

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

**SOLICITATION OF EXPRESSIONS OF INTEREST**  
**FOR A**  
**FINANCIAL ADVISOR TO PRIVATIZE A POOL OF FOUR COMPANIES**  
**(“POOL 22”):**

1. „FABRIKA KOTRLJAJUCIH LEZAJEVA I KARDANA - FKL” A.D., TEMERIN;
2. “RADIJATOR” A.D. , ZRENJANIN;
3. “OPTIKA”, BEOGRAD;
4. MINEL TRANSFORMATORI A.D., RIPANJ

The Government of Serbia (hereinafter: the GoS), through Serbia and Montenegro, has received 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 **“Fabrika kotrljajućih ležajeva - FKL,“ A.D. – TEMERIN**, was founded in 1960. It is located in Temerin, Vojvodina province. In September 2005, the Company employed 596 workers.

Main operating activities are: production of roller and ball bearings and cardan shafts. The land surface used by the Company is around 190.000 m<sup>2</sup>. Floor surface of buildings owned by the Company is around 20.000 m<sup>2</sup>.

Main equipment consists of bearing line and cardan line. The Company employs sufficient number of skilled staff for performing its operations.

The Company generates income mostly in foreign markets. In the years 2003 and 2004 share of sale in the foreign markets in comparison to total sales, was 53%, and 57% respectively.

In 2003, the Company generated net sales revenues in the amount of EUR 7.16 million, and profit before tax of EUR 0.03 million. Total operating assets at the end of the year was EUR 8.26 million while total equity was EUR 0.99 million. Following year the Company generated net sales revenues in the amount of EUR 9.25 million, and profit before tax of EUR 0.042 million. Total operating assets at the end of the year was EUR 7.66 million, and total equity of the Company was EUR 0.9 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 equity structure is 98.63%, remaining 3.17% is privately owned capital. Privatization Agency offers for sale 70% of the socially owned capital. Purpose of this sale is attracting renowned strategic investor, foreign or local, with financial strength to make necessary investments and implement marketing plan in order to increase the production and sale of services, and strengthen the market position. Remaining 30% of the socially owned capital will be distributed in accordance with the Law on Privatization.

**“Minel transformatori”**, company for production and repair of energy transformers, was founded in 1968. It is located in Ripanj, 25km from Belgrade. Company’s core activity is production of electric engines and generators of high and medium power. In Former Yugoslavia, “Minel transformatori” was the largest producer of transformers, covering more than half of the market demand for these products. The Company has no competition in State Union of Serbia and Montenegro. The Company employs 316 workers.

Company's real estate consists of buildings with total area surface of 10.214 square meters, which accommodate production hall, paint shop, design office and warehouse. Offices cover the area of 500 square meters, and are located on construction land in Ripanj with the total area surface 37.485 square meters.

Total sale revenues in 2004 was around EUR 6,2 million, with positive operating result of around EUR 0,07 million, and net profit of EUR 0,1 million. According to preliminary financial statements for 2004, which were not audited in accordance with international accounting standards, Company's equity was EUR 2 million and total assets in the amount of EUR 3,5 million.

The Company has stake in MINEL SREDER Company. There are no significant outstanding liabilities towards creditors, suppliers, employees and government authorities.

Company's equity consists of 87,25% of socially owned capital and 12,75% share capital. Potential investors are offered to purchase 70% of socially owned capital, which represents 61,1% of the total capital. Objective is to attract a reputable international strategic investor, with financial capacity, technical know-how and marketing skills that will assist the Company to restore its technology, redefine business strategy and improve export potential. Remaining 30% of socially owned capital will be distributed to workers free of charge (up to 15%) and to citizens through Privatization Registry (at least 15%), in line with the Law on Privatization.

Joint stock Company "**Optika**" was established in 1954. It is located in Belgrade, the capital of Serbia and Montenegro and administrative, economic, university and cultural center of the Republic of Serbia. As of August 2005, the Company employed 344 workers.

Company's main activities are production of optical and photographic equipment. Their retail stores are located all over Serbia, with at least 30 stores located in Belgrade. The main products are various types of glasses and lenses. The company main equipment consists of machines for production and processing of glasses and lenses. Company "Optika" built its reputation in the last 50 years, and therefore has recognizable quality and brand.

The sales of the Company are recorded in the domestic market. In fiscal 2003, the Company had sales revenues of around EUR 3.5 million and net loss of EUR 8.000. Book value of assets was EUR 4.7 million, and the book value of equity was around EUR 3.3 million.

In fiscal 2004, the Company had sales revenues of around EUR 3.3 million and a net loss of EUR 27.000. Book value of assets for the Company was EUR 4.3 million, and the book value of equity was around EUR 2.9 million.

The Company's equity structure is represented is the following 58, 40 % state owned capital, 38.54% private capital and 3.06% socially owned capital. The PA is offering 70% of the Company's socially owned capital and 100% of the Company's state 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.

Joint Stock Company "**Radijator**" was established in 1932. It is located in Zrenjanin, some 80 kilometers north of the capital of Belgrade. As of December 31<sup>st</sup>, 2005, the Company employed 429 workers.

Its primary activity is production of boilers and radiators for central heating.

The main equipment of the company consists of electrical industrial furnaces, machines for production of molds, 8 lines for production of cores and machines for final processing and tool shop. In order to perform all activities successfully the Company employs sufficient number of qualified workers.

The sales of the Company are recorded mostly in an international market (63% of total revenues are achieved in an international market).

In fiscal 2003, the Company had sales revenues of around EUR 6,8 million and a net profit of EUR 547.000. Book value of Company assets was EUR 23,5 million, and the book value of equity was around EUR 21,5 million. In fiscal 2004, the Company had sales revenues of around EUR 7,3 million and a net profit of EUR 1,16 million. Book value of company's assets was EUR 18,2 million, and the book value of equity was around EUR 16,2 million.

The Company's equity structure is represented by 50,62% state owned capital and 49,38% private capital. The PA 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.

**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, Mr. Caslav Obradovic ([cobradovic@priv.yu](mailto:cobradovic@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).

A Financial Advisor will be selected using the **Least Cost Selection (LC)**, 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 15th March, 2006 (Wednesday), and not later than 16:00 hours (local time)**.

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