REPUBLIKA HRVATSKA
HRVATSKI FOND ZA PRIVATIZACIJU
Ivana Lučića 6, 10000 Zagreb

In accordance with the Decision of the Croatian Government on privatization of subsidiary companies of the Croatian Railways (HŽ) dated June 9, 2005 Ref: 341-01/05-02/01; 5030116-05-1 and the Privatization Law (Official Gazette 21/96, 71/97, 16/98 and 73/00) on behalf of the HŽ the Fund hereby announces:

Public Invitation to Tender for Shares in the Company

ŽELJEZNIČKO UGOSTITELJSTVO d.o.o., Zagreb

(hereinafter: Company)

HŽ Infrastruktura d.o.o. Zagreb is the only member and holder of business interest in the Company.

Brief profile of the Company: The Company is headquartered in Zagreb. Core operation of the Company includes hospitality and tourism and from 2001 after structural changes and joining of the part of Croatia Express d.o.o. the company operates as travel agency. As at December 31, 2006 total assets of the company amounted to Kuna 21,431,777.00 while total liabilities on the same date amounted to Kuna 13,877,335.00. By the decision of the company member dated March 26, 2007 the share capital was increased from Kuna 5,511,000.00 for Kuna 125,596,000.00 and now amounts to Kuna 131,107,000.00. On March 27, 2007 the company applied for registration of the Commercial court in Zagreb and registration of the share capital changes is in process.

Total registered share capital of the Company: Kuna 131,107,000.00
The total registered capital of the company is divided into: 2 business interest
Number of business interests offered for sale in this procedure: 2
Percentage in the total registered share capital: 100 percent
Minimal bid: Kuna **144,426,347.00**
Company registration: Commercial Court in Zagreb under MBS: 080211348
Number of employees: 315 as at February 1, 2007

In the process of selection of the best bidder, except the amount offered for share purchase, the Fund will demand that the Bidder fulfills following mandatory terms:

- keep the core business of the Company;
- commit to keep the current number of employees in the period of 3 (three) years from the date of execution of the Contract on the sale of the Company and/or undertake to implement the program for possible redundant number of employees in accordance with applicable laws of the Republic of Croatia and/or offer to create new jobs if proposed in the "Business plan";
- assume the existing collective agreement until the new collective agreement is agreed with the new owner i.e. buyer of the Company;
- offers privileges for domestic rail transport to employees;
- assumes an obligation to appoint the representative of employees to the Supervisory board of the new Company;
- offer an "Investment program" for the Company in accordance with the currently valid zoning plan (technical structure and time frame of investment realization, amount of the required financial means, finance sources and mode of investment, introduction of new services, know-how, etc.);
- offer a "Business plan" for the Company in the next 5 (five) year period including the investment plan for the next 5 years;
- commit not to sell nor hypothecate neither the real estate nor shares of the Company without previously obtained consent of the vendor in the period of 1 (one) year from the date of execution of the Contract on the sale of the Company, and the real estate which are the subject of investment can not be sold until fulfillment of investment obligations;
- services all due liabilities of the Company to state creditors;
- assumes an obligation to provide substitute guarantees for Company's debt guaranteed by the Croatian state;
- offers a program for servicing liabilities of the Company to other creditors;
- offer acceptable instruments to guarantee the fulfillment of the assumed obligations.

The deadline for submission of bids: May 14, 2007 by 14,00 Hours.

The tender documentation can be collected starting from April 5, 2007.

The procedure of bid submission and selection of the best bidder is being implemented in accordance with regulations prescribed in the Tender documentation. The bidder is expected to buy the Tender documentation minimally 48 Hours before the final deadline for bid submission. Bids that are not delivered and executed in accordance with Tender documentation will be rejected. The Bidders are expected to reference their name on the receipt evidencing the payment for Tender documentation. The bids submitted by Bidders that did not reference their respective names on the payment receipt evidencing the effected payment of the price for Tender documentation will be considered invalid and will not be taken into consideration.

The price of Tender documentation in the amount of **Kuna 15.000,00** is payable to Croatian Privatization Fund's account No.: 2340009-1105010031 at Privredna banka Zagreb d.d. – referencing the number 32922 and name of the Company that is offered for sale in this procedure. Foreign bidders can effect the payment of the price for Tender documentation in foreign currency by transferring **EUR 2.000,00** to the Croatian Privatization Fund's foreign currency account No. 702100-315811 SWIFT:PBZGHR2X, IBAN: HR02 2340 0091 1050 1003 1 at Privredna banka d.d. also referencing the name of the Bidder and the name of the Company offered for sale in this invitation.

Upon presentation of the payment receipt evidencing the effected payment of the price for Tender documentation and delivery of contact information, the bidder will receive a Confidentiality Agreement form that he is expected to sing and return to the Fund. The Confidentiality Agreement can also be found at the web site of the Fund (www.hfp.hr). Upon return of the signed Confidentiality Agreement and received payment for the Tender documentation the bidder can either collect the Tender documentation in the premises of the Fund in person or it can be sent to him by mail or delivery service if the headquarters of the bidder is abroad.

After having purchased the Tender documentation the bidder can request that the Fund issues him with an authorization to perform his own "due diligence" in the Company.

The bid guarantee made to the amount of 2% from the starting bidding price above mentioned must be enclosed with the bid. Bids with no bid guarantee enclosed will not be taken into consideration.

Contact information:

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