

Investment opportunity

Aluminij d.d., Mostar, Bosnia and Herzegovina

INVESTMENT OPPORTUNITY

Investors are being presented with an opportunity to acquire 88% stake in the company Aluminij d.d., Mostar ('Aluminij'; 'the Company'), aluminum producer located in Mostar, Bosnia and Herzegovina. Sales process will be conducted through an open tender.

This information brief has been prepared by Deloitte Advisory Services ('Deloitte'; 'the Advisor'), on behalf of Aluminij Mostar d.d. and Agency for Privatisation in the Federation of Bosnia and Herzegovina ('the Agency').

Deloitte has prepared this document for the purpose of offering initial information on this investment opportunity to potential investors.

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INVESTMENT HIGHLIGHTS

- *Aluminij is one of the most successful companies in Bosnia and Herzegovina and the country's largest exporter*
- *Company has achieved an uninterrupted growth in sales in recent years, after restarting operations in 1997*
- *Production of aluminum in Aluminij Mostar is organized at one location, in three plants: factory of anodes, electrolysis and foundry. Special attention is paid to the environment and safety at work. Production is located 7km south from the center of the town of Mostar, Bosnia and Herzegovina*
- *Main products include aluminum billets, slabs, ingots, and wire*
- *Aluminij Mostar sold 134,535 thousand tons of aluminum products in year 2006*
- *Company is currently producing at close to maximum capacity. Ongoing investments in foundry and anode production will raise the output somewhat. Second electrolysis plant which would double the output is being considered – foundry and anode production can support output doubling*
- *Company possesses ISO 9001 and ISO 14001 certificates*
- *86 per cent of total revenue is generated abroad. The most important markets for Company's products are Switzerland, Croatia and Bosnia and Herzegovina.*
- *Strategic location in Southeastern Europe provides easy access to Port of Ploče (60km distance) on the Adriatic Sea by railway and road*

- *In the Fall of 2006, Government of Federation of Bosnia and Herzegovina and Aluminij reached a common agreement on their shareholdings in the Company as follows:*
 - *44% Federation of Bosnia and Herzegovina*
 - *44% former and current employees of Aluminij*
 - *12% Croatian Privatization Fund*
- *88% of the Company owned by the Federation of Bosnia and Herzegovina and the employees of Aluminij is being offered for sale on open Tender*

HISTORY & LOCATION

History of Aluminij began when the bauxite ore was first found in the Herzegovina region. Aluminum production started under the company name Aluminij, Mostar in 1981. In 1990 the Company was producing 92,000 tons of primary aluminum per year. As a consequence of the conflict in the early 1990's, the Company's production was stopped from 1992 until March 1997. After reconstruction of key facilities, first electrolytic cells were restarted in August of 1997.



PRODUCTION OVERVIEW

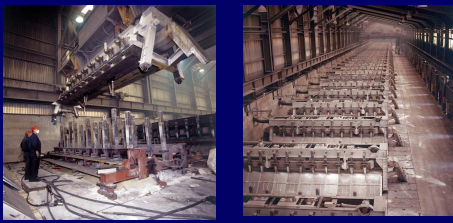


Total production of primary aluminum and aluminum alloys take place at one site. Manufacturing process is divided in three stages: anodes factory, electrolytic pots, and aluminum foundry.

Anodes factory

Currently, factory of anodes has capacity to produce 130,000 thousand tons of green anodes and 70,000 thousand tons of baked anodes.

New EUR 32 million investment in production of larger anodes capable of 185kA (vs. 173kA now) has started and is expected to finish in spring of 2007.



Electrolysis factory

The electrolytic pots have the capacity of producing 120,000 thousand tons of liquid aluminum per year. Higher production will be possible in existing facility with larger dimensions of anodes, expected after the end of the project of modernization of anodes factory in spring of 2007.



Aluminum Foundry

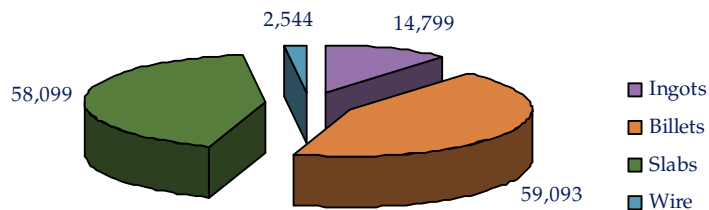
The Foundry has the capacity to produce 140,000 thousand tones of different aluminum profiles. Apart from high-purity liquid aluminum from electrolysis, the Company also uses lower quality aluminum as an input in the foundry for mixing, which enables higher utilization while meeting standard specifications

PRODUCTS



Aluminij currently produces four main profiles of aluminum. Company recently restarted wire production. Sales of most important profiles in 2006 are presented bellow.

Aluminum alloy sales in 2006 in 000 tones



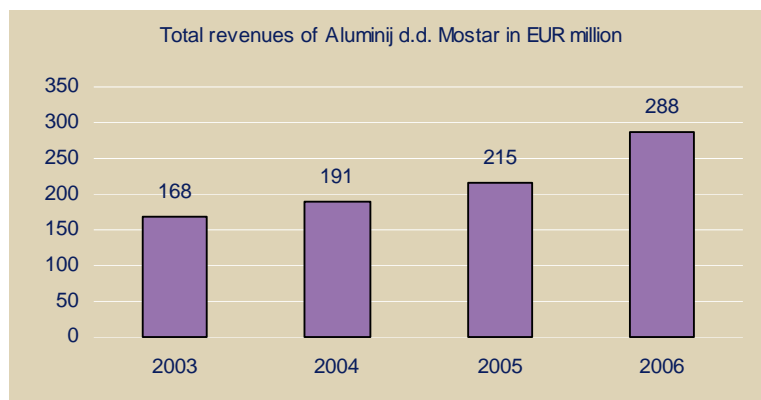
Source: Management accounts

EMPLOYEES

The Company had 935 employees at 31 December 2006. 823 employees were employed in aluminum production. 61 employees have a university degree.

SALES

Total revenues of Aluminij d.d. Mostar in 2006 amounted to EUR 288 million and are still a subject of soft closing. The increase of revenues in 2006 is a continuation of trend established in the last few years.



Source: Management accounts

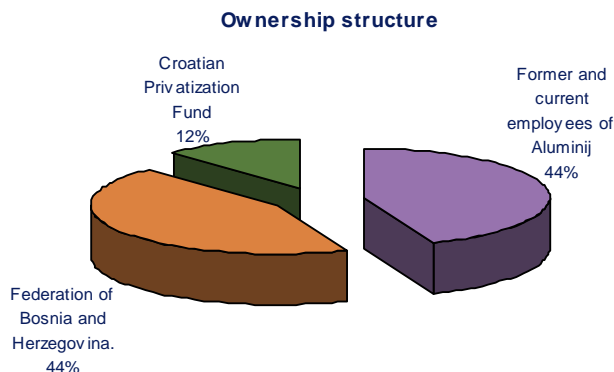
SELECTED FINANCIAL HIGHLIGHTS

All amounts are in 000 EUR	2004	2005
Operating revenue	186,478.7	211,523.5
Operating expense	(184,948.6)	(210,684.9)
Net operating result	1,530.1	838.6
Financial income	2,125.4	1,398.6
Financial expense	(3,562.6)	(1,875.1)
Net result of financing operation	(1,437.2)	(476.5)
Other income	1,932.6	2,300.8
Other expense	(878.9)	(252.3)
Other result, net	1,053.7	2,048.5
Tax	(344.0)	(723.2)
Net income	802.6	1,687.4

Source: Income statement for 2005 and 2004

All amounts are in 000 EUR	2004	2005
Total assets	136,723.5	140,952.1
Fixed Assets	95,571.2	83,744.5
Inventories	33,058.7	29,849.3
Receivables	4,733.4	12,198.8
Cash and cash equivalents	3,360.2	15,159.5
Total equity & liabilities	136,723.5	140,952.1
Total equity	85,634.0	87,321.5
Long term liabilities	31,906.0	27,613.8
Short term liabilities	19,183.5	26,016.8

Source: Balance sheet as of 31 December 2005 and December 31st 2004

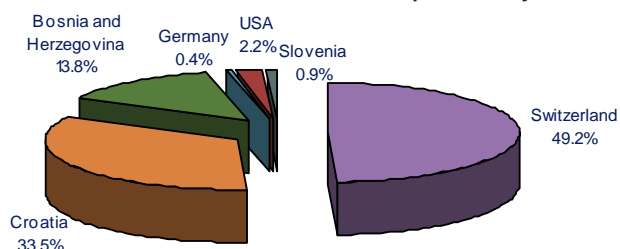


Source: Decision of Government of the Federation of Bosnia and Herzegovina in agreement with Management of Aluminij.

MAIN CUSTOMERS

Aluminij exports approximately 86 per cent of total production. Key customers are Glencore Int (CH), TLM d.d. (HR), FEAL. d.o.o. (BiH), and Alloy Wheels Jajce d.o.o (BiH).

Structure of sold aluminum in 2006 per country



Source: Management accounts

POLITICAL AND ECONOMIC ENVIRONMENT

Bosnia and Herzegovina (BiH) is a country situated in South-Eastern Europe, consisting of two entities, the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS). Territorial size is 51.129 square kilometres, 51% of which lies in FBiH, 49% in RS. Bosnia and Herzegovina borders Croatia (931 km), Serbia (375 km) and Montenegro (249 km). A twenty kilometres stretch of coastline in the south of the country gives it access to the Adriatic Sea. Government of BiH is currently in the phase of implementation of economic reforms with the goal of bringing the country closer to European integration.

Indicators	2002	2003	2004	2005
GDP, EUR million	5,957	6,290	6,901	7,542
GDP per capita, EUR	1,556	1,642	1,796	1,962
Real GDP growth rate, %	5,5	3,0	6,0	5,5
Annual inflation rate BiH, %	0,4	0,6	0,4	3,6
Average monthly net salary, Euro	228	247	258	274

Source: Central Bank of Bosnia and Herzegovina

INTERESTED PARTIES

Interested parties should contact the Advisor who will inform them on process requirements.

CONTACT INFORMATION

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