

PUBLIC INVITATION FOR PARTICIPATION IN PUBLIC AUCTIONS

Basic data on Auction sale

Privatization Agency offers, within joint offer, 100,00% of the socially-owned capital of the subject to be privatized, amounting to 77,86% of the total capital and 100,00% of share of the Development Fund of the Republic of Serbia (Fond za razvoj Republike Srbije), BEOGRAD, amounting to 22,14% of the entire capital. Totally is offered for sale 100,00 % of the subject capital. The share of the Development Fund of the RS, BELGRADE, in the subject capital, is offered for sale based on the Power of Attorney assigned to the Privatization Agency.

Those who are interested can purchase the auction documents at the price of: **RSD 40000 динара**, after they have received the invoice by the Privatization Agency. VAT is not calculated in the price. Purchase of the auction documents is obligatory and on their receipt, one is to sign the Confidentiality Agreement. After the payment evidence has been submitted, the auction documents can be collected at the following address:
Privatization Agency, Belgrade, 23 Terazije St., from 09:00 to 17:00 on weekdays, in period from 11.05.2007 until 05.06.2007.

DEADLINE FOR THE APPLICATION SUBMISSION is 06.06.2007, by 17:00

Filled application, which is a part of the auction documents, with the signed draft of the Sales-Purchase Agreement and the deposit payment evidence, is to be submitted in a sealed envelope marked with: "APPLICATION FOR PARTICIPATION IN PUBLIC AUCTION 140607, Privatization Agency, Belgrade, 23 Terazije St".

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

THE AUCTION WILL BE HELD ON: 14.06.2007.

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:
14.06.2007, from 09:00 to 10:50.

Means of payment for the part of the socially-owned capital which is offered for sale within joint offer (77,86%) may 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 (14.06.2007) issued to the natural persons, who are citizens of the Republic of Serbia. If the participant has applied only for the second bidding, means of payment can be even the state bonds based on the unpaid foreign currency savings of citizens, which are not due until the date of capital sale (14.06.2007), issued to the natural persons, who are citizens of the Republic of Serbia.

Having been conducted the restructuring procedure in the Socially-owned enterprise for production of porcelain PORCELAN ZAJEČAR in restructuring, Zaječar, the Sales-Purchase price is to be paid off at once, i.e. there is no possibility for payment in installments.

Means of payment for the share of the Development Fund of the RS, BELGRADE (22,14%) in the entire capital of the subject to be privatized, can be SOLELY in domestic currency or in foreign convertible currency, bearing in mind, that a part of the Sales-Purchase price (selling price achieved at the auction), in accordance with share of the Holding in the subject to be privatized, is to be paid off 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 has to be due within 48 hours after the declaration a buyer.

Deposit for participation is to be returned 15 days after public auction has been held.

The Privatization Agency keeps the right to change the auction date, as well as the deadline for the application submission if necessary, but also to inform the interested parties on those changes, if any, until the auction date at the latest.

The site visit shall be carried out after signing the Agreement on Confidentiality in period from 11.05.2007 to 05.06.2007., after previously the timetable 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 according to the official exchange rate on 11.05.2007.

** The total business income and expense data, stated in EUR, were calculated according to the average annual real exchange rate.

Brief description of the PUBLIC AUCTION procedure

The sale of capital by 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 auction, registers auction participants, declares auction unsuccessful, signs the minutes and performs other activities important for auction performance in accordance with the Law. The conditions for auction to be carried out are fulfilled if at least one person has obtained the status of an 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, when 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 of 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 opens the second bidding immediately afterwards, when even undue state bonds can be the means of payment. Those who have applied for the second bidding can also participate, as well as the participants in the first bidding, in case it has been declared unsuccessful. If more than one person participates in the second bidding, 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 returned 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 returned the deposit.

1) Basic information on the subject undergoing privatization: Socially-owned enterprise for production of porcelain PORCELAN-ZAJEČAR in restructuring, ZAJEČAR

Auction Sale Code: 140607-1689p

Official ID number of the Subject: **07202482**

Field of work: **Production of ceramic goods for household**

The entire estimated capital value to be privatized amounts to: **RSD 201.463.000** or ***EUR 2.427.818**, which is **100 %** of the total subject capital.

Deposit for auction participation: **RSD 16.117.000** or ***EUR 194.225**

The initial auction sale price: **RSD 32.234.000**

Minimum obligatory investments into the subject to privatized: **RSD 33.348.000**

The most important assets of the subject to be privatized

A) Buildings – main facilities (m²):

1. Administration building (783) 2. Works for decorative porcelain manufacturing (1224) 3. Works for decal manufacture (1637) 4. Manufacture and processing works (12631) 5. Hall, packaging room, warehouse (new location) (12664)

B) The most important equipment:

1) Glazing furnace (2 items) 2) Stove for crackers 3) Machine and equipment for manufacture of plates 4) Sieve press 5) Tunnel decorative electric-powered furnace 6) Vacuum press 7) Plate shaping machine 8) Porcelain shaping machine (6 items) 9) Ball mill (3 items)

C) Land (m²): *Construction land: (163276) – state owned; Agricultural land: (1563) – socially-owned (right of joint ownership);*

Balance sheet per year:	2005		2006	
	RSD	**EUR	RSD	**EUR
Shown in:				
Total business revenues	1.090.000	13.147	46.456.000	552.357
Total business expenses	170.948.000	2.061.925	187.279.000	2.226.728

Main products/services: 1) Sets for black and white coffee 2) Sets of cups for black and white coffee 3) Plates, vases 4) Ashtrays, decorative porcelain 5) Porcelain decals

Укупан број запослених: 597; **од тога ВСС:** 8