

By virtue of Articles 9 and 16 of the Law on the Share Fund (Official Gazette of the Republic of Serbia, No. 38/2001), the Resolution of the Government of the Republic of Serbia No. 06-5851/2004 dated August 19th 2004, the Decision of the Privatization Agency on the sale of shares in the Share Fund portfolio by method of Public Offer No. ?? - 402/04-?1 dated September 6th 2004, and the Public Invitation for joining of individual shareholders, as published in *Politika newspaper* on September 11th and 13th 2004, the Privatization Agency and the Share Fund hereby announce:

PUBLIC OFFER

for joint sale of shares of the company

KNJAZ MILOS a.d., ARANDJELOVAC

Based on the Public Invitation for joining of individual shareholders, it was collected:

- Number of SF shares: 114.295 shares, representing 31,28% of the total capital
- Number of PIO Fund shares: 36.543 shares, representing 10,00% of the total capital
- Number of joint shares owned by individual shareholders: 111.798 shares, representing 30,59% of the total capital

Total collected shares: 262.636 shares, representing 71,87 % of the total capital

The Privatization Agency and the Share Fund hereby invite all interested investors to place their take-over bid for the shares of the issuer Knjaz Milos a.d., Arandjelovac, in accordance with the Articles 67 to 83 of the Law on Market of Securities and other Financial Instruments, under following terms:

- **The minimum cash price per share which is the subject of this Public Offer for Sale : 20.000,00 CSD;**
- **Investment Program:**
The Bidder commits to invest at least 20 million Euros in CSD equivalent, from its own resources, in the first year upon acquisition of shares, in equipment and technology used for main operating activity, and in logistic and marketing of the company's products.
- **Social Program:**
The Bidder commits that in the period of three years after the acquisition of shares there will be no forced redundancies for the employees on the Company's payroll on the date of this Public Offer. All severance payments (in case of voluntary leave) shall be subject to negotiations with the Company's representative Trade Unions.
Potential Investor commits to maintain the salary levels in the first year after acquisition of shares at the real levels – currently existing in the Company, with the obligation to make monthly adjustments according to the growth of the costs of living.
The new owner must continue to observe all other social rights, which the employees have acquired before the date of publishing of this Public Invitation, unless it is agreed differently with the Company's representative Trade Union.
Potential Investor commits to launch a bonus scheme for the employees linked with profit after tax, in the year immediately after acquisition of shares. This scheme shall be limited to a maximum of 5% of profit after tax.

□ **Manner of submitting the bid by the Bidder:**

Interested investors shall place their bids in accordance with Articles 67 through 83 of the Law on Market of Securities and other Financial Instruments (Official Gazette of FRY, No. 65/02 and Official Gazette of the Republic of Serbia, No. 57/03). Deadline for submitting initial offer for take-over starts on October 11th 2004, 12 hours after expiration of the extended deadline for take-over under the previous take-over procedure, and it expires on October 29th 2004. Competitive bids shall be submitted in accordance with the Law on Market of Securities and other Financial Instruments.

With the take-over bid submitted in accordance with the Article 70 of the Law on Market of Securities and other Financial Instruments, the bidder shall submit to the Share Fund the Statement of the Bidder on Acceptance of the Social and Investment Programs. The Draft Statement can be obtained from the Project Manager.

□ **Consideration of the take-over bids:**

Take-over Bids fulfilling following requirements shall be taken into consideration:

1. minimum or higher price as defined in this Public Offer
2. minimum take-over percentage is 50,01% which is 182.750 shares
3. maximum number of shares to be taken over is 100%, i.e. 365.425 shares
4. the investment program is identical to the investment program set out in this Public Offer
5. the social program is identical to the social program set out in this Public Offer

□ **Selection and Acceptance of the best Bidder:**

If there is a sole bidder placing take-over bid in accordance with the Securities Law who meets the criteria 1 through 5 from this Public Offer, the bid shall be accepted.

In the case of competitive bids meeting the criteria 1-5 from this Public Offer, the bid with the highest price per share shall be accepted.

In the case of competitive bids meeting the criteria 1-5 from this Public Offer, which offer the same maximum price per share, the bid placed by the Bidder who was first granted the approval for take-over bid in accordance with the Law on Market of Securities and other Financial Instruments shall be accepted.

The Privatization Agency and the Share Fund will publicly announce the most favorable bidder in accordance with criteria 1-5 set out in this Public Offer, and invite it to sign the Sale and Purchase Agreement.

If there is a sole bid which does not meet the criteria set out in this Public Offer, within five days prior to the closing of the take-over bid the Share Fund will publicly announce that the criteria from the Public Offer have not been met and separate the share package in order to enable the individual shareholders to declare on the stated bid, in accordance with the Law on Market of Securities and other Financial Instruments.

If there is several take-over bids which do not meet the criteria set out in this Public Offer, the Share Fund will, within two days after opening of the sealed bids and issuance of the Resolution of the Securities Committee regarding aforementioned bids, publicly announce that the criteria from the Public Offer have not been met and separate the share package in order to enable the individual shareholders to declare on the stated bids, in accordance with the Law on Market of Securities and other Financial Instruments.

□ **Realization and Signing of the Sale and Purchase Agreement:**

If there is a sole bidder submitting the take-over bid which complies with the criteria (1-5) set out in this Public Offer, the bidder shall be invited no later then three days before the closing of the Bid to sign the Sale and Purchase Agreement with the Share Fund, to submit first class bank guarantee payable at the first demand in the amount of 50% of the investment program, for the period of 400 days from the date of registration with the Central Register, to sign The Pledge Agreement with the Share Fund as a guaranty for the social program for the shares in the Share Fund portfolio which are the subject of the take-over, for the period of 1.125 days from the date of registration with the Central Register.

In the case there is several bidders submitting take-over bid in compliance with the criteria 1-5 set out in this Public Offer, the bidder offering the highest price shall be invited no later then two days after the opening of the sealed bids and issuance of the Resolution of the Securities Committee regarding aforementioned bids, to sign the Sale and Purchase Agreement with the Share Fund within 3 days, to submit first class bank guarantee payable at the first demand in the amount of 50% of the investment program, for the period of 400 days from the date of registration with the Central Register, to sign The Pledge Agreement with the Share Fund as a guaranty for the social program for the shares in the Share Fund portfolio which are the subject of the take-over, for the period of 1.125 days from the date of registration with the Central Register.

If the bidder who submitted the highest bid fails to respond within the stipulated deadline and fails to fulfill the requirements set out in the paragraph above, the bidder who is second-ranked based on the offered price shall be invited.

The Buyer shall sign the Sale and Purchase Agreement for the Shares in the Share Fund Portfolio with the Share Fund, in accordance with the Law on the Share Fund.

Upon submission of the bank guarantee, conclusion of the Sale and Purchase Agreement and signing of the Pledge Agreement by the Bidder, The Share Fund shall give order for depositing shares and invite joint shareholders of the issuer Knjaz Milos a.d., Arandjelovac to sign the order for depositing securities to the deposit account of the bidder in accordance with the Law on Market of Securities and other Financial Instruments

o **Basic Data on Shares which are the subject of the Public Offer:**

Type and Class of Shares, series: regular (ordinary), series 01 ST

Par value of one share: 3.000,00 CSD

Book value of share as of 31.12.2003: 6.641,72 CSD

Total number of shares: 365.425

CFI with: ESVUFR

ISIN number: RSKNJZE07824

Rights deriving from shares: management rights, right on the profit of the Joint Stock Company, and right to remaining bankruptcy estate after payment to the creditors.

▪ **Summary Balance Sheet of the issuer as of 31.12. 2003. (000 CSD)**

Total Assets	4,430,932
Subscribed capital unpaid	
Fixed Assets	3,154,403
Current Assets	1,234,961
Loss	-
Non-operating assets	41,568
Total Liabilities	4,430,932
Equity	2,427,050
Initial capital	1,096,275
Capital paid-in in excess par value	
Reserves from profit	109,628
Retained earnings	263,203
Revaluation reserves	957,944
Long term provisions	-
Liabilities	1,945,621
Long term liabilities	308,681
Short term liabilities	1,636,940
Non-operating liabilities	58,261

▪ **Summary Income Statement of the issuer for 2003. (000 CSD)**

Total revenue	4,463,106
Operating revenue	4,324,116
Financial income	7,476
Non-operating and extraordinary income	131,514
Total Expenses	4,331,525
Operating expenses	3,808,974
Financial Expenses	185,218
Non-operating and extraordinary	337,333

expenses	
Profit	131,581
Taxes and Contributions from the Profit	4,795
Net Profit	126,786

Interested legal entities and individuals should contact the **Project Manager** for further information:

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