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In accordance with Article 38 of the Law on Privatization ("Official Gazette of the RS", no-s: 38/01, 18/03 and 45/05), and Article 5 of the Decree on sale of capital and property by Public auction ("Official Gazette of the RS" no-s: 52/05 and 91/07), the Privatization Agency announces:

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic data on Auction sale

Within the joint offer, Privatization Agency offers for sale 70,00% of the socially-owned capital of the privatization entity, which is 62,64% of the total capital and 100,00% of share of the Development Fund of the RS, BELGRADE, which is 10,51% of the total capital. Totally is offered for sale 73,15% of capital of the privatization entity. The share of the Development Fund of the RS, BELGRADE, in the subject capital, is offered for sale according to the authorization assigned to the Privatization Agency.

The interested parties can purchase the auction documents at the price of: **RSD 40.000**, after they receive the 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 Confidentiality Agreement. After the payment evidence has been submitted, the auction documents can be collected at the following address:

Privatization Agency, Belgrade, 23 Terazije St., 5th floor, from 09:00 to 16:30, in the period from 21.11.2007 until 12.12.2007.

DEADLINE FOR SUBMISSION OF APPLICATIONS IS 13.12.2007, BY 16:30.

Filled application, which is a part of the auction documents, with the signed draft of the SPA and the deposit payment evidence, is to be submitted in a sealed envelope marked with: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 211207, Privatization Agency, Belgrade, 23 Terazije St, 5th floor".

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

THE AUCTION WILL BE HELD ON: 21.12.2007.

at the address: **Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall**, at 11:00. Registration of the auction participants will be held at the same address on: **21.12.2007, from 09:00 to 10:50.**

Means of payment for the part of the socially-owned capital to be sold within the joint offer (62,64%) can 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 (21.12.2007), issued to the individuals, who are citizens of the Republic of Serbia. If a participant applies only for the second bidding, the means of payment can be even the state bonds based on the unpaid foreign currency savings of citizens, which are not due until the date of the capital sale (21.12.2007), issued to the individuals, who are citizens of the Republic of Serbia.

Means of payment for the share percentage of the Development Fund of the RS, BELGRADE (10,51%), in the total capital of the privatization entity, can be SOLELY in local currency and foreign convertible currency, whereat a part of the purchase price (selling price achieved at the auction) in accordance with the share of the holding in the privatization entity is to be paid off AT ONCE, regardless of that whether a 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.

Deposit for participation is to be returned within 21 days after the Public auction has been held.

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 such changes, if any, until the auction date at the latest.

The site visit shall be carried out after signing of the Confidentiality Agreement in period from 21.11.2007 until 12.12.2007, at the time previously agreed with the Privatization Agency, phone: (+381 11) 3020-842; (+381 11) 3020-803 or by fax: (+381 11) 3020-881.

* The total estimated capital value to be privatized, stated in EUR, was calculated according to the official exchange rate on 16.11.2007.

** The total business income and expense data, stated in EUR, were calculated according to the average annual real exchange rates.

Brief description of the PUBLIC AUCTION procedure

Sale of capital by 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 auction, registers auction participants, declares auction unsuccessful, signs the minutes and performs other activities important for auction performance in accordance with the Law. The conditions for auction to be carried out are fulfilled, if at least one person has obtained the status of an 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, when 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 of 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 opens the second bidding immediately afterwards, when even undue state bonds can be the means of payment. Those who have applied for the second bidding can also participate, as well as the participants in the first bidding, in case it has been declared unsuccessful. If more than one person participates in the second bidding, 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 of 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. 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 returned 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. If the participant does not accept the initial price, the auction is declared unsuccessful, and it loses the right to be returned the deposit.

1) Basic information on the privatization entity: Socially-owned enterprise ZASTAVA AUTO DELOVI, RAŠKA

Auction sale code: 211207-2160

Official ID number of the entity: **07984910**

Field of work: **Production of car parts and accessories**

The entire estimated capital value to be privatized amounts to: **RSD 286.932.000** or ***EUR 3.676.244**, which is **73,153 %** of the total business entity capital.

Deposit for participation in the auction: **RSD 143.466.000** or ***EUR 1.838.122**

Initial price at the auction sale: **RSD 286.932.000**

Minimum obligatory investments into the privatization entity amounts to: **RSD 11.626.000**

Main property of the privatization entity

A) Buildings – main facilities (m²):

1. Mechanical procession section (5867) 2. Office premises (1952) 3. Section of the termal and surface protection (960) 4. New production hall (1456) 5. Spare parts warehouse (150) 6. Warehouse of coolants and lubricants (73) 7. Mazout warehouse (160) 8. Warehouse of chemicals (456)

B) Main equipment:

1) Six-spindle automat 2) One-spindle automatic lathe 3) Automatic lathe 4) Universal milling machine 5) Testing machine for elongated test tubes 6) Electrical chamber (furnace Ipsen)

C) Land (m²): *Entire land: (31135); Construction land: (31135) - state-owned;*

Balance sheet per year:

Shown in:	2005		2006	
	RSD	**EUR	RSD	**EUR
Total operating revenues	27.701.000	334.121	29.609.000	352.048
Total operating expenses	40.967.000	494.132	51.138.000	608.026

Main products/services: 1) Sale of car spare parts and accessories 2) Sale of motor vehicles 3) Engineering

Total number of employees: 95; **of which BS/BA:** 10