

Pursuant to Articles 28, 69, 70, and 72 of the Privatization Law (Official Gazette of the Republic of Serbia No. 38/2001, 18/2003, and 45/2005) and Articles 9 and 10 of the Share Fund Law (Official Gazette of the Republic of Serbia No. 38/2001 и 45/2005), the

PRIVATIZATION AGENCY

(hereinafter: the “Agency”)

issues this:

Public Invitation

for participation in a public tender for the sale of 24,033 shares of common stock - CFI code: ESVUFR, ISIN number: CSTRELE78135, par value of CSD 2,400 (twothousandforehundred dinars) (hereinafter: the “Block of Shares”) - out of which 17,773 shares are held by the Share Fund, and 6,260 shares held by the PIO Fund, jointly representing 37.49421% of the total equity of the company:

“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 18/06**

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

2. The Agency is offering to sell the Block of Shares representing 37.49421% of the total stated capital of the Company.

2a. The bidder at this public tender shall be required to offer a price per share for all outstanding shares of the Company, as the Share Fund shall, upon completion of the bids assessment and ranking process, invite the individual shareholders to tag along with the sale of the Block of Shares, with an aim of forming a larger block representing a 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 tender procedure, as well as the Information Memorandum (hereinafter: the “Tender Documents”) shall be available to all interested parties upon signing the Confidentiality Agreement and purchasing the Tender Documents.

The Tender Documents fee is EUR 6,000 (sixthousand euros), payable in dinars according to the mid exchange rate of the National Bank of Serbia on the date of the corresponinvoice.

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

4. Participants eligible to submit the bid are:

A. An interested bidder, provided it:

- Purchased the Tender Documents, and
- Engages in the activities of machining and cold-casting and/or general machinery industrial services, and had not less than EUR 20 million of operating revenues in 2005, according to the 2005 financial statements.

If the interested bidder is a subsidiary which does not comply with the eligibility criteria laid down in this section, the right to submit the bid shall be granted to its parent company, provided that such parent company complies with the criteria. Such right shall be extended to the parent company even if the subsidiary had purchased the Tender Documents.

If the interested bidder is a parent company which does not comply with the eligibility criteria laid down in this section, the right to submit the bid shall be granted to its subsidiary, provided that such subsidiary complies with the criteria. Such right shall be extended to the subsidiary even if the parent company had purchased the Tender Documents.

B. A consortium, provided it complies with the following prerequisites, cumulatively:

- All the consortium members duly made the decision to form and accede to the consortium,
- All the consortium members entered into an agreement in writing, duly certified by the court or any other relevant institution (in the event of foreign legal entities and natural persons),
- Each consortium member assumed unlimited joint and several liability by the aforementioned consortium agreement,
- The Consortium Agreement specifies each member's stake in the acquisition of the capital of the Company, whereas one member of the consortium has at least 51% of the total share in the consortium (hereinafter: Consortium Leader);
- All consortium members signed a certified Power of Attorney for the member representing the consortium;
- All consortium members signed a Confidentiality Agreement;
- At least one consortium member purchased Tender Documents; and
- The Consortium Leader is engaged in the activities of machining and cold-casting and/or general machinery industrial services, and had not less than EUR 20 million of operating revenues in 2005, according to the 2005 financial statements.

5. The Agency hereby invites all interested parties to submit a written request for the purchase of the Tender Documents no later than by **22 September 2006**.

The Tender Documents shall be available to all interested parties as of 28 August 2006.

The request for the purchase of the Tender Documents shall be submitted to the Advisor by mail, e-mail, or fax, clearly marked "Request for the purchase of the Tender Documents – tender code **TE 18/06**".

Upon receipt of this request, an invoice for payment of the Tender Documents fee, as well as the Confidentiality Agreement, 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 Sections 2 and 2a herein shall be **16 October 2006, by 5 p.m. (17h00) Belgrade time**. If need be, the Agency reserves the right to amend the time limits and dates set forth in this Public Invitation. As a prerequisite for submission of a bid, it is required to deposit or provide a Bid Bond at the amount of EUR 100,000 (onehundredthousand euros).

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

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