

DISTRICT HEATING GENERATION LICENSE (WITH CONDITIONS)

GRANTED TO:

"DISTRICT HEATING GJAKOVA" J.S.C.

Registration Number: ERO_Li_02 /06

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| Annex 1 | Generating stations to which License applies (description of facilities – drawings and a listing of the generation units). | |
| Annex 2 | Description of technology and fuel category used for the performance of heat generation. | |
| Annex 3 | Description of the Group of the Licensee (shareholders, affiliates and subsidiaries of the Licensee- diagram, reference to certain percentages of shareholding participation and activities exercised by each one of the companies). | |

PART I TERMS OF THE LICENSE

1. **The Energy Regulatory Office (hereinafter referred to as "ERO")**, in exercise of the powers granted by Articles 15.2 (a), 28.2 and 37 of the Law on the Energy Regulator (hereinafter referred to as the "Law"), Article 16.2 of the Law on Energy (Law 2004/8), the Law on Central Heating and Rule on Licensing of Energy Activities in Kosovo hereby issues, to: **District Heating "GJAKOVA" J.S.C** (hereinafter referred to as the "Licensee") a **license to generate heat** at the generating station identified in Annex 1, with description of technology and fuel category used for the performance of heat generation in Annex 2, during the period specified in paragraph 6 subject to the Articles and Conditions set out in Part II..
2. The Licensee is obliged to comply with all applicable Legislation, Articles and conditions stipulated in this license.
3. The Licensee is entitled to:
 - a) use in the process of thermal energy production those primary energy sources it deems most suitable, provided that it complies with the technical characteristics, and ecological criteria contained in the relevant acts;
 - b) connect its heat plants to the Distribution System under the conditions set in the Law on Central Heating;
 - c) conclude contracts for the sale of thermal energy under the terms of the Law on Central Heating and the rules prescribed by ERO;
 - d) transmit its thermal energy through the distribution network;
 - e) receive the remuneration due to them under their contracts.
4. The Licensee that produces thermal energy exceeding 1 MW is obliged to sell the produced thermal energy to the Public Supplier pursuant the Law on Central Heating.
5. Articles and conditions are subject to modification or termination or withdrawal in accordance with their terms and with Articles 35, 36, 37 and 39 of the Rule on Licensing of Energy Activities in Kosovo.
6. This license shall come into force on 04 October 2006 and, unless withdrawn, shall remain valid for a technical lifespan of the main parts of the existing generation station used for performing the relevant activity and amortization (depreciation) policy of the Licensee provided with the license application but not exceeding period **of fifteen (15) years** until 04 October 2021 with possibility of extension in accordance to the Rule on Licensing of Energy Activities in Kosovo.

Stamped with the common stamp of Energy Regulatory Office on _____.

Signature (on behalf of Board of ERO) _____

PART II CONDITIONS OF THE LICENSE

Article 1: Definitions and Interpretation

1. For the purpose of this license, the terms and expressions listed below shall have the following meaning:

"Affiliate" means in direct or indirect relation to the Licensee, any Holding Company or Subsidiary of the Licensee, or any Subsidiary of a Holding Company of the Licensee, in each case within the meaning of the legislation applicable in Kosovo.

"Distribution" has a meaning given in Article 3.1 of the Law on Central Heating;

"Distribution Code" means the code as provided in Article 3.1 of the Law on Central Heating;

"Financial year" is the reporting period of the Licensee for regulatory purposes, and usually covers the time-period from 15th October of actual year up to 14th October of the subsequent year, unless is otherwise specified in the relevant secondary legislation issued by ERO.

"Heat or Thermal Energy" has a meaning given in Article 3.1 of the Law on Central Heating;

"Heat distribution network" means a piping system transporting heat from producers to customers;

"Heat enterprise" has a meaning given in Article 3.1 of the Law on Central Heating;

"Heat system" means the integrated and connected system of generation, distribution and supply;

"Legislation" means Law on Energy (2004/8), Law on Energy Regulator (2004/9), Law on Central Heating and any other primary legislation, or secondary legislation to be issued in execution of primary legislation, regulating the heat sector.

"Metering Code" has a meaning given in Article 3.1 of the Law on Central Heating;

"Metering device" has a meaning as provided in the Law on Central Heating.

Modification includes addition, amendment and substitution, and cognate expressions shall be construed accordingly."

"Producer" and "generator" means a legal person generating thermal energy.

"Separate business" means any business of the Licensee other than any Thermal Energy Generation Business.

"Supply" means the delivery and sale or resale of thermal energy to customers.

"Thermal energy generation" means the production of thermal energy by an enterprise licensed to produce this thermal energy.

"Unutilised thermal energy" means excess of thermal energy produced by factories or power plants, currently wasted and which may be used for central heating.

2. Terms used in this license shall have the same meanings as the terms used in the Legislation.
3. In reference to paragraph (2) any modification or re-enactment of the legislation after the date when this License comes into force, shall apply.
4. Unless otherwise specified:
 - a) any reference to a numbered Articles or to a numbered Annex is respectively a reference to the Articles or the Annex bearing that number in this license;
 - b) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Article or Annex in which the reference occurs;
5. The heading or title of any Part, Article, Annex or paragraph shall not affect the construction thereof.
6. Where an obligation is imposed to the Licensee with a specific deadline for performance, that obligation shall continue to be binding and enforceable after that time limit without prejudice to all rights and remedies that may be imposed against the Licensee if such Licensee fails to perform within the time limit.
7. The provisions of paragraph 6 shall apply in any case of document to be submitted, direction or notice to be submitted or service to be performed pursuant to this license and directions issued by ERO.

Article 2: Separate Accounts for the Thermal Energy Generation Business

Condition 1

In accordance with Article 49.2 of the Rule on Licensing of Energy Activities in Kosovo the Licensee shall fully comply with requirement of this Article within twelve (12) months from the date when this license is issued. In order to comply with this Condition ERO may provide the Licensee with a direction with a specific time schedule of implementation.

1. The Licensee shall prepare annual regulatory statements / accounts in accordance with the temporary instructions of ERO on regulatory reporting and shall deliver to ERO a copy of the annual audited statements / accounts so prepared, according to the time-schedule / relevant secondary legislation issued by ERO.
2. The Licensee shall, in its internal accounting, keep separate accounts for the Thermal Energy Generation Business as a whole, which when requested by

ERO, must be delivered in the form and at the period specified by ERO. The accounts shall be in accordance with such instructions on regulatory reporting as may be issued by ERO from time to time.

3. The temporary instructions on regulatory reporting notified by ERO to the Licensee under paragraph 2 may, inter alia:
 - a) specify the form of the regulatory accounting statements/records, including but not limited to, profit and loss accounts, balance sheets, recognized gains and losses statements, cash flow statements and statements of the amounts of any revenues, costs, assets, liabilities, reserves or provisions which have been either charged from or to any other business or determined by allocation or apportionment between the consolidated the thermal energy Generation business and any other business.
 - b) specify the nature and content of the regulatory accounting statements/records, including information on specified types of revenue, cost, asset or liability and information on the revenues, costs, assets and liabilities attributable to specified activities.
 - c) specify the regulatory accounting principles (including the basis for the allocation of costs)
4. The Licensee shall not, in relation to the accounting statements in respect of a financial year, change the bases of charge, apportionment or allocation from those applied in respect of the previous financial year, unless ERO has previously issued directions for the purposes of this Condition directing the Licensee to change such bases or ERO gives its prior written approval to the change in such bases.
5. The Licensee shall comply with any directions issued by ERO for the purposes of this license.

Article 3: Prohibition of Subsidies and Cross-subsidies

The Licensee shall ensure that the Thermal Energy Generation Business does not give any direct or indirect cross-subsidy between the different businesses related to itself nor receive any direct or indirect cross-subsidy from any other person.

Article 4: Prohibition of Discrimination

1. The Licensee shall provide that the Thermal Energy Generation Business does not disclose directly or indirectly any confidential information to any other business of the Licensee or of an Affiliate or related undertaking of the Licensee.
2. The Licensee shall not sell or offer to provide heat to any purchaser or person seeking to become a purchaser on terms regarding price which are materially more or less favourable than those on which the Licensee shall provide or offer to provide heat to comparable purchasers.
3. The Licensee should disclose to ERO at any time the circumstances of such

provision including (without limitation) volume, load factors, conditions of interrupt ability, dates and duration of the relevant agreements.

4. In reference to the paragraph 3, the Licensee shall submit to ERO information about:
 - a) the provision of heat to any public supply business of the Licensee or any Affiliate or related undertaking of the Licensee; and
 - b) the provision of heat through a long term purchase contract.
5. In references to paragraph 4 the provision of heat to any person shall include the provision of available capacity of any thermal energy generation unit.

Article 5: Compliance with Distribution Code, Metering Code and Rule on General Conditions of Energy Supply

Condition 2:

In accordance with Article 49.2 of the Rule on Licensing of Energy Activities in Kosovo, following consultation with the Licensee and the Distribution System Operator, ERO may provide the Licensee with a specific time schedule of implementation of this Article. Such time schedule may apply to such parts in the Codes and to such extent, as are specified in such schedule.

1. The Licensee shall comply with the provisions of the Distribution Code and the Metering Code and Rule on General Conditions of Energy Supply insofar as applicable to it.

Article 6: Security Arrangements for Fuel

1. The Licensee shall prepare a contingency plan for fuel stocks under the Law on Central Heating and in accordance to the relevant secondary legislation issued by the Ministry of Energy and Mining.
2. The Licensee shall comply with any provision setting up the type and extent of the minimum fuel stocks or the specific reserve capacity and any relevant secondary legislation of the Ministry of Energy and Mining and relevant Codes.

Article 7: Health and Safety

1. The Licensee shall take all reasonable steps to protect persons and property from injury and damage that may be caused by the Licensee when carrying out the Generation business.
2. The Licensee shall ensure that an independent expert whose appointment is approved by ERO undertakes a technical and safety audit in respect of the Generation Facilities annually.
3. The Licensee shall provide the results of such audits carried out in a timely manner to ERO.

Article 8: Environment

Condition 4

In order to comply with this Article, according to the Article 49.2 of the Rule on Licensing of Energy Activities in Kosovo, ERO may issue to the Licensee a direction with a specific time schedule of implementation. Such time schedule may include deadline of twelve (12) months for submission of the environmental permit.

1. Within twelve (12) months after issuance of this license the Licensee shall submit to ERO the environmental permit issued by the Ministry of Environment and Spatial Planning. The Licensee shall comply with all environmental legislation applicable in Kosovo regarding the environment whether in force at the date hereof or in the future.
2. The Licensee shall, not later than such date as ERO may specify and in consultation with ERO, prepare and from time to time modify a written policy setting out the manner in which the Licensee proposes to comply with its duties and obligations under the environmental legislation applicable in Kosovo.
3. The Licensee shall report annually to ERO on its environmental performance.
4. In this license :

"Environmental legislation" means legislation whose purpose is the protection of the environment including the protection of human health, flora, fauna and the ecosystems on which they depend, and for the avoidance of doubt shall include but shall not be limited to the Law on Environmental Protection and all relevant legislation relating to the assessment of environmental impacts, and the protection of air, land and water.

Article 9: Labour

The Licensee shall comply with all legislation applicable to labour relations and work safety whether in force at the date hereof or in the future.

Article 10: Registration and Disposal of Assets of the Licensee

- 1 The Licensee shall prepare and maintain a register of all relevant assets and shall provide ERO with such a register annually not later than on 31 January of each year.
2. In case where the Licensee requests to dispose certain material property assets owned or used by him, or other resources used to perform the licensed activity is obliged to notify in written form, subject to approval of ERO. The Licensee may realize the above disposal following ERO's written approval.

3. The same as set forth in paragraph 1 applies to the outsourcing of assets or other resources used to perform the licensed activity.

4. In this Condition:

“*Asset*” is considered to be any immovable or movable equipment of important value used for the exercise of the heat generation activity.

“*Disposal*” means any sale, assignment, gift, lease, license, loan, transfer, mortgage, charge, restriction on use (whether physical or legal), or the grant or any other encumbrance or the permitting of any encumbrance, or any other disposition to any other business of the Licensee and/or to a third party, and “dispose” shall be construed accordingly.

Article 11: Insurance Obligation

Condition 5

The Licensee shall comply with requirement set forth in paragraph 1 within twelve (12) months from the date of issuance of this license.

1. The Licensee shall conclude and keep in force the insurance contract regarding the generation business, station and related equipment used for generation. Such contract shall be annually submitted to ERO for review.

Article 12: Change in Control of the Licensee

The Licensee shall notify ERO of any intended change in control of the Licensee at least sixty (60) days in advance of such a change. Change in control may not take place unless ERO has approved it.

Article 13: Provision of Information to ERO

1. The Licensee shall submit to ERO, in manner set forth in Article 23 and 24 of the Rule of Licensing of Energy Activities in Kosovo and at such times as ERO may require, such information and such reports as ERO may consider necessary in the light of the Conditions or for the purpose of performing the functions assigned or transferred to it under Article 29 of the Rule on Licensing of Energy Activities in Kosovo.

2. The information shall be prepared to a level of audit as may be required by ERO from time to time.

3. The power of ERO to require information under paragraph 1 does not limit the power of ERO to require even information that are considered confidential pursuant to any other Condition or Article of this license or under or pursuant to the applicable Legislation.

4. If the Licensee request that certain information shall be considered as confidential

it is his obligation to mark such document as confidential and justify such request based on the Rule on Confidentiality of Information.

5. The Licensee shall deliver to ERO quarterly and annual reports about its generation business and compliance with the license's Conditions in accordance to the Reporting Manual issued by ERO.
6. The Licensee shall submit to ERO details of any changes to the information submitted with the application to this license.
- 7 In this Article:

"Information" means material in any form and includes, without limitation, any books, documents, records, contracts, accounts (statutory or otherwise), estimates, returns or reports of any description and any explanations (oral or written) in relation to such information as may be requested by ERO

Article 14: Reasons of License Termination, Withdrawal and Modification

1. ERO may terminate this license in accordance to Article 39 of the Rule on Licensing of Energy Activities in Kosovo in case of:
 - a) expiration of the term of the Licence;
 - b) a request of licensed energy enterprise;
 - c) dissolution of the legal person holding the license in respect of its own license;
 - d) destruction of the thermal energy facility;
 - e) upon decision of a court declaring the insolvency of the Licensee or court decision to terminate the thermal energy activity due to the Licensee's declaration of liquidation;
 - f) where the licensed thermal energy activity has not been conducted for more than six (6) months, except where the suspension of activity is at the approval of the ERO;
 - g) where provisions of Article 44 of the Rule on Licensing of Energy Activities in Kosovo are met; and
 - h) if any amount payable under a fee is unpaid thirty (30) days after it has become due and remains unpaid for a period of another thirty (30) days after ERO has given the Licensee notice in writing that the payment is overdue.
2. ERO may withdraw this License in the following cases, stipulated in Article 44.5 of the Rule on Licensing of Energy Activities in Kosovo, provided that the obligations of the Licensee shall be carried out by another Licensee or that customers are not disadvantaged by such withdrawal:
 - a) the Licensee defaults or violates material conditions or obligations in the license and such defaults and violations have not been remedied within the deadline given by ERO or seriously damage the quality, safety and reliability of the service that the defaulting Licensee was obliged to provide;

- b) license monitoring by ERO or the Inspectorate within the Ministry of Energy or Mining finds failure to fulfil administrative requirements and such failure has not been remedied within the deadline provided by ERO;
 - c) the Licensee presented materially false information upon which the License grant was based.
3. ERO, in accordance with Article 35 of the Rule on Licensing of Energy Activities in Kosovo, may modify this license in the following cases:
- a) at the request of the Licensee;
 - b) where required to protect the heat system in Kosovo, in connection with security of supply or security of life and health of citizens or protection of environment;
 - c) in order to adhere to new requirements set forth in international agreements and national laws, regulations and other applicable legislation;
 - d) as a sanction for violation of license terms and conditions, pursuant to Article 44 of the Rule on Licensing of Energy Activities in Kosovo.

Article 15: Fees

1. The Licensee shall pay to ERO any initial and annual fees provided by the Schedule of Fees adopted by ERO.
2. Initial fee and annual fees are determinate based on Annex A of the Schedule of Fees.
3. Failure to pay the fees at the dates scheduled by the Schedule of Fees may lead to license withdrawal.

Article 16: Administrative Measures and Fines

1. In case of violation of any provision of the legislation, of any Article or condition of this license and of any ERO's instruction to the Licensee, ERO shall have the power, pursuant to Article 56.2 of the Law on Energy Regulator and Rule on Administrative Measures and Fines, either to prevent the Licensee from repeating the illegal action or, if the action has stopped, to issue a regulatory decision requiring that a particular action has to be taken or to impose an administrative fine to the Licensee and/or the members of its Board of Directors and/or its executives.
2. Prior to issuance of a fine, ERO shall issue a notice of license violation to the Licensee and shall provide the Licensee with an opportunity to respond to ERO, in writing, within fourteen (14) days of the notification, and to remedy the violation.
3. A fine shall be imposed, in accordance to Article 57 of the Law on Energy Regulator and Rule on Administrative Fines and Measures.
4. The amount of the fine will be evaluated in accordance to the Rule on Administrative Measures and Fines. In any case, if the fine mentioned in

paragraph 3 is imposed on the Licensee, it must not exceed 15% of the revenues of the previous tax year.

5. If the fine mentioned in paragraph 3 is imposed on a member of Board of Directors or an executive of the Licensee, it must not exceed 300% their monthly remuneration.
6. In the case of repeated violations, the fine imposed may be three times greater than the amount authorized in paragraph 4 or 5.
7. When imposing a fine, in accordance to this Article, ERO shall take into account the degree of social harm of the action, the prior behavior of the person, and the financial standing of the person.
8. If a fine imposed by ERO is not paid, ERO shall initiate court proceedings for the collection of the fine as a civil debt.

Article 17: Settlement of Disputes

1. Any dispute arising out or in connection with the licensed activity shall be settled in accordance with the Rule on Dispute Settlement Procedure in the Energy Sector adopted by ERO.
2. Decisions of ERO regarding the modification, withdrawal or termination of the License, as well as those regarding any fines resulting from breaches of the License or of the applicable legislation, may be appealed by the Licensee to the court of competent jurisdiction.