

In accordance with the Decision of the Shareholders' Assembly of
PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU ČELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO
(hereinafter: **Železara**)

issued based on the Decision of the Republic of Serbia 05 number: 023-1688/2015 and Decision of the Republic of Serbia 05 number: 023-1727/2015,
we hereby issue the following:

**REQUEST FOR SUBMISSION
OF PROPOSALS FOR COOPERATION AND CONCLUDING OF
A MANAGEMENT SERVICES AND BUSINESS ADVISORY CONTRACT**

Železara calls on all interested domestic and foreign entities to submit proposals for cooperation and concluding of a Management Services and Business Advisory Contract (hereinafter: the Contract) with Železara.

1. Subject of request

The subject of the request is the selection of a company which will provide management and business advisory services by concluding the Contract.

2. Information about the beneficiary of services

As per information in the register of companies as kept by the Serbian Business Registers Agency:

Business name	PRIVREDNO DRUŠTVO ZA PROIZVODNJU I PRERADU ČELIKA ŽELEZARA SMEDEREVO DOO SMEDEREVO
Registered address	Radinac bb
Company number	07342691
TIN	103125366
Members	Republika Srbija – 100% ownership stake
Representatives	Ivan Milošević, General Manager

For more information:

<http://pretraga2.apr.gov.rs/EnterprisePublicSearch/Details/EnterpriseBusinessData/1019586?code=2E18D871E76DCA2467C6202E410ADD0883DD53C>

3. Objectives of the procedure

The procedure is carried out for the following purpose:

- Business recovery of Železara under full supervision of the Republic of Serbia as an equity holder;
- Increasing sales, and on that basis production and capacity utilization of Železara and maintaining production at a minimum annual level of 1.5 million tons of steel;
- Securing financing and management of Železara under full supervision of the Republic of Serbia;
- Introducing new technologies into Železara's operations;
- Acquisition of new markets;
- Assistance in securing European Union funding for various projects (environmental protection, infrastructure and transportation, etc.).

4. Structure and description of business cooperation

4.1. Business plan

The potential service provider shall provide an initial indicative business plan that, among other things, should touch upon:

- Sales strategy for Železara
- Projected prices for Železara's key final products
- Projected production plan for Železara
- Projected procurement strategy
- Projected operating cost optimization for Železara
- Projected financing plan (including suppliers and banks)
- Projected employment levels
- Expected financial development of Železara, in particular through projected income statements, balance sheets and cash flow statements for Železara (IFRS based) through December 31, 2018.

The more detail the business plan provides, and the more realistic the business plan is in Železara's opinion, the greater the likelihood that the potential service provider submitting such plan will be selected. The level of detail and the quality of the draft business plan is an important criterion for the selection of the service provider.

4.2. Curriculum vitae

The potential service provider shall submit detailed curriculum vitae for individuals who will be engaged in providing management and business advisory services. Also, curriculum vitae should be provided for at least twelve individuals who will hold management positions in the following departments:

- Production and Maintenance (at least two individuals proposed),
- Purchasing (at least three individuals proposed),
- Sales (at least three individuals proposed),
- Finance, Accounting and Tax (at least two individuals proposed),
- Financing of investments via EU funding (at least two individuals proposed).

The service provider is also required to provide a timeframe for the start of engagement of proposed individuals who will be involved in providing management and business advisory services.

The experience and know-how of the potential service provider is an important criterion for the selection of the service provider.

4.3. Proposed compensation fee

The potential service provider is required to submit proposed fixed and variable portions of the compensation for the management and business advisory services, with a detailed proposal for calculating the variable portion which inter alia must be linked to specific cash flow based profitability indicators and/or other indicators.

The fixed portion of the compensation must be specified at monthly level, exclusive of VAT, expressed in euro or dollars.

While the compensation level is an important selection criteria, it will not be the only one, but will be considered in light of the level of detail and quality of the business plan and the know-how and experience of the proposed service provider.

4.4. Disqualification

The proposal for cooperation and concluding of the Contract submitted by potential service providers which does not contain any of the previously indicated elements shall be disqualified without further consideration.

5. Requirements for submitting the proposal for cooperation and concluding of Contract

Submission of the proposal for cooperation and concluding of the Contract requires of the domestic or foreign entity to sign a Non-Disclosure Agreement (hereinafter: NDA), a Declaration of Consent (hereinafter: Declaration) and to pay the amount of 10,000 (ten thousand) euro (in euro or in the equivalent amount in dinars at the middle exchange rate of the National Bank of Serbia on payment date), which amount includes VAT, as the fee for participating in the procedure.

Payment is to be made to the following account of Železara:

BANK: Sberbank Srbija A.D. Beograd

ACCOUNT NUMBER:

dinar account:

285-100100000765-52

foreign currency account:

IBAN EUR: RS35285100120989346377

IBAN USD: RS35285100120989346474

SWIFT: SABRRSGB

With designation: „Participation Fee“

6. Information about services beneficiary

Access to information about the services beneficiary, including the draft Contract and draft Declaration, will be available to interested domestic and foreign entities after signing of the Non-Disclosure Agreement and payment of participation fee, as per point 5, starting as of 23 February 2015.

The written request for access to information about the services beneficiary and draft Contract is to be sent in electronic form, with indication of the subject of this request, to the following addresses:

To Boris Milošević on
bmilosevic@kpmg.com

To Aleksandar Kovac on
akovac@kpmg.com

The request should contain, inter alia, contact information for the requesting entity, otherwise it shall not be considered.

7. Submission of proposal for cooperation and concluding of Contract

The deadline for submitting proposals for cooperation and concluding of the Contract is 6 March 2015, by 5 p.m. Belgrade time.

The proposal for cooperation and concluding of the Contract is to be sent in electronic form, with indication of the subject of this request, to the following addresses:

To Boris Milošević on
bmilosevic@kpmg.com

To Aleksandar Kovac on
akovac@kpmg.com

The proposal for cooperation and concluding of the Contract must include the Declaration.

8. Železara's discretionary rights

The Železara does not have the legal capacity of purchaser in accordance with the Law on Public Procurement (*Official Gazette of RS no. 124/2012*) and is therefore not required to carry out the public procurement process as regulated by this law.

Železara has complete freedom and discretionary right to evaluate received proposals for cooperation and concluding of the Contract, including the decision on selection of the most favorable proposal for cooperation and concluding of the Contract.

In accordance with the above stated this request for proposals does not represent an invitation to public tender in accordance with the Law on Public Procurement (*Official Gazette of RS no. 124/2012*), nor does it represent a general offer in accordance with article 33 of the Serbian Law on Contracts and Torts (*Official Gazette of SFRY no. 29/78, 39/85, 45/89 – Decision of Constitutional Court of Yugoslavia and 57/89, Official Gazette of FRY, no. 31/93 and Official Gazette of Serbia and Montenegro, no. 1/2003 – Constitutional Charter*).

9. Modification of request for proposals

Železara reserves the right to modify all or individual elements of the request for proposals, as well as to declare the request invalid or to conclude this procedure at its own discretion, without selecting the best proposal for cooperation and concluding of the Contract.

10. Queries and additional explanations

All queries and additional explanations are to be sent in electronic form, with indication of the subject of this request, to the following addresses:

To Boris Milošević on
bmilosevic@kpmg.com

To Aleksandar Kovac on
akovac@kpmg.com