

Pursuant to Article 33 of the Law on Privatization (“Official Gazette of RS”, no. 83/2014), Article 11 of the Decree on Strategic Partnership (“Official Gazette of RS”, no. 129/2014) and the Conclusion of the RS Government 05 no.: 023-15570/2014 dated December 4, 2014, Privatization Agency (hereinafter: **Agency**) hereby announces:

**PUBLIC INVITATION
for the selection of strategic investor for
the company for production and processing of steel
“ŽELEZARA SMEDEREVO“ DOO SMEDEREVO
ID no.: 07342691**

(hereinafter: **Public Invitation**)

Procedure Code: JP 01/14

The Agency hereby invites all domestic or foreign legal entities interested to participate in the process of privatization through the model of strategic partnership by capital increase of the Company for Production and Processing of Steel Zelezara Smederevo doo Smederevo, ID no.: 07342691 (hereinafter: **Privatization Entity**), via the public gathering of bids method, to submit their applications for the selection of Strategic Investor (hereinafter: **Application**).

1. Subject of Public Invitation

Subject of Public Invitation is the selection of strategic investor who through a capital increase of the Privatization Entity becomes the owner of 80.01% stake in the Privatization Entity, while the Republic of Serbia will retain ownership of 19.99% stake in the Privatization Entity.

2. Information about the Privatization Entity:

According to data from the Business Register maintained by the Serbian Business Registers Agency:

Business name:	Privredno društvo za proizvodnju i preradu čelika Železara Smederevo doo Smederevo (Company for Production and Processing of Steel Zelezara Smederevo doo Smederevo)
ID number:	07342691
Capital structure:	Republic of Serbia 100%
Capital Value:	<ul style="list-style-type: none"> ▪ registered and paid cash capital: in the amount of RSD 16,740,285,582.20 as of 13 June 2012; ▪ registered and paid non-cash capital: in the amount of RSD 34,716,356.87 as of 30 June 2007– in kind, in the amount of RSD 2,109,982,107.14 as of 25 August 2003 – in kind, in the amount of RSD 611,303.012.50 as of 27 August 2013.

More details on the Company available at:

<http://www.priv.rs/Privatization+Agency+/80/.shtml/seo=/companyid=31615/#company>

Information memorandum, Instructions to Bidders and Draft Strategic Partnership Agreement (hereinafter: **Privatization Documents**) will be available to all interested parties after signing of the Confidentiality Agreement and payment of the Privatization Documents Fee.

Privatization Documents Fee is **EUR 10,000 (ten thousand euros)** hereinafter: Fee) in RSD counter value calculated at average exchange rate of the National Bank of Serbia at the invoicing date.

Privatization Documents shall be available from 9 December 2014.

3. The right to submit an application

Strategic investor may be domestic or foreign legal entity. The strategic investor may also include domestic or foreign legal entities associated in the consortium for strategic partnership, which will authorize one legal entity to represent the consortium.

Strategic investor must meet the requirements referred to in Article 12 of the Law on Privatization.

The right to submit an Application is entitled to the interested domestic or foreign legal entity (hereinafter: Applicant) which has purchased the Privatization Documents, signed the Confidentiality Agreement and which cumulatively fulfils the following **Qualification Requirements**:

- 1) It has paid the deposit or submitted the bid bond issued by the first class bank, in the amount of EUR 100,000.00 (one hundred thousand) euros.
- 2) That in the period from 1 January 2004 until the Application filing date, no liquidation (whether voluntary or forced) or any other proceedings has been initiated aimed at execution of assets to satisfy the creditors, including, but not limited to bankruptcy, voluntary liquidation, reorganization, etc., against the Applicant and/or legal person associated with the Applicant in accordance with the definition of associated entities in reference to the guidelines of the International Financial Reporting Standards and US GAAP accounting standards.
- 3) That in the period from 1 January 2004 until the Application filing date the persons proposed by an Applicant for the management bodies in Privatization entity did not act in their capacity of the management bodies in the company or companies with initiated liquidation (whether voluntary or enforced) or any other proceedings aimed at execution of assets to satisfy the creditors, including, but not limited to bankruptcy, voluntary liquidation, reorganization or similar. The term the management body includes but is not limited to Director, Executive Director, Finance Director, Director of Production, Director of Procurement, Sales Director, member of the board of directors, supervisory board members, etc.
- 4) To provide a statement given under civil and criminal liability, that it is familiar with all the provisions of applicable local, national, regional and international anti-corruption regulations, including but not limited to international treaties, resolutions, laws, bylaws, rulings, decrees, etc, and to abide by them in its business during the term of the Strategic Partnership Agreement.
- 5) That in the consolidated level, the Applicant and/or the Applicant's business group has realized revenue of at least 300,000,000.00 (three hundred million) US dollars converted into the currency of the Applicant's country in financial 2011, 2012 and 2013, counting each financial year individually.
- 6) To provide a statement given under civil and criminal liability, that it shall not sell, transfer to a third party or in any other way alienate the assets of the Privatization Entity for a period of ten (10) years from the date of signing of the Strategic Partnership Agreement.

- 7) To provide a statement given under civil and criminal liability, by which it commits to start production in the blast furnace No. 2 of Privatization Entity by the end of 2016, that will work with at least 50% of capacity utilization, while maintaining a 100% capacity utilization of the blast furnace No 1.
- 8) To deliver one or more letters issued by one or more banks, expressing the readiness of these banks to finance the fulfillment of the business plan proposed by the Applicant, as well as the obligations assumed under the Strategic Partnership Agreement.

In case of Application by the consortium, each consortium member must meet the qualification requirements referred to in paragraph 2, paragraph 3, paragraph 4, paragraph 6 and paragraph 7 individually, while the qualification requirements referred to in paragraph 1, paragraph 5 and paragraph 8 shall be met only by Consortium Leader

If the Applicant is the Consortium, it must cumulatively fulfill the following conditions:

- All consortium members have made the Decision on organizing and entering a Consortium;
- All consortium members have signed a written Consortium Agreement and such agreement has been duly notarized in the court, or other competent body (in case of foreign legal entities);
- Each consortium member assumes unlimited joint and several liability for commitments arising from or in connection to the Public Invitation – Procedure Code JP 01/14, in line with the Consortium Agreement;
- Consortium Agreement specifies each member's percentage with one Consortium member having at least 51% share in the Consortium («Consortium Leader »);
- All the 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 Privatization Documents.

4. Purchase of Privatization Documents

A written request for purchase of privatization documents (hereinafter: **Request**), shall be submitted to the **Agency in writing by mail to the address Terazije 23, 11000 Belgrade, Republic of Serbia, and/or by fax +381 (11) 30 20 881 and/or via e-mail to the address dpuzic@priv.rs and avasiljevic@priv.rs**, with clear reference "**Request for Purchase of Privatization Documents - procedure code: JP 01/14**".

The request must contain all the contact details of the Applicant (full name, address, registration number and tax identification number, e-mail address, telephone and fax), or it shall otherwise be considered irregular and the Agency will not respond to it.

The request shall be submitted to the Agency no later than **22 December 2014**.

Upon receiving the request, the Applicant's authorized person shall be delivered the invoice for the Fee payment and the Confidentiality Agreement for signing by mail, fax or email.

The Applicants shall sign the Confidentiality Agreement before assuming the Privatization Documents, which agreement shall be prepared by the Agency.

After the Applicant has submitted to the Agency duly signed Confidentiality Agreement, evidence on authorization for the person that signed the Confidentiality Agreement, and evidence on payment of the Fee, the Agency shall deliver Privatization Documents to the Applicant by mail or hand it to its authorized representative in person in the Agency's premises

The Agency shall not be liable for any loss or delay in delivery of any document.

5. Submission of applications

The final deadline for submitting Applications is 5 January 2015, until 15:00 hours (Belgrade time).

The application shall be submitted to the Agency in a closed envelope together with the offer, all in accordance and in the manner set forth in Instructions to Bidders.

Applications which do not contain evidence of fulfillment of conditions referred to in Section 3 of this Public Invitation, will not be considered.

Form and content of applications, including form and content of the Applicant's statement on compliance with the qualifying criteria for the status of Strategic Investor are more precisely defined in Instructions to Bidders.

6. Deposit and the Bank Guarantee

A precondition for consideration of applications is the payment of deposit or delivery of the bid bond issued by the first class bank (referred to as the Deposit) in the amount of **100,000.00 Euros (one hundred-thousand euros)**.

7. Public Invitation modification

If necessary, the Agency reserves the right to modify all or some of the elements of this Public Invitation.

8. Questions and additional clarifications

For all questions related to this Public Invitation, interested parties may contact persons listed below, in Serbian or English.

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