

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic data on Auction sale

The Privatization Agency of the RS, within joint offer, offers for sale 70,00 % of the socially-owned capital of the subject undergoing privatization, amounting to 23,07 % of the total capital and 100,00% of shares of the LOLA SISTEM, BEOGRAD, which amounts to 66,95 % of the total capital. Totally is offered 90,02 % of the subject capital. The share of the 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 documents 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 documents 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 documents can be collected at the following address: Privatization Agency, Belgrade, 23 Terazije St, 09:00 – 17:00 on weekdays, in period from 28.07.2006 – 22.08.2006.

CLOSING DATE FOR THE APPLICATION SUBMISSION is 23.08.2006, until 17:00.

Filled application, which is a part of the auction documents, with the 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 310806, 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: 31.08.2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije St., 2nd floor, Large Hall**, at **11:00**. Registration of the auction participants shall take place at the same address on: **31.08.2006**, from **09:00 – 10:50**.

Means of payment for the part 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 based on the unpaid foreign currency savings of citizens, which are due not later than the date of the capital sale (31.08.2006), 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 on the unpaid foreign currency savings of citizens, which are not to be due until the date of the capital sale (31.08.2006), issued to the natural persons, who are citizens of the Republic of Serbia.

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

In case that 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 the interested parties on such changes, if any, until the auction date at the latest.

The site visit shall be carried out after the signing the Agreement on Confidentiality, in period from 28.07.2006 until 22.08.2006, 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 28.07.2006.

** 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 capital by the method of public auction is carried out by the Auction Commission, which is to be 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, it 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 RAŠKA, RAŠKA

Auction Sale Code: 310806-1584p

ID number of the Subject: **07590610**

Field of work: **Fabrication of tool machines**

The entire estimated capital value to be privatized amounts to: **CSD 94.159.000** or ***EUR 1.132.535**, which is **90,022 %** of the total subject capital to be privatized.

Deposit for auction participation: **CSD 8.886.000** or ***EUR 106.880**

Initial auction price: **CSD 17.772.000**

Minimum of obligatory investments into the subject to be privatized amounts to: **CSD 1.880.000**

The most important property of the subject undergoing privatization:

A) Buildings – main facilities (m²):

1. Heavy handmade plant (1155) 2. Plant for heavy mechanical processing (1470) 3. Plant for light mechanical processing (675) 4. Light handmade plant (740) 5. Administration building (336)

B) The most important equipment:

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

C) Land (m²): *Construction land: (13208) – in state ownership*

Balance sheet per year:	2004		2005	
Shown in:	CSD	**EUR	CSD	**EUR
Total business revenues	14.192.000	194.406	17.429.000	210.224
Total business expenses	25.038.000	342.977	31.202.000	376.349

Main products/ services: 1) Fabrication of tool machines 2) Fabrication of metallurgy machines 3) Fabrication of processing equipment 4) Fabrication of machines for mines, quarries and building industry 5) Fabrication of metal constructions for building industry and other industrial branches

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