

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

**SOLICITATION OF EXPRESSIONS OF INTEREST**  
**FOR A**  
**FINANCIAL ADVISOR TO PRIVATIZE A POOL OF**  
**FIVE COMPANIES IN THE SERVICE SECTOR**  
**(“POOL 21”):**

- 1. HOLDING COMPANY FOND INEX – INTEREXPORT AD, Belgrade;**
- 2. INEX HOTELI DP, Belgrade**
- 3. ISP SAVREMENA ADMINISTRACIJA AD, Belgrade;**
- 4. DP JAVNA SKLADISTA, Subotica; and**
- 5. SUMADIJALEK AD, Cacak**

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 five (5) Companies:

Holding Company **“Fond Inex – Interexport” ad**, with headquarters in Belgrade, was established in 1992 and operates as a Holding company with 7 (seven) subsidiaries. The most significant subsidiaries, that are 100% owned by the Holding Company, are: Company for International trade - “INEX” d.o.o.; Company for wholesale and retail trade - “INEX TRADE” d.o.o.; and Company for cinematography – “INEX FILM” d.o.o. “Fond Inex - Interexport” ad owns very attractive and substantial real estate which is located in three Serbian cities (Belgrade, Brezovica, and Cajetina) and abroad (Republic of Croatia and Zambia). The Company’s real estate assets are substantially underutilized. As of October 2005, the total number of employed workers is 164 (“Fond Inex - Interexport” ad: 76; “INEX” d.o.o.: 37; “INEX TRADE” d.o.o.: 48; and “INEX FILM” d.o.o.: 3). In fiscal 2004, “Fond Inex - Interexport” ad had sales revenues of around EUR 109 thousand and a net loss of around EUR 720 thousand. Book value of assets for the Company was EUR 25.4 million, and the book value of equity was close to EUR 22.9 million (assets in the Republic of Croatia not included in the Balance Sheet). “Fond Inex - Interexport” ad did not prepare consolidated annual financial reports (subsidiaries’ financial results not considered when above presented results prepared). The Company’s equity structure is as follows: 99.98% socially-owned capital and 0.02% privately owned capital. The Privatization Agency is offering 70% of the socially-owned capital of Fond Inex - Interexport” ad for sale, with a goal of attracting a reputable, international or domestic strategic investor. The remaining part of the socially-owned capital is to be transferred to the employees free of charge up to 15% and to the citizens through the Privatization register (at least 15%) in accordance with the Law on Privatization.

Socially-owned Company for tourism and trade - **“Inex Hoteli” DP**, Beograd, was established in 2002 and was included into this Pool of companies due to its ongoing dispute with Holding Company, “Fond Inex - Interexport” ad. “Inex Hoteli” DP is active in tourism, catering and trade services and has the right to use the “Inex Ski Center” in Brezovica and “Inex Zlatna obala” in Sutomore (Montenegro), property on the basis of tenure over which there is a dispute with “Fond Inex - Interexport” ad. Obviously, this dispute can be resolved by a joint privatization effort. According to the assessment of the World Ski Federation (FIS), the skiing site and infrastructure of the Ski Centre of Brezovica are of a high quality, registered for FIS slalom competition, giant

slalom, super G and downhill racing. "Inex Zlatna obala" complex is a beach hotel in Sutomore (Montenegro) situated in a park with extraordinary vegetation, representing attractive tourist facility of a high standard on the Adriatic seaside. As of October 2005, "Inex Hoteli" employed 286 workers. In fiscal 2004, "Inex Hoteli" had sales revenues of around EUR 2.6 million and a net loss of around EUR 117 thousand. Book value of assets for the Company was EUR 1.7 million, and the book value of equity was around EUR 524 thousand. The Company is 100% socially-owned. The Privatization Agency is offering 70% of socially-owned capital for sale with the remaining part of the socially-owned capital to be transferred to the employees free of charge up to 15%, and to the citizens through the Privatization register (at least 15%), in accordance with the Law on Privatization.

Joint stock Company **ISP "Savremena administracija"** was established in 1954. Books, forms, newspapers and magazines printing and publishing are the Company's main activities. Production units and retail stores are located in three Serbian cities: Belgrade, Nis and Zrenjanin. Machines used for printing and publishing are the main equipment of the Company. As of August 2005, the Company employed 308 workers. In fiscal 2003, the Company had sales revenues of around EUR 3.3 million and net loss of EUR 505,000.00. Book value of assets for the Company was EUR 9.9 million, and the book value of equity was around EUR 9 million. In fiscal 2004, the Company had sales revenues of around EUR 3 million and a net loss of EUR 316,000.00. Book value of assets for the Company was EUR 8.3 million, and the book value of equity was around EUR 7.8 million. The Company's equity structure is represented by 98.5% socially-owned capital and 1.5% of private capital. The Privatization Agency is offering 70% of the Company's socially-owned capital for sale, whereas 30% of the socially-owned capital will be distributed in accordance with the existing Law on Privatization.

Socially-owned company **DP "Javna skladista"** was established in 1960. It is headquartered in Subotica, 200 km north from Belgrade, in the vicinity of Serbian - Hungarian border. The town is economic and administrative center of the north region of the Autonomous Province of Vojvodina. The Company's main activities are storage services and handling of various kinds of goods in more than 22,000 m<sup>2</sup> area of warehouse premises and 107,338 m<sup>2</sup> of land, out of which 86,478 m<sup>2</sup> is intended for construction purposes. Its location is favorable since it is only 20 km away from the European Union border and highway. There is customs office in the Company's facilities too. As of October 2005, the Company employed 40 workers. In fiscal 2004, the Company had sales revenues of around EUR 0.8 million, and a net profit of around EUR 167 thousand. Book value of assets of the Company was EUR 2.3 million, and the book value of equity was close to EUR 2.2 million. The Company's equity is 100% socially-owned. The Privatization Agency is offering 70% of the capital for sale. The remaining 30% of the socially-owned capital will be distributed to the employees and the Privatization Register, in accordance with the Law on Privatization.

Joint Stock Company **"Sumadijalek" AD** was established in 1965. It is located in the city of Cacak, in the southwestern part of the Republic of Serbia, some 130 kilometers south-west of the capital of Belgrade. As of July 2005, the Company employed 71 workers. Its primary activity is wholesale of pharmaceutical products. The Company owns buildings in Belgrade, Novi Sad and Cacak. The main equipment of the Company consists of trucks, vans and other vehicles necessary for distribution of medicaments. In fiscal 2003, "Sumadijalek" AD had sales revenues of around EUR 9.6 million, and a net profit of EUR 94,000. Book value of the Company assets was EUR 3.1 million, and the book value of equity was close to EUR 2.2 million. In fiscal 2004, "Sumadijalek" AD had sales revenues of around EUR 9.7 million, and a net profit of EUR 32,000. Book value of the Company assets was EUR 3.6 million, and the book value of equity was EUR 1.7 million. The Company cooperates with main domestic producers of medications and with several foreign pharmaceutical companies. The Company's equity structure is represented by 97.5% socially-owned capital. The Privatization Agency is offering 70% of the Company's socially-owned capital for sale. The remaining 30% of the socially-owned capital will be distributed to the employees and the Privatization Register in accordance with the existing Law on Privatization.

More details about the above five 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 21, **Mr. Danijel Susnjar** ([dsusnjar@priv.yu](mailto:dsusnjar@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)**.

**Contact persons:** Ms. Zorica Petrovic

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