

According to the Article 38 of the Privatization Law ("Official Gazette RS", No. 38/2001 and 18/2003), and the Article 5 of the Decree on Capital and Estate Selling by Public Auction ("Official Gazette RS " No. 45/01, 45/02, 19/03, 59/04 and 98/04),

the Privatization Agency announces:

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic Information about Auction Sale

Those who are interested can buy auction documentation at the price of **25,000 dinars**, after the invoice is received from the Privatization Agency. VAT has not been included 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:
The Privatization Agency, Belgrade, 23 Terazije St., 9:00 – 17:00, from 18.05.2005 to 21.06.2005.

CLOSING DATE FOR APPLYING IS 22.06.2005 UNTIL 17:00

Filled application form which is a part of the auction documentation, with signed draft of sales contract and deposit payment evidence, is to be submitted in closed envelope with inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 300605, the Privatization Agency, Belgrade, 23 Terazije St. ".

IF THERE IS THE NAME OF ENTERPRISE TO BE PRIVATIZED ON THE ENVELOPE, OR FULL AUCTION CODE, THE APPLICATION CAN BE REJECTED.

THE AUCTION WILL BE HELD ON: 30.06.2005.

at the address: **The Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall at 11:00.** The registration of the auction participants will take place at the same address on: **30.06.2005, 09:00 – 10:50.**

Means of payment can be in convertible currency, bonds based on the outstanding foreign exchange saving which is to become due not later than the capital selling day (30.06.2005.) issued to physical 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 bonds based on the outstanding foreign exchange saving which are not to be due until the capital selling day (30.06.2005.) issued to physical persons who are citizens of the Republic of Serbia.

In case that the first-class bank guarantee is submitted as the means of payment for the deposit, it has to be payable within the period of 48 hours after the declaration of a buyer at the auction. The participation deposit is to be returned 15 days after the public auction is held.

The Privatization Agency keeps the right to change the day of the auction and the closing date for applying as well as to inform the interested, until the auction day at the latest.

Enterprise to be privatized will be visited, after the Agreement on Keeping the Confidential Information is signed, from 18.05.2005 to 21.06.2005, at the previously established time by the Privatization Agency, tel: 011/3020-804;011/3020-803 or fax: 011/3020-881.

* Total evaluation of the capital to be privatized, expressed in EURO, has been calculated in accordance with the official rate on 18.05.2005.

** Total business income and expense, expressed in EURO, have been calculated in accordance with average annual real rates.

Short Description of PUBLIC AUCTION PROCEDURE

Capital sale by public auction is carried out by Auction Commission established by the Privatization Agency. The Commission monitors auction sale, registers auction participants, announces auction unsuccessful, signs the minute and does other important jobs for auction process according to the law. The conditions for auction implementation are fulfilled if at least one person is given the auction participant status, if he is personally present or through his official accredited representative. At time ordered for the start of PUBLIC AUCTION, auctioneer will open the first bidding where the means of payment can be in cash or due bonds. If there are many persons at the first bidding, the auctioneer announces initial price as well as each further increase. In case that none of the interested buyers react after the third call

for accepting newly established price, the auctioneer, by hammering, declares the auction finished. 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 nobody is interested even after the third call, the auctioneer declares the first bidding unsuccessful and immediately opens the second bidding where even immature bonds can be the means of payment. Those who have applied for the second bidding can participate in it, as well as the participants in the first bidding if it has been declared unsuccessful. If there are many participants in the second bidding the auctioneer announces initial price as well as each further increase. If none of the interested buyers react after the third call

for accepting newly established price, the auctioneer, by hammering, declares the auction finished. 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 nobody is interested 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 person who has been given auction participant status attends the second bidding, that person is called three times to accept initial price. If he accepts the initial price, he is declared a buyer, and the initial price becomes selling price. If the participant doesn't accept the initial price, the auction is declared unsuccessful, and he loses the right to be returned the deposit.

1) Basic data on enterprise to be privatized: Socially-owned enterprise for catering trade, hotel management and health-recreation tourism FONTANA, VRNJAČKA BANJA

Auction code: 300605-1387

Official Registration Number: 07177364

Field of work: **Hotels and motels with restaurants**

Total estimated value of the capital to be privatized: 1.147.870.000 Din or 14.167.207 *EUR which is 70 % of the total capital of the economic entity.

Deposit for participation in the auction: 137.744.000 Din or 1.700.065 *EUR

Initial auction price: 275.489.000 Din

Minimum investment in the enterprise to be privatized: 240.291.000 Din

The most important assets of the enterprise

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

1. Hotel "Zvezda" (11445) 2. Hotel "Fontana" (9172) 3. Hotel "Sloboda" (5135) 4. Hotel "Park" (2721) 5. Villa "San" (841) 6. Hotel "Srbija" (954)

B) The most important equipment:

1) Equipment for heating and air conditioning 2) Kitchen equipment 3) Equipment for washing and ironing of linen 4) Equipment for restaurants 5) Bedroom equipment 6) Office furniture and equipment 7) Transporters and passenger vehicles

C) Land (m²): *Construction land: (35730) – state owned*

Statement of income and expense per year:

Shown in:	2003		2004	
	Din	**EUR	Din	**EUR
Total business income	90.188.000	1.386.292	95.924.000	1.474.461
Total business expense	117.202.000	1.801.528	127.787.000	1.964.231

The most important products/services: 1) Catering trade 2) Tourism

Total number of employees: 295; **employees with university qualifications:** 11