

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

23 Terazije St., 11000 Belgrade, Serbia and Montenegro,
phone: 011/3020-804, 011/3020-803, fax: 011/3020-881

Basic Data on Auction sale

The Privatization Agency of RS offers, within the joint offer, 70,00 % of the socially-owned capital of the subject to be privatized, amounting to 23,51 % of the total capital, 100,00% of share of the IVO LOLA SISTEM AD, BEOGRAD, amounting to 10,34 % of the total subject capital, 100% of share of the FOND ZA RAZVOJ RS (DEVELOPMENT FUND of the RS), BEOGRAD, amounting to 40,66% of the total subject capital and 100,00% of share of the PRIVREDNA BANKA AD, PANČEVO, amounting to 14,35 of the total subject capital. Totally is offered for sale 88,86 % of the subject capital to be privatized. The shares of members of the enterprise are offered for sale based upon the Powers 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, from 09:00-17:00 on working days, in period from **20.07.2006** until **05.09.2006**.

Right to participate in the public auction has:

-domestic or foreign legal entity, which cumulatively fulfills the following conditions:

- 1) to perform, as one of its predominant activities, fabrication or sale of spare parts for aircraft industry;
- 2) to perform the required activity, set as a condition for participation in the public auction, consistently for a period of at least 2 (two) years up to the public auction date;
- 3) that it, during last business year, achieved the business income of at least **EUR 1.000.000,00**.

The legal entity shall be deemed to have fulfilled the required conditions for participation in the public auction, if it owns more than 50 % capital of a legal entity, which cumulatively fulfills the required conditions for participation in the public auction.

-domestic or foreign natural person

- 1) who owns more than 50 % capital of a legal entity, which cumulatively fulfills the required conditions set to legal entities for participation in public auction, or
- 2) who achieved more than 5 (five) years of employment in the enterprise, which cumulatively fulfills the required conditions for participation in the public auction.

The consortium of natural persons shall be deemed to fulfill the required conditions, if the majority of Consortium members fulfills the required conditions from this Public invitation for participation in the public auction.

CLOSING DATE FOR THE APPLICATION SUBMISSION is 06.09.2006, until 17:00.

Filled application, which is a part of the auction documents, with signed draft of the Sales-Purchase Agreement and the deposit payment evidence, is to be submitted in a sealed envelope with the inscription: "THE APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 140906, 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 14 SEPTEMBER 2006.

at the address: **Privatization Agency, Belgrade, 23 Terazije St, 2nd floor, Large Hall**, at 11:00. The registration of the auction participants shall take place at the same address on: **14.09.2006, from 09:00 - 10:50.**

Means of payment for the part of socially-owned capital to be sold within the joint offer (23,51%) 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 the capital sale (14.09.2006), 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 even be the state bonds based upon the unpaid foreign currency savings of citizens, which are not to be due until the date of the capital sale, (14.09.2006), issued to the natural persons, who are citizens of the Republic of Serbia. Means of payment for the Sales-Purchase price for shares of members of the enterprise (in total 65,35% of capital) in the entire capital of the subject undergoing privatization can be SOLELY in domestic currency and in foreign convertible currency, and the Sales-Purchase price is to be paid off AT ONCE, regardless of the fact 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 20.07.2006 until 05.09.2006, 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 20.07.2006.

Brief description of the PUBLIC AUCTION procedure

The sale of capital by the public auction method 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 represented 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 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 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: Društvo sa ograničenom odgovornošću UTVA Avio industrija, PANČEVO

Auction Sale Code: 140906-1695

Official ID number of the Subject: **08061203**

Field of work: **Fabrication of aircrafts and space-ships**

The entire estimated capital value to be privatized amounts to: **CSD 1.201.946.000** or ***EUR 14.481.280**, representing **88,863 %** of the total subject capital.

Deposit for auction participation: **CSD 144.234.000** or ***EUR 1.737.760**

The initial auction sale price: **CSD 288.467.000**

Minimum of obligatory investments into the subject to be privatized amounts to: **CSD 57.532.000**

The most important property of the subject undergoing privatization

A) Buildings – main facilities (m²):

1. Fabrication plants and dye-house (28360) 2. Fabrication plants (30002) 3. Main warehouse (6060) 4. Restaurant (1710) 5. Administration building (2544) 6. Attached annexe (8764)

B) The most important equipment:

1) Machines, devices and installations 2) Devices and special tools 3) Means of transportation 4) Adding machines and typewriters 5) Installations and equipment in preparation 6) Investing real estate in preparation

C) Land (m²): *Construction land: (481683) ((168602) – socially-owned, (313081) – owned by state)*

Balance sheet per year:	2004		2005	
	CSD	**EUR	CSD	**EUR
Shown in:				
Total business revenues	57.944.000	793.732	31.119.000	375.348
Total business expenses	136.075.000	1.863.990	107.943.000	1.301.977

Main products/ services: 1) Programme "Lasta 95" 2) Repair of various types of aircraft 3) Programme "Neva" 4) Rent out

Total number of employees: 252; **of which BS/ BA:** 19