

According to the Decision on the Sale of the Share of the Managing Board of the Zastava Vozila Group No. UO-16-1/05 dated 04.07.2005, the approval of the Privatization Agency No. 266-2507-zds/01 dated 25.07.2005, as well as the Agency Agreement, the Privatization Agency of the Republic of Serbia announces

**PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTION FOR
PURCHASE OF SHARE OF JOINT-STOCK COMPANY FOR HOLDING,
CONSULTING AND MANAGEMENT ZASTAVA VOZILA GROUP,
KRAGUJEVAC – IN THE COMPANY "ZASTAVA REOMAT" d.o.o.
KRAGUJEVAC
Sale code: R-150905**

1. Object of Sale

The object of sale is the share of the Joint-stock company for holding, consulting, and management Zastava Vozila Group, Kragujevac WHICH IS 100% OF THE CAPITAL IN THE ENTERPRISE "ZASTAVA REOMAT" d.o.o. KRAGUJEVAC.

2. Auction Documentation

Those who are interested can buy public auction documentation at the price of 25.000,00 dinars after the invoice is received from the Privatization Agency. The purchase of public auction documentation is obligatory, and on its receipt one is to sign the Confidentiality Agreement.

After the payment evidence is submitted, public auction documentation can be collected at the following address: the Privatization Agency, the Auction Center, 23 Terazije St., 5th floor, 1100 Belgrade, 9:00 - 17:00, from 12.08.2005 to 06.09.2005.

3. Initial Price

The initial price at the public auction determined for the share in "Zastava REOMAT" d.o.o., Kragujevac, is: **133.206.000 dinars** (one hundred and thirty-three million two hundred and six thousand dinars).

4. Conditions for Buyers

A declared buyer will have to accept the obligations in accordance with the Sale and Purchase Agreement which is integral part of the auction documentation.

Besides, by submitting application, the participant pledges to fully accept all the conditions mentioned in the Instructions for Participants which is integral part of the Auction Documentation..

5. Conditions for participants

All the legal and physical entities have the right to participate, with limitations mentioned in the Instructions for Participants, if they pay **deposit amounting to: 13.320.600 dinars** (thirteen million three hundred and twenty thousand six hundred), that is 10% of initial sale price, or if they submit first-class bank guarantee at the first call for the same amount in accordance with the Instructions for Participants.

In case that first-class bank guarantee has been submitted as the deposit payment means, it has to be payable within 48 hours after the buyer is declared at public auction.

6. Due diligence procedure

After the Agreement on Keeping the Confidential Information is signed and the sale documentation is purchased, a potential participant will be able to have insight into the assets of "Zastava REOMAT" d.o.o. Kragujevac, have meetings with persons in charge and have insight into financial, commercial and legal data. After that, if the potential participant decides to participate in the public auction, it is necessary to pay the deposit or submit first-class (irrevocable) bank guarantee and submit Application, as it is shown in the model in the Instructions for Participants.

7. Podnošenje prijave za učešće

The closing date for applying is 07.09.2005 at 17:00. The applications are to be submitted to the Privatization Agency in a sealed envelope, with auction sale code and the following inscription:

APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION : **R-150905**, THE
PRIVATIZATION AGENCY OF THE REPUBLIC OF SERBIA
AUCTION CENTER
23 TERAZIJE ST., 5TH FLOOR, 11000 BELGRADE

If there is the name of subject of sale on the envelope, or full auction code, the application can be rejected. A special form is to be filled in for the registration, which is integral part of the documentation to be purchased and has to comprise data stated in Instructions for Participants, deposit payment evidence and the number of account for returning the deposit. The application is to be submitted by registered mail, via courier or personally at the following address:

The Privatization Agency of the Republic of Serbia
Auction Center
23/V Terazije St.
11000 Belgrade
Serbia and Montenegro

Incomplete and late applications will not be taken into consideration. The Commission for Implementation of Sale will inform all the applicants about the approval of their applications two weekdays before the public auction is held at the latest.

8. Organization of Public Auction

The Public Auction will be held on 15.09.2005, at 11:00, at the Privatization Agency, 23 Terazije St., Belgrade, Large Hall on the second floor. The registration of the participants in the public auction will be held at the same address on 15.09.2005, from 09:00 to 10:50.

The way of public auction implementation and conclusion of the Sales Contract have been explained in detail in the Instructions for Participants which are integral part of the documentation.

The deposit is to be returned to all the participants who have not been declared buyers, in the period ordered in the Instructions for Participants.

The participant who is the first to make the highest offer and who is declared a buyer, will be able to have his deposited sum calculated into the sales price, whereas the declared buyer is to pay the margin between deposited sum and final auction sales price into the account of the Agency within the period of 8 days after the Sales Contract signing day. If one does not sign the Sales Contract, the deposit will be retained.

Zastava REOMAT

Dragan Srejskić, Deputy General Director – "Grupa Zastava Vozila" a.d. Kragujevac

Tel: +381-34-336-045

Fax: +381-34-336-045

Rajica Veljović, Director – "Zastava REOMAT" d.o.o. Kragujevac
Serbia and Montenegro

Tel: +381-34-214-954

Fax: +381-34-323-490