



**Government of Montenegro
Privatisation Council**

Elektroprivreda Crne Gore AD Nikšić

On the basis of the Articles 2, 2a, 3, 7 and 7a of the Law on Privatization of Economy ("Official Gazette of Montenegro", no. 23/96, 6/99, 59/00 and 42/04) and the Decree on Sale of Shares and Assets by the Public Tender ("Official Gazette of Montenegro", no. 8/99, 31/00, 14/03, 59/03) for the purpose of ensuring the necessary investments in Elektroprivreda Crne Gore AD Nikšić (hereinafter: **EPCG** or the **Company**), the Agency of Montenegro for Economic Restructuring and Foreign Investments (hereinafter the **Agency**), announces the following:

PUBLIC INVITATION

for participation in the tender for sale of a part of the existing shares and a capital increase of EPCG

On 31st of March 2008, the General Assembly of EPCG, in accordance with the Decisions of the Government of Montenegro (hereinafter: the **Government**) as of 6th of March 2008, has made the Decision to initiate a procedure aimed at ensuring the conditions for construction of the new and rehabilitation and optimisation of the existing electric power facilities.

Pursuant to the Art. 3 and 4 of the Decree on Sale of Shares and Assets by the Public Tender, the Privatization Council has appointed the Tender Commission for Implementation of Capital Increase of EPCG (hereinafter: the **Tender Commission**) to organise and conduct the tender process, in accordance with the Privatization Plan for the year 2009 enacted by the Government, applying the combination of methods for sale of a part of the existing shares and the capital increase of EPCG (hereinafter: the **Tender**).

EPCG (ID number 02002230) is the joint-stock company with headquarter in Nikšić. The Company's core operations include the generation, transmission, distribution and supply of electricity in Montenegro. EPCG operates one thermal power plant, two large and seven small hydro power plants. A 70.6% of ownership stake in EPCG is held by the State of Montenegro, while the remaining shares are owned by investment funds and other legal and natural persons (hereinafter: the **Minority Shares**). The share capital of the Company amounts to 991,884,418.74 EUR and is divided into 113,887,961 shares with a par value of 8.7093 EUR each. The Company's shares are traded on both Montenegrin stock-exchanges, on NEX and Montenegroberza stock exchanges. The total number of permanent employees in the Company as of 27 January 2009 was 2,979. Ongoing process is legal unbundling of the functional unit Transmission from the Company into a separate company. It is planned for the unbundling process to be finalised prior to the completion of the Tender. Transmission as a separate company shall not be part of this Tender.

The Government, represented by the Privatization Council – the Tender Commission, intends to offer to a qualified investor to acquire 11,457,357 of the existing shares owned by the State of Montenegro and the right to subscribe simultaneously 11,457,357 of newly issued shares of EPCG, which will together represent approximately 18.3% of the total share capital of EPCG after the sale of a part of the existing shares and a capital increase. Selected investor shall be offered to conclude a sale purchase agreement with the State of Montenegro as well as a management agreement with EPCG, ensuring him a significant level of management rights in EPCG. The selected investor shall be obliged to offer to purchase Minority Shares at the price per share achieved at the Tender. The selected investor may, after 5 years, acquire the right to purchase from the Government the additional shares and gain majority ownership in EPCG. The Government may as well, upon previous payment of the agreed amount, purchase shares from the selected investor. The previously described and call option stipulate unambiguous fulfilment of investment and all the other obligations prescribed by the sale purchase agreement and management agreement for the duration period of five years. The Government shall immediately upon completion of the Tender, pass a decision on construction of hydro power plants on the Moraca river. The process of sale of a part of the existing shares and a capital increase of EPCG is organised as an international public tender. The Government and EPCG have selected UniCredit Markets & Investment Banking, acting through Zagrebačka banka d.d. (hereinafter: the **Advisor**) as their exclusive advisor for this process.

More detailed information regarding the Company, the manner and timing in which Due Diligence is to be conducted and the proposed transaction documentation shall be given in the tender documentation (hereinafter: the **Tender Documentation**). Participation in the Tender shall be allowed to all interested parties which have signed the agreement on non disclosure of confidential information (hereinafter: the **Confidentiality Agreement**) and have purchased the Tender Documentation (hereinafter: the **Tender Participant**).

A bid on the Tender (hereinafter: the **Bid**) may be submitted by the Tender Participant that fulfils all of the following conditions:

(1.) Financial:

- a. Revenues of the bidder have to be in excess of 250 million EUR or its equivalent, for the most recent financial year of the bidder;
- b. Total assets of the bidder have to exceed 500 million EUR or its equivalent, for the most recent financial year of the bidder;
- c. The bidder has to hold a credit rating of at least "BBB minus" by the rating agencies Standard and Poor's or Fitch or "Baa3" by Moody's.

(2.) Technical:

- a. The volume of electric energy generated or distributed by the bidder has to be at least 1,500 GWh during the most recent financial year of the bidder.

(together the "**Qualification Requirements**").

Fulfilment of the Qualification Requirements shall be examined following the receipt and opening of Bids, and documentation that is to be submitted as the evidence for the fulfilment of Qualification Requirements shall be defined in the Tender Documentation.

The Tender Participant may form a consortium with other parties and such consortium may submit a Bid under conditions that shall be defined in the Tender Documentation.

The Bid has to be submitted in accordance with the rules and procedures prescribed in the Tender Documentation by the **30th of April 2009 at 4.00 pm** (local time).

The Tender Commission reserves the right to amend, modify or terminate the Tender at any time.

The Agency hereby invites interested parties to submit a written request to purchase the Tender Documentation (hereinafter: the **Request**) to the Secretary of the Tender Commission, via e-mail or fax, that should be clearly marked as "**The Request for Purchase of the Tender Documentation**", and a copy of the Request, via e-mail, to the representatives of the Company and the Advisor. Upon receiving the Request, the Secretary of the Tender Commission shall provide the interested parties, via e-mail or fax, with the Confidentiality Agreement and the instructions for payment of the fee for the Tender Documentation in the amount of **50,000.00 EUR (fifty thousand Euro)**.

Immediately upon receiving the signed Confidentiality Agreement and the evidence on payment of the fee for the Tender Documentation, the Secretary of the Tender Commission shall deliver the Tender Documentation to the Tender Participants, via registered mail or e-mail. In case that the Tender Participant is to receive the Tender Documentation via registered mail or e-mail it is obliged to deliver a written confirmation on receipt to the Secretary of the Tender Commission.

The Request is to be submitted to:

Ms. Ivana Šaranović
Secretary of the Tender Commission
Government of Montenegro, Jovana Tomaševića bb,
81000 Podgorica, Montenegro
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with a copy submitted to:

Mr. Boris Bušković
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