

Based on Article 28 of the Law on Privatization ("Official Gazette of the RoS", Nos. 38/2001, 18/2003 and 45/2005) and Articles 8 and 9 of the Law on Share Fund ("Official Gazette of the RoS", Nos. 38/2001 and 45/2005)

PRIVATIZATION AGENCY
(hereinafter: "Agency") issues this:

PUBLIC INVITATION

For participation in the Public Tender for
sale of 90.05% of the total registered capital of:

«Industrija motora Rakovica» a.d. Beograd- in restructuring
(hereinafter: "Entity undergoing privatization")

Tender Code: **IMR 32/07**

1. The total registered capital of the Entity undergoing privatization consists of: 88.20% of socially owned capital, 1.85% of capital owned by Development Fund of Republic of Serbia and 9.95% of share capital owned by individual shareholders.

2. The Agency is offering for sale 100% of the socially owned capital of the Entity undergoing privatization and 100% of share capital owned by Development Fund of the Republic of Serbia (consisting of 37,018 shares CFI Code: ESVUFR; ISIN number: RSIMRRE96260), which jointly represent 90.05% of the total registered capital of the Entity undergoing privatization

3. Details about the Entity undergoing privatization:

Address: Patrijarha Dimitrija 7-13, Belgrade, Republic of Serbia
Tel: +381 11 3564 011
Fax: +381 11 3564 012
Industry: production of engines for motor vehicles

More details about the Entity undergoing privatization are available at

http://www.priv.yu/pregled_preduzeca/pdf/e-teaser_406.pdf

Detailed information on the Entity undergoing privatization along with the Instructions to Bidders (hereinafter: the "Tender Documents") will be made available to all interested tender participants upon signing of the Confidentiality Agreement and payment of the Tender Documents fee.

The Tender Documents fee is EUR 8,000 (Euro eight thousand).

The Agency has appointed Raiffeisen Investment AG Austria to act as advisor in this privatization procedure (hereinafter: the Advisor).

4. A bid may be submitted by:

A. A potential bidder that fulfils the following requirements:

- Has purchased the Tender Documents, and
 - Fulfills one of the following requirements:
 - a) it has been engaged in production and/or sale of engines for motor vehicles and/or tractors and/or other agricultural machines for at least the last 3 business years in continuity, and achieved operating revenues in excess of EUR 5,000,000.00 (Euro five million) in 2006.
- or**
- b) is a financial investor (legal entity whose core activity is investment of money, which exists for at least the last 3 years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks) with total operating assets exceeding EUR 30,000,000.00 (Euro thirty million) in 2006;
- or**
- c) is an investor that achieved operating revenues exceeding EUR 7,000,000.00 (Euro seven million) in 2006.

If a potential bidder is a subsidiary that does not fulfill the requirements of this clause of the Public Invitation, its parent company has the right to submit a bid, if it fulfills the stated requirements. The parent company that fulfils the above stated requirements has the right to submit the bid if its subsidiary has purchased the Tender Documents.

If a potential bidder is a parent company that does not fulfill the requirements of this clause of the Public Invitation, its subsidiary has the right to submit a bid, if it fulfills the stated requirements. The subsidiary that fulfils the above stated requirements has the right to submit the bid if its parent company has purchased the Tender Documents.

B. If a potential bidder is a Consortium, it is necessary that it fulfils cumulatively the following requirements:

- all Consortium members have made the decision on organizing and entering into the Consortium;
 - all Consortium members have signed a written Consortium Agreement and duly notarized it at court or other competent authority (in case of foreign legal entity or natural person);
 - each Consortium member assumes unlimited joint and several liability by provisions of the Consortium Agreement;
 - the Consortium Agreement specifies each member's percentage in the acquisition of the capital of the Entity undergoing privatization;
 - all Consortium members have signed a notarized power of attorney for the representing member of the Consortium;
 - all Consortium members have signed the Confidentiality Agreement;
 - at least one of the Consortium members has purchased the Tender Documents; and
 - at least one Consortium member with minimum 30% share in the Consortium fulfills the one of the following requirements:
 - a) it has been engaged in production and/or sale of engines for motor vehicles and/or tractors and/or other agricultural machines for at least the last 3 business years in continuity, and it achieved operating revenues in excess of EUR 5,000,000.00 (Euro five million) in 2006.
- or**
- b) is a financial investor (legal entity whose core activity is investment of money, which exists for at least the last 3 years, and includes investment companies, mutual funds, insurance companies, pension funds and investment banks) with total operating assets exceeding EUR 30,000,000.00 (Euro thirty million) in 2006;

or

c) is an investor that achieved operating revenues exceeding EUR 7,000,000.00 (Euro seven million) in 2006.

5. The Agency is hereby inviting all parties interested in participating in the tender to submit a written request for purchasing the Tender Documents for the Entity undergoing privatization, by **January 25, 2008**.

The Tender Documents will be available to interested parties starting from December 17, 2007.

A written request for purchasing the Tender Documents shall be sent by mail, e-mail or facsimile to the Advisor and the Agency at the addresses stated below, and shall clearly display the reference "Request for purchasing the Tender Documents – Tender Code **IMR 32/07**."

Upon receipt of the request, an invoice for paying the Tender Documents fee, as well as the Confidentiality Agreement for signature shall be forwarded to the applicant's authorized representative by mail, e-mail or fax. The signed Confidentiality Agreement shall be immediately faxed and mailed back to the Advisor at the address below.

Upon receiving the signed Confidentiality Agreement, evidence of authorization for the person that signed the Confidentiality Agreement, and evidence of payment of the Tender Documents fee, the Advisor shall immediately forward the relevant Tender Documents to the tender participant by mail/e-mail or hand it to its authorized representative.

The Agency and the Advisor shall not be held liable for any loss or delay that may occur in the delivery of any document.

6. The deadline for submission of the final binding offers for acquisition of 90.05% of total registered capital of the Entity undergoing privatization by interested bidders is **February 22, 2007, at 04:30 p.m. (Belgrade time)**.

If necessary, the Agency reserves the right to amend any and all elements (terms and conditions) of this Public Invitation.

As a prerequisite for submitting a bid, it is required to pay a Deposit or submit a Bid Bond in the amount of EUR 50,000 (Euro fifty thousand).

7. All questions relating to this Public Invitation should be directed to the persons listed below, in Serbian or English:

<p>Raiffeisen Investment AG Bulevar Zorana Djindjica 64a 11070 Novi Beograd Republic of Serbia</p> <p>Mihailo Bugarski, Project Manager e-mail: m.bugarski@raiffeisen-investment.com Phone: +381 11 2129217 Fax: +381 11 2129213</p>	<p>Privatization Agency, Republic of Serbia Terazije 23 11000 Beograd Republic of Serbia</p> <p>Aleksandar Velkovski, Project Manager e-mail: avelkovski@priv.yu Phone: +381 11 3020 855 Fax: +381 11 3020 816</p>
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