

Public Invitation

Elektroprivreda Crne Gore AD Nikšić
Broj: 10-00 <u>13746</u>
Nikšić, <u>27.03.2024</u> god.

The business entity Elektroprivreda Crne Gore AD Nikšić (registration number: no. 1001-2772/1, TIN: 02002230, VAT: 20/31-00112-1) is leasing the production capacities of its daughter company EPCG-Željezara Nikšić for the purpose of valorising and preserving the production of steel in a factory with over 65-year long tradition in steel production.

All the companies from Montenegro and abroad which are registered and run business in line with the laws of the State in which they are seated shall be entitled to participate in the Public Invitation.

The right to participation:

- ✓ all the companies that submit applications according to the concerned public invitation to the address of EPCG AD Nikšić, Vuka Karadžića broj 2, in a sealed envelope with indications "Public Invitation for lease of Melt shop and Forging shop" and „do not open before official seating of the committee in charge of reviewing and ranking the submitted bids“.
- ✓ The bids shall be submitted either directly or by an authorized representative to the archive of EPCG AD Nikšić, at the address Vuka Karadžića broj 2, Nikšić, Montenegro, up until April 15, 2024 by 10:00.

Negotiation procedure:

- ✓ EPCG AD Committee will send an invitation to the applicants whose bids have been received, within the time limits specified in this Public invitation, for negotiating, with a clearly defined subject, date, and place of negotiations,
- ✓ Minutes of the content and the progress of the negotiations shall be kept,
- ✓ Multiple rounds of negotiations may be held in order to obtain the best Bid,
- ✓ The most favourable negotiated Bid will be proposed as the first-ranked,
- ✓ The selected Lessee will conclude a lease agreement.

EPCG has the right to suspend the procedure in case it deems that the final Bid does not meet the requirements of EPCG AD Nikšić. Furthermore, EPCG has the right until the conclusion of the Lease Agreement to withdraw from it, where neither applicants nor any legal or natural person will have the right to claim any compensation for damages or costs incurred directly and indirectly as the consequence of participation in this Public Invitation.

When selecting a business partner the advantage shall be given to those companies that base their production agenda on the so-called "green steel" production aiming thereby to gradually shape, year after year, a sustainable future of the production through: gradual investing in new production technologies, upgrade of the existing generation facilities, machinery and auxiliary equipment, use of electricity from renewable sources, recycling of technological waste generated as the generation by-product, gradual decrease of

harmful gases emissions and other harmful dry pollutants into the atmosphere, meeting thereby, gradually, the conditions for the introduction of EPD (Environmental Product Declaration) and other certificates representing internationally recognizes eco – declaration.

When selecting a business partner the precedence will be granted to those Companies that submit a 5–year Plan on development of manufacturing facilities i.e. Melt Shop and Forge Shop, focusing thereby on the planned investments (improvement in the existing manufacturing process in technical-technological terms and potential investment in new manufacturing facilities).

The companies which have applied to the public invitation are required to submit precise bids for lease of the production capacities in the Melt shop and Forge shop, in accordance with the defined bid elements:

The deadline for initiating production (min. 6 months, max. 12 months) - the deadline offered by a bidder for initiating production.

The minimum deadline for initiating production that a bidder may offer is 6 months, while the maximum deadline for initiating production that a bidder may offer is 12 months. If a bidder offers the shortest deadline for initiating production, it shall be awarded the maximum number of points in this category. If a bidder offers a deadline for initiating production which is longer than 12 months, such a bidder shall not be considered. If any bidder offers the deadline which is longer than 6 months, its number of points shall be calculated as per the following formula:

$$\left(\frac{\text{(the shortest deadline for initiating production)}}{\text{(the offered deadline)}} \right) \times \text{maximum number of points (10)}.$$

The bidder is obliged to provide a precise description of the activities they intend to carry out in order to prepare the production facilities, machinery and auxiliary equipment prior to the commencement of production at the Melt shop and Forge shop.

The bidder is obliged to provide a planned production scope by months from the moment of initiating the production in Melt shop and Forge shop throughout the entire lease period (5 years + 5 years).

Lease period (min. 5 years, max. 10 years) - length of lease period offered by the bidder.

Minimum lease period that a bidder may offer is 5 years. The maximum number of points shall be awarded to the bidder that offers the lease for the period of 10 years and longer (the lease period may not be shorter than 5 years). If a bidder offers the lease for a period shorter than 5 years, they shall not be awarded points in this category. The lease for the period of ten years and longer shall be awarded the maximum number of points (5). If a bidder offers the lease for a period which is shorter compared with the bidder that offered the lease for the longest period, its number of points shall be calculated as per the following formula:

$$\left(\frac{\text{(the offered lease period)}}{\text{(the longest lease period)}} \right) \times \text{maximum number of points (5)}.$$

Monthly rental amount (minimum €30,000 - maximum €150,000) - the monthly rental amount offered by the Bidder cannot be lower than €30.000.

The Bidder that offers the highest monthly rental amount, exceeding €30,000 per month, shall receive the maximum number of points in this category. If the Bidder offers a monthly rental amount that is lower than €30,000, that Bidder shall not be considered. If the Bidder offers a monthly rental amount lower than the maximum offered but higher than or equal to €30,000 per month, points shall be awarded as follows:

$$\left(\frac{\text{(Bidder's offered monthly rental amounts)}}{\text{(Maximum monthly rental amounts)}} \right) \times \text{Maximum number of points (15)}.$$

Investment plan in the first 5 years of the lease (min. €25 million) - the amount of planned investments in the Bidder's Bid.

The minimum amount of investments that the Bidder can offer for the first 5 years is € 25 million. Points in this category are defined in such a way that investments in the first years of the lease are valued more:

Year 1 (30% points), Year 2 (35% points), Year 3 (20% points), Year 4 (10% points), Year 5 (5% points).

If any of the Bidders offer an investment less than €25 million for the first 5 years, that Bidder shall not be further considered.

The Bidder that offers the highest total investment amount by years regarding the defined percentages, shall receive the maximum number of points. Points to the other Bidder's Bids shall be awarded as follows:

$((\text{offered investment amount per years}) / (\text{the highest investment amount per years})) \times \text{maximum number of points (per year scored)}.$

The Bidder is required to submit an investment plan for the proposed lease period and the implementation schedule of investments in existing production facilities, machinery, and auxiliary equipment, as well as a production development plan aimed at increasing production capacities (technical and technological improvement of existing equipment) and investing in new equipment (expanding the production range).

The number of employees that the bidder shall take over in the first 12 months (minimum of 100 employees, maximum of 150 employees) – number of employees the bidder is to take over within the first 12 months from the contract signing

The minimum number of employees that the bidder shall take over during the first 12 months cannot be less than 100, whereas the maximum number of employees to be taken over by the bidder in the first 12 months equals 150. Should a bidder offer to take over 150 employees over the course of the first 12 months, they will be awarded the maximum number of points in this category.

Should a bidder offer to take over less than 100 employees in the first 12 months, their bid shall not be further considered.

Should a bidder offer to take over a number of employees lower than 150 for the first 12 months, the number of points awarded to such bidder shall be calculated in line with the following formula:

$((\text{the offered number of employees to be taken over}) / (150)) \times \text{maximum number of points (30)}.$

The Bidder shall be required to submit the employment time schedule per month for the first 12 months (disclose the number of employees for each month) from the moment of signing of the Lease Contract.

Bid Guarantee:

- The Bidder shall furnish, by the date of Bid opening, an unconditional, first demand bid guarantee in the amount of €150,000.00 as a guarantee that they remain bound by the bid during the validity period of the bid (60 days). Should such bank guarantee be submitted from abroad, the procedure must be coordinated by a financial institution from Montenegro as selected by Elektroprivreda Crne Gore AD Nikšić, and further via a correspondent bank so as to enable reliable verification of validity and correctness of the submitted guarantee through SWIFT message.
- Instead of the Bank guarantee the Bidder may, optionally, pay the deposit in the amount of €150,000.00 that shall be acknowledged as a bid guarantee during the bid validity period (60 days).

Performance Guarantee:

- The Bidder whose bid is selected as the best shall undertake to furnish to the Employer, 15 days prior to contract signing, an unconditional and at the first demand payable, without any right to objection, Performance Guarantee in the amount of €1,500,000.00 whereby undertaking full compliance with the contracted obligations, whereof validity period shall exceed the deadline for contract performance by 30 (thirty) days. Should such bank guarantee be submitted from abroad, the procedure must be coordinated by a financial institution from Montenegro as selected by Elektroprivreda Crne Gore AD Nikšić, and further via a correspondent bank so as to enable reliable verification of validity and correctness of the submitted guarantee through SWIFT message.

The Performance Guarantee may be activated should the Bidder fail to comply with any of the conditions set out in the Lease Contract.

In the below text you may find a detailed description of manufacturing and ancillary halls, manufacturing plants, machinery, ancillary and other (back-up) infrastructure necessary for unhindered manufacturing and business processes in the Melt Shop and Forge Shop i.e. manufacturing facilities intended for lease.

There are following manufacturing stages in the Melt Shop facility:

- ❖ Scrap mix preparation
- ❖ Melting process in the Electric Arc Furnace and obtaining molten steel
- ❖ Heating and alloying the molten steel in the ladle furnace
- ❖ Molten steel vacuuming in the vacuum degasser
- ❖ Ingots casting



CHIEF EXECUTIVE OFFICER
Ivan Bulatović, B.Sc.El.Eng

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