

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTION

Terazije 23, 11000 Belgrade, Serbia and Montenegro
phone: 011/3020-804, 011/3020-803, fax: 011/3020-881

Basic data on Auction sale

The Privatization Agency, within joint offer, offers for sale 70,00 % of socially-owned capital of the subject to be privatized, which amounts to 67,37 % of the entire capital and 100,00 % of share of the FOND ZA RAZVOJ of RS, BELGRADE (DEVELOPMENT FUND of RS), amounting to 3,76 % of the total capital. Totally is offered for sale 71,13 % capital of the subject to be privatized. The share of the FOND ZA RAZVOJ of RS, BELGRADE, in the subject capital, is offered for sale based upon the Power of Attorney delivered to the Privatization Agency.

Those who are interested can purchase auction documentation at the price of: **CSD 40.000**, after the receipt of invoice from the Privatization Agency. VAT is not calculated in the price. The purchase of the auction documentation is obligatory, and on its receipt one is to sign the Agreement on Keeping the Confidential Information. After the payment evidence has been submitted, the auction documentation can be collected at the following address: Privatization Agency, Belgrade, 23 Terazije St, 09:00 – 17:00 on working days, in period from 28.04.2006 until 30.05.2006.

CLOSING DATE FOR THE APPLICATION SUBMISSION is 31 May 2006, until 17: 00.

Filled application, which is a part of the auction documentation, with signed draft of the Sale-Purchase Agreement and the deposit payment evidence, is to be submitted in a sealed envelope with inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 080606, Privatization Agency, Belgrade, 23 Terazije St".

IF THERE IS NAME OF THE SUBJECT UNDERGOING PRIVATIZATION ON THE ENVELOPE, OR FULL AUCTION CODE, THE APPLICATION CAN BE REJECTED.

THE AUCTION WILL BE HELD ON 08 June 2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije, 2nd floor, Large Hall**, at **11:00**. The registration of the auction participants will take place at the same address on: **08.06.2006, from 09:00 – 10:50.**

Means of payment for a part of the socially-owned capital to be sold within the joint offer (67,37%), can be in domestic currency, foreign convertible currency, state bonds based upon the unpaid foreign currency savings of citizens, which are due not later than the date of sale of capital (08.06.2006), issued to the natural persons, who are citizens of the Republic of Serbia. If the participant applies only for second bidding, means of payment can even be the state bonds based upon the unpaid foreign currency savings of citizens, which are not to become due until the date of sale of capital (08.06.2006), issued to the natural persons, who are citizens of the Republic of Serbia.

Means of payment in share of the FOND ZA RAZVOJ of RS, BELGRADE (3,76 %) in the total capital of the subject to be privatized, can be SOLELY in domestic currency and in foreign convertible currency, on which occasion the part of the Sale-Purchase price (purchase price achieved at the auction), in accordance with share of the FOND ZA RAZVOJ of RS in the subject to be privatized, is to be paid off AT ONE TIME, regardless of the fact, whether the participant has applied for the first or second bidding.

In case the first class bank guarantee has been submitted as the means of deposit payment, it is to be due within 48 hours after the declaration a buyer.
Deposit for participation is to be brought back 15 days after the public auction has been held.
The Privatization Agency keeps the right to change the auction date, as well as the closing date for the application submission if necessary, but also to inform on it the interested natural persons or legal entities, until the auction date at the latest.
The site visit shall be carried out after the signing the Agreement on Confidentiality, in period from 28.04.2006 until 30.05.2006, after previously the time-table with the Privatization Agency has been established, phone: 011/3020-804; 011/3020-803 or by fax: 011/3020-881.

* The entire estimated capital value to be privatized, stated in EUR, was calculated pursuant to the official exchange rate on 28.04.2006.

** The entire business income and expense data, stated in EUR, were calculated in accordance with the average annual real exchange rates.

Brief description of the PUBLIC AUCTION procedure

The sale of capital by method of the public auction is carried out by the Auction Commission, which is to be established by the Privatization Agency. The Commission supervises the capital sale by the auction, registers the auction participants, pronounces the auction for unsuccessful, signs the minutes and performs other activities of importance for the auction performance in accordance with the Law. The conditions for the auction to be carried out are met, if at least one person has obtained the status of the auction participant and if it is presented personally or by an authorized representative. At the time ordered for the PUBLIC AUCTION opening, the auctioneer shall open the first bidding, on which occasion the means of payment can be in cash or due bonds. If there is more than one person at the first bidding, the auctioneer announces the initial price as well as each further increase. In case that none of the interested buyers reacts after the third call for acceptance the newly established price, the auctioneer

declares the auction finished by hammering. The selling price becomes the highest offered value, and the participant who has been the first to offer the highest price is declared a buyer. If there have not been interested parties after the announcement of the initial price, even after the third call, the auctioneer declares the first bidding unsuccessful by hammering and immediately afterwards opens the second bidding, on which occasion even undue state bonds can be the means of payment. Those who have applied for the second bidding can participate in, as well as the participants in the first bidding, in case it has been declared unsuccessful. If in the second bidding participate more than one person, the auctioneer announces the initial price, as well as each further increase. If none of the interested buyers reacts after the third call for acceptance the newly established price, the auctioneer, by hammering, declares the auction closed. The selling price becomes the highest offered value, and

the participant who has been the first to offer the highest price, is declared a buyer. цену. If after the announcement of the initial price there have not been any interested persons even after the third call, the auction is declared unsuccessful, and the participants lose the right to be brought back the deposit.

If only one party who has obtained the auction participant status attends the second bidding, that party is invited three times to accept the initial price. If the party accepts the initial price, she/he is declared a buyer and the initial price becomes the selling price. If the participant does not accept the initial price, the auction is declared unsuccessful, and she/he loses the right to be brought back the deposit.

1) Basic information on the subject undergoing privatization: Društveno preduzeće za proizvodnju i promet mašina, opreme i delova ZASTAVA MAŠINE, KRAGUJEVAC

Auction Sale Code: 080606-1610p

Official ID number of the Subject: **06979394**

Field of work: **Tool machines production**

The entire estimated capital value to be privatized amounts to: **CSD 210.676.000** or ***EUR 2.435.163**, representing **71,128 %** of the total subject capital.

Deposit for auction participation: **CSD 16.854.000** or ***EUR 194.813**

The initial auction price: **CSD 33.708.000**

Minimum of obligatory investments into the subject to be privatized amounts to: **CSD 52.232.000**

The most important property of the subject undergoing privatization

A) Buildings – main facilities (m²):

1. Mechanical workshop–facility no. 1 (3993) 2. Finished products warehouse–building no. 1, part 3 and part 7 (722) 3. Automation plant–facility no. 20 (136) 4. Old administration building–facility no. 21 (187) 5. Foundry–facility no. 10 (282) 6. Production materials warehouse–facility no. 2 (380) 7. New management building–facility no. 1 (354)

B) The most important equipment:

1) Polishing machine for sliding surface polishing 2) Milling machine for cog–wheels 3) Horizontal drill and milling machine 4) Passenger vehicle (FLORIDA 1.3 BIZNIS) 5) Passenger vehicle (SKALA 1.1 POLI LC) 6) Passenger vehicle (FLORIDA IN 1.6 L) 7) Vertical planer 8) Polishing machine for cog–wheels polishing

C) Land capacities (m²): *Construction land: (117773) – in state ownership (right of use)*

Balance sheet per year:	2004		2005	
	CSD	**EUR	CSD	**EUR
Shown in:				
Total business revenues	138.804.000	1.901.373	177.320.000	2.138.782
Total business expenses	154.591.000	2.117.627	196.898.000	2.374.926

Main products/ services: 1) Mining equipment 2) Spare parts 3) Overhaul of machines 4) New machines and equipment 5) Feeding machines

Total number of employees: 161; **of which BS/ BA:** 27