

Based on the Resolution of the Shareholders' Assembly of the company A.D. «BIP»-Beograd, No. 3020/60 dated September 30th 2005, and the Agreement on the Power of Attorney, concluded between A.D. «BIP»-Beograd and the Privatization Agency,

The Privatization Agency hereby announces:

PUBLIC INVITATION
FOR PARTICIPATION IN PUBLIC AUCTION FOR
THE PURCHASE OF IMMOBILE PROPERTY OF A.D. «BIP»-BEOGRAD
being
HOTEL «BUDVA» in Budva
in the current state

Sale Code: 161105-1510

Subject of the public sale:

Subject of the sale is immobile property of A.D. «BIP»-Belgrade, comprising of Hotel «BUDVA» in Budva.

Hotel «BUDVA» is located in Budva, in Potkosljun Street, next to the magistrate road, between hotels «Sajo» and «Admiral», on the cadastre lot no. 1260/2, Cadastre Municipality Budva, surface of the lot - 2.664,62 m².

The Complex is being sold in its current state, with all equipment - tangible assets, which is/are used for performing of the operating activity, without the possibility of subsequent complaint.

MANDATORY TERMS OF THE PUBLIC SALE:

Opening price in the public auction is EUR 2,444,076

Purchase price shall be paid AT ONE TIME.

Means of payment can be ONLY local currency or foreign convertible currency.

If the selected buyer is a domestic legal entity or an individual, the purchase price can be paid in local currency, at the official selling exchange rate of National Bank of Serbia on the date of payment.

Terms of Participation:

Participation in the public auction is open to all domestic and foreign legal entities and individuals that have:

purchased the auction documents,
signed the Confidentiality Agreement,
submitted the bid bond in the amount of EUR 250,000 or CSD equivalent based on the official sale exchange rate of the National Bank of Serbia on the date of issuance of the bid bond, along with the application for participation in the public auction, and
registered for the participation in the public auction .

The auction participant may also be a consortium of domestic and/or foreign legal entities and/or individuals (hereinafter: Consortium). The Consortium Agreement shall give authorization to one

Consortium member to represent the Consortium (hereinafter: Authorized representative of the Consortium) and to act on behalf and for the account of the Consortium. The Consortium Agreement must stipulate unlimited joint and several liabilities of all Consortium members.

The Consortium Agreement has to be submitted together with the application for participation in the public auction.

Sale (Auction) Documents:

Sale Documents include:

- Confidentiality Agreement,
- Draft Agreement on Sale and Purchase of the Real Estate,
- Auction Procedure Rules – Instructions to participants in the public auction,
- Relevant ownership, legal, technical and financial documents,
- Copy of the Public Invitation for Participation at the Public Auction.

Interested parties can purchase the sale documents at the price of 700.00 Euros, without VAT, in CSD equivalent at the official median exchange rate of the National Bank of Serbia on the date of payment, after the Privatization Agency issues an invoice.

Upon submitting the evidence of payment, the sale documents can be collected at the following address: Privatization Agency, Belgrade, Terazije 23, 5th Floor, office 511.

The funds paid for the purchase of the sale documents are not refundable.

Sale Documents shall be available to the interested parties starting from October 14th 2005. Deadline for collection of the sale documents is October 31st 2005, at 17:00 hours.

Visits to the Subject of the Sale shall be available to the parties that have purchased the sale documents and signed the Confidentiality Agreement.

Time of the visits shall be determined in accordance with the Auction Procedure Rules – Instructions to participants in the public auction.

Contact Person:

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More details on the Subject of Sale is available at:

www.priv.yu/materijal/hotel_budva.zip

Submission of Applications for participation in the Public Auction:

The applications shall be submitted directly to the Privatization Agency Belgrade, Terazije 23, 5th Floor, office 511, in sealed envelope marked with:

Auction Sale Code: **161105-1510**

APPLICATION FOR PARTICIPATION IN THE PUBLIC AUCTION

Privatization Agency Republic of Serbia

Belgrade, Terazije 23, 5th Floor

the Deadline for submission of application for participation in the public auction is November 7th 2005, at 17:00 hours.

The application for participation in the public auction shall be completed in a separate form, which is an integral part of the Auction Procedure Rules – Instructions to participants in the public auction. Along with the application for participation in the public auction, it is mandatory to submit Draft Sale and Purchase Agreement, signed and initialed on every page, and the bid bond.

Incomplete and late applications will not be taken into consideration.

The Commission for the conduct of the public auction will inform the applicants as to the approval of their applications no later than one day prior to the date of public auction.

Public Auction:

Public auction for the public sale shall be held on November 16th 2005, starting from 11:00 hours, at the following address: Privatization Agency, Belgrade, Terazije 23, 2nd Floor, Grand Hall.

Registration of the participants in the public auction will be held on the same address, starting two hours before the public auction, and finishing ten minutes prior to the public auction, i.e. from 09:00 to 10:50 hours.

The public auction procedure is explained in detail in the Rules of the Public Auction.

The bid bond shall be returned to the participants that have not been selected as the buyer within 10 working days from the conclusion of the public sale.

Execution of the Agreement on Sale and Purchase of the Real Estate:

Wording of the Draft Agreement on the Sale and Purchase of the Real Estate, and the wording of the Agreement on the Sale and Purchase of the Real are not subject to change.

The first participant who places the bid with highest price offer and who is selected as the buyer shall sign the Agreement on the Sale and Purchase of the Real Estate with the seller immediately upon the conclusion of the public sale.

In case the selected buyer refuse to sign the minutes of the public auction, or the Agreement on the Sale and Purchase of the Real Estate, or fails to pay the purchase price within the stipulated time, it shall forfeit the right to return of the bid bond.

Where selected buyer refuse to sign the minutes of the public auction, or the Agreement on the Sale and Purchase of the Real Estate, or fails to pay the purchase price within the stipulated time, in case of several other placed bids, the Agreement on the Sale and Purchase of the Real Estate shall be concluded with the participant with the second-best price offer.

If the participant in the public auction procedure with the second-best price offer refuse to sign the Agreement on the Sale and Purchase of the Real Estate or fails to pay the purchase price within the stipulated time, it shall forfeit the right to return of the bid bond.

Right to amend the Public Invitation:

The Privatization Agency and A.D. "BIP", Belgrade, reserve the right to change dates, deadlines and/or terms of this public invitation, and shall bear no liability for potential costs or damages suffered by potential participants in the public auction as the result of such amendments.

Potential participants will be informed of the amendments to the Public Invitation no later then by the date of the public auction.