

In accordance with the Article 28 of the Law on Privatization ("Official Gazette of the Republic of Serbia" nos. 38/2001, 18/2003, and 45/2005),

PRIVATIZATION AGENCY
(hereinafter: "the Agency")
hereby announces:

PUBLIC INVITATION

For participation in the Public Tender for sale of 98.64% of the total registered capital in the company:

IPM «Zmaj» a.d. u restrukturiranju, Zemun-Beograd
(hereinafter: Entity undergoing privatization)

Tender Code: **ZM 17/06**

1. The total registered capital of the Entity undergoing privatization consists of 93.80% socially owned capital, 4.84% capital owned by Republic of Serbia Development Fund, and 1.36% of the remaining share capital.
2. The Agency offers for sale 100% of the socially owned capital and 100% of the capital owned by Republic of Serbia Development Fund, i.e. 98.64% of the total registered capital of the Entity undergoing privatization.
3. Details about the Entity undergoing privatization:
Address: Autoput 18, Zemun - Belgrade, Serbia and Montenegro
Phone: +381 11 260 62 33
Fax: +381 11 605 697 or +381 11 676 867
Activity: Production of other farming machinery

More details on the Entity undergoing privatization is available at:

http://www.priv.yu/pregled_preduzeca/zip/e-cp_409.zip

Detailed information about 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 6.000,00 (Euro six thousand).

The Entity undergoing privatization has appointed **CES Mecon d.o.o.** Belgrade, to act as advisor in this privatization procedure (hereinafter: Advisor).

4. A bid may be submitted by:

A) A potential bidder that fulfils the following requirements:

- it has purchased the Tender Documents and
- it fulfills at least one of the following requirements:

a) it has either been engaged in production of farming tractors and/or production of other farming and forestry machines and/or production of road tractors for semi-trailers and/or production of motor vehicle bodies and/or production of trailers and semi-trailers for at least the last 3 operating years in continuity, and it achieved operating revenues of at least EUR 4.000.000 (Euro four million) in 2005;

or

- b) Is a Financial Investor (a legal entity whose core business is investment of money that exists at least 3 years, and includes investment companies, mutual funds, insurance companies, pension funds, and investment banks) with total assets in excess of EUR 50,000,000 (Euro fifty million) in 2005;

or

- c) Is an investor that achieved operating revenues in excess of EUR 8,000,000 (Euro eight million) in 2005;

If an interested bidder is a subsidiary that does not meet the requirements referred to in this clause of the Public Invitation, its parent company has the right to submit a bid, if it fulfils the requirements. The parent company that fulfils these requirements may submit a bid if its subsidiary has purchased the Tender Documents.

If an interested bidder is a parent company that does not meet the requirements from this clause of the Public Invitation, its subsidiary has the right to submit a bid, if it fulfils the requirements. The Subsidiary that fulfils these requirements may submit a bid if the Parent company has purchased the Tender Documents.

- B) If an interested 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 the Consortium;
- All Consortium members have concluded a written Consortium Agreement and notarized it at the Court, or other competent body (in case of foreign legal entities and individuals).
- Each Consortium member assumes unlimited joint and several liability under the Consortium Agreement;
- The Consortium Agreement specifies each member's percentage in the acquisition of capital of the Entity undergoing privatization, whereas at least one member of the Consortium has at least 30% of the total share in the Consortium;
- All Consortium members have signed a Notarized Power of Attorney for the representing member of the Consortium;
- All Consortium members have signed a Confidentiality Agreement;
- At least one of the Consortium members has purchased the Tender Documents;
- The Consortium member with at least 30% of the total share in Consortium fulfills at least one of the following requirements:

- a) it has either been engaged in production of farming tractors and/or production of other farming and forestry machines and/or production of road tractors for semi-trailers and/or production of motor vehicle bodies and/or production of trailers and semi-trailers for at least the last 3 operating years in continuity, and it achieved operating revenues of at least EUR 4.000.000 (Euro four million) in 2005;

or

- b) Is a Financial Investor (a legal entity whose core business is investment of money that exists at least 3 years, and includes investment companies, mutual funds, insurance companies, pension funds, and investment banks) with total assets in excess of EUR 50,000,000 (Euro fifty million) in 2005;

or

- c) Is an investor that achieved operating revenues in excess of EUR 8,000,000 (Euro eight million) in 2005;

An interested bidder who signs the Agreement on Sale and Purchase of the Capital of the Entity undergoing privatization, shall undertake contractual obligation, to offer to purchase the shares from remaining shareholders within a period of 12 months after the Closing Date, at the price per share that is at least equal (in Euro) to the price per share it paid for the capital defined in Clause 2 of this Public Invitation.

5. The Agency hereby invites all interested parties to submit a written request for purchasing the Tender Documents for the Entity undergoing privatization by **September 1, 2006**.

Tender Documents will be made available to the interested parties from **August 4, 2006**.

A written request for purchasing the Tender Documents shall be submitted to the Advisor and the Agency by mail, to the Belgrade addresses stated below, or by e-mail or facsimile, clearly marked with "Request for purchasing the Tender Documents – Tender Code ZM 17/06".

Upon receiving the request, an invoice for payment of the Tender Documents Fee and the Confidentiality Agreement for signature, shall be forwarded to the Tender Participant's authorized representative by mail, e-mail or facsimile. Signed Confidentiality Agreement shall be immediately faxed and mailed back to the Advisor to the addresses below.

Upon receipt of the signed Confidentiality Agreement, evidence of the power of attorney for the person who signed the Confidentiality Agreement, and evidence of payment of the Tender Documents Fee, the Advisor shall immediately send the relevant Tender Documents to the Tender Participant by mail/e-mail, or hand it to its authorized representative.

The Advisor and the Agency 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 binding offers for acquisition of 98.64% of the total capital of the Entity undergoing privatization by interested bidders is **September 29, 2006, at 17:00 hours Belgrade time**.

The Agency reserves the right to amend any and all the elements of the Public Invitation, if necessary. As a prerequisite for bid submission, it is necessary to pay a deposit or to submit the Bid Bond in the amount of **EUR 50.000 (Euro fifty thousand)**.

7. All inquiries relating to this Public Invitation should be directed to the contact persons at the address bellow, in Serbian or English:

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