

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic Data on Auction Sale

The Privatization Agency, within joint offer, offers for sale 70,00 % of socially-owned capital of the subject to be privatized, which amounts to 68,91 % of the entire capital and 100,00% of share of the FOND ZA RAZVOJ RS, BELGRADE (DEVELOPMENT FUND of the RS), which amounts to 1,56 % of the total capital. Totally is offered for sale 70,47 % capital of the subject to be privatized. The share of the FOND ZA RAZVOJ RS, BELGRADE, 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 40.000**, 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 has been submitted, the auction documentation can be collected at the following address: Privatization Agency, Belgrade, 23 Terazije St, 09:00 – 17:00 on working days, in period from 31.03.2006 until 16.05.2006.

The right to participate in public auction has:

– **domestic or foreign legal person, which cumulatively fulfils the following conditions:**

- 1) performing the activity in the field of production of spare parts and equipment for motor vehicles;
- 2) performing the activity, set as a required precondition for participation in public auction, consistently in a period of at least three years up to the public auction date;
- 3) that it, in the last two business years, achieved the business income of at least EUR 10.000.000,00 per year;

A legal person shall be deemed to have fulfilled the required conditions for participation in public auction, if it is the owner of more than 50% of assets of a legal person, which cumulatively meets the required conditions for participation in public auction

– **domestic or foreign natural person**

- 1) **which owns more than 50% of capital of a legal person, that cumulatively complies with required conditions for legal persons for participation in public auction.**

CLOSING DATE FOR THE APPLICATION SUBMISSION IS 17.05.2006, until 17:00.

Filled application, which is a part of the auction documentation, with signed draft of the Sale-Purchase Agreement and the deposit payment evidence, is to be submitted in a sealed envelope with inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 250506, 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 BE HELD ON: 25 May 2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall**, at 11:00. Registration of the auction participants will be held at the same address on: **25.05.2006, from 09:00 to 10:50.**

Means of payment for the part of socially-owned capital to be sold within the joint offer (68,91 %), can be in domestic currency, foreign convertible currency, state bonds based upon the unpaid foreign currency savings of citizens, which are due not later than the date of sale of capital (25.05.2006), issued to the physical persons, who are citizens of the Republic of Serbia. If the participant applies only for the second bidding, the means of payment can even be the state bonds based upon the unpaid foreign currency savings of citizens, which are not to become due until the date of sale of capital (25.05.2006), issued to the physical persons, who are citizens of the Republic of Serbia.

Means of payment in share of the FOND ZA RAZVOJ RS, BELGRADE (1,56 %) in the total capital of the subject to be privatized, can be SOLELY in domestic currency and in foreign convertible currency, on the occasion of which the part of the purchase price (purchase price achieved at the auction), in accordance with share of the FOND ZA RAZVOJ in the subject to be privatized, is to be paid off AT ONE TIME, regardless of the fact whether the participant applied for the first or the second bidding.

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 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 on it the interested physical persons or legal entities, until the auction date at the latest.

The site visit shall be carried out after the signing the Agreement on Confidentiality, in period from 31.03.2006 until 16.05.2006, after previously the time-table with the Privatization Agency has been established, phone: 011/3020-804; 011/3020-803 or by fax: 011/3020-881.

* The entire estimated capital value to be privatized, stated in EUR, was calculated pursuant to the official exchange rate on 31.03.2006.

** The entire business income and expense data, stated in EUR, were calculated in accordance with 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 has been 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, the 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 party who has obtained 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: Akcionarsko društvo INDUSTRIJA PRECIZNE MEHANIKE, BEOGRAD

Auction Sale Code: 250506-1637

Official ID number of the Subject: **07011245**

Field of work: **Manufacture of spare parts and equipment for motor vehicles**

The entire estimated capital value to be privatized amounts to: **CSD 1.761.612.000** or ***EUR 20.294.786**, which represents **70,468 %** of the total subject capital.

Deposit for auction participation amounts to: **CSD 211.393.000** or ***EUR 2.435.374**

Initial auction price: **CSD 422.787.000**

Minimum of obligatory investments into the subject to be privatized: **CSD 340.162.000**

The most important property of the subject undergoing privatization:

A) Buildings – main facilities (m²):

1. Central production hall, 141 Vojislava Ilica, Belgrade (13431) 2. Annexe, 141 Vojislava Ilica, Belgrade (3839) 3. Main production hall DPS IPM, 141 Vojislava Ilica, Belgrade (18813) 4. Administration building, 141 Vojislava Ilica, Belgrade (2147) 5. Repair shop with engine laboratory, 141 Vojislava Ilica, Belgrade (2666)

B) The most important equipment:

1) Furnaces for thermic processing 2) Laboratory measuring instruments 3) Processing centers (CNC)

C) Land capacities (m²): *Construction land: (44493) – in state ownership*

Balance sheet per year:	2003		2004	
	CSD	**EUR	CSD	**EUR
Shown in:				
Total business revenues	446.877.000	6.869.007	545.692.000	7.475.028
Total business expenses	441.872.000	6.792.075	539.413.000	7.389.017

Main products/ services: 1) Hydraulic heads 2) DPA pumps 3) Elements 4) AC pumps 5) Line pumps

Total number of employees: 908; **of whom BS/ BA:** 71