AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SERBIA AND THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

The Government of the Republic of Serbia and the Government of the Republic of Azerbaijan (hereinafter referred to as the Contracting Parties),

DESIRING to encourage nationals of the state of the other Contracting Party to invest capital, technology and knowledge on its state territory,

DESIRING to create and maintain favorable conditions for reciprocal investments, CONVINCED that the promotion and protection of investments will contribute to the enhancement of entrepreneurial initiative and thereby significantly contribute to the development of economic relations between the Contracting Parties;

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" shall mean every kind of assets established or acquired directly by an investor of one Contracting Party in the state territory of the other Contracting Party in accordance with the national legislation of the latter and in particular, though not exclusively, shall include:

a. movable and immovable property and any other rights in rem such as mortgages, liens, pledges, usufructs and other;

b. shares in company's equity stocks and debentures as well as other kinds of securities;

c. money, claims to money or claims to performance under contract having a financial value;

d. intellectual property rights (such as copyrights and related rights, patents, industrial designs or models, topographies of the integral circuits and database, trademarks) as well as goodwill, technical processes and know-how;

e, concessions granted in accordance with the national-legislation of the Contracting Party in the state territory whereof the investment is being made, including concessions to search for, cultivate, extract or exploit natural resources.

A change in the form in which assets are invested shall not affect their character as investments,

For the avoidance of doubt, Investment does not mean:

a. claims to money or claims to performance arising solely from a commercial contract for the sale or purchase of goods or services;

b. credits granted in relation with this kind of commercial contracts, and credit with the maturity of less than three years.

c. any other claims to money that do not involve the kinds of interests defined in subparagraphs [a to e] above.

2. The term "returns" shall mean the amounts yielded by an investment and in particular, though not exclusively, includes profit, capital gains, dividends, interest, royalties, and fees.

3. The term "investor" means for either Contracting Party: a. a natural person having the nationality of the state of one Contracting Party in accordance with its legislation; or

b. a legal entity incorporated, constituted or otherwise duly organized in accordance with the national legislation of one Contracting Party, having its headquarters and conducting substantial business activities in the state territory of that

Contracting Party,

who makes an investment in the state territory of the other Contracting Party.

4. The term "territory" shall mean:

a. Concerning the Republic of Serbia - the area over which the Republic of Serbia exercises, in accordance with its national legislation and international law, sovereign rights and jurisdiction.

b. Concerning the Republic of Azerbaijan - the Republic of Azerbaijan, the territory of the Republic of Azerbaijan, including the respective Caspian Sea sector, over which the Republic of Azerbaijan exercises, in accordance with its national law and international law, sovereign rights or jurisdiction.

Article 2. Promotion and Protection of Investments

1. Each Contracting Party shall encourage and create favorable conditions for investors of the other Contracting Party to make investments in its state territory, and shall admit such investments subject to its national legislation.

2. Investments of investors of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the state territory of the other Contracting Party. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments in the state territory of the other Contracting Party.

3. Each Contracting Party shall, within the framework of its legislation, consider in good faith all applications for necessary permits in connection with investments in its state territory, including respective personnel of the investor.

4. Reinvestment of a profit gained from an investment performed in accordance with national legislation of a Contracting Party in which state territory initial investment had been performed, shall enjoy the same protection as well as the initial investment.

Article 3. A Access to Investor Information and Transparency

1. Host Contracting Party have the right to seek information from a potential investor or its home state about its corporate governance history and its practices as an investor, including in its home state. Host Contracting Party shall protect confidential business information they receive in this regard. Host Contracting Party may make the information provided available to the public in the community where the investment may be located, subject to the protection of confidential business information and to other applicable domestic laws.

2. Each Contracting Party shall ensure that, to the extent possible, its laws, regulations, procedures, administrative rulings and judicial decisions of general application, as well as international agreements after their entry into force, which may affect the investments of investors of the other Contracting Party in its state territory, are promptly published, or otherwise made publicly available.

Article 4. National Treatment and Most-Favored-Nation Treatment

1. Each Contracting Party shall in its state territory accord investments of the other Contracting Party with equal treatment that it accords to investments of its own investors or to investments of investors of any third state, whichever is more favorable.

2. Each Contracting Party shall in its state territory accord investors of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investments, treatment equally favorable that it accords to its own investors or to investors of any third state, whichever is more favorable.

3. The provisions of this Agreement shall not be construed so as to oblige one Contracting Party to extend to the investors of the other Contracting Party the benefit of any treatment, preference or privilege by virtue of:

a. any existing or future free trade area, customs union, common market or regional cooperation agreement to which one of the Contracting Parties is or may become a party,

b. any international agreement or arrangement relating wholly or partially to taxation, or any national legislation relating to taxation, or

c. any multilateral convention or treaty relating to investments, of which one of the Contracting Parties is or may become a

party.

4. Nothing in this Agreement affects the rights and obligations of either Contracting Party under any applicable bilateral or multilateral tax treaty.

5. The provisions of paragraphs 1 and 2 of this Article shall not be construed so as to oblige one Contracting Party to be submitted to any other mechanism of dispute settlement with investor of other Contracting Party except those explicitly provided in the Article 11 of this Agreement.

Article 5. Compensation for Losses

1. Investors of one Contracting Party whose investments in the state territory of the other Contracting Party suffer losses owing to war or other armed conflict, a state of national emergency, revolt, insurrection or riot in the state territory of the latter Contracting Party shall be accorded by the latter Contracting Party treatment, as regards, restitution, indemnification, compensation or other settlement, equally favorable that which the latter Contracting Party accords to its own investors or to investors of any third state. These payments shall be effectively realizable, freely convertible and immediately transferable.

2, Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who, in any of the situations referred to in that paragraph suffer losses in the state territory of the other Contracting Party resulting from:

a. requisitioning of its investment or a part thereof by the latter's armed forces or authorities, or

b. destruction of its investment or a part thereof by the latter's armed forces or authorities, which was not required by the necessity of situation shall be accorded fair and adequate compensation in the light of the particular circumstances.

Article 6. Expropriation

1. Investments of investors of either Contracting Party shall not be nationalized, expropriated or subjected to any other measure having effect equivalent to nationalization or expropriation (hereinafter referred to as "expropriation") in the state territory of the other Contracting Party except in public purpose, prescribed by the law or in accordance with the national legislation of that Contracting Party. The expropriation shall be carried out under due process of law, on a non-discriminatory basis and against adequate compensation, which shall be effected without undue delay.

2. Such compensation shall amount to the fair market value of the expropriated investment at the time immediately before the expropriation was taken or became public knowledge, whichever is earlier.

3. Without prejudice to paragraph 2 of this Article, such fair market value shall be expressed in a freely convertible currency on the basis of the market rate of exchange applicable for that currency on the day of transfer. Compensation shall also include interest at a commercial rate established on a market basis for the currency in question from the date of expropriation until the date of actual payment

4. The investor affected shall have a right, under the national legislation of the Contracting Party making the expropriation, to prompt review, by a judicial or other independent authority of that Contracting Party, of his or its case and to the valuation of his or its investment in accordance with the principles set out in this Agreement.

Article 7. Transfers

1. In accordance with its national legislation, Each Contracting Party shall in good faith ensure to investors of the other Contracting Party the free transfer of payments in connection with an investment, into and out of its state territory. Such payments shall include in particular, though not exclusively:

a. invested capital and additional amounts to maintain or increase investments;

b. returns;

c. proceeds from total or partial liquidation or sale of the investment,

d. the amounts required for payment of expenses which arise from the operation of the investment, such as payment of royalties and license fees or other similar expenses;

e. compensation according to Articles 5 and 6 of this Agreement;

f. payments in respect of management fees;

g. payments arising out of a settlement of a dispute according to Article 11 of this Agreement;

h. payments in connection with contracts, including loan agreements;

i. payments of earnings for the personnel engaged from abroad working in connection with an investment.

2. Transfers referred to in paragraph 1 of this Article shall be made without any restriction or delay, in a freely convertible currency and at the market rate of exchange applicable on the date of transfer for the currency to be transferred. If a market rate is unavailable the applicable rate of exchange shall be the most recent rate of exchange for conversion of currencies into Special Drawing Rights.

3. Notwithstanding paragraphs 1 and 2 of this Article, a Contracting Party may delay or prevent a transfer through the equitable, non-discriminatory and good faith application of measures ensuring investors' compliance with the host Contracting Party's national legislation relating to

a. the payment of taxes and state duties;

b. bankruptcy or insolvency proceedings, or the protection of the rights of creditors; criminal or penal offences; and

c. ensuring compliance with orders or judgments of the courts or tribunals of the host Contracting Party.

4. Contracting Party may adopt or maintain measures not conforming with its obligations under Article 7 of this Agreement;

a. in the event of serious balance of payment and external financial difficulties or threat thereof; or

b. in case where, in exceptional circumstances, movements of capital cause or threaten to cause serious difficulties for macroeconomics management, in particular, monetary and exchange rate policies;

5. Measures referred to in paragraph 4:

a. shall be consistent with the Article of Agreement of the International Monetary Fund;

b. shall be temporarily and shall be eliminated as soon as conditions permit; and

c. shall be promptly notified to the other Party.

6. Nothing in this Article shall be regarded as altering the rights enjoyed and obligations undertaken by a Party as a party of the International Monetary Fund.

Article 8. Subrogation

Where a Contracting Party or its designated agency (guarantor) makes a payment under a guarantee it has accorded in respect of non-commercial risks of an investment in the state territory if the other Contracting Party, the host Contracting Party shall recognize the assignment to the guarantor of all the rights and claims resulting from such an investment, and shall recognize that the guarantor is entitled to exercise such rights and enforce such claims to the same extent as the original investor.

Article 9. Denial of Benefits

1. A Contracting Party may deny the benefits of this Agreement, to an investor of the other Contracting Party and to the investments of that investor, if:

- the investor is owned or controlled by persons having the nationality of a third state or nationality of the denying Party;

- or the investor conducts no substantial business activities in the state territory of the other Contracting Party.

For the avoidance of doubt, once exercised, such denial may apply to all or only specified investors or investments of investors, and whether existing or future investors or investments.

Article 10. Settlement of Disputes between the Contracting Parties

1. Disputes arising between the Contracting Parties concerning the interpretation or application of this Agreement shall be settled, as far as possible, by consultations and negotiations.

2. If a dispute between the Contracting Parties cannot thus be settled within six (6) months from the date of the commencement of negotiations, it shall, upon the request of either Contracting Party be referred to an Arbitration Tribunal constituted in accordance with this Article.

3. Such an Arbitral Tribunal shall be constituted for each individual case in the following way. Within two (2) months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the Tribunal. Those two (2) members shall then select a national of a third state who on approval by the two (2) Contracting Parties shall be appointed Chairman of the Tribunal. The Chairman shall be appointed within four (4) months from the date of appointment of the other two (2) members.

4. If the arbitration tribunal is not set up within the periods specified in paragraph 3 of this Article, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make the necessary appointments. If the President of the International Court of Justice is a national of either Contracting Party or if he is otherwise prevented from discharging the said function, the Vice President of the International Court of Justice shall be invited to make the necessary appointments. If the Vice President of the International Court of Justice is a national of either Contracting Party, or if he too is prevented from discharging the said function, each Contracting Party may request that the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party makes the necessary appointments.

5. The arbitration tribunal shall decide on the basis of the provisions of this Agreement as well as of the generally accepted principles and rules of international law. The arbitration tribunal shall decide by a majority vote. Its awards shall be final and binding on both Contracting Parties.

6. Each Contracting Party shall bear the costs of its own representation in the arbitration proceedings. The costs of the Chairman and the remaining expenses shall be borne in equal parts by the Contracting Parties.

Article 11. Settlement of Disputes between an Investor and the Host State

1. Disputes between an investor of one Contracting Party and the other Contracting Party concerning an obligation of the latter under this Agreement relating to an investment of the former, shall be settled, as far as possible through negotiations.

2. If the dispute referred to in paragraph 1 of this Article cannot be settled by negotiations within six (6) months from the written notification of the claim, either party to the dispute may submit the dispute for settlement to:

a. a competent court of the Contracting Party in whose state territory investment has been made; or

b. tribunal, which unless otherwise agreed upon by the parties to the dispute, is to be established under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL); or o

c. The International Centre for Settlement of Investment Disputes (ICSID), established pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of other States, opened for signature at Washington on 18 March 1965 (hereinafter referred to as the "Centre").

3. Once the investor has submitted the dispute to the competent court of the Contracting Party in accordance with paragraph 2(a) or to one of the arbitration procedures stipulated in paragraphs 2(b) to 2(d) of this Article, the choice of the procedure is final.

4. Neither of the Contracting Parties, which is a party to a dispute, can raise an objection, at any phase of the arbitration procedure or of the execution of an arbitral award, on account of the fact that the investor, which is the opposing party of the dispute, had received an indemnification covering a part or the whole of its losses by virtue of an insurance.

5. Dispute shall be resolved in accordance with law, applying the terms of this Agreement, the national legislation of the Contracting Party to the dispute, and principles of public international law.

6. Such award shall be final and binding for the parties to the dispute and shall be enforced at the state territory of the Contracting Parties in accordance with principles of public international law and national legislation.

Article 12. Application of other Provisions

1. If the laws of either Contracting Party or international agreements existing at present or established hereafter between the Contracting Parties or other international agreements whereof the Contracting Parties are signatories contain provisions entitling investments by investors of the other Contracting Party to a treatment more favorable than is provided for by the present Agreement, such national legislation shall to the extent that they are more favorable prevail over the present

Agreement.

2. The provisions of this Article shall not be construed so as to oblige one Contracting Party to be submitted to any other mechanism of dispute settlement with investor of other Contracting Party except those explicitly provided in the Article 11 of this Agreement.

Article 13. Consultations

The Contracting Parties agree to consult promptly, on the request of either, to resolve any dispute arising between them in connection with this Agreement, or to review any matter relating to the implementation or application of this Agreement or to study any other issue that may arise from this Agreement. Such consultations shall be held between the competent authorities of the Contracting Parties at a place and at a time agreed upon by the Contracting Parties through diplomatic channels.

Article 14. Application of the Agreement

The provisions of this Agreement shall apply to investments made by investors of one Contracting Party prior to as well as after the date of entry into force of this Agreement, and shall be applicable from the date of its entry into force, but it shall not apply to any dispute concerning an investment which arose, or any claim, which was settled before entry into force of this Agreement.

Article 15. Additions and Amendments

Any additions and amendments may be made to this Agreement by mutual consent of the Contracting Parties. Such additions and amendments shall be made in a form of sepatate agreements on amendments or protocols between the Contracting Parties. They shall enter into force in accordance with the same procedure for entering into force the original Agreement, and from the date of entering into force, become an integral part of this Agreement.

Article 16. Entry Into Force, Duration and Termination of the Agreement

1. This Agreement shall enter into force on the thirtieth day following the date of receipt through diplomatic channels of the last written notification, by which the Contracting Parties inform each other on fulfillment of their internal procedures necessary to this end.

2. This Agreement shall remain in force for uncertain period of time unless one Contracting Party notify the other Contracting Party through diplomatic channels in writing of its intention to terminate it. The termination of this Agreement shall become effective one (1) year after notice of termination has been received by the other Contracting Party.

3. With respect to investments made prior to the date of termination of this Agreement the provisions of Articles 1 to 15 shall remain in force for a further period of ten (10) years from the date of termination of this Agreement.

Done at Belgrade, on the 8" of June, 2011 in two originals, each in the Serbian, Azerbaijani, and English languages, all texts being equally authentic. In case of any divergence of interpretation and application, the English text shall prevail.

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

For the Governmert of the Republic of Serbia

For the Gqvernment of the Republic of Azerbaijan