

According to the Decision of the Managing Board of the Joint-stock company for holding, consulting and management operations Grupa Zastava Vozila Kragujevac in restructuring ("Grupa Zastava Vozila") no. UO 24-1/06 dated 29 September 2006 and UO 4-1/07 dated 07 February 2007, the Contract on Power of Attorney no. II/1 285/07 closed on 28 February 2007 and Annex of the Contract on Power of Attorney no. II Cert.no. 879/07 closed on 24 May 2007 in Belgrade between Grupa Zastava Vozila as the Ordering Party and the Privatization Agency of the Republic of Serbia („Agency“) as the Holder of Power of Attorney, the Decision of the Managing Board of the Development Fund of the Republic of Serbia („Development Fund“) no. 1043 dated 18 October 2006, the Contract on Power of Attorney no. II/1 Cert. no. 284/07 closed on 28 February 2007, Annex of the Contract on Power of Attorney no. II 250/07 closed on 01 March 2007 and Annex no. 2 of the Contract on Power of Attorney no II Cert.no. 881/07 closed on 24 May 2007 in Belgrade between the Development Fund as the Ordering Party and the Agency as the Holder of Power of Attorney, Privatization Agency of the Republic of Serbia announces:

**PUBLIC INVITATION FOR PARTICIPATION IN THE PUBLIC BIDDING FOR
PURCHASE OF SHARES OF THE ZASTAVA VOZILA GROUP AND THE
DEVELOPMENT FUND IN THE COMPANY „ZASTAVA SPECIAL VEHICLES”
LTD. SOMBOR**

Sale code: R-280607-033p

Subject of sale:

Subject of sale are 100% of shares of the Zastava Vozila Group in the **Company for production and sale of special and multi-functional vehicles „Zastava special vehicles“ Ltd., Sombor, 86 Konjevićeva St., ID no. 08234477** („Company“), which is 89,52% of the total capital of the Company and 100% of shares of the Development Fund in the capital of the Company, which is 9,71% of the total capital of the Company. Totally is offered for sale 99,23% of capital in the **Company for production and sale of special and multi-functional vehicles „Zastava special vehicles“ Ltd. Sombor, 86 Konjevićeva St., ID no. 08234477**. Based on valuation of the total capital of the Company to the amount of RSD 636.729.223 (six hundred thirty six million seven hundred twenty nine thousand two hundred twenty three) Grupa Zastava Vozila and the Development Fund established the initial prices for their shares in the Company in the amounts of RSD 570.000.000 (five hundred seventy million) and RSD 61.826.408 (sixty one million eight hundred twenty six thousand four hundred and eight) respectively, which means that the single initial price for shares of the Zastava Vozila Group and the Development Fund in the Company amounts to, totally, RSD 631.826.408 (six hundred thirty one million eight hundred twenty six thousand four hundred and eight). There are offered for sale the share of the Zastava Vozila Group in the Company and the share of the Development Fund in the Company together, without possibility for separate purchase of shares.

Mandatory conditions of the Public sale:

The initial price at the Public Bidding amounts to **RSD 631.826.408,00** (six hundred thirty one million eight hundred twenty six thousand four hundred and eight), in total for shares of the Group Zastava Vozila and the Development Fund in the Company.

The Sales-Purchase price is to be paid off **at once**.

Means of payment for the Sales-Purchase price can be solely in domestic currency or in foreign convertible currency.

If a declared buyer is a foreign legal entity or individual, it can pay the Sales-Purchase price in the foreign convertible currency equivalent calculated according to the official intermediate exchange rate of the National Bank of Serbia on the payment date.

Participation requirements:

The right to participate in the Public Bidding have parties which:

- **have been registered for fabrication of motor vehicles** and that they have been performing that activity permanently in the period of at least **three last business years** or that they are the owner of more than 50 % of capital of the legal entity which fulfils this criterion;
- have cumulatively achieved the business income of at least **EUR 20.000.000,00 (twenty million euros)** within last three business years, or that they own more than 50 % of capital of the legal entity which fulfils this criterion;
- have purchased the Bidding Documents;
- have signed the Confidentiality Agreement;
- have submitted the Application for participation in the Public Bidding;
- have paid in the deposit for participation in the Public Bidding to the amount of **RSD 63.000.000,00 (sixty three million)**, which can be paid in the foreign convertible currency equivalent calculated according to the official intermediate exchange rate of the NBS current on the announcing date of the Public Invitation or have submitted the first-class Bank guarantee at the first call to the same amount, along with the Application for participation, in accordance with the Instructions to participants, which can also be in the foreign convertible currency equivalent calculated according to the official intermediate exchange rate of the NBS current on the announcing date of the Public Invitation for participation in the Public Bidding; in case that as the means of deposit payment it has been submitted the first-class Bank guarantee, it has to be payable within 48 hours following the declaration a buyer at the Public Bidding, and
- have been registered for participation in the Public Bidding.

As a Bidder can apply also a Consortium consisted of domestic and/or foreign legal entities and/or individuals (hereinafter: Consortium). Through the Consortium Agreement members of Consortium have to authorize one of them to represent the Consortium (hereinafter: the Authorized Representative of the Consortium) to act on behalf of and for the account of the Consortium. Through the Consortium Agreement it has to be specified the unlimited joint and several liabilities of all members of the Consortium.

The Consortium Agreement has to be submitted along with the Application for participation in the Public Bidding.

Requirements set to buyer

A declared buyer will have to take the responsibility with regard to regulation of workers' rights who will not work any longer on the basis of redundancy, maintenance of continuity of production volume in a certain period and keeping core activity in a certain time period.

A buyer shall be obliged to invest RSD 240.000.000,00 (two hundred and forty million) within three years following the Agreement on sale of shares.

In addition to this, a participant submitting an application expresses accordingly that he fully accepts all the requirements stated in the Instruction to Bidders, which is the integral part of the documents to be purchased, as well as rights and obligations established in the Draft Agreement on sale of shares (Appendix in the Bidding Documents).

Selling (bidding) documents:

Selling documents must contain:

- The Confidentiality Agreement;
- Application form for participation in the Public Sale;
- Draft Agreement on sale of shares;
- Rules of the Public Bidding procedure – Instructions to Bidders;
- Relevant documents related to property and legal matters;
- Copy of the Public Invitation for participation in the Public Bidding.

Those who are interested can purchase the selling documents at the price of **RSD 40.000,00** (forty thousand) without VAT, after receipt of invoice from the Privatization Agency.

After the payment evidence has been submitted, the Selling documents can be collected at the following address:

Privatization Agency, Belgrade, 23 Terazije St, 5th floor, office 511, from 09:00 to 17:00 in period from 28 May until 21 June 2007.

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

The parties which have purchased the Selling documents and signed the Confidentiality Agreement will be enabled to visit the Subject of sale.

The site visit schedule will be established in accordance with the Rules of the Public Bidding procedure – Instructions to Bidders.

Contact persons

For details concerning the documents and the Company the interested parties may contact:

Nenad Mitrović
Project Manager
Restructuring Center
Privatization Agency
tel: +381-11-30-20-713
fax: +381-11-32-40-344
E-mail: nmitrovic@priv.yu
www.priv.yu

Igor Stančević
Project Manager
Citadel Financial Advisory
tel: +381-11-222-3456
fax: +381-11-222-34-81
E-mail: istancevic@citadel-finance.com
www.citadel-finance.com

For purchase of the Bidding documents the interested parties may contact:

Biljana Živković
Project Manager Assistant
Auction Center
Privatization Agency
tel: +381-11-30-20-863
fax: +381-11-30-29-985
E-mail: bzivkovic@priv.yu
www.priv.yu

Submission of applications for participation in the Public Bidding:

Applications are to be submitted directly to the Privatization Agency, 23 Terazije St, Belgrade, IV floor, in a sealed envelope marked with:

Sale Code: **R-280607**
APPLICATION FOR PARTICIPATION IN THE PUBLIC BIDDING
Privatization Agency of the Republic of Serbia
23 Terazije St., Belgrade

Deadline for submission of applications for participation in the Public Bidding is 21 June 2007, at 17:00.

If there is name of the Subject of sale or full Sale Code on the envelope, the application can be rejected.

The Application for participation in the Public Bidding is to be completed in a separate form, which is the integral part of the Bidding documents. Along with the Application for participation in the Public Bidding, it is mandatory to submit the signed and on each page initialed Draft Sales-Purchase Agreement and the deposit payment evidence, i.e., the Bid Bond, as well as the documents proving the fulfillment of qualification requirements – excerpt from the relevant Register and Statement on business incomes in the last three business years. Incomplete and belated Applications will not be taken into consideration.

The Commission for the Public Sale conduct will inform the applicants for participation in the Public Bidding on approval of their Applications at the latest until one working day prior to the Public Bidding date.

The participants whose Applications for participation in the Public Bidding have been approved, but who have failed to register, lose the right to be returned the deposit, i.e. the Bid Bond. Even the participants who have been registered, but have not attended the Public Bidding, lose the right to be returned the deposit, i.e. the Bid Bond.

Public Bidding Performance:

Public Bidding will be held on 28 June 2007, with the beginning at 14:00, at the address: Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall.

Registration of participants in the Public Bidding will be held at the same address, **on 28 June, in period from 13:00 to 13:50.**

The method of the Public Bidding performance is described in detail in the Rules of the Public Bidding procedure.

The deposit, i.e. the Bid Bond, is to be returned to the participants not having been declared a buyer within 15 working days from the date of the Public Sale conclusion, except for the participant having bid the second-ranked offer at the Public Bidding.

Conclusion of the Agreement on sale of shares:

Text of the Draft Agreement on sale of shares and the text of the Agreement on sale of shares cannot be changed.

A participant, who has been the first to bid the best offer in the course of the Public Bidding procedure and has been declared a buyer, will sign the Agreement on sale of shares with the seller.

A participant, who has been the first to bid the best offer in the course of the Public Bidding procedure, and has submitted to the Agency the Bid Bond along with the Application for participation as a means of the deposit payment guarantee, has the obligation to pay the deposit amount into the Agency's account, at the latest within two days following the date of the Public Bidding performance.

If a declared buyer refuses to sign the Minutes on the Public Bidding or the Agreement on sale of shares or fails to pay the Sales-Purchase price within the determined deadline, it will lose the right to be returned the deposit, i.e. the Bid Bond is to be cashed.

In the event that a declared buyer refuses to sign the Minutes on the Public Bidding or the Agreement on sale of shares or does not pay the Sales-Purchase price within the determined deadline, but there have been other bids, the Agreement on sale of shares is to be concluded with the participant, who has bid the second-ranked offer at the price, offered by that participant.

If a participant, who has bid the second-ranked offer in the course of the Public Bidding, refuses to sign the Minutes or the Agreement on sale of shares or does not pay the Sales-Purchase price within the determined deadline, it will lose the right to be returned the deposit, i.e. the Bid Bond is to be cashed.

Right to amend the Public Invitation:

Privatization Agency, Zastava Vozila Group and Development Fund reserve the right to change dates, deadlines and/or requirements set out in this Public Invitation, and shall bear no liability for possible costs or damages, which such corrections may cause to prospective participants in the Public Bidding.

Privatization Agency will inform potential participants on amendments to the Public Invitation at the latest until the Public Bidding date.