

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTION

Basic Data on Auction Sale

The right to participate in public auction has:

- 1) domestic or foreign legal entity dealing with the paper or cardboard production; The legal entity shall be deemed to have fulfilled the requirements for public auction participation, if it owns more than 50 % of legal entity capital, which fulfils the necessary conditions for participation in public auction;
- 2) domestic or foreign natural person, who owns more than 50 % of legal entity capital, which performs the operations from the provision 1 of this paragraph.

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 Confidentiality Agreement. After the payment evidence has been submitted, the auction documentation can be collected at the following address: Privatization Agency, Belgrade, Terazije 23, from 09:00 – 17:00 on weekdays from 14.10.2005 until 08.11.2005.

CLOSING DATE FOR THE APPLICATION SUBMISSION is 09.11.2005 until 17:00.

Filled application which is a part of the auction documentation with the signed draft of the SPA and the deposit payment evidence, is to be submitted in a closed envelope with inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 171105, Privatization Agency, Belgrade, Terazije 23".

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

THE AUCTION IS GOING TO BE HELD ON 17.11.2005

at the address: **Privatization Agency, Belgrade, Terazije 23, 2nd floor, Big Hall**, at 11:00. The registration of the auction participants is going to take place at the same address on: **17.11.2005, from 09:00 – 10:50.**

Means of payment can be in domestic currency, foreign convertible currency, state bonds based upon the unpaid foreign currency savings of citizens, which are to become due not later than the date of sale of the capital (17.11.2005), issued to the natural persons, who are the 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 to become due until the capital sale date (17.11.2005), issued to the natural persons, who are citizens of the Republic of Serbia.

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

Deposit for participation is to be brought back 15 days after the public auction is 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 on those changes the interested physical persons or legal entities, until the auction date at the latest.

The visit to the subject undergoing privatization shall be carried out after the signing the Agreement on Confidentiality in period from 14.10.2005 until 08.11.2005, after previously the time-table with the Privatization Agency has been established, phone: 011/3020-804; 011/3020-803 or fax: 011/3020-881.

* The entire estimated capital value to be privatized, stated in EUR, is calculated according to the official exchange rate on 14.10.2005.

** The total 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, registers 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 presented 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. 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 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 closed. 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 persons 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 the auction participant status attends the second bidding, that person is invited three times to accept the initial price. If she/he 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: Društveno preduzeće FABRIKA HARTIJE za proizvodnju bezdrvnih i ambalažnih papira sa p.o., BEOGRAD

Auction sale code: 171105-1320

Subject ID number: **07006497**

Field of work: **Paper and cardboards production**

The entire estimated capital value to be privatized amounts to: **CSD 471.836.000** or *EUR 5.562.191, representing **70,00 %** of the total capital value of the enterprise.

Deposit for auction participation: **CSD 23.592.000** or 278.110 *EUR

The initial auction sale price: **CSD 47.184.000**

The investments minimum into the enterprise to be privatized: **CSD 425.373.000**

The most important property of the subject undergoing privatization

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

1. Paper machine hall 3, Ada Huja approaching road 9 (7736) 2. Building facility PM4, Ada Huja approaching road 9 (9628,56) 3. Hand made production facility, Ada Huja approaching road 9 (2936) 4. Polishing plant made of concrete, Ada Huja approaching road 9 (2260)

B) The most important equipment:

1) Reconstruction PM4 2) Bag packaging machine 3) Sparse masses filter 4) Loader (N-803) 5) Small sort advice

V) Land capacities (m²):

Balance sheet per year:	2003		2004	
Shown in:	CSD	**EUR	CSD	**EUR
Total business revenues	85.851.000	1.319.627	84.681.000	156.777
Total business expenses	160.950.000	2.473.984	180.338.000	515.383

Main products/services: 1) Woodless paper 2) Wave paper/cardboard 3) Packaging paper 4) Paper and cardboard packages 5) Wall paper

Total number of employees: 246; **of which BS/ BA:** 12