

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic Data on Auction Sale

The Privatization Agency offers 70,00 % of the socially-owned capital of the subject undergoing privatization, within the joint offer, which amounts to 23,07 % of the total capital and 100,00% of stock of LOLA SISTEM, BEOGRAD, which amounts to 66,95 % of the total capital. Totally is offered 90,02 % of the subject capital. The share of LOLA SISTEM, BEOGRAD, in the subject capital is offered for sale based upon the Power of attorney delivered to the Privatization Agency.

Those who are interested can purchase auction documentation at the price of: **CSD 25.000**, after the receipt of invoice from the Privatization Agency. VAT is not calculated in the price. The purchase of the auction documentation is obligatory, and on its receipt one is to sign the Agreement on Keeping the Confidential Information. After the payment evidence is submitted, the auction documentation can be collected at the following address: Privatization Agency, Belgrade, 23 Terazije St., 09:00-17:00 on weekdays, from 16.12.-30.12.2005 and from 04.01.-17.01.2006.

CLOSING DATE FOR THE APPLICATION SUBMISSION is 18.01.2006, until 17:00.

The filled in application, as a part of the auction documentation with signed draft of the SPA and the deposit payment evidence, is to be submitted in a sealed envelope with the inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 260106, Privatization Agency, Belgrade, 23 Terazije St".

IF THERE IS NAME OF THE SUBJECT UNDERGOING PRIVATIZATION ON THE ENVELOPE, OR FULL AUCTION CODE, THE APPLICATION CAN BE REJECTED.

THE AUCTION SHALL TO BE HELD ON: 26.01.2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall**, at 11:00. The registration of the auction participants is going to take place at the same address on: **26.01.2006, from 09:00 – 10:50.**

The means of payment for the stock of the socially-owned capital which is offered for sale within the joint offer (23,07 %), can be in domestic currency, foreign convertible currency, state bonds issued upon the unpaid foreign currency savings of citizens, which are due not later than the date of sale of capital (26.01.2006), issued to the natural persons, who are citizens of the Republic of Serbia. If the participant applies only for the second bidding, the means of payment can be even the state bonds based upon the unpaid foreign currency savings of citizens, which are not due until the date of sale of capital (26.01.2006), issued to the natural persons, who are citizens of the Republic of Serbia.

Means of payment in the share of LOLA SISTEM, BEOGRAD (66,95 %) in the total capital of the subject undergoing privatization can be SOLELY in domestic currency as well as in foreign convertible currency, on which occasion the part of the selling price (achieved selling price at the auction), according to the share of holding in the subject to be privatized, is to be paid in AT ONE TIME, regardless of the fact, whether the participant has applied for the first or the second bidding.

In case the first class bank guarantee is submitted as the means of deposit payment, it is to be due within 48 hours after declaration a buyer.

Deposit for participation is to be brought back 15 days after the public auction has been held.

The Privatization Agency keeps the right to change the auction date as well as the closing date for the application submission if necessary, but also to inform the interested parties on such changes, if any, until the auction day at the latest.

The visit to the subject undergoing privatization shall be carried out after the Agreement on Confidentiality is signed, in period from 16.12.2005 until 30.12.2005, and from 04.01.2006 until 17.01.2006, after previously the time-table with the Privatization Agency has been established, phone numbers: 011/3020-804; 011/3020-803 or by fax: 011/3020-881.

* The entire estimated value of the capital to be privatized, stated in EUR, was calculated according to the official exchange rate on 16.12.2005.

** The entire business income and expense data, stated in EUR, were calculated according to the average annual real exchange rates.

Brief description of the PUBLIC AUCTION PROCEDURE

The sale of the capital by method of the public auction is carried out by the Auction commission, which is established by the Privatization Agency. The commission supervises the capital sale by the auction, records the auction participants, pronounces the auction for unsuccessful, signs the minutes and performs other activities of importance for the auction performance in accordance with the Law. The conditions for the auction to be carried out are met, if at least one person has obtained the status of the auction participant and if it is present personally or by an authorized representative. At the time ordered for the PUBLIC AUCTION opening, auctioneer shall open the first bidding, on which occasion the means of payment can be in cash or due bonds. If there is more than one person at the first bidding, the auctioneer announces the initial price as well as each further increase. In case that none of the interested buyers reacts after the third call for acceptance the newly established price, the auctioneer declares the auction finished by hammering. Selling price becomes the highest offered value, and the participant who has been the first to offer the highest price is declared a buyer. If there have not been interested parties after the announcement of the initial price, even after the third call, the auctioneer declares the first bidding unsuccessful by hammering and immediately afterwards opens the second bidding, on which occasion even undue state bonds can be the means of payment. Those who have applied for the second bidding can participate in, as well as the participants in the first bidding, in case it has been declared unsuccessful. If in the second bidding participate more than one person, the auctioneer announces the initial price, as well as each further increase. If none of the interested buyers reacts after the third call for acceptance the newly established price, the auctioneer, by hammering, declares the auction finished. The selling price becomes the highest offered value, and the participant who has been the first to offer the highest price, is declared a buyer. If after the announcement of the initial price there have not been any interested parties even after the third call, the auction is declared unsuccessful, and the participants lose the right to be brought back the deposit. If only one party who has been given the auction participant status attends the second bidding, that party is invited three times to accept the initial price. If the party accepts the initial price, she/he is declared a buyer and the initial price becomes the selling price. If the participant does not accept the initial price, the auction is declared unsuccessful, and she/he loses the right to be brought back the deposit.

1) Basic information on the subject undergoing privatization: LOLA SISTEM AD BEOGRAD, LOLA PROGRES DOO RASKA, RASKA

The auction sale code: 260106-1584

ID number of the subject: **07590610**

Field of work: **Tool machines manufacture**

The entire estimated value of the capital to be privatized: **CSD 88.283.000** or ***EUR 1.022.977**, which is **90,022 %** of the total subject capital to be privatized.

Deposit for participation in the auction: **CSD 35.638.000** or ***EUR 412.954**

The initial auction price: CSD 71.276.000

The investments' minimum into the subject to be privatized: **CSD 1.763.000**

The most important property of the subject undergoing privatization:

A) Buildings – the most important facilities (m²):

1. Plant for heavy handmade (1155) 2. Plant for heavy mechanical processing (1470) 3. Plant for light mechanical processing (675) 4. Plant for light handmade (740) 5. Head office building (336)

B) The most important equipment:

1) Hydraulic press 2) Universal machine for sheet-metal pressing 3) Hydraulic clippers 4) Welding device (2 items)(E450) 5) Goods vehicle (Mercedes) 6) Welding device (2 items)(CO2-450) 7) Lorry (FAP)

V) Land facilities (m²): *Construction land: (13208) – state owned*

Balance sheet per year:	2003		2004	
	CSD	**EUR	CSD	**EUR
Shown in:				
Total business revenues	9.752.000	149.899	14.192.000	194.406
Total business expenses	18.442.000	283.474	25.038.000	342.977

Main products/ services: 1) Tool machines manufacture 2) Manufacture of metallurgy machines 3) Processing equipment manufacture 4) Machine production for mines, quarries and building industry 5) Metal constructions for building industry and other industrial branches

Total number of employees: 86; of whom **BS/ BA:** 5