

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

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic data on Auction sale

Privatization Agency, within joint offer, is offering for sale 70,00 % of the 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 RS, BELGRADE (DEVELOPMENT FUND of the RS), amounting to 3,76 % of the total capital. Totally is offered for sale 71,13 % capital of the subject to be privatized. Share of the FOND ZA RAZVOJ RS, BELGRADE, in the subject capital, is offered for sale based on the Power of Attorney delivered to the Privatization Agency.

Those who are interested can purchase auction documents at the price of: CSD 40.000, after the receipt of invoice from the Privatization Agency. VAT is not calculated in the price. Purchase of the auction documents is obligatory, and on their receipt one is to sign the Agreement on Keeping the Confidential Information. After the payment evidence has been submitted, the auction documents may be collected at the following address: Privatization Agency, Belgrade, 23 Terazije St, 09:00 – 17:00 on working days, in period from 06.09.2006 until 27.09.2006.

DEADLINE FOR THE APPLICATION SUBMISSION is 28 September 2006, until 17: 00.

Filled application, which is a part of the auction documents, with the signed draft of the Sales-Purchase Agreement and the deposit payment evidence, is to be submitted in a sealed envelope with inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 061006, Privatization Agency, Belgrade, 23 Terazije St".

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

THE AUCTION WILL BE HELD ON 06 October 2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije St, 2nd floor, Large Hall**, at 11:00. Registration of the auction participants shall take place at the same address on: **06.10.2006, from 09:00 – 10:50.**

Means of payment for the part of the socially-owned capital to be offered for sale within joint offer (67,37%), may be in domestic currency, foreign convertible currency, state bonds based on the unpaid foreign currency savings of citizens, which are due not later than the date of the capital sale (06.10.2006), issued to the natural persons, who are citizens of the Republic of Serbia. If a participant has applied only for second bidding, means of payment may be even the state bonds based on the unpaid foreign currency savings of citizens, which are not to become due until the date of the capital sale (06.10.2006), issued to the natural persons, who are citizens of the Republic of Serbia.

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

In case that 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 at the auction.

Deposit for participation is to be returned within 15 days after the public auction has been held.

The Privatization Agency keeps the right to change the auction date, as well as the deadline for the application submission if necessary, but also to inform the interested parties on those changes, if any, until the auction date at the latest.

The site visit shall be carried out after the signing the Agreement on Confidentiality, in period from 06.09.2006 until 27.09.2006, after previously the timetable 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 according to the official exchange rate on 06.09.2006.

** 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

Sale of capital by the method of 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 have been 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 may 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. *цены*. 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, it is declared a buyer and the initial price becomes the selling price at the same time. If the participant does not accept the initial price, the auction is declared unsuccessful, and she/he loses the right to be returned the deposit.

1) Basic information on the subject undergoing privatization: Društveno preduzeće za proizvodnju i promet mašina, opreme i delova (socially-owned enterprise for production and sale of machines, equipment and spare parts) ZASTAVA MAŠINE, KRAGUJEVAC

Auction Sale Code: 061006-1610p	The entire estimated capital value to be privatized amounts to: CSD 217.248.000 or *EUR 2.595.554 , which is 71,128 % of the total subject capital. Deposit for auction participation: CSD 17.380.000 or *EUR 207.646 Initial price at the auction sale: CSD 34.760.000 Minimum obligatory investments into the subject to be privatized amount to: CSD 9.960.000
Official Registration Number: 06979394	
Field of work: Fabrication of tool machines	

The most important assets of the subject to be privatized	
A) Buildings – main facilities (m²): 1. Machine workshop–facility no. 1 (3993) 2. Finished products warehouse–facility 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. Warehouse of production materials–facility no. 2 (380) 7. New administration 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 1LC) 6) Passenger vehicle (FLORIDA IN 1.6 L) 7) Vertical planer 8) Polishing machine for cog–wheel polishing

C) Land (m²): <i>Construction land: (117773) – state ownership (right of use)</i>				
Balance sheet per year:	2004	2005		
Shown in:	CSD	**EUR	CSD	**EUR
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