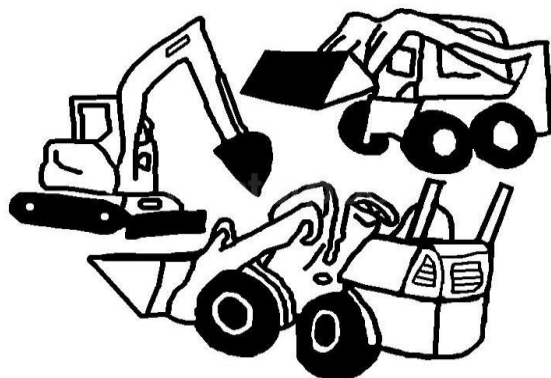


This is a translation of the original report issued in the Serbian language

NOTES TO THE NEW CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2011



1. GENERAL INFORMATION ABOUT THE COMPANY

The business company TEI-TECHNO EXPORT IMPORT MINING CONSTRUCTION DOO – full name or TEI MC DOO – short name (hereinafter: the company) is a limited liability company.

Identification number: 20019018

Tax identification number (TIN): 103796167

VAT number: 176914234

The company was founded on 21.03.2005, decision number: 5943/2005. The founder of the company is Milakovic Zoran who is also the director at the same time.

The prevailing activity of the company is Wholesale trade of construction machines, that is, representation, distribution, import and export of mining and construction machines, equipment and spare parts. The company also deals with servicing and general overhaul of mining and construction machines and equipment.

As per the classification criteria, according to Article 7 of the Law on Accounting and Auditing, the company has been classified as MEDIUM sized legal entity based on the financial statements for the year 2011.

The average number of employees in the year 2011 is 16.

TEI MC doo company, with the decision on foundation as of 17.10.2011 with 100% share and payment in the amount of EUR 5,000.00, founded “TEI MC INTERNACIONAL” company with the main office in Skopje, Macedonia for performing the same activity, that is, sale of construction and mining machines, equipment and spare parts.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements for TEI MC d.o.o. Belgrade business company, for the accounting period ending on 31.12.2011 have been prepared, as per all materially significant issues, in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS), the Law on Accounting and Auditing (The Official Gazette of the Republic of Serbia no. 46/2006 and 111/2009), other subordinate legislation enacted based on that Law and chosen and adopted accounting policies determined by the Rules on Accounting and Accounting Policies.

All data are expressed in thousands of dinars (**RSD**), unless stated otherwise.

3. SALES REVENUE

Company sales revenue consists of the following types of revenue:

	2011 in 000 RSD
Revenue from the sale of goods to parent legal entities and subsidiaries	
Revenue from the sale of goods to other associated legal entities	
Revenue from the sale of goods in the domestic market	182,464
Revenue from the sale of goods in the foreign market	99,804
Total revenue from the sale of goods	282,268
Revenue from the sale of products and services to parent legal entities and subsidiaries	
Revenue from the sale of products and services to other associated legal entities	
Revenue from the sale of products and services in the domestic market	3,488
Revenue from the sale of products and services in the foreign market	241
Total revenue from the sale of products and services	3,729
TOTAL SALES REVENUE	285,997

4. WORK PERFORMED BY THE ENTERPRISE AND CAPITALIZED

	2011 in 000 RSD
Income from using goods and services for own needs (income from repairs in the warranty period)	8,224
TOTAL	8,224

5. OTHER OPERATING INCOME

Other operating income of the company consists of the following types of income:

	2011 in 000 RSD
Income from the premiums, subsidies, grants, donations etc.	67
Rental income	3,970
Membership fees income	
Income from royalties	
Other operating income	
TOTAL	4,037

6. ACQUISITION VALUE OF THE SOLD GOODS

Acquisition value of the sold goods consists of the following types of costs:

	2011 in 000 RSD
Acquisition value of the sold wholesale goods	235,778
Acquisition value of the sold retail goods	
TOTAL	235,778

7. COSTS OF MATERIAL

Costs of material of the company consist of the following types of costs:

	2011 in 000 RSD
Raw materials and consumables used	
Overhead materials costs	799
Fuel and energy costs	2,063
TOTAL	2,682

8. COSTS OF SALARIES, SALARIES COMPENSATIONS AND OTHER PERSONAL EXPENSES

Costs of salaries, salaries compensations and other personal expenses of the company consist of the following types of costs:

	2011 in 000 RSD
Costs of salaries and salaries compensations (gross)	8,033
Costs of tax and contributions on salaries and salaries compensations charged to employer	1,403
Costs for compensations as per temporary service contracts	
Costs for compensations as per author's contracts	
Costs for compensations as per contracts on temporary and casual work	
Costs for compensations to natural persons as per other contracts	118
Costs for compensation to the members of Board of Directors and of the Supervisory Board	
Other personal expenses and compensations	2,131
TOTAL	11,685

9. DEPRECIATION AND PROVISIONS COSTS

Depreciation and provisions costs of the company consist of the following types of costs:

	2011 in 000 RSD
Depreciation costs	3,302
Warranty period provisions	8,577
Provisions for natural wealth renewal costs	
Provisions for retained indemnity bonds and deposits	
Provisions for restructuring costs	
Provisions for compensations and other employees' benefits	
Other long-term provisions	
TOTAL	11,879

10. OTHER OPERATING EXPENSES

Other operating expenses of the company consist of the following types of expenses:

	2011 in 000 RSD
Costs for services used in production process of own costs capitalized	
Transport services costs	5,563
Maintenance services costs	1,005
Rental costs	509
Exhibition costs	1,598
Advertising and propaganda costs	54
Research costs	
Other production services costs	3,411
Total production services costs	12,140
Nonproduction services costs	
Representational costs	1,263
Insurance premium costs	474
Payment operations costs	359
Membership fees costs	34
Tax costs	1,283
Contributions costs	
Other intangible costs	4,643
Total intangible costs	8,056
TOTAL	20,196

11. FINANCIAL INCOME

Financial income of the company consists of the following types of income:

	2011 in 000 RSD
Financial income from parent legal entities and subsidiaries	
Financial income from other associated legal entities	
Interest income	175
Foreign currency gains	8,576
Income from the currency clause effects	5,150
Income from sharing profit of subsidiaries and joint investments	
Other financial income	
TOTAL	13,901

12. FINANCIAL EXPENSES

Financial expenses of the company consist of the following types of expenses:

	2011 in 000 RSD
Financial expenses from the relationship with the parent legal entities and subsidiaries	
Financial expenses from the relationship with other associated legal entities	
Interest expenses	178
Foreign currency loss	9,196
Expenses for the currency clause effects	1,796
Expenses from sharing the loss of subsidiaries and joint investments	
Other financial expenses	1,640
TOTAL	12,810

13. OTHER INCOME

Other income of the company consists of the following types of income:

	2011 in 000 RSD
Profit from sale of intangible investments, property, plants and equipment	831
Profit from sale of biological assets	
Profit from sale of shares and long-term securities	
Profit from sale of material	
Surpluses	60
Collected written-off receivables	
Income from agreed risk protection effects except currency clause	
Income from decrease of liabilities	11,370
Income from abolishing long-term provisions	
Other unmentioned income	2,183
Income from biological assets value reconciliation	
Income from intangible investments value reconciliation	
Income from reconciliation of value of property, plants and equipment	
Income from reconciliation of value of long-term financial investments and securities available for sale	
Income from inventories value reconciliation	
Income from reconciliation of value of receivables and short-term financial investments	
Income from reconciliation of value of other assets.	
TOTAL	14,444

14. OTHER EXPENSES

Other expenses of the company consist of the following types of expenses:

	2011 in 000 RSD
Losses from writings-off and sale of intangible investments, property, plants and equipment	825
Losses from writings-off and sale of biological assets	
Losses from the sale of share in capital and securities	
Losses from the material sale	
Shortages	12
Expenses from the agreed risk protection effects, except currency clause which do not meet the conditions to be presented within revaluation reserves.	
Expenses from direct writings-off of receivables	2,393
Expenses from writings-off of materials and goods inventories	1,062
Other unmentioned expenses	1,194
Biological assets impairment	
Intangible investments impairment	
Impairment of property, plants and equipment	

Impairment of long-term financial investments and other securities available for sale	
Impairment of material and goods inventories	7,936
Impairment of receivables and short-term financial investments	9,406
Other assets impairment	
TOTAL	22,828

15. PROPERTY, PLANTS AND EQUIPMENT

The state of and changes on the property, plants and equipment of the company are presented in the following table as per acquisition values:

	Land	Buildings	Plants and equipment	Other property, plants and equipment	Property, plants and equipment in preparation	Advances for property, plants and equipment	Investments in other entity's PPE	TOTAL
31th December 2011	3,246	31,137	12,370		45,316			92,069

TEI MC doo company is the investor in the business-warehouse building with the design gross area of 969.85 m2 located at Pancevacki put bb, Krnjaca. Net area is 866.30 m3 and it comprises:

- 377.26 m2 of business space and
- 489.04 m2 of warehouse space.

Starting with 01.11.2010, TEI MC doo company began using the warehouse space with the area of 489.04 m2 for storage of own goods.

The mortgage has been registered for the building under construction in favour of OTP Bank as the security for the framework documentary line for letters of credit and guarantees.

16. INVENTORIES

	31.12.2011 in 000 RSD
Material	
Works in progress	
Finished products	
Merchandise	
- bonded goods in bonded warehouse owned by the legal entity	34,813
- wholesale goods	14,188
- bonded goods in bonded warehouse owned by other legal entities	
Minus: impairment of inventories	
Given advances	
- to domestic suppliers	7,823
- to foreign suppliers	11,519
TOTAL	68,343

*Bonded goods value is expressed in the amount of the foreign supplier's net invoice value

17. NON-CURRENT ASSETS INTENDED FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

	31.12.2011 in 000 RSD
Intangible investments intended for sale	
Land intended for sale	
Buildings intended for sale - flats	29,428
Investment property intended for sale	
Other property intended for sale	
Plants and equipment intended for sale	
Biological assets intended for sale	
Assets from discontinued operations	
Minus: impairment of non-current assets and assets from discontinued operations	
TOTAL	29,428

18. RECEIVABLES AND INVESTMENTS

	31.12.2011 in 000 RSD
<u>Receivables from sale</u>	
Buyers – parent companies and subsidiaries	
Buyers – other associated legal entities	
Buyer in the country	114,765
Buyers abroad	74,710
Minus: Provisions for receivables from buyers	-6,687
Total	
<u>Receivables from specific business operations</u>	
Receivables from exporters	
Receivables from import for the third account	
Receivables from commission and consignment goods sale	
Other receivables	
Minus: Provisions for receivables from specific business operations	
Total	
<u>Other receivables</u>	
Receivables for interest and dividends	2
Receivables from the employees	
Receivables from state bodies and organizations	
Receivables for overpaid tax on profit	12
Receivables for other overpaid taxes and contributions	
Other receivables	
Minus: Provisions for other receivables	
Total	
<u>Short-term financial investments</u>	
Short-term credits and investments – parent legal entities and subsidiaries	
Short-term credits and investments – other associated legal entities	
Short-term credits in the country	
Short-term credits abroad	
Part of long-term credit with maturity within 1 year	
Securities held until maturity – part with maturity within 1 year	
Trading securities	2,099
Other short-term financial investments	7,684
Provision for short-term financial investments	
Total	
TOTAL RECEIVABLES	192,585

*TEI MC doo has made a Buyback Agreement with the buyer Raiffeisen Leasing doo Beograd (whose user is INVEST Commerce Inzenjering doo company from Zemun), which stipulates that TEI MC doo shall irrevocably buy back the scope of leasing at the price of remaining and immature value as well as mature unsettled liabilities in case the user does not fulfil its obligations from the Contract on Financial Leasing no. 14995/08 as of 11.06.2008.

19. CASH EQUIVALENTS AND CASH

	31.12.2011 in 000 RSD
Securities – cash equivalents	
Current (business) accounts	1,709
Appropriated cash and Letters of Credit	
Cash in hand	
Foreign exchange account	26,217
Foreign exchange account - Letters of Credit	35,200
Foreign exchange cash in hand	
Other cash	
Cash with limited use or reduced value	
TOTAL	63,126

20. VALUE ADDED TAX AND PREPAYMENTS AND ACCRUED INCOME

	31.12.2011 in 000 RSD
Value added tax – previous tax	
Prepayments and accrued income	
- Costs paid in advance	832
- Deferred value added tax	17
TOTAL	849

21. CAPITAL

	31.12.2011 in 000 RSD
Share capital	
Limited liability company's shares	37,993
Stakes	
State-owned capital	
Socially-owned capital	
Cooperative shares	
Other fixed capital	
TOTAL	37,993

Consolidation of share in capital and capital has been performed by reducing the balance at item 010 and 102 by RSD 500,000.00

Members of the company are as follows:

	% of share	31.12.2011 in 000 RSD
Member: Milakovic Zoran	100 %	
TOTAL		

22. Parent company's UNDISTRIBUTED PROFIT and subsidiary's LOSS

	31.12.2011 in 000 RSD
Parent company's undistributed profit	70,344
Subsidiary's loss	(348)

23. CONSOLIDATED COMPANY'S CAPITAL AS OF 31.12.2011

FIXED CAPITAL	37,993
Parent company's undistributed profit	70,344
Subsidiary's loss	(348)
Balance as of 31.12.2011 in 000 RSD	107,989

24. LONG-TERM PROVISIONS

	Provisions for costs during warranty period	Provisions for natural wealth renewal costs	Provisions for retained indemnity bonds and deposits	Provisions for restructuring costs	Provisions for compensations and other employees' benefits	Other long-term provisions	TOTAL
End balance – 31.12.2011	7,208						

*Provisions for employees' severance pay have not been made because the benefit from recognition is less than expenses necessary for obtaining information about the provisions amount.

25. SHORT-TERM LIABILITIES

	Currency sign	Interest rate	31.12.2011 in 000 RSD
<u>Short-term credits from parent legal entities and subsidiaries</u>			
Legal entity			
Legal entity			
Others			
Total			
<u>Short-term credits from other associated legal entities</u>			
Legal entity			
Legal entity			
Others			
Total			
<u>Short-term credits in the country</u>			
Societe Bank			2,721
Credit Agricole			
Otp Bank			
Total			
<u>Short-term credits abroad</u>			
Legal entity			
Legal entity			
Others			
Total			
<u>Part of long-term credits with maturity within 1 year</u>			
Legal entity			
Credit Agricole			
Others			
Total			
<u>Part of other long-term liabilities with maturity within 1 year</u>			
Legal entity Raiffeisen Leasing			
Legal entity			
Others			
Total			
<u>Liabilities for short-term securities</u>			
Legal entity			
Legal entity			
Others			
Total			
<u>Other short-term financial liabilities</u>			
Legal entity - loan			15,620
Others			
Total			
TOTAL SHORT-TERM FINANCIAL LIABILITIES			18,341

26. LIABILITIES FROM BUSINESS OPERATIONS

	31.12.2011 in 000 RSD
<u>Liabilities from business operations</u>	
Received advances, deposits and indemnity bonds	10,855
Suppliers – parent legal entities and subsidiaries	
Suppliers – other associated legal entities	

Suppliers in the country	56,430
Suppliers abroad	244,471
Other liabilities from business operations	
Total	
<u>Liabilities from specific business operations</u>	
Liabilities to the importer	
Liabilities for export for the third account	
Liabilities for commission and consignment goods sale	
Other liabilities from specific business operations	
Total	
TOTAL LIABILITIES FROM BUSINESS OPERATIONS	311,756

27. OTHER SHORT-TERM LIABILITIES AND ACCRUALS AND DEFERRED INCOME

	31.12.2011 in 000 RSD
<u>Liabilities for salaries and salaries compensations</u>	
Liabilities for net salaries and salaries compensations, except refundable salaries compensations	
Liabilities for tax on salaries and salaries compensations charged to the employee	
Liabilities for salaries contributions and salaries compensations charged to the employee	
Liabilities for tax and contributions on salaries and salaries compensations charged to the employer	
Liabilities for refundable net salaries compensations	
Liabilities for taxes and contributions on refundable salaries compensations charged to the employee	
Liabilities for taxes and contributions on refundable salaries compensations charged to the employer	
Total	
<u>Other liabilities</u>	
Liabilities for interests and financing costs	
Liabilities for dividends	
Liabilities for profit sharing	
Liabilities to the employees	
Liabilities to the members of Board of Directors and Supervisory Board	
Liabilities to natural persons for compensations as per contracts	
Liabilities for net income of the entrepreneur who withdraws the advance during the year	
Other liabilities	
Total	
<u>Liabilities for VAT</u>	185
<u>Liabilities for other taxes</u>	839
<u>Accruals and deferred income</u>	
Costs calculated in advance	
Calculated future period income	
Deferred dependent acquisition costs	
Deferred income and received grants	
Deferred VAT liabilities	
Deferred tax liabilities	82
Total	
TOTAL OTHER SHORT-TERM LIABILITIES AND ACCRUALS AND DEFERRED INCOME	

28. FOREIGN EXCHANGE RATES

The official exchange rates (the official mean exchange rate of The National Bank of Serbia) of the foreign currencies used for translation of foreign exchange items of balance sheet into dinar countervalue are as follows:

	31.12.2011
EUR	104.6409
USD	80.8662
MKD	1.7300

29. Review of granted credit lines as of 31.12.2011

BANK	Description	EUR	RSD	Withdrawn in use
Otp Bank	Letters of Credit and guarantees	800,000	83,712,000	61,944,160
Societe Bank	Revolving	50,000	5,232,000	2,720,663

- Out of total granted assets, as of 31.12.2011, RSD 61,944,160 was withdrawn for Letters of Credit and Guarantees with OTP Bank, and out of that sum, 35,199,531 is covered with 100% deposit.

30. The Financial Statements for the subsidiary have been prepared as of the same reporting date as for the parent legal entity (31.12.2011). Besides payment of the founding deposit, there have been no other transactions between the parent legal entity and the associate.

Belgrade, 28.04.2012

seal

TEI MC DOO
