

Contact person: Nevena Vokić

CONFIDENTIALITY STATEMENT AND REQUEST FOR DOCUMENTATION

I, hereby, as an interested Buyer, request the tender documents, including the full Information Memorandum, relating to the Enterprise „**Fabrika duhana Mostar**“ **d.d. Mostar**.

At the same time, and taking full responsibility, I hereby declare that all representatives of our organization including myself will treat this information as **STRICTLY CONFIDENTIAL** and will treat all undisclosed information, and all information not available to the public, in accordance with international standards on confidentiality and that they shall not misuse this information or disclose it to any third parties without the express written permission of the Agency for Privatisation in Federation of Bosnia and Herzegovina.

All information made available to us will be used exclusively for the purpose of submitting a Bid to purchase the shares in the stated enterprise through the method of the Direct Negotiations.

_____ Company

_____ Signature

_____ Name and position

_____ E-mail

_____ Date.

BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
AGENCIJA ZA PRIVATIZACIJU U
FEDERACIJI BOSNE I HERCEGOVINE

БОСНА И ХЕРЦЕГОВИНА
ФЕДЕРАЦИЈА БОСНЕ И ХЕРЦЕГОВИНЕ
АГЕНЦИЈА ЗА ПРИВАТИЗАЦИЈУ
У ФЕДЕРАЦИЈИ БОСНЕ И ХЕРЦЕГОВИНЕ

BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
AGENCY FOR PRIVATIZATION IN
FEDERATION OF BOSNIA AND HERZEGOVINA

Alipašina 41, Sarajevo, Tel.: +387 33 218 550, 212 884; Fax: +387 33 212 883; apfbih@bih.net.ba

BID FORM
for Purchase of the State Capital in the Company
Tobacco Factory Mostar
Mostar

July, 2010.

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Schedule A - Declaration

To: **Agency for Privatization in Federation of Bosnia and Herzegovina**

We, the undersigned hereby certify, acknowledge and agree as follows:

1. The undersigned is a legal entity duly organized, validly existing and in a good standing under the relevant law and has the full power and authority to submit this Bid and perform its obligations hereunder. The submission of this Bid and performance by the buyer of the obligations set forth herein have been duly authorized by all corporate action on the part of the undersigned. The obligations contained in this Bid are legal, valid and binding obligations of the undersigned. No authorization, consent, approval, license, exemption or other action by or notice to or registration or filing with any governmental authority or administrative or regulatory body is required for submission of this Bid or performance of the obligations hereunder. Submission of this Bid and performance of the obligations hereunder does not conflict with any law, regulation or other restriction under which the buyer is obligated. The individual executing this Bid for the undersigned has been duly authorized to do so.
2. The undersigned has reviewed and understands the Rules of Direct Negotiations. The undersigned has abided by and will continue to abide by the Rules of Direct Negotiations in all respects.
3. The undersigned has performed or has had an opportunity to perform all the due diligence on the Enterprise it deems necessary and has engaged the services of all professionals it deems necessary to assist in performing such due diligence. The undersigned is submitting this sealed Bid based solely on its own independent investigations and findings and not in reliance on any information provided by the Agency for Privatization in the Federation of Bosnia and Herzegovina or its Advisors.
4. The undersigned has reviewed the draft Share Purchase Agreement (SPA) contained in the Tender Package. While amendments to the SPA may be negotiated, the undersigned declares that such amendments will not affect the material elements of the Bid, i.e. the Bid price, future investments or employment commitments with the SPA.
5. If the undersigned is selected as the Successful Bidder, the undersigned will promptly execute the SPA without alteration or modification (except those, which shall be included in the SPA by the mutual agreement of the undersigned and the Seller).
6. The undersigned will abide by the Confidentiality Agreement signed during our bid preparation.
7. The undersigned submits this sealed Bid with the understanding that it is irrevocable, and cannot be withdrawn or cancelled by the undersigned for any reason, after 16:00 hours Central European Time, on 16.08.2010.
8. The undersigned confirms that its Bid will remain valid 180 (one hundred and eight) days after the Bid Deadline.

Schedule A – Declaration	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

Schedule B - Legal Authority

Attached to this Bid is evidence that:

- The Bidder is a legal entity duly organized, validly existing and in good standing under applicable law.
- The Bidder is legally registered in its country of origin.
- The Bidder meets the conditions set forth in Article 12 of the Law on Privatization of Enterprises (Official Gazette of Federation of Bosnia and Herzegovina, No. 27/97, 8/99, 32/00, 45/00, 54/00, 61/01, 27/02, 33/02, 28/04, 44/04 and 4/09) evidenced with the certified declaration. If the Bidder is a consortium, a notarized declaration by each member of the consortium (the template declaration is provided as Exhibit to Schedule B).
- The Bidder has duly authorized submission of the Bid and performance by the obligations set forth therein by all corporate action.
- The individual executing the Bid on behalf of the Bidder has been duly authorized to do so.
- If the Bidder is a consortium, a notarized statement of the legal basis of the consortium and the authority of the undersigned to act on behalf of the consortium in the Bid.

Schedule B - Legal Authority	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

Attach:

- 1. Court Register Excerpt**
- 2. Evidence of legal authority**
- 3. Certified declaration of meeting the conditions set forth in Article 12 of the Law on Privatization of Enterprises**
- 4. Consortium Agreement (in case the Bidder is a consortium)**

Schedule C – Deposit and the Fee

The undersigned confirms wire transfer to the bank account of the Agency for Privatization in the Federation of Bosnia and Herzegovina the amount of KM 3.000 as the Direct Negotiations participation Fee, as well as a KM 50.000 deposit, upon provisions of Section 8 of the Direct Negotiations Rules.

Schedule C – Direct Negotiations Fee	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

(Attach the evidence of wire transfer to this Schedule)

Schedule D - Declaration of Funds

The undersigned confirms the attachment of a certificate or other evidence of the source of funds for this Bid.

The Bidder further acknowledges and agrees that the Seller is entitled to make a full investigation into each and all of the proposed sources of funds for this Bid and the Bidder will provide full co-operation in this investigation.

Schedule D - Declaration of Funds	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

(Attach a Declaration of Funds Statement to this Schedule)

Schedule E - The Bid

Note: The terms used in this document are of the same meaning as those defined in the Rules of Direct Negotiations. All references to currency in the Bid must be expressed in Bosnian Convertible Marks (KM).

I) Price

The undersigned offers

KM _____

(in letters) KM _____

for 67% of total capital of the Company Tobacco Factory Mostar.

II) Investment Commitment

The undersigned offers to make Investments to the amount of

KM _____

(in letters) KM _____

in the next three years according to its Investment Plan attached as Exhibit 1 to the Schedule E.

(Attach Investment Plan as Exhibit 1 to the Schedule E)

III) Employment Plan

The undersigned undertakes the obligations to retain permanently employed workers in the next three years since a day of signing Share Purchase Agreement, and offering a job for new employees, too according to the Employment Plan as detailed in Exhibit 2 to the Schedule E. .

(Attach Employment Plan as Exhibit 2 to the Schedule E)

IV) Business Plan

The undersigned undertakes to implement its three-year Business Plan for the Company (based on the Investment and Employment Plans specified in Exhibit 1 and Exhibit 2 to this Schedule E respectively), including the projected Income Statements, Balance Sheets and Sources and Applications of the Funds according to Exhibit 3 of this Schedule.

(Attach Business Plan as Exhibit 3 to the Schedule E)

V) Qualifications of Bidder

The undersigned presents supporting evidence (see Rules of Tender) as Exhibit 4 to Schedule E on its qualifications to Bid.

Schedule E - The Bid	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

(Attach relevant documentation as Exhibit 4 to the Schedule E)

Schedule F - Share Purchase Agreement

The undersigned presents the draft Share Purchase Agreement with proposed changes.

Schedule F - Share Purchase Agreement	
Name and Surname	
Title	
Company name and Location	
Signature	
Place and Date	

(Attach Share Purchase Agreement to this Schedule F, highlighting proposed changes and amendments)

Exhibit to Schedule B

DECLARATION

I, the undersigned _____, authorized for representation of the registration entity _____ (the Bidder – legal entity), pursuant to the Decision on the Registration of the Company with the Court Register, No. _____ dated _____ declare under the full moral and criminal responsibility that: _____ (precise name of the Bidder-legal entity) is not the company with unsettled liabilities for any Public revenues from the previous reporting period, **nor is the Bidder itself either the majority owner, or is being owned by such a Company.**

This Declaration has meant to serve as evidence of the aforesaid and is to be enclosed with the Offer for participation in the Public Invitation/Direct Negotiations for sale of 67 % State Capital of the Company “**Tobacco factory Mostar**”, **Mostar** announced in public media on _____, and can not be used for any other purposes. Therefore I sign this Declaration in person.

Place and date:

-----,2010

Declaration signed by

.....

DRAFT

**SHARE PURCHASE AGREEMENT
OF THE STATE CAPITAL OF THE
COMPANY “FABRIKA DUHANA MOSTAR”
D.D. MOSTAR**

between

**Agency for Privatization in
Federation of Bosnia and Herzegovina
(The Seller)**

and

.....

(The Buyer)

Sarajevo,.....

Contracting Parties

Agency for privatization in Federation of Bosnia and Herzegovina, having its seat in Alipašina 41, Sarajevo represented by a director Mr. Enes Ganić (hereinafter referred to as the **Seller**),

and _____
registered in the Registry of Companies _____ represented by a
legal and validly authorized by _____ (hereinafter referred to as the
Buyer).

PART I

1. DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings ascribed to them in this Article:

1.1. "Party" or "Parties" shall mean - the Buyer and the Seller, as "a contracted party or contracted parties" as the context may require.

1.2. "Company" shall mean - the company to be privatization.

1.3. "Shares" shall mean - the shares of capital stock of the Company owned by the Government of Federation of Bosnia and Herzegovina being transferred to the Buyer pursuant to the terms of this Agreement.

1.4 "Closing" shall mean - Cumulatively meet the requirements as follows: Signing of the contract, a payment of the purchase price, providing a guarantee for commitments of the Buyer pursuant to the terms of this Agreement as well as validity of the Decision on approval of registration of conducted privatization into the Court Registry.

1.5. "Purchase Price" shall mean the total amount to be paid for the Shares by the Buyer, which is specified in chapter 1.3 of this section.

1.6. "Investments" in the Company shall mean: Fresh funds come from the Buyer's own resources, which means that it will be made directly by the Buyer and will not be sourced out of the accounts of the Company which is the subject of purchase, and those funds will be realized through input of new equipment and technologies, investment made in current assets, adaptation of existing facilities and building new, as well as other obligations of the Buyer pursuant to the terms of this Agreement and according to the Business Plan.

1.7. "Investment Guarantee" shall mean a bank guarantee to be obtained by the Buyer for which the bank is obliged to the Seller to make a payment of the amount agreed in Investment guarantee in case the Buyer fails to fulfill its obligations.

1.8. "Employment Plan" shall mean the obligation of the Buyer to maintain a specified number of full time employees in the Company, to retain the existing employees in the Company and/or to employ new employees according to the provisions hereunder, in accordance with the Employment Plan that makes an ingredient part of this Agreement.

1.9. "Declaration on Origin of Funds" shall mean the declaration made pursuant to the Rules of Tender

1.10. "Force Majeure" shall mean each event that the parties hereunder could not foresee and prevent and which makes the fulfillment of the obligations hereunder impossible. Such events might be wars, international embargo, civil riots, acts of nature, fire, terrorist acts and similar events as provided by law.

1.11. "Penalties" shall mean the penalty charges paid to the Seller by the Buyer in case of failure or delay in fulfillment of the obligations, according to the provisions hereunder.

2. OBJECTIVE, INTENTIONS OF THE PARTIES, DUE DILIGENCE AND CONTROL

2.1. The Objective. The objective of this Agreement is the sale of the Company's shares in accordance with the Laws on Privatization of the Federation of Bosnia and Herzegovina, according to the obligations that shall be undertaken by the Buyer in accordance to the agreement as well as provision of efficient business and company development.

2.2. Intention of the Seller. The Seller intends to sell and transferring shares of the Company to the Buyer in accordance with the Tender Rules and this Agreement.

2.3. Intention of the Buyer. The Buyer intends to acquire ownership by buying shares of the Company, and by fulfilling terms of this Agreement providing terms for successful business and employment.

2.4. Due Diligence. The Buyer has performed, i.e. has been provided the opportunity for its own due diligence of the Company, its legal status, assets, Company's business as well as the rest of documentation that the Buyer consider as relevant, and all in terms of being informed about the Company.

2.5. Rules on control of performed liabilities from this Share Purchase Agreement will be performed according with Rules on control of performed liabilities from Share Purchase Agreement of privatization process in Federation of Bosnia and Herzegovina ("Off. Gazette FBiH, No. 52/09")

3. SUBJECT OF PURCHASE AND OWNERSHIP TRANSFER

3.1. Subject of purchase. Subject of purchase is the state capital in the value of 6.951.817,00KM, which fits to 67 % of the total capital of the Company "Fabrika duhana Mostar" d.d. Mostar. The state capital from the previous Section has been determined on basis of the corrected Opening Balance, with a state dated 30.06.2007. , (Annex 1)

3.2. Ownership transfer. Based on Report on conducted procedure of privatization, the Seller shall issue a Decision on the approval to register the executed privatization in the Court Registry, upon which the Buyer achieves the right to register its ownership upon the subject of sale.

3.3. The Right to Withdrawal. If the Buyer fails to make a payment of the purchase price according to terms and conditions of this Agreement it will be considered as withdrawal from the purchase and deposit will not be refunded to the Buyer. Exercising this right shall not rule out the Buyer's any further compensation claim.

4. PURCHASE PRICE AND PAYMENT DEADLINE

4.1. Purchase price. The total purchase price of the shares offered according to section 3.1. ("Purchase Price") is amounting _____ KM (Convertible Marks _____).

The Buyer shall bear the bank fees.

4.2. Payment Deadline. The Buyer is obligated to make a payment of the purchase price to the Seller within days from the signature date of this Agreement.

4.3. Method of Payment. Any amount to be paid established under section 4.1., by the Buyer will be paid by remittance form to the account of the Seller at:

Bank: "INTESA SANPAOLO BANKA" d.d. Bosna i Hercegovina

Account title: Agencija za privatizaciju u Federaciji BiH

Payable Currency: Convertible mark

Account number: 154-001-2000050827

Payable Currency: EUR

IBAN: BA 39 1540011100651792

ACC 53011204-037800

The document on the transfer of money shall bear the Company name (subject of privatization), the name of the Buyer and the identification number/a reference number of the Seller (if applicable). Besides, the Buyer shall provide - along with the remittance form – a notification in writing (*avioz*) to the Seller stating the amount, purpose, date of this Agreement and the identification/reference number referred to above.

The payment shall be considered effected and received on the day of the confirmation of receipt by "INTESA SANPAOLO BANKA" d.d. Bosna i Hercegovina.

PART II

5. BUSINESS OBLIGATIONS

5.1. Business Plan. The Buyer, hereby, agrees to manage the Company in accordance with the Business Plan, attached as Annex to this Agreement which is a consisting part of this Agreement (hereinafter referred to as: the "Business Plan"), Annex 2).. The Buyer shall maintain the operation of the Company in accordance with reasonable economical judgment and the Business Plan for a period of years from the date of signing the Agreement ("Business Plan Period"). The Buyer reserves the right to increase, decrease or modify production of the Company, and manage the operation in the best possible way for the Company.

5.2. Alienation of Assets. During the Business Plan Period, the Buyer shall not cause, nor enable that:

a) the assets of the Company are sold, ceded, transferred or renounced except if it is economically reasonable and in the interest of the Company;

b) Assume any other measures leading to the same economic results mentioned under a) apart from those consistent with reasonable economic judgment used to implement the Business Plan.

5.3. Plan Review and Modification. The Buyer shall meet with the Seller at least once a year and more if needed during the Business Plan period in order to review an execution of the Business Plan . If the Buyer proposes to modify the Business Plan it will only materialize with prior written consent from the Seller that will not challenge the modification unreasonably. Furthermore, the Buyer shall ensure the documentation for the Seller to prove the fulfillment of the Business Plan at any meeting. Meetings will be held upon the request of the Seller and if needed upon the request of the Buyer.

5.4. Disposal of shares – Company’s stakes The Buyer shall not sell, pledge, cede, exchange or grant any shares/stakes of the Company under Section 3. Point 3.1. of the Agreement to the third parties until issuing a certificate on fulfillment of all obligations assumed in this Agreement.

6. INVESTMENT COMMITMENTS

6.1. Investment Commitments. The Buyer shall invest in the Company a total amount of KM (in letters) in the period ofyears after this Agreement has been signed as follows:

1st year the amount ofKM,
2nd year the amount ofKM,
3rd year the amount ofKM .

6.2. Investment assets - Investment The investments funds shall directly come from the Buyer. Funds destined for investment will be directed and used according to the Business Plan.

6.3. Proof of Investment. The Buyer shall for every meeting i.e. after paid liabilities ensure a valid proof on the performed investments as determined in the Rules on control of performed liabilities from Share Purchase Agreement of privatization process in Federation of Bosnia and Herzegovina (Off. Gazette FBiH, No. 52/09).

6.4. Failure to Invest. If the Buyer is late to fulfill the investment obligations, and in that regard Annex of the contract is concluded, the Seller shall demand fulfillment of obligations and shall claim penalties.

The penalty shall be determined in the amount of % (in letters percent) of the amount that the Buyer has failed to invest- on time. Payment of penalty in the amount determined according with these regulations, the Seller may charge from the Guarantee of Buyer’s obligation to invest. Payment of penalty shall not release the Buyer from its obligation to complete the investment.

7. EMPLOYMENT OBLIGATION

7.1 Employment. The Buyer is obliged to maintain the a specific number of employees (a number) of permanently employed workers of the Company , and/or keep the existing employees and/or to employ new workers in accordance with provisions of this Agreement according to the Employment Plan which is a consistent part of the Business Plan at least for the period of years from the day this Agreement has been concluded, and to regulate employment legal status as per labor law regulations.

7.2. Proof of Employment. The Buyer shall ensure upon any request of the Seller a valid proof of employed workers pursuant to regulations of Rules on control of performed liabilities from Share Purchase Agreement of the privatization process in Federation of BiH (Off. Gazette FBiH, No. 52/9).

7.3. Failure to Employ. If the Buyer is late to fulfill the employment obligations and in accordance with this the Buyer is allowed to sign Annex of the Agreement, the Seller shall claim a fulfillment of obligations and penalties.

The Buyer is obliged to for any late to fulfill employment obligations of the Employment plan, to pay the penalty to the Seller in the amount of.....% of the amount according to the agreed formula:

- workers number x (times) a number of months (times) x Average gross salary in FBiH according with the last public data.

* A number of workers: a number of workers with unpaid obligations in according to Employment Plan.

*Number of months: A total number of months calculated from the first following day when the Employment Plan has to be fulfilled for a certain number of days determined by Annex of the Agreement on performed liabilities.

The amount of the Agreement penalty according to these regulations, the Seller may charge from the Guarantee for Buyer's obligations.

Payment of penalties shall not release the Buyer from its obligation to complete employment obligation.

8. PERFORMANCE BOND

Investment Guarantee. With regards to investment obligations the Buyer shall ensure to the Seller an unconditional and irrevocable and payable at first request of the Seller for the amount of.....KM, issued by the bank acceptable for the Seller. Performance Bond Guarantee shall be valid at least days longer than the deadline to perform obligations for the mentioned period.

The bank Guarantee authenticity shall be proved by the business bank of the Seller.

The obligations of the Buyer towards the Seller as per this Agreement shall in no way be limited, i.e. shall not be limited to Guarantees for performance of Buyer's liabilities, i.e. shall not be limited by the guaranteed amount.

9. OBLIGATION TO INFORM

9.1. Obligation of the Buyer to Inform. The Buyer shall inform the Seller on time, not later than 15 days before expired deadline for the fulfillment of the liabilities in writing on any failure to fulfill any of its obligations as per this Agreement.

The Buyer shall also inform the Seller in writing not later than 7 days of any facts and circumstances referring to the following events within 7 days from the event occurrence:

- (a) Change of the address of the Buyer, i.e. the Company
- (b) Change of the main telephone number, fax number, e-mail address of the Buyer, i.e. the Company
- (c) Buy-off, take-over or purchase of all or essentially all previously privatized shares/stakes of the Company
- (d) Any bankruptcy or liquidation procedure or procedures initiated by or against the Buyer, i.e. the Company
- e) Any other change relevant for the realization of this Agreement

9.2. Obligation of the Seller to Inform. The Seller shall inform the Buyer in writing on the following changes not later than 7 days:

- (a) Change of the address of the Seller,
- (b) Change of the main telephone number, fax number, e-mail address of the Seller,
- (c) Any other change relevant to the implementation of this Agreement.

PART III

10. REPRESENTATION AND GUARANTEES

10.1. Representation and Guarantees of the Seller. The Seller hereby confirms and guarantees to the Buyer as stated hereunder:

10.1.1. Organization. The Seller is duly organized and validly exists in accordance with the laws of the Federation of Bosnia and Herzegovina, having been legally empowered to sell the concerned Company's shares/stakes mentioned hereunder.

10.1.2. Validity of Agreement. According to the Seller's findings, this Agreement shall make the obligation of the Seller valid and binding. The execution and implementation of this Agreement does not require agreement, approval or authorization, from any other person, public authority, or entity, therefore it is not in violation of, or in conflict with, or makes an omission by any law, rule or regulation of any authority stating that the shares of the Company cannot be privatized.

10.1.3. Ownership Rights over the Shares/Stakes. The Seller has the right and authority to transfer the ownership right over the shares/stakes of the Company onto the Buyer on the date as envisaged in Part III, section 3.2.

10.1.4. Ownership Rights over the Real Property. Annex as an attachment to the Agreement, provides a list of all the real property with rights over the same in favor of the Company.

10.1.5. Organization and Good Reputation of the Company. The Company is duly organized and validly exists in accordance with the laws of Bosnia and Herzegovina and Federation of Bosnia and Herzegovina, and to the best of the Seller's knowledge, has the legal power, licenses and authorizations to conduct the respective operations. A proof of the Company registration is in the Attachment of this Agreement as Annex No. ...

10.1.6. Information Provided by the Seller. All information provided by the Seller to the Buyer during privatization negotiations are based upon documentation and information provided by the Company.

10.1.7. Litigation. Litigations made after the Company evidence are in the Annex, No...which is an Attachment to this Agreement

10.1.8. Financial Statements. The financial statements of the Company for the period of ...fromto are in the Attachment of this Agreement as Annex, No.....

10.2. Representation and Guarantees of the Buyer. The Buyer hereby confirms and guarantees to the Seller as stated hereunder:

10.2.1. Organizational-Legal Status. The Buyer is duly organized, validly existing, according to the laws....., with all corresponding legal power and empowerment to buy shares/stakes of the Company as envisaged in this Agreement. Official documents on the registration of the Company is the Attachment of this Agreement as Annex, No.....

10.2.2. Legal Validity of the Agreement. This Agreement represents a valid, binding and lawful obligation to the Buyer. The Buyer guarantees that the execution and implementation of this Agreement and the execution of transactions contained herein have been properly approved by an authorized body of the Buyer and no other agreement, approval, or authorization from any other person, any other Buyer's body, public authority or legal entity is required for the execution of this Agreement.

10.2.3. Failures. The execution and implementation of this Agreement by the Buyer and the execution of its obligations as per this Agreement do not represent a violation or disruption, nor are they in conflict with, or make omission by any law, rule or regulation of any government authority or court, i.e. the provisions or regulations on partnership, or the Statute of the Buyer, i.e. any agreement, license, or any other act, written or oral, with the Buyer being one of the parties involved.

10.2.4. Litigation. On the date of signing this Agreement, there are no procedures, disputes, court procedures or government investigation, i.e. interrogations, either ongoing or impeding, on the Buyer, which according to the Buyer's knowledge threaten the Buyer or any of its affiliations, i.e. their respective property, assets, activities and operations tending to prevent the execution of the transactions foreseen in this Agreement.

10.2.5. Financing. The Buyer hereby gives assurances it has enough financial means, i.e. ensured credit lines, to effect payment of the purchase price, investments, and other transactions envisaged in this Agreement, including but not limiting to the execution of the intended activities. The statement of funds from the Buyer is given in Annex, No.....

PART IV

11. ECOLOGY

11.1. Ecology Compensation

Under no circumstances shall the Seller be deemed responsible for ecological damage. Any such responsibility is a responsibility of the Buyer and the Company.

11.2. Responsibility of the Buyer. The Buyer shall be fully responsible for the management of the Company's assets in accordance with law and applicable regulations. The Buyer shall be responsible for all ecological damage stemming from the management of the assets owned by the Company and its affiliations.

12. RESPONSIBILITY, *FORCE MAJEURE*

12.1. Responsibility. The Buyer and the Seller are responsible for the execution of the obligations as per this Agreement and the positive regulations.

12.2. *Force Majeure.* *Force majeure* implies any event that could not have been foreseen and prevented, and which prevents the execution of obligations as per this Agreement. Such events can include war, international embargo, civil uprising, natural disasters, large-scale fire, act of terrorism, etc. as envisaged by the law. Strikes shall not be included in such events. In case of obligations failure because of the above mentioned events, none of the contractual parties is responsible.

13. CESSATION OF AGREEMENT

13.1. Finishing of Agreement. This Agreement shall be finished with the fulfillment of obligations of both parties i.e. after expiration of the period envisaged for the fulfillment of the contractual obligations.

13.2. Termination of Agreement.

(a) Termination of the Agreement by the Buyer. The Seller has the right to terminate this Agreement, and in this case will retain all payments effected by the Buyer, including all guarantees payments as well as claim compensation for potentially caused damage to the Seller.

(b) Termination of the Agreement by the Buyer. Due to the Seller's failure to fulfill its obligations, the Buyer has the right to request a refund.

PART V

14. JURISDICTION

14.1. Litigation. The parties agree to put maximum effort into solving any disagreement, i.e. dispute in connection with this Agreement through discussion and mutual compromise.

14.2. Court of Jurisdiction. Any dispute or disagreement, including but not limiting to anything that refers to or is connected to the interpretation of the Agreement, its validity or validity, its termination or whether a Party has fulfilled its obligations as per the Agreement, that cannot be solved through good will negotiations of the parties shall be solved by the court of jurisdiction in the place of the conclusion of this Agreement.

15. CLOSING PROVISIONS

15.1. Confidentiality. Prior to the transfer of shares/stakes, the Buyer shall keep in confidence all the information and documents received from the Seller and the Company, and the Buyer agrees not to disclose such information to any other person (apart from its employees, agents, and representatives in order to perform “due diligence” examination in connection with the purchase foreseen in this Agreement). In case the purchase foreseen by this Agreement does not materialize, the Buyer shall return to the Seller and the Company all received documented information including copies.

15.2. Whole Agreement. This Agreement and all enclosures, indicators, maps, addendums, and annexes, if any, constitute the whole Agreement.

15.3. Alterations and Amendments. Alterations and amendments to this Agreement shall not be valid unless made as Annex in writing and signed by the contractual parties. By Annex to the Agreement are also determined elements relating to guarantees and Agreement penalties.

Changes and Amendments to the Agreement can in no case be executed so that contractual parties give up any essential part of the Agreement, relating to the amount of investments obligations – investments, as well as the number of employees for which the Buyer is obliged as per the Employment Plan.

15.4. Severability. Should any of the provisions of this Agreement be or will become invalid, the validity of the other provision of this Agreement shall not be affected. In such case the invalid provision should be replaced with a legally valid provision which will be as close to the invalid provision as possible in terms of economic effect.

15.5. Applicable Law. This Agreement shall be governed by and interpreted in accordance with the laws of the territory of Bosnia and Herzegovina.

15.6. Costs and Fees. All costs and fees arising from the conclusion and execution of this Agreement, especially without limitation, public notary costs, registration fees, shall be solely at the expense of the Buyer. Each Party shall bear their own costs related to their consultancy services.

15.7. Communication. All notifications, requests and other communication of the information that one party needs to send to the other as per this Agreement shall be in writing and shall be delivered through courier or by mail with certified receipt on the following addresses:

Agencija za privatizaciju u Federaciji Bosne i Hercegovine (Prodavac)

Alipašina 41, Sarajevo, Bosna i Hercegovina

e-mail: apfbih@bih.net.ba

apftbiro@bih.net.ba

Telephone: ++387 33 218 551, 212 884, 212 885
Fax: ++387 33 212 883

Buyer: Address, phone, fax, etc.

15.8. Copies. This Agreement is made in four identical copies, in Bosnian and English language. Each party shall receive two full copies of the Agreement with each page initialed.

AGREED AND ACCEPTED

No:-----

Sarajevo,_____

SELLER

BUYER

LIST OF ANNEXES:

BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
AGENCIJA ZA PRIVATIZACIJU U
FEDERACIJI BOSNE I HERCEGOVINE

БОСНА И ХЕРЦЕГОВИНА
ФЕДЕРАЦИЈА БОСНЕ И ХЕРЦЕГОВИНЕ
АГЕНЦИЈА ЗА ПРИВАТИЗАЦИЈУ
У ФЕДЕРАЦИЈИ БОСНЕ И ХЕРЦЕГОВИНЕ

BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
AGENCY FOR PRIVATIZATION IN
FEDERATION OF BOSNIA AND HERZEGOVINA

Alipašina 41, Sarajevo, Tel.: +387 33 218 550, 212 884, Fax: +387 33 218 552, apfbih@bih.net.ba

**RULES OF DIRECT
NEGOTIATIONS**
for Sale of the State Capital in the Company
**“FABRIKA DUHANA MOSTAR”
d.d. MOSTAR**

July, 2010

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1. Subject of Direct Negotiations

Company Name:	"Fabrika duhana Mostar" d.d. Mostar
Location:	Mostar, Maršala Tita, 237
Shares on Sale:	67% of total share capital in the Company
Other Shares:	33% of shares is private capital

2. Definitions

The following definitions will be used in this document:

- **"The Company"** – "Fabrika duhana Mostar" d.d. Mostar
- **"State Capital"** – 67% of the total capital; Shares of the Company
- **"The Seller"** – Agency for Privatization in the Federation of Bosnia and Herzegovina
- **"The Sale"** – the Privatization procedures in accordance with the Regulations on Procedures for Sale through Direct Negotiations (Official Gazette of the Federation of Bosnia and Herzegovina No.75/05).
- **"Bidder"** – a Bidder or a potential Buyer – any physical or legal local or foreign entity that has signed a Confidentiality Statement with the Seller and that has otherwise complied with the Rules of Direct Negotiations.
- **"Bid"** – the Bidder's proposal to acquire the Shares in accordance with the Rules of Direct Negotiations.
- **"Successful Bidder"** – the Eligible Bidder with the best Bid as judged by the criteria stated in these Rules of Direct Negotiations.
- **"Bid Deadline"** – Bid submission deadline.

3. The Direct Negotiations Package

Together with this documentation of Direct Negotiations, the Direct Negotiations Package includes:

- Short Profile of the company.
- Confidentiality Statement.
- Bid Form
- Information Memorandum of the company.
- Draft to the Share Purchase Agreement

4. The Direct Negotiations Timetable

This document sets out the sequence of procedures and their duration.

Procedure	Duration		
	From	To	Days
Public Invitation to Bid	16.07.2010.	16.08.2010.	30
Due Diligence Visits (DDV)	16.07.2010.	16.08.2010.	30
Submission of Bids	16.08.2010.		30
Opening of Bids and Beginning of Negotiations	19.08.2010.		
Negotiations	19.08.2010.	19.10.2010.	60
Announcement of Winning Bidder	24.10.2010.		5days after closing Negotiations
Signing of the Share Purchase Agreement			8 days after execution of Decision

NOTICE: The Direct Negotiations may last maximum 60 days and are to be finished until 19.10.2010., but Direct Negotiations Commission may perform these activities in a shorter timeframe.

5. The Seller, Authority, Communication

All arrangements related to this Direct Negotiations, i.e. signing the Confidentiality Statement, requesting the Direct Negotiations Package, Due Diligence Visits, submission of Bid, or any other subject should be arranged with the Seller.

Seller: Agency for Privatization in the Federation of Bosnia and Herzegovina
Address: Alipašina 41, 71000 Sarajevo, Bosnia and Herzegovina
Phone: +387 33 218 550, 387 33 212 884; Fax: + 387 33 212 883
e-mail: apfbih@bih.net.ba
Contact person: Mrs. Nevena Vokić

6. Due Diligence Visits

Each Bidder will have an opportunity to visit the company, to examine the books and records in the Data Room, to inspect the site and facilities, to ask questions related to management and to perform such other inspections as the Eligible Bidder deems necessary, under the following conditions:

- All Due Diligence Visits (DDVs) must be arranged with the Seller and undertaken exclusively at the sole cost of the Bidder.
- Any and all inspections and actions during and in connection with the Direct Negotiations, including DDVs are to be undertaken after meetings have been scheduled and during Public Invitation only.
- DDVs will be scheduled after contact with Agency for privatization in Federation BiH
- All requests for discussion with the company management or employees or to obtain copies of documents or any other actions during or in connection with the DDVs must be done with the representative of the Agency for privatization in the Federation BiH)
- The Potential Bidder will be able to review data of the company in a Data Room set aside for that purpose
- Requests for multiple DDVs by a single Bidder will be considered at the sole discretion of the Agency for privatization in the Federation BiH).

7. The Bid

Bids are submitted in a sealed envelope identified by a subject of sale title, specifying all requirements and documentation, which must be supplied within the following Schedules:

1. Schedule A – Declaration
2. Schedule B – Legal Authority together with Statement
3. Schedule C – Participation Fee and Deposit
4. Schedule D – Declaration of Funds
5. Schedule E – The Bid comprising:
 - Price
 - Investments
 - Employment
 - Business Plan
 - Qualifications of the Bidder
6. Schedule F – Draft to the Share Purchase Agreement

Formally valid Bid is Bid submitted within deadline, according with above-mentioned way, with cited elements.

Each Bid must be submitted individually or by registered mail, not later than **16.08. 2010. until 16:00 CET** (Central European Time)-Bid Deadline, on the Seller's address:

Seller: Agency for privatization in Federation BiH

Address: Alipašina 41, Sarajevo

Phones: +387 33 218 550, 387 33 212 884, Fax: +387 33 212 883

E-mail: apfbih@bih.net.ba

Bid is valid 180 days from the deadline for submission of Bids

8. Deposit, Participation Fee and Fee for taking over Direct Negotiations Documentation

a) Deposit

Bidder is required to pay KM 50.000,00 or to ensure a bank guarantee for the same amount. The deposit guarantee must be unconditional, irrevocable and payable on the first request of the Agency, valid at least 180 days, since the deadline for submission of Bids.

This amount should be paid on this account:

Deposit (KM)

Bank name: "INTESA SANPAOLO BANK" Sarajevo

Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo, Alipašina 41

Account No. 1540012000051021

Purpose of Payment: Deposit for Direct Negotiations participation fee

Foreign currency:

Bank name: "INTESA SANPAOLO BANK" Sarajevo

Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo, Alipašina 41

Account No. SWIFT: UPBKBA22 ACC.530011204-037800

IBAN BA 39 1540012000051021

Purpose of Payment: Deposit for Direct Negotiations participation

b) Participation Fee

Bidder is required to make a non-refundable deposit of 3.000,00 KM for participation in the Direct Negotiations procedure.

This amount shall be transferred to the following account:

Participation Fee (KM):

Bank Name: "INTESA SANPAOLO BANK" Sarajevo

Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo
Alipašina 41

Account Number: 1540011100651792

Purpose of Payment: Direct Negotiation participation Fee

Foreign Currency Payment for participation fee

Bank Name: "INTESA SANPAOLO BANK" Sarajevo

Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo
Alipašina 41

Account Number: SWIFT UPBKBA22 ACC 530011204-037800

IBAN BA 39 1540011100651792

Purpose of Payment: Direct Negotiation participation Fee

c) Participation fee for taking over Direct Negotiations documentation

Bidder is required to pay documentation fee, amounting 5.000,00 KM for preparation of Direct Negotiation documentation, including Information Memorandum.

This amount should be paid on the following account:

Participation fee for taking over Direct Negotiations documentation (KM):

Bank Name: "INTESA SANPAOLO BANK" . Sarajevo
Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo Alipašina 41
Account Number: 1540011100651792
Purpose of Payment: **Participation fee for taking over Direct Negotiations documentation**

Foreign Currency Payment for taking over Direct Negotiations documentation

Bank Name: "INTESA SANPAOLO BANK" Sarajevo
Account Holder: Agency for Privatization in the Federation of Bosnia and Herzegovina
Sarajevo
Alipašina 41
Account Number: SWIFT UPBKBA22 ACC 530011204-037800
IBAN BA 39 1540011100651792
Purpose of Payment: **Participation fee for taking over Direct Negotiations documentation**

Any bank fees or expenses shall be borne by the Bidder.

9. Document Submission

Each Bidder must submit its Bid in one of the official languages in BiH, or in English, whichever it deems appropriate.

The Seller is required to receive any Bid submitted individually or by mail, no longer than 16:00 Central European Time, at the address specified in Section 4.

Each Bid must be signed in ink by the Bidder or its authorized representative. The signer of the Bid must initial in ink each page of the Bid and any alterations to the text.

Bid must be submitted in a closed envelope with a full title of the subject of sale.

10. Log in and Receipt of Bid

The Seller will stamp each Bid received with the date and time of its receipt.

11. Modification or Withdrawal of Bid

Bidder may modify or withdraw a Bid prior to the Bid Deadline by providing written notice to the Seller at the address notified 'Modification of the Bid', and to the attention of the individual to whom Bid is to be submitted.

12. Official Representative of Eligible Bidder and Clarification of Bids

Each Bidder shall identify in its Bid a representative who shall serve as the Bidder's official contact to whom all communications with the Seller will be channeled. Such person shall remain accessible to the Seller at the Eligible Bidder's home office (or an alternate location specified in the Bid).

From the end of the Due Diligence period until a Successful Bidder is announced, no communication shall be initiated by any Bidder with the Seller. After the Bid Deadline and until a Successful Bidder is announced, any communication with Bidders for clarification of Bids, if necessary, will be initiated by the Seller.

13. Criteria and Evaluation

13.1. Criteria

Each amount of currency in the Bid (e.g. price for shares and investments) must be expressed in Bosnian Convertible Marks (KM)

Bids will be evaluated according to the following criteria:

- a) **Price**
- b) **Investments**
- c) **Employment**
- d) **Business Plan**
- e) **Business reputation/qualifications**

Within the Business Plan the Bidder should explain Bid motivation and development strategy of the company "Fabrika duhana Mostar" d.d. Mostar for the next three years, with basic elements of the Business Plan (especially the Balance Sheet and company success for the first three years.

Bidder is obliged to keep existing activities of the company at least for 3 (three) years, since the date of signing A Share purchase Agreement.

Business Plan should contain the Plan of extended and providing new markets.

Together with documentation on Business reputation there should be some basic information about the Bidder (Annual Income, Income structure, realized Profit, Expenditures, number of employees, the level of information system and work technology).

Basic evidence for the Business reputation are:

1. Financial Statement for the last three years (preferably audited)
2. Auditor's Statement
3. Bidder's relevant experience in production and tobacco processing production
4. Participation in the privatization process
5. Experience in the world market
6. Other information on Bidder's business rating

In case Bid is submitted by Consortium, each member of Consortium shall submit information referred to above-mentioned reputation evidence.

13.2 Evaluation of Bids

Bids will be evaluated on basis of the evaluation procedure. Bids will be evaluated relative to the highest scored Bid. It means. that the Bidder evaluated best upon particular criteria, gets maximum points according to that criteria

Quantitative criteria:

Price: 30% points

Offered price is to be paid exclusively in cash.

Investments: 35% points

Investments specify only investments by the Bidder, not provided from resources of the company, but by the Bidder, within three years period, after signing the Share Purchase Agreement.

Investments can be defined as cash or investments into fixed and current assets (land and buildings, civil engineering production, equipment, machines). Investment into equipment is possible if the equipment is acceptable for Buyer (function, use, condition).

Investments from retained earnings of the company are not "Investments" in this context

The value of investments according to the Investment Plan will be quoted in the following way:

- First year 100% of the investments value
- Second year 80% of the Investments value
- Third year 60% of the Investments value

Successful Bidder will be obliged to provide the Bank guarantee for planned investments, not later than the signature date of Share Purchase Agreement

Employment: 15% points

Retain of workers for the three years period. Bids with less employees will not be evaluated according to this criteria.

Points express criteria importance.

The best-ranked Bidder according to quantitative criteria gets maximum points: **80% points**

b) Qualitative criteria:

-Business Plan **10% points**

-Business rating **10% points**

For Qualitative criteria – "Business Plan" and "Bidder's Business Rating" (See Section 13.1.)

For qualification of the Bidder each Bidder will be considered:

- "Very good": maximum points, i.e. 100%
- "Good": 75% of maximum points
- "Medium": 50% of maximum points
- "Low": 25% of maximum points
- "Very low": No points

Grades	Max. points in %	Business Plan	Business Rating
Very good	100	10,0	10,0
Good	75	7,5	7,5
Medium	50	5,0	5,0
Low	25	2,5	2,5
Very low	0	0	0

c) Total evaluation of qualitative and quantitative criteria

Quantitative criteria: max. 80 % of points

Qualitative criteria: max. 20% of points

Total: max. 100% of points

14. Negotiations

All Bidders are present to Opening of Bids ceremony.

During Negotiations all Bidders with valid Bids will take part in negotiations.

At the beginning of Negotiations, i.e. on the first meeting, Bids will be opened and Bidders' names together with Bids' elements will be announced.

Negotiations will be in the presence of all Bidders. One Union representative of the Company and authorized Ministry will also be present, with previously signed Statement on Confidentiality.

During Direct Negotiations all Bidders will be able to improve their Bids' elements through Auction competition.

Negotiations may go through several rounds.

After each round of negotiations, the Commission will perform Bids' evaluation, what is the basis of next round negotiations. The Commission will announce final Bids evaluation, after all Bidders have expressed their final Bid (final Bid can be expressed by the Seller, too) not later than 60 days period since the delivery date of the Bidders invitation to start Negotiations.

After negotiations for Direct Negotiations are over, the best Bid will be announced. The best Bid is the Bid with maximum points, according to the Rules of Direct Negotiations.

Direct Negotiations Commission will continue negotiations with best Bidder regarding to elements of Share Purchase Agreement.

15. Notification to Bidders

The Commission will within five (5) days since the day the Negotiations are over, be provided with a written agreement by the Director of the Agency, after what brings the Decision to proclaim the Winner, about what the Seller will inform Bidders, in written.

If the Share Purchase Agreement is executed with the best-ranked Bidder within the validity period of the Bids, the Seller will inform other Bidders how their Bids are ranked, for the sake of signing the Share Purchase Agreement.

16. No Agreement until Share Purchase Agreement Signed

No agreement will be deemed to have been reached concerning the sale of the Shares until the Seller and the Successful Bidder have signed the Share Purchase Agreement. Until such time, the Seller has no obligations to the Successful Bidder with respect to the Enterprise or the Shares.

Prior to the signature of the Share Purchase Agreement, the Potential Buyer is required to provide evidence issued by the competent authorities, that no hindrances exist with regard to the provisions referred to in Article 12. Paragraph 2. Point 2., 3., 4., and 5 of the Law on Privatization of Enterprises (Official Gazette of the Federation of Bosnia and Herzegovina, No. 27/97, 8/99, 32/00, 45/00, 61/01, 27/02, 33/02, 28/04, 44/04, 42/06 and 4/09).

The Buyer is obliged to sign the Share Purchase Agreement for 8 (eight) days period, after the Decision by which the Commission proclaimed the Winner. Seller's obligations to the Successful Bidder will be those expressly set forth in the Share Purchase Agreement.

17. Disclaimer of Representations and Warranties

The Seller does not make any representations or warranties with respect to the Shares or the Enterprise (other than any set forth in the Share Purchase Agreement) express or implied.

The Seller also expressly disclaims any warranty, guarantee, or representation, oral or written, expressed or implied concerning the Enterprise or the Shares. Potential Bidders are expected to undertake their own independent due diligence inspection concerning the Enterprise and the Shares and to submit their Bids based solely on their own independent investigation and findings, and not in reliance on any information provided by the Seller.

18. Seller's Right to Negotiate, Alter Rules of Sale, or Cancel Sale

The Seller reserves the right to alter the timetable of this Direct Negotiations – including but not limited to any or all deadlines – at any time prior to the Bid Deadline without notice. Subsequent written notice shall be provided to all Bidders as soon as possible by fax or express courier.

The Seller also reserves the right to cancel this Sale at any time and for any reason before or after the Bid Deadline upon written notice to Bidders on time. Such cancellation will be without cost or liability to the Seller.

1. SHORT PROFILE

▪ Basic information

Title of the company:	Fabrika duhana Mostar d.d. Mostar
Address:	M. Tita 237, Mostar, Bosnia & Herzegovina
Legal status:	Joint Stock Company
Subject of sale:	67 % of the total company capital
Status of remained shares:	33 % is a private capital
Activity:	Production of tobacco products
Total income:	4.758.607 KM (2005.) 2.927.923 KM (2006.) 1.898.401 KM (2007.) 318.374 KM (2008.) (1 Euro=1.95583 KM)
Number of employees:	122 (June, 2008.)
Foundation year:	1880.
Director:	Nomination is ongoing
Web site:	www.fdm.ba

Tobacco factory Mostar in Mostar, is one of the oldest companies in Bosnia and Herzegovina. It is established in 1880. , when under the state control began the development of the tobacco industry in Bosnia and Herzegovina. The locality of Herzegovina has ideal climatic conditions and long tradition in high-quality tobacco brand production. Economic strategy of FDM meet consumers needs, developing new products and quality improvements.

▪ Location



FDM is located in the area within 23.704 m² in the south, industrial zone in the city of Mostar, near main road Sarajevo-Ploče. The factory is 60 km far from the Adriatic Port Ploče in the Republic Croatia, and 130 km from Sarajevo, the capital of Bosnia and Herzegovina. Good transport connections (plane, railway and road), make the communication speed and available.

▪ **Assortment of products and services**

Product brand names of FDM in 2006. are the following:

- Drina special
- Trend box
- Drina
- Trend extra

FDM possesses the following trade-mark cigarettes:

- „Rubikon“
- „Mond crveni“
- „Mond plavi“
- „Trend“

Apart from cigarettes production, the FDM also provides final tobacco production services.

▪ **Market and consumers**

FDM places its products on the locality of Bosnia and Herzegovina.

▪ **Income and expenditures**

Tabela 1.1.Total income and total expenditures for 2005., 2006. 2007 & 2008. (KM)				
	Year			
	2005.	2006.	2007.	2008.
Total income	4.758.607	2.927.923	1.898.401	318.374
Total expenditures	7.704.993	5.529.098	6.467.849	2.362.802
Loss	2.946.386	2.601.175	4.569.448	2.044.428

During the period from 1997. to 2000. the company has encountered positive trade income, and gained a substantial profit. From 2001 the Company is making losses.

- **Real-estate**

Facilities covering 10.534 m² of ground are in the ownership of FDM (production halls and other objects). Objects are located on the large surface of 23.704 m², for which FDM has a clean license and a permanent right of use.

- **Workers**

FDM employs 122 workers in total (state of June, 2008.).

- **Ownership structure**

Total basic capital of the company is 22.137.512,00 KM, determined by the Decision of the Agency for privatization in the Herzegovina-Neretva Canton, with approved Privatization Program and Opening Balance Sheet, stated on 30.06.2000.

Through the method of Public Offering of Shares, 12.6186% of the capital is already privatized, and 20.3814% of the capital is the private capital owned by previous and/or present workers. Agency for privatization in the Herzegovina-Neretva Canton issued the Decision on approval for registration of the process of privatization.

The Assembly of Shareholders of the FDM has passed the Decision on decrease of the basic capital, to cover the loss during 2000., 2001., 2002. The Securities Commission in the FBiH on 09.09.2003. issued the Decision on approval of the decreased basic capital, which now amounts 19.038.205 KM, divided in 221.375 shares with nominal value of 86,00 KM.

The Assembly of Shareholders of FDS has passed a Decision on decrease of the basic capital, to cover the loss during 2003., No. SD-4003-03-jš, dated 30.06.2005., approved by Decision of the Securities Commission in the FBiH, No.03/32-19-371/05, dated 29.09.2005, so that decreased basic capital amounts 15.841.595 KM, divided into 221.375 shares with a nominal value of 71.56 KM

The Assembly of Shareholders of FDS has passed a Decision on decrease of the basic capital to cover the loss during 2004.. No.SD-342/5-06-jš, dated 29.06.2006., approved by Decision of the Securities Commission in the FBiH, No.03/1-19-402/06, dated 24.08.2006., so that decreased basic capital was 13.322.347,50, divided into 221.375 shares with a nominal value of 60.18 KM.

The Assembly of Shareholders of FDM has passed a Decision on decrease of the basic capital to cover the loss during 2005., No.SD-308/5-07, dated 29.06.2007., approved by Decision of the Securities Commission in the FBiH, No.03-19-394/07, dated 03.08.2007., so that decreased basic capital was 10.375.846,25 KM, divided into 221.375 shares with a nominal value of 46,87 KM.

Basic capital and ownership structure after privatization, together with decreased basic capital is presented in the Table below:

Table 1.2. Ownership structure		
Capital owner	Amount (KM)	%
State capital	6.951.817,00	67%
Private capital	3.424.029,,25	33%
Total basic capital:	10.375.846,25	100%

67% of the company capital is offered for sale, through the method of Direct Negotiations.

▪ **Investors' benefits**

FDM offers numerous benefits to potential investors, some of which are:

- Experienced cigarette producer and the producer of tobacco products;
- Tobacco processing tradition;
- Working force experienced and skilled in production process;
- A huge ground space with large objects – adequate for running business, with the enlargement possibility, along with fairly sufficient closed warehouse space for the raw-materials and finished products;
- Attractive location near the main road Sarajevo-Ploče;
- Good transport communication and connection
- Respectful, leading brand-named machinery park;
- Small investments can for a very short time, substantially increase production capacity;
- Licensed trade marks;
- Large, competitive laboratory for running a modern, up-to-date quality control, measurements reading and other processes in compliance with prevailing ISO standards;