

In accordance with Article 28 of the Law on Privatization (as published in the Official Gazette of the Republic of Serbia Nos. 38/2001 and 18/2003), the Privatization Agency of the Republic of Serbia (hereinafter the “**Agency**”) hereby announces a:

PUBLIC INVITATION

for participation in a public tender process
for the sale of socially owned capital of:

DP “Fabrika Duvana” Nis, Nis

Tender Code: DIN/03

1. The Agency offers for sale 70% of the socially owned capital of DP “Fabrika Duvana” Nis (hereinafter the “**Company**”), which represents 66.45% of the total capital of the Company.

The socially owned capital of the Company is comprised of 6,510,054,000 Yugoslav Dinars (hereinafter “**YUM**”), represented by 6,510,054 shares with a nominal value of 1,000 YUM each.

The Agency has appointed Morgan Stanley & Co. Limited to act as financial consultant (the “**Financial Advisor**”) and Linklaters Miculiți & Asociații to act as legal consultant (the “**Legal Advisor**”) with respect to the privatization of the Company.

2. Details about the Company are as follows:

Address:	12. februaru 74, Nis 18000
Phone Number:	+381 18 584 255
Fax Number:	+381 18 584 239
Industry:	manufacturing of cigarettes and tobacco products
Tender Code:	DIN/03

General data about the Company is available at
http://www.pa-serbia.co.yu/pregled_preduzeca/pdf/teaser_496.pdf and
<http://www.mpriv.sr.gov.yu/scp/DINis.pdf>.

Detailed information about the Company will be made available in an information memorandum and instructions to bidders (collectively the “**Tender Documents**”) to interested parties that fulfill the criteria set out in Section 4 below (hereinafter a “**Tender Participant**”).

3. The Agency hereby invites interested parties to submit a written request to purchase the Tender Documents, clearly marked “Tender Documents Request: Tender Code DIN/03”, together with the supporting documents required under Section 5 below (collectively a “**Tender Documents Request**”) to the Financial Advisor at any time between the date of publication of this Public Invitation and 18.04.2003, at 17.00 hours (London time).

4. An interested legal entity (hereinafter “**interested party**”) shall be entitled to purchase the Tender Documents if it fulfills the following criteria:
- (i) it is an entity with more than five (5) years’ direct experience in cigarette manufacturing (in-house production);
 - (ii) its net revenues from tobacco products sales in the most recently audited fiscal year exceed the equivalent of Euro 150,000,000; and
 - (iii) it has the ability to evidence, with full transparency, its actual and beneficial (as the case may be) ownership and control structure, as well as that of its parent companies and related companies.

An interested party which does not satisfy the criteria contemplated by points (i) and (ii) above but which is directly or indirectly wholly owned (with 100% of its capital) by a legal entity that fulfills the above criteria (hereinafter a “**Parent Company**”) is also entitled to purchase the Tender Documents.

5. An interested party’s Tender Documents Request must include the following documents, submitted in the English language and certified as authentic by one of its duly authorized representatives:
- (i) a copy of the deed of incorporation, effective charter and the current by-laws, or equivalent constitutive documentation, of the interested party;
 - (ii) a list of the members of the corporate bodies;
 - (iii) consolidated audited financial statements (statutory or international accounting standards, if available) for the last three audited fiscal years or, in the case of entities incorporated for less than three fiscal years, for each audited fiscal year during such entity’s existence; such financial statements must be provided together with relevant reports of corporate bodies and any audit reports;
 - (iv) an outline of the ownership and control structure as well as an identification of the ultimate parent company and/or controlling entity, including a summary of any beneficial ownership interests, nominee shareholdings and/or contractual rights granting the power to vote in or otherwise control such entity, as well as confirmation that all such beneficial ownership relations and/or control rights have been fully disclosed;**
 - (v) a summary description (maximum three pages) of the business carried out by the interested party, by the group to which it belongs and by its Parent Company, highlighting, in particular, financial and commercial data attributable to the tobacco production, processing and distribution sectors in which it operates;

In the case of companies that are publicly traded on an internationally recognised stock exchange, reasonable limitations on the ability to identify beneficial ownership are recognised by the Agency and may be exempted.

** In the case of companies that are publicly traded on an internationally recognised stock exchange, reasonable limitations on the ability to obtain detailed information on equity stake holders that are not affiliates is recognised by the Agency and may be exempted.

- (vi) a declaration that the interested party is not in liquidation or otherwise subject to any proceedings of insolvency, administration or similar proceedings which imply a state of insolvency, the termination of business activities or the appointment of a receiver;
 - (vii) confirmation of the absence of any conflicts of interest with regard to the sale procedure of the Company; and
 - (viii) the name, address, telephone number, e-mail and fax, if available, of the contact person for the interested party.
6. In the event that the interested party submitting a Tender Document Request is an entity which itself does not satisfy the criteria contemplated by points (i) and (ii) of Section 4 above, but the criteria are instead fulfilled by its Parent Company, the documents requested in Section 5 must also be supplied for the Parent Company.
 7. The Financial Advisor and the Legal Advisor shall evaluate the submitted Tender Document Requests, on or before 24.04.2003, in order to determine if they fulfill the qualification criteria set out in Section 4 above and may request additional information in order to determine whether the interested party fulfills such criteria.
 8. On 25.04.2003, the Agency shall announce to all interested parties that have submitted timely Tender Documents Requests, whether they fulfill the qualification criteria set out in Section 4 above, and will forward to those that fulfill such criteria, by post, e-mail or facsimile, an invoice for the Tender Documents in the amount of Euros 25,000 plus Euros 5,000 sales tax (collectively the “**Tender Documents Fee**”), as well as a confidentiality agreement. Tender Participants will be required to promptly sign such confidentiality agreement and return it to the Financial Advisor (at the address set out below) as well as promptly pay the Tender Documents Fee (to the account specified in the relevant invoice) on or before 02.05.2003.
 9. Immediately upon receipt by the Financial Advisor of a duly signed confidentiality agreement and confirmation of the Agency that the Tender Documents Fee has been paid, the Tender Documents will be delivered to each Tender Participant, by post, e-mail or facsimile. Any Tender Participant that is thereafter interested in participating in the tender procedure may submit its binding bid pursuant to the rules and procedures set out in the Tender Documents on or before 08.07.2003 at 17.00 hours (Belgrade Time). The Agency reserves the right to amend this deadline, to the extent it deems necessary.
 10. As a prerequisite for submitting a binding bid, a bid bond in favor of the Agency, in the amount of Euro 1,000,000 and in the form of an on-demand bank guarantee issued by a reputable bank acceptable to the Agency will be required, as set out in greater detail in the Tender Documents.

11. All communications or inquiries relating to this Public Invitation should be directed to the following contact person:

Mr. Rory Maw
Morgan Stanley & Co. Limited
25 Cabot Square, Canary Wharf
London, E14 4QA, England
Fax: +44 207 425 5800
E-mail: rory.maw@morganstanley.com

Morgan Stanley & Co. Limited and Linklaters Miculiți & Asociații are acting for the Agency in connection with the privatization of the Company and no-one else and will not be responsible to anyone other than the Agency for providing the protections offered to their respective clients.