1(a) above. Terna, the Company and/or Montenegro (as the case may be), with respect to the activities and milestones indicated in paragraph (a) below, and the Company and/or Montenegro (as the case may be), with respect to the activities and milestones indicated in paragraph (b) below, shall use their best efforts to ensure that the intermediate milestones and sub-milestones indicated below are accomplished no later than the corresponding deadlines for such milestones and sub-milestones:

(a) The New Interconnection. The intermediate milestones and corresponding deadlines for the development, construction and commissioning of the New Interconnection are set forth in this Section 2.2(a) and a further detailed description of these milestones (and any relevant sub-milestones) and corresponding deadlines is set forth on Annex 2.1 attached hereto. The Parties may modify these intermediate milestones and sub-milestones related to the New Interconnection (and/or their corresponding deadlines) only by mutual agreement among them, without prejudice to the provisions of Section 4.6 hereof:

- (i) Authorization for construction and operation. Terna shall use its best efforts to obtain from the Italian Ministry of Economic Development the authorization for the construction and operation of the Villanova Grid Connection, the Italian Ground Cable, the Cepagatti AC/DC Station, and the portion of the Undersea Cable in territory subject to Italian jurisdiction as set forth in greater detail in Annex 3 (the “Italian NI Authorization”) no later than as indicated in Annex 2.1 (the “Italian NI Authorization Deadline”).
- (ii) Procurement of Materials and Labor. Terna shall initiate and complete (by awarding the works and executing binding agreements with the relevant third parties) the process to procure the materials and work for the Terna Procurement Works as part of the components and elements of the New Interconnection, (the “NI Procurement Process”) no later than as indicated in Annex 2.1 (the “NI Procurement Process Deadline”). The Parties agree that, notwithstanding anything to the contrary contained in this Agreement, the NI Procurement Process Deadline is established also based on the assumption that all Terna Procurement Triggering Events will be fully satisfied and fulfilled no later than February 1, 2012 and in any event before the NI Procurement Process Deadline. The Parties therefore agree that the NI Procurement Process shall not be completed by Terna - and the NI Procurement Process Deadline and all subsequent deadlines applicable to Terna and Terna’s obligations relating thereto, including, without limitation, the NI Opening of Works Deadline (as defined below) and NI Commissioning Deadline (as defined below) shall not start running and/or, as the case may be, shall be suspended and postponed as indicated below - until all the Terna Procurement Triggering Events have been fully satisfied and fulfilled; provided further, that (I) if satisfaction and fulfillment of the Terna Procurement Triggering Event under point (1) of the definition of “Terna Procurement Triggering Events” is prevented by a Terna’s act or omission, provided that Terna’s act or omission materially contributed to preventing such satisfaction and fulfillment, such triggering event shall be deemed as satisfied and fulfilled and (II) upon full satisfaction and fulfillment of the Terna Procurement Triggering Events (including pursuant to point (I) above) the NI Procurement Process Deadline (and all subsequent deadlines applicable to and Terna’s obligations relating thereto, including, without limitation, the NI Opening of Works Deadline (as defined below) and NI Commissioning Deadline (as defined below)) will enter into effect as

postponed by adding to such original deadline (as such original deadline may already have been postponed pursuant to other provisions of this Agreement) the length of the time passed between the above date of February 1 2012 indicated as assumption for the full satisfaction and fulfillment of all Terna Procurement Triggering Events to the date on which the last of the Terna Procurement Triggering Events has been satisfied and fulfilled (including pursuant to point (I) above).

Furthermore, with respect to the Montenegrin NI Portion, the Parties agree the following:

I Planning of Montenegrin NI Portion within Governmental Detailed Spatial Plan.

- (1) Within the framework of cooperation among the relevant Montenegrin authorities, the Company and Terna for the development and preparation of the Governmental Detailed Spatial Plan, Terna shall prepare and deliver to the competent Montenegrin authorities the documentation and technical data necessary pursuant to Montenegrin law in order to plan the Montenegrin NI Portion within the Governmental Detailed Spatial Plan, as such authorities, documentation and data are specifically indicated and listed in Annex 2.1-bis and in line with the key technical features and solutions set forth in Annex 2.1-ter (with specific reference to the assignment of spaces for the infrastructures to be built by Terna in the Montenegrin territory and the connecting points) and those defined by Montenegro in the approved General Spatial Plan, such documents and data to be delivered in reasonable advance throughout the process of development and finalization of the Governmental Detailed Spatial Plan, also taking into account their relevance for the entire process of finalization of such spatial plan, so as to allow the planning of the Montenegrin NI Portion within the Governmental Detailed Spatial Plan no later than the Montenegrin NI Portion planning within the Detailed Spatial Plan Deadline and required documentation and data to be delivered in any event no later than 60 days before such deadline.
- (2) Following and subject to Terna preparing and submitting the documentation referred to in point (1) of this paragraph, the Company and Montenegro shall use their best efforts to procure that the Montenegrin NI Portion is planned within the Governmental Detailed Spatial Plan (the “Montenegrin NI Portion Detailed Spatial Plan”), which has to be formally approved and adopted by the competent Ministry(ies) of Montenegro (together with the positive environmental impact assessment report), no later than as indicated in Annex 2.1 (the “Montenegrin NI Portion planning within Detailed Spatial Plan Deadline”), provided further, that if Terna fails to submit the documentation referred to in point (1) of this paragraph I within the period indicated thereby, the Montenegrin NI Portion planning within the Detailed Spatial Plan Deadline will be postponed by adding to such original deadline the length of the time passed between the date indicated in point (1) of this paragraph I and the date on which Terna will have submitted all relevant documentation referred to in point (1) of this paragraph I.

The Company shall inform and consult in advance with Terna with respect to all relevant phases of the process relating to the planning of the Montenegrin NI Portion within the Governmental Detailed Spatial Plan and take into reasonable consideration Terna’s comments, suggestions and/or recommendations, if any, as to the documentation, studies and data to be submitted and approved. The Parties

acknowledge and agree that, for the proper preparation of the procurement process, it is essential that the approved and adopted Montenegrin Portion Detailed Spatial Plan is substantially in line with the key technical features and solutions set forth in Annex 2.1-ter, with specific reference to the assignment of spaces for the infrastructures in the Montenegrin territory and the connecting points.

II Main Design and Side Studies.

- (1) Following and subject to the actual planning of Montenegrin NI Portion within the Governmental Detailed Spatial Plan, Terna shall prepare the documentation and technical data necessary for the main design plans and any side studies, as such documentation and data are specifically indicated in Annex 2.1-bis, required pursuant to Montenegrin law in order to obtain from the competent Ministry(ies) of Montenegro the construction permission for the construction of the Montenegrin NI Portion.

III Expropriation and Land Rights Acquisition.

- (1) [OMISSIS]

- (2) Following and subject to the planning of the Montenegrin NI Portion within the Governmental Detailed Spatial Plan:

(x) Terna shall execute with the Public Company “Morsko dobro” (or such other competent Montenegrin Governmental Body) and Montenegro shall procure that the Public Company “Morsko dobro” (or such other competent Montenegrin Governmental Body) executes with Terna, the Maritime Property Lease Agreement;

(y) Montenegro shall (i) execute, and/or cause any Governmental Body (other than municipalities) (as the case may be) to execute, with Terna agreement(s) granting or conferring to Terna, in each case subject to consideration in line with applicable law and standard and prior experience and practice, all ownership and/or easement rights (such rights to be valid, perpetual and fully enforceable also vis-à-vis any third party) on the land owned by Montenegro or by such other relevant Governmental Body (other than maritime property referred to in paragraph (2) (x) above and the land owned by municipalities), including on the land possibly owned by Montenegro as a consequence of the completion of any expropriation process, which is necessary to develop, construct and maintain the Montenegrin NI Portion, and (ii) execute and/or submit (and cause the relevant Governmental Body (other than municipalities) to execute and/or submit) all such documents, deeds, filings,

registrations and agreements and take all other actions and formalities required under Montenegrin law to formalize and give full effect to all the foregoing, all the above (the “Montenegrin NI Portion Land Rights Acquisition Process”) no later than as indicated on Annex 2.1 (the “Montenegrin NI Portion Land Rights Process Deadline”);

(w) the Parties acknowledge and agree that the Montenegrin AC/DC Station shall be developed and built on land fully owned by Terna and, therefore, the process and activities under this paragraph III shall be carried out accordingly; and

(z) if under applicable Montenegrin law Terna will not be entitled to be direct beneficiary of the expropriation process, the Company after the completion of expropriation process shall (i) execute with Terna agreement(s) granting or conferring to Terna, in each case subject to consideration in line with the amount paid by the Company to acquire the relevant rights over the land as part of the expropriation process, ownership and/or easement rights (such rights to be valid, perpetual and fully enforceable also vis-à-vis any third party) on the land and rights expropriated by the Company, which is necessary to develop, construct and maintain the Montenegrin NI Portion, and (ii) execute and/or submit all such documents, deeds, filings, registrations and agreements and take all other actions and formalities required under Montenegrin law to formalize and give full effect to all the foregoing.

IV Construction Permission.

- (1) Following and subject to the substantial completion of the expropriation and land rights acquisition process indicated in paragraph III above relating to the Montenegrin NI Portion, Terna shall prepare, or arrange for preparation, and submit to the competent Montenegrin authorities, the main design plans, any side studies and other documentation and technical data as required pursuant to Montenegrin law, as such plans, studies, documentation and data are specifically indicated in Annex 2.1-bis, in order to obtain all the necessary construction permissions, approvals and consents from the relevant authorities, including, in particular, the construction permission from the competent Ministry(ies) of Montenegro for the construction of the Montenegrin NI Portion, within a reasonable timeframe taking into reasonable account the status of the projects, the works, studies, documentation and activities already done and prepared, the expected deadlines and the time reasonably necessary to implement possible variations and changes to the projects.
- (2) Following and subject to the submission by Terna of the relevant documentation referred to in point (1) of this paragraph IV as required pursuant to Montenegrin law, Montenegro shall do its best effort to ensure that Terna will obtain all the necessary construction permissions, approvals and consents from the relevant authorities, including, in particular, the construction permission from the competent Ministry(ies) of Montenegro, for the construction of the Montenegrin NI Portion (the “Montenegrin NI Construction Permission”) no later than as indicated in Annex 2.1 (the “Montenegrin NI Portion Construction Permission Deadline”), provided further, that if Terna fails to submit all relevant documentation referred to such point (1) at least 20 days before the Montenegrin NI Portion Construction Permission Deadline, the Montenegrin NI Portion Construction Permission Deadline will be postponed by

adding to such original deadline the length of the time passed between the same Montenegrin NI Portion Construction Permission Deadline minus 20 days and the date on which Terna will have submitted the relevant documentation referred to in point (1) of this paragraph IV.

The Company shall inform and consult in advance with Terna with respect to all relevant phases of the process relating to the above authorization process and take into reasonable consideration Terna's comments, suggestions and/or recommendations, if any, as to the documentation, plans, studies and data to be submitted with respect to the Montenegrin NI Construction Permission.

- (3) The Parties, in their respective capacity and roles, shall use their best efforts to amend or supplement the main design plans and side studies and other documentation as necessary from time to time in order to comply with regulatory or legal requirements of Montenegrin law and facilitate the receipt of any and all necessary governmental approvals, consents or permissions for the construction of the Montenegrin NI Portion, including the Montenegrin NI Construction Permission.

V Cooperation and Support.

The Company and Montenegro shall fully cooperate with and assist Terna with the preparation and submission of all documentation, plans, studies and technical data abovementioned at (I)(1), (II)(1), possibly, (III)(1) and (IV)(1) as well as in the process of acquisition of all land and related rights necessary for the construction and operation of the Montenegrin NI Portion. For the avoidance of doubt, such obligation to cooperate with and assist Terna shall not be understood as obligation of the Company or Montenegro to finance or to assume any financial obligations or incur any costs with respect to the preparation and submission of the above documents, plans, studies and technical data or to finance or to assume any financial obligations or incur any costs with respect to the acquisition of all land and related rights necessary for the construction and operation of the Montenegrin NI Portion, provided however, that if CGES will finally carry out the expropriation process indicated at (a)(III)(1), CGES shall initially bear all the costs, expenses and financial obligations relating to such process and Terna will reimburse CGES of such costs in accordance with Section 2.2(a)(III)(2)(z).

- (iii) Construction. After completion of the aforementioned intermediate milestones, sub-milestones and/or part thereof, Terna shall initiate the construction and realization (*i.e.*, shall commence the works and construction activities on-site) of the New Interconnection in both Italian and Montenegrin territories, no later than as indicated in Annex 2.1 (the "NI Opening of Works Deadlines") and shall complete all necessary construction activities in respect of, and shall commission, the New Interconnection as set forth in Annex 2.5, prior to April 30, 2015 (as adjusted pursuant to the terms of this Agreement, including, but without limitation to, paragraph (iv) below) (the "NI Commissioning Deadline"); provided, however, that notwithstanding anything to the contrary contained in this Agreement, (A) the Parties agree that the construction and realization of the New Interconnection shall be subject to and shall not be initiated by Terna (and the NI Opening of Works

Deadlines and NI Commissioning Deadline shall be suspended and postponed as indicated below) until all Terna Procurements Triggering Events and Terna Construction Triggering Events have been fully satisfied and fulfilled, provided, further, that (I) if satisfaction or fulfillment of the Terna Procurement Triggering Event under point (1) of the definition of “Terna Procurement Triggering Events” or the Terna Construction Triggering Event under point (iii) of the definition of “Terna Construction Triggering Events” is prevented by a Terna’s act or omission, provided that Terna’s act or omission materially contributed to preventing such satisfaction and fulfillment, the relevant triggering event (as the case may be) shall be deemed as satisfied and fulfilled, and (II) upon all Terna Procurements Triggering Events and Terna Construction Triggering Events having been fully satisfied and fulfilled (including pursuant to point (I) above), the NI Opening of Works Deadline and the NI Commissioning Deadline will enter into effect as postponed by adding to such original deadlines (as such original deadlines may already have been postponed pursuant to Section 2.2(a)(ii) or otherwise under the Agreement) the amount of time passed from the original deadline to the date on which the last of the Terna Procurement Triggering Events and Terna Construction Triggering Events has been satisfied and fulfilled (including pursuant to point (I) above); and (B) the Parties agree that the commissioning of the New Interconnection shall be subject to and shall not be initiated by Terna (and the NI Commissioning Deadline shall be suspended and postponed as indicated below) until (1) the commissioning process for the Grid Connections in Montenegro has been fully and successfully concluded and (2) all the NI Commissioning Conditions have been fully satisfied and fulfilled (provided, that if satisfaction or fulfillment of the NI Commissioning Conditions is prevented by a Terna’s act or omission, provided that Terna’s act or omission materially contributed to preventing such satisfaction and fulfillment, such NI Commissioning Conditions shall be deemed as satisfied and fulfilled), provided, further, that upon the successful conclusion of the commissioning process for the Grid Connections in Montenegro and all NI Commissioning Conditions having been fully satisfied and fulfilled pursuant to this point B(2), the NI Commissioning Deadline will enter into effect as postponed by adding to such original deadline (as such original deadline may already have been postponed pursuant to Section 2.2(a)(ii) or otherwise under the Agreement) the amount of time passed from such original deadlines to the date on which the commissioning process for the Grid Connections in Montenegro is finally and successfully concluded and all NI Commissioning Conditions have been fully satisfied and fulfilled as indicated above.

- (iv) Postponement of Opening of Works Deadline and NI Commissioning Deadline due to delays in supply of HVDC Cable. The Parties agree that Terna may unilaterally suspend and prolong both the NI Opening of Works Deadline and the NI Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(ii)), only once with respect to both deadlines simultaneously and for a maximum of 12 months, by serving written notice to the Company no later than 60 days in advance of the NI Procurement Process Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(ii)), provided further that Terna delivers to the Company reasonable supporting evidence of the constraint and delay in the manufacturing, delivery and/or supply to Terna of the HVDC cable necessary for construction of Network Interconnection. Suspension and prolongation of the NI Opening of Works Deadline

and the NI Commissioning Deadline pursuant to this paragraph (iv) will automatically result in suspension and prolongation of: (i) the ANI Opening of Works Deadlines relating to the Grid Connections and the ANI Grid Connections Commissioning Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2 (b) (vii)); and (ii) the Additional NI Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Section 3.3(e)), so that each of the ANI Opening of Works Deadlines relating to the Grid Connections and ANI Grid Connections Commissioning Deadlines, as well as the Additional NI Commissioning Deadline will be postponed by adding to each such original deadline (as such original deadline may already have been postponed pursuant to Section 2.2 (b) (vii) and Section 3.3(e), respectively) the length of time identical to the period for which the NI Opening of Works Deadline and the NI Commissioning Deadline has been postponed pursuant to this paragraph (iv).

(b) The Associated Network Infrastructures. The intermediate milestones and corresponding deadlines for the construction and commissioning of the Associated Network Infrastructures refer to each of the single infrastructures composing the ANI, as described in Section 1.2 (a), and are set forth in this Section 2.2(b) and a further detailed description of these milestones (and any relevant sub-milestones) and corresponding deadlines is set forth on Annex 2.2 attached hereto. The Parties may modify the intermediate milestones, sub-milestones related to the Associated Network Infrastructures (and/or their corresponding deadlines) only by mutual agreement among them, without prejudice to the provisions of Section 4.6 hereof:

- (i) Feasibility Study. The Company shall commission the necessary study or studies to ascertain the feasibility of, and to determine the best options for, the construction of the various components of each of the Associated Network Infrastructures (the “ANI Feasibility Studies”) and such studies shall be completed for the various components and infrastructures. A copy of the ANI Feasibility Studies shall be shared with Terna.
- (ii) Planning of ANI within the Governmental Detailed Spatial Plan. The Company shall prepare all documents, technical data and materials related to, and necessary for pursuant to Montenegrin law, the planning of the Associated Network Infrastructures within the detailed spatial plan and duly submit them to the competent authorities (the “ANI Detailed Spatial Plan”). Montenegro and the Company shall use their best efforts to procure that the ANI Detailed Spatial Plan is formally approved and adopted by the competent Ministry(ies) of Montenegro (together with the positive environmental impact assessment report) no later than as indicated in Annex 2.2 (the “ANI Detailed Spatial Plan Deadline”).
- (iii) Design Plans and Side Studies. The Company shall prepare the documentation and technical data necessary for preliminary design plans and any side studies required pursuant to Montenegrin law in order to obtain the planning of ANI within the Governmental Detailed Spatial Plan and the expropriatory process for the Associated Network Infrastructures (the “ANI Preliminary Design Plans and Side Studies”) and such preliminary design plans and side studies shall be completed and presented to the relevant authorities no later than as indicated in Annex 2.2 (the “ANI Preliminary Design Plans and Side Studies Deadlines”). The Company shall amend or

supplement such design plans and studies as necessary, from time to time, finally achieving level of main design plans (the “ANI Main Design Plans and Side Studies”), in order to comply with regulatory or legal requirements and in order to facilitate the receipt of any and all necessary governmental approvals, consents or permissions for the construction of the Associated Network Infrastructures, including the ANI Construction Permission.

- (iv) Expropriatory Process. The Company shall prepare expropriatory study/ies based on inputs from the approved Governmental Detailed Spatial Plan including the ANI Preliminary Design Plans and Side Studies and any other information necessary or required under Montenegrin law and practice with respect to the Associated Network Infrastructures and shall submit such study/ies to the relevant authorities in order to ensure that the expropriatory process for the acquisition of all land and related rights necessary for the construction of the Associated Network Infrastructures commences (the “Commencement of ANI Expropriatory Process”). The Company and Montenegro shall use their best efforts to ensure that the entire expropriatory process with respect to the Associated Network Infrastructures shall be completed not later than as indicated in Annex 2.2 (the “ANI Expropriatory Process Completion Deadlines”).

- (v) Procurement of Materials and Labor. The Company shall initiate and complete (by awarding the works and executing binding agreements with the relevant third parties) the process to procure the materials and works for the Company Procurement Works as part of the components and elements of the Associated Network Infrastructures (the “ANI Procurement Process”) no later than as indicated in Annex 2.2 (the “ANI Procurement Process Deadlines”). The Parties agree, that notwithstanding anything to the contrary contained in this Agreement, the ANI Procurement Process Deadlines are established also based on the assumption that the Company and Montenegro Triggering Event will be fully satisfied and fulfilled before the ANI Procurement Process Deadlines. The Parties therefore agree that the ANI Procurement Process shall not be completed by the Company - and the ANI Procurement Process Deadline and all subsequent deadlines applicable to the Company and the Company’s obligations relating thereto, including, without limitation, the ANI Opening of Works Deadline (as defined below) and ANI Commissioning Deadline (as defined below) - shall not start running or, as the case may be, shall be suspended and postponed until the Company and Montenegro Triggering Event has been fully satisfied and fulfilled, provided, however, that (I) if satisfaction or fulfillment of the Company and Montenegro Triggering Event is prevented by a Company’s act or omission, provided that the Company’s act or omission materially contributed to preventing such satisfaction and fulfillment, the triggering event shall be deemed as satisfied and fulfilled and (II) upon full satisfaction and fulfillment of the Company and Montenegro Triggering Event (including pursuant to point (I) above) the ANI Procurement Process Deadlines (and all subsequent deadlines applicable to and the Company’s and Montenegro’s obligations relating thereto, including, without limitation, the ANI Opening of Works Deadline (as defined below) and ANI Commissioning Deadlines (as defined below)) will enter into effect as postponed by adding to each of such original deadlines (as such original deadlines may already have been postponed pursuant to other provisions of this Agreement) the length of the time passed between the

original deadline for the completion of the ANI Procurement Process (as indicated in Annex 2.2) to the date on which the Company and Montenegro Triggering Event has been satisfied and fulfilled (including pursuant to point (I) above).

- (vi) Construction Permission. The Company shall prepare, or arrange for preparation, and submit to the competent Montenegrin authorities the requests and all main design plans, side studies, documentation and technical data required by Montenegrin law for obtaining all the necessary construction permissions, approvals and consents from the relevant authorities, including, in particular, the construction permission from the competent Ministry(ies), for the construction of the Associated Network Infrastructures (the “ANI Construction Permission”) and shall obtain the ANI Construction Permission no later than as indicated in Annex 2.2 (the “ANI Construction Permission Deadlines”).
- (vii) Construction. The Company shall initiate (*i.e.*, shall commence the works and construction activities on-site) the construction of the Associated Network Infrastructures no later than as indicated in Annex 2.2 (the “ANI Opening of Works Deadlines”) and shall complete all necessary construction activities in respect of, and shall commission the Grid Connections, as set forth in Annex 2.5, no later than as indicated on Annex 2.2 (the “ANI Grid Connections Commissioning Deadlines”) and the Tivat/Pljevlja connection, as set forth in Annex 2.5, no later than as indicated on Annex 2.2 (the “Tivat/Pljevlja Commissioning Deadline”) (the ANI Grid Connections Commissioning Deadlines and the Tivat/Pljevlja Commissioning Deadline together being referred to as “ANI Commissioning Deadlines”), provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Parties agree that (x) the construction and realization of the Associated Network Infrastructures shall be subject to and shall not be initiated by the Company (and the ANI Opening of Works Deadlines and ANI Commissioning Deadlines shall be suspended and postponed as indicated below) until the Company and Montenegro Triggering Event has been fully satisfied and fulfilled, provided, further, that (I) if satisfaction or fulfillment of the Company and Montenegro Triggering Event is prevented by a Company’s act or omission, provided that the Company’s act or omission materially contributed to preventing such satisfaction and fulfillment, the triggering event shall be deemed as satisfied and fulfilled, and (II) upon the Company and Montenegro Triggering Event having been fully satisfied and fulfilled (including pursuant to point (I) above), the ANI Opening of Works Deadline and the ANI Commissioning Deadline will enter into effect as postponed by adding to such original deadlines (as such original deadlines may already have been postponed pursuant to other provisions of this Agreement) the amount of time passed from such original deadlines to the date on which the Company and Montenegro Triggering Event has been satisfied and fulfilled (including pursuant to point (I) above); and (y) the ANI Grid Connections Commissioning Deadlines shall be suspended and postponed in accordance with Section 2.2(a)(iv).

ARTICLE III.

PROJECT DEVELOPMENT, CONSTRUCTION, COORDINATION AND OVERSIGHT

Section 3.1. Project Standards, Cooperation and Liabilities.

(a) The Parties agree that the planning, development, designing, engineering, procurement, construction, testing, completion and operation of the New Interconnection by Terna and of the Associated Network Infrastructures by the Company shall conform, comply and satisfy the terms, conditions, methods, techniques, practices and standards imposed or required by (i) all applicable laws and regulations (including relevant permits, concessions and authorizations), (ii) Good Industry Practice and (iii) any other standard, term, condition, requirement specifically provided in this Agreement, including, with respect to (1) the management and procurement of construction services and works (*e.g.*, bid and contracting process, selection and award of the works to contractors, inspection, quality control, testing, start-up and commissioning), (2) the development and implementation of an organization that can effectively manage and perform the tasks of all the different phases (*e.g.*, quality and quantity of staff, systems and procedures), (3) the reliability, efficiency, functioning of the relevant infrastructures and works (4) the full, efficient, economic and safe commercial operation of, with respect to Terna, the New Interconnection, and, with respect to the Company, the Associated Network Infrastructures, and (5) the materials and methods used for the construction of the New Interconnection by Terna and the Associated Network Infrastructures by the Company shall be new and of first-class quality and standard and conform in all material respects with the applicable construction standards promulgated by IEC, CENELEC and CIGRE Recommendation and the International Organization for Standardization (“ISO”), in any case having also regard to CEI and MEST (JUS) standards as applicable to the infrastructures located in the territory of Italy and Montenegro, respectively.

(b) The Parties agree to perform their respective activities indicated in Article II hereto under their exclusive responsibility and to cooperate with each other while performing such activities. To this end, the Parties undertake to provide each other with all necessary and reasonable data, documentation, or other information pertaining to their areas of responsibility and with respect to the technical details of the electrical systems or materials required for the realization of the New Interconnection and the Associated Network Infrastructures and to discuss, and do their best effort to agree, in good faith, any technical issue or problem that may arise during the development of the New Interconnection and the Associated Network Infrastructures. Each Party will ensure that the technical characteristics of the infrastructures and works with respect to which they are responsible under this Agreement shall be fully consistent with the characteristics set forth in Annexes 2.1 and 2.2.

Section 3.2. Composition and Roles of the Coordination Committee.

(a) For purposes of facilitating the coordination and the timely and efficient realization of the various elements of the New Interconnection by Terna and the Associated Network Infrastructures by the Company and the fulfillment of the project goals and deadlines set forth in Article II, the Parties agree to establish a committee (the “Coordination Committee”) that shall be composed of three members appointed by Terna (who may be selected also among the directors of the Company designated by Terna pursuant to the Shareholders’ Agreement), three members appointed by the Company and two members appointed by the Ministry of Montenegro responsible for the economic and energy matters and the Ministry of Montenegro responsible for spatial planning and environmental matters, respectively.

(b) The Coordination Committee shall be tasked with assisting, supporting and monitoring the operational and technical commitments undertaken by the Parties in this

Agreement and facilitate the coordination of the different infrastructures, including (i) the exchange and flow of information between Terna and the Company, as contemplated in this Agreement, (ii) the specific coordination of the Parties with respect to the aspects of the New Interconnection and the Associated Network Infrastructures (*e.g.*, the location of the Montenegrin Landing Point and the Montenegrin AC/DC Station) that will necessitate active cooperation and joint planning, (iii) monitoring the status and advancement of the various projects related to the New Interconnection and the Associated Network Infrastructures, (iv) making non-binding proposal to modify any intermediate milestones, sub-milestones or the related deadlines associated therewith, and (v) making non-binding proposal to resolve any problems or issues concerning the planning, construction or implementation of any of the components of the New Interconnection and the Associated Network Infrastructures. The Parties acknowledge and agree that the Coordination Committee shall have no authority or powers to make decisions binding upon the Parties but shall be entitled to issue recommendations, proposals and/or observations to the Parties and provide support and assistance to them in connection with the development of the New Interconnection and the Associated Network Infrastructures and shall have consultative and coordinating purposes.

(c) Beginning with the month following the execution of this Agreement, the Coordination Committee shall meet in person or telephonically at least once every month to discuss the items set forth in Section 3.2(b) and any other issues relating to the coordination of the construction and implementation of the New Interconnection and the Associated Network Infrastructures. Either Terna or the Company may request additional meetings of the Coordination Committee with reasonable advance notice.

(d) A minutes of each meeting of the Coordination Committee shall be prepared and circulated to all the other members of the Coordination Committee for their approval. The language of the meeting of the Coordination Committee and of the minutes of the meeting shall be the English language.

(e) A quorum consisting of at least one member appointed by Terna and one member appointed by the Company shall be necessary for a valid meeting of the Coordination Committee. The Coordination Committee shall rule by unanimous consent of all members present.

(f) The Coordination Committee has, and shall have, no authority to direct or relieve any of the Parties from its duties, obligations or liabilities under this Agreement nor to increase, decrease or otherwise alter the Parties' respective rights and obligations hereunder. The recommendations, proposals and/or observations of the Coordination Committee shall not bind any of the Parties and neither Party shall be entitled to claim any extension of time based on them.

(g) For illustrative purpose only, an overall project plan for the New Interconnection, the Associated Network Infrastructures and the Additional Network Infrastructures in Gantt diagram format is attached as Annex 2.4.

Section 3.3. Additional Network Infrastructures.

(a) In accordance with the provisions of Section 1.3(e), in the event that any of the Additional Network Infrastructures are developed by the Company as public infrastructure

(and not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), the Parties agree that the provisions of Sections 3.1 and 3.2 and 3.3(c) shall apply *mutatis mutandis* to the planning, development, designing, engineering, procurement, construction, testing, completion and operation of such Additional Network Infrastructures and the Coordination Committee established pursuant to Section 3.2 shall also assist, support, monitor and coordinate the timely and efficient realization of the various elements of the New Interconnection and the Associated Network Infrastructures with the various elements of the Additional Network Infrastructures. Furthermore, in the event that one of the Additional Network Infrastructures are developed by the Company and the transmission system operator of the neighboring country as public infrastructures (*i.e.*, not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), the Parties agree that, subject to the transmission system operator/independent system operator from the relevant neighboring country agreeing to it, Terna may elect, at its sole discretion, to be a party to the relevant TSO Binding Agreement (for the avoidance of doubt, such election to be made only prior to the signing of the Binding TSO Agreement), and, should Terna decide not to be a party to it, the Company agrees that with reasonable advance before entering into any TSO Binding Agreement and any other agreement or arrangement with the transmission system operator/independent system operator from the relevant neighboring country relating to the development and construction of such Additional Network Infrastructures, it shall inform and consult with Terna and take into reasonable consideration Terna’s comments, suggestions and/or recommendations.

(b) The Company shall do its best efforts to ensure that a TSO Binding Agreement with one of the neighboring transmission system operators/independent system operator with respect to the development and construction of at least one of the Additional Network Infrastructures is executed within the deadline indicated in Annex 2.3 (the “TSO Binding Agreement Deadline”), provided, however, that (i), without prejudice to Terna’s right to terminate the Agreement pursuant to Section 5.3(a)(ii) the Company shall not be liable to Terna if the TSO Binding Agreement is not executed by the TSO Binding Agreement Deadline or at a later date as a result of unwillingness of the neighboring transmission system operators/independent system operator to execute such agreement and (ii) the Company shall continue pursue in good faith the execution of such TSO Binding Agreement with the transmission system operators/independent system operator of the neighboring country.

(c) Moreover, in the event that any of the Additional Network Infrastructures are developed by the Company and the transmission system operator of neighboring country as public infrastructure (not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), and subject to the execution of a TSO Binding Agreement, the Parties further agree, each in its respective capacity, to use their best efforts to ensure that the intermediate milestones and sub-milestones indicated below are fulfilled and incorporated in all material respects into other future agreement(s) (including any Additional Network Infrastructure Project Coordination Agreement, if any) concerning the construction of any Additional Network Infrastructure that may be possibly entered among the relevant parties and, without prejudice to the provisions of Sections 3.3(d) and 3.3(e), that such intermediate milestones and sub-milestones shall be accomplished no later than the corresponding deadlines for such milestones and sub-milestones indicated below:

- (i) Planning of Additional Network Infrastructures within the Governmental Detailed Spatial Plan. The Additional Network Infrastructures should be planned within the

detailed spatial plan and such Additional NI Detailed Spatial Plan should be formally approved and adopted by the competent Ministry(ies) of Montenegro no later than as indicatively indicated in Annex 2.3.

- (ii) Design Plans and Side Studies. The documentation and technical data necessary for any preliminary design plans and any side studies required pursuant to Montenegrin law in order to obtain the planning of Additional NI within the Governmental Detailed Spatial Plan and the expropriatory process for the Additional Network Infrastructure(s) (the “Additional NI Preliminary Plans and Side Studies”) (as well as any amendments or supplements to such design plans and studies necessary to comply with regulatory or legal requirements and to achieve level of main design plans (the “Additional NI Main Plans and Side Studies”) in order to facilitate the receipt of any and all necessary governmental approvals, consents or permissions for the construction of the Additional Network Infrastructure(s)) should be prepared and such design plans and side studies should be completed and submitted to the relevant authorities no later than as indicatively indicated in Annex 2.3.
- (iii) Expropriatory Process. If required, an expropriatory study based on inputs from the Additional NI Detailed Spatial Plan described in clause (i) above, the Additional NI Preliminary Designs and Side Studies described in clause (ii) above, and any other information necessary or required under Montenegrin law and practice with respect to any Additional Network Infrastructure should be prepared and submitted to the relevant authorities in order to ensure that the expropriatory process for the acquisition of all land and related rights necessary for the construction of the Additional Network Infrastructure(s) begins no later than as indicatively indicated on Annex 2.3 . The full approval and adoption of this expropriatory study by the relevant authorities and the entire expropriatory process with respect to the Additional Network Infrastructure(s) should be completed no later than as indicatively indicated on Annex 2.3.
- (iv) Procurement of Materials and Labor. The process to procure the materials and works for, and any necessary labor for, the construction of the Additional Network Infrastructure(s) should be initiated and completed (by awarding the works and executing binding agreements with the relevant third parties in respect thereto) no later than as indicatively indicated in Annex 2.3.
- (v) Construction Permission. The necessary construction permissions, approvals and consents from the relevant authorities, including, in particular, the construction permission from the competent Ministry(ies) of Montenegro, for the construction of the Additional Network Infrastructures (the “Additional NI Construction Permission”) should be obtained no later than as indicatively indicated in Annex 2.3.
- (vi) Construction - Opening of Works. The construction process should be initiated (opening of the works and construction activities on site) no later than as indicatively indicated in Annex 2.3.

(d) Without prejudice to the provisions of paragraph (f) below, the Company shall complete all necessary construction activities related to, and shall commission, the Additional Network Infrastructure(s) as set forth in Annex 2.5 no later than the Additional NI

Commissioning Deadline, provided that a TSO Binding Agreement concerning the development and construction of one of the Additional Network Infrastructures has been executed no later than TSO Binding Agreement Deadline, provided further that if the TSO Binding Agreement is executed after the TSO Binding Agreement Deadline, the Additional Network Infrastructures Commissioning Status shall occur no later than 36 months after the execution of the TSO Binding Agreement.

(e) Without prejudice to the provisions of paragraph (f) below and Section 5.3(a)(ii), the Parties acknowledge and agree that (i) in the event that a TSO Binding Agreement has not been executed by the TSO Binding Agreement Deadline, the indicative deadlines set forth in Annex 2.3 with respect to the items 3.3(c)(i)-(vi) and 3.3 (d) shall be suspended and postponed accordingly and will enter into effect as postponed by adding to each of such original indicative deadline the length of the time passed between the TSO Binding Agreement Deadline and the date of execution of the TSO Binding Agreement.

(f) The Parties acknowledge and agree that in the event that a TSO Binding Agreement has not been executed by December 1, 2011(the “TSO Binding Agreement Final Deadline”), the provisions of Section 5.3(a)(ii) of this Agreement shall apply.

Section 3.4. Adjustment of Capex.

Without prejudice to the provisions of Section 1.2(c), the capital expenditures relating to the Associated Network Infrastructures and possible changes to the Initial Associated Network Infrastructures CAPEX Estimate shall be made consistent with the budget and Business Plan of the Company in force from time to time.

Section 3.5. Authorizations, Permits and Cooperation.

The Company shall periodically inform Terna as to the status of the necessary authorizations and permits (including the ANI, the Montenegrin NI and Additional NI Construction Permission) and expropriation process relating to the construction and operation of the Associated Network Infrastructures, the Montenegrin NI Portion and the Additional Network Infrastructures.

Section 3.6. Contractors and Compensation; Liabilities of the Parties.

(a) The Parties agree that the selection of the contractors, subcontractors, services providers and suppliers by Terna with respect to the different activities and works related to the New Interconnection and by the Company with respect to the different activities and works related to the Associated Network Infrastructures shall be made in accordance with applicable laws and ensuring that they possess high level of skill, care diligence, knowledge and expertise required and in accordance with Good Industry Practice. Each Party shall be exclusively responsible vis-à-vis such contractors, subcontractors, services providers and suppliers for the fulfillment of the obligations (and, in particular, payment obligation) set forth in the relevant contracts entered with them and for the management of such contracts and counterparts. Each Party shall be fully responsible for the delays caused or attributable to its contractors, subcontractors, services providers and suppliers except as otherwise expressly provided hereunder.

(b) Each Party shall be solely responsible for any and all damages, losses, costs, claims and expenses, excluding, however, any consequential damages or loss of profits of indemnified Party (“Losses”) to the other Party and to third parties arising from or in connection with (i) any acts, defaults, omissions, works or activities performed by such Party or any of its officers, directors, employees, representatives, agents, contractors, subcontractors or services providers in connection with this Agreement (without prejudice to the rights each Party may have against any such third party entities or persons) and (ii) any violation by such Party or any of its officers, directors, employees, representatives, agents, contractors, subcontractors or services providers of applicable law, regulations, permits, concessions or authorizations.

(c) To the extent any Party suffers any Losses (such Party, an “Indemnified Party”) arising from or in connection with the acts, defaults, omissions, works or activities of any other Party (an “Indemnifying Party”) and for which such Indemnifying Party is solely responsible pursuant to Section 3.6(b) above, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party for any and all such Losses.

(d) The Parties shall act in good faith to mitigate any Losses indemnifiable to them pursuant to this Agreement.

Section 3.7. Future Commercial Agreement(s) and Commercial Operation.

Without prejudice to the provisions of the next paragraph, Terna and the Company agree to use their best effort to execute commercial agreement(s) which shall, *inter alia*, regulate the matters set forth in further details in Annex 4 in line with the contents of the same Annex 4.

The Parties agree that the New Interconnection will be put into commercial operation once Terna and the Company will have executed commercial agreement related to the New Interconnection transfer capacity allocation, based on the agreements and arrangements between the competent authorities of Italy and Montenegro and based on the split of capacity and relevant revenues distribution as set forth in the Intergovernmental Agreement (*i.e.*, 80% Terna, 20% Company in the course of the first 40 years from the commencement of commercial operation of New Interconnection and thereafter in accordance with the agreement of Terna and CGES), unless different agreements are reached among the competent authorities of Italy and Montenegro.

ARTICLE IV.

KIND OF DELAYS, JUSTIFIED DELAYS AND REMEDIES

Section 4.1. Purpose of Remedial Measures.

The Parties agree that the timely and efficient completion of the New Interconnection by Terna and of the Associated Network Infrastructures and, in the event that any of the Additional Network Infrastructures are developed by the Company as public infrastructure (and not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), of at least one of the Additional Network Infrastructures by the Company are necessary for the proper realization of the Strategic Partnership and to justify the considerable investments being undertaken by Terna and the Company. To this end, the Parties agree that the measures set forth in this Article IV (collectively, the “Remedial Measures”) are necessary in order to ensure the successful and timely completion and

commissioning of the New Interconnection, the Associated Network Infrastructures and, in the event that any of the Additional Network Infrastructures are developed by the Company as public infrastructure (and not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), at least one of the Additional Network Infrastructures no later than June 30, 2014 (other than the Pljevlja-Tivat/Kotor Transmission Line which shall be completed and commissioned by the Company prior to October 31, 2015) by enforcing the deadlines relating to the intermediate milestones and sub-milestones set forth in Article II hereof.

Section 4.2. Missed Deadlines.

(a) Unless otherwise modified by Terna and the Company, if Terna fails to meet any of the following deadlines, other than for a reason representing a Justifiable Delay Event, each such deadline will constitute an “NI Level 1 Missed Deadline”:

- (i) the Italian NI Authorization Deadline;
- (ii) the NI Procurement Process Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(ii)); provided, however, that such deadlines shall never constitute a NI Level 1 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless all of the Terna Procurement Triggering Events have been fully satisfied and fulfilled (including pursuant to Section 2.2(a)(ii)(I)) and Terna fails to meet the NI Procurement Process Deadlines as suspended and postponed pursuant to the provisions of Section 2.2(a)(ii);
- (iii) the NI Opening of Works Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(iii) or Section 2.2(a)(iv)); provided, however, that such deadline shall not constitute a NI Level 1 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless all of the Terna Procurement Triggering Events and all of the Terna Construction Triggering Events have been fully satisfied and fulfilled (including pursuant to Section 2.2(a)(ii)(I) and Section 2.2(a)(iii)(A)(I), respectively) and Terna fails to meet the NI Opening of Works Deadlines as suspended and postponed pursuant to the provisions of Section 2.2(a)(iii) or Section 2.2(a)(iv).

(b) Unless otherwise modified by Terna and the Company, if Terna fails to meet, other than for a reason representing a Justifiable Delay Event the following deadline, such deadline will constitute an “NI Level 2 Missed Deadline”:

- (i) the NI Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Sections 2.2(a)(ii) 2.2(a)(iii) or Section 2.2(a)(iv)); provided, however, that such deadline shall not constitute a NI Level 2 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless all of the Terna Procurement Triggering Events and all of the Terna Construction Triggering Events have been fully satisfied and fulfilled (including pursuant to Section 2.2(a)(ii)(I) and Section 2.2(a)(iii)(A)(I)) and Terna fails to meet the NI Commissioning Deadline as suspended and postponed pursuant to the provisions of Section 2.2(a)(ii), Section 2.2(a)(iii) or Section 2.2(a)(iv)(3); provided, further, that such deadline shall not constitute a NI Level 2 Missed

Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) to the extent that the commissioning process for the Grid Connections has not been fully and successfully concluded and all NI Commissioning Conditions have been fully satisfied and fulfilled (including pursuant to Section 2.2(a)(iii)(B)(2)).

(c) Unless otherwise modified by Terna and the Company, if the Company and/or Montenegro fails to meet, other than for a reason representing a Justifiable Delay Event, any of the following deadlines in relation to any of the single infrastructures composing the ANI, as described in Section 1.2 (a), each such deadline will constitute an “ANI Level 1 Missed Deadline”:

- (i) the ANI Detailed Spatial Plan Deadline;
- (ii) the ANI Preliminary Design Plans and Side Studies Deadlines;
- (iii) the ANI Expropriatory Process Completion Deadlines;
- (iv) the ANI Procurement Process Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2(b)(v)); provided, however, that such deadlines shall never constitute an ANI Level 1 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless the Company and Montenegro Triggering Event has been fully satisfied and fulfilled (including pursuant to Section 2.2(b)(v)(I)) and the Company fails to meet the ANI Procurement Process Deadlines as suspended and postponed pursuant to the provisions of Section 2.2(b)(v);
- (v) the ANI Construction Permission Deadlines; and
- (vi) the ANI Opening of Works Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2(b)(vii) or Section 2.2(a)(iv)); provided, however, that such deadlines shall never constitute an ANI Level 1 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless the Company and Montenegro Triggering Event has been fully satisfied and fulfilled (including pursuant to Section 2.2(b)(vii)(I)) and the Company fails to meet the ANI Opening of Works Deadlines as suspended and postponed pursuant to the provisions of Section 2.2(b)(vii) or Section 2.2(a)(iv).

(d) Unless otherwise modified by Terna and the Company, if the Company fails to meet, other than for a reason representing a Justifiable Delay Event, any of the following deadlines in relation to any of the single infrastructures composing the ANI, as described in Section 1.2 (a), each such deadline will constitute an “ANI Level 2 Missed Deadline”:

- (i) the ANI Grid Connections Commissioning Deadlines (as possibly suspended and postponed pursuant to the provisions of Section 2.2(b)(vii) or Section 2.2(a)(iv)); provided, however, that such deadlines shall never constitute an ANI Level 2 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless the Company and Montenegro Triggering Event has been fully satisfied and fulfilled (including pursuant to Section

2.2(b)(vii)(I) and the Company fails to meet the Grid Connections Commissioning Deadlines as suspended and postponed pursuant to the provisions of Section 2.2(b)(vii) or Section 2.2(a)(iv);

- (ii) the Tivat/Pljevlja Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(b)(vii)); provided, however, that such deadlines shall never constitute an ANI Level 2 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V, or any other fault) unless the Company and Montenegro Triggering Event has been fully satisfied and fulfilled (including pursuant to Section 2.2(b)(vii)(I) and the Company fails to meet the Tivat/Pljevlja Commissioning Deadline as suspended and postponed pursuant to the provisions of Section 2.2(b)(vii).

(e) Unless otherwise modified by Terna and the Company, if any of the following deadlines are not met, other than for a reason representing a Justifiable Delay Event, each such deadline will constitute a “Montenegrin NI Portion Level 1 Missed Deadline”:

- (i) the Montenegrin NI Portion planning within Detailed Spatial Plan Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(I)(2));
- (ii) the Montenegrin NI Portion Land Rights Process Deadline; and
- (iii) the Montenegrin NI Portion Construction Permission Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(IV)(2)).

(f) In the event one of the Additional Network Infrastructures is developed by the Company as public infrastructure (and not as “private interconnector” in accordance with Electricity Regulations 714/2009 and 1228/2003), unless otherwise modified by the Parties, if the completion of the construction activities and the commissioning of at least one of the Additional Network Infrastructures as set forth in Annex 2.5 does not occur (i) if a TSO Binding Agreement has been executed within the TSO Binding Agreement Deadline, by the Additional NI Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(iv)), or (ii) if the TSO Binding Agreement is executed after the TSO Binding Agreement Deadline, within 36 months after the execution of the TSO Binding Agreement, each such failure to meet the above deadlines will constitute an “Additional Network Infrastructure Level 2 Missed Deadline” on the part of the Company.

Notwithstanding the above and any other provision to the contrary in this Agreement, the Parties agree that if the Company fails to complete the construction and commission at least one of the Additional Network Infrastructures as set forth in Annex 2.5 (i) by the Additional NI Commissioning Deadline (as possibly suspended and postponed pursuant to the provisions of Section 2.2(a)(iv)) as a result of a TSO Binding Agreement concerning the development and construction of at least one of the Additional Network Infrastructures among the Company and the transmission system operator/independent system operator of the relevant neighboring country not having being executed within the TSO Binding Agreement Deadline, this missed deadline shall not constitute an Additional Network Infrastructure Level 2 Missed Deadline (or any missed deadline, an event triggering any termination right pursuant to Article V other than a termination pursuant to Section 5.3, or any other fault).

Section 4.3. Remedial Measures for Level 1 Missed Deadlines.

(a) Without prejudice to the provisions of Article V, in the event that Terna has missed a NI Level 1 Missed Deadline, Terna shall have 20 Business Days after notice thereof from the Company to complete the intermediate milestone and/or sub-milestone associated with such deadline and to this end Terna shall propose a comprehensive and detailed recovery plan with the proposal to accelerate its activities for the purpose of overcoming the relevant delay and meet and satisfy the relevant NI Opening of Works Deadlines and NI Commissioning Deadline and, thereafter, to take the necessary steps consistent with this plan.

(b) Without prejudice to the provisions of Article V, in the event that the Company and/or, as the case may be, Montenegro has missed an ANI Level 1 Missed Deadline or a Montenegrin NI Portion Level 1 Missed Deadline, the Company and/or, as the case may be, Montenegro shall have 20 Business Days after notice thereof from Terna to complete the intermediate milestone and/or sub-milestone associated with such deadline and to this end the Company shall propose a comprehensive and detailed recovery plan with the proposal to accelerate its activities for the purpose of overcoming the relevant delay and meet and satisfy the relevant ANI Opening of Works Deadlines and ANI Commissioning Deadlines or the relevant Montenegrin NI Portion Level 1 Missed Deadlines and, thereafter, to take the necessary steps consistent with this plan.

Section 4.4. Remedial Measures for Level 2 Missed Deadlines.

(a) Without prejudice to the provisions of Article V, in the event that Terna has missed a NI Level 2 Missed Deadline, Terna shall have 12 full weeks after notice thereof from the Company to complete the milestone associated with such deadline (the “NI Level 2 Deadline Cure Period”) and to this end Terna shall propose a comprehensive and detailed recovery plan with the proposal to accelerate its activities for the purpose of overcoming the relevant delay and meet and satisfy the NI Commissioning Deadline and, thereafter, to take the necessary steps consistent with this plan. If Terna is unable to satisfactorily complete the milestone by the end of the NI Level 2 Deadline Cure Period, Terna shall pay, upon request, to the Company an amount in liquidated damages for every full month of delay subsequent to the expiration of the cure period equal to Euro [OMISSIS]. The sum specified in this provision represents an agreed estimate of losses likely to be suffered by the Company in the event of delay in achieving the relevant deadline and is not a penalty. For the avoidance of doubt, the Parties agree that for the purpose of this sub-clause (a) of Section 4.4, liquidated damages will not be payable for any commenced month of delay, if the relevant milestone is completed within that month.

Notwithstanding the foregoing, the aggregate amount of liquidated damages payable pursuant to this Section 4.4 (a) shall not exceed [OMISSIS] (the “NI Commissioning Level 2 Missed Deadline Cap”).

(b) Without prejudice to the provisions of Article V, in the event that the Company has missed an ANI Level 2 Missed Deadline, the Company shall have 12 full weeks after notice thereof from Terna to complete the milestones (as the case may be) associated with such deadline (the “ANI Level 2 Deadline Cure Period”) and to this end the Company shall propose

a comprehensive and detailed recovery plan with the proposal to accelerate its activities for the purpose of overcoming the relevant delay and meet and satisfy the ANI Commissioning Deadlines and, thereafter, to take the necessary steps consistent with this plan.

- (i) If the Company is unable to satisfactorily complete the milestone by the end of the ANI Level 2 Deadline Cure Period, the Company shall pay, upon request, to Terna an amount in liquidated damages for every full month of delay subsequent to the expiration of the cure period equal to € [OMISSIS], in case of ANI Grid Connections Commissioning Deadlines, and € [OMISSIS] in case of Tivat/Pljevlja Commissioning Deadlines, save with respect to, and to the extent of, the amount of liquidated damages payable by Montenegro pursuant to item (ii) below.
- (ii) If the Company is unable to satisfactorily complete the relevant milestone by the end of the ANI Level 2 Deadline Cure Period and the relevant ANI Construction Permission Deadline (ANI Construction Permission Deadlines being for the purpose of this Section 4.4 (b)(ii) referred to as “Montenegro Deadlines”) had not been previously met for any reason whatsoever (including, in whole or in part, for any breach, action or omission by the Company, non-fulfillment or delays by the same Company of any prior or subsequent deadline or of any covenant or best effort commitment contained in this Agreement, or, in any event, for any reason however attributable or imputable to the Company or to any third party) – and, therefore, regardless of the actual cause and basis of such failure - , Montenegro shall pay, upon request, to Terna an amount in liquidated damages equal to (1) € [OMISSIS], for every full month of delay subsequent to the expiration of the cure period applying to the relevant ANI Grid Connections Commissioning Deadlines, and (2) € [OMISSIS] for every full month of delay subsequent to the expiration of the cure period applying to the Tivat/Pljevlja Commissioning Deadline, it being understood that the amount(s) to be paid by Montenegro under this paragraph shall be calculated, separately for each infrastructure composing the Associated Network Infrastructures, by multiplying the abovementioned amounts with the number of full months passed from the Montenegro Deadline relating to the relevant infrastructure to the actual date on which the relevant ANI Construction Permission has been finally obtained, all the above, regardless of the actual cause and reason for which the ANI Level 2 Missed Deadline has not been met (including, if it has not been met, in whole or in part, for any breach, action or omission by the Company, non-fulfillment or delays by the same Company of any prior or subsequent deadline or of any covenant or best effort commitment contained in this Agreement, or, in any event, for any reason however attributable or imputable to the Company or to any third party), it being understood that the Company shall pay the amount in liquidated damages equal to € [OMISSIS], in case of ANI Grid Connections Commissioning Deadlines, and € [OMISSIS] in case of Tivat/Pljevlja Commissioning Deadlines for every full month of delay exceeding the delay attributable pursuant to this paragraph to and paid by Montenegro.

The respective sums specified in this provision represents an agreed estimate of losses likely to be suffered by Terna in the event of delay in achieving the relevant deadline and is not a penalty. For the avoidance of doubt, the Parties agree that for the purpose of this sub-clause (b) of Section 4.4, liquidated damages will not be payable for any commenced month of delay, if the relevant milestone is completed within that month.

Notwithstanding the foregoing, the aggregate amount of liquidated damages payable pursuant to this Section 4.4 (b) shall not exceed € [OMISSIS] in case of ANI Grid Connections Commissioning Deadlines, and € [OMISSIS] in case of Tivat/Pljevlja Commissioning Deadline (in each case, the “ANI Commissioning Level 2 Missed Deadline Cap”).

(c) In the event that the Company has missed an Additional Network Infrastructure Level 2 Deadline, the Company shall have 12 full weeks after notice thereof from Terna to complete the milestone associated with such deadline. If the Company is unable to satisfactorily complete the milestone by the end of the above remedy period, the Company shall pay, upon request, to Terna an amount in liquidated damages for every full month of delay subsequent to the above cure period that the milestone remains unattained equal to € [OMISSIS]. The sum specified in this provision represents an agreed estimate of losses likely to be suffered by Terna in the event of delay in achieving the relevant deadline and is not a penalty. For the avoidance of doubt, the Parties agree that for the purpose of this sub-clause (c) of Section 4.4, liquidated damages will not be payable for any commenced month of delay, if the relevant milestone is completed within that month.

Notwithstanding the foregoing, the aggregate amount of liquidated damages payable pursuant to this Section 4.4 (c) shall not exceed € [OMISSIS].

Section 4.5. Other Remedial Measures.

The Parties acknowledge and agree that the remedies indicated in Sections 4.3 and 4.4 above, including, in particular, the payment of any amounts set forth in Section 4.4, shall not relieve the defaulting Party from its obligations to carry out and complete its portion of the New Interconnection, Associated Network Infrastructures, or Additional Network Infrastructures (as the case may be) or from any other of its obligations and liabilities (including indemnification obligations and liabilities for breaches) under this Agreement and applicable law and shall be without prejudice to any other rights, powers, remedies or actions the non-defaulting Party may have under this Agreement, the Shareholders’ Agreement, applicable law or otherwise, provided, however, that without prejudice to the provisions set forth in Sections 4.4, 5.2 (c), (d), (e) and (f) below, any amount of damages to which an indemnified party may be entitled to shall always include the total amount of liquidated damages payable by the indemnifying party pursuant to Section 4.4, and further provided that no Party shall in any event be liable to the other Party(ies) for lost profits or consequential damages.

Section 4.6. Force Majeure Events and Justifiable Delays.

(a) The Parties agree that any material and adverse event occurring after the date hereof that is not directly or indirectly imputable to a Party which invokes it (or its officers, employees, constructors, subcontractors, service providers, etc.), was unforeseen at the time of the execution of this Agreement, whose occurrence and effects are not controllable by such Party and beyond its reasonable control, could not be avoided or prevented by the affected Party, and which prevents such Party from fulfilling its contractual obligations under this Agreement shall be deemed a “Force Majeure Event.” For illustrative purposes, Force Majeure Events include, but are not limited to, the following: (i) earthquakes, (ii) volcanic eruptions, (iii) waterspouts, (iv) tornados, (v) acts of war, (vi) acts of terrorism, (vii) acts of sabotage, or (viii) national or local industrial labor strikes, each having a significant impact on the performance of one or more of the obligations set forth in this Agreement; provided,

however, that the Parties agree that the following shall not constitute a Force Majeure Event (1) any event which arises or has arisen as a result of a breach, negligent act or omission of the Party affected, (2) labor strikes specific to the business of Terna or the Company (or their contractors, subcontractors, services providers, etc.), (3) change of applicable law unless such change is expressly and compulsorily required by EU law, (4) with respect to Terna only, failure to obtain Italian NI Authorization, and (5) with respect to the Company and Montenegro only, failure to obtain the ANI Construction Permission(s), or any other necessary approvals, authorizations or consents required to construct the Associated Network Infrastructures or the Additional Network Infrastructures.

(b) Any Party intending to invoke a Justifiable Delay Event to excuse its delayed completion or non-performance of an intermediate milestone or sub-milestone (or any other contractual obligation under this Agreement) must immediately notify each other Party of the occurrence of the Justifiable Delay Event and must produce within 25 Business Days all necessary evidence to document the occurrence of the Justifiable Delay Event, its estimated duration and the proposed measures the affected Party shall take in order to mitigate or obviate the effects of such events.

(c) Each of the Parties agrees to use its best efforts to minimize and, to the extent possible, overcome the consequences of the Justifiable Delay Event within the most reasonable period of time possible.

(d) Any Party that properly notifies the other Parties of the existence of a Justifiable Delay Event shall be excused from the performance of its contractual obligations for so long as the Justifiable Delay Event actually materially impairs such Party's ability to perform its contractual obligations under this Agreement. However, any Party affected by a Justifiable Delay Event shall not be excused from any of its other contractual obligations that are not materially impacted by such Justifiable Delay Event and any Justifiable Delay Event shall not be applicable to any deadlines or milestones not actually materially impacted by such event and the Party invoking a Justifiable Delay shall remain obligated to perform those obligations which are not actually impaired by such event.

(e) To the extent a Party has incurred a Justifiable Delay with respect to any deadline or milestone listed in Article II hereof, such Party shall not be subject to the Remedial Measures set forth in this Article IV for failing to meet such deadline or milestone for so long as (1) the Justifiable Delay Event has an actual material effect on such delay, (2) the circumstances of the Justifiable Delay Event shall not have arisen, whether in whole or in part, by some default, omission or neglect by the Party claiming the relief (for this purpose, the Company and Montenegro shall be deemed a single party), and (3) the Party claiming the relief shall have given the other the notice pursuant to Section 4.6(b) and shall have used all reasonable endeavors to minimize the effect of the circumstances giving to the Justifiable Delay Event. Once a Justified Delay has ended, a Party shall propose a comprehensive and detailed recovery plan with the proposal to accelerate its activities for the purpose of overcoming the relevant delays and to meet and satisfy the applicable deadlines for the completion of the construction and commissioning of the relevant infrastructure and, thereafter, to take the necessary steps consistent with this plan and shall be once again subject to the Remedial Measures set forth in this Article IV for any missed deadlines or uncompleted milestones; it being understood that any applicable deadlines shall be adjusted by adding to the original dates of such deadlines the amount of time equal to the length of the Justifiable Delay.

ARTICLE V.

TERMINATION

Section 5.1. General Termination.

This Agreement shall continue in full force and effect and shall terminate: (i) by written agreement of the Parties hereto, or (ii) forthwith upon written notice by Terna or the Company (as the case may be), at such time when an effective, binding and final order being made for the liquidation, bankruptcy, insolvency or other equivalent or analogous proceedings of Terna or the Company, other than to effect a scheme of *in bonis* reorganization, reconstruction or amalgamation; save for any of its provisions which are expressed to come into effect or continue in force after termination.

Section 5.2. Termination with Accountability.

[OMISSIS]

then the Company, shall be entitled to forthwith terminate the Agreement by written notice to Terna.

[OMISSIS]

[OMISSIS]

then Terna shall be entitled to forthwith terminate the Agreement by written notice to the Company and Montenegro.

(c) If the Company terminates the Agreement pursuant to Section 5.2(a) above, the Company, shall be entitled to receive and recover from Terna:

- (i) all costs, expenses and losses reasonably incurred by the Company for the planning, development, designing, engineering, procurement and construction of the Associated Network Infrastructures only after the date hereof;
- (ii) all costs, expenses and losses reasonably incurred by the Company for the planning, development, designing, engineering, procurement and construction of the Additional Network Infrastructure(s), if any;
- (iii) all costs, expenses and losses (1) for materials, goods, services or works ordered and of which the Company is legally liable to accept delivery or pay damages in the event of failure to accept delivery, and/or (2) of canceling and/or terminating any contract or arrangement with contractors, subcontractors, suppliers of materials and goods, service providers or, however, relating to the performance of works and incurred by the Company as a result of the termination, provided that the Company actually cancels and terminates such contracts and arrangements, in all cases relating to the Associated Network Infrastructures and the Additional Network Infrastructure(s), the above costs, expenses and losses to be determined without double counting;
- (iv) the amount of any other expenditure which in the circumstances was reasonably incurred by the Company in the expectation of completing the Associated Network Infrastructures and the Additional Network Infrastructure(s);
- (v) the liquidated damages accrued and payable as of the date of termination (if any) pursuant to Section 4.4(a); and
- (vi) any other damages suffered or incurred by the Company as a result of termination of this Agreement,

less:

- (I) any insurance proceeds received as a result of termination of this Agreement, reduced for any insurance premiums paid to obtain and maintain such insurance; and
- (II) the proceeds received from terminating any hedging or similar arrangements entered into in connection with the projects or the financing of the projects contemplated by this Agreement,

((I) and (II) being “**Permissible Deductions**”) actually received by the Company and/or Montenegro.

(d) If Terna terminates the Agreement pursuant to Section 5.2(b) (i)-(iii) above, Terna shall be entitled to receive and recover from the Company and Montenegro (on a joint and several basis):

- (i) all costs, expenses and losses reasonably incurred by Terna and its Affiliates for the planning, development, designing, engineering, procurement and construction of the New Interconnection after the date hereof;
- (ii) (1) all costs, expenses and losses reasonably incurred by Terna and its Affiliates for the planning, development, designing, engineering, procurement and construction of the Additional Network Infrastructure(s), if any, if such infrastructure is planned and developed as “private interconnection” and (2) all costs, expenses and losses reasonably incurred by Terna and its Affiliates for the planning, development, designing, engineering, procurement and construction of the Additional Network Infrastructure(s), if any, if such activities are requested by CGES or Montenegro;
- (iii) all costs, expenses and losses (1) for materials, goods, services or works ordered and of which Terna and/or its Affiliates are legally liable to accept delivery or pay damages in the event of failure to accept delivery, and (2) of canceling and/or terminating any contract or arrangement with contractors, subcontractors, suppliers of materials and goods, service providers or, however, relating to the performance of works and incurred by Terna and/or its Affiliates as a result of the termination, provided that Terna and/or its Affiliates actually cancel and terminate such contracts and arrangements, in all cases relating to the New Interconnection and the Additional Network Infrastructure(s), the above costs, expenses and losses to be determined without double counting;
- (iv) the amount of any other expenditure which in the circumstances was reasonably incurred by Terna and/or its Affiliates in the expectation of completing the New Interconnection and the Additional Network Infrastructure(s);
- (v) the liquidated damages accrued and payable as of the date of termination (if any) pursuant to Section 4.4(b) and (c);
- (vi) reasonable costs and expenses of repatriation of Terna’s and Terna Affiliates’ personnel and of the contractors’ and subcontractors’ staff and workmen employed in connection with the New Interconnection and the Additional Network Infrastructure(s) as of the date of termination; and

- (vii) any other damages suffered or incurred by Terna as a result of termination of this Agreement,

less any Permissible Deductions actually received by Terna.

(e) If Terna terminates the Agreement pursuant to Section 5.2(b) (iv)-(vii) above, Terna shall be entitled to receive and recover from the Company:

- (i) all costs, expenses and losses reasonably incurred by Terna and/or its Affiliates for the planning, development, designing, engineering, procurement and construction of the New Interconnection after the date hereof;
- (ii) (1) all costs, expenses and losses reasonably incurred by Terna and its Affiliates for the planning, development, designing, engineering, procurement and construction of the Additional Network Infrastructure(s), if any, if such infrastructure is planned and developed as “private interconnection” and (2) all costs, expenses and losses reasonably incurred by Terna and its Affiliates for the planning, development, designing, engineering, procurement and construction of the Additional Network Infrastructure(s), if any, if such activities are requested by CGES or Montenegro;
- (iii) all costs, expenses and losses (1) for materials, goods, services or works ordered and of which Terna and/or its Affiliates are legally liable to accept delivery or pay damages in the event of failure to accept delivery, and (2) of canceling and/or terminating any contract or arrangement with contractors, subcontractors, suppliers of materials and goods, service providers or, however, relating to the performance of works and incurred by Terna and/or its Affiliates as a result of the termination, provided that Terna and/or its Affiliates actually cancel and terminate such contracts and arrangements in all cases relating to the New Interconnection and the Additional Network Infrastructure(s), the above costs, expenses and losses to be determined without double counting;
- (iv) the amount of any other expenditure which in the circumstances was reasonably incurred by Terna and/or its Affiliates in the expectation of completing the New Interconnection and the Additional Network Infrastructure(s);
- (v) the liquidated damages accrued and payable as of the date of termination (if any) pursuant to Sections 4.4(b) and (c); and
- (vi) reasonable costs and expenses of repatriation of Terna’s and Terna Affiliates’ personnel and of the contractors’ and subcontractors’ staff and workmen employed in connection with the New Interconnection and the Additional Network Infrastructure(s) as of the date of termination;
- (vii) any other damages suffered or incurred by Terna as a result of termination of this Agreement,

less any Permissible Deductions actually received by Terna.

(f) Notwithstanding anything to the contrary in this Agreement or applicable law, neither Party shall be entitled to seek indemnification also for loss of profits or consequential damages in the event of termination of this Agreement under this Section 5.2.

(g) Termination under this Section 5.2 shall not affect or prejudice Terna's or the Company's or Montenegro's existing rights, powers, or remedies under this Agreement or applicable law, or any provision of this Agreement that is expressly provided to come into effect or continue in effect after such termination.

(h) The Parties shall act in good faith to mitigate the losses resulting from termination of this Agreement indemnifiable pursuant to this Article 5.2.

Section 5.3. Justifiable Events of Termination.

(a) If:

(i) a Force Majeure Event occurs and its effects continues for a period of 12 months; or

(ii) [OMISSIS]

(iii) [OMISSIS]

then each of Terna and the Company in the cases under (i) and (iii) above, or Terna in the case under (ii) above, shall be entitled to terminate forthwith this Agreement by written notice to the other Parties, to be sent in case of item (ii) above, upon penalty of forfeiture, within 3 weeks after occurrence of the above event.

(b) Termination under this Section 5.3 shall not affect or prejudice Terna's or the Company's or Montenegro's rights and entitlements to the liquidated damages accrued and payable as of the date of termination (if any) pursuant to Sections 4.4(a), 4.4(b) and 4.4(c) (as the case may be) or any provision of this Agreement that is expressly provided to come into effect or continue in effect after such termination and each of the Parties will bear all the costs and expenses and losses incurred (or to be incurred) up to, and as a consequence of, the termination (including possible penalties or termination fees due to contractors, subcontractors, suppliers of materials and goods, service providers).

Section 5.4. General Provisions.

(a) Notwithstanding anything to the contrary herein contained, if this Agreement terminates for whatever reason, the provisions set forth in Section 4.4 (to the extent that the event giving rise to the application of the relevant provisions has occurred and the relevant obligations have not been discharged), Article V, Article VI, Article VII and Article VIII, shall survive such termination and continue to apply.

(b) The termination of this Agreement shall be without prejudice to any liability or obligation in respect of any matters, undertakings or conditions that shall not have been observed or performed by the relevant Party prior to such termination.

ARTICLE VI.

GOVERNING LAW, DISPUTE RESOLUTION AND ARBITRATION AND WAIVER OF IMMUNITY

(a) This Agreement, and any dispute or claim arising out of or in connection with it or its subject matter, shall be enforced, construed and interpreted in accordance with the substantive laws of England without regard to its conflict of law rules to the extent that the application of the laws of another jurisdiction would be required thereby.

(b) In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Agreement arises, including but not limited to, its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit to final arbitration before a panel of three arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the “ICC” and “ICC Rules”).

(c) The arbitration panel shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Agreement, this Agreement shall govern.

(d) The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Agreement, the Shareholders’ Agreement and/or the Sale and Purchase Agreement, the Parties shall not unreasonably oppose their consolidation.

(e) The arbitration panel shall award the prevailing party its reasonable attorney’s fees and costs, arbitration administrative fees, panel member fees and costs, and any other costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof if sent as set forth in Section 7.1 of this Agreement. In no event the arbitration panel may award punitive, consequential and/or special damages.

(f) Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.

(g) Each Party represents that it is entering into this Agreement in a commercial capacity and that with respect to this Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:

- (1) agrees that, should the other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Agreement, no immunity from such proceedings (which shall be deemed to include without

limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and

- (2) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

ARTICLE VII.

CONTACTS AND NOTICES, ENTIRE AGREEMENT AND BINDING AGREEMENT, ASSIGNMENT, NO THIRD PARTY BENEFICIARIES.

Section 7.1. Notices.

Notices to the Parties shall be sent in writing to their respective addresses set forth on Annex 7.1 attached hereto. Any Party may require notices to be sent to a different address by giving notice to the other Parties in accordance with this Section 7.1. Any notice or other communication required or permitted hereunder will be in English, in writing, and will be deemed to have been given upon receipt if and when delivered personally, sent by facsimile transmission (the receipt by the sender of a positive transmission report being deemed evidence of such delivery) or by hand messenger or recognized air courier service to such Parties at such address. If a notice is delivered, faxed and mailed on a day which is not a Business Day or after business hours (6:00 PM Central European Time), such notice shall be deemed to be received as of the opening of business on the next following Business Day.

Section 7.2. Entire Agreement; Binding Agreement, Assignment, No Third Party Beneficiaries.

(a) This Agreement, including the recitals, Annexes attached hereto, together with the Sale and Purchase Agreement and the Shareholders' Agreement and the documents, instruments and other agreements executed or delivered pursuant thereto, contain all the understandings and agreements between the Parties with respect to the Company and the transactions contemplated herein, and supersedes any other understandings or agreements, either oral or written, including the Term Sheet.

(b) This Agreement will be binding upon the Parties hereto, their successors, heirs, legatees, devisees, permitted assigns, legal representatives, executors and administrators, except as otherwise provided herein. No person other than the Parties, their respective successors and permitted assigns shall have any rights hereunder and nothing in this Agreement shall confer any rights upon any person which is not a Party to this Agreement. This Agreement and the rights and obligations hereunder shall not be assignable or transferable, in whole or in part, by any Party hereto other than in accordance with and to the extent provided in this Agreement.

ARTICLE VIII.

MISCELLANEOUS

Section 8.1. Representations and Warranties of the Parties.

Each of the Parties represent and warrants (to the extent applicable to it) to the others that:

(a) it has the full power, capacity and authority to enter into and to undertake and perform its obligations under this Agreement which when executed will constitute valid and binding obligations on it in accordance with its terms; there are no obligations, undertakings or third-party rights that may affect its powers to execute and perform the Agreement and its provisions;

(b) the entry and the performance by it of this Agreement will not result in any breach of any provision of applicable law and/or its constitutive documents (including the by-laws) or any contractual obligation and/or result in any claim by a third party against the other Parties hereto; and

(c) except as otherwise specifically indicated, no prior approval, consent or authorization from any public authority or other third party is required in connection with the execution and performance of this Agreement.

Section 8.2. Confidential Information.

(a) Each Party agrees that the Confidential Information shall be kept confidential and shall not be sold, traded, published or otherwise disclosed to anyone in any manner whatsoever, including by means of photocopy or reproduction, provided, however, that a Party may disclose such Confidential Information (i) to its Affiliates, advisers, directors, officers and representatives who need to know that Confidential Information for purposes relating to this Agreement, (ii) in connection with the resolution of any dispute among any of the Parties, (iii) with the consent of the other Parties, (iv) as required by applicable law or any court of competent jurisdiction, any governmental official or regulatory authority (including stock exchange authorities) or any binding judgment, order or requirement of any other competent authority, (v) in connection with any litigation, and (vi) any announcement made or information provided in accordance with paragraph (b) below. Each Party shall exercise at least the same degree of care in preventing the disclosure of any Confidential Information obtained by such Party to any third party, other than as provided in the preceding sentence, as such Party exercises in maintaining the confidentiality of its own confidential proprietary information. Each Party shall use all reasonable endeavors to ensure that their respective Affiliates and their respective officers, employees, agents and professional and other advisers keep confidential any Confidential Information. For purposes hereof, “Confidential Information” means (i) all proprietary or non-public information relating to the Company, its subsidiaries, or the business of the Company (ii) all information relating to the customers, business, assets or affairs of the other Parties which they may have or acquire through the exercise of its rights or performance of its obligations under this Agreement; or (iii) which relates to the contents of this Agreement, the Shareholders’ Agreement and the Sale and Purchase Agreement (or any agreement or arrangement entered into pursuant thereto). The term “Confidential Information” does not include information that (a) is already in such Party’s possession, provided that such information is not subject to another confidentiality agreement with or other obligation of secrecy to any person, (b) is or becomes generally available to the public other than as a result of a disclosure, directly or indirectly, by such Party or such Party’s representatives in breach of this Agreement, (c) is or becomes available to such Party on a non-confidential basis from a source other than any of the Parties hereto or any of their respective representatives, provided that such source is not known by such Party to be bound by a confidentiality agreement with or other obligation of secrecy to any person, or

(d) is independently developed by the relevant party. The provisions of this paragraph shall survive for one year following the termination of this Agreement.

(b) The Parties shall not make any public announcement relating to this Agreement any of the provisions contained herein or the transactions contemplated hereby without the prior written approval of the other Parties. This does not affect any announcement or disclosure required by applicable law or any regulatory body or the rules of any recognized stock exchange, but the party with an obligation to make an announcement or disclosure shall consult with the other party/parties so far as is reasonably practicable before complying with such obligation.

Section 8.3. Terna and Affiliates.

The Parties acknowledge and agree that the fulfillment of Terna's obligations set forth hereunder can be fulfilled and satisfied by Terna and/or by one or more of its Affiliates, provided that if Terna's obligation hereunder is performed by one or more of its Affiliates Terna shall remain liable with respect to the proper performance of such obligations under this Agreement.

Section 8.4. Language.

This Agreement shall be executed in English, which shall be the only language governing this Agreement. Should any translation of this Agreement or part thereof be made or required pursuant to Montenegrin law for any reason or purpose whatsoever, the Parties agree that the English version shall prevail.

Section 8.5. Savings Clause.

Except as otherwise provided, if any provision of this Agreement, or the application of such provision to any person or circumstance, is held to be invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, will not be affected thereby. Any invalid or unenforceable provision of this Agreement shall be replaced with a provision, which is valid and enforceable and most nearly reflects the original intent of the invalid and unenforceable provision. In the event that applicable law is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision will be considered to be valid from the effective date of such interpretation or amendment.

Section 8.6. Amendment; Waiver.

(a) No provision of this Agreement may be amended, modified or waived in whole or in part at any time without an agreement in writing executed by the Parties.

(b) No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is expressly made in writing and executed and delivered by the Party against whom such waiver is claimed. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of

such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 8.7. Costs and Expenses.

Each Party shall bear all fees, costs and expenses incurred by it in connection with the preparation, negotiation, entry into and implementation of this Agreement.

Section 8.8. Specific Performance.

The Parties hereto agree that irreparable damage could occur in the event the provisions of this Agreement were not performed in accordance with the terms hereof and that the Parties hereto will be entitled to specific performance of the terms hereof and/or an injunction or other equitable relief to prevent breaches of this Agreement, in addition to any other remedy at law or equity, and any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief is hereby waived.

Section 8.9. Liability of Montenegro.

The Parties agree that Terna may seek any payment, damage, loss, indemnity, liquidated damages, or other amount from Montenegro pursuant to this Agreement only in cases and under the circumstances where an obligation, covenant, payment, undertaking, responsibility or liability (whether several or joint and several) of Montenegro is set forth in this Agreement (including, without limitation, pursuant to Section 8.12(h)).

The Parties furthermore agree that in case Terna seeks any payment, damage, loss, indemnity, liquidated damages, or other amount from Montenegro pursuant to this Agreement, Montenegro may not commence or pursue any claim, action, proceeding or arbitration or otherwise seek any compensation, recourse or indemnification (also by way of set-off) – whether as a consequence of any joint and several liability of the Company and Montenegro under this Agreement or otherwise - from or against the Company for any amounts paid or due by Montenegro pursuant to this Agreement.

Section 8.10. Gross-Up

The Parties agree that in case Terna seeks any payment, damage, loss, indemnity, liquidated damages, or other amount from the Company pursuant to this Agreement, any amount to be paid on that basis by the Company to Terna shall be increased by the amount necessary for Terna, as a result of being a shareholder of the Company, not to indirectly bear any cost or loss resulting from any such payment being made by the Company.

For the avoidance of doubt, the gross-up provided in paragraph 1 of this Section 8.10 shall not apply if and to the extent the amount indemnifiable or indemnified by CGES to Terna is an amount which CGES is undoubtedly able to recover or be compensated by virtue of such amount being explicitly recognized by Energy Regulatory Authority as part of tariff approved to CGES payable to it in the three years following the incurrence of the obligation of CGES to pay a indemnity to Terna pursuant to this Section 8.10 and the amount has been actually and definitively

recovered or received by CGES (after deducting any costs incurred in making such recovery and any Tax incurred as a result of receipt of such recovery).

Section 8.11. Counterparts.

This Agreement may be executed in several counterparts, and all so executed will constitute one agreement, binding on all of the Parties hereto, even though all Parties are not signatories to the original or the same counterpart. For purposes hereof, facsimile signatures shall be binding on the Parties to this Agreement.

Section 8.12. General Interpretive Principles.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Agreement, as set forth on Annex 1 attached hereto or elsewhere in the Agreement, include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) references herein to “Articles,” “Sections,” “paragraphs,” and other subdivisions without reference to a document are to designated Sections, paragraphs and other subdivisions of this Agreement;

(c) a reference to a paragraph without further reference to a Section is a reference to such paragraph as contained in the same Section in which the reference appears, and this rule will also apply to other subdivisions;

(d) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(e) the term “include,” “includes” or “including” will be deemed to be followed by the words “without limitation.”;

(f) when calculating the period of days before which, by which or following which any act is to be done or any step is to be taken pursuant to this Agreement, the day that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the relevant period shall end on the next following Business Day;

(g) all figures that are expressed in Euros shall include their equivalent in other currencies, as the case may be;

(h) whenever in this Agreement reference is made to an obligation, covenant, agreement, undertaking or effort of “the Company and Montenegro” or “Montenegro and the Company”, such obligation, covenant, agreement, undertaking or effort shall be joint and several between the Company and Montenegro; and

(i) whenever in this Agreement a reference is made that a Party shall “cause” or “procure” for something, that Party shall be obliged to ensure that such objective is, in fact, reached, including, without limitation, through any right to direct or cause the direction of a

person or any corporate or other body of such person and shall be fully responsible if such objective is not finally reached.

* * *

IN WITNESS WHEREOF, the Parties hereto have executed this Project Coordination Agreement as of the date first written above.

THE STATE OF MONTENEGRO

By: _____

Name:
Title

TERNA RETE ELETTRICA NAZIONALE S.P.A.

By: _____

Name:
Title

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

By: _____

Name:
Title

ANNEX 1

DEFINITIONS

The following terms shall have the following meanings:

“AC Transmission Infrastructures” has the meaning ascribed thereto in Section 1.2(a).

“Additional Network Infrastructures” means New Montenegro-Serbia Interconnection Line and the New Montenegro-Bosnia and Herzegovina Interconnection Line.

“Additional Network Infrastructures Commissioning Status” has the meaning ascribed thereto in Section 2.1(b).

“Additional Network Infrastructure Project Coordination Agreement” has the meaning ascribed thereto in Section 1.3(e).

“Additional Network Infrastructure Level 2 Missed Deadline” has the meaning ascribed thereto in Section 4.2(f).

“Affiliate” means with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such first person. The term “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) shall mean as applied to or in reference to any person, any person (i) of which any person holds (directly or indirectly) more than 50% of the votes at such person’s ordinary shareholders’ meetings, (ii) over which any person exercises a dominant influence at such person’s ordinary shareholders’ meetings through the direct or indirect exercise of voting rights, or (iii) over which any person exercises a dominant influence through contractual arrangements.

“Agreement” means this Project Coordination Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Additional NI Commissioning Deadline” has the meaning ascribed thereto in Section 2.1(b);

“Additional NI Main Plans and Side Studies” has the meaning ascribed thereto in Section 3.3(c)(ii);

“Additional NI Preliminary Plans and Side Studies” has the meaning ascribed thereto in Section 3.3(c)(ii);

“ANI Commissioning Deadlines” has the meaning ascribed thereto in Section 2.2(b)(vii).

“ANI Commissioning Level 2 Missed Deadline Cap” has the meaning ascribed thereto in Section 4.4(b).

“ANI Construction Permission” has the meaning ascribed thereto in Section 2.2(b)(vi).

“ANI Construction Permission Deadlines” has the meaning ascribed thereto in Section 2.2(b)(vi).

“ANI Detailed Spatial Plan” has the meaning ascribed thereto in Section 2.2(b)(ii)

“ANI Detailed Spatial Plan Deadline” has the meaning ascribed thereto in Section 2.2(b)(ii)

“ANI Expropriatory Process Completion Deadlines” has the meaning ascribed thereto in Section 2.2(b)(iv).

“ANI Feasibility Studies” has the meaning ascribed thereto in Section 2.2(b)(i).

“ANI Grid Connections Commissioning Deadlines” has the meaning ascribed thereto in Section 2.2(b)(vii).

“ANI Level 2 Deadline Cure Period” has the meaning ascribed thereto in Section 4.4(b).

“ANI Level 1 Missed Deadline” has the meaning ascribed thereto in Section 4.2(c).

“ANI Level 2 Missed Deadline” has the meaning ascribed thereto in Section 4.2(d).

“ANI Main Design Plan and Side Studies” has the meaning ascribed thereto in Section 2.2(b)(iii).

“ANI Preliminary Design Plans and Side Studies Deadlines” has the meaning ascribed thereto in Section 2.2(b)(iii).

“ANI Opening of Works Deadlines” has the meaning ascribed thereto in Section 2.2(b)(vii).

“ANI Preliminary Design Plans and Side Studies” has the meaning ascribed thereto in Section 2.2(b)(iii).

“ANI Procurement Process” has the meaning ascribed thereto in Section 2.2(b)(v).

“ANI Procurement Process Deadlines” has the meaning ascribed thereto in Section 2.2(b)(v).

“Associated Network Infrastructures” has the meaning ascribed thereto in Section 1.2(a).

“Business Day” means any day, other than a Saturday, a Sunday or any statutory holiday in Rome, Italy or Podgorica, Montenegro.

“Business Plan” means the latest business plan of the Company approved by Terna and Montenegro in accordance with the Shareholders’ Agreement.

“Cepagatti AC/DC Station” has the meaning ascribed thereto in Section 1.1(a).

“Commencement of ANI Expropriatory Process” has the meaning ascribed thereto in Section 2.2(b)(iv).

“Company” has the meaning ascribed thereto in the preamble of this Agreement.

[OMISSIS]

“Company Procurement Works” means the procurement of the materials and works for the components and elements of the Associated Network Infrastructures, as indicated in Annex 5.

“Confidential Information” has the meaning ascribed thereto in Section 8.2(a).

“Coordination Committee” has the meaning ascribed thereto in Section 3.2(a).

“Force Majeure Event” has the meaning ascribed thereto in Section 4.6(a).

“GC Commissioning Status” has the meaning ascribed thereto in Section 2.1(a)(ii).

“Good Industry Practice” means those methods, techniques, standards and practices which, at the time they are to be employed and in light of the circumstances known or reasonably believed to exist at such time, are generally recognized and accepted as best practices and procedures adopted by participants in the electricity transmission industry in Europe.

“Governmental Body” shall mean any: (a) supra-national, national, federal, state, regional, provincial, territorial, municipality, local, or other jurisdiction of any nature; or (b) governmental or quasi governmental authority of any nature (including any governmental division, department, agency, commission, official, organization, unit, body or entity and any arbitral tribunal, court or other tribunal or self-regulating organization).

“Grid Connections in Montenegro” has the meaning ascribed thereto in Section 1.2(a).

“ICC” has the meaning ascribed thereto in Article VI.

“ICC Rules” has the meaning ascribed thereto in Article VI.

“Initial Associated Network Infrastructures CAPEX” has the meaning ascribed thereto in Section 1.2(c).

“Initial Grid Connections in Montenegro CAPEX” has the meaning ascribed thereto in Section 1.2(c).

“Initial New Interconnection CAPEX” has the meaning ascribed thereto in Section 1.1(c).

“Initial Pljevlja-Tivat/Kotor Transmission Line CAPEX” has the meaning ascribed thereto in Section 1.2(c).

“Intergovernmental Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“ISO” has the meaning ascribed thereto in Section 3.1(a).

“Italian Ground Cable” has the meaning ascribed thereto in Section 1.1(a).

“Italian Landing Point” has the meaning ascribed thereto in Section 1.1(a).

“Italian NI Authorizations” has the meaning ascribed thereto in Section 2.2(a)(i).

“Italian NI Authorizations Deadline” has the meaning ascribed thereto in Section 2.2(a)(i).

“Justifiable Delay” means any delay with respect to a deadline set forth in Article II that is directly caused by Justifiable Delay Events.

“Justifiable Delay Event” means: (1) a Force Majeure Event, (2) as to the Company, delays directly attributable to (a) changes to schedules, milestones or deadlines previously approved by Terna or its representative in the board of directors of the Company, (b) a specific action or omission previously approved by Terna or its representative of the board of directors of the Company, which, on its own, could reasonably be expected, at the time of consideration, to result in a change to schedules, milestones or deadlines, or (c) the failure by Terna or its board designated member to approve the implementation of an action that is necessary for the construction of the Associated Network Infrastructures or Additional Network Infrastructures (as the case may be) and is consistent with the previously approved plans, schedules, milestones and deadlines, (3) as to Terna, delays directly attributable to (a) changes to schedules, milestones or deadlines previously approved by the Company, or (b) any specific action or omission previously approved by the Company, which, on its own, could reasonably be expected, at the time of consideration, to result in a change to schedules, milestones or deadlines.

“Losses” has the meaning ascribed thereto in Section 3.6(b).

“Maritime Property Lease Agreement” shall mean the agreement between Terna or its Affiliate and the Public Company “Morsko dobro” (or such other competent Montenegrin Governmental Body) under which Terna shall be granted a long-term lease on the Montenegrin maritime property, as such property is defined by the Law on Maritime Property (*Zakon o morskome dobroju*, *Official Gazette of Montenegro n.14/92, 27/94, 51/08 and 21/09*), for a period of 99 years, or, if earlier, until the termination of the Project Coordination Agreement or the Network Interconnection ceases its operation, in exchange for an annual lease fee in line with applicable law and standard and prior experience and practice.

“Montenegrin AC/DC Station” has the meaning ascribed thereto in Section 1.1(a).

“Montenegrin Landing Point” has the meaning ascribed thereto in Section 1.1(a).

“Montenegrin NI Construction Permission” has the meaning ascribed in Section 2.2 (a)IV(2).

“Montenegrin NI Portion” has the meaning ascribed thereto in Section 1.1(a).

“Montenegrin NI Portion Construction Permission Deadline” has the meaning ascribed in Section 2.2(a)IV(2).

“Montenegrin NI Portion planning within Detailed Spatial Plan Deadline” has the meaning ascribed in Section 2.2(a)I(2).

“Montenegrin NI Portion Land Rights Acquisition Process” has the meaning ascribed in Section 2.2(a)III(2).

“Montenegrin NI Portion Land Rights Process Deadline” has the meaning ascribed in Section 2.2(a)III(2).

“Montenegrin NI Portion Level 1 Missed Deadline” has the meaning ascribed thereto in Section 4.2(e).

“Montenegro” has the meaning ascribed thereto in the Preamble of the Agreement.

“Montenegro Deadlines” has the meaning ascribed thereto in Section 4.4(b)(ii).

“Montenegro Ground Cable” has the meaning ascribed thereto in Section 1.1(a).

“New Interconnection” has the meaning ascribed thereto in Section 1.1(a).

“New Montenegro-Bosnia and Herzegovina Interconnection Line” means a new 400 kV transmission line between Pljevlja, Montenegro and Visegrad, Bosnia and Herzegovina.

“New Montenegro-Serbia Interconnection Line” means a new 400 kV transmission line between Pljevlja, Montenegro and Bajna Basta, Serbia.

“New Tivat/Kotor Substation” has the meaning ascribed thereto in Section 1.2(a).

“NI Commissioning Conditions” means (i) Terna and the Company having executed agreement(s) on network and system operation management relating to the New Interconnection, which shall, *inter alia*, regulate matters as set forth in further details in Annex 6; (ii) the adoption by the relevant authorities of Montenegro of the procedure for the first energization of the Montenegrin AC/DC Station in accordance to good practice and Montenegrin laws and standards; and (iii) the adoption and enactment by the Company of the technical document relating to the operational procedures for the energization of the Montenegrin AC/DC Station based on an agreement on its content to be reached between the National Dispatching Centers of Terna and the Company.

“NI Commissioning Deadline” has the meaning ascribed thereto in Section 2.2(a)(iii).

“NI Commissioning Level 2 Missed Deadline Cap” has the meaning ascribed thereto in Section 4.4(a).

“NI Commissioning Status” has the meaning ascribed thereto in Section 2.1(a).

“NI Level 2 Deadline Cure Period” has the meaning ascribed thereto in Section 4.4(a).

“NI Level 1 Missed Deadline” has the meaning ascribed thereto in Section 4.2(a).

“NI Level 2 Missed Deadline” has the meaning ascribed thereto in Section 4.2(b).

“NI Opening of Works Deadlines” has the meaning ascribed thereto in Section 2.2(a)(iii).

“NI Procurement Process” has the meaning ascribed thereto in Section 2.2(a)(ii).

“NI Procurement Process Deadlines” has the meaning ascribed thereto in Section 2.2(a)(ii).

“Party” or “Parties” has the meaning ascribed thereto in the preamble of this Agreement.

“person” or “Person” means an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any governmental or public entity) or any other entity, whether or not having legal status.

“Plan of Development” has the meaning ascribed to it in the Shareholders’ Agreement.

“Pljevlja-Tivat/Kotor Commissioning Status” has the meaning ascribed thereto in Section 2.1(a)(iii).

“Pljevlja-Tivat/Kotor Transmission Line” has the meaning ascribed thereto in Section 1.2(a).

“Remedial Measures” has the meaning ascribed thereto in Section 4.1.

“Sale and Purchase Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Shareholder Steering Committee” has the meaning ascribed thereto in Section 2.7(c) of the Shareholders’ Agreement.

“Shareholders’ Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Strategic Partnership” means, collectively, (i) the consummation of the Investment Agreement, (ii) the execution and implementation of the Shareholders’ Agreement, (iii) the construction of the Associated Network Infrastructures by the Company, and (iv) the construction of at least one of the Additional Network Infrastructures.

“Terna” has the meaning ascribed thereto in the preamble of this Agreement.

[OMISSIS]

“Terna Procurement Works” means the procurement of the materials and works for the components and elements of the New Interconnection, as indicated in Annex 8.

“Tivat/Pljevlja Commissioning Deadlines” has the meaning ascribed thereto in Section 2.2(b)(vii).

“TSO Binding Agreement” means a binding agreement concerning the development and construction of at least one of the Additional Network Infrastructures among the Company, the transmission system operator/independent system operator of the relevant neighboring country and (at Terna’s sole discretion) Terna, which shall at least include and regulate the following items and aspects, also considering the outcome of the feasibility studies jointly conducted by, and the discussions among, the Company, the transmission system operator/independent system operator of the relevant neighboring country and Terna over the scheme of implementation: (i) whether or not such infrastructures shall be constructed and operated as “private interconnectors” (– in whole or in part - in accordance with Electricity Regulations 714/2009 and 1228/2003) or as public infrastructures, also taking into account the outcome and recommendation of the relevant parties, (ii) starting and ending points, line layout and preliminary routing, (iii) evaluation related to the investments for the entire infrastructure and the main elements and components, and (iv) construction and commissioning deadlines and the remedies, which shall correspond to and be in line with and reflect construction, commissioning deadlines and the remedies set forth in this Agreement with respect to the Additional Network Infrastructures, and where appropriate the other provisions of this Agreement, it being understood that should the Company finally sign a final and binding agreement concerning the development and construction of at least one of the Additional Network Infrastructures with the transmission system operator/independent system operator of the relevant neighboring country such agreement shall be considered the “TSO Binding Agreement, even if the requirements and items set forth in this definition are not included in that agreement.

“TSO Binding Agreement Deadline” has the meaning ascribed thereto in Section 3.3(b).

“TSO Binding Agreement Final Deadline” has the meaning ascribed thereto in Section 3.3(f).

“Undersea Cable” has the meaning ascribed thereto in Section 1.1(a).

“Villanova Grid Connection” has the meaning ascribed thereto in Section 1.1(a).

“Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line” means the group to be composed of representatives of Terna, the Company and the transmission system operator and/or independent system operator from Bosnia and Herzegovina, whose task is to finalize the feasibility study of the New Montenegro- Bosnia and Herzegovina Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Bosnia and Herzegovina allow the New Montenegro- Bosnia and Herzegovina Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulations 714/2009 and 1228/2003.

“Working Group for the New Montenegro-Serbia Interconnection Line” means the group composed of representatives of Terna, the Company and the transmission system operator from Serbia, whose task is to finalize the feasibility study of the New Montenegro-Serbia Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Serbia allow the New Montenegro-Serbia Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulations 714/2009 and 1228/2003.

“Working Groups” mean (i) the Working Group for the New Montenegro-Serbia Interconnection Line and (ii) the Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line.

ANNEX 2.1

**TECHNICAL DESCRIPTIONS, MILESTONES AND DEADLINES FOR THE NEW
INTERCONNECTION**

- **General features and technical description of New Interconnection**

The “New Interconnection” constitutes the new electricity link between Italy and Montenegro with the following main technical characteristics:

- High Voltage Direct Current (HVDC) link in a bipolar scheme, with entirely metallic return in normal operation (emergency return via marine electrodes or equivalent solution only in contingency operation);
- Power rating: 1000 MW;
- Rated voltage: +/- 500 kV;
- Length: about 420 km (390 km undersea cable);
- 2 HVDC converter stations: 4 modules, 2 at Cepagatti (Italy) and 2 at Tivat/Kotor (Montenegro);
- Electricity exchanges possible in a bidirectional way.

The “New Interconnection” shall be composed of the following infrastructures:

a) Italian Side

(i) Ground cables and link in Villanova Substation (“Villanova Grid Connection”)

The ground HVAC (High Voltage Alternate Current) cables connecting the AC/DC Converter Station in Italy, located in Cepagatti, with the existing Italian transmission grid at the 380 kV Villanova substation, features of which are:

- about 1,5 km of length;
- 2 HVAC underground cables lines

(ii) Converter Station (“Cepagatti AC/DC Station”)

The AC/DC Converter Station of Cepagatti in Italy shall be constituted by 2 HVDC modules (each one of 500 MW rating power). Each module is constituted by the following principal elements:

- HV equipment (380 kV bus bars, bays for connection to AC network and bays for AC filters);
- AC filters;
- conversion transformers connecting the AC grid with the AC/DC Converter Station;

- conversion bridges;
- relevant DC equipment;
- filters on DC side.

(iii) *HVDC Ground cables (the “Italian Ground Cables”)*

The DC ground cables located in the Italian territory, connecting the Cepagatti AC/DC Station with the landing point in Italy, located in the municipality of Pescara:

- 2 HVDC underground pole lines, about 15 km of total length;
- 2 Medium Voltage (MV) cables connecting the marine electrode with the Converter Station;
- optics fibres (or equivalent communication transmission systems);
- 2 trenches.

(iv) *HVDC Undersea cables (“Undersea cables”)*

The High Voltage Direct Current (HVDC) undersea interconnection power cables run between the Italian Landing Point and the landing point in Montenegro, located in the municipality of Kotor (the “Montenegrin Landing Point”), including the electrodes system and the related medium voltage cables (the “Undersea Cable”):

- About 77 km in the Italian territorial waters;
- 2 HVDC undersea pole lines;
- optics fibers (or equivalent communication transmission systems);
- MV cables to connect the marine electrode and the converter station;
- Marine electrode.

On Italian side, the preliminary project has been drawn up with the option to realize the lay-out of link completely redundant. This option is not included in the scope of this agreement.

b) Montenegrin Side

(v) *HVDC Undersea cables (“Undersea cables”)*

- About 30 km in the Montenegrin territorial waters;
- 2 HVDC undersea pole lines;
- optics fibers (or equivalent communication transmission systems);
- MV cables to connect the marine electrode and the converter station;
- Marine electrode.

(vi) *HVDC Ground cables (the “Montenegro Ground Cable”)*

The DC ground cable located in the territory of Montenegro connecting the Montenegrin Landing Point to the AC/DC Converter Station in Montenegro.

- About 11 km of length ;
- HVDC underground cables (2 pole lines);
- optics fibers (or equivalent communication transmission systems);
- 2 MV cables connecting with the marine electrode and the converter station;
- 2 trenches.

2

[OMISSIS]

(vii) Converter Station (“Montenegrin AC/DC Station”)

The AC/DC Converter Station of Tivat/Kotor shall be constituted by 2 HVDC modules (each one of 500 MW rating power). Each module is constituted by the following principal elements:

- HV equipment (400 kV bus bars, bays for connection to AC network and bays for AC filters, compensation equipment as necessary);
- AC filters;
- conversion transformers that connect the AC grid at the converter AC/DC;
- conversion bridges;
- relevant DC equipment;
- filters in DC side;

The technical characteristics shall be the same of the converter station on Italian side.

3

[OMISSIS]

² Subject to TERNA’s final verification regarding technical and constructive feasibility and spaces handling and Montenegrin Government procedures for insertion into Detailed Spatial Plan.

³ Subject to TERNA’s final verification regarding technical and constructive feasibility and spaces handling and Montenegrin Government procedures for insertion into Detailed Spatial Plan.

- **Reference Milestones and Deadlines**

Level 1 milestones and deadlines

NI portion in the Italian territory		NI portion in the Montenegrin territory	
Milestone	Deadline	Milestone	Deadline
Italian NI Authorization	[OMISSIS]	Montenegrin NI Portion Insertion into Detailed Spatial Plan	[OMISSIS]
NI Procurement Process (completion: awarding main contracts)			[OMISSIS]
		Lex Specialis	[OMISSIS]
		Public land acquisition	[OMISSIS]
		Montenegrin NI Construction Permission	[OMISSIS]
NI Opening of Works			[OMISSIS]

Level 2 milestone and deadline

NI portion in the Italian territory		NI portion in the Montenegrin territory	
Milestone	Deadline	Milestone	Deadline
NI Commissioning			[OMISSIS]

ANNEX 2.1 BIS

**DOCUMENTS TO BE PREPARED AND/OR SUBMITTED FOR THE
INSERTION OF THE MONTENEGRIN NI PORTION INTO
DETAILED SPATIAL PLAN AND TO OBTAIN THE
MONTENEGRIN NI CONSTRUCTION PERMISSION**

▪ **THE INSERTION OF THE Montenegrin NI PORTION INTO DETAILED SPATIAL PLAN**

The documentation required by TERNA to allow the insertion of the Montenegrin NI Portion into Detailed Spatial Plan is listed hereafter:

- preliminary technical solution regarding the infrastructure, including basic data of technical description and functionality;
- preliminary estimations for size of infrastructures and needed spaces;
- basic electrical schemes for the infrastructures;
- further comments, suggestions and opinions by TERNA regarding the above documentation, if timely and formally requested by the Government of Montenegro.

All the above data, documentation and information will satisfy required provisions of article 38 of the Spatial planning and construction law no. 01-1567/2 of 11th August 2008 for the planning document preparation.

▪ **OBTAINMENT OF THE Montenegrin NI CONSTRUCTION PERMISSION**

The documentation required by TERNA for the obtainment of the Montenegrin NI Construction Permission is listed hereafter:

- the construction permission request, prepared in accordance to the predefined standard procedure;
- the main design of the infrastructure (delivered in four copies), as set forth and listed in article 80 of the Spatial planning and construction law no. 01-1567/2 of 11th August 2008 and pertinent to the infrastructure in subject;
- the report on the conducted revision over the main design, delivered by business organizations (reviewer) which meet the conditions referred in articles 83, 84 and 85 of the “Spatial planning and construction law”;
- the documentation proving evidence of the ownership right or other rights over the buildable land.

All the above data, documentation and information will satisfy required provisions of “Spatial planning and construction law” no. 01-1567/2 of 11th August 2008.

ANNEX 2.1 ter

**KEY TECHNICAL FEATURES AND SOLUTIONS OF THE
MONTENEGRIN NI PORTION**

[OMISSIS]

▪ **Key Technical Features and Solutions**

CGES will deliver to TERNA by December 2010 technical information needed to build and operate the infrastructures constituting the Montenegrin NI Portion. In particular:

- 1 Converter Stations specifications
- 2 AC networks characteristics
 - 2.1 System voltages
 - 2.2 System Frequencies
 - 2.3 Short circuit current level
 - 2.4 AC Negative Sequence
 - 2.5 Pre-Existing AC voltage harmonic
 - 2.6 AC system harmonic impedances up to 50th Harmonic (2,5 kHz)
 - 2.7 Insulation levels
 - 2.8 AC protection system
- 3 AC networks integration requirements
 - 3.1 Reactive power limitations
 - 3.2 AC harmonic limitations
 - 3.3 Audible noise, radio interference and electric and magnetic fields
- 4 AC networks simplified schemes
 - 4.1 TERNA HV station
 - 4.2 CGES HV station
- 5 Environmental data

6 Auxiliary services supply

7 HVAC SUBSTATIONS COMPONENTS

ANNEX 2.1 (II)(1)

**DOCUMENTS AND INFORMATION REQUIRED FOR THE
EXPROPRIATION PROCESS**

Based on current Montenegrin legislation and assuming that the Law Specialis mentioned in the Project Co-ordination Agreement and having as a subject the modalities for expropriation process related to the Montenegrin NI portion by TERNAL will be approved, TERNAL will be required to prepare and submit the following documentation and information:

- **Proposal for the public interest for expropriation by TERNAL** (reference to art.14 of the Expropriation Law no. 55/00, 12/02, 28/06)

The proposal for the public interest for expropriation shall be submitted by Terna, as the expropriation user. The proposal for determining the public interest shall be submitted to the Government through the administration body competent for registration of rights on immovables and it shall contain the data on immovables that the determination of public interest is proposed for and the purpose of expropriation.

- **Expropriation preparatory activities** (reference to the art.15, 16 and 17 of the Expropriation Law no. 55/00, 12/02, 28/06)

Prior to the submitting of the proposal for expropriation, Terna can request to be allowed to carry out the necessary preparatory activities for expropriation purposes on a specific immovable property (land survey, geodetic measurements and surveying and similar) in order to develop the preliminary feasibility study or proposal for expropriation.

The proposal for permit for carrying out preparatory activities shall be submitted to the administration body competent for registration of rights on immovables and shall include the purpose on the basis of which the expropriation has to be proposed, the immovable property on which preparatory activities are intended to be performed, owner of that immovable property, nature, scope and purpose of activities, as well as their duration.

Preparatory works can be done if the related permission is issued by the body competent for registration of rights on immovables.

- **Proposal for expropriation** (reference to Section III of the Expropriation Law no. 55/00, 12/02, 28/06 and article 20, 21 and 22):

Terna shall submit the proposal for expropriation to the administration body competent for registration of rights on immovables and to the regional unit in the municipality on whose territory the immovable property proposed for expropriation is located:

- the name and headquarters of the party submitting the proposal for expropriation (the expropriation user);
- the immovable property proposed to be expropriated and the location of that immovable property;
- the owner of the immovable property proposed to be expropriated and his habitual residence or headquarters;
- the purpose that expropriation is proposed for.

In addition to the above mentioned documents, Terna has to submit:

- excerpt from the cadastre of immovables and other public books where rights on immovables are registered, which contains data on immovable property proposed to be expropriated;
 - proof of public interest proclamation;
 - a certificate that the expropriation user paid in a special deposit account of the Ministry of Finance funds in the amount of market price of the immovable property proposed to be expropriated.
- **Financial offer** (reference to art. 25 of the Expropriation Law no. 55/00, 12/02, 28/06)

Within 15 days from the day of receiving the decision on expropriation, Terna shall submit to the regional body competent for property relations a written offer regarding the form and amount of compensation for the expropriated immovable property.

ANNEX 2.2

**TECHNICAL DESCRIPTIONS, MILESTONES AND DEADLINES FOR THE
ASSOCIATED NETWORK INFRASTRUCTURES**

The single infrastructures composing the ANI are individually considered in the following schedules.

For each infrastructure a description of the asset is provided as well as the envisaged scheduling of the activities leading to their construction is defined.

Reference deadlines are associated with all steps of advancement envisaged for each of the ANI.

The achievement of the ANI deadlines reported in the contract means the achievement of each of the deadlines for each single infrastructure composing the ANI.

Schedule A: the 400/110 kV substation Tivat/Kotor

▪ General features and technical description

400/110 kV substation “Tivat/Kotor” shall be connected to the existing Montenegrin transmission network on an “in-and-out” principle by cutting the existing 400kV line Podgorica – Trebinje in the area of Čevo (Nikšić municipality).

[OMISSIS]

The new substation could be constructed in either of two ways:

- adjacent to Montenegrin AC/DC Station
- on the separate ground parcel in case of spatial limitations, however in the vicinity of Montenegrin AC/DC Station

The infrastructure is planned to consist of double busbar systems and shall provide connection to the Montenegrin AC/DC Station as well as to the existing transmission network on the Montenegrin coastal region.

400/110 kV Substation “Tivat/Kotor” is to be projected as a substation with following bays:

- OHL Podgorica
- OHL Trebinje
- OHL Pljevlja
- Transformer 1
- Transformer 2
- Connections to the convertor station
- Connection bay (Spare bay)
- Coupler bays⁴

While on the 110 kV side there should be bays for OH lines for connection to the 110 kV network on the Montenegrin coastal region, two for the transformers and one coupler bay.

On the 110 kV bus bars, at least four bays are envisaged for overhead lines.

Reference Milestones and Deadlines

⁴ Solution with 4 different 400 kV separated bus bars will be taken into consideration due to the reliability reasons.

Level 1 milestones and deadlines

Ref.	Milestone	Deadline
1.	Detailed Spatial Plan	[OMISSIS]
2.	Preliminary Design Plans and Side Studies	[OMISSIS]
3.	Expropriatory Process Start	[OMISSIS]
4.	Procurement Process Completion	[OMISSIS]
5.	Expropriatory Process Completion	[OMISSIS]
6.	Construction Permission	[OMISSIS]
7.	Opening of Works	[OMISSIS]

(*) Most of side studies and preliminary design will be developed during the period of insertion into DSP

Level 2 milestone and deadline

Ref.	Milestone	Deadline
8.	Commissioning	[OMISSIS]

Schedule B: 400 kV transmission OHLs connecting Tivat/Kotor to the existing 400 kV Podgorica 2-Trebinje transmission OHL

- **General features and technical description**

400kV line Podgorica 2 - “Tivat/Kotor” is a partly new overhead line to be built during the reconstruction of the existing 400kV line Podgorica – Trebinje.

The new part (approximately 20 km⁵) is to be constructed from the intersection point Čevo to the new substation “Tivat/Kotor”.

400kV line Trebinje - “Tivat/Kotor” is a partly new overhead line to be built during the reconstruction of the existing 400 kV line Podgorica – Trebinje. The new part (approximately 20 km⁶) is to be constructed from the intersection point Čevo to the new substation “Tivat/Kotor”.

Its route will follow previously described line Podgorica 2 - “Tivat/Kotor”

- **Reference Milestones and Deadlines**

Level 1 milestones and deadlines

Ref.	Milestone	Deadline
1.	Detailed Spatial Plan	[OMISSIS]
2.	Preliminary Design Plans and Side Studies	[OMISSIS] (*)
3.	Expropriatory Process Start	[OMISSIS]
4.	Procurement Process Completion	[OMISSIS]
5.	Expropriatory Process (completion)	[OMISSIS]
6.	Construction Permission	[OMISSIS]
7.	Opening of Works	[OMISSIS]

⁵ Subject to Montenegrin Government procedures for insertion into Detailed Spatial Plan.

⁶ Subject to Montenegrin Government procedures for insertion into Detailed Spatial Plan.

(*) Most of side studies and preliminary design will be developed during the period of insertion into DSP

Level 2 milestone and deadline

Ref.	Milestone	Deadline
8.	Commissioning	[OMISSIS]

Schedule C: the 400 kV line Pljevlja 2 - “Tivat/Kotor”

- **General features and technical description**

400kV line Pljevlja 2 - “Tivat/Kotor” is an asset aimed to enhance full utilization of the HVDC link in the severe conditions, by directly connecting the strong generation node – Pljevlja with future HVDC link connection point. The line is expected to be around 160 km⁷ long. Technical details on it will analyze possibilities for connection Pljevlja 2 with new HPP Komarnica, possibly other power sources and substation “Tivat/Kotor”.

- **Reference Milestones and Deadlines**

Level 1 milestones and deadlines

Ref.	Milestone	Deadline
1.	Detailed Spatial Plan	[OMISSIS]
2.	Preliminary Design Plans and Side Studies	[OMISSIS] (*)
3.	Expropriatory Process Start	[OMISSIS]
4.	Procurement Process Completion	[OMISSIS]
5.	Expropriatory Process Completion	[OMISSIS]
6.	Construction Permission	[OMISSIS]
7.	Opening of Works	[OMISSIS]

(*) Most of side studies and preliminary design will be developed during the period of insertion into DSP

Level 2 milestone and deadline

Ref	Milestone	Deadline
8.	Commissioning	[OMISSIS]

⁷ Subject to Montenegrin Government procedures for insertion into Detailed Spatial Plan.

ANNEX 2.3

**TECHNICAL DESCRIPTIONS, MILESTONES AND DEADLINES
FOR THE ADDITIONAL NETWORK INFRASTRUCTURES**

Schedule A: the new 400kV interconnections with Serbia

- **General features and technical description**

The new 400 kV interconnection with Serbia shall improve reliability of the SEE regional network and provide solid reserve for full utilization of the interconnection during most the severe conditions. All analyzed options of new interconnections with Montenegrin north-west neighbor countries are connected to existing 400/220/110 KV substation Pljevlja 2.

The new interconnection with Serbia shall be more precisely described by corresponding documents prepared in cooperation with Serbian transmission system operator.

- **Reference Milestones and Deadlines**

Milestones and deadlines

Ref.	Milestone	Deadlines (*)
1.	Detailed Spatial Plan	[OMISSIS]
2.	TSO Binding Agreement	[OMISSIS]
3.	Preliminary Design and Side Studies	[OMISSIS]
4.	Expropriatory Process Start	[OMISSIS]
5.	Procurement Process Completion	[OMISSIS]
6.	Expropriatory Process Completion	[OMISSIS]
7.	Construction Permission	[OMISSIS]
8.	Opening of Works	[OMISSIS]

Milestone and deadline

Ref.	Milestone	Deadline
9.	Commissioning	[OMISSIS]

(*): In case the TSO Binding Agreement is executed with a delay after the TSO Binding Agreement Deadline, deadlines envisaged successively to TSO Binding Agreement Deadline are correspondingly postponed with the same delay.

Schedule B: the new 400 kV interconnections with Bosnia-Herzegovina

- **General features and technical description**

The new 400 kV interconnection with Bosnia-Herzegovina shall improve reliability of the SEE regional network and provide solid reserve for full utilization of the interconnection during most the severe conditions. All analyzed options of new interconnections with Montenegrin north-west neighbor countries are connected to existing 400/220/110 KV substation Pljevlja 2. The best solution so far identified is 400kV line Pljevlja – Visegrad.

The new interconnection with BiH shall be more precisely described by corresponding documents prepared, where applicable, in co-operation with BiH system operator NOS BiH and/or BiH transmission operator Elektroprijenos.

- **Reference Milestones and Deadlines**

Milestones and deadlines

Ref.	Milestone	Deadlines (*)
1.	Detailed Spatial Plan	[OMISSIS]
2.	TSO Binding Agreement	[OMISSIS]
3.	Preliminary Design and Side Studies	[OMISSIS]
4.	Expropriatory Process Start	[OMISSIS]
5.	Procurement Process Completion	[OMISSIS]
6.	Expropriatory Process Completion	[OMISSIS]
7.	Construction Permission	[OMISSIS]
8.	Opening of Works	[OMISSIS]

Milestone and deadline

Ref.	Milestone	Deadline
9.	Commissioning	[OMISSIS]

(*): In case the TSO Binding Agreement is executed with a delay after the TSO Binding Agreement Deadline, deadlines envisaged successively to TSO Binding Agreement Deadline are correspondingly postponed with the same delay.

ANNEX 2.4

**OVERALL PROJECT PLAN FOR NEW INTERCONNECTION, ASSOCIATED
NETWORK INFRASTRUCTURES AND ADDITIONAL NETWORK
INFRASTRUCTURES (IN GANTT DIAGRAM FORMAT)**

[OMISSIS]

ANNEX 2.5

**COMMISSIONING STATUS OF THE NEW INTERCONNECTION,
ASSOCIATED NETWORK INFRASTRUCTURES AND ADDITIONAL
NETWORK INFRASTRUCTURES**

Hereafter are reported the parameters and criteria to be adopted to verify whether the mentioned infrastructures are considered as complying with its Commissioning Status.

▪ **Parameters and Criteria for New Interconnection Commissioning Status**

- The construction of infrastructure components and subsystems are completed;
- The testing phase over infrastructure components and subsystems are completed;
- The Converter Stations are “ready for energization”;

The technical document related to the operational procedures for the energization of the Converter Station is prepared.

The New Interconnection Commissioning Status will however require as a prerequisite that the Grid Connections Commissioning Status is achieved.

▪ **Parameters and Criteria for Grid Connections Commissioning Status**

- The construction of infrastructure components and subsystems are completed;
- The testing phase over infrastructure components and subsystems are completed;
- The Tivat/Kotor Station and OHL are “ready for energization”;
- The technical document related to the operational procedures for the energization of the station and OHL is prepared.

▪ **Parameters and Criteria for the Pljevlja-Tivat/Kotor transmission line Commissioning Status**

- The construction of infrastructure components and subsystems are completed;
- The testing phase over infrastructure components and subsystems are completed;
- The Tivat/Kotor Station and OHL are “ready for energization”;
- The technical document related to the operational procedures for the energization of the station and OHL is prepared.

▪ **Parameters and Criteria for Additional Network Infrastructures Commissioning Status**

- The construction of infrastructure components and subsystems are completed;
- The testing phase over infrastructure components and subsystems are completed;
- The OHLs are “ready for energization”;
- The technical document related to the operational procedures for the energization of OHL is prepared.

ANNEX 3

ITALIAN NI AUTHORIZATION DETAIL

The Sole Authorization for construction and operation of new electrical transmission infrastructures (*Autorizzazione Unica*) is issued by the competent Ministry (Ministry of Economic Development) pursuant to [Article 26] of Law 239/04 and includes Declaration of Public Utility aiming at giving the proof that the infrastructure is urgent and cannot be delayed as well as the tools to make any necessary compulsory purchase to build the line (preliminary constraint to expropriation DPR 327/2001).

National Law 239/2004 provides one single authorization procedure and one single consultation process and public debate for the requested formal advices of all the concerned authorities affected by the new transmission infrastructure. The procedure is carried out by the Ministry of Economic Development with all the concerned Authorities in order to get the advice and observations by all the parties involved.

Authorities that take part to the single consultation process are:

- all the Ministries involved by the new transmission line (i.e. Ministry of Health, Ministry of Internal – Fire Department, Ministry of Infrastructures, Ministry of Communications, Ministry for Cultural Activities and Heritage, Ministry of Environment);
- Local Authorities (Region, Province, Municipality);
- Owners of interference infrastructures (railways, highways).

In case the public hearing ends with a positive opinion by the Region (that includes all opinions concerning landscape, town planning, water, mining aspects and so on) and of the majority of the concerned Authorities, the Authorization is granted and made public through the publication in the Official Gazette.

ANNEX 4

MATTERS TO BE REGULATED IN FUTURE COMMERCIAL AGREEMENTS

Transmission capacity allocation and revenue distribution

Transmission capacity allocation and revenue distribution issues will be defined by a separate agreement to be drafted in accordance to the relevant provisions of Terms Sheet, Intergovernmental Agreement as well as EC and National Authorities guidelines and directives, provided, however, that the transmission capacity available for the allocation will be shared among the Parties in the proportion 80% Terna – 20% Company.

In case of a common bilateral or multilateral-coordinated capacity allocation mechanism, the Parties will ensure that the relevant revenues will be shared in the same proportion.

Inter-TSO compensation (ITC) mechanism

Transit costs due to the energy flows through the undersea HVDC link, both in the Montenegrin and the Italian transmission grid, will be handled within the Inter-TSO compensation (ITC) mechanism, or similar inter-TSO agreement, as defined at European level, respecting the fact that the elements of the NI represent integral part of the Italian transmission system, while elements of ANI (and, if entirely developed and operated as public infrastructure(s), the Additional Network Infrastructure(s)) on territory of Montenegro represent integral part of the Montenegrin transmission system. To the aim of ITC purposes, electrical losses in the NI elements will be handled by the Parties considering that the New Interconnection will be entirely owned by Terna and that the New Interconnection available transmission capacity will be allocated as follows: 80% by Terna – 20% by the Company, in line with the Intergovernmental Agreement.

ANNEX 5

LIST OF COMPANY'S PROCUREMENT WORKS

- **Grid Connections in Montenegro**

Substation 400/110 kV “Tivat/Kotor”

Supply of at least the following equipment:

- two transformers 400/110kV 300MVA

400 kV transmission OHLs connecting Tivat/Kotor to the existing 400 kV Podgorica 2-Trebinje transmission OHL

Supply of at least the following equipment:

- HVAC (400 kV) components and equipments of bays in Tivat/Kotor substation;
- part of materials for construction of 400 kV OHLs.

- **Pljevlja-Tivat/Kotor Transmission Line**

Supply of at least the following equipment:

- HVAC (400 kV) components and equipments of bays in Tivat/Kotor substation and Pljevlja substation;
- main materials for the construction of 400 kV OHL Pljevlja-Tivat/Kotor (i.e. towers, conductors and insulators).

ANNEX 6

**KEY ITEMS OF THE NETWORK AND SYSTEM OPERATION MANAGEMENT
AGREEMENTS**

Before starting the NI Commissioning, at least the following agreements shall be subscribed by the Parties:

- Test sequence list;
- Operating Procedures;
- Maintenance Procedures.

Operating and Maintenance procedures will be prepared in the spirit of good ENTSO-E practice with common objective to provide secure operation of the interconnected power systems and ensure full exploitation of HVDC interconnection (considering however a period of ordinary planned maintenance, normally equal to two weeks a year), with full awareness that strong meshing of the ENTSO-E power system requires a common understanding of technical and organizational processes and procedures in terms of network and system operation management, in line with ENTSO-E standards, recommendations and guidelines.

The content will be defined during the construction phase by the Parties and agreed upon at least six months before the start of NI Commissioning phase.

ANNEX 7.1

NOTICE INFORMATION

If to Terna:

TERNA Rete Elettrica Nazionale S.p.A.
Via Egidio Galbani, 70
00156 Roma
Italia
Attention: Avv. Filomena Passeggio

Facsimile: +39 06 8313 8218
E-mail: filomena.passeggio@terna.it

with a copy to (which shall not constitute notice):

Cleary Gottlieb Steen & Hamilton LLP
Via San Paolo, 7
20121 Milano
Italia
Attention: Avv. Matteo Montanaro

Facsimile: +39 02 8698 4440
E-mail: mmontanaro@cgh.com

If to the Company:

CrnoGorski Elektroprenosni Sistem AD
Bulevar Svetog Petra Cetinjskog, 18
81000 Podgorica
Montenegro

Attention: Ljubo Knezević
Facsimile: +382 20 225 962
E-mail: ljubo.knezevic@cges.me,

With a copy to (which shall not constitute notice):

Attention: Aleksandar Mijušković
Facsimile: +382 20 241 616
E-Mail: aleksandar.mijuskovic@cges.me

If to Montenegro:

The Government of Montenegro

Attention: Deputy Minister for Economy

Ministry of Economy

Rimski Trg, 46, Podgorica, Montenegro

Phone: +382 20 482 163

Facsimile: + 382 20 234 027

ANNEX 8

LIST OF TERNA PROCUREMENT WORKS

- **CABLES**

Supply of the following parts:

- HVDC marine cables;
- HVDC terrestrial cables.

- **CONVERTER STATION in Cepagatti and Tivat/Kotor**

Supply of the following parts:

- HVAC equipments;
- Converter transformers;
- Converter bridges (valves, etc...);
- relevant DC equipment;
- HVDC equipments;
- Control system.

EXHIBIT 9

SHAREHOLDERS' AGREEMENT

STRATEGIC AND SHAREHOLDERS' AGREEMENT

by and among

THE STATE OF MONTENEGRO,

TERNA - RETE ELETTRICA NAZIONALE S.P.A.

and

CRNOGORSKI ELEKTROPRENOSNI SISTEM A.D.

[•], 2010

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STRATEGIC AND SHAREHOLDERS' AGREEMENT

This **STRATEGIC AND SHAREHOLDERS' AGREEMENT** (this "Agreement") is entered into as of [●], 2010 by and among the State of Montenegro, represented by the Government of Montenegro in accordance with Article [●] of [●], the Government of Montenegro being herein represented by [●] in accordance with [●] dated [●] (the "Principal Shareholder" or "Montenegro"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy, having its registered office in 00156 Rome, at Viale Egidio Galbani 70, Italy, registered at no. [05779661007] on the register of enterprises of Rome, represented by Mr. [●] in his capacity as [●] ("Terna" and together with the Principal Shareholder, the "Shareholders") and Crnogorski Elektroprenosni Sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro, having its registered office in 81000 Podgorica, at Bulevar Svetog Petra Cetinjskog 18, Montenegro, registered at no. [●] on the register of enterprises of [●], represented by Mr. [●] in his capacity as [●] (the "Company"). Each of the Shareholders and the Company is referred to herein as a "Party," or, collectively, as the "Parties." Unless otherwise indicated herein, capitalized terms used herein shall have the meanings ascribed to them in Annex A attached hereto.

RECITALS

WHEREAS, on February 6, 2010, the Republic of Italy and the State of Montenegro entered into a intergovernmental agreement (the "Intergovernmental Agreement") stating their institutional support and agreement over the construction and operation of the New Interconnection System and the implementation of the Strategic Partnership;

WHEREAS, pursuant to the Intergovernmental Agreement, *inter alia*, Terna shall be responsible for the construction of the New Interconnection, which shall be owned by Terna and form an integral part of the Italian transmission network (as public infrastructure), and the Company shall be responsible for the construction of the Associated Network Infrastructures, which shall be owned by the Company and form an integral part of the Montenegrin transmission network (as public infrastructure).

WHEREAS, pursuant to the Intergovernmental Agreement, the State of Montenegro and the Republic of Italy also agreed that the transmission capacity made available by the New Interconnection System and the relevant congestion revenues should be split as follows: 80% to the Italian power system and 20% to the Montenegrin power system;

[OMISSIS]

WHEREAS, pursuant to that certain Agreement on Sale and Purchase through Subscription of Newly Issued Shares in Capital Increase (the "Sale and Purchase Agreement"), dated as of [●], 2010, by

and among the Principal Shareholder, Terna and the Company, Terna on the date hereof has acquired approximately 22% of the outstanding capital stock of Company (on a fully-diluted basis) through the subscription of a capital increase reserved to Terna;

WHEREAS, pursuant to the Sale and Purchase Agreement, on [●], the Shareholders' meeting of the Company adopted the By-laws incorporating certain provisions contained in the Agreement, and such By-laws became effective on the date hereof;

WHEREAS, upon the closing of the transactions contemplated in the Sale and Purchase Agreement, the Shareholders own the number of ordinary shares of the Company's capital stock set forth opposite each of their names in Annex B attached hereto;

WHEREAS, the Parties acknowledge and agree that the investment by Terna pursuant to the Sale and Purchase Agreement and in the New Interconnection and the investments of the Company in the Associated Network Infrastructures are made with the goal and for the purpose of implementing the Strategic Partnership, completing the construction of the New Interconnection System and making the Montenegrin transmission grid the platform of electricity connection between Italy and South-Eastern Europe; the Parties further acknowledge and agree that Terna is fully relying on the fact that the Associated Network Infrastructures and at least one of the Additional Network Infrastructures will be completed within the deadlines agreed by the Parties and indicated in the Plan of Development and subject to the terms of the Project Coordination Agreement, respectively, and that the Company is fully relying on the fact that the New Interconnection will be completed within the deadlines agreed by the Parties;

WHEREAS, the Company, in order to accomplish the goals and purposes set forth in the preceding recital, has prepared, and adopted, the Plan of Development and Initial Business Plan for the development of the business of the Company over the next five years; and

WHEREAS, in furtherance of the Strategic Partnership, the Parties desire to promote their mutual interests by agreeing to certain matters relating to the management of the Company (and potentially its material subsidiaries) and the voting and disposition of the Shares.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I.

VOTING AND OTHER ACTIONS TO IMPLEMENT THE AGREEMENT

SECTION 1.1. Actions to be Taken in Accordance with the Agreement.

Each Shareholder in its respective role hereby agrees to (1) cause the election of the persons nominated or designated by each of the Shareholder pursuant to this Agreement to their respective offices and functions; (2) cause its respective nominees to the Board and/or other office or function nominated by it to act at all times and cast their votes in order that the provisions of this Agreement shall be carried out and complied with, and that the business and affairs of the Company are conducted according to this Agreement; and (3) vote its Shares at any Shareholders' meetings to achieve the results stated in points (1) and (2) above and in a manner to give effect to, and comply with, the provisions of this Agreement, including (i) in connection with any action required to be taken by the Shareholders under Montenegrin law, voting their Shares in accordance with the Board's decision (made in accordance with the terms of this Agreement) regarding such matter, (ii) voting their Shares for the appointment and the removal, as applicable, of the Directors and other officers and nominees designated by each of the Principal Shareholder and Terna in accordance with the terms of this Agreement, and (iii) not authorizing the taking of any Reserved Matter by the Company, unless the Shareholders or Board (as the case may be) have previously approved such action in accordance with the terms of this Agreement. Each Party shall take all other actions reasonably within their respective control (including calling Board and shareholders meetings), so that the provisions of this Agreement are implemented and complied with.

SECTION 1.2. Actions to be Taken In Accordance with the Strategic Partnership and the Entire Project Coordination Agreements.

Each Shareholder in its respective role hereby agrees to use its reasonable best efforts, including by voting its respective Shares and/or causing its representatives on the Board or other officers or nominees of the Company, to cause the Company (1) to take all actions reasonably necessary for the completion within the agreed deadlines of the Associated Network Infrastructures, at least one of the Additional Network Infrastructures and all other transmission infrastructures and operational activities set forth in the Plan of Development, and (2) to comply with the terms and conditions of the Entire Project Coordination Agreements.

ARTICLE II.

GOVERNANCE AND MANAGEMENT.

SECTION 2.1. Board of Directors and Committees.

(a) The Company shall be managed by a Board of Directors composed of seven Directors. Notwithstanding anything to the contrary contained in the By-laws, subject to paragraph (b) below the Parties agree, and the Principal Shareholder shall procure, that two of said Directors shall be appointed upon designation by Terna (each, a "Terna Director") and, so long as the Principal Shareholder holds at least 51 % of the share capital and voting rights of the Company, at least four Directors shall be appointed upon designation by the Principal Shareholder (each, a "Principal Shareholder Director"). Each Director shall serve for a term of one year, or such other period, until the following annual shareholders' meeting, as provided under Montenegrin law, unless the Director is removed or resigns prior to the expiry of that period. Directors may be reappointed.

(b) Notwithstanding anything to the contrary in this Agreement, and without prejudice to (i) the rights Terna may have under applicable law and the By-Laws to appoint certain Directors based on the percentage of share capital and voting rights it holds, or (ii) the provisions of Section 2.6, the right of Terna to designate two Directors in accordance with paragraph (a) above and the right of Terna to designate representatives on committees in accordance with paragraph (f) below shall terminate on the earlier of: (I) the fifth anniversary of the New System Effective Date; (II) the date when Terna (together with its Affiliates) ceases to hold at least 15% of the share capital and voting rights of the Company, provided, however, that during the period up to the New System Effective Date this provision shall apply only if Terna ceases to hold at least 15% of the share capital and voting rights of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding any reduction or dilution of Terna's shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, de-merger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to Section 4.3 shall not be deemed and considered transfers or assignments for the purposes of this point (II), (III) 30 months after the effective termination by the Company of the Project Coordination Agreement pursuant to Sections 5.2(a)(i)-(v) or Section 5.3(a)(iii) of the Project Coordination Agreement, and (IV) December 31, 2021, in the event, and only in the event, that the actual commissioning of all the Associated Network Infrastructures (as commissioning is specified in the Project Coordination Agreement) has occurred on or before December 31, 2018 (each of (II), (III) and (IV) hereinafter referred to as "Special Rights Expiry Date").

(c) On or immediately before the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, Terna shall procure that all members of the Board designated by it in excess of the number of directors which Terna would have been entitled under applicable law and the By-Laws to appoint at the last Shareholders' meeting on which members of the Board were appointed solely based on the percentage of its share capital and voting rights and the percentage of share capital and voting right which were in attendance and represented at such Shareholders' meeting that resolved on the appointment of the members of the Board, and not based on this Agreement, immediately resign from office and shall procure that its representatives on the committees and, upon request by the Principal Shareholder, use its best efforts to procure that the Managers, resign from their position and the Parties, to the extent of their respective powers, undertake to exercise all voting rights and legal powers of control then available to them as shareholders of the Company (if and to the extent such powers still belong to them) to procure that an extraordinary shareholders meeting is called and held to approve the new by-laws of the Company which shall not contain and reflect the provisions of this Section 2.1 and Section 2.3(d) of this Agreement. For the avoidance of doubt, the Parties agree that starting from the first subsequent shareholders' meeting after the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, Montenegro will not have any obligation hereunder to procure the appointment of any Terna Directors, without prejudice to the rights Terna may have under applicable law and the By-Laws to appoint certain Directors based on the percentage of share capital and voting rights it holds.

(d) The Directors shall be entitled to receive the lump sum fee that the General Meeting may establish in relation to their office from time to time. Such lump-sum fee shall be inclusive of all travel and other out-of-pocket expenses incurred by any Director in order to attend Board meetings or carry out specific tasks and Directors shall not be entitled to compensation for such expenses.

(e) The Shareholders acknowledge that under Montenegrin law the Minority Shareholders may have the right to appoint one Director to the Board as long as they have certain percentage of the share capital and voting rights of the Company. The Shareholders shall not use any of their voting rights to appoint or facilitate the appointment of any Director designated by the Minority Shareholders, without the prior written consent of the other Shareholder.

(f) The Parties agree that should any committee of the Company be formed by the Board or the Shareholders' meeting, Terna shall have the right to appoint at least one person as effective member of any such committee, provided that Terna shall use its reasonable effort to select a person who satisfies professional and other requirements for such membership as may be necessary or useful depending on the roles and tasks of the relevant committee. Each Shareholder shall, and shall procure that each Director designated by it, vote at the relevant meeting of the Board in favor of the appointment of the person designated by Terna as member of the relevant committee.

(g) In the event of a vacancy on the Board, regardless of how caused, the Shareholder that designated the Director whose position is vacant shall have the right to designate the Director to replace the terminated Director, in accordance with the provisions of this Agreement.

(h) Any Director may be removed at any time, with or without cause, only upon the request of the Shareholder that has designated such Director. The Shareholder requiring the removal of the Director shall notify the other Shareholder in writing. Upon receipt of such notice, the Shareholders shall procure the call for a meeting of the Board and/or of the shareholders, for the purpose of removing of the Director and appointment the new Board of Directors, as applicable under Montenegrin law, to be held as soon as practicable, to effect such removal, and the Shareholders shall exercise their rights as shareholders and use their reasonable best efforts to procure such removal, it being understood that the Shareholder requiring the removal of the Director shall be responsible for and agrees to indemnify and hold harmless the other Shareholder and the Company against all losses, damages, liabilities, costs and expenses (including legal and attorneys' fees and other expenses) which the other Shareholder or the Company may incur arising out of, or in connection with, any claim by such removed Director for wrongful or unfair dismissal or redundancy or other compensation arising out of such Director's removal or loss of office.

(i) If the appointment or removal of a Director (including under paragraphs (f), (g) and (h) above) requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall vote (and/or procure their respective designees to the Board to vote) in the relevant Board and/or shareholders' meeting for the appointment or removal, as the case may be, of the Director as proposed by the Shareholder proposing or requiring such appointment or removal, and shall fully comply with and carry out as soon as practicable any and all actions and corporate steps or formalities (including the call of a Board and/or shareholders' meeting), as may be required to effect the appointment or removal of such Director or the appointment of a new Board of Directors, as proposed by the Shareholder requesting such appointment or removal, all in accordance with the terms and conditions of this Agreement and applicable law.

SECTION 2.2. Meetings of the Board.

(a) **Generally.** The Board will meet at least quarterly to discuss generally the business of the Company and may meet more frequently with respect to any matter within its competence, including any Reserved Matter. Meetings of the Board may be called by the Chairman (or the Deputy Chairman, in the event of Chairman's absence, unavailability or incapacity to serve or if he/she fails to act when he/she has an obligation to act under this Agreement or the By-laws) in cases allowed by Montenegrin law and also upon written request by Terna or a Terna Director. When a meeting of the Board is requested by Terna or a Terna Director, upon receipt of such request, the Chairman (or the Deputy Chairman if the Chairman is absent, prevented from acting or fails to act when he/she has an obligation to act under this Agreement or the By-laws), shall have the obligation to promptly (and in any event within three Business Days following the receipt of the request) call such meeting having on the agenda the items indicated by the relevant Shareholder or Terna Director (as the case may be). The person calling any meeting will cause notice to be given of such meeting, specifying therein the agenda, time, date (which, in the case of a

meeting called upon the request of a Shareholder or a Terna Director, shall not be later than 10 Business Days after the date of the call notice) and place of such meeting, to each of the Directors at least five Business Days before such meeting, provided however, that shorter notice of the meeting may be provided with the consent of the Terna Directors in the case of an emergency. The business to be transacted at any meeting of the Board will be specified in details in such notice. Each notice of meeting shall be (i) in Montenegrin and English, (ii) accompanied by any relevant papers to be provided also translated in English (unless differently agreed among the Parties), (iii) be sent by courier or facsimile transmission; and (iv) be copied to each recipient by e-mail. Furthermore, reasonable best efforts shall be made by the Principal Shareholder to schedule and agree in advance with Terna the date on which the Board meetings shall be held, in order to allow and facilitate the participation of the Terna Directors at such meetings.

(b) Place and Language. All meetings of the Board will be held at the Company's principal offices in 81000 Podgorica, at Bulevar Svetog Petra Cetinjskog 18, Montenegro or at such other place or places in Montenegro as may be jointly determined from time to time by the Principal Shareholder Directors and the Terna Directors. Board meetings shall be conducted in Montenegrin provided that the minutes shall be in Montenegrin and accompanied by an accurate English translation. The Company shall also procure that an official Italian interpreter attends the meeting to translate and facilitate the carrying out of the meeting (except when the meeting is held in accordance with paragraph (e) below) if a Terna Director is present at the meeting.

(c) Order of Business. The Board adopts such rules and procedures relating to its activities as it may deem appropriate, provided that such rules and procedures are not directly or indirectly inconsistent with or do not violate the provisions of this Agreement. Board meetings shall be chaired by the Chairman and, in his/her absence, by the Deputy Chairman. In the absence of the Chairman and the Deputy Chairman the Directors present at that meeting shall appoint any one of them to act as chairman for that meeting. The secretary of the meeting shall prepare minutes of the meeting and place a copy thereof in the minute books of the Company. A copy of the minutes of the meeting (with the English translation) will be delivered as soon as reasonably possible to each Director and within the deadline prescribed by the rules and procedures.

(d) Actions Without a Meeting. To the extent permitted under Montenegrin law any action required or permitted to be taken at a meeting of the Board may be taken without holding a meeting, if a unanimous consent in writing, setting forth in details the action so taken, is signed by all of the Directors in office. Any such consent will have the same force and effect, as of the date stated therein, as a vote of the Directors and shall be in Montenegrin and will be translated into English. The signed consent will be placed in the minute books of the Company.

(e) Telephone and Similar Meetings. The Directors may participate in and hold meetings (and count toward the quorum and be entitled to vote) by means of conference telephone, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, speak to each other and exchange written documents. Such participation in any such meeting will constitute presence in person at such meeting.

(f) Quorum to Validly Hold a Meeting. Without prejudice to the provisions and majorities set forth in paragraph (g) below, Section 2.6, or otherwise in the Agreement, at all meetings of the Board, the presence (in person or as indicated under paragraph (e) above) at the meeting of the majority of the Directors then in office will constitute a quorum for the transaction of business, except with respect to any Reserved Matter, in which case a Terna Director must always be present in order for a meeting to validly resolve on such Reserved Matter.

(g) Voting Majority Required to Validly Pass a Board Resolution. Resolutions of the Board with respect to any matter shall only be passed and adopted if a quorum is present and: (1) with respect to any Reserved Matter, at least 6 Directors vote in favor of such resolution (provided, however, that there is the affirmative vote of at least one of Terna Directors); or (2) with respect of any other matter, with the affirmative vote of the majority of the Directors in office.

SECTION 2.3. Chairman and Deputy Chairman of the Board, Executive Director and Managers.

(a) Chairman. The Chairman of the Board shall be designated by the Principal Shareholder from among one of the Principal Shareholder Directors. The Chairman will have the responsibility to (i) coordinate the Board's activities; (ii) convene and chair meetings of the Board; (iii) within its competence as a member of the Board under Montenegrin law, supervise the management of the Company; (iv) represent the company within its competence, in accordance with, and subject to the limits set forth under, Montenegrin law and the By-laws and this Agreement; (v) coordinate and monitor the implementation of the decision of the Board; (vi) serve as a public spokesman for the Company; and (vii) perform the other functions in accordance with, and subject to the limits set forth under, Montenegrin laws, the By-laws and this Agreement.

(b) Deputy Chairman.

- (i) The Deputy Chairman of the Board shall be designated by Terna from among one of the Terna Directors.
- (ii) The Deputy Chairman (1) shall have the oversight, and have direct line of communication with, the Manager(s) and their areas of business and activities (*i.e.*, grid development and planning, regulatory and international activities, financial issues and planning), it being understood that the above shall not in any way limit or negatively affect the competences, authority, directing powers and responsibilities of the Board of Directors and the Executive Director under Montenegrin Law and the By-Laws, (2) shall be consulted by the Managers on a regular basis and, in particular, when relevant matters relating to the above areas of business and activities arise, are discussed or decided, and (3) shall substitute the Chairman (in the ordinary corporate and administrative functions and activities) in the event of his/her absence, unavailability or incapacity to serve, and shall perform such other functions provided under Montenegrin law, the By-laws and the Agreement.

(c) Executive Director. The executive director of the Company (the "Executive Director") shall be responsible, with the other officers, for the implementation of the decisions of the Board and shall perform other functions and activities in accordance with, and subject to the limitations contained in, Montenegrin laws, the By-laws, this Agreement and the guidelines set forth from time to time by the Board. The Executive Director shall be selected and designated by the Principal Shareholder after consultation with Terna, it being understood that notwithstanding the above consultation, the Principal

Shareholder shall have full discretion in making the final decision as to his/her designation. The mandate of the Executive Director is for four years and the Executive Director may be re-appointed.

(d) Managers.

- (i) Until the earlier of: (1) the Special Rights Expiry Date, (2) the New System Effective Date and (3) December 31, 2018, Terna, after consultation with the Principal Shareholder and also considering the profile of persons for the following positions, shall be entitled to select and designate up to the total of three officers and managers among whom the responsibilities for the following areas and activities of the Company shall be allocated and distributed: (a) grid development and planning, (b) regulatory issues and international activities; and (c) financial issues and planning, as such areas and activities are better described in Annex 2.3(d) (each such officer or manager, a “Manager” and collectively, the “Managers”). Without prejudice to the powers of the Deputy Chairman set forth in clause (ii) below, the Manager responsible for financial issues and planning shall report to, be subject to the supervision only of, and have a direct line of communication with, the Executive Director, and the Company’s organizational structure and documents shall be amended in order to reflect this provision, it being understood that also the other two Managers shall remain subject to the supervision and directive power of the Executive Director.
- (ii) In considering candidates for Manager positions, Terna may evaluate and select current employees of the Company or other persons, including employees of Terna to be seconded at the Company at the expense of the Company on terms and conditions to be agreed in good faith between the Company and Terna, provided that the amount to be paid by the Company for each such Manager shall not exceed the amount payable to the officers and managers of the Company having the same level and same seniority of the relevant Manager. Terna may select one or more persons to manage one or more of the three aforementioned areas and activities, provided that the total number of Managers to be thus selected by Terna shall not exceed three. It is understood that notwithstanding all the above, and without prejudice to the provisions of paragraph (f) below, Terna shall have full discretion to make the final decision concerning the appointment and removal of the Managers (including as to whether one or more should be appointed, but not more than three). The Parties agree that each Manager shall be subject to the oversight of, and have direct line of communication with, the Deputy Chairman and shall consult on a regular basis with the Deputy Chairman, in particular when any relevant matter relating to the areas and activities indicated in Annex 2.3(d) arises, is discussed or decided, it being understood that this shall not in any way limit or negatively affect the competences, authority, directing powers and responsibilities of the Board of Directors and the Executive Director under the Montenegrin Law and the By-Laws, provided, however, that the right to appoint and/or replace the Managers shall belong exclusively to Terna (including following the removal made pursuant to paragraph (f) below).

(e) Initial Designations. The Parties agree that the initial Chairman, Deputy Chairman and Executive Director of the Company shall be [•], [•] and [•] [*Note: Parties to agree on the name of these officers as a condition to signing*], respectively. The Parties also agree that the initial Managers shall be [[•], [•] and [•]] [*Note: Parties to agree on the names of these managers as a condition to signing*], respectively and that they shall be responsible for the areas and activities as indicated in Annex 2.3(d). In

the event of termination of the Chairman, Deputy Chairman, Executive Director or any of the Managers for whatever reason, the new person(s) to be designated and appointed to hold such office and/or position shall be designated by the Shareholder(s) that designated the person whose office and/or position is vacant, all in accordance with the provisions of this Section 2.3.

(f) Special Removal Right. The Parties agree that in the event of objective underperformance by one or more of the Managers, the Principal Shareholder shall be entitled, one time and one time only during the effectiveness of this Agreement, to request the removal of one of the underperforming Managers by written notice to Terna and the Parties shall carry out as soon as practicable thereafter any and all actions, corporate steps or formalities as may be required to effect the removal of such Manager and Terna undertakes to procure its Directors to vote in favor of such removal, provided, however, that the right to appoint the new Manager in substitution of the Manager removed shall belong exclusively to Terna.

(g) Required Actions. If the appointment or removal of the Chairman, Deputy Chairman, Executive Director or any of the Managers (and the granting of the relevant powers) as provided under Section 2.3 requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall fully comply with and carry out as soon as practicable any and all actions, corporate steps or formalities (including agreeing to vote and/or causing their respective nominees to the Board or other positions to vote or act), as may be required to effect the appointment or removal of the person holding such office and/or position, as proposed by the Shareholder proposing such appointment or removal, all in accordance with the terms and conditions of Section 2.3 and this Agreement.

SECTION 2.4. Auditor. The Parties acknowledge that the engagement to the current auditor of the Company (KPMG d.o.o.) will expire on the date of approval of the financial statements of the Company as at December 31, 2010. The Parties mutually agree that the auditor of the company shall be selected among the auditing firms with international reputation and primary standing, including those listed in Annex 2.4, and shall procure that the new appointment is made in compliance with Montenegrin law. The engagement of the auditor of the Company shall be for a period of one year.

SECTION 2.5. Meetings of the Shareholders.

- (a) Generally. The annual Shareholders' meeting shall occur once a year. The Board shall ensure that the annual Shareholders' meeting is convened no later than three months after the end of each fiscal year and held in a reasonable timeframe thereafter. The Shareholders' meeting (annual or extraordinary) shall transact such business and decide on the matters as may be brought before it in accordance with Montenegrin law, the By-laws and this Agreement. The Shareholders' meetings shall be convened in accordance with the applicable provisions of Montenegrin law and of the By-laws, it being understood that upon written request by Terna, the Principal Shareholder shall cause (including by procuring that the Board calls the shareholders' meeting) that the Shareholders' meeting is promptly convened with an agenda that shall include the items indicated by Terna in its written request. The agenda of any meeting of the shareholders will be specified in details in the notice of the meeting. At Terna's cost, each notice of meeting and draft resolution to be adopted and other material delivered to shareholders for the purpose of the meeting shall be delivered to Terna also accompanied with an English translation, unless differently notified by Terna. The secretary of the meeting shall ensure the

preparation of the minutes of the meeting and take care of its registration and place a copy thereof in the minute books of the Company.

(b) Place and Language. All meetings of the shareholders will be held at the Company's principal offices in Podgorica or at such other place or places in Montenegro as may be jointly determined from time to time by the Shareholders. Shareholders' meetings shall be conducted in Montenegrin and the minutes shall be in Montenegrin. At Terna's cost, a copy of the minutes of the meeting with the accurate English translation will be delivered as soon as reasonably possible to Terna, unless differently notified by Terna. At Terna's request and cost, the Company shall also ensure that an official Italian interpreter attends the meeting to translate and facilitate the conduct of the meeting.

(c) Quorum to Validly Hold a Meeting. Without prejudice to the provisions and majorities set forth in paragraph (d) below, Section 2.6, or otherwise in the Agreement, at all Shareholders' meetings, majority of all voting shares of the Company will constitute a quorum for the decision-making, unless other majority is set forth under the applicable provisions of Montenegrin law, the By-laws or this Agreement.

(d) Voting Majority Required to Validly Pass a Shareholders' Resolution. Notwithstanding anything to the contrary in this Agreement or in the By-laws, resolutions of the shareholders with respect to any matter shall only be passed and adopted if: (1) with respect to, directly or indirectly, any Reserved Matter, at least 77% of the outstanding share capital and voting rights of the Company vote in favor of such resolution, provided, however, that there is the affirmative vote of Terna; and (2) with respect to any other matter, with the affirmative vote of the majority of all voting shares of the Company present or represented at the Shareholders' Meeting, or such other majority as set forth under the applicable provisions of Montenegrin law or the By-laws.

(e) Other Voting Majority Required to Validly Pass a Shareholders' Resolution upon Certain Events. The Shareholders agree that if, as a consequence of any transfer of the shares or otherwise, they cease to hold and possess in the aggregate the full ownership and rights to vote with respect to at least 77% of the outstanding share capital of the Company, if necessary they shall cast their votes to amend the By-laws in the manner that would enable them to pass and adopt any Reserved Matter with the percentage of the share capital then owned and held in aggregate by them, provided, however, that, also pursuant to the revised By-laws, such percentage shall ensure that the affirmative vote of Terna shall always be required to validly pass and adopt any such resolution.

SECTION 2.6. Reserved Matters. The Shareholders acknowledge and agree that the investment by Terna pursuant to the Sale and Purchase Agreement and its decision to pursue the Strategic Partnership and the New Interconnection System have been made relying on Terna being granted certain rights aimed at protecting its investments in the Company and over the New Interconnection System and, if applicable, the Additional Network Infrastructures, while providing Terna with partial control of the Company's activities and management and that, therefore, the provisions set forth in this Section 2.6 and in Article VI and their enforceability is of essential importance and have determined the above investment and decision by Terna.

(a) The Shareholders acknowledge and agree that the following matters involving or relating to the Company, shall be deemed "Reserved Matters" (each, a "Reserved Matter"):

1. any changes to the By-laws or other organizational documents of the Company that may affect the rights of Terna under the By-laws or this Agreement other than changes expressly foreseen in Sections 2.1(c) and 2.5 (e) and changes required to

reflect expiration of Reserved Matters set forth in point (5) to (20), inclusive, pursuant to Section 2.6(b)(i) and changes required to reflect termination of all Reserved Matters pursuant to section 2.6(b)(ii), upon actual and final expiration or termination of such Reserved Matters pursuant to this Agreement;

2. the transfer of all, or substantially all, of the assets of the Company.
3. any transaction, including any mergers, de-mergers, reorganizations or restructuring, that could result in a dilution or increase of Terna's shareholding in the Company (including, for the avoidance of doubt, a capital increase or reduction of any nature), provided that, after the fifth anniversary of the New System Effective Date, any capital increase (i) that provides for pro-rata pre-emptive rights to all shareholders or (ii) to be resolved and implemented by means of a closed offer of shares to third parties immediately subsequent to the failure by Terna to subscribe its pro-rata portion of shares under a capital increase implemented pursuant to item (i) above for a number of shares equal to the shares that have not been subscribed to by Terna pursuant to its pre-emptive rights in the context of the capital increase under item (i) above and on the same terms and conditions of such capital increase, shall not be considered Reserved Matters;
4. delisting of the Shares from any stock exchange;
5. approval of the Business Plan of the Company and of any material amendments thereto;
6. approval of the annual budget of the Company and of any material amendments thereto;
7. approval of construction plans (and any material changes thereto) concerning the Associated Network Infrastructures or the Additional Network Infrastructures, including, but not limited to, any provisions of such plans for the supplying of relevant material;
8. approval of the Plan of Development and any material amendments thereto;
9. the incurrence of any kind of financial debt (including granting any bonds or guarantees for the benefit of third parties) by the Company in any amount that is individually per transaction or in aggregate in any calendar year, greater than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement with respect to such year), or any creation, assumption or incurrence of any Encumbrance on any asset of the Company, securing or providing payment for an amount that is, individually per transaction, or in aggregate in any calendar year, greater than € 150,000 (one-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);
10. approval of any distribution of dividends, reserves or assets of the Company to shareholders or of the dividend policy of the Company, or any redemption or

repurchase of equity securities of the Company, except as the repurchase of the shares expressly foreseen in the Sale and Purchase Agreement as a consequence of the exercise of the withdrawal rights by the minority shareholders of the Company in the context, or as a consequence, of the decisions set forth in Section 3.1.1 of such agreement in accordance with Section 3.2(a);

11. any acquisitions or disposals (or agreement to do any of the foregoing) (for cash or otherwise, including by granting a security interest, and including any lease or similar arrangements): (i) of property or other assets (including real estate), equipments or other goods that, individually per transaction or in aggregate in any calendar year, have a value of more than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement); or (ii) of any shares or other equity interest in any person or business (or assets constituting a business) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);
12. entry by the Company into (or the amendment or termination of) any joint venture, partnership, consortium or similar arrangement which may require or involve cost, investments, contributions by the Company in excess of € 500,000 (five-hundred thousand), unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement;
13. approval of any transaction with, or the entry into any agreements or arrangements (or their termination or amendment) involving, Related Parties which (i) exceed, individually per transaction or in the aggregate in any calendar year, a value of € 250,000 (two-hundred fifty thousand), (ii) provides for the granting of any loan or other financing, (iii) is not at arm's length or at market conditions, or (iv) relates to dispatching services (including relating to ancillary services, grid losses remuneration) (in each case, unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement);
14. settlement of any proceeding or claim involving payments or receipt by the Company, or, however, involving an underlying value, of more than an aggregate amount of € 100,000 (one-hundred thousand) in any calendar year, in addition to amounts specifically contemplated in the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement;
15. early liquidation or dissolution of the Company;
16. any derivatives contract or arrangement;
17. entry into any new business (or line of business) (through the establishment of subsidiaries or otherwise) if that, individually per transaction or in aggregate in any calendar year, involves or requires (i) expenditures, costs and/or liabilities by the Company, (ii) associated revenues, or (iii) a value of more than € 500,000 (five-hundred thousand) (unless specifically contemplated by the Business Plan or the

annual budget of the Company for the relevant year that has been previously approved by the Board in accordance with the terms of this Agreement);

18. establishment of subsidiaries, except when entering into any new business (or line of business) that falls below the thresholds indicated in point 17 above;
19. any decision concerning which Additional Network Infrastructures to pursue (Serbia and/or Bosnia-Herzegovina) and their scheme of implementation and, in particular, whether such infrastructures shall be “public” or “private”;
20. the delegation of powers to any Director, executive director, officer, manager, employee or attorney-in-fact or the entry into a contract with respect to any of the foregoing, if such delegation involves any of the foregoing Reserved Matters.

For the avoidance of doubt, the Shareholders acknowledge and agree that with respect to the matters indicated in points 5 through 8 above (all included) any amendment or change (i) (1) with respect to points 5 and 6, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the Business Plan or annual budget or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 1,500,000 (one million and five-hundred thousand), or (2) with respect to points 7 and 8, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the construction plan or Plan of Development or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 2,000,000 (two million) (ii) relating the scheduled completion dates of the Associated Network Infrastructures (or significant milestones) and/or the Additional Network Infrastructures (or significant milestones) or that may cause a delay in the completion of the same, or (iii) relating to the entity(es) in charge of carrying out and performing major construction, procurement and/or engineering works with respect to Associated Network Infrastructures and the Additional Network Infrastructures, shall always be considered “material” for the purpose hereof.

(b) Notwithstanding the provisions of paragraph (a) above (including, for the avoidance of doubt, also point 13), the Shareholders agree that:

(i) subject to paragraph (ii) below, after the fifth anniversary of the New System Effective Date, the “Reserved Matters” shall be limited to and include only the matters set forth in points (1) to (4) of paragraph (a) above (all inclusive):

(ii) all rights by Terna with respect to the Reserved Matters under this Section 2.6 shall terminate on the earlier of the Special Rights Expiry Date, and thereafter no matter shall be deemed a Reserved Matter;

(iii) none of the following matters shall be deemed a Reserved Matter:

(1) agreements for use of transmission network that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions, substantially in line with the template agreement attached as Annex 2.6(b)(iii)(1) (unless

material changes to such template agreement will become necessary pursuant to any new applicable law);

(2) agreements on system and/or ancillary services that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions;

(3) agreements with traders of electricity in accordance with standard terms and conditions, substantially in line with the template agreements attached as Annex 2.6(b)(iii)(3);

(4) agreements on emergency procurement in situations where immediate action is required as the safety of supply of customers is in danger;

(5) standard international MLA and ITC agreements and any amendments thereof;

(6) the pending transactions listed in Annex 2.6(b)(iii)(6)

Except and to the extent not reasonably possible in the event under point (4) and except with respect to the trading agreements entered into the ordinary course of business by the Company pursuant to point (3), the Parties agree that the matters listed in this paragraph (b)(iii) shall, however, be discussed in advance and decided by the Board even if not deemed Reserved Matters.

(c) The Parties agree that a series of transactions related among them or by their type and subject matter shall be construed as a single transaction, and any amounts involved in such related transactions shall be aggregated, to determine whether a matter is a Reserved Matter.

(d) For the avoidance of doubt, and notwithstanding anything to the contrary contained herein, the Parties agree that the powers to resolve on any of the Reserved Matters or on any other matter reserved pursuant to Montenegrin law to the Board meetings or the Shareholders' meetings shall not be delegated to any of the directors, committees, executive director, officers, employees or third parties, except with the prior written consent of Terna or Terna Director pursuant to Sections 2.5(d) or 2.2(g), as the case may be.

(e) Notwithstanding anything to the contrary in this Agreement or in the By-laws, the Principal Shareholder shall ensure that the Company does not undertake or agree to undertake any Reserved Matter, and that no Reserved Matter is adopted or carried out by the Company, without a decision to undertake such acts being put to the shareholders' meeting or the Board meetings and Terna and/or Terna Directors, as the case may be, expressly voting in favor of such a decision in accordance with Sections 2.2(g) and 2.5(d), as the case may be.

(f) The Shareholders agree to exercise their voting rights in good faith, taking also into reasonable account the interest of the Company and the development and implementation of the New Interconnection System and the Additional Network Infrastructures.

(g) Without prejudice to the generality of the foregoing paragraph (f), Terna undertakes not to use the rights granted to it under this Section 2.6 to block passing of a resolution by the competent body of the Company if that is aimed at purposely preventing the Company from pursuing a transaction or undertaking a specific activity which is being pursued by Terna or any of its Affiliates in competition

with the Company, except with respect to transactions and activities related to grid connections, private interconnections and acquisition of transmission system operators/independent systems operators (their networks or part thereof) with respect to which Terna shall be entitled to freely use and exercise the rights granted to it under this Section 2.6 without any limitations or restrictions.

SECTION 2.7. Impasse and Deadlock.

(a) In the event that (i) a Reserved Matter that has been on the agenda two times during a period of 4 months is not approved by the Board or the shareholders meeting (as the case may be) due to the lack of an affirmative vote by a Terna Director or by Terna, and (ii) the Board and/or the Shareholders are unable to resolve their differences with respect to such matter within 10 days from the date of the last Board or shareholders meeting in which the Reserved Matter was not approved, then such situation shall be deemed an “Impasse.”

(b) If an Impasse has occurred, (i) the Principal Shareholder may elect to serve Terna, within 10 days after the occurrence of the Impasse, with notice in writing (in accordance with Section 10.2) specifying the nature of the Impasse and indicating its proposed resolution and course of action (such notice, an “Impasse Notice”), provided, however, that (ii) the Principal Shareholder shall procure that the relevant Board and/or shareholders resolution and related actions and transactions are not approved and implemented without a Board and/or Shareholders’ resolution rendered in accordance with, and with the supermajorities set forth in, Sections 2.2(g), 2.5(d) and 2.6 of this Agreement.

(c) Within 15 Business Days of the service of an Impasse Notice, a special committee (the “Shareholder Steering Committee”) comprised of (i) two representatives of the Principal Shareholder (which shall include either the Chairman or the Executive Director of the Company) and (ii) two representatives of Terna (which shall include the chief executive officer of Terna), shall meet in person or telephonically to discuss the Impasse. The members of the Shareholder Steering Committee shall use their reasonable good faith efforts to resolve the Impasse and find an agreement or other amicable solution in the matter constituting the Impasse as promptly as practicable and in seeking to resolve the Impasse shall take into account the best interests of the Company, the impact of the Impasse and/or proposed solutions on the expected benefits to the Shareholders from the New Interconnection System and the long-term interests of Italian and Montenegrin electricity consumers.

(d) If within 20 Business Days of first meeting or discussion to solve such Impasse the Shareholder Steering Committee unanimously resolves upon a solution to an Impasse, the Principal Shareholder and Terna hereby agree to take all necessary actions to approve, and cause their respective representatives on the Board to approve, the solution forged by the Shareholder Steering Committee and to cause the Company to implement such actions without delay.

(e) If the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within 20 Business Days of its first meeting or discussion to solve such Impasse, the Parties acknowledge and agree that the relevant Board and/or shareholders meetings’ resolution and related actions and transactions shall not be approved and implemented and the Company will continue to be managed in accordance with the then current Business Plan and Plan of Development, provided, however, that if the Impasse resolution procedure set forth in paragraphs (b) and (c) has been initiated with respect to: (I) any of the Reserved Matters indicated in points 5, 6, 7 or 8 of Section 2.6(a) which, (1) individually or in the aggregate involves (in positive or in negative, including as an increase, decrease or other variation) amounts, investments or value in excess of Euro 3,000,000 (three million), (2) results or is reasonably likely to result in any material delay in the construction or entry into operation of the New Interconnection System and/or the Additional Network Infrastructures, it being understood that delays of more than 12 months from the expiration of any ANI Commissioning Deadline or, as the case may be, of

the Additional NI Commissioning Deadline—as such terms are defined in the Project Coordination Agreement—and taking into account possible extensions or suspensions of such deadlines in accordance with the terms and conditions of the Project Coordination Agreement, shall always be considered “material” for the purpose hereof, or (II) the Reserved Matter indicated in points 15 or 19 of Section 2.6(a) above, and is not unanimously resolved pursuant to this paragraph (e), such Impasse will be deemed a “Deadlock” for purposes of this Agreement and the provisions of Section 5.1 shall apply. For the avoidance of doubt, a Deadlock established in accordance with this Section 2.7 shall constitute a Put Event for the purposes of this Agreement.

(f) Furthermore, the Shareholders agree that (i) if an Impasse occurs or (ii) the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within the above 20-Business Day period, no Shareholder or respective nominees to the Board or other position shall be entitled to submit the same proposal for a period of two months from the occurrence of the Impasse, unless with the consent of the other Shareholder.

(g) To the extent any Impasse or Deadlock exists with respect to the Plan of Development or a budget or Business Plan of the Company or any other matters, the last approved Plan of Development, budget and Business Plan, as applicable, shall continue in effect for the purposes of the operation and management of the Company until the Impasse or Deadlock is resolved in accordance with this Section 2.7 and, possibly, Section 5.1 or a new Plan of Development, budget or Business Plan is approved in accordance with Sections 2.2(g) or 2.5(d).

SECTION 2.8. Certain Delegation of Powers to Terna.

(f) The Parties acknowledge and agree that, upon Terna request, Terna shall have the right to make any decision relating to the commencement, direction and management (up to the final resolution and decision) of any action, proceeding or claim by the Company for the enforcement of its rights against EPCG or any Related Party of the Principal Shareholder in the event the Company fails to commence and diligently pursue any such action, proceeding or claim notwithstanding a written request by Terna requesting the above. For this purpose, the Parties agree that, if the Company does not start and/or diligently pursue any such action, proceeding or claim within 30 days after Terna written notice, upon a subsequent request by Terna, the Board of Directors shall forthwith delegate to one of the Terna Directors all the powers and authorities necessary to allow Terna to commence, direct and manage (as the case may be) any such action, proceeding or claim in the name and on behalf of the Company.

(g) The authority of Terna pursuant to clause (a) of this Section 2.8 shall expire on the earlier of: (i) the fifth anniversary of the New System Effective Date and (ii) the Special Rights Expiry Date.

ARTICLE III.

BUSINESS PLAN AND PLAN OF DEVELOPMENT, USE OF PROCEEDS, AND ADDITIONAL NETWORK INFRASTRUCTURES

SECTION 3.1. Business Plan and Plan of Development.

(a) The business and activities of the Company for the duration of the Agreement shall be driven by the Business Plan (initially by the Initial Business Plan), the annual budget and the Plan of Development setting forth certain financial, economic and investment commitments and policies, parameters and goals as well as certain specific actions and activities to be implemented by the Company and some key actions, milestones, deadlines and activities to be implemented by the Company in the

development of its business. The Business Plan, the annual budget and the Plan of Development will be the basis on which the Company shall be managed, and its business will at all times for the duration of the Agreement be guided and developed by the annual budget, the Plan of Development and the Business Plan in force from time to time. The Parties, to the extent of their respective powers, undertake that they shall exercise all voting rights and legal powers of control available to them as shareholders of the Company (including vote and/or procure their respective nominees to the Board or other positions to vote or act) to procure that the Company complies and operates in accordance with the Business Plan, the annual budget and the Plan of Development. The Parties acknowledge and agree that the Initial Business Plan shall be the Business Plan of the Company for 5-year period January 1, 2010-December 31, 2014.

(b) The Executive Director shall, and the Principal Shareholder shall procure that the Executive Director to, prepare, after consultation with the Deputy Chairman and the Managers, and submit to the Board for approval an annual budget for the following year (which shall include as its annexes an annual procurement plan and an annual plan of development and shall be prepared in good faith and to the best of the Executive Director's knowledge) (the initial budget for the year 2010 is included in the Initial Business Plan) and an update of the Business Plan on the basis of the Initial Business Plan and the Plan of Development and will update such draft budget and Business Plan in compliance with the Business Plan and the Plan of Development not less than on an annual basis within 30 days prior to the end of each financial year.

(c) The Shareholders further agree that if amendments to the Initial Business Plan or new versions of the Business Plan require further capital increases, the Shareholder will have the right to (but shall not be obliged to) proportionally participate in such capital increases, in accordance with and subject to Montenegrin law.

(d) The Parties agree that any amendment to the Initial Business Plan or other Business Plan and to the Plan of Development shall be agreed upon by the Shareholders in accordance with the provisions set forth in Sections 2.2(g), 2.5(d) and 2.6.

SECTION 3.2. Use of Proceeds.

(a) The Shareholders shall procure, to the extent of their respective roles, that the Company uses the proceeds of the issuance of the shares to Terna under the Sale and Purchase Agreement only for the development, implementation and realization of the Associated Network Infrastructures and, in particular and with priority, the items and investments of the Plan of Development indicated in Annex 3.2 and, if the Principal Shareholder and Terna agree that it is more efficient for the Company to use such proceeds for the purchasing of the shares from the dissenting minority shareholders who have exercised their withdrawal rights in connection with the decisions of the Shareholders' Meeting set forth in Section 3.1.1 (i) of the Sale and Purchase Agreement rather than obtaining external financing for completing the buy-back of such shares, to purchase the above shares from the withdrawing shareholders.

(b) Each Party hereby agrees, in its respective role, including by causing its representatives on the Board or other officers or nominees of the Company to act accordingly, that (i) all the proceeds indicated in paragraph (a) above shall be transferred to, deposited and

segregated on CGES's Segregated Account (as such term is defined in the Sale and Purchase Agreement), (ii) for so long as the Associated Network Infrastructures are not completed and commissioned or the Project Coordination Agreement is not terminated by the Company pursuant to Sections 5.2(a)(i)-(v) or Section 5.3(a)(iii) of the Project Coordination Agreement, such account shall be used, managed and the relevant amounts drawn only with a joint signature of a Terna Director, and (iii) during such period the amounts existing from time to time on CGES's Segregated Account shall be invested in accordance with the guidelines set forth in Annex 3.2-bis.

SECTION 3.3. Additional Network Infrastructures.

(a) The Parties acknowledge and agree that (1) the construction of at least one of the Additional Network Infrastructures is necessary for the full utilization of the New Interconnection System, regardless of whether it is constructed and operated as private or public interconnection, and the Parties shall discuss in good faith whether to proceed with the construction of just one or both of the Additional Network Infrastructures, depending on the costs, timing and benefits to the Company and Terna of such additional infrastructures, and the willingness of the TSOs/independent operators of the relevant neighbouring country(ies) to enter into binding agreement for such construction, (2) subject to the terms of the Project Coordination Agreement and the agreement of the transmission operator(s) from the relevant neighbouring country(ies) (Serbia and/or Bosnia-Herzegovina) to execute a binding agreement for construction of Additional Network Infrastructure as provided in the Project Coordination Agreement, the construction of at least one of the Additional Network Infrastructures shall be developed in parallel with the New Interconnection and shall be completed in accordance with the Project Coordination Agreement, (3) also considering the technical, economic, legal and regulatory analysis performed by the Parties and the positions of the relevant regulatory bodies of Montenegro and the relevant neighbouring country (Serbia and/or Bosnia-Herzegovina), it is the intent of the Parties that the Additional Network Infrastructures shall be constructed and operated as "private interconnectors" in accordance with Electricity Regulation 1228/2003, and (4) as such, they will use their reasonable best efforts to support the realization of the Additional Network Infrastructures as "private interconnectors", as best to serve the public interest and minimize the economic impact on Montenegrin customers.

(b) If the Parties, also considering the technical, economic, legal and regulatory analysis performed determine in good faith that the implementation of the Additional Network Infrastructure(s) is feasible as "private interconnector(s)", subject to the agreement of the transmission operator(s) from the relevant neighbouring country(ies) (Serbia and/or Bosnia-Herzegovina) to execute a binding agreement for construction of Additional Network Infrastructure as provided in the Project Coordination Agreement (1) the construction and operations of such infrastructure(s) shall be the responsibility of a consortium (one for each of the two, if both are constructed) to be formed for such a purpose, (2) [OMISSIS]

(3) any investments necessary for the construction of the Additional Network Infrastructure(s) and any revenues deriving from the incremental net transfer capacity due to the Additional Network Infrastructure(s) which belong to the consortium will be borne/distributed among the members of the relevant consortium in proportion to their ownership interest in such consortium, unless differently agreed among them, and (4) they agree that they will negotiate in good faith the legal structure of the consortium and the associated transaction documents relating thereto, including the related shareholders/partnership's agreement and other agreements regulating the creation of the consortium, its governance, the rights and obligations of the parties related to the Additional Network Infrastructure(s) and such other aspects as customary for similar transactions in light of the relevant holdings in the consortium by its several members, all the above in accordance with the provisions of the Project Coordination Agreement.

(c) If the Parties, also considering the technical, economic, legal and regulatory analysis performed, determine that it is not technically and/or economically feasible to operate an Additional Network Infrastructure(s) as “private interconnector”, in accordance with Electricity Regulation 1228/2003 and/or that the regulatory frameworks of Montenegro and the relevant neighbouring country (Serbia and/or Bosnia-Herzegovina) do not allow such operation, the construction of one of such Additional Network Infrastructures shall be the responsibility of the Company and the transmission system operator from the relevant neighbouring country, subject to the agreement of the transmission system operator of the relevant neighbouring country to enter into such project with the Company. In this event, the Company, the transmission system operator of the relevant neighbouring country and, possibly Terna (if Terna so chooses at its discretion and if the transmission system operator of the relevant neighbouring country so agrees) may, but will not be obliged, enter into a project coordination agreement (the “Additional Network Infrastructure Project Coordination Agreement”), or such other agreements that the relevant parties may possibly agree for such project that may set forth project schedules, milestones, deadlines and related penalties to make sure that this project proceed in accordance with the agreed schedule and that no Party is harmed as a result of delays and, if concluded, will be prepared consistent with the provisions of the Project Coordination Agreement relating to the Associated Network Infrastructures, all the above in accordance with the provisions of the Project Coordination Agreement.

(d) The construction and status (private or public) of transmission infrastructures included within the Additional Network Infrastructures will be subject to approval of the competent authorities of Montenegro and any competent authorities from the involved countries, in accordance with the relevant local law.

(e) Each Party, in its respective role, shall use its reasonable best efforts to support the construction of the Additional Network Infrastructure(s) with the transmission system operators of the relevant neighbouring country, regardless of whether such Additional Network Infrastructure(s) are eventually classified as “private” or “public” interconnector(s).

ARTICLE IV.

RESTRICTIONS ON TRANSFER OF SHARES

SECTION 4.1. Lock-Up and General Restrictions on Transfer.

Except as otherwise expressly provided in other sections of this Article IV or Article V of this Agreement, at any time prior to the New Interconnection System shall have commenced full commercial operation, neither Shareholder shall, in whole or in part, sell, transfer assign, whether or not for value, or otherwise dispose of its Shares (any such action a “Transfer,” with the verb “Transfer” or “Transferred” having correlative meanings) or Encumber all or any part of them without the prior written consent of the other Shareholder and no such Transfer or creation of encumbrance shall be permitted. Any Transfer or creation of Encumbrance contrary to the terms of this Article IV or this Agreement shall be deemed null and void and of no force and effect and, if such action is taken by a Shareholder, such Shareholder shall be deemed to be in material breach of this Agreement. Neither Shareholder shall enter into any agreement or arrangement of any kind with any person with respect to its Shares inconsistent with the provisions of this Agreement, including any agreement or arrangement with respect to the acquisition, disposition or voting (if applicable) of its Shares.

The Parties agree that the restriction and prohibition set forth in this Section 4.1 shall be registered with the Montenegrin Central Depository Agency and they shall carry out and/or execute such

documents, deeds and other actions, steps or formalities as may be necessary under Montenegrin law to make the restriction and prohibition set forth in this Section 4.1 valid, binding and enforceable also vis-à-vis the Company and any third party.

SECTION 4.2. General Conditions Applicable to Transfers.

(a) Neither the Principal Shareholder nor Terna shall Transfer or Encumber all or any portion of its Shares until after the New Interconnection System shall have commenced full commercial operation, other than pursuant to (i) a Transfer by Terna to a Permitted Transferee in accordance with Section 4.3 (provided, however that any such Permitted Transferee would be subject to the same restrictions on Transfer), (ii) a Transfer pursuant to the exercise of the Terna Put Option in accordance with Section 5.1, (iii) a Transfer pursuant to the exercise of the Principal Shareholder Call Option in accordance with Section 5.2, or (iv) any Transfer that has been agreed to in writing by the Shareholders. After the New Interconnection System shall have commenced full commercial operation, or upon termination of the Project Coordination Agreement, either Shareholder may Transfer or Encumber all or any portion of its Shares free from any restriction or limitation, provided that until the fifth anniversary of the New Interconnection System having commenced full commercial operation (unless the Project Coordination Agreement is terminated sooner) in the event of Transfer it grants the non-selling Shareholder the right of first offer pursuant to Section 4.4 or 4.5 hereof, as the case may be. For the avoidance of doubt, the Parties agree that upon termination of the Project Coordination Agreement or after the fifth anniversary of the New Interconnection System having commenced full commercial operation, whichever is earlier, the Shareholders shall be entitled to Transfer or Encumber all or any portion of their Shares free from any restriction or limitation.

(b) All Transfers shall comply with applicable securities and corporate laws.

SECTION 4.3. Transfers by Terna to Permitted Transferees. Notwithstanding Sections 4.1 or 4.2 hereof, Terna shall have the right at any time to freely Transfer, without being subject to the restrictions of Section 4.1 or 4.2 or complying with the procedures of Section 4.5 hereof, all (but not part) of its Shares to a Permitted Transferee provided that, as a condition to such Transfer, Terna submits to the Principal Shareholder:

- (i) a certificate issued by the Permitted Transferee substantially in the form as provided in Annex 4.3(i) to this Agreement whereby the Permitted Transferee confirms without exception to be bound by the terms and conditions of this Agreement and be subject to the same obligations as Terna under this Agreement. The Permitted Transferee shall be deemed to be a single party with Terna for purposes of this Agreement (including with respect to Section 2.1(b)) and shall have, and be bound by, the rights and obligations assigned to Terna hereunder;
- (ii) a certificate issued by Terna substantially in the form as provided in Annex 4.3(ii) to this Agreement whereby Terna confirms that it shall remain jointly and severally liable with such Permitted Transferee with respect to the performance by the latter of its obligations hereunder.

In case of Transfer by Terna of all of its Shares to its Permitted Transferee in accordance with this Section 4.3, Terna undertakes to procure that such Permitted Transferee does not cease to be its Affiliate without first having transferred beneficial and legal ownership of the Shares back to Terna prior

to it ceasing to be Terna's Affiliate.

If the Permitted Transferee ceases to be Terna's Affiliate without having transferred the Shares acquired from Terna back to Terna (or to a Terna Affiliate, in which case subparagraph (i) and (ii) above shall apply) in accordance with the previous paragraph of this Section 4.3 within 60 days after notice by the Principal Shareholder requesting Terna to repurchase such Shares, the Principal Shareholder is, without prejudice to other rights and remedies it may have under this Agreement or the applicable law, entitled to terminate this Agreement by written notice to Terna and/or to such Permitted Transferee, and the Principal Shareholder shall not be bound by this Agreement with respect to either Terna or the Permitted Transferee.

SECTION 4.4. Transfers by the Principal Shareholder Subject to Right of First Offer.

(a) After the date on which the New Interconnection System shall have commenced full commercial operation and until the fifth anniversary of such date, the Principal Shareholder (in this Section 4.4, the Principal Shareholder is referred to as the "Selling Shareholder"), shall be entitled to Transfer all or any portion of its Shares to one or more persons, so long as the Selling Shareholder has prior to any such Transfer fully complied with the right of first offer in favor of Terna (in this Section 4.4, the "Other Shareholder") with respect to any Shares that it intends to Transfer pursuant to this Section 4.4(a).

(b) Prior to any Transfer of all or any portion of its Shares (such number of Shares that it intends to Transfer, the "ROFO Shares"), the Selling Shareholder shall give written notice (the "Offer Notice") to the Other Shareholder that the Selling Shareholder desires to sell the ROFO Shares pursuant to this Section 4.4, which notice shall (i) specify the per share price, payable in cash only (the "Per Share Price"), at which the Selling Shareholder is offering to sell the ROFO Shares and the number of ROFO Shares and (ii) contain a firm, irrevocable, legally binding cash offer of the Selling Shareholder (the "ROFO Offer") to sell to the Other Shareholder the ROFO Shares for the amount in cash equal to the Per Share Price multiplied by the number of ROFO Shares and on such other terms as specified in the Offer Notice.

(c) The Other Shareholder shall have 30 days after receipt of the Offer Notice to notify the Selling Shareholder whether it intends to accept the ROFO Offer (the "Acceptance Notice").

(d) If the Other Shareholder fails to deliver an Acceptance Notice within the above 30-day period, then the Other Shareholder shall be deemed to have rejected the ROFO Offer and the provisions of paragraph (f) below shall apply. If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then the Selling Shareholder shall be obligated to sell, and the accepting Other Shareholder shall be obligated to purchase, all and not less than all of the ROFO Shares for the Per Share Price and on such other terms as specified in the Offer Notice and the provisions of paragraph (e) below shall apply.

(e) If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then as promptly as reasonably practicable after such acceptance and, in any event, within 15 Business Days following the delivery of the Acceptance Notice (or, if subsequent, and to the extent required by applicable law, immediately after the obtainment of any necessary antitrust or other mandatory approvals), the closing shall occur at such reasonable place and such time as the Shareholders may agree or, failing which, at the registered office of the Company. On closing, the Other Shareholder shall pay the purchase price by wire transfer of immediately available funds to an account designated in writing by the Selling Shareholder and the Selling Shareholder shall validly sell, transfer and deliver to the Other Shareholder the ROFO Shares, free and clear of all Encumbrances. The Parties shall also execute and/or

submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the ROFO Shares and to vest the Other Shareholder with full, exclusive and good title to the ROFO Shares, free and clear of any Encumbrance. Each party shall pay its own costs and expenses in connection with the conveyance of the ROFO Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the ROFO Shares pursuant to this Agreement.

(f) If the Other Shareholder does not accept the ROFO Offer (including by failing to deliver an Acceptance Notice within the 30-day period set forth in paragraph (d) above), then the Selling Shareholder shall be permitted to sell all and not less or more than all the ROFO Shares to any person, provided that, and only if, (i) the purchase price per Share for the ROFO Shares to be paid by the third party purchaser is equal to or higher than 100% of the Per Share Price, (ii) the other terms and condition of the sale are not less favorable to the Selling Shareholders than the terms and conditions specified in the Offer Notice, and (iii) the closing of such sale and purchase shall occur no later than 150 days after the end of the 30-day period described in paragraph (d) above. In the event that the Selling Shareholder fails to sell and transfer all of the ROFO Shares within the specified 150-day period, the Selling Shareholder shall not be permitted to Transfer the ROFO Shares and shall be bound to re-initiate the entire procedure set forth in this Section 4.4 if it still intends to Transfer any of its Shares.

(g) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any Transfer pursuant to this Section 4.4.

SECTION 4.5. Transfers by Terna Subject to Right of First Offer.

(a) After the date on which the New Interconnection System shall have commenced full commercial operation and until the fifth anniversary of such date, Terna (in this Section 4.5, such Shareholder is referred to as the "Selling Shareholder") shall be entitled to Transfer all or any portion of its Shares to one or more persons, so long as the Selling Shareholder has prior to any such Transfer fully complied with the right of first offer in favor of the Principal Shareholder (in this Section 4.5, the "Other Shareholder") set forth in this Section 4.5 with respect to any Shares that it intends to Transfer pursuant to this Section 4.5.

(b) Prior to any Transfer of all or any portion of its Shares (such number of Shares that it intends to Transfer, the "ROFO Shares"), the Selling Shareholder shall give written notice (the "Offer Notice") to the Other Shareholder that the Selling Shareholder desires to sell the ROFO Shares pursuant to this Section 4.5, which notice shall (i) specify the per share price, payable in cash only (the "Per Share Price"), at which the Selling Shareholder is offering to sell the ROFO Shares and the number of ROFO Shares and (ii) contain a firm, irrevocable, legally binding cash offer of the Selling Shareholder (the "ROFO Offer") to sell to the Other Shareholder the ROFO Shares for the amount in cash equal to the Per Share Price multiplied by the number of ROFO Shares and on such other terms as specified in the Offer Notice.

(c) The Other Shareholder shall have 30 days after receipt of the Offer Notice to notify the Selling Shareholder whether it intends to accept the ROFO Offer (the "Acceptance Notice").

(d) If the Other Shareholder fails to deliver an Acceptance Notice within the above 30-day period, then the Other Shareholder shall be deemed to have rejected the ROFO Offer and the provisions of paragraph (f) below shall apply. If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then the Selling Shareholder shall be obligated to sell, and the accepting Other Shareholder

shall be obligated to purchase, all and not less than all of the ROFO Shares for the Offer Price and on such other terms as specified in the Offer Notice and the provisions of paragraph (e) below shall apply.

(e) If the Other Shareholder accepts the ROFO Offer within the above 30-day period, then as promptly as reasonably practicable after such acceptance and, in any event, within 15 Business Days following the delivery of the Acceptance Notice (or, if subsequent, and to the extent required by applicable law, immediately after the obtainment of any necessary antitrust or other mandatory approvals), the closing shall occur at such reasonable place and such time as the Shareholders may agree or, failing which, at the registered office of the Company. On closing, the Other Shareholder shall pay the purchase price by wire transfer of immediately available funds to an account designated in writing by the Selling Shareholder and the Selling Shareholder shall validly sell, transfer and deliver to the Other Shareholder the ROFO Shares, free and clear of all Encumbrances. The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the ROFO Shares and to vest the Other Shareholder with full, exclusive and good title to the ROFO Shares, free and clear of any Encumbrance. Each party shall pay its own costs and expenses in connection with the conveyance of the ROFO Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the ROFO Shares pursuant to this Agreement.

(f) If the Other Shareholder does not accept the ROFO Offer (including by failing to deliver an Acceptance Notice within the 30-day period set forth in paragraph (d) above), then the Selling Shareholder shall be permitted to sell all and not less or more than all the ROFO Shares to any person, provided that, and only if, (i) the purchase price per Share for the ROFO Shares to be paid by the third party purchaser is equal to or higher than 100% of the Per Share Price, (ii) the other terms and condition of the sale are not less favorable to the Selling Shareholder than the terms and conditions specified in the Offer Notice, and (iii) the closing of such sale and purchase shall occur no later than 150 days after the end of the 30-day period described in paragraph (c) above. In the event that the Selling Shareholder fails to sell and transfer all of the ROFO Shares within the specified 150-day period, the Selling Shareholder shall not be permitted to Transfer the ROFO Shares and shall be bound to re-initiate the entire procedure set forth in this Section 4.5 if it still intends to Transfer any of its Shares.

(g) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any Transfer pursuant to this Section 4.5.

SECTION 4.6. Other Provisions.

(a) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Section 4.5 shall not apply in the event of (i) Transfers by Terna to a Permitted Transferee in accordance with Section 4.3, (ii) a Transfer pursuant to the exercise of the Terna Put Option in accordance with Section 5.1, (iii) a Transfer pursuant to the exercise of the Principal Shareholder Call Option in accordance with Section 5.2, or (iv) any Transfer that has been agreed to in writing by the Shareholders.

(b) For the avoidance of doubt, the Parties acknowledge and agree that after the fifth anniversary of the New Interconnection System having commenced full commercial operation or upon termination of the Project Coordination Agreement, whichever is earlier, any Party shall be entitled to Transfer all or any portion of its Shares to one or more persons without limitations.

ARTICLE V

PUT AND CALL OPTIONS

SECTION 5.1. Terna Put Option.

(a) If a Put Event occurs, Terna, without prejudice to any other right or remedy available to it with respect to the event giving rise to the Put Event, shall have the unconditional right (but not the obligation) to sell and require the Principal Shareholder to purchase, and the Principal Shareholder shall be irrevocably and unconditionally bound to purchase, all, but not less than all, of the Shares acquired by Terna pursuant to the Sale and Purchase Agreement or pursuant to a subsequent capital increase performed by the Company (the “Put Shares”) subject to the terms and conditions set forth in this Section 5.1 (the “Terna Put Option”). Terna may exercise the Terna Put Option only once, in whole and not in part, at any time subsequent to the occurrence of a Put Event within 4 months of the date when Terna shall have acquired full knowledge of the occurrence of a Put Event.

(b) In the event that Terna wishes to exercise the Terna Put Option, Terna shall deliver a written notice to the Principal Shareholder (the “Put Option Exercise Notice”) indicating its intention to exercise the Terna Put Option.

(c)

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(d) The sale and purchase and consummation of the transactions contemplated in this Section 5.1 (the “Put Option Closing”) shall take place at such place as the Parties may agree in writing or, failing that, at the registered office of the Company, and in any event shall be occur on a date (the “Put Option Closing Date”) that is no later than 30 (thirty) Business Days following the receipt by the Principal Shareholder of the Put Option Exercise Notice; provided, however, that to the extent any antitrust or other mandatory filings or approvals are required by applicable law prior to the Put Option Closing, the Put Option Closing Date shall be no later than (i) 30 (thirty) Business Days following the receipt by the Principal Shareholder of the Put/ Option Exercise Notice or (ii) 10 (ten) Business Days after the obtainment of any such necessary or mandatory filings or approvals, whichever is later. On the Put Option Closing Date, the Principal Shareholder shall pay in full the Put Option Purchase Price by wire transfer of immediately available funds to an account designated in writing by Terna and Terna shall validly transfer and deliver to Principal Shareholder the Put Shares, free and clear of all Encumbrances, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior written consent of the Principal Shareholder (“Permitted Encumbrances”). The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the Put Shares and to vest the Principal Shareholder with full, exclusive and good title to the Put Shares, free and clear of any Encumbrance, other than Permitted Encumbrances, provided, however, that if the Montenegrin law requires that all Encumbrances be removed in order to perfect the sale and transfer of the Put Shares, then, if Permitted Encumbrances are established in favor of the Principal Shareholder or the Company, the Parties undertake to execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law to also remove Permitted Encumbrances, and if Permitted Encumbrances are established in favor of a third party, Terna undertakes to ensure that such encumbrances are removed. Each party shall pay its own costs and expenses in connection with the conveyance of the Put Shares and any transfer, deed,

documentary stamp or other tax due in connection with a transfer of the Put Shares pursuant to this Agreement.

(e) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any sale and transfer pursuant to this Section 5.1.

(f) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Sections 4.1 and 4.5 shall not apply in the event of a Transfer following the exercise of the Terna Put Option in accordance with this Section 5.1.

SECTION 5.2 . Principal Shareholder Call Option.

(a) If a Call Event occurs, the Principal Shareholder, without prejudice to any other right or remedy available to it with respect to the event giving rise to the Call Event, shall have the unconditional right (but not the obligation) to purchase, and Terna shall be irrevocably and unconditionally bound to sell, all, but not less than all, of the Shares acquired by Terna pursuant to the Sale and Purchase Agreement or from the Principal Shareholder or pursuant to a subsequent capital increase performed by the Company (the “Call Shares”) subject to the terms and conditions set forth in this Section 5.2 (the “Principal Shareholder Call Option”). The Principal Shareholder may exercise the Principal Shareholder Call Option only once, in whole and not in part, at any time subsequent to the occurrence of a Call Event within 4 months of the date when Principal Shareholder shall have acquired full knowledge of the occurrence of a Call Event.

(b) In the event that the Principal Shareholder wishes to exercise the Principal Shareholder Call Option, the Principal Shareholder shall deliver a written notice to Terna (the “Call Option Exercise Notice”) indicating its intention to exercise the Principal Shareholder Call Option.

(c) [OMISSIS]

(d) The sale and purchase and consummation of the transactions contemplated in this Section 5.2 (the “Call Option Closing”) shall take place at such place as the parties may agree in writing or, failing which, at the registered office of the Company and in any event shall be made within 25 Business Days following the receipt by Terna of the Call Option Exercise Notice (or if subsequent, and to the extent required by applicable law, as soon as practically possible, and in no event later than 10 (ten) Business Days after the obtainment of any necessary antitrust or other mandatory approvals) (the “Call Option Closing Date”). On the Call Option Closing Date, the Principal Shareholder shall pay in full the Call Option Purchase Price by wire transfer of immediately available funds to an account designated in writing by Terna and Terna shall validly sell, transfer and deliver to Principal Shareholder the Call Shares, free and clear of all Encumbrances, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder. The Parties shall also execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by Montenegrin law or useful to perfect the sale and transfer of the Call Shares and to vest the Principal Shareholder with full, exclusive and good title to the Call Shares, free and clear of any Encumbrance, other than such Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder, provided, however, that if the Montenegrin law requires that all Encumbrances be removed in order to perfect the sale and transfer of the Call Shares, then the Parties undertake to execute and/or submit any document, deed, instruction, filing, request, instrument or agreement, and carry out any endorsement or other action required by

Montenegrin law to also remove Encumbrances expressly foreseen by this Agreement or otherwise created with the prior consent of the Principal Shareholder. Each party shall pay its own costs and expenses in connection with the conveyance of the Call Shares and any transfer, deed, documentary stamp or other tax due in connection with a transfer of the Call Shares pursuant to this Agreement.

(e) Each Shareholder agrees that it shall be reasonable and cooperate with the other Shareholder, including executing any documents that may be reasonably required, to consummate any sale and transfer pursuant to this Section 5.2.

(f) For the avoidance of doubt, the Parties acknowledge and agree that the provisions of Sections 4.1 and 4.5 shall not apply in the event of a Transfer following the exercise of the Principal Shareholder Call Option in accordance with this Section 5.2.

SECTION 5.3. Consideration for the Options and Further Provisions.

(a) Each of the Shareholders acknowledges and agrees that no consideration shall be due by any of them in connection with the granting of the options set forth in this Article V and VI as such consideration has already been included and/or taken into account in the determination of the terms of the overall transaction, including the Sale and Purchase Agreement, and the reciprocal interests, including in the amounts paid and received by the Parties under the Sale and Purchase Agreement and that this Article V is an essential part for of this Agreement.

(b) Simultaneously with the consummation of the Put Option Closing or Call Option Closing, as the case may be, or immediately before the Transfer by Terna to a third party pursuant to Section 4.5 of all, and not less than all, its Shares, if so requested in writing by the Principal Shareholder, Terna shall procure that all members of the Board designated by it immediately resign from office and shall use its reasonable best efforts to procure that the Managers immediately resign from their position and the Parties, to the extent of their respective powers, undertake to exercise all voting rights and legal powers of control then available to them as shareholders of the Company (if and to the extent such powers still belong to them) to procure that an extraordinary shareholders meeting is called and held to approve the new by-laws of the Company which shall not contain and reflect the provisions of this Agreement but shall refer to and reflect exclusively the quorums, majorities, thresholds and other provisions provided by applicable Montenegrin law.

(c) Upon the consummation of the Put Option Closing or Call Option Closing, as the case may be, or upon the Transfer by Terna to a third party pursuant to Sections 4.5 of all of its Shares, this Agreement shall terminate.

ARTICLE VI

VOTING PROVISIONS AND PUT OPTION

The Parties acknowledge and agree on the essential importance for Terna of the fact that the Voting Provisions will be in full force and effect as provided under this Agreement and that Terna has been determined to enter into the Sale and Purchase Agreement and this Agreement taking into account and based upon such provisions and the provisions of this Article VI and their full effectiveness, implementation and observance.

SECTION 6.1. Voting Provisions and Renewals.

(a) The Shareholders agree that certain provisions of the Agreement, including, in particular, to the extent that they regulate the vote of the Shareholders in the Company's general meeting, those set forth in Sections 2.1(a)-(c), (e), and (g)-(i), 2.3(g), 2.4, 2.5(a) and (c)-(e), 2.6, 2.7, and 3.1(a) and (d) (the "Voting Provisions") may fall within the definition of Article 39a of the Montenegrin Business Organization Law (Official Gazette of RoM no. 06/02 dated February 8, 2002, and no. 17/07 dated December 31, 2007, as may be amended from time to time) which provides that agreements of shareholders on voting (as defined in such Article 39a) shall be for a limited period that cannot exceed 5 years. In order to preserve the continuity of the rights and obligations set forth in the Voting Provisions, the Shareholders undertake to execute at the latest 3 months before each Voting Term an agreement (the "Voting Agreement") containing the Voting Provisions and the obligation to execute at latest 3 months before the expiration of any subsequent 5-year periods new agreements containing the same Voting Provisions, save for those which will have expired according to this Agreement. The Voting Agreement shall become effective on the day before the expiry of the Voting Term.

(b) The Shareholders further agree that should the Voting Agreement not be validly executed for any reason whatsoever before the date indicated in paragraph (a) above, by written notice to be served within 60 days prior to the expiry of the relevant Voting Term, Terna shall be entitled to ask in writing the Principal Shareholder to renew the Voting Provisions, save for those which will have expired according to this Agreement, for a further period of 5 years (the "Extended Voting Term"). If within 20 days following the receipt of Terna's request, the Principal Shareholder communicates in writing its confirmation that the Voting Provisions are renewed then the Voting Provisions shall remain in force until the earlier of the expiry of particular Voting Provisions according to this Agreement, expiry of the Extended Voting Term and the termination of this Agreement.

SECTION 6.2. Put Event and Terna Put Option.

(a) In the event that (1) the Principal Shareholder denies its consent to the renewal of the Voting Provisions in accordance with Section 6.1, (2) the Principal Shareholder does not reply to the Terna's request within the period set forth in Section 6.1(b), or (3) the Voting Provisions are not validly renewed for any reason whatsoever (other than for a reason exclusively attributable to Terna), without prejudice to any other right or remedy Terna may have under the Agreement, the By-laws and/or applicable law, any of the above clauses (1), (2) and (3) shall be considered a "Put Event" and Terna shall be entitled to exercise, at its unfettered discretion, the Terna Put Option provided in Section 5.1.

(b) The Parties agree that the provisions of this Article VI shall be incorporated in the Voting Agreement and, in any event, shall continue to apply, *mutatis mutandis*, for any five-year period (or any period that may hereafter be provided by applicable Montenegrin law for the duration of the voting agreement) subsequent to the Voting Term but no longer than the validity of this Agreement.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Each of the Parties represent and warrants (to the extent applicable to it) to the others that:

(a) it has the full power, capacity and authority to enter into and to undertake and perform its obligations under this Agreement which when executed will constitute valid and binding obligations on it in accordance with its terms; there are no obligations, undertakings or third-party rights that may affect its powers to execute and perform the Agreement and its provisions;

(b) the entry and the performance by it of this Agreement will not result in any breach of any provision of applicable law and/or its constitutive documents (including the by-laws) or any material contractual obligation and/or result in any claim by a third party against the other Shareholders or the Company; and

(c) except as otherwise specifically indicated, no prior approval, consent or authorization from any public authority or other third party is required in connection with the execution and performance of this Agreement.

ARTICLE VIII

ADDITIONAL AGREEMENTS

SECTION 8.1.

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“in exemption” and for a period of duration, which will ensure the proper remuneration of the SPV(s)’ investments. For the avoidance of doubt, the Principal Shareholder’s obligation to support and provide the assistance specified in Sections 8.1(a), (c) and (d) shall not mean or be interpreted as the obligation of the Principal Shareholder to finance or undertake any financial obligations or incur any financial costs related to the subject of this obligation nor shall it prejudice in any manner the competence of the Regulatory Energy Agency to decide on the matters within its competence.

The Principal Shareholder’s obligation set forth in this Section 8.1 shall terminate upon expiry of twenty years of the earlier of (i) the New System Effective Date and (ii) the Special Right Expiry Date.

SECTION 8.2. Dividend Policy, Financial Debt and Security by the Principal Shareholder, Regulatory Framework

(a) The Shareholders agree that to the maximum extent possible, all the necessary cash flow needs of the Company will be covered primary through internally generated resources and, after considering the impact on the Company's credit ratings, the use of debt (which, without prejudice to the provision of Section 8.2(b) below, shall be without recourse to both Shareholders). The Shareholders agree that, consistent with the above principle and the strategic goals and the medium-long term financial stability of the Company, after taking into account the Company's projected capital expenditures and funding requirements which shall have priority over distributions, the Company shall, subject to applicable Montenegrin law, distribute dividends at the maximum level possible, as the Shareholders may declare from time to time consistent with the provisions of this Section 8.2.

(b)

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(c) With a view to creating favorable conditions for development of the Montenegrin transmission system the Shareholders agree to use their best efforts in order to promote before the Energy Regulatory Agency of Montenegro a regulatory framework applicable to transmission on the basis of Exhibit 3.

SECTION 8.3. Confidentiality. Each Party agrees that the Confidential Information shall be kept confidential and shall not be sold, traded, published or otherwise disclosed to anyone in any manner whatsoever, including by means of photocopy or reproduction, provided, however, that a Shareholder may disclose such Confidential Information (i) to its Affiliates, advisers, directors, officers and representatives who need to know that Confidential Information for purposes relating to this Agreement, (ii) to a potential transferee in connection with a proposed Transfer of Shares provided that the potential transferee executes a confidentiality agreement substantially containing the restrictions set forth in this paragraph, (iii) in connection with the resolution of any dispute among any of the Parties, (iv) with the consent of the other Shareholder, (v) as required by applicable law or any court of competent jurisdiction, any governmental official or regulatory authority (including stock exchange authorities) or any binding judgment, order or requirement of any other competent authority, and (vi) any announcement made or information provided in accordance with paragraph (b) below. Each Party shall exercise at least the same degree of care in preventing the disclosure of any Confidential Information obtained by such Party to any third party, other than as provided in the preceding sentence, as such Party exercises in maintaining the confidentiality of its own confidential proprietary information. Each Party shall use all reasonable endeavors to ensure that their respective Affiliates and their respective officers, employees, agents and professional and other advisers keep confidential any Confidential Information. For purposes hereof, "Confidential Information" means (i) all proprietary or non-public information relating to the Company, its subsidiaries, or the business of the Company (ii) all information relating to the customers, business, assets or affairs of the other Shareholder which they may have or acquire through being a Shareholder or making appointments to the Board or through the exercise of its rights or performance of its obligations under this Agreement; or (iii) which relates to the contents of this Agreement, the Sale and Purchase Agreement and the Entire Project Coordination Agreements (or any agreement or arrangement entered into pursuant thereto). The term "Confidential Information" does not include information that (a) is already in such Party's possession, provided that such information is not subject to another confidentiality

agreement with or other obligation of secrecy to any person, (b) is or becomes generally available to the public other than as a result of a disclosure, directly or indirectly, by such Party or such Party's representatives in breach of this Agreement, (c) is or becomes available to such Party on a non-confidential basis from a source other than any of the Parties hereto or any of their respective representatives, provided that such source is not known by such Party to be bound by a confidentiality agreement with or other obligation of secrecy to any person, or (d) is independently developed by the relevant party. The provisions of this paragraph shall survive for one year following the termination of this Agreement.

(b) The Parties shall not make any public announcement relating to this Agreement any of the provisions contained herein or the transactions contemplated hereby without the prior written approval of the other Parties. This does not affect any announcement or disclosure required by applicable law or any regulatory body or the rules of any recognized stock exchange, but the party with an obligation to make an announcement or disclosure shall consult with the other party/parties so far as is reasonably practicable before complying with such obligation.

SECTION 8.4. By-laws and Rulebook. In the event of any ambiguity or discrepancy between the provisions of this Agreement and of the By-laws (and/or Rulebooks) of the Company, it is intended that the provisions of this Agreement shall prevail between the Parties and accordingly each Party shall exercise all voting and other rights and powers available to it (and shall cause its respective nominees to the Board or other officers designated by it to vote and exercise their powers) so as to give effect and comply with to the provisions of this Agreement and shall further, if necessary, procure any required amendment to the By-laws and/or Rulebooks of the Company. The Parties agree that if not already done at the first board of directors meeting and/or shareholders' meeting (as applicable) the Rulebook(s) of the Company shall be amended so as to reflect the provisions of this Agreement and that any amendment or change to the Rulebook(s) with respect to matters contemplated in this Agreement or that may affect the provisions thereof shall be adopted only with the affirmative vote of a Terna Director. The Parties agree that among themselves and on a contractual basis the English version of the By-laws shall prevail if there are any discrepancies between the English and the Montenegrin version.

SECTION 8.5. Subsidiaries. The Shareholders agree that the provisions set forth in Article II shall apply, *mutatis mutandis*, to (i) all subsidiaries of the Company carrying out and/or involved in the electric energy transmission activities or operations (if any) and (ii) with respect to any other subsidiary of the Company to be established in accordance with point 18 of Section 2.6(a), the Shareholders shall jointly verify if and to the extent the provisions set forth in Article II shall apply. Accordingly each Shareholder shall exercise all voting and other rights and powers available to it (and shall cause its respective nominees to the Board or other officers designated by it to vote and exercise their powers) so as to give effect and comply with to the provisions of this Section 8.5 and, upon Terna's request they shall further, to the extent necessary, procure any required amendment or supplement to this Agreement and/or the By-laws provided, however, that the subsidiaries of the Company referred to in this Clause 8.5 do not have to have the same number of members of the board of directors as the Company.

SECTION 8.6. Indemnification. Without prejudice to any other remedy provided or available pursuant to this Agreement or applicable law, each of the Parties agrees to indemnify and hold harmless the others from and against any and all losses (excluding loss of profits and consequential damages), damages, liabilities, costs, and expenses (documented legal and attorneys' fees and other

expenses) incurred by the relevant Party as a result or in connection with (i) any failure by such indemnifying Party to perform or comply with, or other breach of, any covenant, agreement, obligation or undertaking of such Party under this Agreement, and (ii) any inaccuracy on, or breach of, any representation or warranty of such indemnifying Party contained in this Agreement.

The Parties agree that they shall not be entitled to be indemnified twice for the same losses, damages, liabilities, under this Agreement, the Project Coordination Agreement, and the Sale and Purchase Agreement, provided that such Party is actually and fully indemnified and held harmless.

The Parties further agree that if Terna exercises the Put Option as a consequence of the Put Event relating to the inaccuracy or breach of the representations or warranties as contemplated under item (a)(ii) of Exhibit 5 (Put Event), following the consummation of the Put Option Closing, Terna shall no longer be entitled to seek or obtain any indemnification pursuant to the Sale and Purchase Agreement with respect to the inaccuracy or breach of the representations or warranties.

ARTICLE IX

DURATION AND TERMINATION

(a) Without prejudice to the earlier expiry of certain specific provisions of this Agreement, as expressly provided in this Agreement, or the right of a Party to terminate this Agreement in cases expressly provided in this Agreement, this Agreement shall continue in full force and effect without limit in point of time and shall terminate: (i) at such time when either the Principal Shareholder or Terna (or any of Terna's Affiliates, including any Permitted Transferee) no longer owns 5% of any the share capital of the Company, provided, however, that this provision shall apply only if Terna ceases to hold at least 5% of the share capital of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding, among others, any reduction or dilution of Terna's shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, demerger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to Section 4.3 shall not be deemed and considered transfers or assignments for the purposes of this item (i), (ii) by written agreement of the Shareholders, (iii) as set forth in Section 5.3(c), or (iv) at such time when an effective and final resolution being passed by the Shareholders or a binding and final order being made for the liquidation of the Company other than to effect a scheme of reorganization, reconstruction or amalgamation; save for any of its provisions which are expressed to continue in force after termination. Upon the occurrence of any of the circumstances referred to in this paragraph (a), this Agreement shall terminate automatically.

(b) Notwithstanding anything to the contrary herein contained, if this Agreement terminates for whatever reason, the provisions set forth in Article V and Section 6.2 (to the extent that the event giving rise to the application of the relevant provisions has occurred but the provisions and procedures set forth thereunder have not been completely performed, completed and/or implemented), Section 8.3, Article IX and Article X (except Section 10.1), shall survive such termination and continue to apply.

(c) The termination of this Agreement shall be without prejudice to any liability or obligation in respect of any matters, undertakings or conditions which shall not have been observed or performed by the relevant Party prior to such termination.

ARTICLE X
MISCELLANEOUS

SECTION 10.1. Reporting.

(a) The Principal Shareholder shall procure that the Company prepares and delivers to Terna (either directly or by delivering such documentation and information to the members of the Board designated by Terna) the following information and documentation:

- (i) within 30 days after the end of each quarter, unaudited quarterly management accounts of the Company prepared pursuant to IFRS, such management accounts to include a profit and loss account, balance sheet, net financial position, cash flow statement and statement of changes in equity;
- (ii) within 30 days of the end of each semester, unaudited half-yearly full consolidated financial statements of the Company prepared pursuant to IFRS, including profit and loss account, balance sheet, net financial position, cash flow statement and statement of changes in equity, evidencing progresses with respect to budget and a description of all major business events;
- (iii) within 90 days after the end of each fiscal year, audited annual consolidated financial statements of the Company prepared and audited pursuant to IFRS;
- (iv) within 30 days prior to the end of each financial year, economic and financial results and forecasts and proposed budget for the subsequent year;
- (v) within 10 days of the end of each semester, a written report on the status and the progress of the implementation and status of the Plan of Development and Associated Network Infrastructures and, if applicable, of the Additional Network Infrastructures;
- (vi) with reasonable promptness, such other data and information regularly prepared for senior management of the Company as from time to time such Shareholder may reasonably request;
- (vii) such information and data reasonably required by Terna for accounting purposes.

(b) Subject to the Shareholders' obligations under Section 8.3, the Company shall afford, and shall cause its representatives to afford Terna reasonable access to the Company's officers, employees, auditors, counsel and agents and to all of their respective properties, books and records, and shall furnish (including the right to copy at Terna's costs) Terna (and its employees and agents) with all financial, operating and other data and information as Terna may reasonably request.

(c) The Parties shall jointly review, discuss and agree in good faith on changes to the IFRS policies of the Company in order to align such policies to those adopted by Terna, to the extent allowed under Montenegrin law.

SECTION 10.2. Notices. Notices to the Parties shall be sent in writing to their respective addresses set forth on Annex 10.2 attached hereto. Any Party may require notices to be sent to a different address by giving notice to the other Parties in accordance with this Section 10.2. Any notice or other communication required or permitted hereunder will be in English, in writing, and will be deemed to have been given upon receipt if and when delivered personally, or by hand messenger or recognized air courier service, or sent by facsimile transmission (the receipt by the sender of a positive transmission report being deemed evidence of such delivery) to such Parties at such address. If a notice is delivered or faxed on a day which is not a Business Day or after business hours (6 P.M. CET), such notice shall be deemed to be received as of the opening of business on the next following Business Day.

SECTION 10.3. Governing Law; Disputes; Arbitration and Waiver of Immunity.

(a) This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, shall be enforced, construed and interpreted in accordance with the substantive laws of Montenegro, without regard to its conflict of law rules, provided, however that, notwithstanding the immediately foregoing sentence, the Parties expressly, unconditionally and irrevocably agree that (i) Section 2.6 (Reserved Matters), Section 2.7 (Impasse and Deadlock), Article V (Put and Call Options), Article VI (Voting Provisions and Put Option), Section 8.2(b), Article IX (Duration and Termination), Section 10.3 and (ii) any other provision of this Agreement that under Montenegrin law may be invalid, ineffective or unenforceable (in whole or in part) and any dispute or claim arising out of or in connection with any such sections, articles or provisions or any of their subject matter (including, for the avoidance of doubt, claims in tort), shall be enforced, construed and interpreted in accordance with the substantive laws of England, without regard to its conflict of law rules.

(b) In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Agreement arises, including but not limited to, its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit such dispute to final arbitration before a panel of three arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the “ICC” and “ICC Rules”). If the appointment of the arbitration panel is made by the International Court of Arbitration pursuant to article 10.2 of the ICC Rules, the Parties agree that at least one of the arbitrator shall be a French national.

(c) The arbitration panel shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Agreement, this Agreement shall govern.

(d) The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The Parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Agreement, the Sale and Purchase Agreement and/or the Project Coordination Agreements, the Parties shall not unreasonably oppose their consolidation.

(e) The arbitration panel shall award the prevailing party its reasonable attorney’s fees and costs, arbitration administrative fees, panel member fees and costs, and any other reasonable costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof

if sent as set forth in Section 10.2 of this Agreement. In no event the arbitration panel may award punitive, consequential and/or special damages.

(f) Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.

(g) Each Party represents that it is entering into this Agreement in a commercial capacity and that with respect to this Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:

(1) agrees that, should the other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Agreement, no immunity of such proceedings (which shall be deemed to include without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and

(2) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

SECTION 10.4. Entire Agreement; Binding Agreement, Assignment, No Third Party Beneficiaries. This Agreement, including the recitals, Annexes and Exhibits attached hereto, together with the Sale and Purchase Agreement and the Project Coordination Agreements and the documents, instruments and other agreements executed or delivered pursuant thereto, contain all the understandings and agreements between the Shareholders with respect to the Company and the transactions contemplated herein, and supersedes any other understandings or agreements, either oral or written, including the term sheet dated July 28, 2009, between the Company and Terna.

(b) This Agreement will be binding upon the Parties hereto, their successors, heirs, legatees, devisees, permitted assigns, legal representatives, executors and administrators, except as otherwise provided herein. No person other than the Parties, their respective successors and permitted assigns shall have any rights hereunder and nothing in this Agreement shall confer any rights upon any person which is not a Party to this Agreement. This Agreement and the rights and obligations hereunder shall not be assignable or transferable, in whole or in part, by any Party hereto other than in accordance with and to the extent provided in this Agreement in connection with certain Transfers of Shares to Permitted Transferees in accordance with Section 4.3. For the avoidance of doubt a Transfer by any Party of all or any portion of its Shares to a third party shall not result in transfer of this Agreement or any rights and obligations thereunder to such third party.

SECTION 10.5. Language. This Agreement shall be executed in English, which shall be the only language governing this Agreement. In the event that any translation of this Agreement or part thereof is made or required to be made pursuant to Montenegrin law for any reason or purpose whatsoever, the Parties agree that the English version shall prevail if there are any discrepancies between the two versions.

SECTION 10.6 Savings Clause. Except as otherwise provided, if any provision of this Agreement, or the application of such provision to any person or circumstance, is held to be invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, will not be affected thereby. Any invalid or unenforceable provision of this Agreement shall be replaced with a provision, which is valid and enforceable and most nearly reflects

the original intent of the invalid and unenforceable provision. In the event that applicable law is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision will be considered to be valid from the effective date of such interpretation or amendment.

SECTION 10.7. Amendment; Waiver.

(a) No provision of this Agreement may be amended, modified or waived in whole or in part, including waiving or otherwise amending any of the voting requirements set forth in Section 2.6, at any time without an agreement in writing executed by (i) the Shareholders or (ii), if the amendment, modification or waiver directly affect or relate to rights (if any) or obligations of the Company, by each of the Parties hereto.

(b) No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is expressly made in writing and executed and delivered by the Party against whom such waiver is claimed. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

SECTION 10.8. Costs and Expenses. Each Party shall bear all fees, costs and expenses incurred by it in connection with the preparation, negotiation, entry into and implementation of this Agreement.

SECTION 10.9. Specific Performance. The Parties hereto agree that irreparable damage could occur in the event the provisions of this Agreement were not performed in accordance with the terms hereof and that the Parties hereto will be entitled to specific performance of the terms hereof and/or an injunction or other equitable relief to prevent breaches of this Agreement, in addition to any other remedy at law or equity, and any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief is hereby waived.

SECTION 10.10. Counterparts. This Agreement may be executed in several counterparts, and all so executed will constitute one agreement, binding on all of the Parties hereto, even though all Parties are not signatories to the original or the same counterpart. For purposes hereof, facsimile signatures shall be binding on the Parties to this Agreement.

SECTION 10.11. General Interpretive Principles. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Agreement, as set forth on Annex A attached hereto or elsewhere in the Agreement, include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(b) references herein to “Articles,” “Sections,” “paragraphs,” and other subdivisions without reference to a document are to designated Sections, paragraphs and other subdivisions of this Agreement;

(c) a reference to a paragraph without further reference to a Section is a reference to such paragraph as contained in the same Section in which the reference appears, and this rule will also apply to other subdivisions;

(d) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(e) the term “include,” “includes” or “including” will be deemed to be followed by the words “without limitation.”;

(f) when calculating the period of days before which, by which or following which any act is to be done or any step is to be taken pursuant to this Agreement, the day that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the relevant period shall end on the next following Business Day;

(g) all figures that are expressed in Euros shall include their equivalent in other currencies, as the case may be;

(h) whenever in this Agreement a reference is made that a Party shall “cause”, “ensure”, or “procure” for something, that Party shall be obliged to ensure that such objective is, in fact, reached, including, without limitation, through any right to direct or cause the direction of a person or any corporate or other body of such person and shall be fully responsible if such objective is not finally reached.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

THE GOVERNMENT OF MONTENEGRO

By: _____
Name:
Title:

TERNA RETE ELETTRICA NAZIONALE S.P.A.

By: _____
Name:
Title:

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD

By: _____
Name:
Title:

DEFINITIONS

The following terms shall have the following meanings:

“Acceptance Notice” has the meaning ascribed thereto in Section 4.4(d) or 4.5(c), as applicable.

“Additional Network Infrastructures” means (i) the New Montenegro-Serbia Interconnection Line, and/or (ii) the New Montenegro-Bosnia and Herzegovina Interconnection Line.

“Additional Network Infrastructure Project Coordination Agreement” has the meaning ascribed thereto in Section 3.3(c).

“Affiliate” means with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such first person. The term “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) shall mean as applied to or in reference to any person, any person (i) of which any person holds (directly or indirectly) more than 50% of the votes at such person’s ordinary shareholders’ meetings, (ii) over which any person exercises a dominant influence at such person’s ordinary shareholders’ meetings through the direct or indirect exercise of voting rights, or (iii) over which any person exercises a dominant influence through contractual arrangements.

“Agreement” means this Strategic and Shareholders’ Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Associated Network Infrastructures” means the new transmission infrastructures on the Montenegrin transmission network necessary to the operation and full utilization of the New Interconnection, composed of the following infrastructures: (a) Grid Connections in Montenegro; and (b) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the new Tivat/Kotor substation, internal to the electricity transmission network of Montenegro.

“Board” and “Board of Directors” means the board of directors of the Company.

“Business Day” means any day, other than a Saturday, a Sunday or any statutory holiday in Rome, Italy or Podgorica, Montenegro.

“Business Plan” means the business plan of the Company, as it may be updated, supplemented, replaced or readopted from time to time by the Board pursuant to the provisions of Sections 2.2(g) and 2.6 and 3.1(b) of this Agreement, relating to the forthcoming five-year period, setting out details of the Company’s strategic planning in respect of the New Interconnection System, the Additional Network Infrastructures, the transmission grid in general and other activities of the Company as well as the targets for operating revenues and margins, operating expenses, resource capacity forecasts, cash flow statement, capital plan, investment plan, capital contribution requirements, part and product

pricing and manpower action plan in respect of the business of the Company for the same period, which includes, as an essential part thereof, the Plan of Development.

“By-laws” means the by-laws the Company in the form of Exhibit 1 and as amended from time to time by mutual agreement of the Shareholders.

“Call Event” means (i) the cancellation by Terna of the plans to build and operate the New Interconnection, (ii) the failure of Terna to issue orders for, or enter into binding agreements for the purchase of, materials and/or services for the construction of the New Interconnection prior to December 31, 2012, (iii) the actual and effective termination of the Project Coordination Agreement by the Company pursuant to Sections 5.2(a)(i)-(v) (included) of the Project Coordination Agreement, or (iv) the inaccuracy or breach of any of the representations and warranties set forth in Section 6 of the Sale and Purchase Agreement or of any other obligation or covenant (including indemnity obligation) of Terna under the Sale and Purchase Agreement if, and only if, any such inaccuracy or breach, individually or in the aggregate, have caused or could reasonably be expected to cause Losses (as defined in the Sale and Purchase Agreement) indemnifiable to the Company and/or the Principal Shareholder pursuant to the Sale and Purchase Agreement exceeding Euro 7,000,000 (seven million), provided that, if the breach or inaccuracy is capable of being cured, is not remedied or cured by Terna within 30 Business Days of the delivery by the Principal Shareholder of the breach notice.

“Call Option Closing” has the meaning ascribed thereto in Section 5.2(d).

“Call Option Closing Date” has the meaning ascribed thereto in Section 5.2(d).

“Call Option Exercise Notice” has the meaning ascribed thereto in Section 5.2(b).

“Call Option Purchase Price” has the meaning ascribed thereto in Section 5.2(c).

“Call Shares” has the meaning ascribed thereto in Section 5.2(a).

“Chairman of the Board” or “Chairman” means the chairman of the Board of Directors of the Company.

“Company” has the meaning ascribed thereto in the preamble of this Agreement.

“Confidential Information” has the meaning ascribed thereto in Section 8.3.

“Connections to Grid” has the meaning ascribed thereto in Section 8.1.

“Deadlock” has the meaning ascribed thereto in Section 2.7(e).

“Deputy Chairman” means the deputy chairman of the Board of Directors of the Company.

“Director” means any member of the Board of Directors of the Company.

“Encumbrance” means (including with correlative meaning “Encumber”) any lien, encumbrance, mortgage, deed of trust, security interest, easement, conditional sale or other title retention agreement, title defect, pledge, hypothecation, lease, levy, charge, transfer restriction, right of first offer, right of first refusal, option, preemptive right, voting trust or agreement, whether arising by agreement, statute or otherwise.

“Entire Project Coordination Agreements” means (i) the Project Coordination Agreement, dated as of the date hereof by and between Terna, the Principal Shareholder and the Company relating to the Associated Network Infrastructures, the New Interconnection and the Additional Network Infrastructures (the “Project Coordination Agreement”) (ii) should any of the Additional Network Infrastructures be finally developed and build as a public line by the Company and the transmission system operator of the relevant neighboring country (and not as a “private interconnector(s)” pursuant to Electricity Regulation 1228/2003), the Additional Network Infrastructures Project Coordination Agreement that may be executed pursuant to Section 3.3(c).

“Executive Director” has the meaning ascribed thereto in Section 2.3(c).

“Extended Voting Term” has the meaning ascribed thereto in Section 6.1(b).

“Grid Connections in Montenegro” means (i) the new AC 400 kV Tivat/Kotor substation including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation, (ii) the 400kV transmission lines connecting the new AC 400 kV Tivat/Kotor substation to the existing Montenegrin electricity transmission grid (in particular, the existing 400 kV line “Podgorica 2 – Trebinje” in an Input-Output configuration), and (iii) the AC transmission infrastructures (lines or cables), if any, connecting the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro.

“IFRS” means the international accounting standards issued by the International Accounting Standards Committee (as amended, supplemented or reissued from time to time) and, to the extent that they have replaced such international accounting standards, the international financial reporting standards issued by the International Accounting Standards Board (as amended, supplemented or reissued from time to time), endorsed by the European Commission.

“Impasse” has the meaning ascribed thereto in Section 2.7(a).

“Impasse Notice” has the meaning ascribed thereto in Section 2.7(b).

“Initial Business Plan” means the 5-year business plan of the Company attached as Exhibit 2.

“Intergovernmental Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Manager” and “Managers” has the meaning ascribed thereto in Section 2.3(d).

“Minimum Regulatory Requirements” means:

- (a) all elements and items relating to the new electricity regulatory framework in Montenegro which both Shareholders agree and confirm, at their sole discretion, in writing as complete and acceptable to them, or, if for any reason whatsoever such agreement and confirmation is not reached at the latest by December 2011,
- (b) all elements and items relating to the new electricity regulatory framework in Montenegro set forth in Exhibit 3 (and, for the avoidance of doubt, with respect to those elements and items which are set forth in the Section 1.2 of the Exhibit 3 as an alternative, either of the alternative elements or items).

in each case (a) and (b), to be adopted and implemented by the Energy Regulatory Agency of Montenegro at the latest by the end December 2011 and to be implemented over the period 2011-2014 as indicated (i) in the written agreement and confirmation possibly reached under letter (a) above or (ii) in Exhibit 3 in the case under letter (b) above, as the case may be.

“Minority Shareholder” means any shareholder of the Company other than the Principal Shareholder and Terna (and its Permitted Transferees).

“New Interconnection” shall mean the new electricity interconnection between Italy and Montenegro, which will be composed of the following infrastructures: (a) the ground cables connecting the AC/DC Converter Station in Italy, located , in Cepagatti, with the existing Italian transmission grid at 400 kV Villanova substation; (b) the AC/DC Converter Station of Cepagatti in Italy; (c) the DC ground cable located in the Italian territory connecting the Cepagatti AC/DC Converter Station to the landing point in Italy, located in the municipality of Pescara, (d) the entire High Voltage Direct Current (HVDC) undersea interconnection power cables running between the Italian landing point and the landing point in Montenegro, located in the municipality of Kotor, including the electrodes system and the related medium voltage cables allowing the return of electricity to be used only under contingency operation; (e) the DC ground cable located in the territory of Montenegro connecting the landing point in Montenegro to the AC/DC Converter Station in Montenegro; and (f) the new AC/DC Converter Station in Montenegro, including the related 400 kV bus bars and those bays necessary for the infrastructures of connection to the new AC 400 kV Tivat/Kotor substation. “New Interconnection System” means the new entire electricity interconnection system between Italy and Montenegro, comprising the New Interconnection and the Associated Network Infrastructures.

“New Interconnectors” has the meaning ascribed thereto in Section 8.1.

“New Montenegro-Bosnia and Herzegovina Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Visegrad (Bosnia and Herzegovina).

“New Montenegro-Serbia Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Bajina Basta (Serbia).

“New Regulatory Framework” means the new regulations adopted by the Energy Regulatory Agency of Montenegro, published and in force and effect, that contain the Minimum Regulatory Requirements.

“New System Effective Date” means the first date on which both the New Interconnection System and at least one of the Additional Network Infrastructures shall have commenced full commercial operations.

“Offer Notice” has the meaning ascribed thereto in Sections 4.4(b) or 4.5(b), as applicable.

“Other Shareholder” has the meaning ascribed thereto in Section 4.4(a) or 4.5(a), as applicable.

“Party” or “Parties” has the meaning ascribed thereto in the preamble of this Agreement.

“Per Share Price” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“Permitted Encumbrance” has the meaning ascribed thereto in Section 5.1(d).

“Permitted Transferee” means any of Terna’s Affiliates.

“person” means an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any governmental or public entity) or any other entity, whether or not having legal status.

“Plan of Development” means the plan of development of the Company attached hereto as Exhibit 4, containing the definition and details of the Associated Network Infrastructures and other key transmission infrastructures and operational activities for the proper development, valorization and renovation of the Montenegrin transmission grid, as agreed from time to time by the Shareholders.

“Principal Shareholder” has the meaning ascribed thereto in the preamble of this Agreement.

“Principal Shareholder Call Option” has the meaning ascribed thereto in Section 5.2(a).

“Principal Shareholder Director” has the meaning ascribed thereto in Section 2.1(a).

“Put Event” means any of the events indicated in Exhibit 5.

“Put Option Closing” has the meaning ascribed thereto in Section 5.1(d).

“Put Option Exercise Notice” has the meaning ascribed thereto in Section 5.1(b).

“Put Option Purchase Price” has the meaning ascribed thereto in Section 5.1(c).

“Put Shares” has the meaning ascribed thereto in Section 5.1(a).

“Related Parties” means (i) the Principal Shareholder or any of its Affiliates or any entity in which the Principal Shareholders or any of its Affiliates has a significant interest or Control (other than the Company) or any director or other officer of any of the above persons, or (ii) Terna or any of its Affiliates or any entity in which Terna or any of its Affiliates has a significant interest or Control (other than the Company).

“Reserved Matter” has the meaning ascribed thereto in Section 2.6.

“ROFO Offer” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“ROFO Shares” has the meaning ascribed thereto in Section 4.4(b) or 4.5(b), as applicable.

“Sale and Purchase Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Selling Shareholder” has the meaning ascribed thereto in Section 4.4(a) or 4.5(a), as applicable.

“Shareholder” has the meaning ascribed thereto in the preamble of this Agreement.

“Shareholders’ meeting” means the shareholders’ meeting of the Company.

“Shareholder Steering Committee” has the meaning ascribed thereto in Section 2.7(c).

“Shares” means the shares of any class of the Company (and/or options and subscription rights therefore) and any other form of equity or other securities of the Company convertible into capital stock of the Company (or options and subscription rights therefore), issued by the Company from time to time.

“Special Rights Expiry Date” has the meaning ascribed thereto in Section 2.1(b).

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“Strategic Partnership” means, collectively, (i) the consummation of the Sale and Purchase Agreement, (ii) the execution and implementation of this Agreement, (iii) the construction of the Associated Network Infrastructures by the Company, and (iv) the construction of at least one of the Additional Network Infrastructures.

“Terna” has the meaning ascribed thereto in the preamble of this Agreement.

“Terna Director” has the meaning ascribed thereto in Section 2.1(a).

“Terna Invested Capital” means the sum of (a) the amount of cash or cash equivalents paid by Terna and its Affiliates to subscribe and acquire any Shares pursuant to the Sale and Purchase Agreement, and (b) the amount of cash or cash equivalents or value (in case of in kind contributions, at the time when such contribution is made) paid or contributed by Terna and/or its Affiliates to subscribe any Shares or

other instruments of the Company (including any instrument converted into equity) subsequent to the consummation of the “Closing” under the Sale and Purchase Agreement and up to the date of the relevant transfer.

“Terna Put Option” has the meaning ascribed thereto in Section 5.1(a).

“Transfer” has the meaning ascribed thereto in Section 4.1.

“Voting Agreement” has the meaning ascribed thereto in Section 6.1(a).

“Voting Provisions” has the meaning ascribed thereto in Section 6.1(a).

“Voting Term” means of the fifth anniversary of the date hereof, and every subsequent fifth anniversary of such date until the termination or expiration of this Agreement.

“Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line” means the group composed of representatives of Terna, the Company and the transmission system operator and/or independent system operator from Bosnia and Herzegovina, whose task is to finalize the feasibility study of the New Montenegro- Bosnia and Herzegovina Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Bosnia and Herzegovina allow the New Montenegro- Bosnia and Herzegovina Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulation 1228/2003.

“Working Group for the New Montenegro-Serbia Interconnection Line” means the group composed of representatives of Terna, the Company and the transmission system operator from Serbia, whose task is to finalize the feasibility study of the New Montenegro-Serbia Interconnection Line and to analyze whether it is technically and economically feasible to operate such a line and whether the regulatory frameworks of Montenegro and Serbia allow the New Montenegro-Serbia Interconnection Line to be built and operated as a “private interconnector”, in accordance with Electricity Regulation 1228/2003.

“Working Groups” mean the Working Group for the New Montenegro-Serbia Interconnection Line and the Working Group for the New Montenegro-Bosnia and Herzegovina Interconnection Line.

ANNEX B

SHARE OWNERSHIP

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage</u>	<u>Class of Shares</u>
The Government of Montenegro	80,397,282	55.000%	Ordinary
Terna Rete Elettrica Nazionale S.p.A.	32,288,915	22.0889%	Ordinary

ANNEX 2.3(d)

AREAS AND FUNCTIONS OF THE MANAGERS

A. Activities of the of Unit “Grid Planning and Development”⁸

1. Grid Planning

- To prepare the Company’s Grid Development Plan;
- To define strategic guidelines for the development of National Transmission Grid with the view of assuring secure operation of power system;
- To study and plan new interconnection projects;
- To verify and optimize the renewal and reinforcement of the National Transmission Network considering the Company’s Grid Development Plan provisions;
- To perform technical analyses in support of grid investment profitability assessment;
- To interface with distribution companies in relation to network development issues aiming at interoperability and harmonization of development plans.

2. Grid Design and Development

- To work on and implement the authorization procedures (by also leveraging on the necessary external resources), the rights of way and the management of building sites;
- To supervise the expropriation procedures and allocation of relevant rights of way;
- To participate in preparation of supply and service contracts and supervise the technical and administrative activities by contractors and suppliers on building site;
- To manage the work in progress and carries out relevant tests co-ordination;
- To assure the implementation of the design “as built”.

B. Description of activities of new Function “Financial Planning, Control and Investor Relations”⁹

1. Financial planning

- To oversee the financial planning and controlling of the short-term financial needs of the Company and ensure an optimized coverage of indebtedness on mid and long term;
- To ensure the management of financial risks and monitor relevant exposure;

⁸ The Unit “Grid Planning and Development” will replace the existing Unit “Development , Revitalization and Investment”

⁹ The new Function “Financial Planning, Control and Investor Relations” will incorporate activities developed by the existing Unit “ Finance and Payments”.

- To define hedging instruments in line with Company's financial risk's management policies
- To support the treasury activities aiming at minimizing the cost of debt and optimize current account balances through bank borrowings/use of cash¹⁰;
- To ensure the management of taxes
- To define the optimal capital structure and ensure coverage of the financial needs of medium and long term through the use of capital markets and credit;
- To participate in negotiations, defining and finalizing the financing agreements and/or credit facilities with the financial institutions and domestic and foreign banks
- To develop and coordinate the execution of structured finance and project finance and analyze economic and financial impacts of transactions;
- To determine the fair value of financial transactions and monitor and guard the effectiveness of the financial risks' coverage
- To ensure monitoring and reporting of Company's financials and transactions accounting

2. Control

- To support the definition of strategic guidelines
- To manage the process of planning, budgeting and forecasting of the Company;
- To ensure the preparation of plan, budget and forecast of the Company's
- To co-ordinate the preparation of plan, budget and forecast activities of the Company based on single Departments feedback;
- To preside over system of management control and support corrective actions definition;
- To ensure the management of regulatory accounting income and to support the process of regulatory management through the support in assessing Regulator's decisions impact;
- To preside over the process of evaluation, authorization and control of investments and assist Departments in the definition of investment forecasts;
- To support the definition of strategic and financial-economic policies in short and midterm.

3. Investor Relations

¹⁰ The activities related to cash receipts and payments have to be duly co-ordinated with the Function "Economic Affairs" as well as properly reflected within the updated rulebooks of the Company.

- To manage relationship and communications with institutional investors and financial analysts and to support institutional investors over requested surveys and inquiries;
- To co-ordinate relationships and communication process towards the stock markets and to guarantee the proper release of Company's reports;
- To monitor stock market shares and assure reporting activities over stock markets trends;
- To support processes related to the Corporate Social Responsibility.

C. Description of activities of Unit "Regulatory Affairs and International activities"¹¹

1. National Regulation and economic analyses

- To manage relationships with the Energy Regulatory Agency (ERA) over transmission and system operation regulation aiming at pursuing the most convenient accommodation of Company's instances over secondary legislation implementation;
- To develop economic analyses on the decisions of ERA related to the transmission sector and assess their economic and strategic impact on the Company's different businesses;
- To co-operate with ERA on main analyses related to tariffs projections and definition;
- To provide for working out, updating and maintaining the grid code in line with legal/regulatory framework and to cooperate with the interested Departments in the fulfillment of obligations required by the Transmission and System operation licenses;
- To participate, in co-operation with other departments, in preparation of agreements with other electricity sector stakeholders (i.e. generators, market operator) on regulatory issues and market functioning (including transmission usage, losses remuneration and ancillary services contracts);
- To co-operate with technical departments in developing a "regulatory" accounting of assets.

2. European regulation and international activities

- To coordinate the Company's participation in the European and International organizations of TSOs, aiming at aligning Company's policies and procedures to EU TSOs' best practices;
- To oversee relations with the international institutions, associations and stakeholders of the electricity sector of Company's interests, with particular reference to regulated frameworks;
- To support regulatory issues related to interconnection capacity allocation and, in co-operation with technical Departments, commercial agreements with neighboring TSOs;

¹¹ The Unit "Regulatory Affairs and International Activities" will replace the existing Unit "Regulatory and International Affairs"

- To identify opportunities for international regulated and non regulated development and to analyze with the other departments the economic and regulatory feasibility of the businesses
- To carry out international and European benchmarking (i.e. tariff systems) and its evolution.

ANNEX 2.4

LIST OF AUDITING FIRMS

NAME	ADDRESS	REGISTRATI ON NUMBER	CONTACTS	WEB ADDRESS
DELOITTE DOO	Bulevar Ivana Crnojevića 107, Podgorica	1018	Danijela Dimovski tel: +382 20 664 017 - fax: +382 20 664 016 - email: ddimovski@deloitte ce.com	www.deloitte.com/montenegro
KPMG DOO	Bulevar Svetog Petra Cetinjskog 1A, Podgorica	1015	Dejan Janković tel/fax: +382 20 201 480 - email: info@kpmg.me	www.kpmg.me
ERNST & YOUNG MONTENEGRO DOO	Stanka Dragojevića 15, Podgorica	1013	Valentina Nenezić tel/fax: +382 20 407 278 mob: +382 67 591 111	
PRICEWATERHO USECOOPERS DOO	Omladinskih brigada 88a 11000 Belgrade, Serbia		Tel.: + 381 (11) 3302 100	www.pwc.com/rs

Source Ministry of Finance of Montenegro, except for Pricewaterhousecoopers.

ANNEX 2.6(b)(iii)(1)

TRANSMISSION AGREEMENT TEMPLATE

CONTRACT
ON USAGE OF TRANSMISSION NETWORK

concluded between

_____ (hereinafter referred to as: Consumer), represented by
_____, Executive director

and

CRNOGORSKI ELEKTROPRENOSNI SISTEM AD – CGES with headquarters in Podgorica, st. Bulevar Sv. Petra Cetinjskog no.18 (hereinafter referred to as: CGES), represented by Dragan Laketić, Executive director

or as a rule, hereinafter referred to by a separate name: Contractual party or by a joint name: Contractual parties

I GENERAL PROVISIONS

Article 1

- (1) The Contract on usage of transmission network (hereinafter referred to as: Contract) regulates conditions under which Consumer can use the transmission system for transmission of electric power and energy.

Article 2

- (1) By this Contract CGES, as provider of service of transmission network usage, and Consumer, regulate issues related to transmission of electric energy for needs of supply of electric energy to consumers in Montenegro registered with Consumer (hereinafter referred to as – consumption of Consumer), and related to that:
- service of transmission network usage,
 - maximum power and duration of the service,
 - list of metering locations for delivery of electric energy between CGES and Distribution Operator, then CGES and direct consumers connected to the transmission network,
 - price, manner of calculation and invoicing the service of transmission network usage,
 - conditions under which providing the service can be terminated,
 - conditions under which providing the service can be cancelled,
 - validity period of the contract.

II SERVICE OF TRANSMISSION NETWORK USAGE

Article 3

- (1) The service of usage of transmission network should provide transmission of electric energy within transmission network of the electric-energy system of Montenegro for needs of Consumer, according to conditions defined by:
 - Codex of network
 - Contract on balance liability

- (2) The access of Consumer to cross-border transmission capacities is regulated by a special Contract on access to transmission network aimed at usage of cross-border transmission capacities.

Article 4

- (1) Prenos is getting liable, with the aim to realize conditions from the Article 3 of this Contract, to provide to Consumer:
 - disposability of transmission network in line with determined electric energy balance;
 - parameters of quality of transmitted electric energy in line with conditions prescribed by the Codex of network;
 - covering losses emerged in the transmission network due to transmission of electric energy for needs of Consumer;
 - balancing of inconsistencies of real capacity of Consumer' s consumption relative to applied capacity in line with the Contract on balance liability.

III MAXIMUM CAPACITY

Article 5

- (1) Consumer can use the transmission network for transmission of electric energy for needs of consumption with capacity which in any moment can not be higher than by the actual balance envisaged maximum capacity increased by safety margin of 10%.

IV LIST OF USERS OF SUPPLY SERVICE

Article 6

- (1) A list of users of supply service in the sense of this Contract corresponds to a list of consumers of electric energy whose supply is under User's responsibility.

- (2) User shall be liable during realization of this Contract to abide by the updated list of consumers.

V PRICE OF SERVICE

5.1. Price of usage of transmission network and price of compensation for losses

Article 7

- (1) The price of usage of transmission network and price of compensation for losses in the transmission network are defined in accordance with the Rulebook on tariffs for electric energy and valid Decision on determining table with prices for electric energy during the subject calculation period.

Article 8

- (1) A user shall be obliged to include the compensation from the article 7 of this Contract into the final invoice for spent electric energy to his consumers from the updated list of users.

5.2. Price of balancing

Article 9

- (1) Calculation of compensation on basis of balancing of Users shall be done in line with the Contract on balance liability.

VI MANNER OF CALCULATION, INVOICING AND PAYMENT OF SERVICE

Article 10

- (1) Calculation period shall start on the first day of month at 00⁰⁰, and shall be finished on the last day of month at 24⁰⁰.

Article 11

- (1) User shall submit to CGES, upon expiry of calculation period, and latest by the seventh working day of a month, a report on realization of delivery of electric energy to his consumers connected to distribution network per voltage levels and categories of consumers, agreed with Distribution operator.
- (2) CGES shall submit to User, based on a meter reading, a report on realization of delivery of electric energy to consumers connected to transmission network who are part of an updated list of users of transmission service from the article 6. of this Contract.

- (3) Contractual parties shall be liable to agree on the report from the paragraph (2) of this article not later than the third working day of the month for the previous month.
- (4) Official metering locations for delivery of electric energy between CGES and Distribution operator, then CGES and direct consumers connected to the transmission network are given in the Annex no. 1 of this Contract.

Article 12

- (1) CGES shall charge Consumer for the service of transmission network service (N_k) based on the following formula:

$$N_k = N_{k1} + N_{k2} \pm K_k$$

where is:

- a. N_{k1} – compensation for usage of transmission network for consumers for whom capacity is calculated:

$$N_{k1} = \sum_{n \in NN} \sum_{i \in KP} C_{K1ni} \times P_{Ini}$$

- b. N_{k2} - compensation for usage of transmission network for consumers for whom capacity is not calculated:

$$N_{k2} = \sum_{i \in KP1} C_{K2i} \times E_{Ii}$$

- c. K_k – account balance of corrections done in the calculation month on basis of usage of transmission network

where is:

C_{K1ni} – price of usage of transmission network for consumers for whom capacity is measured at voltage level n for the category of consumers i , expressed in €/kW in line with the valid Decision on determining a table with prices of electric energy.

E_{gr} – total realized costs of electric energy in the distributive network for the duration of calculation period, are obtained based on the formula:

$$E_{gr} = \sum_{i \in Dis} E_{pi} - \sum_{n \in DNN} \sum_{i \in KP} E_{Ini}$$

E_{pi} – total electric energy delivered during a calculation period to an official metering locations i between CGES and Distribution operator, in accordance with Annex 1

E_{Ini} – total electric energy delivered during a calculation period to the category of consumers i , at the voltage level n , adjusted with Distribution operator.

Dis – A list of official metering locations for delivery of electric energy between CGES and Distribution operator

NN – A list of all voltage levels in the system (Annex 2)

DNN - A system of all voltage levels in the distribution network (Annex 2)

KP – A list of categories of consumers at the appropriate voltage level (Annex 2)

C_{Kg} – unit price of transmission of electric energy determined by a valid Decision on approval of regulatory allowed income of CGES.

Article 13

(1) CGES shall calculate to User a compensation for losses in the transmission network (N_g) which is paid by consumers on basis of the following formula:

$$N_g = N_{g1} + N_{g2} \pm K_g$$

where is:

- a. N_{g1} – compensation for losses in the transmission network for one-tariff consumers

$$N_{g1} = \sum_{i \in KP} C_{g1i} \times E_i$$

- b. N_{g2} – compensation for losses in the transmission network for two-tariff consumers

$$N_{g2} = \sum_{n \in NN} \sum_{i \in KP} \sum_{t \in DP} C_{g2nit} \times E_{nit}$$

- c. K_g – account balance of corrections done in the calculation month on basis of losses in the transmission network

where is:

C_{g1i} – price of losses in the transmission network for one-tariff consumers for a category of consumers i , expressed in €/kWh in line with the valid Decision on determining a table with prices of electric energy.

C_{g2nit} – price of losses in the transmission network for two-tariff consumers at the voltage level n for the category of consumers i for daily period t , expressed in €/kWh in line with the valid Decision on determining a table with prices of electric energy.

E_i - total received electric energy during calculation period by one-tariff consumer of the category i , adjusted with Distribution operator, i.e. CGES

E_{nit} - electric energy taken during calculation period by two-tariff consumer of the category i , for voltage level n and for daily period t , adjusted with Distribution operator, i.e. CGES

- (1) CGES shall calculate compensations from the articles 12 and 13 of this Contract within calculation period to User after expiry of monthly calculation period by the tenth working day in a month for the previous month.
- (2) User shall be liable to pay an invoiced amount by the twelfth day of the month for the previous month, or at the first working day after the twelfth day in case the twelfth day is unworking day.
- (3) All payments of Users - CGES determined by this Contract shall be settled in accordance with payment instruction from the invoice.
- (4) In case of delay in payment of the compensation from the paragraph 1. of this article, User shall be obliged to pay to CGES an interest of arrears in accordance with provisions of the Law on rate of interest of arrears («Official Gazette of Montenegro » no.83/09).

VII CASES OF TERMINATING TO PROVIDE SERVICE

Article 15

- (1) Providing service of the transmission network usage can be terminated by CGES, without its responsibility, in the following cases:
 - In cases prescribed by the Law on energy,
 - upon an order of competent institutions.

Article 16

- (1) CGES shall have no liability towards User in case of interruption (in continuity not longer than 12h) of usage of the network without previous notice under certain circumstances such as:
 - prevention of threatening dangers for health and safety of people or devices,
 - technical damages in power plants or the transmission system and
 - other circumstances outside the control of CGES which are not the result of any deliberate activity or breach of the contract and are not the subject of planning.

Article 17

- (1) Providing service of usage of the transmission network can be terminated apart from the cases stated in the article 15 of this Contract also in cases when User does not perform his obligations related to payment of compensations determined by this Contract.

Article 18

- (1) If Contractual party finds out about a disturbance which will have impact on some or all of his obligations from the Contract, he shall immediately inform other Contractual party and submit a full and complete report on the event and reasons for which that event can prevent their compliance with the provisions of the Contract. A disturbance shall not mean exemption from payment liabilities based on the provided service prior to occurrence of the event.

None of Contractual parties shall not overtake responsibility for any kind of expense or damage occurred due to disturbance in supply of electric energy appeared as a result of disturbances.

VIII FORCE MAJEURE

Article 19

- (1) Contractual parties shall be exempt from fulfillment of responsibility from the contract during force majeure.
- (2) Force majeure in the sense of this Contract implies unenvisioned natural occurrences which have character of natural hazards (floods, earthquakes, fires, atmospheric, strong winds, excessive ice, sea-frost and similar) as well as damages on devices and plants which had not occurred due to fault of Contractual parties.
- (3) Contractual party which cites effects of force majeure shall be obliged to submit a notice in written form to the other Contractual party citing character and beginning of effects of force majeure and providing credible proofs. In the same way it should be informed about termination of effects of force majeure.

Article 20

- (1) Contractual party shall not be responsible for failures in fulfillment of any of his contractual obligations if unfulfillment was caused by force majeure, during effects of force majeure and sensible period after completion of effects which is necessary to Contractual party to continue with fulfillment of contractual obligations.

Article 21

- (1) Contractual party which does not give notice to the other party within deadline given in the article 19, paragraph 3 of this Contract, has no right to cite force majeure as a reason of his unfulfilled contractual obligations.

IX COMPENSATION FOR UNFULFILLED CONDITIONS

Article 22

- (1) User shall have right on compensation for damage in case of interruption in transmission of electric energy in continuity longer than 12h for which notice was not given, and which is not exempt by the article 19 of this contract.
- (2) Amount and mode of payment of compensation from the paragraph (1) of this article is done in accordance with manner and procedure prescribed by a special methodology brought by User in line with the Contract on electric energy supply (type Contract between _____ and distribution consumers), approved by the Regulatory Agency for Energy. User shall have right on compensation from the paragraph (1) not more than by the level of costs occurred on basis of penalty provisions of the Contract on electric energy supply, appeared under conditions defined in the paragraph (1).

X FINAL PROVISIONS

Article 23

- (1) In case legal and other regulations, which make basis of this Contract, are changed during validity of this Contract, or in case of a new interpretation of the Decision on determining a table with prices for electric energy by RAE, Contractual parties shall adjust provisions of the contract to newly occurred conditions and changes.

Article 24

- (1) Possible disputes arising out of this Contract Contractual parties shall solve in peace.
(2) Otherwise, Commercial Court in Podgorica shall be in charge of that.

Article 25

- (1) This Contract shall be in force from 1.1.2010. to 31.12.2010.

Article 26

- (1) The Contract is made in 6 (six) identical copies of which 3 (three) copies are taken by User, and 3 (three) copies are taken by CGES.

In Podgorici, on day _____ .

For CGES

Dragan Laketić, grad.el.eng.

For

.....

Annex 1

Official locations of delivery of electric energy between Prenos and Distribution operator, then Prenos and direct consumers connected to the transmission network:

code	Metering location	Voltage level	Separation point	Configuration of metering device*
1	TS Pljevlja 1	35 kv	Prenos - Distribucija	223+224
2	TS Ribarevine	35 kv	Prenos - Distribucija	112+113
3	TS H.Novi	35 kv	Prenos - Distribucija	172+173
4	TS Tivat	35 kv	Prenos - Distribucija	321+322
5	TS Budva	35 kv	Prenos - Distribucija	151+152
6	TS Bar	35 kv	Prenos - Distribucija	341+342
7	TS Ulcinj	35 kv	Prenos - Distribucija	331+332
8	TS Cetinje	35 kv	Prenos - Distribucija	311+312
9	TS Danilovgrad	35 kv	Prenos - Distribucija	261
10	TS Berane	35 kv	Prenos - Distribucija	211+212
11	TS Mojkovac	35 kv	Prenos - Distribucija	141
12	TS Nikšić	35 kv	Prenos - Distribucija	182+183-189
13	TS Podgorica 3	10kv	Prenos - Distribucija	231+232
14	TS Podgorica 4	10 kv	Prenos - Distribucija	241+242
15	TS Andrijevica	35 kv	Prenos - Distribucija	161
16	TS Vilusi	35 kv	Prenos - Distribucija	251

17	KAP(TS Podgorica2)	110 kv	Prenos consumer	–	Direct	372+373
18	Steel company (TS Nikšić)	110 kv	Prenos consumer	–	Direct	184+185+189
19	ŽICG (TS Podgorica 1, Trebjesica, Bar, Mojkovac	25 kv	Prenos consumer	–	Direct	135+136+142+143+271+272+343+344

* - In the colone configuration of metering device a combination of metering devices is given which enables encompassing all extracts, that is records of complete energy delivered to a concrete consumer. Unique number of metering device corresponds to a code under which ti is registered in the system for automatic reading.

Annex 2

A list of voltage levels and categories of consumers per voltage levels in accordance with tables with prices for electric energy brought based on determined regulatory income, announced at the internet page of the Regulatory Agency for energy.

Voltage level	Category of consumers
110 kV	Direct consumer KAP
	Direct consumer ŽNK
	Direct consumer ŽCG
35 kV	Distribution consumers
10 kV	Distribution consumers
0.4 kV	Distribution consumers I level

Distributive consumers II level with measuring of electric energy

Distributive consumers II level

Distributive consumers Households two-tariff metering

Distributive consumers Households one-tariff metering

Distributive consumers Public lightening two-tariff metering

Distributive consumers Public lightening two-tariff metering

Annex 3

A list of categories of consumers at 0,4 kV voltage level for which capacity is not measured

Voltage level	Category of consumers
0,4 kV	Distributive consumers II level with metering of reactive electric energy
	Distributive consumers II level
	Distributive consumers Households two-tariff metering
	Distributive consumers Households two-tariff metering
	Distributive consumers Public lightening two-tariff metering
	Distributive consumers Public lightening two-tariff metering

Annex 4

List of authorized staff

Exchange and adjustment of reports on usage of transmission network

Prenos	EPCG
Ljubo Knežević Head of sector for development and exploitation of secondary systems Tel: 020 407 621 Fax: 020 225 962 e-mail: ljubo.knezevic@tso-epcg.com	Vladimir Kilibarda Referent for creation of schedules and electric-energy balance Tel: 040 204 287 Fax: 040 214 250 e-mail: data@snabdijevanje.co.me

Calculation and payment

Prenos	EPCG
Ljiljana Žugić Economist for analytics and calculations Tel: 020 407 619 Fax: 020 225 962 e-mail: ljiljana.zugic@tso-epcg.com	Milka Čavić Head of financial sector Tel: 040 204 149 Fax: 040 215 306 e-mail: finansije@snabdijevanje.co.me

Contracts implementation:

Prenos	EPCG-FC Snabdijevanje
Ranko Redžić Head of sector for operational management Tel: 020 407 607 Fax: 020 225 962	Sreten Gojković Director of FC Snabdijevanje Tel: 040 204 121 Fax: 040 214 169

e-mail: ranko.redzic@tso-epcg.com	e-mail: kabinet@snabdijevanje.co.me
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ANNEX 2.6(b)(iii)(3)

TRADER'S AGREEMENT TEMPLATE

CONTRACT ON RIGHT TO ACCESS TRANSMISSION NETWORK

aimed at usage of cross-border transmission capacity

for period xxxxxxxxxxxx

BETWEEN

Crnogorski elektroprenosni sistem AD

and

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Article 1.

By this Contract „Crnogorski elektroprenosni sistem AD“ (hereinafter referred to as CGES) and _____ (hereinafter referred to as Consumer) regulate Consumer’s right to access the transmission network with the aim to use cross—border transmission capacity, acquired through the allocation procedure (auction) organized by CGES.

Article 2.

CGES shall allow Consumer to have access to the transmission network with the aim of using cross-border transmission capacity in the following way:

TABLE

Border:

Direction:

Validity period:

Diagram:

Price of allocated transmission capacity:

Code of allocated transmission capacity (CBCcID):

Article 3.

CGES shall keep the right to reduce or suspend the right on cross-border transmission from the previous article in case of contingency occurred in electric energy system. If this happens, Consumer shall be given back all resources from allocation of transmission capacity which arise from introduced constraints.

CGES shall not be held liable for damage occurred due to reduction or break of the approved transmission of electric energy implemented due to contingency.

Article 4.

CGES shall calculate the service and submit to Consumer a corresponding invoice in line with „Rules for allocation of disposable transmission capacities“.

Payments shall be made by Consumers of CGES to the gyro account given in the invoice.

Article 5.

Consumer shall be obliged to pay the invoiced amount not later than 5 days from the day the invoice from the previous article is submitted.

If Consumer does not settle the payment liability in accordance with the previous paragraph, CGES shall charge interest in arrears.

Rate of interest in arrears shall be 6% on annual basis, calculated on basis of the comfort method.

In case Consumer does not settle payment liabilities from this article, CGES shall keep the right to terminate the right of Consumer on allocated capacity as well as to forbid Consumer to participate in future auctions.

Article 6.

Consumer shall be liable to submit for all payments a specification of liabilities that are being settled in accordance with the maturity date of the invoice, and if he does not submit that, he shall agree that CGES can make a specification in accordance with maturity dates of liabilities.

Article 7.

Contractual parties shall be liable to fully abide by the „Rules for allocation of disposable transmission capacities on interconnection lines of the control area of Montenegro with neighbouring control areas for 2010“.

Article 8.

All potential disputes arising out of this Contract Contractual parties shall solve in peace.

If such a dispute can not be solved in peace, the competent Commercial Court in Podgorica shall be in charge.

Date:

Place:

Signature: Consumer

Seal:

Signature: CGES AD

Seal:

ANNEX 2.6 (b)(iii)(6)

PENDING PERMITTED TRANSACTIONS

1. Loan agreements with EIB

EIB and Elektroprivreda Crne Gore AD Niksic originally entered into the loan agreement better described below:

- A. Name of the contract: Power Sector Reconstruction – B Finance Contract between European Investment Bank and Elektroprivreda Crne Gore A.D. Niksic;
- B. Contract reference numbers: FI no. 24.597 (ME) - SERAPIS no. 2001-0558;
- C. Date of subscription: 30/09/2008
- D. Contract description / Project involved: construction of a 110 kv facility TS110/35/10 kV KOTOR (Škaljari), construction of Transmission line 110kV Tivat - Kotor (Škaljari) and transmission rehabilitation;
- E. Amount involved: EUR 2, 976, 910.00;
- F. Collateral if any: unconditionally guarantee released by the Government of Montenegro.

Following and pursuant to the unbundling and spin-off of Prenos (now CGES), a portion equal to EUR 2,500,000.00 loan was to be transferred to Prenos and the residual amount of 476,910.00 loan was to be transferred to EPCG for reconstruction activities of the hydro power plant of Perucica;

EPCG and CGES are currently discussing between them and with EIB the terms and conditions for the formalization of an agreement regulating one of the following options: (i) the transfer of the abovementioned portions of the loan directly to CGES and EPCG or (ii) the transfer of the entire loan to CGES (this agreement being the “Permitted Transaction”).

It is agreed that (i) the obligations that CGES may assume under such loan and agreement (vis-à-vis EIB and/or EPCG) will not be less favorable to CGES than those currently applying to EPCG, (ii) CGES will not be required to provide any collateral or other credit or financial support, and (iii) CGES will not be responsible or liable vis-à-vis EIB and any third party for possible breaches, or penalties due, by EPCG.

2. Urban construction land in Podgorica

- A. Name of the contract: (1) Agreement on transfer of title on to the city construction land for the purpose of developing a residential and office building; (2) Agreement on transferring the “Agreement on transfer of title on to the city construction land for the purpose of developing a residential and office building”;
- B. Contract reference numbers: 10-00-7788 and 10-00-16234;
- C. Date of subscription: 24/06/2008 for agreement number 10-00-7788 and 30/12/2009 for agreement number 10-00-16234;
- D. Amount involved: the parties involved agreed on the portion of the facility to be allocated rather than on a specific amount of money;
- E. Collateral if any: Atlasmont Bank acts as guarantor of the constructor.

Pursuant to the Agreement on transfer of title on the city construction land for the purpose of developing a residential and office building, number 10-00-7788 of 24.06.2008 signed between EPCG and “Radenko” Ltd. (the “Radenko Agreement”), this latter company is entitled to own 71.8% of the surface of the newly built facility.

Pursuant to a subsequent agreement, number 10-00-16234 of 30.12.2009, “Radenko” Ltd. assigned to RR Gradnja Ltd. the Radenko Agreement. Such new agreement it is signed between “Radenko” Ltd. and RR Gradnja Ltd. and EPCG and CGES have consented to the assignment

EPCG and CGES are finalizing an agreement that will deal with: (i) split of the ownership of the remaining portion of new constructed facility in the following ratio: 75% to CGES and 25% to EPCG and (ii) decision over the selling of part of the mentioned facility in order to get housing funds for employees (this agreement being the “Permitted Transaction”)

ANNEX 3.2

USE OF PROCEEDS

The Company will use the proceeds deriving from the capital increase fully subscribed by TERNNA under the Sale and Purchase Agreement exclusively for the development and construction of the Associated Network Infrastructures listed below:

1) Tivat/Kotor 400 kV Substation:

the new AC 400 kV Tivat/Kotor substation including the 400 kV bus bars and bays, necessary for the connection of the new Tivat/Kotor Substation to the Montenegrin AC/DC Station, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation;

2) 400 kV Infrastructure connecting 400 kV Tivat/Kotor Substation:

the 400kV transmission lines connecting the new Tivat/Kotor Substation to the existing Montenegrin electricity transmission grid and the AC transmission infrastructures (lines or cables) connecting the new Tivat/Kotor Substation to the Montenegrin AC/DC Station;

3) Overhead transmission 400 kV line Pljevlja –Tivat/Kotor:

the new 400 kV transmission line between the existing 400 kV Pljevlja substation and the new Tivat/Kotor Substation, internal to the electricity transmission network of Montenegro.

The current estimation for the period 2010 – 2015 of the capital expenditures detailed above, is the following:

Amount in Euro million

	Investment item	Cumulative	2010	2011	2012	2013	2014	2015
1	400 kV Infrastructure connecting 400 kV Tivat/Kotor substation	23,87	1,00	5,00	15,00	2,87	-	-
2	Tivat/Kotor 400 kV Substation	10,28	-	1,00	2,00	6,00	1,28	-
3	Overhead transmission 400 kV line Pljevlja –Tivat/Kotor	66,13	-	4,80	8,67	11,67	17,67	23,32
TOTAL		100,28	1,00	10,80	25,67	20,54	18,95	23,32

The amounts will be updated and amended from time to time in accordance with the new releases of the Business Plan.

ANNEX 3.2-bis

INVESTMENTS GUIDELINES

This document defines the guidelines to manage the liquidity arising from the capital increase as specified in the SPA. The cash management must be done in order to preserve the nominal value of the investment and to minimize counterparties credit risk and liquidity risk. The instruments must have the characteristics of high liquidity and easy pricing.

Permitted instrument

Banking Account, Time deposit, Certificate of Deposit, Notes and Puttable Notes

Maturity

Maturity and amount of the investment must be consistent with the outflows related to the capex plan as specified in Annex 3.2 "Use of Proceeds"

Counterparty

A process of selection of counterparties is required. The counterparties will be selected, among financial institutions registered in Montenegro, in order to have an adequate risk profile, considering also the possibility of a minimum investment grade credit rating.

The selection of counterparties must take into account the relationships with banking institutions as a whole and must be supported by an adequate exchange of documents.

Price Transparency

For each transaction, the counterparty must be selected through competitive bidding involving at least two (2) financial institutions. The tender process must be supported by an adequate exchange of written documents.

ANNEX 4.3(i)

PERMITTED TRANSFEREE CERTIFICATE

[on the Permitted Transferee's letterhead]

To: The Government of Montenegro

[•]

Attention: [•]

Facsimile: [•]

CC: Crnogorski elektroprenosni sistem AD
Bulevar Svetog Petra Cetinjskog 18
81000 Podgorica
Montenegro
Attention: [•]
Facsimile: [•]

[place], [date]

Re: Permitted Transferee Certificate

Dear Sirs:

We make reference to the strategic and shareholders' agreement entered into as of [•], 2010 (the "Strategic and Shareholders' Agreement") by and among the State of Montenegro (the "Principal Shareholder"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy ("Terna"), and Crnogorski elektroprenosni sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro (the "Company"). Unless otherwise indicated herein, capitalized terms used herein shall have the meaning ascribed to them in the Strategic and Shareholders' Agreement.

Under Section 4.3 of the Strategic and Shareholders' Agreement, Terna shall have the right at any time to freely Transfer all (but not part) of its Shares to a Permitted Transferee provided that Terna, among others, submits to the Principal Shareholder a certificate issued by the Permitted Transferee substantially in the form provided in Annex 4.3(i) to the Strategic and Shareholders' Agreement.

In accordance with Section 4.3(i) of the Strategic and Shareholders' Agreement, we, as Permitted Transferee, hereby confirm without exception to be bound by the terms and conditions of the Strategic and Shareholders' Agreement and be subject to the same obligations as Terna thereunder.

Finally, we acknowledge that we shall be deemed to be a single party with Terna for the purpose of the Strategic and Shareholders' Agreement (including with respect to Section 2.1(b) thereof) and shall have, and be bound by, the rights and obligations assigned to Terna thereunder.

Any notices under the Strategic and Shareholders' Agreement should be addressed to the Permitted Transferee as follows:

[*Name / Company*]

[*Address*]

Attention: [•]

Facsimile: [•]

E-mail: [•]

Copy to:

[•]

Yours sincerely,

Name:

Title:

ANNEX 4.3(ii)

TERNA CERTIFICATE

[on Terna's letterhead]

To: The Government of Montenegro

[•]

Attention: [•]

Facsimile: [•]

CC: Crnogorski elektroprenosni sistem AD
Bulevar Svetog Petra Cetinjskog 18
81000 Podgorica
Montenegro
Attention: Zoran Djukanović
Facsimile: +382 20 407 665

[place], [date]

Re: Terna Certificate

Dear Sirs:

We make reference to the strategic and shareholders' agreement entered into as of [•], 2010 (the "Strategic and Shareholders' Agreement") by and among the State of Montenegro (the "Principal Shareholder"), Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy ("Terna"), and Crnogorski elektroprenosni sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro (the "Company"). Unless otherwise indicated herein, capitalized terms used herein shall have the meaning ascribed to them in the Strategic and Shareholders' Agreement.

Under Section 4.3 of the Strategic and Shareholders' Agreement, Terna shall have the right at any time to freely Transfer all (but not part) of its Shares to a Permitted Transferee provided that

Terna, among others, submits to the Principal Shareholder a certificate issued by Terna substantially in the form provided in Annex 4.3(ii) to the Strategic and Shareholders' Agreement.

In accordance with Section 4.3(ii) of the Strategic and Shareholders' Agreement, we hereby confirm that Terna shall remain jointly and severally liable with [*name of the Permitted Transferee*] with respect to the performance by the latter of its obligations under the Strategic and Shareholders' Agreement.

Yours sincerely,

Name:

Title:

ANNEX 10.2

NOTICE INFORMATION

If to the Principal Shareholder:

The Government of Montenegro
Attention: Deputy Minister for Economy
Ministry of Economy
Rimski trg 46, Podgorica, Montenegro

Phone: +382 20 482 163

Facsimile: + 382 20 234 027

If to Terna:

TERNA Rete Elettrica Nazionale S.p.A.
Viale Egidio Galbani, 70
00156 Roma
Italia
Attention: Avv. Filomena Passeggio

Facsimile: +39 06 8313 8218

E-mail: filomena.passeggio@terna.it

with a copy to (which shall not constitute notice):

Cleary Gottlieb Steen & Hamilton LLP
Via San Paolo, 7
20121 Milano
Italia
Attention: Avv. Matteo Montanaro

Facsimile: +39 02 8698 4440

E-mail: mmontanaro@cghs.com;

If to the Company:

Crnogorski Elektroprenosni Sistem AD
Bulevar Svetog Petra Cetinjskog 18
81000 Podgorica
Montenegro
Attention: Aleksandar Mijušković

Facsimile: +382 20 241 616
E-mail: aleksandar.mijuskovic@cges.me

EXHIBIT 1

BY-LAWS

Please see Schedule 3.1.1 to the “Agreement on sale and purchase through subscription of newly issued shares in capital increase”

EXHIBIT 2

INITIAL BUSINESS PLAN

Please see Exhibit 5 of the “Agreement on sale and purchase through subscription of newly issued shares in capital increase”

[OMISSIS]

EXHIBIT 3

MINIMUM REGULATORY REQUIREMENTS

Evolution of the Regulatory Framework in Montenegro for electricity transmission and system operation activities: general guidelines in line with EU best practices

1. Regulated Asset Base (RAB) definition

1.1. Setting for 2011

Considering the perimeter of assets in operation in 2009 (including investments in progress and working capital), the initial RAB value to be used for setting 2011 transmission tariff will be assessed based on the new Energy Law (Official Gazette 28/2010, hereinafter referred to as the Law) Article 38 paragraph 1, Article 194 paragraphs 3, 4 and 5, and it is regulated by Interim Methodology for Regulated Revenue and Prices for Transmission System Use to be applied in 2011.

It is assessed that the initial RAB value will not be however lower than 131 M€, value expected by applying the formerly adopted methodology considering the assets value reported in Prenos 2009 balance sheet.

1.2. Setting for 2012 and beyond

The text below in this Annex is related to 2012 and beyond, and its relevant provisions will be incorporated in the permanent methodology to be passed by the Energy Regulatory Agency in 2011 in line with Art. 38 paragraph 1, Art. 53 paragraph 1 and Art. 194 paragraph 2 of the Law.

Considering the fact that the permanent methodology will envisage a multi-year regulatory period, the RAB value will be adjusted on a yearly basis in order to take into account inflation and the new investments. Application of RAB indexation and depreciation by including the index »Deflator for Investments« in future will be the subject of reviewing relevant provisions of the regulatory framework.

Taking into account that the most recent assessment of CGES asset value was made under the assessment of assets of Elektroprivreda Crne Gore AD as of 31 December 2003, and Energy Law (Article 44), envisages that regulatory assets value is to be adjusted through establishing the structure and value of assets by an energy entity within the periods not exceeding 5 years, CGES will complete a new assessment of asset value within the shortest period possible, and no later than the first half 2011.

The value of assets coming from this assessment will be used as a basis for the yearly update of the RAB. The yearly update of the RAB will be calculated through the following formula:

$$\mathbf{RAB}_{\text{year } t} = \mathbf{TOS}_{\text{NET year } t-1} - \mathbf{KD}_{\text{year } t-2} + \mathbf{IT}_{\text{year } t-2} + \mathbf{RK}_{\text{year } t-1} + \mathbf{Inflation}_{\text{year } t-1}$$

where:

RAB_{year t} - regulated asset base (€) for the year t

$$\mathbf{Inflation}_{\text{year } t-1} = \text{RAB (year } t-1) * \text{Deflator}_{t-1} \text{ for Investments}$$

TOS_{NET year t-1} - RAB for the year t (t-1) in (€). For the first period of the regulatory period (2012), **TOS**_{NET year t-1} is the value of assets coming from the abovementioned CGES assessment.

KD_{year t-1} - capital contribution in the previous year (t-1) (grants, donations, assets paid by consumers) (€)

IT_{year t-1} - value of investments at the end of year (t-1) (€), having subtracted **Depreciation**_{year t-1} (as referred in section 3) and asset **Divestments**_{year t-1}

RK_{year t-1} - working capital in the amount of 1/12 approved operating costs in the year (t-1) (€)

It is understood that, in case the index “Deflator for Investments” as above indicated is not available for Montenegro, the “Deflator for Investments” will be as equal to the consumer price inflation rate officially published by the national Institute for Statistics of Montenegro.

Regulatory value of fixed assets does not include:

- assets not related to licensed activities, assets of social standard, non-used assets, written-off assets;
- assets that are not fully depreciated, which will be withdrawn in the year for which regulatory revenue and price are established.

OR

1.2 Setting for 2012 and beyond

Considering the perimeter of assets in operation in 2009 (including work in progress), the initial RAB value to be used for setting 2011 transmission tariff will be not lower than 131 mln euros.

This RAB value is assessed by considering the assets value reported in Prensos' 2009 balance sheet including the 2009 work in progress.

Starting from the transmission tariffs to be set for 2012, the abovementioned RAB value will be annually adjusted in order to take into account net investments and inflation. Therefore, the RAB will be updated every year through the following formula:

$$\mathbf{RAB}_{\text{tariff year } t+1} = \mathbf{RAB}_{\text{tariff year } t} + \mathbf{Net\ investments}_{t-1} + \mathbf{Inflation}_{t-1}$$

Where:

- $\mathbf{RAB}_{\text{tariff year } t}$ = the regulated asset base used for setting the transmission tariff of the year t
- $\mathbf{Inflation}_{t-1}$ = $\mathbf{RAB}_{\text{tariff year } t} * \mathbf{Deflator}_{t-1}$ for Investments
- $\mathbf{Net\ Investments}_{t-1}$ = $\mathbf{Investments}_{t-1}$ (entered into operation and work in progress) – $\mathbf{Depreciation}_{t-1}$ – $\mathbf{Divestments/disposals}_{t-1}$

It is understood that, in case the index “Deflator for Investments” as above indicated is not available for Montenegro, the “Deflator for Investments” will be as equal to the consumer price inflation rate officially published by the national Institute for Statistics of Montenegro (in this case it will coincide with inflation index to be used for the calculation of the WACC real pre-tax).

2. Remuneration of the RAB

In order to match EU best practice, future regulation will define a rate for RAB remuneration for each regulatory period, based on a real pre-tax WACC, calculated on the basis of the economic and financial market conditions in Montenegro and in line with the most accepted international economic practices, through the following formula:

$$\frac{\left[1 + \left(\frac{K_e}{(1-T)} \cdot \frac{E}{(E+D)} + K_d \cdot \frac{(1-t_c)}{(1-T)} \cdot \frac{D}{(E+D)} \right) \right]}{1+rpi} - 1$$

where:

K_e = cost of equity

E = value of equity

D = value of borrowed capital (debt)

K_d = cost of debt

t_c = tax rate on interests

T = tax rate on gross return

rpi = Montenegrin inflation rate (consumer price index, the same used for the RAB revaluation)

The share of equity and share of debt will be taken into account as the ratio 50:50.

The cost of equity (K_e) shall be estimated in accordance with the Capital Asset Pricing Model (CAPM):

$$K_e = r_f + \beta \times \text{MRP}$$

where:

- r_f : Montenegrin risk free rate;
- MRP: market risk premium that is the premium required by the investors to buy activities with a level of risk equal to the average market risk;
- β : systematic risk of the activity/asset/security which measures the part of the asset's statistical variance that cannot be mitigated by the diversification provided by the portfolio of many risky assets.

Such variables will be evaluated in accordance with the Montenegrin market values and with the specific industry related risks. The RAB remuneration as defined above shall apply to the assets of the TSO in operation as the base rate of remuneration to the entire asset base (RAB as defined above), to the works in progress, the inventory and the investments approved and listed in the approved CAPEX Plan of CGES. Therefore, the value of the WACC as base rate of return shall be assessed and calculated according to the market conditions.

In particular, in order to increase the actual rate of return, the base rate WACC real pre-tax will be progressively brought to a value in line with the market conditions.

This gradual increase of RAB remuneration shall envisage, in any case, at least 5,9% and 6,8% as a return on equity, respectively for the 2011 and 2012 tariffs. Financial expenses will be recognized as opex like at the time being, until the WACC reflects market conditions.

With reference to the tariffs starting from 2013 onward, the RAB remuneration will be further increased considering a market based WACC value as a target. Each increase of RAB remuneration exceeding 6.8% will be applied also considering the effects of total Investment of New Interconnection, Associated Network Infrastructure and Additional Network Infrastructure generated in the year preceding the year of tariff setting.

The abovementioned scaling of RAB remuneration will allow to smoothen the impact of investments on transmission tariffs. An additional positive impact on tariffs could derive from the expected increase of the revenues from transmission capacity allocation on Montenegrin borders and the EU Inter-TSO Compensation (ITC) mechanism.

3. Depreciation

For the first year of the regulatory period (2012), the depreciation for approving regulated allowed revenue will be established based on the latest assessment (assessment referred to in item 1 of this ANNEX) of the value of fixed assets in use for renewal of licensed activities (not including land or investments in progress), their remaining life span and application of proportional method. Life span of fixed asset is established based on technical and economic life span of various groups of fixed assets as proposed by request submitter, upon the approval of the Agency. Life span of fixed assets currently effective, whose application must be approved in future by the Agency, is given by groups of assets as of the signing date of this ANNEX as follows: (1) buildings - 80 years, (2) transformers - 20 years, (3) substations /equipment/ - 36 years, (4) power lines - 50 years.

For the following years, the depreciation will be updated on the basis of inflation, and new investments in order to be aligned with the RAB calculated as above.

4. Regulatory Period

The current mechanism entails allowed costs which reflect yearly actual costs (i.e. the level of remuneration for the investments, depreciation and operating costs). Such mechanism does not grant the regulatory stability required for proper planning of mid to long-term investments. Additionally, a regulatory period of one year does not provide any incentive for efficiency gains and cost predictability. In order to match EU best practices, future regulation will set a regulatory period of at least three years, which will allow the application of an efficiency incentive mechanism (please refer to next chapter for further implications of extension of the regulatory period).

5. Regulated Allowed Revenue

Methodology for setting prices for use of transmission network to be applied from 2012 for multi-year regulatory period, will include efficiency incentive mechanism taking into account the effect of inflation on the OPEX part of the regulated revenue approved to CGES..

Such mechanism will enable the establishing of a stable and predictable system of cost adjustment related to new investments, growth in operations and improvement of security and quality supply.

Allowed operating costs not directly under Prenos control (e.g. ITC, losses) should be recognised as pass-through. The Agency will take into account the costs that cannot be directly controlled in the generated amount, while encouraging the entity to reduce the costs that are under CGES control to the maximum extent possible..

The recalculation of the OPEX that are directly controlled by CGES during a multi-year regulatory period reflects the effect of inflation in combination with effect of improvement of efficiency.

For the first year of the regulatory period, the recognised operating costs will be set as the sum of actual operating costs of a reference year plus 50% of the extra efficiencies (the difference between the allowed OPEX and the actual OPEX of the reference year).

In the following years, the Opex will be updated through the following formula:

$$P_{KR(t+1)} = P_{KRt} \times (1 + X_i - X_{U\check{C}})$$

where:

$P_{KR(t+1)}$ -regulated allowed OPEX covered by the tariff of the year t+1;

P_{KRt} - regulated allowed OPEX covered by the tariff of the year t;

X_i - inflation factor for the period of one year immediately prior to submission of the request, published by the state statistical institute;

$X_{U\check{C}}$ -performance improvement factor approved by the Agency after a thorough analysis of all circumstances related to the performance of the license holder taking into account the margin for efficiency improvement, i.e. performance improvement factor proposed by the license holder in the request.

6. Ancillary services, balancing costs and transmission losses

Future regulation shall define, starting from January 1st, 2011, the full recovery in tariff of any dispatching, ancillary services and transmission losses costs yearly incurred by the Company without any recovery time-lag and be properly reflected in a contract to be signed between CGES and relevant generation companies. Furthermore, for the period up to December 31st, 2010, it is confirmed that no consideration shall be given by CGES with respect to the ancillary services provided by EPCG.

7. Remuneration scheme

Future regulation shall define a symmetric mitigation mechanism of the volume effect (in case of unforeseen changes of electricity demand) and of the price/volume effect in the calculation of the allowed losses.

The introduction of a symmetric mitigation mechanism of the volume effect is necessary considering that in the definition of the unitary tariff starting from the allowed revenues, the Regulator uses the energy consumption, forecast or actual historical value. Consequently, in case of unforeseen changes of electricity demand, the unitary tariff could be not sufficient to recover the allowed costs. The symmetric mitigation mechanism could be necessary also in the definition of the allowed losses for the price/volume effect.

8. Capacity allocation and congestion revenues management

Future regulation shall define clear rules for capacity allocation and congestion management in line with the EU regulation (EC Regulations 1228/03-714/09), which even requires that:

- network congestion problems are addressed with non-discriminatory market-based solutions which give efficient economic signals to the market participants and transmission system operators involved;
- the congestion revenues are used for guaranteeing the actual availability of the allocated capacity; and/or maintaining or increasing interconnection capacities through network investments and/or relieving end-users transmission tariffs

For the above mentioned reason and based on the expected increase of the revenues from transmission capacity allocation on Montenegrin borders and the EU Inter-TSO Compensation (ITC) mechanism, it is also likely that this effect will ease impacts of the future regulation on transmission tariffs.

EXHIBIT 5

PUT EVENT

- (a) Put Event means any of the following events:
- (i) a material breach of this Agreement by the Principal Shareholder that, if the breach is capable of being cured, is not remedied or cured by the Principal Shareholder to the reasonable satisfaction of Terna within 30 Business Days of the delivery by Terna of the breach notice. The Parties irrevocably agree that a breach of any of the provisions set forth under Sections 2.1 (a), (g), (h) and (i), 2.2(g), 2.3(b)(i) and (ii)(1), provided that in case of item (ii)(1) there are continued and serious violations of such Section 2.3(b)(ii)(1), (d) and (g), 2.5(d) and (e), 2.6(a), (d) and (e), 2.7(b)(ii) and (e), 3.2 (except with respect to the use and management of the last Euro 100,000 remaining on CGES' Segregated Account after the rest of the proceeds deposited on such account have been spent in accordance with Section 3.2) and Article IV shall be deemed a "material breach" for the purposes of this Exhibit and Agreement.
 - (ii) the inaccuracy or breach of any of the representations and warranties set forth in Sections 5.1.1 – 5.1.5, 5.1.14, 5.2.1 and 5.2.2 of the Sale and Purchase Agreement or of any other obligation or covenant (including indemnity obligation) of the Company or the Principal Shareholder under the Sale and Purchase Agreement if, and only if, any such inaccuracy or breach, individually or in the aggregate, have caused or could reasonably be expected to cause Losses (as defined in the Sale and Purchase Agreement) indemnifiable to Terna pursuant to the Sale and Purchase Agreement exceeding Euro 7,000,000 (seven million), provided that, if the breach or inaccuracy is capable of being cured, is not remedied or cured by the Principal Shareholder and/or the Company within 30 Business Days of the delivery by Terna of the breach notice;
 - (iii) the termination of the Project Coordination Agreement by Terna pursuant to Section 5.2(b) of the Project Coordination Agreement.
 - (iv) [OMISSIS]
 - (v) the occurrence of a Deadlock.
 - (vi) the Principal Shareholder owning Shares and voting rights representing in the aggregate less than 51% of the share capital and voting rights in the Company.
 - (vii) in the event an Additional Network Infrastructure(s) is/are developed by the Company as public infrastructure (and not as "private interconnector" in accordance with Electricity Regulations 714/2009 and 1228/2003) and: (1) a TSO Binding Agreement (as such term is defined in the Project Coordination Agreement) is executed by the TSO Binding Agreement Deadline (as such term is defined in the Project Coordination Agreement), if at

least one of the Additional Network Infrastructures has not been constructed and commissioned as set forth in Annex 2.5 of the Project Coordination Agreement within 18 months of the Additional NI Commissioning Deadline (as such term is defined in the Project Coordination Agreement and as such deadline may be possibly suspended and postponed pursuant to the provisions of the Project Coordination Agreement); or (2) a TSO Binding Agreement is not executed by the TSO Binding Agreement Deadline, if at least one of the Additional Network Infrastructures has not been constructed and commissioned as set forth in Annex 2.5 of the Project Coordination Agreement within 51 months of the execution of a TSO Binding Agreement, if any, (as possibly suspended and postponed pursuant to the provisions of the Project Coordination Agreement), in both cases (1) and (2) for any reason directly caused by the Company or by the Principal Shareholder.

(viii) the termination of the Project Coordination Agreement pursuant to Section 5.3(a)(ii) if the TSO Binding Agreement (as defined in the Project Coordination Agreement) has not been executed within the TSO Binding Agreement Final Deadline (as defined in the Project Coordination Agreement) for any reason directly caused by the Company or by the Principal Shareholder.

(b) The Parties acknowledge that pursuant to Section 5.1(a) Terna may exercise the Terna Put Option only once at any time subsequent to the occurrence of a Put Event within 4 months of the date when Terna shall have acquired full knowledge of the occurrence of a Put Event. Furthermore, the Parties agree that Terna shall be entitled to exercise the Terna Put Option based on (1) the Put Event under paragraph (a)(iii), only before the actual commissioning of all the Associated Network Infrastructures or the Additional Network Infrastructures, as the case may be, (as commissioning is specified in the Project Coordination Agreement), and (2) the Put Event under paragraphs (a)(iv) or (a)(vi), only before the earlier of (i) the fifth anniversary of the New System Effective Date and (ii) the Special Rights Expiry Date set forth in items (III) and (IV) of Section 2.1(b).

(c) Any notice of the breach, inaccuracy or failure pursuant to items (i), (ii) and (iv) of paragraph (a) above shall include in such notice the indication of how the breach, inaccuracy or failure should be cured (if the breach is capable of being cured). The Shareholders agree that any remedy by the Principal Shareholder of a breach, inaccuracy or failure specified in any such notice shall be at the Principal Shareholder's own and sole costs and expenses and in no circumstance shall the Principal Shareholder be entitled to make any claim for reimbursement of costs from the Company or Terna.

Schedule 3.1.1
New Articles of Association

Nacrt

(h) STATUT
CRNOGORSKOG
ELEKTROPRENOSNOG SISTEMA
AD

[●] 2010. godine, Podgorica

Draft

BY - LAWS OF
CRNOGORSKI
ELEKTROPRENOSNI SISTEM AD

[●] 2010, Podgorica

Na osnovu člana 19 i člana 35 Zakona o privrednim društvima („Sl.list RCG“ br. 6/2002 i „Sl.list CG“ br.17/2007 i br.80/2008) (dalje u tekstu: **Zakon**), I vanredna Skupština akcionara Crnogorskog elektroprenosnog sistema AD, održana [●] 2010. godine, donijela je

Pursuant to Article 19 and Article 35 of the Companies Act ("Official Gazette RCG", no. 6/2002 and "Official Gazette of Montenegro", no. 17/2007, 80/2008) (hereinafter the "**Companies' Act**"), the First Extraordinary Shareholders' Meeting of Crnogorski elektroprenosni sistem AD Podgorica has on [●] 2010, passed

(i) STATUT
CRNOGORSKOG
ELEKTROPRENOSNOG SISTEMA
AD

BY - LAWS OF
CRNOGORSKI
ELEKTROPRENOSNI SISTEM
AD

Član 1

Article 1

Ovim statutom (dalje u tekstu: "**Statut**") se uređuju pitanja od značaja za poslovanje i organizaciju Crnogorskog elektroprenosnog sistema AD (dalje u tekstu: "**Društvo**" ili „CGES“), a posebno:

These By-Laws (hereinafter the "**By-Laws**") regulate the issues of importance for the business activities and the organization of Crnogorski elektroprenosni sistem AD (hereinafter the "**Company**" or "CGES"), in particular:

- (i) pitanja za koje je Zakonom o privrednim društvima određeno da se regulišu Statutom; i
- (ii) pitanja koja su od zajedničkog interesa za Društvo i njegove akcionare.

- (i) matters which are according to the Companies Act regulated by the By-Laws; and
- (ii) matters which are of joint interest for the Company and its shareholders.

I DEFINICIJE

Član 2

U ovom Statutu, osim ukoliko drugačija namjera nije očigledna, sledeći izrazi će dalje u tekstu imati značenje koje je navedeno pored svakog takvog izraza (jednina uključuje množinu i množina uključuje jedninu osim ukoliko kontekst jasno ne ukazuje na suprotno).

Povezano lice označava bilo koje lice koje direktno ili posredno kontroliše, ili je kontrolisano, ili je pod zajedničkom kontrolom sa takvim licem. Izraz 'kontrola' (uključujući korelacijska značenja izraza 'kontroliše', 'je kontrolisano', 'pod zajedničkom kontrolom sa') označava posjedovanje, direktno ili posredno, odlučujućeg glasačkog prava lica, putem posjedovanja kapitala tog lica, ugovora ili slično.

Dodatna mrežna infrastruktura označava (i) novi 400kV dalekovod između Pljevalja (Crna Gora) i Bajine Bašte (Srbija) i/ili (ii) novi 400kV dalekovod između Pljevalja (Crna Gora) i Višegrada (Bosna i Hercegovina).

I DEFINITIONS

Article 2

In these By-Laws, unless the contrary intention is evident, hereinafter the following terms will have the meanings set next to each such term (the singular includes the plural and the plural includes the singular unless the context clearly indicates the contrary).

Affiliate means any person directly or indirectly controlling, controlled by or under common control with such person. The term "control" (including correlative meanings "controlling," "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of a decisive voting power of a person, through ownership of the capital of that person, contract or otherwise.

Additional Network Infrastructures means (i) a new 400 kV transmission line between Pljevlja (Montenegro) and Bajina Basta (Serbia) and/or (ii) means a new 400 kV transmission line between Pljevlja (Montenegro) and Visegrad (Bosnia and Herzegovina).

Povezana mrežna infrastruktura označava novu prenosnu infrastrukturu na crnogorskoj prenosnoj mreži, koja je neophodna za rad i potpuno iskorišćavanje nove interkonekcije između Italije i Crne Gore, koju čini sljedeća infrastruktura: (a) mrežna konekcija u Crnoj Gori; i (b) novi 400kV dalekovod između Pljevlja i nove Tivat/Kotor trafostanice unutar prenosne mreže Crne Gore.

Skupština akcionara znači Skupština akcionara Društva u smislu relevantnih odredaba Zakona o privrednim društvima.

Odbor direktora znači Odbor direktora Društva u smislu relevantnih odredbi Zakona o privrednim društvima.

Zamjenik predsjednika ima značenje koje mu je dato u članu 48 ovog Statuta.

Izvršni direktor znači izvršni direktor Društva u smislu relevantnih odredaba Zakona o privrednim društvima.

Članovi menadžmenta imaju značenje

Associated Network Infrastructure means the new transmission infrastructures on the Montenegrin transmission network, necessary for the operation and full utilization of the new electricity interconnection between Italy and Montenegro, composed of the following infrastructures: (a) Grid Connections in Montenegro; and (b) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the new Tivat/Kotor substation, internal to the electricity transmission network of Montenegro.

Shareholders' Meeting means the shareholders' meeting of the Company within the meaning of the relevant provisions of the Companies Act.

Board of Directors means the board of directors of the Company within the meaning of the relevant provisions of the Companies Act.

Deputy Chairman has the meaning assigned to such term in Article 48 of these By-Laws.

Executive Director means the executive director of the Company within the meaning of the relevant provisions of the Companies Act.

Members of Management have the meaning set out in Article 57 of

koje im je dato u članu 57. ovog Statuta.

Sekretar znači sekretar Društva u smislu relevantnih odredaba Zakona o privrednim društvima.

Revizor znači revizor Društva u smislu relevantnih odredbi Zakona o privrednim društvima, odabran među najuglednijim međunarodnim revizorskim kućama.

Poslovni plan označava Poslovni plan Društva, koji se može povremeno ažurirati, dopunjavati, mijenjati, nanovo usvajati od strane Odbora direktora na osnovu člana 50. (1)(a) koji se odnosi na naredni period od pet godina (uključujući godišnji budžet za narednu godinu) a koji određuje detalje strateškog planiranja Društva u pogledu Povezane mrežne infrastrukture, Dodatne mrežne infrastrukture, prenosne mreže uopšte i ostalih aktivnosti Društva, kao i planove operativnih prihoda i marže, operativnih troškova, predviđanja kapaciteta resursa, izvještaje tokova gotovine, planiranje kapitala, investicioni plan, uslovi kapitalnih doprinosa, određivanje cijene proizvoda i akcioni plan radne snage u pogledu poslovanja Društva za isti period, koji obuhvata kao ključni dio, Plan razvoja.

these By-Laws

Secretary means the secretary of the Company within the meaning of the relevant provisions of the Companies Act.

Auditor means the auditor of the Company within the meaning of the relevant provisions of the Companies Act to be selected among reputable international auditing firms with primary standing.

Business Plan means the business plan of the Company, as it may be updated, supplemented, replaced or readopted from time to time by the Board of Directors pursuant to Article 50, (1)(a) relating to the forthcoming five-year period (including the annual budget for the subsequent year), setting out details of the Company's strategic planning in respect of the Associated Network Infrastructures, the Additional Network Infrastructures, the transmission grid in general and other activities of the Company as well as the targets for operating revenues and margins, operating expenses, resource capacity forecasts, cash flow statement, capital plan, investment plan, capital contribution requirements, part and product pricing and manpower action plan in respect of the business of the Company for the same period, which includes, as an essential part thereof, the Plan of Development.

CDA znači crnogorski Centralna depozitarna agencije Crne Gore.

CRPS znači crnogorski Centralni Registar Privrednog suda u Podgorici.

Restrukturiranje znači spajanje, podjela na dva ili više društava, odvajanje uz osnivanje novog društva, promjena organizacionog oblika;

Teret označava svaku zalogu, opterećenje, hipoteku, ugovor o povjereništvu, obezbeđenje, službenost, uslovnu prodaju ili drugi oblik zadržavanja svojine, nedostatak u stvarnom pravu, zalogu, zakup, dažbinu, obaveza ograničenje prenosa, pravo prve ponude, pravo prvog odbijanja, pravo preče kupovine, opciju ili slična organičenja.

Mrežne konekcije u Crnoj Gori označavaju (i) novu AC 400kV Tivat/Kotor trafostanicu uključujući 400 kV mrežne priključke i polja neophodna za infrastrukturu povezivanja nove 400 kV Tivat/Kotor trafostanice na AC/DC konvertorsku stanicu u Crnoj Gori, do postojeće crnogorske mreže dalekovoda i do postojeće 400 kV trafostanice u Pljevljima, (ii) 400 kV dalekovode koji povezuju novu AC 400 kV Tivat/Kotor trafostanicu do postojeće crnogorske mreže dalekovoda (naročito postojeći 400 kV vod "Podgorica 2-Trebinje" u Ulazno/Izlaznoj konfiguraciji), i (iii) AC prenosnu infrastrukturu (vodovi ili kablovi), ukoliko postoji, koja povezuje novu 400kV Tivat/Kotor trafostanicu sa novom AC/DC konvertorskom stanicom u Crnoj

CDA means the Montenegrin Central Depository Agency.

CRPS means the Montenegrin Central Registry of the Commercial Court in Podgorica.

Restructuring means merger, splitting in two or more companies, spin-off with establishment of a new company and change of corporate form.

Encumbrance means any lien, encumbrance, mortgage, deed of trust, security interest, easement, conditional sale or other title retention agreement, title defect, pledge, hypothecation, lease, levy, charge, transfer restriction, right of first offer, right of first refusal, option, preemptive right or similar restriction.

Grid Connections in Montenegro means (i) the new AC 400 kV Tivat/Kotor substation including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation, (ii) the 400kV transmission lines connecting the new AC 400 kV Tivat/Kotor substation to the existing

Gori.

Montenegrin electricity transmission grid (in particular, the existing 400 kV line “Podgorica 2 – Trebinje” in an Input-Output configuration), and (iii) the AC transmission infrastructures (lines or cables), if any, connecting the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro.

Plan razvoja označava plan razvoja Društva koji sadrži definicije i detalje o Povezanoj mrežnoj infrastrukturi i drugim ključnim prenosnim infrastrukturama i operativnim aktivnostima za pravilan razvoj, valorizaciju i rekonstrukciju crnogorske prenosne mreže, koji se povremeno može usklađivati sa odredbama ovog Statuta.

Plan of Development means the plan of development of the Company containing the definition and details of the Associated Network Infrastructures and other key transmission infrastructures and operational activities for the proper development, valorization and renovation of the Montenegrin transmission grid, as agreed from time to time in accordance with the provisions of these By-Laws.

Povezane strane označava (i) Vladu Crne Gore ili njen organ ili bilo koji subjekat za koje Vlada ili njen organ ima interes ili vrši kontrolu (osim Društva), ili direktor ili službenik gore navedenih lica, ili (ii) Terna Rete Elettrica Nazionale S.p.A ili njeno Povezano lice ili bilo koje lice za koje Terna Rete Elettrica Nazionale S.p.A ili njeno Povezano lice ima značajan interes ili vrši kontrolu (osim Društva).

Related Parties means (i) the Government of Montenegro or any of its Affiliates or any entity in which the Government of Montenegro or any of its Affiliates has a significant interest or Control (other than the Company) or any director or other officer of any of the above persons, or (ii) Terna Rete Elettrica Nazionale S.p.A. or any of its Affiliates or any entity in which Terna Rete Elettrica Nazionale S.p.A. or any of its Affiliates has a significant interest or Control (other than the Company).

II OPŠTE ODREDBE

Član 3

Društvo je osnovano Odlukom o restrukturiranju putem odvajanja uz osnivanje novog društva br. 10-00-3204, koju je donijela Skupština akcionara Elektroprivreda Crne Gore AD - Nikšić, održana 23.03.2009. godine.

Društvo je osnovano radi obavljanja djelatnosti – prenos električne energije.

Član 4

Društvo je osnovano na neodređeno vrijeme.

Član 5

II GENERAL PROVISIONS

Article 3

The Company was established by Decision on Spin-Off with Establishment of New Company no. 10-00-3204 enacted on the Shareholders' Meeting of Elektroprivreda Crne Gore AD - Nikšić on 23 March 2009.

The Company was established to carry out activities – transmission of electricity.

Article 4

The Company is founded for an indefinite period of time.

Article 5

Dan Društva je 1. jul, dan kada je 1957. godine u Nikšiću puštena u rad prva trafostanica 110/ 35 kV.

The Company's day is July 1, the day when the first 110/ 35 kV power plant in Nikšić was put into operation in 1957.

Način i obilježavanje dana Društva bliže se uređuje odlukom Odbora direktora.

The manner and marking of the Company's day is further determined by a decision of the Board of Directors.

Član 6

Article 6

Društvo ima pečat i štambilj koji sadrže naziv Društva, amblem i sjedište Društva.

The Company has a stamp and a seal, containing the Company's name, seat and the emblem.

Sadržinu i izgled pečata i štambilja, broj primjeraka pečata i štambilja, način njihove upotrebe, čuvanja i evidencije utvrđuje Odbor direktora.

The Board of Directors determines content and look of the stamp and seal, their number and the method of their use, storage and filing.

Član 7

Article 7

Društvo ima amblem koji simbolizuje djelatnost Društva, čiji izgled i način korišćenja utvrđuje Odbor direktora.

The Company has its emblem that symbolizes the Company's activity, the appearance and use of which are determined by the Board of Directors.

Član 8

Article 8

Memorandum Društva sadrži: (i) naziv Društva (ii) broj pod kojim je registrovano u CRPS-a; (iii) oznaku da je Društvo akcionarsko društvo; (iv) broj telefona i broj faxesa Društva, (v) sjedište Društva i (vi) druge podatke u skladu sa Zakonom o privrednim društvima.

The Company's letterhead contains: (i) the Company's name; (ii) the number under which the Company is registered with the CRPS; (iii) an indication that the Company is a joint stock company; (iv) phone number and fax number of the Company; (v) seat of the Company and (vi) other information required by the Companies Act.

Izgled i sadržinu memoranduma utvrđuje Izvršni direktor.

The Executive Director determines the content and the appearance of the letterhead.

III NAZIV DRUŠTVA

III COMPANY'S NAME

Član 9

Article 9

Društvo posluje pod nazivom:
Crnogorski elektroprenosni sistem AD.

The Company operates under the name of:
Crnogorski elektroprenosni sistem AD.

Skraćeni nazivi Društva je:
Crnogorski elektroprenosni sistem

The abbreviated name of the Company is:
Crnogorski elektroprenosni sistem

IV SJEDIŠTE DRUŠTVA

IV COMPANY'S SEAT

Član 10

Sjedište Društva je u Podgorici –
Bulevar Svetog Petra Cetinjskog broj 18.

Article 10

The Company's seat is located in
Podgorica – Bulevar Svetog Petra
Cetinjskog broj 18.

V DJELATNOST DRUŠTVA

V COMPANY'S ACTIVITY

Član 11

Društvo obavlja djelatnosti propisane
Zakonom o energetici, licencama i ovim
Statutom i to:

Article 11

The Company performs activities
prescribed by the Energy Law and
by these By-Laws on a regulated
basis and in accordance with the
related licenses as follows:

- 1) djelatnost prenosa električne
energije, koja licenca takođe
obuhvata i aktivnosti operatora
prenosnog sistema
- 2) djelatnost organizovanja i
upravljanja tržištem električne
energije.

- 1) electricity transmission
activities, which license
shall also include the
activities of the
transmission system
operator
- 2) activities of organizing
and managing the
electricity market.

Djelatnosti iz stava (1) ovog člana
obavljaju se pod šifrom 40105 - prenos
električne energije u unutrašnjem i
međunarodnom prometu.

The Activities laid down in
paragraph (1) of this Article are
carried out under code 40105 –
electricity transmission on the
domestic and international markets.

Pored djelatnosti iz stava (1) ovog člana, Društvo obavlja i sledeće djelatnosti, pod uslovom da i obavljanje tih dodatnih aktivnosti ne ometa, ugrožava ili sprečava aktivnosti iz stava (1) ovog člana:

- 45310 - postavljanje električnih instalacija i opreme;
- 74202 - projektovanje građevinskih i drugih objekata;
- 45210 - grubi građevinski radovi
- 45250 - ostali građevinski i specijalizovani radovi;
- 64200 - telekomunikacije.

(zajedno u daljem tekstu: "**Djelatnosti**").

Društvo obavlja i druge djelatnosti koje se uobičajeno obavljaju uz Djelatnost.

Član 12

Djelatnosti Društva iz člana 11. stav (1), tačka 1) i 2) su djelatnosti od javnog interesa.

In addition to the activities laid down in paragraph (1) of this Article, the Company carries out the following activities, provided that the exercise of such additional activities does not hinder, prejudice or interfere with the activities laid down in paragraph (1) of this Article:

- 45310 – setting up of electrical installations and equipment
- 74202 – design of construction and other facilities
- 45210 – rough construction works
- 45250 – other construction and specialized works
- 64200 – telecommunication.

(jointly hereinafter the "**Activities**").

The Company performs such other activities that are ordinarily preformed alongside the Activities.

Article 12

Activities of the Company specified under Article 11, paragraph (1), item 1), and 2) are the activities of public interest.

Društvo obavlja Djelatnosti na način kojim obezbjeđuje stabilnost poslovanja, uredno i kvalitetno zadovoljavanje potreba korisnika prenosa električne energije i efikasnost upravljanja.

The Company performs the Activities in such a way as to ensure the stability of business operations, regular and adequate fulfillment of the electricity transmission consumers' needs, and efficient management.

VI ORGANIZACIJA DRUŠTVA

VI ORGANIZATION OF THE COMPANY

Član 13

Article 13

Društvo se organizaciono sastoji od organizacionih djelova.

In terms of organizational structure, the Company consists of the organizational units.

Organizacija Društva se bliže uređuje opštim aktom o organizaciji Društva, koji mora da bude u saglasnosti sa Statutom.

The organization of the Company is further regulated by a general act of the Company's organization, which general act complies with the By-Laws.

VII ZASTUPANJE DRUŠTVA

VII REPRESENTATION OF THE COMPANY

Član 14

Article 14

Zastupnici

Company's Representatives

Društvo zastupaju Predsjednik Odbora Direktora i Izvršni direktor u granicama

The Company is represented by the Chairman of the Board of Directors

svojih ovlaštenja utvrđenih ovim Statutom i odlukama Odbora direktora.

and the Executive Director, each within the limits of his/her competence determined by these By-Laws and the decisions of the Board of Directors.

Odbor direktora, u granicama svoje nadležnosti utvrđene Statutom, može dati generalno ovlaštenje za zastupanje Predsjedniku Odbora direktora, bilo kom članu Odbora direktora, Izvršnom direktoru i Sekretaru Društva ili članu menadžmenta u pogledu određene vrste, odnosno određenog broja poslova Društva.

The Board of Directors, within the limits of its competence determined by these By-Laws, may grant general representation authorizations to the Chairman of Board of Directors, any member of the Board of Directors, Executive Director, and Secretary of the Company or member of the management for a particular type and/or number of activities of the Company.

Član 15

Article 15

Punomoćnici

Proxies

Predsjednik Odbora direktora ili Izvršni direktor, u granicama svojih ovlaštenja, uključujući i ona utvrđena ovim Statutom, mogu dati punomoćje zaposlenima u Društvu, kao i licima van Društva da zastupaju Društvo.

The Chairman of the Board of Directors or the Executive Director, each within the limits of his/her competence including those determined by these By-Laws, may give power of attorney to the employees within the Company as well as to the persons outside the Company, to represent the Company.

Ovlaštenje punomoćnika može biti opšte ili ograničeno na određeni posao ili vrstu posla.

Authorization of the proxy may be general or limited to a specific job or type of activity.

Član 16

Article 16

Potpisivanje

Signing

Društvo potpisuju predsjednik Odbora direktora, Izvršni direktor, ovlašćeni zastupnik, odnosno punomoćnik.

The Chairman of Board of Directors, the Executive Director, authorized representative and/or proxy shall place a signature in the name of the Company on the respective document.

VIII ISTUPANJE I ODGOVORNOST DRUŠTVA U PRAVNOM PROMETU

VIII REPRESENTATION AND RESPONSIBILITIES OF THE COMPANY IN LEGAL TRANSACTIONS

Član 17

Article 17

Društvo je pravno lice sa pravima, obavezama i odgovornostima utvrđenim zakonom i ovim Statutom.

The Company is a legal entity with rights, obligations and responsibilities established by law and these By-Laws.

Društvo u okviru Djelatnosti istupa u pravnom prometu, zaključuje ugovore i obavlja druge pravne radnje.

The Company, within the limits of its Activities, participates in legal transactions, concludes agreements and performs other legal actions.

Član 18

Article 18

Društvo je pravno lice koje je svojom imovinom i obavezama odvojeno od imovine akcionara, osim njihovih akcija u Društvu.

The Company is a legal entity which is, in respect to its property and liabilities, separated from the property of shareholders, except for their shares in the Company.

Društvo odgovara za svoje obaveze svojom cjelokupnom imovinom.

The Company is liable for its obligations with all of its assets.

Odgovornost akcionara Društva je ograničena do visine vrijednosti njihovih akcija.

The liability of the Company's shareholders is limited to the value of their shares.

IX OSNOVNI KAPITAL

IX SHARE CAPITAL

Član 19

Article 19

Osnovni kapital Društva iznosi EUR [●].

The Company's share capital is EUR [●].

Član 20

Article 20

Osnovni kapital Društva je podijeljen na [●] akciju.

The Company's share capital is divided into [●] shares.

Nominalna vrijednost jedne akcije iznosi EUR 1, 0611.

The nominal value per share is EUR [1, 0611].

Sve akcije Društva su obične akcije s pravom glasa u dematerijalizovanom obliku.

All of the Company's shares are ordinary voting shares issued in a dematerialized form.

Član 21

Article 21

Akcija predstavlja vlasnički udio u Društvu, koji se sastoji od upravljačkih prava, prava učešća u raspodijeli profita i drugih prava utvrđenih zakonom i ovim Statutom.

A share represents an interest in the Company, which consists of rights to participate in the Company's management, participate in the distribution of profits and other rights established by law and these By-Laws.

Akcije Društva se vode u dematerijalizovanom obliku kod CDA.

The Company's shares are maintained in a dematerialized form with the CDA.

X PROMJENA OSNOVNOG KAPITALA

X CHANGE OF THE SHARE CAPITAL

Član 22

Article 22

Povećanje osnovnog kapitala

Share Capital Increase

Društvo može povećati osnovni kapital u zavisnosti od rezultata poslovanja, dodatnim ulozima svojih akcionara ili trećih lica kojima izdaje nove akcije, u

The Company may increase the share capital, depending on the results of its business activities, by additional contributions from its

skladu sa Zakonom i ovim Statutom.

Akcije nastale povećanjem kapitala novčanim ulozima moraju biti ponuđene, po osnovu prava preče kupovine, postojećim akcionarima srazmjerno broju akcija koje posjeduju, osim ako se to pravo ne ukine u skladu sa Zakonom.

Postojeći akcionari u smislu stava (2) ovog člana su akcionari Društva koji su imali ovaj status na dan donošenja odluke o povećanju kapitala.

Odluku o povećanju osnovnog kapitala donosi Skupština akcionara, pod uslovom da za nju glasaju akcionari koji posjeduju najmanje 77% svih izdatih akcija Društva.

Član 23

Smanjenje osnovnog kapitala

Osnovni kapital može se smanjiti na osnovu odluke Skupštine akcionara, za koju su glasali

shareholders or third persons to whom it issues the new shares, in accordance with the Companies Act and these By-Laws.

Shares resulting from a share capital increase by monetary contributions must be offered, based on the preemptive rights, to the existing shareholders proportionally to the number of shares owned, unless such a right is cancelled in accordance with the Companies Act.

The existing shareholders within the meaning of the paragraph (2) of this Article are the Company's shareholders who enjoy this status as of the date of enactment of the decision on capital increase.

The decision on any share capital increase is enacted by the Shareholders' Meeting, provided that the shareholders holding at least 77% of all the Company's issued ordinary shares vote in favor of such decision.

Article 23

Share Capital Decrease

The share capital may be decreased based on the decision of the

akcionari koji posjeduju najmanje 77% svih izdatih akcija Društva.

Shareholders' Meeting, in favor of which shareholders holding at least 77% of all the issued Company's shares voted.

Društvo ne može izvršiti smanjenje osnovnog kapitala ako ne ponudi dodatne garancije za svoje obaveze svakom povjeriocu koji to zahtijeva, a čija su potraživanja pravovaljana prije dana objavljivanja odluke o smanjenju kapitala.

The Company may not carry out the decrease of capital if additional guarantees are not offered for its obligations to each creditor that requires it, and whose claims are valid prior to the date of publication of the decision on capital decrease.

Svaki povjerilac se mora obavijestiti pismenim putem o odluci o smanjenju kapitala.

Each creditor must be informed in writing about the decision on decrease of the capital.

Društvo ne može dati dodatne garancije u sledećim slučajevima:

The Company may not provide additional guarantees in the following cases:

- 1) ako ukupna potraživanja povjerilaca, nakon smanjenja kapitala, prelaze vrijednost neto imovine koja je procijenjena;
 - 2) ako su potraživanja već u potpunosti i na pouzdan način obezbijeđena; i
 - 3) ako je svrha smanjivanja kapitala pokriće gubitka.
- 1) if the total creditor claims, after the decrease of the capital, exceed the value of the estimated net assets;
 - 2) if the claims are already fully and in a reliable way secured; and
 - 3) if the purpose of decrease of the capital is to cover the loss.

Prilikom smanjenja kapitala Društvo može poništiti srazmjeran broj akcija, srazmjernim smanjenjem broja akcija

While decreasing the capital, the Company may annul a proportionate number of shares by

koje posjeduje svaki akcionar pojedinačno ili smanjenjem nominalne vrijednosti akcija.

decreasing proportionally the number of shares owned by each shareholder individually, or by decreasing nominal value of the shares.

Društvo može, potpuno ili djelimično, izvršiti akcionarima povraćaj njihovih uloga, prilikom čega će se poništiti srazmjerni broj akcija akcionara kojima je vraćen dio uloga ili cijeli ulog.

The Company may, in whole or in part, return to the shareholders their contributions, whereby the proportionate number of the shareholders' shares to whom a part or a whole contribution has been returned will be annulled.

Član 24

Article 24

Sticanje sopstvenih akcija

Acquisition of Own Shares

Društvo može kupovati sopstvene akcije, na osnovu odobrenja Skupštine akcionara usvojenog većinom glasova akcionara koji poseduju najmanje 77% svih izdatih, običnih akcija Društva, pri čemu Skupština određuje maksimalan broj akcija koje se mogu kupiti, kao i maksimalnu cijenu koja se može platiti za te akcije.

The Company may purchase its own shares, based on the prior approval of the Shareholders' Meeting to be adopted with the favorable vote of at least 77% of all the issued ordinary shares of the Company, whereby the maximum number of purchasable shares, as well as the maximum payable price is determined by the Shareholders' Meeting.

Izuzetno od stava (1) ovog člana, odluku o sticanju sopstvenih akcija do 10% akcijskog kapitala, može donijeti Odbor direktora Društva, ako je sticanje sopstvenih akcija neophodno radi zaštite od ozbiljne i neposredne štete po Društvo, o čemu Odbor direktora podnosi detaljan izvještaj, Skupštini akcionara na prvoj

Notwithstanding the paragraph (1) of this Article, the decision on acquisition of own shares up to 10% of share capital may be enacted by the Company's Board of Directors, if such acquisition of own shares is necessary for prevention from causing serious and direct damage to the Company, the detailed report of which shall be

narednoj sjednici.

submitted by the Board of Directors to the Shareholders' Meeting at the first subsequent meeting.

Rok za kupovinu sopstvenih akcija ne može biti duži od 12 mjeseci od dana donošenja odluke Skupštine, a nakon isteka tog roka, akcije se mogu kupiti samo uz novo odobrenje.

The deadline for purchasing own shares cannot exceed 12 months from the date of adoption of the decision of the Shareholders' Meeting, and upon expiry of the deadline, the shares may only be purchased with a new approval.

Ukupna vrijednost ovako stečenih akcija ne može biti veća od 10% akcionarskog kapitala Društva osim ako su akcije stečene:

The total value of shares acquired in the said manner may not exceed 10% of the Company's share capital unless the shares are acquired by:

1) izvršenjem odluke o smanjenju kapitala;

1) executing the decision on decrease of capital;

2) prenosom imovine prilikom Restrukturiranja; i

2) transferring assets in the process of Restructuring; and

3) izvršavanjem zakonskih obaveza ili izvršavanjem sudske odluke, koja nalaže otkup akcija od manjinskih akcionara u cilju njihovog obeštećenja.

3) executing legal obligations or executing court decisions, which requires the purchase of shares from minority shareholders for indemnification purposes.

Sopstvene akcije Društva ne daju pravo glasa i pravo na dividendu.

The Company's own shares do not bear voting rights and the right to dividend.

Sopstvene akcije, Društvo mora otuđiti u roku od 12 mjeseci od njihovog sticanja. Ako Društvo ne otuđi akcije u tom roku one se poništavaju.

The Company's own shares must be disaffected within 12 months of their acquisition. If the Company does not disaffect shares in the set term, they are

voided.

**XI PRAVA I OBAVEZE
AKCIONARA**

**XI RIGHTS AND
OBLIGATIONS OF
SHAREHOLDERS**

Član 25

Article 25

Akcionarom u smislu ovog Statuta, smatra se svako fizičko i/ili pravno lice koje je vlasnik najmanje jedne akcije koju je Društvo emitovalo.

A shareholder in terms of these By-Laws is every natural and/or legal entity who owns at least one share issued by the Company.

Član 26

Article 26

Svaki akcionar snosi rizik poslovanja Društva do visine vrijednosti akcija koje posjeduje.

Each shareholder bears the risk of the Company's business to the amount of the value of shares owned.

Član 27

Article 27

Po osnovu vlasništva akcija, akcionari imaju sledeća prava:

On the basis of ownership of shares, shareholders have the following rights:

1.1. Imovinska prava:

1.1. Ownership rights:

a) pravo na profit Društva u obliku

a) the right to profit of the Company in the form of dividends;

dividende;

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| b) pravo na besplatne akcija, za slučaj povećanja kapitala iz sredstava Društva; | b) the right to obtain free shares, in case of a capital increase from the Company's funds; |
| c) pravo preče kupovine u sticanju nove emisije akcija i zamjenjivih obveznica, uz ograničenja određena Zakonom i ovim Statutom; | c) preemptive rights in acquiring new shares and replaceable bonds, with limits determined by the Companies Act and these By-Laws; |
| d) pravo na srazmjeran dio imovine u slučaju likvidacije Društva; i | d) the right to a proportionate part of the assets in case the Company is liquidated; and |
| e) druga imovinska prava u skladu sa Zakonom i ovim Statutom. | e) other property rights in accordance with the law and these By-Laws. |

1.2. Neimovinska prava:

1.2. Other rights

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| a) pravo da prisustvuju svim Skupštinama akcionara ; | a) the right to attend all Shareholders' Meetings; |
| b) da glasaju o svim pitanjima, osim o pitanjima, za koja je Zakonom ili ovim Statutom drugačije određeno; | b) to vote on all issues except on issues otherwise determined by the Law or these By-Laws; |
| c) pravo da na lični zahtjev dobiju, bez naknade, kopiju poslednjeg bilansa stanja i bilansa uspjeha Društva, kopiju izvještaja Odbora direktora ili izvještaja Revizora; | c) the right to receive, upon personal request, free of charge, a copy of the latest balance sheet and income statement of the Company and copies of the reports of the Board of Directors and Auditor; |
| d) pravo uvida u kopije finansijskih iskaza Društva uključujući izvještaj revizora; | d) the right to inspect the copies of financial statements of the Company, including the Auditor's |

report;

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| e) pravo da da punomoćje drugom licu da glasa na Skupštini akcionara kao njegov punomoćnik ili da obavlja druge pravne radnje; | e) the right to give power of attorney to another person to vote at the Shareholders' Meeting as its representative or to perform other legal actions; |
| f) kao i druga prava u skladu sa Zakonom i ovim Statutom. | f) as well as other rights in accordance with the law and these By-Laws. |

**XII ORGANI DRUŠTVA,
ADMINISTRACIJA I
REVIZIJA**

**XII CORPORATE
BODIES,
ADMINISTRATION
AND AUDITING**

Član 28

Article 28

(1) Organi Društva su:

The Company's corporate bodies are:

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|-------------------------|-------------------------------|
| 1) Skupština akcionara, | 1) the Shareholders' Meeting, |
| 2) Odbor direktora, | 2) the Board of Directors, |
| 3) Izvršni direktor, | 3) the Executive Director, |
| 4) Sekretar Društva. | 4) the Company's Secretary. |

Član 29

Article 29

Skupština akcionara

Shareholders' Meeting

Skupština akcionara je najviši organ Društva.

The Shareholders' Meeting is the ultimate authority of the Company.

Isključivo pravo Skupštine akcionara je da:

The exclusive right of the Shareholder's Meeting is to:

1) donosi Statut Društva i vrši njegove izmjene i dopune;

1) adopt By-Laws of the Company and to amend it;

2) bira i razrješava članove Odbora direktora;

2) elect and dismiss members of the Board of Directors;

3) bira i razrješava Revizora Društva;

3) elect and dismiss the Company's Auditor;

4) imenuje i razrješava likvidatora Društva;

4) elect and dismiss the Company's liquidator;

5) donosi odluke o raspolaganju imovinom Društva (kupovini, prodaji, zakupu, zamjeni, sticanju ili na drugi način raspolaganju) čija je vrijednost veća od 10% knjigovodstvene vrijednosti imovine Društva (imovina velike vrijednosti);

5) make decisions on the disposal of the Company's property (purchase, sale, lease, exchange, acquisition or other disposal) the value of which is more than 10% of the book value of the Company's property (property of great value);

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| 6) donosi odluku o izdavanju obveznica, opcija ili drugih hartija od vrijednosti odnosno instrumenata koji omogućavaju pravo upisa i/ili pravo vlasništva na akcijama u Društvu ili bilo kom licu koje ono kontroliše, odnosno o dodjeljivanju prava na sticanje akcija u Društvu ili bilo kom licu koje ono kontroliše; | 6) render a decision on issuance of bonds, options or other securities or instruments that allow the right to registration and/or the right of ownership to the shares in the Company or any person controlled by it, or granting the right to acquire shares in the Company or any person controlled by it; |
| 7) donosi odluku o raspodjeli dobiti (dividendi), rezervi ili imovine Društva akcionarima ili o politici dividendi, ili otkupu vlasničkih hartija od vrijednosti Društva i pokriću gubitaka; | 7) make decisions on the distribution of profit (dividends), reserves or assets of the Company to shareholders or on the dividend policy of the Company, redemption or repurchase of equity securities of the Company and cover of losses; |
| 8) donosi odluku o povećanju odnosno smanjenju osnovnog kapitala Društva i zamjeni akcija jedne klase akcijama druge klase; | 8) make decisions on the increase or decrease of the Company's share capital and replace shares of one class with the shares of another class; |
| 9) usvaja godišnji finansijski iskaz i izvještaj o poslovanju Društva. | 9) adopt annual financial statements and reports on the Company's business; |
| 10) donosi odluku o osnivanju novih privrednih društava čiji je osnivački ulog veći od 1% osnovnog kapitala Društva; | 10) render a decision on the establishment of new companies whose share capital is more than 1% of the Company's share capital; |
| 11) donosi odluku o Restrukturiranju Društva, | 11) render a decision on any Restructuring of the Company; |
| 12) donosi odluku o dobrovoljnoj likvidaciji Društva ili podnošenju predloga za | 12) render a decision on voluntary liquidation or dissolution of the Company or submitting |

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| pokretanje stečajnog postupka ili pokretanju drugog postupka u skladu sa akonom koji reguliše stečajni postupak; | proposals for initiating bankruptcy or other insolvency proceedings with respect to the Company; |
| 13) odlučuje o politici naknada i o naknadama članovima Odbora direktora; | 13) decide on the compensation policy and remuneration of the members of the Board of Directors; |
| 14) odlučuje o ograničavanju ili ukidanju prava preče kupovine akcionara da upišu akcije ili steknu zamjenjive obveznice. | 14) decide on restricting or eliminating the preemptive rights of the shareholders to subscribe the shares or acquire replaceable bonds. |
| 15) odobrava zaključenje ugovora u vezi sa kupovinom imovine od osnivača ili većinskog akcionara Društva, u svim slučajevima kada isplata prevazilazi 10 % knjigovodstvene vrijednosti imovine Društva; | 15) approve conclusion of contracts regarding the purchase of assets from the founder or the majority shareholder of the Company, in all cases where the payment exceeds 10% of the book value of the Company's property; |
| 16) raspolaze poslovanjem Društva ili bilo kojim dijelom poslovanja Društva ili na bilo koji drugi način raspolaze bilo kojim dijelom Društva ili uspostavlja obezbjeđenja nad bilo kojim dijelom imovine Društva, koji premašuje 10% imovine Društva ili bilo kog lica koje Društvo kontroliše kao što je prikazano u aktuelnom bilansu stanja Društva odnosno lica koje Društvo kontroliše, potvrđenom od strane Revizora (kao što može biti slučaj); | 16) dispose with the Company's business or any business of the Company or in any other way of any of the Company's business activities or establish guarantees against any property of the Company, which exceeds 10% of the Company's property of or any person who is controlled by the Company as shown in the current balance sheet of the Company or a person who is controlled by the Company, confirmed by the Auditor (as the case may be); |
| 17) donosi investicione odluke vrijednosti preko 10 % knjigovodstvene vrijednosti imovine Društva; | 17) make investment decisions having a value greater than 10% of the book value of the |

Company's property;

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| 18) odlučuje o delistiranju akcija Društva sa berze; | 18) delisting of the Company's shares from any stock exchange; |
| 19) na zahtjev Odbora direktora razmatra pitanja iz njegove nadležnosti koja se odnose na poslovanje Društva; | 19) discuss, at the request of the Board of Directors, the issues of its competences relating to the Company's operations; |
| 20) donosi Poslovnik o svom radu; | 20) adopt the Rules on its operation; |
| 21) odlučuje o drugim pitanjima utvrđenim Zakonom i ovim Statutom. | 21) decide on other matters determined by law and these By-Laws. |

Član 30

Article 30

Redovna Skupština

Annual Shareholders' Meeting

Redovna Skupština akcionara je skupština koja se saziva jednom godišnje, najkasnije u roku od tri mjeseca nakon završetka finansijske godine i treba da bude održana najkasnije šest mjeseci nakon završetka finansijske godine.

The Annual Shareholders' Meeting of the Company is a meeting convened once a year, not later than three months after the end of each financial year and shall be held not later than six months after the end of each financial year.

Član 31

Article 31

Sazivanje redovne Skupštine

Redovnu godišnju Skupštinu akcionara saziva Odbor direktora.

Po nalogu Odbora direktora, Sekretar Društva organizuje Skupštinu akcionara.

Ukoliko Odbor direktora ne sazove redovnu godišnju Skupštinu u roku utvrđenom u članu 30, pravo sazivanja Skupštine imaju akcionari čije akcije predstavljaju najmanje 5% akcionarskog kapitala.

Obavještenje o sazivanju Skupštine objavljuje se dva puta u najmanje jednom dnevnom listu koji se izdaje u Crnoj Gori, najkasnije 30 dana prije dana određenog za održavanje Skupštine.

Obavještenje o sazivanju Skupštine akcionara sadrži:

- 1) mjesto održavanja Skupštine akcionara;
- 2) datum i vrijeme održavanja Skupštine akcionara; i

Convening the Annual Shareholders' Meeting

The Annual Shareholders' Meeting is convened by the Board of Directors.

At the request of the Board of Directors, the Secretary of the Company organizes the Shareholders' Meeting.

If the Board of Directors does not convene the Annual Shareholders' Meeting within the term specified in Article 30, the shareholders whose shares represent at least 5% of the share capital shall have the right to convene the Shareholders' Meeting.

Notification about the convening of the Shareholders' Meeting is published twice in at least one daily newspaper published in Montenegro, not later than 30 days prior to the date of Shareholders' Meeting.

Notice of convening the Shareholders' Meeting includes:

- 1) place of the Shareholders' Meeting;
- 2) the date and time of the Shareholders' Meeting; and

3) dnevni red Skupštine akcionara sa obavještenjem gdje akcionari mogu dobiti dodatne informacije o dnevnom redu i o predlogu odluka i akata koji će se razmatrati na Skupštini akcionara.

Obavještenje o sazivanju Skupštine akcionara se dostavlja Komisiji za hartije od vrijednosti najkasnije 30 dana prije održavanja Skupštine akcionara.

Materijali sa predlozima odluka koje treba da se razmotre na Skupštini akcionara, izlažu se na uvid akcionarima u sjedištu Društva, odnosno prostorijama Društva izvan sjedišta, najkasnije 20 dana prije održavanja Skupštine akcionara, ako nije drugačije određeno Zakonom i ovim Statutom.

Kopije finansijskih izvještaja izlažu se na uvid akcionarima, najkasnije 30 dana prije održavanja Skupštine akcionara

Član 32

Dnevni red redovne Skupštine

Dnevni red Skupštine akcionara utvrđuje Odbor direktora.

3) the agenda of the Shareholders' Meeting with information where shareholders can obtain further information about the agenda and the proposed decisions and acts which will be considered at the Shareholders' Meeting.

Notification of convening the Shareholders' Meeting is also provided to the Securities Commission, not later than 30 days before the Shareholders' Meeting.

Materials with decision proposals that need to be discussed at the Shareholders' Meeting are given to the shareholders in the Company's headquarters or in the premises out of the Company's headquarters, not later than 20 days before the Shareholders' Meeting, unless otherwise determined by law or these By-Laws.

The copies of financial statements are given to the shareholders for inspection, not later than 30 days prior to Shareholders' Meetings.

Article 32

The Agenda of the Annual Shareholders' Meeting

The Board of Directors determines the agenda for the Shareholders' Meeting.

Akcionari koji posjeduju najmanje 5% akcionarskog kapitala imaju pravo da zahtijevaju od Odbora direktora proširenje dnevnog reda Skupštine akcionara najkasnije 15 dana prije dana održavanja sjednice, uz prezentiranje predloga odluka koje treba donijeti.

Shareholders who have at least 5% of the share capital have the right to demand from the Board of Directors the extension of the agenda of the Meeting, no later than 15 days prior to the session being held, with the presentation of the decision proposals to be adopted.

Odbor direktora je dužan da postupi po zahtjevu akcionara i proširi dnevni red.

The Board of Directors shall act and extend the agenda according to the shareholders' request.

O eventualnim izmjenama dnevnog reda akcionari se obavještavaju na isti način na koji se obavještavaju o sazivanju Skupštine i to najkasnije 10 dana prije dana održavanja sjednice.

In case of possible changes to the agenda shareholders shall be notified in the same way in which they are notified of the convening of Meeting and no later than 10 days prior to the session being held.

Skupština akcionara ne može donositi odluke o pitanjima koja nijesu na dnevnom redu.

The Shareholders' Meeting cannot make decisions on issues which are not on the agenda.

Ako se Skupština akcionara ne održi, ponovna Skupština akcionara se može održati samo po istom dnevnom redu koji je bio predviđen za Skupštinu koja nije održana.

If the Shareholder's Meeting is not held, another Meeting can be held only according to the same agenda intended for the Meeting which was not held.

Član 33

Article 33

Postupanje na Skupštini akcionara

Shareholders' Meeting Procedures

Skupštinom akcionara predsjedava Izvršni direktor, ukoliko drugačije ne odluči većina prisutnih ili zastupanih akcionara.

The Chairman of the Shareholders' Meeting is the Executive Director, unless otherwise decided by the majority of the shareholders present or represented.

Sekretar sjednice Skupštine akcionara je Sekretar Društva.

The Secretary of the Shareholders' Meeting is the Secretary of the Company.

Prisustvo akcionara ili njegovog punomoćnika na Skupštini, dokazuje se potpisivanjem liste prisutnih uz prethodnu identifikaciju putem ličnih isprava.

The presence of a shareholder or his representative at the Shareholders' Meeting is evidenced by signing the list of attendees with the previous identification through personal documents. In the list of attendees the number of votes that each shareholder has is expressed.

Na listi prisutnih iskazuje se i broj glasova koje posjeduje svaki akcionar.

Zapisnik sa Skupštine akcionara i listu prisutnih potpisuju predsjedavajući Skupštine, Sekretar Društva i najmanje jedan akcionar, odnosno njegov predstavnik, koga ovlasti Skupština akcionara.

The minutes of the Shareholders' Meeting and a list of attendees are signed by the Chairman of the Meeting, the Secretary of the Company and at least one shareholder or, as the case may be, its representative, empowered by the Shareholders' Meeting.

Uz zapisnik sa sjednice Skupštine akcionara se prilažu: lista prisutnih, kopije punomoćja i glasački listići kojima su se akcionari izjasnili unaprijed ili na Skupštini akcionara Društva.

Enclosed, with the minutes of the Shareholders' Meeting, are: a list of attendees, copies of proxy and ballots of the shareholders that have been declared in advance or at the Shareholders' Meeting.

Zapisnik sa Skupštine akcionara sačinjava se u roku od 15 dana od dana održavanja sjednice i obavezno sadrži: datum, mjesto i vrijeme održavanja

The minutes of the Shareholders' Meeting shall be written up within 15 days of the session and include: the date, place and time of the Meeting, name of Chairman,

sjednice, ime predsjedavajućeg, sekretara, članova radnih tijela Skupštine ako su bila formirana i lica koja ovjeravaju zapisnik, konstataciju o postojanju kvoruma za rad i odlučivanje, dnevni red, podatke o načinu i rezultatima glasanja i usvojene odluke na Skupštini akcionara.

Secretary of the Meeting, members of the working body if it was formed and the persons who authenticated the minutes, statement on the existence of quorum, agenda, and information on the results of voting and the decisions adopted at the Shareholders' Meeting.

Član 34

Article 34

Kvorum redovne Skupštine

Quorums of the Annual Shareholders' Meeting

Kvorum za održavanje redovne Skupštine akcionara čine akcionari koji posjeduju najmanje $\frac{1}{2}$ (50%) +1 od ukupnog broja akcija sa pravom glasa, a koji su lično prisutni, ili zastupani preko punomoćnika, osim u slučajevima za koje se Zakonom ili ovim Statutom zahtijeva drugi kvorum, a bez uticaja na glasačku većinu potrebnu da bi Skupština usvojila određene odluke, utvrđenu Zakonom i ovim Statutom.

The quorum for holding the annual Shareholders' Meeting to be validly held consists of the shareholders who have at least $\frac{1}{2}$ (50%) + 1 of the total number of shares with voting rights, and who are present or represented *via* proxy, except where other quorum requirements are determined by the Companies Act or these By-Laws and without prejudice to the votes required for the Shareholders' Meeting to adopt the relevant resolutions set forth by the Companies Act or these By-laws.

Ako se na Skupštini ne postigne potreban kvorum, mogu se sazvati naredne Skupštine u skladu sa procedurom, kvorumom za održavanje i rokovima preciziranim Zakonom.

If the required quorum is not achieved at the Shareholders' Meeting, possibly further Shareholders' Meetings may be convened according to the procedure, quorums to hold a meeting and in line with the deadlines specified by the Companies' Act

Član 35

Article 35

Odlučivanje na Skupštini akcionara

Glasanje na Skupštini akcionara se vrši izjašnjavanjem prisutnih akcionara odnosno njihovih punomoćnika usmeno ili pismeno putem glasačkih listića „za” ili „protiv” predloga. Akcionari se takođe mogu uzdržati od glasanja, iako su prisutni.

Glasanje putem glasačkih listića vrši se na način utvrđen Zakonom.

Glasanje putem glasačkih listića je obavezno kada se biraju članovi Odbora direktora i ako to zahtijevaju akcionari ili njihovi punomoćnici koji posjeduju najmanje 5 % glasačkih prava na Skupštini akcionara.

Skupština akcionara donosi odluke sledećom većinom glasova:

- 1) 77% svih izdatih akcija Društva, (bez obzira da li se Skupština održava na prvi poziv ili se radi o drugoj, trećoj ili daljoj ponovljenoj Skupštini):
 - a) o pitanjima iz člana 29, stav (2), tačke 5), 7), 10), 12), 14), 15), 16), 17) i 18) ovog Statuta;

Decision-making of the Shareholders' Meeting

Voting at the Shareholders' Meeting shall be done by the present shareholders or their representatives declaring, orally or in writing through the ballots "for" or "against" the proposal. Shareholders may also abstain from voting, even if present.

Voting by ballot is carried out in the manner determined by the Companies Act.

Voting by ballot is required when the members of the Board of Directors are being elected and if requested by the shareholders or their representatives that have at least 5% of the voting rights at the Shareholders' Meeting.

The decisions of the Shareholders' Meeting shall be adopted by the following favorable majority of votes:

- 1) 77% of all issued and outstanding ordinary shares of the Company (regardless if the meeting is on first, second or third – or subsequent – call):
 - a) matters set forth under Article 29, para (2), items 5), 7), 10), 12), 14), 15), 16), 17), and 18) of these By-Laws;

- b) o pitanjima iz člana 29, stav (2), tačke 6) i 8), ovog Statuta, ali samo ako bi smanjenje kapitala, povećanje kapitala ili zamjena postojeće klase akcija, obveznica, opcija ili drugih hartija od vrijednosti ili drugih sredstava dovela do smanjenja učešća postojećih akcionara ili povećanja učešća postojećih akcionara u kapitalu Društva;
- c) o pitanjima iz člana 29, stav (2), tačka 11), ovog Statuta, ali samo ako bi spajanje, izdvajanje ili odvajanje Društva dovelo do smanjenja učešća postojećih akcionara ili povećanja učešća postojećih akcionara u kapitalu Društva;
- d) o pitanjima iz člana 29, stav (2) tačka 1) ovog Statuta, ako predložene izmjene i dopune ovog Statuta mijenjaju članove 2, 24 stav (1), 29 (u mjeri u kojoj se isključuje ili ograničava isključiva nadležnost Skupštine akcionara da rješava pitanja iz člana 29), 35 stav (4) (1), 38 stav (2), 40 stav (2), 42 stav (1),(3),(4) i (5), 45 (u mjeri u kojoj se isključuje ili ograničava pravo Odbora direktora da odlučuje o pitanjima iz člana 50 stav (2) tačka 1), 50 stav (2) tačka 1) i 64 stav (3);
- e) o svakoj promjeni Statuta koja derogira odredbe člana 35;
- b) matters set forth under Article 29, para (2), items 6) and 8) of these By-Laws, but only if the decrease or increase of the capital, replacement of the existing class of shares or issuance of bonds, options or other securities or instruments would result in any dilution of the existing shareholders or any increase of participation by the existing shareholders in the share capital of the Company;
- c) matters set forth under Article 29, para (2) item 11) of these By-Laws, but only if merger, splitting or spin-off could result in any dilution of existing shareholders or any increase of participation by the existing shareholders in the share capital of the Company;
- d) matters set forth under Article 29, para (2) item 1) of these By-Laws, if the proposed amendments to these By-laws amend Articles 2, 24 paragraph (1), 29 (to the extent it excludes or limits the Shareholders' Meeting exclusive competence to resolve on the matters set forth in such Article 29), 35 paragraph (4) (1), 38 paragraph (2), 40 paragraph (2), 42 paragraphs (1), (3), (4) and (5), 45 (to the extent it excludes or limits the Board of Directors competence to resolve on the matters set forth in Article 50 paragraph (2) item 1) 50, paragraph (2) item 1), and 64 paragraph (3);
- e) any change to the By-laws that derogates the provisions of this

Article 35;

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| <p>f) o svakom Rezervisanom pitanju iz člana 50.1) u mjeri u kojoj spada u nadležnost Skupštine akcionara ili podliježe njenom odobrenju na zahtjev Odbora direktora</p> | <p>g) any Reserved Matter indicated in Article 50.1) to the extent it falls within the competence of the shareholders' meeting or it is subject to an approval or authorization upon request by the Board of Directors.</p> |
| <p>2) o pitanjima koja nijesu navedena pod tačkom 1) ovog člana, većinom glasova utvrđenom Zakonom i ovim Statutom.</p> | <p>2) with respect to matters not referred to under item 1) of this Article, the voting majority prescribed by the Companies Act or these By-Laws.</p> |

Član 36

Article 36

Vanredna Skupština

Extraordinary Shareholders' Meeting

Vanredna Skupština akcionara je svaka skupština, osim redovne godišnje Skupštine akcionara.

An Extraordinary Shareholders' Meeting is any meeting other than the annual Shareholders' Meeting.

Član 37

Article 37

Sazivanje Vanredne Skupštine

Convening of Extraordinary Shareholders' Meeting

Vanrednu skupštinu akcionara saziva Odbor direktora u slučaju ako:

An Extraordinary Shareholders' Meeting is properly convened by the Board of Directors if:

- 1) akcionari koji imaju najmanje 5% glasačkih prava dostave pisani zahtjev za održavanje Skupštine akcionara predlažući dnevni red;
 - 2) Odbor direktora predlaže da se:
 - 2.1. mijenja djelatnost Društva;
 - 2.2. mijenja akcionarski kapital Društva;
 - 2.3. prije isteka ugovorenog roka mijenja Revizor;
 - 2.4. mijenja član Odbora direktora prije isteka njegovog mandata;
 - 3) je potrebno razmotriti ozbiljne gubitke Društva ili dati odobrenje Društvu da kupi sopstvene akcije;
 - 4) se odobrava restrukturiranje, dobrovoljna likvidacija ili podnošenje prijedloga za pokretanje stečajnog postupka Društva;
 - 5) je član Odbora direktora podnio ostavku ili mu je prestala funkcija na drugi način, prije isteka mandata;
 - 6) to zahtijeva Revizor koji je podnio ostavku;
 - 7) Odbor direktora smatra da određeno pitanje treba razmotriti na vanrednoj Skupštini.
- 1) the shareholders holding at least 5% of the voting rights, submit a written request for a Shareholders' Meeting indicating the relevant agenda;
 - 2) the Board of Directors proposes to:
 - 2.1 alter the activity of the Company;
 - 2.2. alter the Company's share capital;
 - 2.3. remove the Auditor before his/her term of office expires;
 - 2.4. remove a member of the Board of Directors before his/her term of office expires;
 - 3) such a meeting is required to deal with a serious loss of capital or is required to authorize the Company to purchase its own shares;
 - 4) the restructuring of the Company, voluntary liquidation or submitting proposal for initiating bankruptcy are to be approved;
 - 5) a director has resigned or otherwise terminating his/her membership before expiry of his/her term of office;
 - 6) it is requested by an Auditor who has resigned;
 - 7) the Board of Directors is of the opinion that some specific matter

should be considered at an Extraordinary Shareholders' Meeting.

- 8) Kada neto imovina Društva iznosi polovinu ili manje od vrijednosti akcionarskog kapitala Društva
- 8) if value of the Company's net assets falls at or below 50% of the share capital of the Company

Po nalogu Odbora direktora Sekretar Društva organizuje vanrednu Skupštinu akcionara.

Upon request of the Board of Directors, the Secretary of the Company organizes the Extraordinary Shareholders' Meeting.

Obavještenje o sazivanju Vanredne Skupštine akcionara objavljuje se u skladu sa postupkom utvrđenim članom 31 ovoga Statuta za sazivanje redovne Skupštine.

Notice of convening the Extraordinary Shareholders' Meeting shall be published in accordance with the procedure set forth in Article 31 of these By-Laws for Annual Shareholders' Meeting.

Ako se Skupština akcionara ponovo saziva, akcionari moraju biti o tome obaviješteni najmanje 10 dana prije dana održavanja Skupštine akcionara.

If the Shareholders' Meeting is convened again, the shareholders must be informed about it at least 10 days before the day of the Shareholders' Meeting.

Akcionarima se mora omogućiti uvid u prijedloge odluka koje će se razmatrati na Skupštini, najkasnije 20 dana prije dana održavanja sjednice.

The shareholders must be provided with the decision proposals which will be examined at the Meeting, not later than 20 days prior to the session.

Član 38

Dnevni red, postupanje, kvorum i odlučivanje na vanrednoj Skupštini

Article 38

The Agenda, Procedure, Quorum and Decision Making of the Extraordinary Meeting

Dnevni red vanredne Skupštine akcionara koji utvrđuje Odbor direktora treba da sadrži stavke sadržane u zahtjevu akcionara shodno članu 37.1) izuzev u slučajevima kada Privredni sud saziva Skupštinu akcionara.

The agenda of the Extraordinary Shareholders' Meeting is determined by the Board of Directors, shall include the items contained in the request made by the shareholders pursuant to Article 37.1), except in cases when the Commercial Court convenes the Shareholders' Meeting.

Odredbe ovog Statuta u vezi sa dnevnim redom, postupanjem, kvorumom i odlučivanjem redovne Skupštine akcionara primjenjuju se i na vanrednu Skupštinu akcionara.

The provisions of these By-Laws in connection with the agenda, procedure, quorum, supermajorities and decision-making of the annual Shareholders' Meeting are accordingly applicable to the Extraordinary Shareholders' Meeting.

Član 39

Article 39

Ništavost odluka Skupštine akcionara

Nullity of Resolutions of the Shareholders' Meeting

Privredni sud može poništiti odluku Skupštine akcionara na osnovu tužbe akcionara, članova Odbora direktora ili Izvršnog direktora, ako:

The resolutions of the Shareholders' meeting may be declared null and void by the Commercial Court based on an action taken by the shareholders, members of the Board of Directors or Executive director, if:

- 1) pitanje o kojem je donijeta odluka nije bilo uvršteno u dnevni red u skladu sa odredbama ovog Statuta i Zakona;
- 2) akti ili odluke koji se obavezno registruju kod CRPS nijesu

- 1) the issue on which the resolution is adopted has not been included in the agenda in accordance with the procedure established by the Companies Act and these By-Laws;
- 2) any documents or resolutions which must be registered with

registrovani u roku koji je utvrđen Zakonom;

the CRPS have not been registered within the deadline prescribed by the Companies Act;

3) nijesu poštovane odredbe ovoga Statuta i Zakona, o sazivanju i održavanju Skupštine akcionara; ili

3) the procedures set down in these By-Laws and the Companies Act concerning the convening, holding and deciding of the Shareholders' Meeting have not been complied with; or

4) donijeta odluka nije u saglasnosti sa ovim Statutom, Zakonom i/ili drugim propisima Crne Gore.

4) the resolution is not in compliance with these By-Laws, the Companies Act and/or other applicable laws of Montenegro.

Protiv odluke Skupštine akcionara može se podnijeti tužba Privrednom sudu u roku od 30 dana od dana kada je lice koje podnosi tužbu saznalo za navedenu odluku, a najkasnije u roku od šest mjeseci od dana donošenja odluke.

Any legal challenge to a resolution of the Shareholders' Meeting may be lodged with the Commercial Court no later than 30 days from the day when the person who lodges the appeal learned of its adoption and no later than six months after the adoption of the resolution.

Član 40

Article 40

Odbor Direktora

Board of Directors

Odbor direktora je kolektivno tijelo, koje upravlja i rukovodi Društvom i vrši nadzor nad tekućim poslovanjem.

The Board of Directors is the collective body which governs and manages the Company and monitors current business activities.

Odbor direktora ima 7 članova.

The Board of Directors has 7 members.

Član 41

Za člana Odbora direktora može biti izabrano samo poslovno sposobno lice koje ima VII stepen stručne spreme ili ekvivalentni stepen obrazovanja, i adekvatna stručno-upravljачka umijeća.

Član Odbora direktora ne može biti:

- 1) lice kome je na osnovu sudske odluke zabranjeno da bude birano za člana Odbora direktora;
- 2) Izvršni direktor Društva;
- 3) Revizor Društva.

Član 42

Članove Odbora direktora bira Skupština akcionara.

Mandat članova Odbora direktora ističe na prvoj narednoj redovnoj godišnjoj Skupštini akcionara.

Article 41

Only a person with a business capacity who has VII level of qualification or the equivalent level of qualification, and adequate professional and management skills may be elected as a member of the Board of Directors.

The following persons may not be appointed or elected as members of the Board of Directors:

- 1) a person who, by virtue of a disqualification court order may not be elected as a member of the Board of Directors;
- 2) the Executive Director of the Company;
- 3) the Auditor of the Company.

Article 42

Members of the Board of Directors are elected by the Shareholders' Meeting.

The mandate of an elected member of the Board of Directors expires on the subsequent ordinary annual Shareholders' Meeting.

Prilikom izbora članova Odbora direktora, svaka akcija sa pravom glasa daje broj glasova jednak broju članova Odbora direktora.

When electing members of the Board of Directors, each share with voting rights gives the number of votes equal to the number of members of the Board of Directors.

Kandidati koji osvoje najveći broj glasova, izabrani su za članove Odbora direktora.

Candidates, who receive the highest number of votes, shall be elected for the members of the Board of Directors.

Akcionar ima pravo da sve svoje glasove da jednom kandidatu ili da ih rasporedi na više kandidata.

A shareholder has the right to give all of his votes to one candidate or to assort its votes to more candidates.

Broj mandata za članove Odbora direktora nije ograničen.

The number of mandates for members of the Board of Directors is not limited.

Član 43

Article 43

Član Odbora direktora može Skupštini akcionara podnijeti ostavku i prije isteka mandata, o čemu je dužan pismenim putem obavijestiti Odbor direktora, najkasnije 14 dana unaprijed.

A member of the Board of Directors may submit his/her resignation before the expiry of the mandate to the Shareholders' Meeting and is obliged to notify the Board of Directors in writing, at least 14 days in advance.

U slučaju podnošenja ostavke člana Odbora direktora ili prestanka funkcije člana Odbora direktora na drugi način, bira se novi Odbor direktora.

In the event of a member of the Board of Directors submitting his/her resignation or otherwise terminating his/her membership in the Board of Directors, an entire new Board of Directors shall be elected.

In the event of paragraph (2) of this Article,

U slučaju iz stava (2) ovog člana, sjednica Skupštine akcionara na kojoj će biti izabran novi Odbor direktora će biti sazvana što je prije moguće.

the Shareholders' Meeting where a new Board of Directors will be elected shall be convened as soon as possible.

Član 44

Article 44

Član Odbora direktora može zasnovati radni odnos u Društvu.

A member of the Board of Directors may become an employee of the Company.

Ukoliko član Odbora direktora nije zasnovao radni odnos u Društvu, pripada mu pravo na naknadu za rad u Odboru u skladu sa odlukom Skupštine akcionara.

If the member of the Board of Directors does not become an employee of the Company, he/she is entitled to the remuneration for work in accordance with a decision of the Shareholders' Meeting.

Ako član Odbora direktora zaključi ugovor sa Društvom o naknadi za rad ili je u radnom odnosu u Društvu, sve bitne odredbe tih ugovora prikazuju se u godišnjem finansijskom izvještaju Društva.

If a member of the Board of Directors concludes a contract with the Company regarding the remuneration for his/her work or he/she is employed in the Company, all relevant provisions of such agreements must be shown in the Company's annual financial report.

Ovlašćenja Odbora direktora

Competence of the Board of Directors

Član 45

Article 45

Odbor direktora ima sljedeća ovlašćenja:

The competence of the Board of Directors is as follows:

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| 1) upravlja i rukovodi Društvom i vrši nadzor nad tekućim poslovanjem; | 1) governs and manages the Company and monitors current business activities; |
| 2) saziva redovnu i vanrednu Skupštinu akcionara; | 2) convenes the Annual, and Extraordinary Shareholders' Meeting; |
| 3) priprema predloge odluka za Skupštinu akcionara i izvršava njene odluke; | 3) prepares decision proposals for Shareholders' Meeting and executes its decisions; |
| 4) utvrđuje poslovnu politiku Društva; | 4) determines business policies of the Company; |
| 5) usvaja Poslovni plan Društva ili bilo koju njegovu bitnu izmjenu i daje smjernice za njegovo ostvarivanje; | 5) adopts the Company's Business Plan or any material amendments thereof and provides guidelines for the implementation; |
| 6) usvaja godišnji budžet Društva ili bilo koju njegovu bitnu izmjenu i daje smjernice za njegovo ostvarivanje; | 5) adopts annual budget of the Company or any material amendments thereof and guidelines for the implementation; |
| 7) usvaja investicione Planove razvoja Društva, uključujući planove izgradnje (i bilo koje materijalne – bitne promjene) koji se odnose na Povezanu i Dodatnu mrežnu infrastrukturu, uključujući ali ne ograničavajući se na bilo koje odredbe ovih planova za nabavku relevantnog materijala; | 7) adopts the Plan of Development of the Company, including construction plans (and any material changes) relating to the Associated Network Infrastructures or the Additional Network Infrastructures, including, but not limited to, any provisions of such plans for the supply of the relevant materials; |
| 8) utvrđuje unutrašnju organizaciju i sistematizaciju Društva; | 8) determines the internal organization and systematization of the Company; |

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| 9) utvrđuje strukturu i sastav menadžmenta i administracije Društva; | 9) determines the structure and composition of the management and administration of the Company; |
| 10) usvaja periodične i utvrđuje godišnji finansijski iskaze Društva; | 10) adopts periodical and establishes annual financial report of the Company; |
| 11) utvrđuje godišnji izvještaj o poslovanju Društva; | 11) establishes annual business report of the Company; |
| 12) predlaže raspodjelu dobiti, dividendi, rezervi, imovine i pokriće gubitaka; | 12) proposes the distribution of profit, dividends, reserves, assets and cover of losses; |
| 13) odobrava svaku transakciju (investiciju, raspolaganje imovinom, kreditno zaduženje) čija vrijednost ne prelazi visinu od 10 % knjigovodstvene vrijednosti imovine Društva; | 13) adopts any transaction (investment, disposal of assets, credit indebtedness) the value of which not exceeding 10% of the book value of the Company's property; |
| 14) odobrava zaključenje ugovora, koji nijesu u nadležnosti Skupštine akcionara; | 14) adopts conclusion of the contract not within the competence of the Shareholders' Meeting; |
| 15) donosi opšta akta koja su u okviru njegove nadležnosti; | 15) adopts general acts within its competence; |
| 16) bira predsjednika Odbora direktora i zamjenika predsjednika Odbora direktora; | 16) elects the Chairman and the Deputy Chairman of the Board of Directors; |
| 17) imenuje i razrješava Izvršnog direktora i Sekretara Društva; | 17) appoints and dismisses the Executive Director and the Secretary of the Company; |

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| 18) predlaže revizora Društva i promjenu revizora prije isteka njegovog mandata; | 18) proposes the Auditor and change of the Company's Auditor before expiry of his term; |
| 19) imenuje, razrješava i određuje ovlaštenja i odgovornosti članova menadžmenta; | 19) appoints, dismisses and determines the powers and responsibilities of the members of the management; |
| 20) usvaja izvještaj o popisu imovine i obaveza Društva; | 20) adopts report on the inventory of the Company's assets and liabilities; |
| 21) predlaže osnivanje novih privrednih društava čiji je osnivački kapital manji od 1% kapitala Društva; | 21) proposes establishment of new companies whose founding capital is less than 1% of the Company's capital; |
| 22) imenuje predstavnike u organima Društva čiji je osnivač i daje im smjernice i uputstva kojih se obavezno pridržavaju; | 22) appoints representatives to the Company's corporate bodies and gives them guidelines and instructions that are mandatory; |
| 23) odlučuje o poslovnoj saradnji i povezivanju sa drugim društvima; | 23) decides on business cooperation and networking with other companies; |
| 24) donosi Poslovnik o svom radu; | 24) enacts the Rules of Procedure on their work; |
| 25) imenuje radna tijela i komitete Odbora direktora; | 25) appoints working bodies and committees of the Board of Directors; |
| 26) odlučuje o drugim pitanjima koja nijesu Zakonom o privrednim društvima i ovim Statutom utvrđena kao isključiva nadležnost Skupštine akcionara, Izvršnog direktora ili Sekretara. | 26) decides about other tasks not specified in the Companies Act or these By-Laws as attributed to the exclusive responsibility of the Shareholders' Meeting, Executive Director or the Secretary. |

Član 46

Article 46

Obaveze članova Odbora direktora

Duties of Members of the Board of Directors

Obaveze članova Odbora direktora su:

The duties of the members of the Board of Directors shall be:

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| 1) da postupaju savjesno i rade u korist Društva; | 1) to act in good faith for the benefit of the Company; |
| 2) da postupaju sa pažnjom dobrog privrednika i uz primjenu pravila struke prilikom odlučivanja; | 2) to exercise due diligence and skill when making decisions; |
| 3) da obezbijede primjenu odgovarajućih mjera radi kontrole poslovanja i preuzimanja obaveza od strane Društva; | 3) to assure application of appropriate measures with the aim of overseeing the activities and obligations undertaken by the Company; |
| 4) da učestvuje u razmatranju svakog pitanja o kojem Odbor direktora odlučuje; | 4) to give adequate consideration to matters to be decided by the Board of Directors; |
| 5) da koristi ovlašćenja u korist Društva; | 5) to use its powers for the benefit of the Company; |
| 6) da prijave Skupštini akcionara svaku korist ili privilegiju koju imaju u Društvu pored nadoknade za rad. | 6) to disclose to the Shareholders' Meeting any benefits that have been granted to them by the Company in addition to their fee. |

Član Odbora direktora ne odgovora Društvu za štetu prilikom donošenja uobičajenih poslovnih odluka, ukoliko je postupao sa pažnjom dobrog privrednika i poštovalo pravila struke, u razumnom

A member of the Board of Directors is not liable to the Company for damage while making ordinary business decisions provided that he/she acted with due care and skill in the reasonable believe that

uvjerenju da djeluje u najboljem interesu Društva.

he/she was acting in the best interest of the Company.

Ako se prava akcionara, utvrđena Zakonom i ovim Statutom, ostvaruju u sudskom postupku, članovi Odbora direktora zajednički će nadoknaditi troškove postupka i štetu koju su pretrpjeli akcionari zbog nepoštovanja njihovih prava.

If the rights of the shareholders, provided for in the Companies Act and these By-Laws, have been enforced by shareholders through legal proceedings, the members of the Board of Directors shall jointly refund the legal expenses and compensate the damages incurred by the shareholders because of the disregard of their rights.

Za štetu i troškove postupka neće odgovarati član Odbora direktora koji je svoju nesaglasnost sa odlukom po osnovu koje je akcionar pretrpio štetu unio u zapisnik, kao i član Odbora direktora koji nije prisustvovao sjednici Odbora direktora, a svoje neslaganje sa odlukom je izrazio pismenim putem Odboru direktora odmah nakon saznanja o donesenoj odluci.

A member of the Board of Directors shall not be held responsible for damages and expenses if her/his disagreement with the decision on the basis of which the shareholder suffered damage was recorded in the minutes, as well as a member of the Board of Directors who did not attend the session of the Board of Directors, and their disagreement with the decision is expressed in writing to the Board of Directors immediately after receiving information about the enacted decision.

Član Odbora direktora nema pravo glasa, kada Odbor direktora odlučuje o pitanju njegove materijalne odgovornosti ili njegovog rada u Društvu.

A member of the Board of Directors has no right to vote, when the Board of Directors decides on the issue of its material responsibilities or his work in the Company.

Članovi Odbora direktora, po pravilu, prisustvuju Skupštini akcionara i dužni su da odgovore na postavljena pitanja akcionara u vezi sa materijalima i predloženim odlukama.

Members of the Board of Directors, as a rule, shall attend the Shareholders' Meeting and are obliged to answer to the shareholders' questions relating to materials and proposed decisions.

Odbor direktora ne smije ograničavati ovlaštenja Revizora, niti na bilo koji način uticati na njegov rad.

The Board of Directors shall not restrict the Auditor's responsibilities or in some way affect his work.

Članovi Odbora direktora su dužni da čuvaju poslovne tajne Društva.

The members of the Board of Directors are obliged to keep business secrets of the Company.

Član 47

Article 47

Predsjednik Odbora direktora

Chairman of Board of Directors

Odbor direktora između svojih članova bira predsjednika Odbora.

The Board of Directors among its members elects the Chairman of the Board of Directors.

Predsjednik Odbora direktora ovu funkciju obavlja profesionalno

The Chairman of the Board of Directors carries out his/her duties professionally.

Predsjednik Odbora direktora:

The chairman of the Board of Directors:

1) zakazuje i predsjedava sjednicama Odbora direktora;

1) calls and chairs the meetings of the Board of Directors;

2) koordinira aktivnosti Odbora direktora;

2) coordinates the activities of the Board of Directors;

3) prati i osigurava implementaciju odluka Odbora direktora;

4) vrši i druge poslove u skladu sa ovim Statutom i Zakonom.

3) monitors and ensures implementation of decisions of the Board of Directors;

4) performs other tasks in accordance with these By-Laws and the Law.

**Zamjenik predsjednika
Odbora direktora**

**Deputy Chairman
of the Board of Directors**

Član 48

Article 48

Odbor direktora iz reda svojih članova bira Zamjenika predsjednika Odbora direktora. U odsustvu, usled nedostupnosti ili spriječenosti predsjednika Odbora direktora ili ako on/ona propusti da djeluje onda kada ima obavezu da djeluje u skladu sa Zakonom ili Statutom, zamjenik predsjednika saziva i predsjedava sjednicama i koordinira aktivnosti Odbora direktora.

The Board of Directors among its members elects the Deputy Chairman of the Board of Directors. In the absence, unavailability or incapacity of the Chairman of the Board of Directors or if he/she fails to act when he/she has an obligation to act under the Companies Act or the By-laws, the Deputy Chairman calls and chairs the meetings and coordinates the activities of the Board of Directors.

Član 49

Article 49

Sjednice Odbora direktora

**Meetings of the Board of
Directors**

Odbor direktora, po pravilu, radi i odlučuje na sjednicama.

The Board of Directors, as a rule, works and decides at the meetings.

Sjednicu Odbora direktora zakazuje predsjednik Odbora ili Zamjenik predsjednika, ukoliko je predsjednik spriječen ili ako on/ona propusti da deluje onda kada ima obavezu da deluje u skladu sa Zakonom ili Statutom.

Sjednicu Odbora direktora mogu zakazati i drugi članovi Odbora, pod uslovom, da se sa tim saglasilo više od polovine članova Odbora.

Zakazivanje sjednice Odbora direktora može tražiti Izvršni direktor ili bilo koja dva člana Odbora direktora, a na njegov/njen ili njihov zahtjev, predsjednik Odbora direktora, odnosno njegov zamjenik je dužan sazvati sjednicu Odbora direktora u roku od 5 dana nakon što dobije zahtjev Izvršnog direktora ili bilo koja dva člana Odbora direktora.

Članovi Odbora direktora mogu održavati sjednice (utvrđivati kvorum i glasati) putem telefonske konferencijske veze, video konferencije ili slične komunikacione opreme, putem koje sva lica koja učestvuju na sjednici mogu međusobno da se čuju istovremeno, da međusobno razgovaraju ili razmjenjuju pisana dokumenta. Takvo učešće na sjednici se smatra ličnim prisustvom sjednici.

Odbor direktora može donositi odluke i bez održavanja sjednice u slučajevima koji zahtijevaju hitno odlučivanje, izjašnjavanjem članova putem

The right to convene a meeting of the Board of Directors shall be vested in the Chairman of the Board of Directors or Deputy Chairman, if the Chairman is prevented from acting or if he/she fails to act when he/she has an obligation to act under the Companies Act or the By-laws.

Other members of the Board of Directors may directly call a meeting, provided that more than half of the members of the Board of Directors approve it.

Convening a meeting of the Board of Directors may be requested by the Executive Director or by any two directors, and at his/her or their request, the Chairman, or, in the cases provided in these By-Laws, the Deputy Chairman shall call a session of the Board of Directors, within 5 days after receiving such request from the Executive Director or any such two directors.

The members of the Board of Directors may hold the meetings (establish the quorum and vote) by means of conference telephone, video conference or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, speak to each other and exchange written documents. Such participation in any such meeting will constitute presence of the person at the meeting.

Board of Directors may enact decisions without convening the meeting in emergency cases, by declaring of the

faksa ili E – mail - a, ako se sa time saglase svi članovi Odbora: u ovom slučaju, radnja koju treba ili koja se može preduzeti na sjednici Odbora direktora može biti preduzeta i van sjednice, ako svi članovi Odbora direktora jednoglasno donesu pisanu odluku o tome u kojoj navode detalje tako preduzete radnje. Izjašnjenje iz st. (6) ovog člana će biti na crnogorskom jeziku i prevoden na engleski jezik, dok god postoje članovi Odbora koji ne znaju crnogorski jezik.

members via fax or E - mail, if all members of the Board give their consent: in this event any action required or permitted to be taken at a meeting of the Board of Directors may be taken without holding a meeting, if a unanimous consent in writing, setting forth in details the action so taken, is signed by all of the members of the Board of Directors in office.

Declaration and consent in writing under paragraph (6) of this Article shall be in Montenegrin and translated into English, for as long as there are members of the Board who do not have working knowledge of the Montenegrin language.

Odbor direktora na prvoj narednoj sjednici potvrđuje odluke, donesene na način iz stava (7) ovog člana.

The Board of Directors shall approve decisions, stated under paragraph (7) of this Article, at the subsequent meeting.

Sjednice Odbora direktora se održavaju na crnogorskom jeziku, dok će zapisnici biti na crnogorskom jeziku uz priloženi precizan prevod na engleskom jeziku, dok god postoje članovi Odbora koji ne znaju crnogorski jezik.

The meetings of the Board of Directors shall be conducted in Montenegrin, whereas the minutes shall be in Montenegrin accompanied by accurate English translation, for as long as there are members of the Board of Directors who do not have working knowledge of the Montenegrin language.

Član 50

Article 50

Kvorum i donošenje odluka

Quorum and Decision-Making

Sjednica Odbora direktora može se održati ako je prisutna prosta većina članova Odbora direktora, što ne utiče na većinu koja je potrebna za pravovaljano usvajanje određenih

A meeting of the Board of Directors shall be validly held if attended by a simple majority of the members of the Board of Directors without prejudice to the thresholds to validly pass and adopt the

odluka.

relevant resolution.

Odluke Odbora direktora se usvajaju i donose ukoliko:

The resolutions of the Board of Directors shall be passed and adopted if:

- 1) Najmanje 6 članova glasa za odluku, ako se odluka odnosi na sledeća pitanja (svako takvo pitanje “**Rezervisano pitanje**”):

- 1) At least 6 members vote in favor of a resolution, if the resolution pertains to or involves the following matters (any such matter being “**Reserved Matter**”):

bilo koju transakciju, koja nije u nadležnosti Skupštine akcionara, koja uključuje:

any transaction, action or matter (unless it falls within the competence of the Shareholders’ Meeting), which involves or relates:

- a) odobrenje Poslovnog plana Društva i njegovih bitnih izmjena;
- b) odobrenje godišnjeg budžeta Društva i njegovih bitnih izmjena;
- c) odobrenje Plana razvoja i njegovih bitnih izmjena;
- d) odobrenja planova izgradnje (i bilo kojih bitnih izmjena) koji se odnose na Povezanu i Dodatnu mrežnu infrastrukturu, uključujući ali ne ograničavajući se na odredbe ovih planova o nabavci materijala;
- e) finansijsko zaduživanje bilo koje vrste (uključujući izdavanje obveznica ili garancija u korist trećih strana) od strane Društva u vrijednosti koja je pojedinačno po transakciji ili ukupno u kalendarskoj

- a) approval of the Business Plan of the Company and of any material amendments thereto;
- b) approval of the annual budget of the Company and of any material amendments thereto;
- c) approval of the Plan of Development and any material amendments thereto;
- d) approval of construction plans (and any material changes thereto) concerning the Associated Network Infrastructures or the Additional Network Infrastructures, including, but not limited to, any provisions of such plans for the supplying of relevant material;
- e) the incurrence of any kind of financial debt (including granting any bonds or guarantees for the benefit of third parties) by the Company in any amount that is individually per transaction or in aggregate in any

godini veća od € 250.000 (dvije stotine pedeset hiljada) (osim ako je to na konkretan način predviđeno Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren za tu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta), ili bilo kakvo uspostavljanje ili preuzimanje nekog Tereta na imovini Društva, kojim se obezbeđuje ili omogućava plaćanje iznosa koji je, pojedinačno po transakciji ili ukupno u kalendarskoj godini, veći od 150.000 € (stotinu pedeset hiljada) (osim ako je to na konkretan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren za datu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta);

- f) nabavka ili raspolaganje (ili ugovaranje istog) (za gotovinu ili na drugačiji način, uključujući ustanovljenjem sredstva obezbeđenja, i uključujući zakup ili sličan aranžman): (i) imovinom ili drugim sredstvima (uključujući nekretnine), opremom ili drugom robom koja, pojedinačno po transakciji ili ukupno u bilo kojoj kalendarskoj godini, ima vrijednost veću od 250.000 € (dvije stotine pedeset hiljada) (osim ako je to na konkretan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren za datu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta); ili (ii) akcijama ili drugim učešćem u kapitalu bilo kog lica ili imovinskom cjelinom (ili sredstvima koja predstavljaju imovinsku cjelinu) (osim ako je to na konkretan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren od strane Odbora direktora u skladu sa

calendar year, greater than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated by the Business Plan for such year or the annual budget of the Company that has been previously approved by the Board of Directors in accordance with these By-Laws), or any creation, assumption or incurrence of any Encumbrance on any asset of the Company, securing or providing payment for an amount that is, individually per transaction, or in aggregate in any calendar year, greater than € 150,000 (one-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board of Directors in accordance with these By-Laws);

- f) any acquisitions or disposals (or agreement to do any of the foregoing) (for cash or otherwise, including by granting a security interest, and including any lease or similar arrangements): (i) of property or other assets (including real estate), equipments or other goods that, individually per transaction or in aggregate in any calendar year, have a value of more than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board of Directors in accordance with these By-Laws); or (ii) of any shares or other equity interest in any person or business (or assets constituting a business) (unless specifically contemplated for such year by the Business Plan annual budget of the Company that has been previously approved by the Board of Directors in accordance with these By-Laws);

odredbama ovog Statuta);

- g) ulazak Društva u projekte zajedničkog ulaganja, partnerstvo, konzorcijum ili sličan aranžman (ili izmjene i raskid istih) koji zahtijeva ili podrazumijeva trošak, investiranje, ulaganje od strane Društva u iznosu većem od 500.000 € (pet stotina hiljada) (osim ako je to na konkretnan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren od strane Odbora direktora u skladu sa odredbama ovog Statuta);
- h) odluku o tome koju Dodatnu mrežnu infrastrukturu treba graditi (Srbija i/ili Bosna i Hercegovina) i o šemama njihove implementacije, a posebno, da li će takva infrastruktura biti “javna” ili “privatna”;
- i) odobrenje transakcije, ili sklapanje ugovora ili aranžmana (ili njihov raskid ili izmjene) sa Povezanim stranama koji (i) prevazilaze, pojedinačno po transakciji ili ukupno u bilo kojoj kalendarskoj godini vrijednost od 250.000 € (dvije stotine pedeset hiljada), ili (ii) obezbjeđuju dobijanje bilo kog kredita ili drugih finansija, (iii) su zaključeni nezavisno i nepristrasno i nisu pod tržišnim uslovima ili (iv) se odnose na dispečing usluge (uključujući pomoćne usluge, nadoknadu za gubitke u mreži) (u svakom od navedenih slučajeva, osim ako je to na konkretnan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren za datu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta);
- g) entry by the Company into (or the amendment or termination) any joint venture, partnership, consortium or similar arrangement which may require or involve cost, investments, contributions by the Company in excess of € 500,000 (five-hundred thousand) (unless specifically contemplated for such year by the Business Plan the annual budget of the Company that has been previously approved by the Board of Directors in accordance with these By-Laws);
- h) any decision concerning which Additional Network Infrastructures to pursue (Serbia and/or Bosnia-Herzegovina) and their scheme of implementation and, in particular, whether such infrastructures shall be “public” or “private”;
- i) approval of any transaction with, or the entry into any agreements or arrangements (or their termination or amendment) involving, Related Parties which (i) exceed, individually per transaction or in the aggregate in any calendar year, a value of € 250,000 (two-hundred fifty thousand), (ii) provides for the granting of any loan or other financing, (iii) is not at arm’s length or at market conditions, or (iv) relates to dispatching services (including relating to ancillary services, grid losses remuneration) (in each case, unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of these By-laws);

- j) poravnanje u u nekom postupku ili povodom nekog tužbenog zahtjeva koji podrazumijeva da Društvo primi ili plati, ili je vrijednost koja je u osnovi te stvari, veća od ukupnog iznosa od 100,000 € (stotinhiljada eura) za bilo koju kalendarsku godinu ne računajući iznose koji su na konkretan način za tu godinu predviđeni Poslovnim planom ili godišnjim budžetom Društva koji je prethodno odobren za datu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta.
- k) ugovor ili aranžaman sa derivatima;
- l) nova poslovna aktivnost (ili linija poslovanja) (kroz zavisno društvo ili na drugi način) ukoliko to, po pojedinačnoj transakciji ili ukupno za jednu kalendarsku godinu, podrazumijeva to da će (i) rashodi, troškovi i/ili obaveze Društva, (ii) prihodi s tim u vezi ili (iii) vrijednost biti veći od 500.000 € (pet stotina hiljada) (osim ako je to na konkretan način predviđeno za tu godinu Poslovnim planom ili godišnjim budžetom Društva koji su prethodno odobreni za datu godinu od strane Odbora direktora u skladu sa odredbama ovog Statuta);
- m) osnivanje zavisnih društava osim kada se ulazi u novu poslovnu aktivnost (ili poslovnu liniju) koja je ispod granice određene pod slovom l iznad;
- n) delegiranje ovlašćenja na člana Odbora direktora, izvršnog direktora, službenika, menadžera, zaposlenog ili
- j) settlement of any proceeding or claim involving payments or receipt by the Company, or, however, involving an underlying value, of more than an aggregate amount of € 100,000 (one-hundred thousand) in any calendar year, in addition to amounts specifically contemplated in the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of these By-laws;
- k) any derivative contract or arrangement;
- l) entry into any new business (or line of business) (through the establishment of subsidiaries or otherwise) if that, individually per transaction or in aggregate in any calendar year, involves or requires (i) expenditures, costs and/or liabilities by the Company, (ii) associated revenues, or (iii) a value of more than € 500,000 (five-hundred thousand) (unless specifically contemplated by the Business Plan or the annual budget of the Company for the relevant year that has been previously approved by the Board in accordance with the terms of these By-laws);
- m) establishment of subsidiaries, except when entering into any new business (or line of business) that falls below the thresholds indicated in letter l above;
- n) delegation of powers to any members of the Board of Directors, officer, manager, employee or attorney-in-fact

zastupnika ili ugovaranje nečeg takvog ukoliko se delegiranje odnosi na neko od , radnji i pitanja iz ovog člana 50, 1);

- o) bilo koju odluku Odbora direktora o pitanjima navedenim u članu 35. tačka 1) ovog Statuta.

Niz transakcija međusobno povezanih, ili povezanih po vrsti i predmetu smatraće se jednom transakcijom, i bilo koji iznosi uključeni u takve povezane transakcije biće združeni, kako bi se utvrdilo da li je to pitanje Rezervisano pitanje;

„Bitnom izmjenom“ u vezi sa pitanjima navedenim u tačkama pod slovima a) do d) iznad (uključujući i te tačke) u svakom slučaju će se smatrati: bilo koja izmjena koja (i) (1) u odnosu na tačke pod slovima a) i b), podrazumijeva povećanje, smanjenje ili odstupanje od neke stavke, parametra, cilja, radnje ili unosa veće od 10% od onoga kako je relevantna stavka određena Poslovnim planom ili godišnjim budžetom ili koja na drugi neki način podrazumijeva vrijednost i/ili inherentni trošak veći od € 1,500,000 (milionpetstotinahiljada evra) ukupno u kalendarskoj godini, ili (2) u odnosu na tačke c) i d), podrazumijeva povećanje ili smanjenje ili odstupanje od neke stavke, parametra, cilja, radnje ili unosa više od 10% od onoga kako je relevantna stavka određena planom izgradnje ili Planom razvoja ili koja na drugi neki način podrazumijeva vrijednost i/ili inherentni trošak veći od € 2,000,000 (dvamiliona evra) ukupno u kalendarskoj godini, (ii) se tiče predviđenog roka za završetak Povezane mrežne infrastrukture (ili bitnih etapa), i/ili Dodatne mrežne infrastrukture (ili bitnih etapa) ili može izazvati kašnjenje u završetku istih, ili (iii) se odnosi na izvođače glavnih radova na izgradnji, nabavku i/ili projektovanje Povezane

or the entry into a contract with respect to any of the foregoing transactions, actions and matters of this Article 50, 1);

- o) any resolution of the Board of Directors on the matters listed under item 1) of Article 35 of these By-laws.

A series of transactions related among them or by their type and subject matter shall be construed as a single transaction, and any amounts involved in such related transactions shall be aggregated, to determine whether a matter is a Reserved Matter.

Any of the following shall always be considered a “material amendment” for the purposes of the matters indicated in letter a) through d) above (all included): any amendment or change (i) (1) with respect to letters a) and b), involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the Business Plan or annual budget or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 1,500,000 (one million and five-hundred thousand), or (2) with respect to letter c) and d), involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the construction plan or Plan of Development or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in

mrežne infrastrukture i/ili Dodatne mrežne infrastrukture, uvijek će se smatrati „bitnom“ za potrebe gore navedenog.

excess of € 2,000,000 (two million)
(ii) relating the scheduled completion dates of the Associated Network Infrastructures (or significant milestones) and/or the Additional Network Infrastructures (or significant milestones) or that may cause a delay in the completion of the same, or (iii) relating to the entity(es) in charge of carrying out and performing major construction, procurement and/or engineering works with respect to Associated Network Infrastructures and the Additional Network Infrastructures.

2) prostom većinom glasova članova Odbora koji prisustvuju sjednici o svim pitanjima koja su u nadležnosti Odbora direktora, a nijesu navedena u tački 1) iznad.

2) simple majority of all members attending the meeting vote in favor of resolution pertaining to a matter within the competence of the Board of Directors which is not listed in paragraph 1) above.

3) Nijedno od sledećih pitanja se neće smatrati Rezervisanim pitanjem:

3) None of the following matters shall be deemed a Reserved Matter:

a. Ugovori o korišćenju prenosne mreže koje je Društvo na osnovu zakona obavezno da zaključi po regulisanim cijenama, zaključeni u svim bitnim aspektima u skladu sa obrascem priloženim uz ovaj Statut;

a. agreements for use of transmission network that the Company is obliged by law to execute at regulated prices, if concluded in all material respects in accordance with the standard terms and conditions of the template attached to these by-laws;

b. Ugovori o sistemskim i/ili pomoćnim uslugama koje je Društvo dužno da zaključi po regulisanim cenama, u skladu sa standardnim odredbama-uslovima;

b. agreements on system and/or ancillary services that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions;

c. Ugovori sa subjektima koji trguju električnom energijom u skladu sa standardnim uslovima;

c. agreements with traders of electricity in accordance with standard terms and conditions;

- | | |
|---|--|
| d. Ugovori o hitnim nabavkama u situacijama kada je hitno postupanje neophodno jer je ugrožena sigurnost snabdijevanja korisnika; | d. agreements on emergency procurement in situations immediate action is required as the safety of supply of customers is in danger; |
| e. Standardni međunarodni MLA i ITC ugovori i bilo koje njihove izmjene; | e. standard international MLA and ITC agreements and any amendments thereof; |
| f. Tekuće transakcije označene i opisane u dokumentu pod nazivom „Tekuće transakcije“ u prilogu ovog Statuta. | f. the pending transactions indicated and described in the document titled "Pending Transaction" attached to these by-laws. |

Član 51

Ostala pitanja vezana za rad Odbora direktora bliže se uređuju Poslovnikom o radu Odbora Direktora, u skladu sa odredbama i ograničenjima sadržanim u zakonu i ovom Statutu.

Član 52

Izvršni direktor

Izvršni direktor rukovodi tekućim poslovanjem Društva.

Article 51

Other issues related to the internal work of the Board of Directors are regulated in more detail by the Rules of Procedure of the Board of Directors, subject to the provisions and limitations contained by the law and these By-Laws.

Article 52

The Executive Director

The day-to-day business of the Company is under the management of the Executive Director.

Pored opštih uslova za imenovanje predviđenih zakonom, Izvršni direktor mora ispunjavati uslove koji su propisani ovim Statutom za izbor članova Odbora direktora.

In addition to general conditions for the appointment envisaged under law, the Executive Director must meet the conditions that apply for the selection of members of the Board of Directors in accordance with these By-Laws.

Mandat Izvršnog direktora traje 4 godine i može biti ponovo imenovan.

The mandate of the Executive Director is for 4 years and may be re-appointed.

Izvršnog direktora imenuje i razrješava Odbor direktora.

The Executive Director is appointed and dismissed by the Board of Directors.

Odbor direktora sa Izvršnim direktorom zaključuje poseban ugovor kojim se utvrđuju njegova prava, obaveze i odgovornosti.

Board of Directors with the Executive Director concludes a separate contract to determine its rights, obligations and responsibilities.

Član 53

Article 53

U slučaju podnošenja ostavke Izvršnog direktora ili prestanka funkcije na drugi način, sjednica Odbora direktora na kojoj će biti imenovan novi Izvršni direktor će biti sazvana što je prije moguće.

In the event the Executive Director submits his/her resignation or otherwise relinquishes his/her function, a session of the Board of Directors shall be convened at which the election of a new Executive Director will take place, as soon as possible.

Član 54

Article 54

Nadležnosti Izvršnog direktora

Izvršni direktor, u skladu sa odredbama i ograničenjima iz zakona i Statuta, obavlja poslove vezane za tekuće poslovanje Društva, uključujući ali se ne ograničavajući na sljedeće:

- 1) organizuje tekuće poslovanje Društva;
- 2) podnosi izvještaje o poslovanju Društva;
- 3) sprovodi izvještaje i odluke Odbora direktora;
- 4) stara se o zakonitosti rada Društva;
- 5) predlaže, nakon konsultacije sa članovima menadžmenta, budžet i Poslovni plan Društva;
- 6) predlaže poslovnu politiku Društva;
- 7) stara se o pripremi i predlaže investicione planove razvoja Društva;

Competences of Executive Director

The Executive Director, subject to the provisions and limitations of the law and these By-laws, performs day-to-day business activities of the Company, including but not limited to the following:

- 1) organizes day-to-day business activities of the Company;
- 2) submits business reports of the Company;
- 3) implements reports and decisions of the Board of Directors;
- 4) takes care of the legality of the Company's work;
- 5) proposes, after consultation with the management, budget and business plan of the Company;
- 6) proposes business policy of the Company;
- 7) takes care of preparation and proposes investment development plans of the Company;

- | | |
|--|---|
| 8) predlaže unutrašnju organizaciju Društva i sistematizaciju radnih mjesta; | 8) proposes internal structure of the Company and job classification; |
| 9) zaključuje ugovore u okviru svoje nadležnosti; | 9) concludes contracts within its responsibilities; |
| 10) otvara račune Društva; | 10) opens bank-accounts of the Company; |
| 11) predlaže opšta akta Društva; | 11) proposes general acts of the Company; |
| 12) donosi opšta akta Društva u okviru svojih ovlašćenja; | 12) adopts general acts of the Company within its responsibilities; |
| 13) podnosi zahtjeve za izdavanje licenci i odobravanje regulatornog prihoda i druge zahtjeve; | 13) submits requests for licenses and approval of regulatory revenues and other requests; |
| 14) odlučuje o zapošljavanju i prestanku radnog odnosa u Društvu; | 14) decides on recruitment and termination of employment in the Company; |
| 15) vrši rasporedjivanje zaposlenih; | 15) deploys employees, |
| 16) donosi odluke o rasporedu i prerasporedu radnog vremena; | 16) decides about scheduling and rescheduling of working time; |
| 17) izdaje naloge i uputstava koji su obavezni za sve zaposlene u Društvu; i | 17) issues orders and instructions that are mandatory for all employees in the Company; and |

18) obavlja i druge poslove propisane zakonom i ovim Statutom.

18) carries out other tasks specified by the law and these By-Laws.

Izvršni direktor može određene poslove iz svoje nadležnosti prenijeti na druge zaposlene u Društvu.

Executive Director may assign some of its tasks to other employees of the Company.

Izvršni direktor obavezno prisustvuje Skupštinama akcionara, osim ukoliko nije u mogućnosti zbog okolnosti koje su izvan njegove/njene kontrole.

The Executive Director shall attend the Shareholders' Meeting, unless unable to do so due to circumstances beyond his/her control.

Član 55

Article 55

Sekretar Društva

Secretary of the Company

Sekretara Društva imenuje i razrješava Odbor direktora.

Secretary is appointed and removed by the Board of Directors.

Za Sekretara Društva može biti imenovano lice, koje pored opštih uslova propisanih zakonom, ispunjava i sljedeće uslove:

In addition to general conditions for the appointment envisaged under law, the Secretary of the Company shall meet the following conditions:

- 1) da ima VII stepen stručne spreme pravnog smjera;
- 2) da ima najmanje 3 godine radnog iskustva u struci;

- 1) has completed level VII of qualification of legal profession;
- 2) to have at least 3 years of relevant professional experience;
- 3) to have adequate professional knowledge.

- 3) da ima adekvatna stručna znanja.

Mandat Sekretara Društva traje 4 godine i može biti ponovo imenovan.

The mandate of the Secretary is 4 years and may be re-appointed.

Odbor direktora sa Sekretarom društva zaključuje poseban ugovor kojim se utvrđuju njegova prava, obaveze i odgovornosti.

Board of Directors with the Secretary concludes a separate contract to determine its rights, obligations and responsibilities.

Nadležnost Sekretara Društva

Competence of the Secretary of the Company

Član 56

Article 56

Sekretar Društva:

The Secretary of the Company:

- i. obavlja stručno-administrativne aktivnosti oko pripremanja, sazivanja i održavanja sjednica Skupštine akcionara i Odbora direktora;
- ii. odgovoran je za uspostavljanje evidencija i arhiviranje dokumentacije Društva u skladu sa Zakonom;
- iii. stara se o izvršavanju obaveza Društva prema akcionarima;
- iv. odgovoran je za izvršavanje obaveza Društva prema CRPS-u, organima

- i. performs professional-administrative activities related to preparing and holding sessions of the Shareholders' Meeting and Board of Directors;
- ii. is responsible for archiving and keeping records on documents of the Company in line with the Law;
- iii. takes care of performance of obligations of the Company towards shareholders
- iv. is responsible for performance of obligations of the Company towards

nadležnim za hartije od vrijednosti i evidencije akcija Društva (CDA); i

CRPS, securities agencies and recording the Company's shares (CDA); and

v. ima i druga ovlaštenja u skladu sa Zakonom i ovim Statutom.

v. has other competences in accordance with the Law and these By-Laws.

Član 57

Article 57

Članovi menadžmenta

Members of Management

U skladu sa odredbama ovog Statuta, Odbor direktora imenuje i razrješava članove menadžmenta na predlog Izvršnog direktora Društva.

Subject to the provisions of these By-Laws, the Board of Directors appoints and dismisses members of management on the proposal of the Executive Director of the Company.

Članovi menadžmenta su za svoj rad odgovorni Izvršnom direktoru, odnosno Odboru direktora.

Members of management are liable for their work to the Executive Director, or Board of Directors.

Član 58

Article 58

Revizor

Auditor

Revizora Društva bira Skupština akcionara na predlog Odbora direktora, za period od godinu dana.

An Auditor is appointed by the Shareholders' Meeting on the proposal of the Board of Directors, for one year period.

Odluku o izboru Revizora Skupština donosi većinom glasova prisutnih akcionara.

A Decision on the appointment of Auditors is passed by a majority of votes of shareholders present at the Shareholders' Meeting.

Odbor direktora, na osnovu odluke Skupštine, zaključuje ugovor sa Revizorom.

The Board of Directors, on the basis of decision of the Shareholders' Meeting, concludes a contract with the Auditor.

Revizor je dužan da:

The Auditor is required to:

- 1) izvrši reviziju godišnjeg finansijskog izvještaja Društva u skladu sa međunarodnim računovodstvenim standardima i Zakonom o računovodstvu i reviziji; i
- 2) da podnese izvještaj o reviziji Skupštini akcionara.

- 1) complete the audit of annual financial statements of the Company, in accordance with international accounting standards and the Law on Accounting and Auditing; and
- 2) to submit the audit report to the Shareholders' Meeting.

XIII FINANSIJE I RASPODJELA PROFITA

XIII FINANCES AND DISTRIBUTION OF PROFIT

Član 59

Article 59

Finansijsko izvještavanje

Financial Reporting

Finansijska godina je kalendarska godina.

The financial year is a calendar year.

Društvo priprema, usvaja i dostavlja CRPS, revidovani finansijski izvještaj za prethodnu godinu, najkasnije do 30. juna tekuće godine.

The Company prepares, approves and submits a revised financial report for the previous year to the CRPS, not later than 30 June of the current year.

Član 60

Article 60

Dividenda

Dividends

Dividenda je isplata dijela profita Društva njegovim akcionarima.

A dividend is a payment of part of the Company's profit to the shareholders.

Odluku o isplati dividende donosi Skupština akcionara na predlog Odbora direktora, u skladu sa Članom 35.

The decision on dividend payment is made by the Shareholders' Meeting in accordance with Article 35, on the proposal of the Board of Directors.

Dividende se mogu isplaćivati jedino u slučaju postojanja akumulisanog neto profita.

Dividends shall only be paid out in case of existence of accumulated net profit.

Dividende se, po pravilu, isplaćuju u novcu.

It shall be the normal practice for the Company to pay dividends in cash.

Dividende se mogu isplaćivati i u obliku akcija Društva ili drugih hartija od vrijednosti o čemu odluku donosi Skupština akcionara.

The dividends may also be paid in the form of the Company's shares or other securities on which decisions are enacted by the Shareholders' Meeting.

Član 61

Article 61

Raspodjela profita

Distribution of profit

Iznos namijenjen za raspodjelu akcionarima ne može prelaziti iznos profita ostvaren na kraju posljednje finansijske godine, uvećan za prenijeti profit iz prethodne godine i raspoloživi iznos rezervi, umanjen za gubitke koji su prenijeti iz prethodne godine i za iznose određene za rezerve u skladu sa zakonom i Statutom.

The amount to be distributed to the shareholders may not exceed the amount of the profits at the end of the last fiscal year plus any profits brought forward from the previous year and sums drawn from reserves available for this purpose, less any losses brought forward from a previous year and sums placed in reserves in accordance with law and these By-Laws.

Ukoliko je raspodjela profita izvršena suprotno stavu 1 ovog člana, akcionari će izvršiti povraćaj primljenog profita.

Any distribution of profit made contrary to paragraph 1 of this Article, must be returned by the shareholders who received it.

Član 62

Article 62

Fondovi i rezerve

Funds and Reserves

Društvo formira fondove i rezerve u skladu sa zakonom i potrebama

The Company forms funds and reserves in accordance with law

poslovanja i razvoja Društva.

and the Company's business and development requirements.

Skupština akcionara odlučuje o obrazovanju fondova i rezervi koje nijesu obavezne po zakonu.

The Shareholder's Meeting decides on creation of funds and reserves that are not required by law.

XVII POSLOVNA TAJNA

XVII CORPORATE SECRET

Član 63

Article 63

Poslovnom tajnom smatraju se ona dokumenta i podaci čije bi saopštavanje neovlašćenim licima zbog njihovog značenja i prirode, bilo protivno interesima Društva.

Corporate secret means the documents and information the publication of which, to unauthorized persons because of their meaning and nature, would be contrary to the interests of the Company.

Akcionari, članovi organa Društva, zaposleni, kao i lica izvan Društva obavezni su da čuvaju isprave i podatke koji se smatraju poslovnom tajnom Društva.

Shareholders, persons in the Company's corporate bodies, employees, and persons outside the Company are obliged to keep documents and information considered as corporate secrets of the Company.

XVIII IZMJENE I DOPUNE STATUTA DRUŠTVA

XVIII AMENDMENTS TO THE BY-LAWS OF THE COMPANY

Član 64

Predlog za izmjene i dopune Statuta mogu Skupštini Društva podnijeti Odbor direktora i akcionari koji raspolažu sa najmanje 5% kapitala Društva.

Ako su prijedlog izmjena i dopuna Statuta podnijeli akcionari, prijedlog se prethodno dostavlja Odboru direktora, kako bi Odbor direktora dao svoje mišljenje Skupštini akcionara o datom prijedlogu.

Skupština akcionara usvaja izmjene i dopune Statuta većinom glasova utvrđenom Zakonom i ovim Statutom (uključujući, radi pojašnjenja, član 35, 1)

XIX OPŠTA AKTA DRUŠTVA

Član 65

Opšta akta Društva moraju biti u skladu sa Statutom.

Article 64

A proposal for amendments to the By-Laws may be submitted to the Shareholders' Meeting by the Board of Directors or those shareholders having at least 5% of the Company's capital.

If the proposed amendments to the By-Laws have been submitted by the shareholders, the proposal has to be previously submitted to the Board of Directors, in order for the Board of Directors to give its non-binding opinion to the Shareholder's Meeting about the proposal.

The Shareholder's Meeting adopts amendments to the By-Laws by a majority votes determined by Law and these By-Laws (including, for the avoidance of doubt, its Article 35, 1).

XIX GENERAL ACTS OF THE COMPANY

Article 65

General acts of the Company must be in accordance with the By-Laws.

Opštim aktima Društva se uređuju sljedeća pitanja:

- 1) unutrašnja organizacija i sistematizacija radnih mjesta;
- 2) finansijsko i računovodstveno poslovanje;
- 3) stambeni odnosi;
- 4) zaštita na radu;
- 5) rad prenosnog sistema;
- 7) obrazovanje i stručno usavršavanje zaposlenih u Društvu;
- 7) pronalazaštvo iz radnog odnosa.

Odbor direktora donosi i druga opšta akta ukoliko obaveza njihovog donošenja proizilazi iz zakona ili ukoliko ocijeni da pojedinu oblast treba urediti opštim aktom.

General acts of the Company regulate the following matters:

- 1) internal organization and classification of jobs;
- 2) financial and accounting operations;
- 4) housing relations;
- 3) safety in the work place and environmental protection;
- 6) transmission system operation;
- 6) education and advanced professional training of employees in the Company;
- 8) employment innovations.

The Board of Directors adopts other general acts if the obligations to enact them arise under the law, or if it assesses that certain areas need to be regulated by a general act.

Opšta akta Društva iz stava (1) ovog člana donosi Odbor Direktora na svoju inicijativu ili na inicijativu Izvršnog direktora.

General acts of the Company under paragraph 1 of this Article are enacted by the Board of Directors on its own initiative or on the initiative of the Executive Director.

Opšta akta Društva stupaju na snagu u roku od 8 dana od dana njihovog objavljivanja.

General acts of the Company come into force within eight days from their publication

Izuzetno od stava (5) ovog Člana, ako postoje opravdani razlozi, može se odrediti da opšti akt stupa na snagu danom njegovog objavljivanja, odnosno danom njegovog donošenja.

Notwithstanding paragraph 5 of this Article, if there are justifiable reasons, general act may enter into force on the date of its publication, or on the day of its adoption.

XX PRELAZNE I ZAVRŠNE ODREDBE

XX TRANSITIONAL AND FINAL PROVISIONS

Član 66

Article 66

Danom stupanja na snagu ovog Statuta, prestaje da važi Statut Akcionarskog društva Prenos Podgorica 27.03.2009. godine sa izmjenama i dopunama od 25.06.2010. godine.

On the date of entry into force of these By-Laws, the By-Laws of Akcionarsko društvo Prenos Podgorica of 27 March 2009 with amendments of 25 June 2010 shall no longer be in force.

Ovaj Statut stupa na snagu danom njihov registracije kod Privrednog suda Podgorice i bice na snazi od Dana Zatvaranja, na način kako je ovaj pojam definisan Ugovorom o kupoprodaji putem upisa akcija iz nove

These By-Laws shall enter into force on the day of their registration with the Commercial Court of Podgorica, and shall be effective as of the Closing Date, as this term is defined in Agreement on sale and purchase through

emisije u postupku povećanja kapitala zaključenog između Društva, Države Crne Gore i Terna Rete Elettrica Nazionale S.p.A. Kao dokaz da je Dan zatvaranja nastupio služiće izvod izdat od strane Centralne Depozitarne Agencije Crne Gore kojim se potvrđuje da je Terna postala registrovani vlasnik [32,288,915] običnih akcija Društva.

subscription of newly issued shares in capital increase executed between the Company, State of Montenegro and Terna Rete Elettrica Nazionale,- S.p.A. The certificate duly issued by the Central Depositary Agency of Montenegro confirming that Terna Rete Elettrica Nazionale,- S.p.A. has become the registered owner of [32,288,915] ordinary voting shares of the Company shall serve as irrevocable and definitive evidence that the Closing Date has duly occurred

Svi postojeći opšti akti, koji nijesu u suprotnosti sa zakonom i ovim Statutom primjenjivaće se do donošenja novih opštih akata.

All existing general acts, which are not in conflict with the law and these By-Laws, shall be applicable until the adoption of new general acts.

Postojeći opšti akti Društva koji su u suprotnosti sa ovim Statutom će biti usklađeni u roku od 2 mjeseca od dana početka primjene ovog Statuta.

Existing general acts of the Company which are contrary to these By-Laws will be harmonized with these By-Laws within 2 months from the date of effectiveness of these By-Laws.

Na sva pitanja koja nijesu regulisana ovim Statutom primjenjivće se Zakon o privrednim društvima i drugi odgovarajući propisi Crne Gore.

All matters not regulated by these By-Laws shall be governed by the Companies Act and other applicable laws and regulations of Montenegro.

U slučaju neslaganja verzije na engleskom i crnogorskom jeziku, verzija Statuta na crnogorskom jeziku će biti mjerodavna.

In the event of discrepancies between the Montenegrin and English versions, the Montenegrin version of these By-Laws shall prevail.

PREDSJEDAVAJUĆI
SKUPŠTINE AKCIONARA

CHAIRMAN OF THE
SHAREHOLDERS' MEETING

Podgorica, [●]. godine

Podgorica, [●].

PENDING TRANSACTION

See „Annexv2.6. (b)(iii)(6) – Pending Permitted Transaction“ to the Strategic and Shareholders’ Agreement

SCHEDULE 3.1.1(iv)

NEW BOARD MEMBERS

The Shareholders' Assembly shall appoint a new board of directors composed of 7 (seven) members who shall be designated as follows:

- 5 (five) members shall be designated in writing by Montenegro at the latest 10 Business Day before the Closing Date
- 2 (two) members shall be designated in writing by Terna at the latest 10 Business Day before the Closing Date

SCHEDULE 3.2.1 (iii)

AGREEMENT OF SHAREHOLDERS ON VOTING

AGREEMENT OF SHAREHOLDERS ON VOTING

by and between

THE STATE OF MONTENEGRO,

and

TERNA - RETE ELETTRICA NAZIONALE S.P.A.

VOTING AGREEMENT

This **AGREEMENT OF SHAREHOLDERS ON VOTING** (this “Agreement”) is entered into as of [*closing date*], 2010 by and between the State of Montenegro, represented by the Government of Montenegro in accordance with Article [●] of [●], the Government of Montenegro being herein represented by [●] in accordance with [●] dated [●] (the “Principal Shareholder” or “Montenegro”), and Terna Rete Elettrica Nazionale S.p.A., a joint stock company organized and existing under the laws of Italy, having its registered office in 00156 Rome, at Viale Egidio Galbani 70, Italy, registered at no. [05779661007] on the register of enterprises of Rome, represented by Mr. [●] in his capacity as [●] (“Terna” and together with the Principal Shareholder, the “Shareholders” or the “Parties”). Unless otherwise indicated herein, capitalized terms used herein shall have the meanings ascribed to them in Annex A attached hereto.

RECITALS

WHEREAS, on [●], 2010, the Principal Shareholder, Terna and CrnoGorski Elektroprenosni Sistem AD, Podgorica, a joint stock company organized and existing under the laws of Montenegro, having its registered office in [●], at [●], registered at no. [●] on the register of enterprises of [●] (the “Company”) entered into an agreement on sale and purchase through subscription of newly issued shares in capital increase (the “Sale and Purchase Agreement”), pursuant to which Terna on the date hereof has acquired approximately 22% of the outstanding capital stock of Company (on a fully-diluted basis) through the subscription of a capital increase reserved to Terna;

WHEREAS, on the date hereof, the Principal Shareholder, Terna and the Company have entered into a strategic and shareholders’ agreement (the “Strategic and Shareholders’ Agreement”) whereby they have agreed, *inter alia*, to certain matters relating to the management of the Company (and potentially its material subsidiaries) and the voting and disposition of the Shares;

WHEREAS, the Parties acknowledge and agree that certain provisions of the Strategic and Shareholders’ Agreement may fall within the definition of article 39a of the Montenegrin Business Organization Law (Official Gazette of RoM no. 06/02 dated February 8, 2002, and no. 17/07 dated December 31, 2007, as may be amended from time to time) (“Article 39a”) which provides that agreements of shareholders on voting (as defined in Article 39a) shall be for a limited period that cannot exceed 5 years;

WHEREAS, pursuant to section [3.2.1(iii)] of the Sale and Purchase Agreement, the Parties have undertaken to execute on the date hereof an “agreement of shareholders on voting,” which shall contain and reflect the provisions of the Strategic and Shareholders’ Agreement that may fall within the application of Article 39a;

WHEREAS, in accordance with section [3.2.1(iii)] of the Sale and Purchase Agreement, the Parties wish to enter into a voting agreement that contains and reflects the provisions of the Strategic and Shareholders' Agreement that may fall within the application of Article 39a and complies with the requirements thereof;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I ACTIONS TO BE TAKEN IN ACCORDANCE WITH THE AGREEMENT

Each Shareholder in its respective role hereby agrees to (1) cause the election of the persons nominated or designated by each of the Shareholder pursuant to this Agreement to their respective offices and functions; and (2) vote its Shares at any shareholders' meetings to achieve the results stated in the preceding point (1) and in a manner to give effect to, and comply with, the provisions of this Agreement and the Strategic and Shareholders' Agreement.

ARTICLE II GOVERNANCE

SECTION 2.1 Board of Directors and Committees.

- (a) The Company shall be managed by a board of directors (the "Board" or the "Board of Directors") composed of seven directors (the "Directors"). Notwithstanding anything to the contrary contained in the by-laws of the Company, subject to paragraph (b) below, the Parties agree, and the Principal Shareholder shall procure, that two of said Directors shall be appointed upon designation by Terna (each, a "Terna Director") and, so long as the Principal Shareholder holds at least 51 % of the share capital and voting rights of the Company, at least four Directors shall be appointed upon designation by the Principal Shareholder (each, a "Principal Shareholder Director"). Each Director shall serve for a term of one year, or such other period, until the following annual shareholders' meeting, as provided under Montenegrin law, unless the Director is removed or resigns prior to the expiry of that period. Directors may be reappointed.
- (b) Notwithstanding anything to the contrary in this Agreement, and without prejudice to (i) the rights Terna may have under applicable law and the By-laws to appoint certain Directors based on the percentage of share capital and voting rights it holds, or (ii) the provisions of Section 2.5, the right of Terna to designate two Directors in accordance with paragraph (a) above shall terminate on the earlier of: (I) the fifth anniversary of the New System Effective Date; (II) the date when Terna (together with its Affiliates) ceases to hold at least 15% of the share capital and voting rights of the Company, provided, however, that during the period up to the New System Effective Date this provision shall apply only if Terna ceases to hold at least 15% of the share capital and voting rights of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding any reduction or dilution of Terna's shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, de-merger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to section 4.3 of the Strategic and Shareholders' Agreement shall not be deemed and considered

transfers or assignments for the purposes of this point (II), (III) 30 months after the effective termination by the Company of the Project Coordination Agreement pursuant to sections 5.2(a)(i)-(v) or section 5.3(a)(iii) of the Project Coordination Agreement, and (IV) December 31, 2021, in the event, and only in the event, that the actual commissioning of all the Associated Network Infrastructures (as commissioning is specified in the Project Coordination Agreement) has occurred on or before December 31, 2018 (each of (II), (III) and (IV) hereinafter referred to as “Special Rights Expiry Date”).

(c) On or immediately before the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, the Parties, to the extent of their respective powers, undertake to exercise all voting rights and legal powers of control then available to them as shareholders of the Company (if and to the extent such powers still belong to them) to procure that an extraordinary shareholders meeting is called and held to approve the new by-laws of the Company which shall not contain and reflect the provisions of this Section 2.1. For the avoidance of doubt, the Parties agree that starting from the first subsequent shareholders’ meeting after the Special Rights Expiry Date or the fifth anniversary of the New System Effective Date, the Principal Shareholder will not have any obligation hereunder to procure the appointment of any Terna Directors, without prejudice to the rights Terna may have under applicable law and the By-laws to appoint certain Directors based on the percentage of share capital and voting rights it holds.

(d) The Shareholders acknowledge that under Montenegrin law the Minority Shareholders may have the right to appoint one Director to the Board as long as they have a certain percentage of the share capital and voting rights of the Company. The Shareholders shall not use any of their voting rights to appoint or facilitate the appointment of any Director designated by the Minority Shareholders, without the prior written consent of the other Shareholder.

(e) In the event of a vacancy on the Board, regardless of how caused, the Shareholder that designated the Director whose position is vacant shall have the right to designate the Director to replace the terminated Director, in accordance with the provisions of this Agreement.

(f) Any Director may be removed at any time, with or without cause, only upon the request of the Shareholder that has designated such Director. The Shareholder requiring the removal of the Director shall notify the other Shareholder in writing. Upon receipt of such notice, the Shareholders shall procure the call for a meeting of the Board and/or of the shareholders, for the purpose of removing of the Director and appointment the new Board of Directors, as applicable under Montenegrin law, to be held as soon as practicable, to effect such removal, and the Shareholders shall exercise their rights as shareholders and use their reasonable best efforts to procure such removal, it being understood that the Shareholder requiring the removal of the Director shall be responsible for and agrees to indemnify and hold harmless the other Shareholder and the Company against all losses, damages, liabilities, costs and expenses (including legal and attorneys’ fees and other expenses) which the other Shareholder or the Company may incur arising out of, or in connection with, any claim by such removed Director for wrongful or unfair dismissal or redundancy or other compensation arising out of such Director’s removal or loss of office.

(g) If the appointment or removal of a Director (including under paragraph (e) and (f) above) requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall vote in the relevant shareholders’ meeting for the appointment or removal, as the case may be, of the Director, as proposed by the Shareholder proposing or requiring such appointment or removal, and shall fully comply with and carry out as soon as practicable any and all actions and corporate steps or formalities (including the call of a shareholders’ meeting), as may be required to effect the appointment or removal of such Director or the appointment of a new Board of Directors, as proposed by the Shareholder requesting such appointment or removal, all in accordance with the terms and conditions of this Agreement and applicable law.

SECTION 2.2. Chairman and Deputy Chairman of the Board and Executive Director. If the appointment or removal of the Chairman, the Deputy Chairman, or the executive director of the Company (the “Executive Director”) (and the granting of the relevant powers) requires the passing of a resolution or any other actions or corporate steps or formalities, the Principal Shareholder and Terna shall fully comply with and carry out as soon as practicable any and all actions, corporate steps or formalities (including agreeing to vote), as may be required to effect the appointment or removal of the person holding such office and/or position, as proposed by the Shareholder proposing such appointment or removal, all in accordance with the terms and conditions of the Strategic and Shareholders’ Agreement.

SECTION 2.3 Auditor. The Parties acknowledge that the engagement to the current auditor of the Company (KPMG d.o.o.) will expire on the date of approval of the financial statements of the Company as at December 31, 2010. The Parties mutually agree that the auditor of the Company shall be selected among the auditing firms with international reputation and primary standing, including those listed in Annex 2.3, and shall procure that the new appointment is made in compliance with Montenegrin law. The engagement of the auditor of the Company shall be for a period of one year.

SECTION 2.4. Meetings of the Shareholders.

(a) Generally. The annual shareholders’ meeting shall occur once a year. The shareholders’ meeting (annual or extraordinary) shall transact such business and decide on the matters as may be brought before it in accordance with Montenegrin law, the By-laws, this Agreement, and the Strategic and Shareholders’ Agreement. The shareholders’ meetings shall be convened in accordance with the applicable provisions of Montenegrin law and of the By-laws, it being understood that, upon written request by Terna, the Principal Shareholder shall cause (including by procuring that the Board calls the shareholders’ meeting) that the shareholders’ meeting is promptly convened with an agenda that shall include the items indicated by Terna in its written request. The agenda of any meeting of the shareholders will be specified in details in the notice of the meeting. The secretary of the meeting shall ensure the preparation of the minutes of the meeting and take care of its registration and place a copy thereof in the minute books of the Company.

(b) Quorum to Validly Hold a Meeting. Without prejudice to the provisions and majorities set forth in paragraph (c) below, Section 2.5, or otherwise in the Agreement, at all shareholders’ meetings, majority of all voting shares of the Company will constitute a quorum for the decision-making, unless other majority is set forth under the applicable provisions of Montenegrin law, the By-laws or this Agreement.

(c) Voting Majority Required to Validly Pass a Shareholders’ Resolution. Notwithstanding anything to the contrary in this Agreement or in the By-laws, resolutions of the shareholders with respect to any matter shall only be passed and adopted if: (1) with respect to, directly or indirectly, any Reserved Matter, at least 77% of the outstanding share capital and voting rights of the Company vote in favor of such resolution, provided, however, that there is the affirmative vote of Terna; and (2) with respect to any other matter, with the affirmative vote of the majority of all voting shares of the Company present or represented at the Shareholders’ Meeting, or such other majority as set forth under the applicable provisions of Montenegrin law or the By-laws.

(d) Other Voting Majority Required to Validly Pass a Shareholders’ Resolution upon Certain Events. The Shareholders agree that if, as a consequence of any transfer of the shares or otherwise, they cease to hold and possess in the aggregate the full ownership and rights to vote with respect to at least 77% of the outstanding share capital of the Company, if necessary they shall cast their votes to amend the By-laws in the manner that would enable them to pass and adopt any Reserved Matter with the percentage

of the share capital then owned and held in aggregate by them, provided, however, that, also pursuant to the revised By-laws, such percentage shall ensure that the affirmative vote of Terna shall always be required to validly pass and adopt any such resolution.

SECTION 2.5 Reserved Matters. The Shareholders acknowledge and agree that the investment by Terna pursuant to the Sale and Purchase Agreement and its decision to pursue the Strategic Partnership and the New Interconnection System have been made relying on Terna being granted certain rights aimed at protecting its investments in the Company and over the New Interconnection System and, if applicable, the Additional Network Infrastructures, while providing Terna with partial control of the Company's activities and management and that, therefore, the provisions set forth in this Sections 2.5 and 4.2 and their enforceability is of essential importance and have determined the above investment and decision by Terna.

(a) The Shareholders acknowledge and agree that the following matters involving or relating to the Company, shall be deemed "Reserved Matters" (each, a "Reserved Matter"):

- 1 any changes to the By-laws or other organizational documents of the Company that may affect the rights of Terna under the By-laws, this Agreement, or the Strategic and Shareholders' Agreement other than changes expressly foreseen in Sections 2.1(c) and 2.4 (d) and changes required to reflect expiration of Reserved Matters set forth in point (5) to (20), inclusive, pursuant to Section 2.5(b)(i) and changes required to reflect termination of all Reserved Matters pursuant to section 2.5(b)(ii), upon actual and final expiration or termination of such Reserved Matters pursuant to this Agreement;
- 2 the transfer of all, or substantially all, of the assets of the Company.
- 3 any transaction, including any mergers, de-mergers, reorganizations or restructuring , that could result in a dilution or increase of Terna's shareholding in the Company (including, for the avoidance of doubt, a capital increase or reduction of any nature), provided that, after the fifth anniversary of the New System Effective Date, any capital increase (i) that provides for pro-rata pre-emptive rights to all shareholders or (ii) to be resolved and implemented by means of a closed offer of shares to third parties immediately subsequent to the failure by Terna to subscribe its pro-rata portion of shares under a capital increase implemented pursuant to item (i) above for a number of shares equal to the shares that have not been subscribed to by Terna pursuant to its pre-emptive rights in the context of the capital increase under item (i) above and on the same terms and conditions of such capital increase, shall not be considered Reserved Matters;
- 4 delisting of the Shares from any stock exchange;
- 5 approval of the Business Plan of the Company and of any material amendments thereto;
- 6 approval of the annual budget of the Company and of any material amendments thereto;
- 7 approval of construction plans (and any material changes thereto) concerning the Associated Network Infrastructures or the Additional Network Infrastructures, including, but not limited to, any provisions of such plans for the supplying of relevant material;
- 8 approval of the Plan of Development and any material amendments thereto;

- 9 the incurrence of any kind of financial debt (including granting any bonds or guarantees for the benefit of third parties) by the Company in any amount that is individually per transaction or in aggregate in any calendar year, greater than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement with respect to such year), or any creation, assumption or incurrence of any Encumbrance on any asset of the Company, securing or providing payment for an amount that is, individually per transaction, or in aggregate in any calendar year, greater than € 150,000 (one-hundred fifty thousand) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement);
- 10 approval of any distribution of dividends, reserves or assets of the Company to shareholders or of the dividend policy of the Company, or any redemption or repurchase of equity securities of the Company, except as the repurchase of the shares expressly foreseen in the Sale and Purchase Agreement as a consequence of the exercise of the withdrawal rights by the minority shareholders of the Company in the context, or as a consequence, of the decisions set forth in section 3.1.1 of such agreement in accordance with Section 3.2;
- 11 any acquisitions or disposals (or agreement to do any of the foregoing) (for cash or otherwise, including by granting a security interest, and including any lease or similar arrangements): (i) of property or other assets (including real estate), equipments or other goods that, individually per transaction or in aggregate in any calendar year, have a value of more than € 250,000 (two-hundred fifty thousand) (unless specifically contemplated for such year by the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement); or (ii) of any shares or other equity interest in any person or business (or assets constituting a business) (unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement)
- 12 entry by the Company into (or the amendment or termination of) any joint venture, partnership, consortium or similar arrangement which may require or involve cost, investments, contributions by the Company in excess of € 500,000 (five-hundred thousand), unless specifically contemplated for such year by the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement;
- 13 approval of any transaction with, or the entry into any agreements or arrangements (or their termination or amendment) involving, Related Parties which (i) exceed, individually per transaction or in the aggregate in any calendar year, a value of € 250,000 (two-hundred fifty thousand), (ii) provides for the granting of any loan or other financing, (iii) is not at arm's length or at market conditions, or (iv) relates to dispatching services (including relating to ancillary services, grid losses remuneration) (in each case, unless specifically contemplated for such year by the Business Plan or the annual budget of the

Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement)

- 14 settlement of any proceeding or claim involving payments or receipt by the Company, or, however, involving an underlying value, of more than an aggregate amount of € 100,000 (one-hundred thousand) in any calendar year, in addition to amounts specifically contemplated in the Business Plan or the annual budget of the Company that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement;
- 15 early liquidation or dissolution of the Company;
- 16 any derivatives contract or arrangement;
- 17 entry into any new business (or line of business) (through the establishment of subsidiaries or otherwise) if that, individually per transaction or in aggregate in any calendar year, involves or requires (i) expenditures, costs and/or liabilities by the Company, (ii) associated revenues, or (iii) a value of more than € 500,000 (five-hundred thousand) (unless specifically contemplated by the Business Plan or the annual budget of the Company for the relevant year that has been previously approved by the Board in accordance with the terms of this Agreement and the Strategic and Shareholders' Agreement);
- 18 establishment of subsidiaries, except when entering into any new business (or line of business) that falls below the thresholds indicated in point 17 above;
- 19 any decision concerning which Additional Network Infrastructures to pursue (Serbia and/or Bosnia-Herzegovina) and their scheme of implementation and, in particular, whether such infrastructures shall be "public" or "private";
- 20 the delegation of powers to any Director, executive director, officer, manager, employee or attorney-in-fact or the entry into a contract with respect to any of the foregoing, if such delegation involves any of the foregoing Reserved Matters.

For the avoidance of doubt, the Shareholders acknowledge and agree that with respect to the matters indicated in points 5 through 8 above (all included) any amendment or change (i) (1) with respect to points 5 and 6, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the Business Plan or annual budget or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 1,500,000 (one million and five-hundred thousand), or (2) with respect to points 7 and 8, involving any increase, decrease or deviation of any single item, parameter, goal, action or entry by more than 10% than the relevant figure set forth in the construction plan or Plan of Development or, however, involving in the aggregate in any calendar year a value and/or an inherent cost in excess of € 2,000,000 (two million) (ii) relating the scheduled completion dates of the Associated Network Infrastructures (or significant milestones) and/or the Additional Network Infrastructures (or significant milestones) or that may cause a delay in the completion of the same, or (iii) relating to the entity(es) in charge of carrying out and performing major construction, procurement and/or engineering works with respect to Associated

Network Infrastructures and the Additional Network Infrastructures, shall always be considered “material” for the purpose hereof.

(b) Notwithstanding the provisions of paragraph (a) above (including, for the avoidance of doubt, also point 13), the Shareholders agree that:

(i) subject to paragraph (ii) below, after the fifth anniversary of the New System Effective Date, the “Reserved Matters” shall be limited to and include only the matters set forth in points (1) to (4) of paragraph (a) above (all inclusive):

(ii) all rights by Terna with respect to the Reserved Matters under this Section 2.5 shall terminate on the earlier of the Special Rights Expiry Date, and thereafter no matter shall be deemed a Reserved Matter;

(iii) none of the following matters shall be deemed a Reserved Matter:

(1) agreements for use of transmission network that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions, substantially in line with the template agreement attached as Annex 2.5(b)(iii)(1) (unless material changes to such template agreement will become necessary pursuant to any new applicable law);

(2) agreements on system and/or ancillary services that the Company is obliged by law to execute at regulated prices in accordance with standard terms and conditions;

(3) agreements with traders of electricity in accordance with standard terms and conditions, substantially in line with the template agreements attached as Annex 2.5(b)(iii)(3);

(4) agreements on emergency procurement in situations where immediate action is required as the safety of supply of customers is in danger;

(5) standard international MLA and ITC agreements and any amendments thereof;

(6) the pending transactions listed in Annex 2.5(b)(iii)(6).

(c) The Parties agree that a series of transactions related among them or by their type and subject matter shall be construed as a single transaction, and any amounts involved in such related transactions shall be aggregated, to determine whether a matter is a Reserved Matter.

(d) For the avoidance of doubt, and notwithstanding anything to the contrary contained herein, the Parties agree that the powers to resolve on any of the Reserved Matters or on any other matter reserved pursuant to Montenegrin law to the Board meetings or the shareholders’ meetings shall not be delegated to any of the directors, committees, executive director, officers, employees or third parties, except with the prior written consent of Terna or Terna Director pursuant to Section 2.4(c) or the Strategic and Shareholders’ Agreement, as the case may be.

(e) Notwithstanding anything to the contrary in this Agreement or in the By-laws, the Principal Shareholder shall ensure that the Company does not undertake or agree to undertake any

Reserved Matter, and that no Reserved Matter is adopted or carried out by the Company, without a decision to undertake such acts being put to the shareholders' meeting or the Board meetings and Terna and/or Terna Directors, as the case may be, expressly voting in favor of such a decision in accordance with Section 2.4(c) or the Strategic and Shareholders' Agreement, as the case may be.

(f) The Shareholders agree to exercise their voting rights in good faith, taking also into reasonable account the interest of the Company and the development and implementation of the New Interconnection System and the Additional Network Infrastructures.

(g) Without prejudice to the generality of the foregoing paragraph (f), Terna undertakes not to use the rights granted to it under this Section 2.5 to block passing of a resolution by the competent body of the Company if that is aimed at purposely preventing the Company from pursuing a transaction or undertaking a specific activity which is being pursued by Terna or any of its Affiliates in competition with the Company, except with respect to transactions and activities related to grid connections, private interconnections and acquisition of transmission system operators/independent systems operators (their networks or part thereof) with respect to which Terna shall be entitled to freely use and exercise the rights granted to it under this Section 2.5 without any limitations or restrictions.

SECTION 2.6 Impasse and Deadlock.

(a) In the event that (i) a Reserved Matter that that is to be resolved upon by the shareholders' meeting has been on the agenda two times during a period of 4 months and is not approved by the shareholders' meeting due to the lack of an affirmative vote by Terna, and (ii) the Shareholders are unable to resolve their differences with respect to such matter within 10 days from the date of the last shareholders' meeting in which the Reserved Matter was not approved, then such situation shall be deemed an "Impasse."

(b) If an Impasse has occurred, (i) the Principal Shareholder may elect to serve Terna, within 10 days after the occurrence of the Impasse, with notice in writing (in accordance with Section 6.2) specifying the nature of the Impasse and indicating its proposed resolution and course of action (such notice, an "Impasse Notice"), provided, however, that (ii) the Principal Shareholder shall procure that the relevant shareholders' resolution and related actions and transactions are not approved and implemented without a Shareholders' resolution rendered in accordance with, and with the supermajorities set forth in, Sections 2.4(c) and 2.5 of this Agreement.

(c) Within 15 Business Days of the service of an Impasse Notice, a special committee (the "Shareholder Steering Committee") comprised of (i) two representatives of the Principal Shareholder (which shall include either the Chairman or the Executive Director of the Company) and (ii) two representatives of Terna (which shall include the chief executive officer of Terna), shall meet in person or telephonically to discuss the Impasse. The members of the Shareholder Steering Committee shall use their reasonable good faith efforts to resolve the Impasse and find an agreement or other amicable solution in the matter constituting the Impasse as promptly as practicable and in seeking to resolve the Impasse shall take into account the best interests of the Company, the impact of the Impasse and/or proposed solutions on the expected benefits to the Shareholders from the New Interconnection System and the long-term interests of Italian and Montenegrin electricity consumers .

(d) If within 20 Business Days of first meeting or discussion to solve such Impasse the Shareholder Steering Committee unanimously resolves upon a solution to an Impasse, the Principal Shareholder and Terna hereby agree to take all necessary actions to approve the solution forged by the Shareholder Steering Committee and to cause the Company to implement such actions without delay.

(e) If the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within 20 Business Days of its first meeting or discussion to solve such Impasse, the Parties acknowledge and agree that the relevant shareholders' meetings' resolution and related actions and transactions shall not be approved and implemented and the Company will continue to be managed in accordance with the then current Business Plan and Plan of Development, provided, however, that if the Impasse resolution procedure set forth in paragraphs (b) and (c) has been initiated with respect to: (I) any of the Reserved Matters indicated in points 5, 6, 7 or 8 of Section 2.5(a) which, (1) individually or in the aggregate involves (in positive or in negative, including as an increase, decrease or other variation) amounts, investments or value in excess of Euro 3,000,000 (three million), (2) results or is reasonably likely to result in any material delay in the construction or entry into operation of the New Interconnection System and/or the Additional Network Infrastructures, it being understood that delays of more than 12 months from the expiration of any ANI Commissioning Deadline or, as the case may be, of the Additional NI Commissioning Deadline—as such terms are defined in the Project Coordination Agreement—and taking into account possible extensions or suspensions of such deadlines in accordance with the terms and conditions of the Project Coordination Agreement, shall always be considered “material” for the purpose hereof, or (II) the Reserved Matter indicated in points 15 or 19 of Section 2.5(a) above, and is not unanimously resolved pursuant to this paragraph (e), such Impasse will be deemed a “Deadlock” for purposes of this Agreement and the Strategic and Shareholders' Agreement and the provisions of section 5.1 of the Strategic and Shareholders' Agreement shall apply.

(f) Furthermore, the Shareholders agree that (i) if an Impasse occurs or (ii) the Shareholder Steering Committee is unable to unanimously agree upon a solution to an Impasse within the above 20-Business Day period, no Shareholder or respective nominees to the Board or other position shall be entitled to submit the same proposal for a period of two months from the occurrence of the Impasse, unless with the consent of the other Shareholder.

(g) To the extent any Impasse or Deadlock exists with respect to the Plan of Development or a budget or Business Plan of the Company or any other matters, the last approved Plan of Development, budget and Business Plan, as applicable, shall continue in effect for the purposes of the operation and management of the Company until the Impasse or Deadlock is resolved in accordance with this Section 2.6 and, possibly, section 5.1 of the Strategic and Shareholders' Agreement or a new Plan of Development, budget or Business Plan is approved in accordance with the Strategic and Shareholders' Agreement or Section 2.4(c).

ARTICLE III BUSINESS PLAN AND PLAN OF DEVELOPMENT

SECTION 3.1 Business Plan and Plan of Development.

(a) The Parties, to the extent of their respective powers, undertake that they shall exercise all voting rights and legal powers of control available to them as shareholders of the Company (including

vote) to procure that the Company complies and operates in accordance with the Business Plan, the annual budget, and the Plan of Development adopted and amended in accordance with the Strategic and Shareholders' Agreement.

(b) The Parties agree that any amendment to the Initial Business Plan or other Business Plan and to the Plan of Development shall be agreed upon by the Shareholders in accordance with the provisions set forth in the Strategic and Shareholders' Agreement and Sections 2.4(c) and 2.5.

ARTICLE IV

DURATION AND TERMINATION; RENEWALS

SECTION 4.1 Duration and Termination.

a) Without prejudice to the earlier expiry of certain specific provisions of this Agreement, as expressly provided in this Agreement, or the right of a Party to terminate this Agreement in cases expressly provided in this Agreement, this Agreement shall continue in full force and effect and shall terminate: (i) at such time when either the Principal Shareholder or Terna (or any of Terna's Affiliates, including any Permitted Transferee) no longer owns 5% of any the share capital of the Company, provided, however, that this provision shall apply only if Terna ceases to hold at least 5% of the share capital of the Company only as a consequence of one or more transfers or assignments of Shares made by Terna (thus excluding, among others, any reduction or dilution of Terna's shareholding in the share capital and voting rights of the Company as a consequence of any capital increase, merger, de-merger or other corporate reorganizations or restructuring), and provided further, that transfers or assignments by Terna to Permitted Transferees pursuant to Section 4.3 of the Strategic and Shareholders' Agreement shall not be deemed and considered transfers or assignments for the purposes of this item (i), (ii) by written agreement of the Shareholders, (iii) on the fifth anniversary of the date hereof (the "Voting Term"), or (iv) at such time when an effective and final resolution being passed by the Shareholders or a binding and final order being made for the liquidation of the Company other than to effect a scheme of reorganization, reconstruction or amalgamation; save for any of its provisions which are expressed to continue in force after termination. Upon the occurrence of any of the circumstances referred to in this paragraph (a), this Agreement shall terminate automatically.

b) Notwithstanding anything to the contrary herein contained, if this Agreement terminates for whatever reason, the provisions set forth in this Article IV and in Article VI, shall survive such termination and continue to apply.

c) The termination of this Agreement shall be without prejudice to any liability or obligation in respect of any matters, undertakings or conditions which shall not have been observed or performed by the relevant Party prior to such termination.

SECTION 4.2 Renewal.

a) The Shareholders shall execute at the latest 3 months before the Voting Term an agreement (the "New Agreement") containing the provisions set forth in Articles I to VI hereof (the "Voting Provisions") and the obligation to execute at least 3 months before the expiration of any subsequent 5-year periods new agreements containing the same Voting Provisions, save for those which will have expired according to this Agreement and/or the Strategic and Shareholders' Agreement. The New Agreement shall become effective on the day before the expiry of the Voting Term.

b)The Shareholders further agree that, should the New Agreement not be validly executed for any reason whatsoever before the date indicated in paragraph (a) above, by written notice to be served within 60 days prior to the expiry of the Voting Term, Terna shall be entitled to ask in writing the Principal Shareholder to renew the Voting Provisions, save for those which will have expired according to this Agreement and/or the Strategic and Shareholders' Agreement, for a further period of [5] years (the "Extended Voting Term"). If within 20 days following the receipt of Terna's request, the Principal Shareholder communicates in writing its confirmation that the Voting Provisions are renewed, then the Voting Provisions shall remain in force until the earlier of the expiry of particular Voting Provisions according to this Agreement or the Strategic and Shareholders' Agreement, expiry of the Extended Voting Term and the termination of this Agreement.

ARTICLE V ADDITIONAL AGREEMENTS

SECTION 5.1 By-laws and Rulebook. Without prejudice to Section 5.3 below, in the event of any ambiguity or discrepancy between the provisions of the Strategic and Shareholders' Agreement and of the By-laws (and/or Rulebooks) of the Company, it is intended that the provisions of the Strategic and Shareholders' Agreement shall prevail between the Parties and accordingly each Party shall exercise all voting and other rights and powers available to it so as to give effect and comply with the provisions of the Strategic and Shareholders' Agreement and shall further, if necessary, procure any required amendment to the By-laws and/or Rulebooks of the Company. The Parties agree that if not already done at the first shareholders' meeting (if applicable) the Rulebook(s) of the Company shall be amended so as to reflect the provisions of this Agreement and the Strategic and Shareholders' Agreement and that any amendment or change to the Rulebook(s) with respect to matters contemplated in this Agreement or the Strategic and Shareholders' Agreement or that may affect the provisions thereof shall be adopted only with the affirmative vote of a Terna Director. The Parties agree that among themselves and on a contractual basis the English version of the By-laws shall prevail if there are any discrepancies between the English and the Montenegrin version.

SECTION 5.2 Subsidiaries. The Shareholders agree that the provisions set forth in Article II shall apply, *mutatis mutandis*, to (i) all subsidiaries of the Company carrying out and/or involved in the electric energy transmission activities or operations (if any) and (ii) with respect to any other subsidiary of the Company to be established in accordance with point 18 of Section 2.5(a), the Shareholders shall jointly verify if and to the extent the provisions set forth in Article II shall apply. Accordingly each Shareholder shall exercise all voting and other rights and powers available to it so as to give effect and comply with to the provisions of this Section 5.2 and, upon Terna's request they shall further, to the extent necessary, procure any required amendment or supplement to this Agreement and/or the By-laws provided, however, that the subsidiaries of the Company referred to in this Clause 5.3 do not have to have the same number of members of the board of directors as the Company.

SECTION 5.3 Strategic and Shareholders' Agreement. In the event of any ambiguity or discrepancy between the provisions of this Agreement and those of the Strategic and Shareholders' Agreement, it is intended that the provisions of the Strategic and Shareholders' Agreement shall prevail between the Parties and accordingly each Party shall exercise all voting and other rights and powers

available to it so as to give effect to and comply with the provisions of the Strategic and Shareholders' Agreement and shall further, if necessary, procure any required amendment to this Agreement.

ARTICLE VI MISCELLANEOUS

SECTION 6.1 Governing Law; Disputes; Arbitration and Waiver of Immunity.

- a) This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, shall be enforced, construed and interpreted in accordance with the substantive laws of Montenegro, without regard to its conflict of law rules, provided, however that, notwithstanding the immediately foregoing sentence, the Parties expressly, unconditionally and irrevocably agree that (i) Section 2.5 (Reserved Matters), Section 2.6 (Impasse and Deadlock), Article IV (Duration and Termination; Renewals), Section 6.1 and (ii) any other provision of this Agreement that under Montenegrin law may be invalid, ineffective or unenforceable (in whole or in part) and any dispute or claim arising out of or in connection with any such sections, articles or provisions or any of their subject matter (including, for the avoidance of doubt, claims in tort), shall be enforced, construed and interpreted in accordance with the substantive laws of England, without regard to its conflict of law rules.
- b) In the event that any dispute, controversy or claim arising from, connected to or related in any manner with this Agreement arises, including but not limited to, its interpretation, making, performance, breach, termination, expiration, or invalidation, the Parties agree to submit such dispute to final arbitration before a panel of three arbitrators under the Rules of Arbitration of the International Chamber of Commerce (the "ICC" and "ICC Rules"). If the appointment of the arbitration panel is made by the International Court of Arbitration pursuant to article 10.2 of the ICC Rules, the Parties agree that at least one of the arbitrator shall be a French national.
- c) The arbitration panel shall have the exclusive right to determine the arbitrability of any disputes. In the event of any conflict between the ICC Rules and any provisions of this Agreement, this Agreement shall govern.
- d) The arbitration shall be conducted in English in Paris, France. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The Parties agree to take all reasonable steps necessary to protect the confidentiality of any Confidential Information in the arbitration and in any related court proceedings, including the entry of a confidentiality order by the arbitration panel. An arbitration may be commenced under this Agreement against more than one other Party, and each Party to this Agreement shall not unreasonably oppose their being joined as an additional Party to an arbitration involving other Parties. In the event that more than one arbitration proceeding is instituted under this Agreement, the Sale and Purchase Agreement, the Strategic and Shareholders' Agreement, and/or the Project Coordination Agreement, the Parties shall not unreasonably oppose their consolidation.
- e) The arbitration panel shall award the prevailing party its reasonable attorney's fees and costs, arbitration administrative fees, panel member fees and costs, and any other reasonable costs associated with the arbitration. The Parties agree that notifications of any proceedings, reports, communications or any other document shall be effective and shall be valid and sufficient service thereof if sent as set forth in Section 6.2. In no event the arbitration panel may award punitive, consequential and/or special damages.
- f) Before commencing the arbitration and even thereafter, the Parties may apply to any competent judicial authority for interim or conservatory measures.

g) Each Party represents that it is entering into this Agreement in a commercial capacity and that with respect to this Agreement it is in all respects subject to civil and commercial law. Each Party hereby irrevocably and unconditionally and to the fullest extent permitted by law:

(1) agrees that, should the other Party bring legal, arbitration or other proceedings against it or its assets arising out of or in connection with this Agreement, no immunity of such proceedings (which shall be deemed to include without limitation, suit, attachment prior to judgment, other attachment, the obtaining of judgment, execution and other enforcement) shall be claimed by or on behalf of itself or with respect to its assets; and

(2) waives any such right of sovereign or other immunity which it or its assets wherever located now has or may hereafter acquire.

SECTION 6.2 Notices. Notices to the Parties shall be sent in writing to their respective addresses set forth on Annex 6.2 attached hereto. Any Party may require notices to be sent to a different address by giving notice to the other Parties in accordance with this Section 6.2. Any notice or other communication required or permitted hereunder will be in English, in writing, and will be deemed to have been given upon receipt if and when delivered personally, or by hand messenger or recognized air courier service, or sent by facsimile transmission (the receipt by the sender of a positive transmission report being deemed evidence of such delivery) to such Parties at such address. If a notice is delivered or faxed on a day which is not a Business Day or after business hours (6 P.M. CET), such notice shall be deemed to be received as of the opening of business on the next following Business Day.

SECTION 6.3 Entire Agreement; Binding Agreement, Assignment, No Third Party Beneficiaries. This Agreement, including the recitals, Annexes and Exhibits attached hereto, together with the Sale and Purchase Agreement, the Strategic and Shareholders' Agreement, and the Project Coordination Agreements and the documents, instruments and other agreements executed or delivered pursuant thereto, contain all the understandings and agreements between the Shareholders with respect to the Company and the transactions contemplated herein, and supersedes any other understandings or agreements, either oral or written, including the term sheet dated July 28, 2009, between the Company and Terna.

b) This Agreement will be binding upon the Parties hereto, their successors, heirs, legatees, devisees, permitted assigns, legal representatives, executors and administrators, except as otherwise provided herein. No person other than the Parties, their respective successors and permitted assigns shall have any rights hereunder and nothing in this Agreement shall confer any rights upon any person which is not a Party to this Agreement.

SECTION 6.4 Language. This Agreement shall be executed in English, which shall be the only language governing this Agreement. In the event that any translation of this Agreement or part thereof is made or required to be made pursuant to Montenegrin law for any reason or purpose whatsoever, the Parties agree that the English version shall prevail if there are any discrepancies between the two versions.

SECTION 6.5 Savings Clause. Except as otherwise provided, if any provision of this Agreement, or the application of such provision to any person or circumstance, is held to be invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, will not be affected thereby. Any invalid or unenforceable provision of this Agreement shall be replaced with a provision, which is valid and enforceable and most nearly

reflects the original intent of the invalid and unenforceable provision. In the event that applicable law is subsequently amended or interpreted in such a way to make any provision of this Agreement that was formerly invalid valid, such provision will be considered to be valid from the effective date of such interpretation or amendment.

SECTION 6.6 Amendment; Waiver.

(a) No provision of this Agreement may be amended, modified or waived in whole or in part, including waiving or otherwise amending any of the voting requirements set forth in Section 2.5, at any time without an agreement in writing executed by (i) the Shareholders or (ii), if the amendment, modification or waiver directly affect or relate to rights (if any) or obligations of the Company, by each of the Parties hereto.

(b) No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is expressly made in writing and executed and delivered by the Party against whom such waiver is claimed. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. Except as otherwise expressly provided herein, no failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder, or otherwise available in respect hereof at law or in equity, shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

SECTION 6.7 Costs and Expenses. Each Party shall bear all fees, costs and expenses incurred by it in connection with the preparation, negotiation, entry into and implementation of this Agreement.

SECTION 6.8 Specific Performance. The Parties hereto agree that irreparable damage could occur in the event the provisions of this Agreement were not performed in accordance with the terms hereof and that the Parties hereto will be entitled to specific performance of the terms hereof and/or an injunction or other equitable relief to prevent breaches of this Agreement, in addition to any other remedy at law or equity, and any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief is hereby waived.

SECTION 6.9 Counterparts. This Agreement may be executed in several counterparts, and all so executed will constitute one agreement, binding on all of the Parties hereto, even though all Parties are not signatories to the original or the same counterpart. For purposes hereof, facsimile signatures shall be binding on the Parties to this Agreement.

SECTION 6.10 General Interpretive Principles. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(i) the terms defined in this Agreement, as set forth on Annex A attached hereto or elsewhere in the Agreement, include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;

(j) references herein to “Articles,” “Sections,” “paragraphs,” and other subdivisions without reference to a document are to designated Articles, Sections, paragraphs and other subdivisions of this Agreement;

(k) a reference to a paragraph without further reference to a Section is a reference to such paragraph as contained in the same Section in which the reference appears, and this rule will also apply to other subdivisions;

(l) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(m) the term “include,” “includes” or “including” will be deemed to be followed by the words “without limitation.”;

(n) when calculating the period of days before which, by which or following which any act is to be done or any step is to be taken pursuant to this Agreement, the day that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the relevant period shall end on the next following Business Day;

(o) all figures that are expressed in Euros shall include their equivalent in other currencies, as the case may be;

(p) whenever in this Agreement a reference is made that a Party shall “cause”, “ensure”, or “procure” for something, that Party shall be obliged to ensure that such objective is, in fact, reached, including, without limitation, through any right to direct or cause the direction of a person or any corporate or other body of such person and shall be fully responsible if such objective is not finally reached.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

THE GOVERNMENT OF MONTENEGRO

By: _____
Name:
Title:

TERNA RETE ELETTRICA NAZIONALE S.P.A.

By: _____
Name:
Title:

DEFINITIONS

The following terms shall have the following meanings:

“Additional Network Infrastructures” means (i) the New Montenegro-Serbia Interconnection Line, and/or (ii) the New Montenegro-Bosnia and Herzegovina Interconnection Line.

“Affiliate” means with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with such first person. The term “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) shall mean as applied to or in reference to any person, any person (i) of which any person holds (directly or indirectly) more than 50% of the votes at such person’s ordinary shareholders’ meetings, (ii) over which any person exercises a dominant influence at such person’s ordinary shareholders’ meetings through the direct or indirect exercise of voting rights, or (iii) over which any person exercises a dominant influence through contractual arrangements.

“Agreement” means this Agreement of Shareholders on Voting, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Article 39a” has the meaning ascribed thereto in the recitals to this Agreement.

“Associated Network Infrastructures” means the new transmission infrastructures on the Montenegrin transmission network necessary to the operation and full utilization of the New Interconnection, composed of the following infrastructures: (a) Grid Connections in Montenegro; and (b) the new 400 kV transmission line between the existing 400kV Pljevlja substation and the new Tivat/Kotor substation, internal to the electricity transmission network of Montenegro.

“Board” and “Board of Directors” mean the board of directors of the Company.

“Business Day” means any day, other than a Saturday, a Sunday or any statutory holiday in Rome, Italy or Podgorica, Montenegro.

“Business Plan” means the business plan of the Company, as it may be updated, supplemented, replaced or readopted from time to time by the Board pursuant to the Strategic and Shareholders’ Agreement.

“By-laws” means the by-laws the Company in the form of Exhibit 1 and as amended from time to time by mutual agreement of the Shareholders.

“Chairman of the Board” or “Chairman” means the chairman of the Board of Directors of the Company.

“Company” has the meaning ascribed thereto in the preamble of this Agreement.

“Deadlock” has the meaning ascribed thereto in Section 2.6(e).

“Deputy Chairman” means the deputy chairman of the Board of Directors of the Company.

“Director” means any member of the Board of Directors of the Company.

“Encumbrance” means (including with correlative meaning “Encumber”) any lien, encumbrance, mortgage, deed of trust, security interest, easement, conditional sale or other title retention agreement, title

defect, pledge, hypothecation, lease, levy, charge, transfer restriction, right of first offer, right of first refusal, option, preemptive right, voting trust or agreement, whether arising by agreement, statute or otherwise.

“Executive Director” has the meaning ascribed thereto in Section 2.2.

“Extended Voting Term” has the meaning ascribed thereto in Section 4.2(b).

“Grid Connections in Montenegro” means (i) the new AC 400 kV Tivat/Kotor substation including those 400 kV bus bars and bays, necessary for the infrastructures of connection of the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro, to the Montenegrin existing electricity transmission grid and to the existing 400 kV Pljevlja substation, (ii) the 400kV transmission lines connecting the new AC 400 kV Tivat/Kotor substation to the existing Montenegrin electricity transmission grid (in particular, the existing 400 kV line “Podgorica 2 – Trebinje” in an Input-Output configuration), and (iii) the AC transmission infrastructures (lines or cables), if any, connecting the new AC 400 kV Tivat/Kotor substation to the new AC/DC Converter Station in Montenegro.

“Impasse” has the meaning ascribed thereto in Section 2.6(a).

“Impasse Notice” has the meaning ascribed thereto in Section 2.6(b).

“Initial Business Plan” means the initial 5-year business plan of the Company as provided for in the Strategic and Shareholders’ Agreement.

“Minority Shareholder” means any shareholder of the Company other than the Principal Shareholder and Terna (and its Permitted Transferees).

“New Agreement” has the meaning ascribed thereto in Section 4.2(a).

“New Interconnection” means the new electricity interconnection between Italy and Montenegro, which will be composed of the following infrastructures: (a) the ground cables connecting the AC/DC Converter Station in Italy, located in Cepagatti, with the existing Italian transmission grid at 400 kV Villanova substation; (b) the AC/DC Converter Station of Cepagatti in Italy; (c) the DC ground cable located in the Italian territory connecting the Cepagatti AC/DC Converter Station to the landing point in Italy, located in the municipality of Pescara, (d) the entire High Voltage Direct Current (HVDC) undersea interconnection power cables running between the Italian landing point and the landing point in Montenegro, located in the municipality of Kotor, including the electrodes system and the related medium voltage cables allowing the return of electricity to be used only under contingency operation; (e) the DC ground cable located in the territory of Montenegro connecting the landing point in Montenegro to the AC/DC Converter Station in Montenegro; and (f) the new AC/DC Converter Station in Montenegro, including the related 400 kV bus bars and those bays necessary for the infrastructures of connection to the new AC 400 kV Tivat/Kotor substation.

“New Interconnection System” means the new entire electricity interconnection system between Italy and Montenegro, comprising the New Interconnection and the Associated Network Infrastructures.

“New Montenegro-Bosnia and Herzegovina Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Visegrad (Bosnia and Herzegovina).

“New Montenegro-Serbia Interconnection Line” means a new 400 kV transmission line between Pljevlja (Montenegro) and Bajina Basta (Serbia).

“New System Effective Date” means the first date on which both the New Interconnection System and at least one of the Additional Network Infrastructures shall have commenced full commercial operations.

“Party” has the meaning ascribed thereto in the preamble of this Agreement.

“Permitted Transferee” means any of Terna’s Affiliates.

“person” means an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unincorporated organization, trustee, executor, administrator, legal representative, government (including any governmental or public entity) or any other entity, whether or not having legal status.

“Plan of Development” means the plan of development of the Company containing the definition and details of the Associated Network Infrastructures and other key transmission infrastructures and operational activities for the proper development, valorization and renovation of the Montenegrin transmission grid, as agreed from time to time by the Shareholders in accordance with the Strategic and Shareholders’ Agreement.

“Principal Shareholder” and “Montenegro” have the meaning ascribed thereto in the preamble of this Agreement.

“Principal Shareholder Director” has the meaning ascribed thereto in Section 2.1(a).

“Project Coordination Agreement” means the project coordination agreement, dated as of the date hereof by and between Terna, the Principal Shareholder and the Company relating, *inter alia*, to the Associated Network Infrastructures and the New Interconnection.

“Related Parties” means (i) the Principal Shareholder or any of its Affiliates or any entity in which the Principal Shareholders or any of its Affiliates has a significant interest or Control (other than the Company) or any director or other officer of any of the above persons, or (ii) Terna or any of its Affiliates or any entity in which Terna or any of its Affiliates has a significant interest or Control (other than the Company).

“Reserved Matter” has the meaning ascribed thereto in Section 2.5.

“Sale and Purchase Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Shareholder” has the meaning ascribed thereto in the preamble of this Agreement.

“Shareholder Steering Committee” has the meaning ascribed thereto in Section 2.6(c).

“Shares” means the shares of any class of the Company (and/or options and subscription rights therefore) and any other form of equity or other securities of the Company convertible into capital stock of the Company (or options and subscription rights therefore), issued by the Company from time to time.

“Special Rights Expiry Date” has the meaning ascribed thereto in Section 2.1(b).

“Strategic and Shareholders’ Agreement” has the meaning ascribed thereto in the recitals of this Agreement.

“Strategic Partnership” means, collectively, (i) the consummation of the Sale and Purchase Agreement, (ii) the execution and implementation of the Strategic and Shareholders’ Agreement, (iii) the construction of the Associated Network Infrastructures by the Company, and (iv) the construction of at least one of the Additional Network Infrastructures.

“Terna” has the meaning ascribed thereto in the preamble of this Agreement.

“Terna Director” has the meaning ascribed thereto in Section 2.1(a).

“Voting Provisions” has the meaning ascribed thereto in Section 4.2(a).

“Voting Term” has the meaning ascribed thereto in Section 4.1(a).

LIST OF AUDITING FIRMS

[see Annex 2.4 to the SSHA]

ANNEX 2.5(b)(iii)(1)

TRANSMISSION AGREEMENT TEMPLATE

[see Annex 2.6(b)(iii)(1) to the SSHA]

ANNEX 2.5(b)(iii)(3)

TRADER'S AGREEMENT TEMPLATE

[see Annex 2.6(b)(iii)(3) to the SSHA]

ANNEX 2.5(b)(iii)(6)

PENDING PERMITTED TRANSACTIONS

[see Annex 2.6(b)(iii)(6) to the SSHA]

ANNEX 6.2

NOTICE INFORMATION

[see information relating to Terna and the Principal Shareholder in Annex 10.2 to the SSHA]

BY-LAWS

[*see Exhibit 1 to the SSHA*]

SCHEDULE 3.2.1(vii)

CHAIRMAN, EXECUTIVE DIRECTOR, DEPUTY CHAIRMAN AND MANAGERS

Montenegro and Terna shall, on the basis of provisions of Exhibit 9 “Strategic and Shareholders Agreement” of this Agreement, agree on the name of the persons who shall hold the offices and positions of Chairman, Executive Director, Deputy Chairman and Managers at the latest 10 Business Day before the Closing Date

SCHEDULE 5.1.11

LIST OF ALL MATERIAL AGREEMENTS

List of investments/capex contracts still effective and not fully discharged on signing date				
Project	Or. No.	Name of supplier	Contract number and date	Contract price
Construction of transmission line 400kV Pg-Tirana and extension Pg 2	1	Fichtner GMBH&CO	2001-40-798 21.02.2005	413.748,47
	2	Dalekovod Zagreb	12971 25.07.2007	10.596.013,78
SS 110/35 Virpazar	3	ABB-Zagreb	8712 16.07.2008	1.418.959,31
	4	Elnos- Banja Luka	8712 16.07.2008	608.734,88
	5	Bemax-Podgorica	8712 16.07.2008	372.305,81

Switch yard Ribarevine and Pg 5	6	Fichtner GMBH&CO	01.08.2007.	601.706,76
	7	Siemens AG Osterreich	1565 16.12.2008	6.021.850,98
	8	Dalekovod Zagreb	1565 16.12.2008	2.740.703,05
Extension SS Mojkovac and SS Andrijevica	9	Minel-Beograd	7374 29.01.2009	618.001,07
	10	Dalekovod Zagreb	3377 10.07.2009	1.649.375,77
Construction of TC system	11	Draka-Njemačka	381 15.05.2008	2.380.325,49
	12	Korona-Ljibljana	4733 18.06.2007	253.100,00
Transmission line Tivat Kotor	13	Dalekovod Zagreb	5519 13.05.2009	386.191,00
SS Kotor-Škaljari	14	Konzorcijum ABB and Dalekovod	6654 02.06.2009	2.255.218,00
List of financing contracts still effective and not fully discharged on signing date				
Construction od transmission line 400kV Pg-Tirana i extension Pg 2	15	KFW-KESH	13077 26.07.2007	9.810.650,68
Switch yard Ribarevine and Pg 5	16	KFW	9468 11.12.2008	3.370.000,00
	17	KFW	9467 23.07.2007	3.639.600,00
Extension SS	18	World Bank	3324	5.240.000,00

Mojkovac and SS Andrijevic and Construction of TC system			24.01.2008	
Power sector reconstruction	19	EIB	21756 01.08.2002	6.031.352,50
List of contracts for regular business operation still effective and not fully discharged on signing date				
Repair of transformers in SS 100 kV Nikšić	20	ABS Minel transf.- Beograd	4271 14.08.2009	173.630,00
			Ann. 6424/09 22.10.2009	35.758,00
Electrical voltage transformers and insulators	21	Matkom- Niksic	7434 19.11.2009	211.814,46
Building trade works in SS Podgorica 2	22	Elnos Banja Luka- Beograd	1882 26.02.2010	123.804,44
Insurance contract	23	Lovćen osiguranje, Podgorica	1883/10 26.02.2010	235.593,57
Consulting services	24	EKC- Beograd	8732/10	141.600,00
			24.12.2009	Mj.11800,00
Rent of trunk telecommunicatio n lines	25	Telekom Crne Gore	13820	157.458,60
			25.10.2004	Mj.13121,55
Delivery of electricity for covering of losses	26	EPCG A.D. Niksic	4217 30.04.2010	5.000.000,00

Total:	59.487.496,62
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List of Contracts relating to dispatching and ancillary services - Contracts on Use, Loss Coverage and Access Right to Transmission Network still effective and not fully discharged on signing date				
	Or · No ·	Name of client	Contract number and date	Contract price
Compensation for the use of transmission network	1	EPCG A.D. Niksic	4219 30.04.2010	Estimated value:
				16.000.000,00
Allowance for losses in transmission network	2	EPCG A.D. Niksic	4219 30.04.2010	Estimated value:
				5.000.000,00
Annual contract for	3	EPCG A.D. Niksic	8490/1 17.12.200	Estimated value:

the right of access to the transmission network in order to use the cross-border transmission capacity			9	200.000,00
Annual contract for the right of access to the transmission network in order to use the cross-border transmission capacity	4	Energy Financing Team	8490 17.12.2009	1.192.287,00
Annual contract for the right of access to the transmission network in order to use the cross-border transmission capacity	5	GEN-I D.O.O. Beograd	8490/2 17.12.2009	748.387,00
Annual contract for the right of access to the transmission network in order to use the cross-border transmission capacity	6	Rudnap Group A.D. Beograd	8490/5 17.12.2009	205.696,00

	Total:	23.346.370,00
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Schedule 5.1.13.

List of real properties

REVIEW OF

Real estate of Crnogorski elektroprenosni sistem AD by sheets of real estate as of 01.09.2010.

Name of property	Cadastral minupacity and issue of real estate	The number of plots and size in m ²		Land type	Form of ownership	
					property	land
SS 400/110 kV Podgorica 2	CM (cadastral munipacity) Tološi No. 1784	- 3 buildings on parcel No. 3443, - Size: 1245+20+60 =1325m ²	- parcels No:3437; 3439; 3440/2; 3441; 3442; 3443; 3444; 3445; 3446; 2447; 3448; 3449; 3450;3451 and 3452. - Total size: 74.283m ²	- Meadow 2. class, - parcels: 3437; 3439; 3440/2; 3444; 3446, 3447; 3448; 3450 and 3451; - arable land 2. class - parcels: 3440; 3441 and 3452; - arable land 3. class - parcel: 3449; - pasturage 3. class - parcels: 3443 and 3445.	property	Property
SS 400/220/110 kV Pljevlja 2	CM Ilino Brdo No. 442 and 450;	- 17 buildings on parcel 290/12; - sizes 723+578+578+91+20+441+56+21+22+14x8+40+56=2918 m ²	- parcel No. 290 numbered 12 i 10 size 94442 m ² - parcel No.290 numbered 15 - uncategorized road, size 1/2 from 4455 m ²	- natural fruitless land, parcels 290/12 and 290/10. - uncategorized road,parcel 290/15. l.n.450	property	property and uncategorized road ownership
RP 400 kV and SS 110/35 kV	CM Ravna Rijeka	- 2 buildings, size 790+20=810 m ² - parcel 265	- parcel 265 - total size 38146m ²	- courtyard (meadow)	property	property

Name of property	Cadastral minupacity and issue of real estate	The number of plots and size in m2		Land type	Form of ownership	
					pro pert y	land
Ribarevine	No. 70					
SS 220/110/35 kV Podgorica 1	CM Podgorica II No. 596	- 8 buildings on parcel 4542; - size 576+261+279+278+365+48+34+251=2092m ²	- parcels 4542 and 4543 - total size 44024+492=44516m ²	- forecourt, parcels 4542 and meadow 3. class parcel 4543.	pro pert y	property
SS 220/110/35 kV Mojkovac	CM Mojkovac No. 704	- Building on parcel 467/19, - size 372 m ² ,	- parcel 467/19 - total size 4580m ²	- fruitless land, parcel 467/19.	pro pert y	utilization
SS 110/35 kV Nikšić	CM Nikšić No. 717	- 4 buldings on parcel 3110 - size 545+301+42+47=935m ²	- parcel No. 3110 - total size 21447m ²	- courtyard, parcel 3110	pro pert y	utilization
SS 110/35 kV Pljevlja 1	CM Židovići No. 136	- 3 buldings on parcel 930, - size 510+136+45=691 m ²	- parcels 930;931; 933 and 935 - total size 10772m ²	- meadow 2. class parcels 933/2 and 935/2 - arable land 2.class parcel 931/2	pro pert y	property
SS 110/35 kV Berane	CM Budimlje No. 966	- Building on parcel 1148 - size 966 m ²	- parcel 1148 - total size 4285 m ²	- fruitless lands	pro pert y	property
SS 110/35 kV Bar	CM Novi Bar No. 581	- Building on parcel 5557 - size 377 m ²	- parcel 5557, - total size 4.856m ²	- meadow	pro pert y	property

Name of property	Cadastral minupacity and issue of real estate	The number of plots and size in m2		Land type	Form of ownership	
					pro per ty	land
SS 110/35 kV Tivat	CM Mrčevac No. 311	- 3 Buildings on parcel 1061, size 348+134+4 =486m ²	- parcel 1061 i 1063 - size 5643 m ²	- land in front of the building parcel 1061 - pastorage 2. class parcel 1063	pro per ty	utilization (property of Municipality Tivat)
SS 110/35 kV Herceg Novi	CM Podi No. 189	- 2 buldings on parcel 1492 size 318+54=372 m ²	- parcels 1492;1493;1494 i 2002; - size 13975 m ²	- courtyard parcel 1492 - pastorage 2. class parcel 1494 i - public road parcel 2002/2	utili zati on	utilization
SS 110/35 kV Budva	CM Majine No. 82	- building on parcel 2901 size 499 m ²	- parcel 2901; - size 4130 m ²	- Land with the buliding	utili zati on	utilization
SS 110/35 kV Danilovgrad	CM Gorica No.46	- building on parcel 677 size 463 m ²	- parcel 677 - size 4700 m ²	- rocks parcel 677	pro per ty	property
SS 110/35 kV Cetinje	CM Cetinje I No. 2082	- 2 buildings on parcel 3016 size 368+55 =423 m ²	- parcel 3016 - size 4471 m ²	- courtyard parcel 3016	pro per ty	property
SS 110/35 kV Ulcinj	CM Ulcinj No. 1083	- 2 buildings on parcel 4880 size 462+370+370=120m ²	- parcel 4880 - size 4213 m ²	- Land with non-economic buliding	pro per ty	property

Name of property	Cadastral minupacity and issue of real estate	The number of plots and size in m2		Land type	Form of ownership	
					pro per ty	land
Transmission line Team Bijelo Polje	CM Bijelo Polje No. 656	- 2 buildings on parcel 326 i 1137 164+154=318 m ²	- parcels 213/1; 326 i 1137 - size 2262 m ²	- Land with non-economic buliding parcel 213/1 - Land with the buliding parcela 326 and courtyard parcel 1137.	Pos session - pro pert y	utilization
Land under Gorica	CM Podgorica II No. 596		- parcel 2161/3; 1/2 parcels 2161/1; 2161/3, 2161/4 i 2167. - size 4.770 m ²	-		property
Business building in Bulevar Svetog Petra Cetinjsko No. 18 Podgorica	CM Podgorica I No. 764	648 m2 + 239 m ²	- parcel 405 - size 887 m ²	- city-building land	pro pert y	utilization
Business building of NDC in Moskovska No. 39 Podgorica	CM Podgorica I No. 177	building on parcel No. 1330/2 size 517 m ²	-	-	pro pert y DS SO - Pod gori ca	property DS Podgorica

Name of property	Cadastral minupacity and issue of real estate	The number of plots and size in m2		Land type	Form of ownership	
					pro per ty	land
Resort in Gornja Bukovica	CM Gornja Bukovica 342	70 m ²	12.66 8 m ² (55,08 % of total size) 44,92 %	Fruitless land	Co-landlord , Co-holder 55/ 100	Co-landlord Co-holder 55/100
USW Bjelasica	-	-	-	-	buil din g (co mm on pro pert y)	-
USW Lovćen	-	-	-	-	buil din g (co mm on pro pert y)	-

