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Subject: Letter of intent business cooperation proposal

ĐĐ KOTLOVI d.o.o, Slavonski Brod is established in 2002. and it is in 100% private ownership. It continues production of small and medium industrial steam and hot oil boilers for over the 40 years.

Except traditional products (steam boilers and hot oil boilers) we also produce block and container power plants, boilers on biomass, and utilization boilers for various applications (gas engines, metal industry...)

At this moment we have 40 employees and turnover around 2 million euros. We own business and production premises and all necessary machinery and equipment.

Basic productions and service program is production of boilers and power equipment .

Production program :

1. Boilers on standard liquid and gaseous fuels

- Hot oil boilers - 75 kW do 5 MW,
- Steam boilers - 75 kg/h do 4000 kg/h , standard pressure (3-12 bar) or special order (20 - 120 bar),
- Fire tube boilers 1000-10000 kg/h –standard pressure up to 12,6 bar or special order up to 20 bar

2. Block and container power plants

3. Pressure vessels and other power equipment

4. Utilizations boilers and boilers on biomass

- Steam Utilization boilers - 250 kW - 10 MW,
- Hot oil Utilization boilers - 250 kW - 10 MW,
- Hot-water Utilization boilers - 250 kW - 10 MW,
- thermal power systems on bio-gas plants

Service program

- Installation and commissioning of the boiler plants
- Repair and reconstruction of power plants
- Service and maintenance of the equipment supplied
- Service and maintenance of boilers production Đuro Đaković
- service and welding elements on boilers and plants.

Our company have all required standards for production and sale of boilers and equipment in EU countries.

We have certain certifications and approvals:

- certificate ISO 9001:2000 /EN ISO 9001:2000
- certificate for production of pressure equipment according (PED 97/23/EC)
- certificate for production and installation of pressure vessels, pressure piping components (HRN EN ISO 3834-3, 3834-2)
- decree of Ministry of Economy, Labor and Entrepreneurship for boiler installations in Croatia.

Machines and rquipment

Company ĐĐ Kotlovi owns all necessary machines for processing metal sheets, pipes and for productions of thermo-power equipment.

The important is that we own:

- production plant – HALA 2400 m² with 4 cranes – 3-5 t
- larmier 400 m² with crane of 25 t (in future production plant- HALA 700 m² with 2 cranes of 25 t)
- rollers for bending metal sheet up to 30 mm thickness
- angle press 160 t
- CNC plasma cutter and gas for metal up to 25 mm
- Machine for bending pipes 21,3 - 88,9 mm
- bending machines Tube coils and spirals 300 -2400 mm
- machines for pipering pipes and metal sheets before welding
- welding machines for TIG, MAG, REL procedures
- machines and tools and all necessary equipment for welding

Features and benefits of the company

ĐĐ-KOTLOVI company have big and strong production possibilities and potential. It owns projects and technical documentations for production of small and medium industrial boilers, all necessary certificates and standards for domestic, EU and Russian market. Production capacity and skilled technical and production staff.

At this moment we could have production on level of 3-4 milion Euro. Our maximum production, whit some investing, can be few times bigger.

Business cooperation proposals

We propose cooperation in three basic forms:

1. Joined appearance on Croatian and other markets in order to increase opportunities for offering and selling products
2. Recapitalization (investing in) company ĐĐ Kotlovi (strategic partnership) in order of increasing productions and profit
3. Selling/ buying company ĐĐ Kotlovi

I hope that this information will be sufficient to evaluate your interest in cooperations with our company. I believe that we can find common interest and achieve some form of business cooperation.

Best regards,

Stevo Jelenić, dipl.ing.str.

General manager

ĐĐ Kotlovi d.o.o.