

In accordance with the Article 28 of the Law on Privatization ("Official Gazette of the Republic of Serbia" nos. 38/2001, 18/2003, and 45/2005),

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

PUBLIC INVITATION

For participation at a Public Tender for sale of 97.04% of the capital in the Company:
Public Enterprise for pulp and paper production "Milan Stepanovic Matroz" JSC in restructuring, Sremska Mitrovica
(Hereinafter "Entity undergoing privatization")

Tender Code: **MAT/05**

1. The total registered capital of the Entity undergoing privatization consists of 97.04% of state-owned capital and 2.96% of shareholders' capital.
2. The Agency offers for sale 97.04% of the total registered capital of the Entity undergoing privatization, which represents 100% of the state-owned capital.
3. Details about the Entity undergoing privatization:
Address: Jaracki put bb, Sremska Mitrovica, Serbia and Montenegro
Web site: www.matroz.com
Phone: +381 22 641 111
Fax: +381 22 641 705
Activity: Pulp and paper production

More details on the Entity undergoing privatization is available at:
http://www.priv.yu/pregled_preduzeca/pdf/e-teaser_523.pdf

Detailed information about the Entity undergoing privatization, along with the Information Memorandum (hereinafter: "Tender Documents"), will be made available to all interested parties upon signing of the Confidentiality Agreement and purchasing the Tender Documents.

The Tender Documents Fee is EUR 5.000,00 (Euro five thousand).

The Entity undergoing privatization has appointed Economics Institute JSC, Belgrade, to act as advisor in this privatization procedure (hereinafter: Advisor).

4. A bid may be submitted by:

A) Potential bidder that fulfils the following requirements:

- It has purchased the Tender Documents **and**
- It fulfils one of the following requirements:

(a) It has been engaged in production and/or processing and/or trade of cellulose and/or paper, and/or publishing industry for at least the last 3 operating years in continuity, and it achieved operating revenues of not less than EUR 15.000.000 (Euro fifteen million) in 2004;

Or

(b) it is a financial investor (a legal entity whose core activity is investing money, which exist for at least the last 3 operating years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks), with total assets in excess of EUR 50.000.000 (Euro fifty million) in 2004;

Or

(c) it is an investor that achieved operating revenues of not less then EUR 40.000.000 (Euro forty million) in 2004.

If the interested buyer is a Parent company that does not meet the requirements from this clause of the Public Invitation, its subsidiary has the right to submit a bid, if it fulfils the requirements. The Subsidiary may submit a bid if the Parent company has purchased the Tender Documents.

If the interested bidder is a Subsidiary that does not meet the requirements referred to in this clause of the Public Invitation, the Parent company has the right to submit a bid, if it fulfils the requirements. The Parent company may submit a bid if its Subsidiary has purchased the Tender Documents.

B) If an interested bidder is a Consortium, it is necessary that it fulfils cumulatively the following requirements:

- All Consortium members have made the decision on organizing and entering the Consortium;
- All Consortium members have concluded a written Consortium Agreement and notarized it in Court or other competent body (in case of foreign legal entities and individuals);
- Each member of the Consortium assumes an unlimited joint and several liability by provisions of the Consortium Agreement;
- The Consortium Agreement specifies each member's percentage in the acquired capital of the Entity undergoing privatization, whereas at least one consortium member has minimum 51% share in the Consortium (hereinafter: "Consortium Leader");
- All Consortium members have signed a Notarized Power of Attorney for the representing member of the Consortium;
- All Consortium members have signed a Confidentiality Agreement;
- At least one of the Consortium members has purchased the Tender Documents;

- That the Consortium Leader fulfills the following requirement:

(a) It has been engaged in production and/or processing and/or trade of cellulose and/or paper, and/or publishing industry for at least the last 3 operating years in continuity, and it achieved operating revenues of not less then EUR 15.000.000 (Euro fifteen million) in 2004;

or

(b) it is a financial investor (a legal entity whose core activity is investing money, which exist for at least the last 3 operating years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks), with total assets in excess of EUR 50.000.000 (Euro fifty million) in 2004;

Or

(c) it is an investor that achieved operating revenues of not less than EUR 40.000.000 (Euro forty million) in 2004.

5. The Agency hereby invites all interested parties to submit a written request for the purchase of the Tender Documents for the Entity undergoing privatization by **December 2nd 2005**.

Tender Documents will be made available to the interested parties from November 18th 2005.

The request for purchasing the Tender Documents shall be submitted to the Advisor by mail, email or facsimile, clearly marked with "Request for the purchase of Tender Documents – Tender Code MAT/05".

Upon receiving the request, an invoice for payment of the Tender Documents Fee and the Confidentiality Agreement for signature, shall be forwarded to the tender participant's authorized representative by mail, e-mail or facsimile. Signed Confidentiality Agreement shall be immediately faxed and mailed back to the Advisor to the addresses below.

Upon receipt of the signed Confidentiality Agreement and evidence of payment of the Tender Documents Fee, the Advisor shall, in accordance with paragraph 2 of this Clause, without delay send the relevant Tender Documents to the Tender Participant by mail or hand it to its authorized representative.

The Advisor 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 final binding bids for acquisition of the capital of the Entity undergoing privatization is **December 22nd 2005**, at **17:00** hours (CET).

The Agency reserves the right to amend the requirements and deadlines from the Public Invitation, if necessary. As a prerequisite for bid submission, it is necessary to pay a deposit or to submit the Bid Bond in the amount of **EUR 50.000** (Euro fifty thousand).

7. All communications or inquiries relating to this Invitation should be directed to the contact persons at the address below:

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