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Subject: **Points for Discussion/Confirmation - Manufacturing/Technology**

1. Conveyor is out of the JV to facilitate Sava's desire to maintain rolls and profiles. Sava wants to avail themselves of Goodyear technology on formulations and curing technology to improve quality and output. Goodyear has no obligation to purchase conveyor belting but would consider the source for requirements as needed in Europe.

   To be agreed - transfer pricing

   Downside - Goodyear already has some sales in Europe and by agreeing to the technology support would be effectively improving a competitor.

2. Sava wants agreement that the JV would purchase large volume items for Sava Tech products to get the benefit of our buying power. Examples of these would be polymers, oils and blacks. Note, for some of the specialty materials there would probably not be an advantage.

3. Sava agrees to eliminate Artificial Leather to accommodate PTP and Auto Straight Hose. To accommodate Auto Straight Hose additional buildings are required. The necessary land for this building encroaches beyond the Sava boundary by approximately 10 x 150 meters. This land may be at a premium price and will be required in a short timeframe.

4. Sava Tech wants to maintain scooter tires and some other business currently in the bicycle tire building. To accommodate this they require to maintain 60% of the current building. To facilitate this additional building space needs to be provided.

5. The estimated costs for 3 and 4 are per the attached sheets. There may be several alternatives which may be considered to handle this and these could include:

   - JV to include total cost
   - Sava to build and lease to the JV

6. Sava Tech will need from the JV some beads for the scooter tires that they intend to keep. The bead manufacturing unit will be part of the JV on Air Springs.

7. Engineered Products requires calendered gum and some calendered tire cord for PTP products and Air Springs. These will be required from the tire facility or from Sava Tech and we understand there is capacity. The tire facility already supplies the calendered tire cord for Air Springs but Sava Tech has supplied the calendered gum.

   Sava Tech will also require some calendered material from the JV to support the printers blankets and scooter tires. These are currently serviced from the tire facility.

   Sava Tech will have its own calendering capacity for Conveyor Belt and the remaining businesses they intend to keep. These calenders are located in the Sava Tech mixing building. Planning is also reviewing availability of a calender which may be transferred to Engineered Products in the JV.

8. Transfer costs between Sava Tech and the JV for materials discussed in 6 and 7 will need negotiating (cost plus). It would also be beneficial for the agreement to include transfer from Sava Tech to the JV.

9. Utilities to be used are measurable at the Tire buildings and what was Sava Tech buildings. In the proposed arrangement the utilities for Tires, PTP/Auto Straight Hose, Sava Tech buildings can be separated. There will be some difficulty in separating by meter the utilities in the shared building for Air Springs and Scooter tires unless metering devices are added.

10. It is recommended that the 20,000 lb boiler added in the original study be increased to 40,000 lb because of additional requirements and condition of existing equipment. This is for the total site, Tires, Sava Tech and Engineered Products.

11. Necessary to add 7,000 cu mtr per hour compressor @ 120 psi in year 2.

12. Electrical power supplier from the National/State grid to the plant site. Feed will go from 10KW to 20KW and may be at the expense (new cables) of the JV and Sava Tech. To be confirmed. This is a site issue not just an Engineered Products issue. This can be a substantial cost which must be identified.

General

Adjustments to the previous study will be made to accommodate the new proposals. These will include some manning and investment numbers.

Director - Research and Development
Engineered Products Division

E F Hodson
cp

att

+ 30000 € Disposal

# Land/Building Valuation

From Sava asset records and input from Mr Cvenkel, the following has been established. This information has also been faxed to Sava for confirmation.

1. Bicycle/Air Spring

| | |
|---|---|
| Value of current building | $1,150,255 |
| Value of land under the building | 363,957 |

Sava intends to keep 60% of the building for scooter tires.

Cost to JV:

| | |
|---|---|
| 40% of current land | $145,582 |
| 40% of current building | 460,102 |
| Additional manufacturing space (13,120 ft²) | 393,600 |
| Additional office space, etc (11,840 ft²) | 355,200 |
| Additional land | 137,521 |

2. PTP/Auto Straight Hose - Cost to JV

| | |
|---|---|
| Value of current Artificial Leather/PTP building | $4,430,356 |
| Value of land under the building | 1,050,707 |
| * Value of additional Sava land | 178,851 |
| * Value of land outside the building | 209,424 |
| Value of additional manufacturing space | 1,258,920 |

* To accommodate the changes that Sava requests, the current PTP/ Artificial Leather building needs to be expanded to house PTP and Auto Straight Hose. This will involve encroaching on land beyond the current boundaries. The cost of this land is double the cost of the land within the building. Mr Cvenkel advises this can be purchased without too much delay.