

**SERBIA AND MONTENEGRO**  
**Republic of Serbia**

**SOLICITATION OF EXPRESSIONS OF INTEREST**  
**FOR A**  
**FINANCIAL ADVISOR TO PRIVATIZE A POOL OF**  
**FOUR TRANSPORTATION AND RELATED SERVICES COMPANIES**  
**(“POOL 19”):**

- 1. JUGOSLOVENSKO RECNO BRODARSTVO, Belgrade;**
- 2. KAMENKO GAGRCIN, Sombor;**
- 3. LASTA a.d., Belgrade; and**
- 4. ZELVOZ d.o.o., Smederevo**

The Government of Serbia (hereinafter: the GoS), through Serbia and Montenegro, is expecting to receive a Grant from European Agency for Reconstruction, administered by the World Bank, to support the privatization, restructuring and bankruptcy of the socially-and state-owned enterprises (SOEs) in accordance with the provisions of the Law on Privatization as amended in 2005.

The GoS now intends to apply part of this Grant for services to be provided by a Financial Advisor to undertake the privatization through international tender privatization of a pool of the following four (4) Companies:

Joint Stock Company “**JUGOSLOVENSKO RECNO BRODARSTVO**” was founded in 1947. It is located in Belgrade, the capital of the State Union of Serbia and Montenegro. In July 2005, it employed 645 workers. Main operating activities of the Company are inland and international waterway traffic, lake transportation services (agency), construction and repair of ships. The Company’s facilities are located on ca. 7 ha of surface area. Buildings owned by the Company have total floor space of ca. 8,300 m<sup>2</sup>, out of which 6,520 m<sup>2</sup> is the office building located in the center of Belgrade. The main equipment consists of closed, open and tank barges. Main portion of income is achieved in foreign market. In 2003 and 2004, the sale in foreign markets accounted for 58.35% and 81.93% respectively of the total sale. In 2004, the Company achieved net sale revenues in the amount of EUR 8.86 million, and presented loss of EUR 1.72 million. Total operating assets at the end of the year was EUR 32.79 million, and the total equity of the Company was EUR 30.70 million. The implementation of operating procedures in accordance with ISO 9001 standard requirements is currently underway. Modernization and maintenance of the equipment is required. The share of socially owned capital in the total capital structure is 99.98%. Remaining 0.02% is share capital. Privatization Agency offers 70% of the socially-owned capital for sale. Remaining 30% of the socially-owned capital will be distributed in accordance with the Law on Privatization.

Joint Stock Company for inland and international waterway traffic and trade “**KAMENKO GAGRCIN**” was founded in 1978. It is located in Sombor, 190 km northeast of Belgrade. Sombor is located in Vojvodina province, on the Danube - Tisa - Danube channel. According to the data from April 2005, the Company has 170 employees. The main operating activities of the Company are transportation of goods by rivers, channels and other inland and international waterways, as well as trade. Gravel is the main good transported by cargo ships. The Company performs its activities on the construction land surface of 38 ha. The Company owns buildings and warehouses in Sombor, Vrbas, Kikinda, Novi Becej, etc, with total floor surface of ca. 6,800 m<sup>2</sup>. The main equipment of the Company consists of 15 cargo ships. The equipment needs modernization. The sale structure of the Company is almost completely orientated to local market (99%). In fiscal year 2004, the Company achieved operating revenues in the amount of EUR 6.81 million and net profit in the amount of EUR 1,000. Book value of the Company assets was EUR 1.57 million, and the book value of the equity was EUR 0.57 million. The Company equity structure is the following: 98.41% socially-owned capital and 1.59% private capital. The

Privatization Agency is offering 70% of the Company's socially-owned capital for sale, with a goal of attracting a reputable, international or domestic, strategic investor with industry expertise and financial strength necessary to execute investment and marketing plan which would increase its production volume, introduce new products and strengthen market position. The remaining 30% of the socially-owned capital will be distributed in accordance with the existing Law on Privatization.

Joint Stock Company "**LASTA**" a.d. was established in 1947. It is located in Belgrade. As of July 2005, the Company employed 3,732 workers. Its primary activity is passenger transport in intercity, suburban and international traffic. The Company owns land and buildings in Belgrade, Barajevo, Mladenovac, Sopot, Stara Pazova, Indjija, Valjevo, Smederevska Palanka, Obrenovac, Smederevo and Prokuplje. The main equipment of the Company consists of single and double low-floor buses, single high-floor buses and trucks. In order to perform all activities successfully the Company employs sufficient number of qualified workers. The sales of the Company are recorded mostly in the domestic market (90% of total revenues is achieved in local market). In fiscal 2004, the Company had sales revenues of around EUR 36.7 million and a net profit of EUR 279,000. Book value of the Company assets was EUR 62.4 million, and the book value of equity was around EUR 28.64 million. The main strength of the Company is high quality service, which have been providing over the years permanent renewal of transportation contracts with largest users of services in suburban and intercity traffic. The Company's equity structure is represented by 64.41% state owned capital and 35.59% private capital. The Privatization Agency is offering 100% of the Company's state owned capital for sale, with the goal of attracting a reputable, international or domestic, strategic investor with industry expertise and financial strength necessary to execute investment and marketing plan that would increase volume of services and strengthen market position.

Company "**ZELVOZ**" d.o.o. was founded in 1916. It is located in Smederevo, some 45 km east of Belgrade. According to data from August 2005, the Company employs 1,691 workers. Main operating activity of the Company is repair of rolling stock. This includes production and overhaul of railroad vehicles, production and overhaul of rolling stock, overhaul of buses and production of spare parts for railroad infrastructure. The Company uses construction land, with 19.2 ha of total surface area. In addition, the Company owns several halls and management building, with 33,844 m<sup>2</sup> of total floor surface. The main equipment consists of machines for production and overhaul of passenger and cargo cars and electromotor trains. "Zelvoz" employs sufficient number of skilled workers, but the equipment is obsolete and needs modernization. Nevertheless, the Company complies with all environmental standards and is not a polluter. Sale structure of the Company is almost completely orientated to local market (~95%), whereas the direct sale is the only distribution channel. In fiscal year 2003, the Company achieved net sales revenues in the amount of EUR 9.6 million, and generated net profit in the amount of EUR 0.36 million. Book value of the Company operating assets was EUR 21.6 million, and equity book value was around EUR 16.9 million. In fiscal year 2004, the Company achieved operating revenues in the amount of EUR 7.4 million and net loss in the amount of EUR 2.07 million. Book value of the operating assets was EUR 21.2 million, and equity book value was around EUR 16 million. The Company equity structure consists of 100% state owned capital. The Privatization Agency offers 70% of the state-owned capital for sale, with the goal of attracting a reputable, international or domestic, strategic investor with industry expertise and financial strength necessary to execute investment and marketing plan that would increase its production volume, introduce new products and strengthen market position.

More details about the above four Companies can be obtained from the website of the Privatization Agency, Republic of Serbia ([www.priv.yu](http://www.priv.yu)), or from the Project Manager in charge of the Pool 19, **Mr. Sasa Aleksic** ([saleksic@priv.yu](mailto:saleksic@priv.yu)).

The objective of the GoS in these privatizations is to attract reputable domestic or foreign strategic investors with industry expertise, management know-how and financial strength necessary to improve the Companies' performance and fulfill the necessary investment program in order to utilize and secure the long term development potential.

To achieve this goal, the Privatization Agency, Republic of Serbia (hereinafter: the PA) intends to hire a Financial Advisor to: (i) undertake the necessary vendors due diligence and prepare a Diagnostic Report suggesting necessary pre-privatization measures and the envisaged privatization strategy; (ii) conduct an investors search and actively market the investment opportunity to a wide group of potential purchasers and present a market assessment report comprising the feedback from potential purchasers; (iii) prepare the required tender documentation; (iv) prepare an environmental audit; (v) conduct a valuation; (vi) implement the privatization of the companies through a competitive tender process and manage the sales process until closing of the privatization transaction. All of these activities will be funded by a combination of a Retainer Fee to be financed under the Grant, and a Success Fee to be funded out of the proceeds of the actual sales.

The PA now invites Expressions of Interest (hereinafter: the EOIs) from eligible firms based on which they are to be included in a short list of candidates who are to be sent the relating Requests for Proposals. It is desirable that EOIs include only the most relevant information and do not exceed more than 50 (fifty) pages. Eligible firms must have strong experience in the field of privatization in general, and more specifically in the relevant industry, as well as in the preparation of socially-owned enterprises for privatization, to be documented by the most relevant references. Preferably, eligible firms should have successfully completed one or more comparable assignments. The Financial Advisor must be able to form a team of experienced experts to carry out the subject assignment. The team shall preferably include investment bankers, privatization experts, financial experts, industry experts and legal experts. If a firm cannot provide complete expertise, it may form an association (consortium) with other firm or group of firms. Such an association may take the form of a 'joint venture' or of a 'subconsultancy'.

The EOIs from eligible firms should specify the following relevant information in order to be considered for short-listing: (i) short introduction of the firm/consortium; (ii) evidence of the track record in this type of assignment and the relevant industry, with a maximum of 15 most comparable projects best documenting the required experience (in case of a joint venture, such evidence is required for all members of the joint venture, while in case of a subconsultancy, it is required only for the leading firm); and (iii) names and curricula vitae for proposed professional staff only (project manager, leading privatization expert, financial expert, relevant industry expert, and the leader of the legal counsel). It is strongly desirable if the information required above under (ii) and (iii) is provided in the formats available at the web-site of the Privatization Agency, Republic of Serbia: [www.priv.yu/jn/formats.zip](http://www.priv.yu/jn/formats.zip) ('Format for Evidence of the firm's/consortium's track record' and 'Format for CV for proposed professional staff').

A Financial Advisor will be selected using the **Quality-and Cost-Based Selection (QCBS)**, in accordance with the procedures set out in the **Guidelines: Selection and Employment of Consultants by World Bank Borrowers, May 2004**.

Interested and eligible Consultants who wish to participate should submit their EOIs to the below indicated officials of the PA, **by 31<sup>st</sup> October, 2005 (Monday), and not later than 16:00 hours (local time)**.

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