

Pursuant to Articles 28, 69, 70, and 72 of the Law on Privatization (Official Gazette of the Republic of Serbia No. 38/2001, 18/2003, and 45/2005) and Article 9 of the Law on the Privatization Agency (Official Gazette of the Republic of Serbia No. 38/2001 and 135/2004) and Articles 9 and 10 of the Law on the Share Fund (Official Gazette of the Republic of Serbia No. 38/2001 and 45/2005), the Privatization Agency (hereinafter: the "Agency") issues this:

PUBLIC INVITATION
for participation in the public tender for the sale of 24,033 shares bearing
CFI code: ESVUFR, ISIN number: RSTRELE78133, par value of RSD 2,400,
representing 37.49421% of the total equity of the company (hereinafter: the "Block of Shares"):

"TERMOELEKTRO" a.d.
specialized holding stock corporation for engineering, maintenance, overhaul, and revitalization of
energy and industrial facilities with in-house designing, equipment manufacturing, and transport in the
country and abroad, Belgrade, Uralska 9
(hereinafter: the "Company")

Tender Code: **TE 32/06**

1. Total registered capital of the Company consists of 27.72790% of the capital owned by the Share Fund, 9.76631% of the capital held by the PIO Fund, 2.13580% of the socially owned capital (reserved for payments for shares subscribed in the second round of the ownership transformation) and 60.36999% of the capital held by individual shareholders.

2. The Agency is offering to sell the Block of Shares consisting of 24,033 shares bearing CFI code: ESVUFR, ISIN number: RSTRELE78133, par value of RSD 2,400, of which 17.773 shares are owned by the Share Fund, and 6.260 shares are owned by the PIO Fund, jointly representing 37.49421% of the total equity of the Company.

2a. The bidder is required to offer a price per share for all shares of the Company, given that after the ranking of submitted bids, the Share Fund shall invite the individual shareholders to join their shares to the shares in the Share Fund's portfolio (i.e. the Block of Shares), in order to form the majority stake.

3. Basic Company Data:

Address: Uralska 9, Belgrade

T: +381 11 2782 333

F: +381 11 2773 249

Core business activity: General machinery industrial services

Further information on the Company may be found at
http://www.priv.yu/pregled_preduzeca/pdf/e-teaser_15740.pdf

A detailed overview of the Company, rules of the procedure, as well as the Information Memorandum (hereinafter: the "Tender Documents") shall be available to all interested parties upon signing of the Confidentiality Agreement and purchasing the Tender Documents.

The Tender Documents fee is EUR 6,000 (six thousand euros).

The Privatization Agency has appointed Altis Capital d.o.o. Belgrade to act as its advisor in this privatization (hereinafter: the "Advisor").

4. A bid may be submitted by:

A. An interested bidder that fulfils the following requirements:

- it has purchased the Tender Documents, and
- meets at least one of the following criteria:

either

a) It is engaged in machining and cold-casting and/or general machinery industrial services and/or production of metal construction elements and/or production of steam boilers, and/or production of tanks, reservoirs, and holding devices made of metal and/or insulation works, and generated operating revenues of not less than EUR 15.000.000 (fifteen million euros) in 2005,

or

b) It is a financial investor (a legal entity whose core business is investment of money and/or asset management, validly existing for at least 2 business years, which includes investment companies, open-end and close-end investment funds, pension funds, insurance companies, and investment banks) with total operating assets not less than EUR 50.000.000 (fifty million euros) in 2005,

or

c) It is an investor which generated operating revenues of not less than EUR 30.000.000 (thirty million euros) in 2005.

If the potential bidder is a subsidiary company that does not fulfill the requirements of this clause of the Public Invitation, its parent company has the right to submit a bid, if it fulfills these conditions. In that case, the parent company has the right to submit the bid if the subsidiary purchased the Tender Documents.

If the potential bidder is a parent company that does not fulfill requirements of this clause of the Public Invitation, its subsidiary has the right to submit the bid, if it fulfills the stated requirements. In that case, the subsidiary has the right to submit the bid if the parent company purchased the Tender Documents.

B. If the interested bidder is a consortium, such consortium shall meet the following criteria, cumulatively:

- All Consortium members have passed the Decision on organizing and entering the Consortium,
- All Consortium members have concluded a written Consortium Agreement and certified it with the Court, or other competent body (in the case of foreign legal entities and natural persons),
- Each Consortium member assumed unlimited joint and several liability by the provisions of the Consortium Agreement,
- The Consortium Agreement specifies each member's percentage in the acquisition of the capital of the Enterprise, provided that at least one Consortium Member has no less than 51% share in the Consortium (hereinafter "Consortium Leader")
- All Consortium members have signed a certified Power of Attorney for the member representing the Consortium,
- All Consortium members have signed the Confidentiality Agreement,
- At least one member of the Consortium has purchased Tender Documents,
- The Consortium Leader fulfills at least one of the following conditions:

either

a) It is engaged in machining and cold-casting and/or general machinery industrial services and/or production of metal construction elements and/or production of steam boilers, and/or production of tanks, reservoirs, and holding devices made of metal and/or insulation works, and generated operating revenues of not less than EUR 15.000.000 (fifteen million euros) in 2005,

b) It is a financial investor (a legal entity whose core business is investment of money and/or asset management, validly existing for at least 2 business years, which includes investment companies, open-end and close-end investment funds, pension funds, insurance companies, and investment banks) with total operating assets not less than EUR 50.000.000 (fifty million euros) in 2005,

or

c) It is an investor which generated operating revenues of not less than EUR 30.000.000 (thirty million euros) of in 2005.

5. The Agency hereby invites all interested parties to submit a written request for the purchase of the Tender Documents no later than by **19 February 2007**.

The Tender Documents shall be available to all interested parties as of 10 January 2007.

The request for the purchase of Tender Documents shall be submitted to the Advisor by mail, e-mail, or fax, clearly marked "Request for the purchase of Tender Documents – tender code **TE 32/06**".

Upon receipt of such request, an invoice for payment of the Tender Documents fee, as well as the Confidentiality Agreement for signature, shall be forwarded to the applicant's authorized representative by mail, e-mail, or fax. The signed Confidentiality Agreement must be immediately faxed and mailed back to the Advisor to the address below.

Upon receipt of the signed Confidentiality Agreement, and the evidence of payment of the Tender Documents fee, the Advisor shall deliver the Tender Documents to the public tender participant by mail, e-mail, or hand it to its authorized representative.

The Advisor and the Agency shall not be liable in the event of any loss or delay that may occur in delivery of any document.

6. The deadline for submission of final binding bids for the acquisition of shares of the Company referred to in Clauses 2 and 2a herein is **19 March 2007, by 5 p.m. (17h00) Belgrade time**. If necessary, the Agency reserves the right to amend the deadlines set forth in this Public Invitation. As a prerequisite for submission of a bid, it is required to pay a deposit or provide a Bid Bond in the amount of EUR 100,000 (one hundred thousand euros).

7. For all inquiries pertaining to this Public Invitation, interested parties may contact the representatives of the Advisor and the Agency listed below, in Serbian and English:

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