

Pursuant to Article 28 of the Law on Privatization (Official Gazette of the Republic of Serbia No. 38/2001, 18/2003, and 45/2005),

PRIVATIZATION AGENCY

(hereinafter: the "Agency")

issues:

PUBLIC INVITATION

for participation in a public tender

for the sale of 70.00% of the total registered capital of

Railway Vehicles Factory

"ŽELVOZ" doo, Smederevo

(hereinafter: "Entity undergoing privatization")

Tender Code: **ZEL 01/07**

1. Total registered capital of the Entity undergoing privatization consists of 100.00% state owned capital.

2. The Agency is offering for sale 70.00% of the total registered capital of the Entity undergoing privatization, a company specialized in production, overhaul and maintenance of all types of passenger, freight and special railway vehicles and other rolling stock.

3. Basic Data about the Entity undergoing privatization:

Address: Miloša Velikog 39, Smederevo, Republic of Serbia

Phone: +381 (26) 231 708

Fax: +381(26) 225 325

Core activity: Repair of rolling stock

Further information on the Entity undergoing privatization is available at:

http://www.priv.yu/pregled_preduzeca/pdf/e-teaser_3389.pdf

Detailed information on the Entity undergoing privatization, as well as the Instructions to Bidders (hereinafter: the "Tender Documents") shall be available to all interested tender participants upon signing the Confidentiality Agreement and payment of the Tender Documents Fee.

The Tender Documents Fee is EUR 6,000 (Euro six thousand).

The Privatization Agency has appointed Consortium comprising of BPA London Limited, United Kingdom, Tomić and Partners Law Office, Belgrade, and MGI Revizija i računovodstvo, Belgrade, to act as the advisor in this privatization process (hereinafter: the "Consultant").

4. A bid may be submitted by:

A. An interested bidder that fulfils the following requirements:

- it has purchased the Tender Documents, and

- It fulfils the following condition:

- it has been engaged in production and/or repair of rolling stock for at least the last 3 operating years in continuity and generated operating revenues of at least EUR 10,000,000 (Euro ten million) in 2006.

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

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

B. If a potential bidder is a Consortium it must cumulatively fulfil the following requirements:

- All consortium members made a Decision on forming and entering into Consortium;
- All consortium members have entered into a written Consortium Agreement and such agreement has been duly notarized with the court, or other competent body (in case of foreign legal entities and natural persons);
- Each consortium member assumes unlimited joint and several liability under the Consortium Agreement;
- Consortium Agreement specifies each member's percentage in acquisition of the capital of the Entity undergoing privatization in such way that at least one Consortium member has at least 51% share in the consortium (hereinafter: "Consortium Leader");
- 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; and
- Consortium Leader fulfils the following requirement:
 - it has been engaged in production and/or repair of rolling stock for at least the last 3 operating years in continuity and generated operating revenues of at least EUR 10,000,000 (Euro ten million) in 2006.

5. The Agency hereby invites all parties interested in participating in the tender to submit a written request for purchasing the Tender Documents for the Entity undergoing privatization, by **March 9, 2007**.

The Tender Documents will be available to interested parties from February 5, 2007.

A written request for purchasing the Tender Documents shall be sent to the Consultant by mail, e-mail or facsimile, with clearly displayed reference "Request for purchasing the Tender Documents – Tender Code: **"ZEL 01/07"**".

Upon receipt of the request, an invoice for payment of the Tender Documents Fee, as well as the Confidentiality Agreement for signature, will be delivered to applicant's authorized representative by post, e-mail or facsimile. The signed Confidentiality Agreement shall be immediately faxed and mailed back to Consultant at the address stated below.

Upon receipt of the signed Confidentiality Agreement, evidence of the power of attorney for the person signing the Confidentiality Agreement, and evidence of payment of the Tender Documents Fee, the Consultant shall forward the relevant Tender Documents to the Tender Participant by mail/e-mail or hand it to its authorized representative upon expiry of the deadline set out in paragraph 2 of this Clause.

Consultant 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 the final binding offers for acquisition of 70.00% of the total registered capital of the Entity undergoing privatization is **March 30, 2007, by 17:00h** (Belgrade time).

If necessary, the Agency reserves the right to change terms and conditions of this Public Invitation. As a prerequisite for submitting a bid, it is necessary 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 contact persons below, in Serbian or English.

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