PRIVATIZATION AGENCY
Republic of Serbia

Deloitte.

Pursuant to Article 28 of the Law on Privatization ("Official Gazette of the Republic of Serbia" no. 38/2001, 18/2003 and 45/2005),

the Privatization Agency
(hereinafter: "the Agency")
hereby announces a:

PUBLIC INVITATION

For participation in the Public Tender for the sale of 100% of total registered capital in:

"Magnohrom" D.P. - in restructuring
(hereinafter: "Entity undergoing privatization")

Tender Code: **MAG12/05**

1. The total registered capital of the Entity undergoing privatization, consists of 100% socially owned capital.

2. The Agency is offering for sale 100% of socially owned capital of the Entity undergoing privatization, the sole domestic manufacturer of base refractory materials, and one of the largest producers of electrothermic products.

3. Details about the Entity undergoing privatization:

Address: **Dositejeva bb, 36000 Kraljevo, Republic of Serbia, Serbia & Montenegro**
Phone: **+381 36 331-322**
Fax: **+381 36 334-906**
Industry: **production of refractory materials and electrothermic products**

More details about the Entity undergoing privatization are available at

http://www.priv.yu/pregled_preduzeca/zip/e-cp_382.zip

Detailed information on the Entity undergoing privatization along with the Information Memorandum (hereinafter: the "Tender Documents") will be made available to all interested tender participants upon signing of the Confidentiality Agreement and payment of the Tender Documents fee.

The Tender Documents fee is EUR 5,000.00 (five thousand Euro)

The Agency has appointed Deloitte d.o.o Belgrade, to act as advisor in this privatization procedure (hereinafter: Consultant).

4. A bid may be submitted by:

A. A potential bidder that fulfils the following requirements:

- Has purchased the Tender Documents, and
- Fulfills at least one of the following requirements:
  a) it has either been engaged in production and/or processing and/or trade of refractory materials, or production and/or trade of electrothermic products for at least the last 3 operating years in continuity, and achieved operating revenues in excess of EUR 30.000.000 (Euro thirty million) in 2005;
  b) **or** is a financial investor (legal entity whose core activity is investment of money, which exists for at least the last 3 operating years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks) with total operating assets exceeding Euro 100,000,000 (Euro one hundred million) in 2005;
  c) **or** is an investor that achieved operating revenues exceeding EUR 50.000.000 (Euro fifty million) in 2005.

If a potential bidder is a subsidiary 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 the stated requirements. The parent company has the right to submit the bid if the subsidiary has purchased the Tender Documents.

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

B. If a potential bidder is a consortium, it is necessary that it fulfills cumulatively the following requirements:

- All Consortium members have made the decision on organizing and entering into the consortium;
- All Consortium members have signed a written Consortium Agreement and duly notarized it at Court or other relevant authority (in case of foreign legal entities and individuals);
- Each member of the consortium assumes an unlimited joint and several liability according to the provisions of the Consortium Agreement;
- The Consortium Agreement specifies each member's percentage in the acquisition of the capital of the Entity undergoing privatization;
- All Consortium members have signed a notarized power of attorney for the representing member of the Consortium;
- All Consortium members have signed the Confidentiality Agreement;
- At least one of the Consortium members has purchased the Tender Documents; and
- The Consortium member with the largest share in Consortium fulfills at least one of the following requirements:

(a) it has either been engaged in production and/or processing and/or trade of refractory materials, or production and/or trade of electrothermic products for at least the last 3 operating years in continuity, and achieved operating revenues in excess of EUR 30.000.000 (Euro thirty million) in 2005;

(b) or is a financial investor (legal entity whose core activity is investment of money, which exists for at least the last 3 operating years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks) with total operating assets exceeding Euro 100,000,000 (Euro one hundred million) in 2005;

(c) or is an investor that achieved operating revenues exceeding EUR 50.000.000 (Euro fifty million) in 2005.

5. The Agency hereby invites all interested parties to submit a written request for purchase of the Tender Documents for the Entity undergoing privatization, **by March 10, 2006**;

   The Tender Documents will be available to the interested parties starting from January 11, 2006.

   A written request for purchase of the Tender Documents shall be sent by post, e-mail or facsimile to the Consultant, and shall clearly display the reference "Request for purchase of the Tender Documents – Tender Code **MAG 12/05**".

   Upon receipt of the request, an invoice for paying the Tender Documents Fee as well as the Confidentiality Agreement for signature shall be forwarded to the tender participant's authorized representative by post, e-mail or fax. The signed Confidentiality Agreement shall be immediately faxed and mailed back to the Consultant to the address below.

   Upon receiving the signed Confidentiality Agreement, evidence of authorization for the person that signed the Confidentiality Agreement and evidence of payment of the Tender Documents Fee, the Agency shall forward the relevant Tender Documents to the tender participant by mail/e-mail or hand it to its authorized representative.

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

6. The deadline for submission of the final binding offers for acquisition of 100% of the socially owned capital of the Entity undergoing privatization by interested bidders is **April 7, 2006, at 05:00 p.m.** (Belgrade time).

   If necessary, the Agency reserves the right to amend the terms and deadlines of this Public Invitation. As a prerequisite for submitting a bid, it is required to pay a deposit or submit a Bid Bond in the amount of EUR 50,000 (Euro fifty thousand).

7. All questions relating to this Public Invitation should be directed to the Consultant or the Agency at the addresses below, in Serbian or English:

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