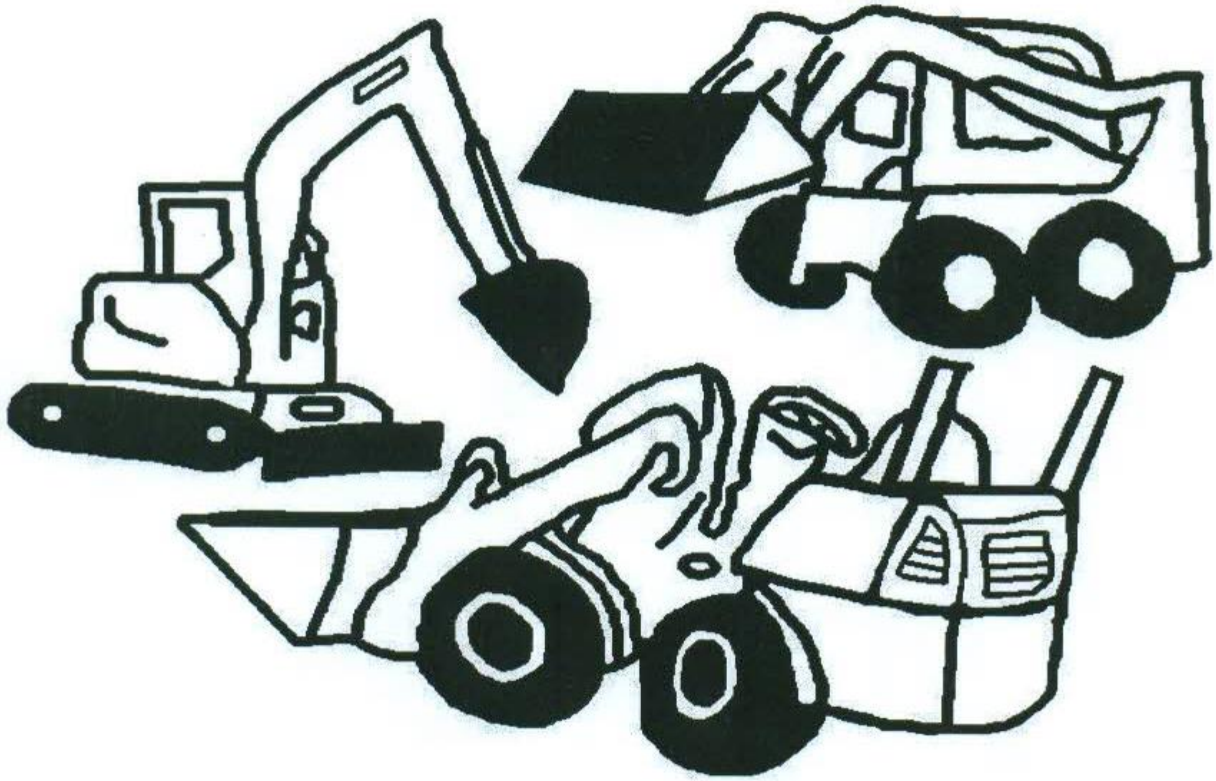
TEI-MC DOO BEOGRAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON DECEMBER 31ST 2012



1. General information about the Company

Full name of the Company: TEI-TECHNO EXPORT IMPORT MINING CONSTRUCTION DOO

Main office: Belgrade

Short name of the Company: TEI-MC DOO

Identification number: 20019018

TIN: 103796167

ACTIVITY CODE: 4663

Authorized person: ZORAN MILAKOVIC

TEI MC DOO (hereinafter: the Company) was founded by the Decision on Founding no. 2857/05 as of 25.02.2005.

The company was entered into the Register of Business Entities with the Business Registers Agency on 21.03.2005 under number 5943/2005.

The prevailing activity of the Company is import and wholesale of construction machines and, besides that, the Company also performs the following activities:

- Import and wholesale of construction machines spare parts
- Servicing and general overhaul of construction machines and equipment

The Company performs its activities with the capital of its members. The stakes of the following members have been entered in the Register of Business Entities with the Business Registers Agency:

- Member – Milakovic Zoran (100% of capital)

Managing bodies in the Company are as follows:

- Director of the Company – Zoran Milakovic

As per the classification criteria provided for in the Law on Accounting and Auditing ("the Official Gazette of the Republic of Serbia" no. 46/2006; 111/2009 and 99/2011) the Company has been classified as MEDIUM sized legal entity.

The average number of employees in the year 2012 was 16.

The Financial Statements for the business year 2012 were approved by the Company management on February 25th 2013.

The Company has an investment in capital of the following subsidiaries:

- TEI-MC INTERNACIONAL DOOEL Skopje, Macedonia (100% capital)

2. Basis for the preparation and presentation of the Financial Statements

The attached Financial Statements have been prepared in accordance with the existing regulations in the Republic of Serbia based on the Law on Accounting and Auditing ("The Official Gazette of the Republic of Serbia" no. 46/2006 and 111/2009 and 99/2011 – other law) prescribing the International Accounting Standards, that is, International Financial Reporting Standards as the basis for preparation and presentation of the financial statements, as well as with the relevant regulations issued by the Ministry of Finance of the Republic of Serbia.

The Financial Statements for the year 2012 have been prepared in accordance with historical cost concept.

The amounts in the attached Financial Statements of the Company are expressed in thousands of dinars, unless stated otherwise. Dinar (RSD) is the functional and reporting currency of the Company. All transactions in the currencies that are not a functional currency are treated as transactions in foreign currencies.

While preparing the Financial Statements, the Company has applied the same accounting policies and evaluations that were applied while preparing the Financial Statements previous year.

3. Comparative figures

Comparative figures are Company Financial Statements for the year 2011 prepared in accordance with the accounting principles in force in the Republic of Serbia.

4. Going concern principle

The Financial Statements have been prepared in accordance with the going concern principle which means that the Company will continue to do business in the foreseeable future.

5. Review of significant accounting policies

Property, plants and equipment

The items of property, plants and equipment, that meet the conditions to be recognized as assets, are weighed at the initial recognition at their purchase value, that is, cost price.

The purchase value represents the value on the supplier's invoice including the customs duties, nonrefundable taxes and all other costs of bringing the asset into the state of functional readiness. The purchase value has been reduced for all received discounts and /or rebates (gifts). The purchase value of built capital assets is their purchase value on the date when the construction or development ended.

Property or equipment means those assets whose expected useful life exceeds one year. Subsequent investment into property and equipment with the value exceeding average gross earnings in the Republic of Serbia in the moment of acquisition, in accordance with the latest data published by the Statistical Office of the Republic of Serbia, increases the purchase value of that investment.

Profit or loss that appears when selling or writing off the property and equipment is recognized to the credit of or to the debit of the report on the total result, within other operational income or other operational expenses.

Useful life of the asset is reviewed at least at the end of each business year, and if there are changes in the expected spending rate of the future economic benefits contained in the asset, depreciation rate is changed in order to reflect the changed spending rate.

After the initial recognition, property, plants and equipment are disclosed at their purchase value reduced for the cumulative correction of value and eventual cumulative losses for the reduction of value.

Accounting of property, plant and equipment depreciation is performed from the day (month) following the day of putting the asset into use.

Depreciation rates applied for the year 2012 are as follows:

Depreciation groups	Rates
Buildings	2,5%
Equipment	20,00-30,00%
Vehicles	10,00%
Furniture	10,00-30,00%

Investments in subsidiaries

Subsidiaries are those legal entities that are controlled by the Company, where the control means the power of managing the financial and business policies of the legal entity with the aim of making benefit from its operations. It is considered that the control exists when the Company owns, directly or indirectly (through other subsidiaries) more than a half of voting rights in the other company. Investments in the subsidiaries have been disclosed at the initial value of investments reduced for the eventual cumulative losses based on impairment.

Inventories

Inventories of goods in the warehouse are disclosed at the purchase prices, in wholesale stores at the sale prices without calculated taxes and in the retail stores at the sale prices with calculated taxes. Accounting of goods inventories exit (sale) is performed using the average weighted price method.

Non-current assets intended for sale and discontinued operations

The Company classifies non-current assets as assets intended for sale when their book value can be retrieved primarily through sale and not by further use. Non-current assets intended for sale must be available for immediate sale in their current state exclusively under conditions that are usual for the sale of such type of asset and their sale must be very probable. The Company does not depreciate non-current assets while they are classified as non-current assets intended for sale.

Financial instruments

Financial instruments are initially valued at fair value, increased for transactions costs (except financial assets or financial liabilities that are valued at fair value through the income statement), that are directly attributable to the purchase or issuing of a financial asset or financial liability.

Financial assets

The Company recognizes financial assets in its balance sheet only when it is becomes one of contractual parties in a financial instrument. Financial assets stop to be recognized when the contractual right expires or the right to cash inflow based on that assets is transferred, and when the Company has transferred all risks and benefits resulting from the ownership of the financial asset.

Financial assets are initially recognized at fair value increased for directly attributable transaction costs (except in the case of financial assets valued at fair value whose effects of changes in fair values are disclosed in the income statement, when transaction costs are treated as expenses for the period). Ordinary purchase and sale of financial assets is recognized on the date of trading – date when the Company obliged to purchase or sell the asset.

Financial assets of the Company include cash, short-term deposits, securities that are traded with, receivables from buyers and other receivables from operations, given loans and lendings, as well as investments in capital (except investments in subsidiaries and associates and joint ventures).

Subsequent weighing of financial assets depends on their classification. Financial assets are classified into following categories: financial assets valued at fair value whose effects of changes in fair values are disclosed in the income statement, loans and receivables, financial assets available for sale and assets held until maturity date. Classification depends on the purpose for which the financial assets have been acquired. Management classifies its financial investments at the time of initial recognition.

Financial assets at fair value whose effects of changes in fair value are disclosed in the income statement are the financial assets held for trading. A financial asset is classified into this category if it has been acquired primarily in order to be sold in a short period. The derivatives are also classified as assets held for trading, except if they have been determined as the instrument of protection from risk. The assets in this category are classified as short-term assets. Profit or loss resulting from the changes in fair value of this category are disclosed in the income statement under item “Other income/(expenses)” in the period in which they were made. In Company Balance Sheet, this financial assets category comprises securities recorded under short-term financial investments.

Loans and receivables comprise receivables from buyers and other receivables from operations, short-term loans given to legal entities recorded under short-term financial investments and housing loans given to the employees recorded under long-term financial investments.

Receivables from buyers are initially recognized at fair value and, on the date of preparation of the financial statements, they are estimated as per the collectability. Correction of value of receivables from domestic buyers is determined upon expiration of 60 days period from their maturity date and 90 days from the maturity date for the receivables from foreign buyers. Write-off of value of receivables from the buyers and other receivables is performed when there is an objective proof that the Company will not be able to collect it. The decision on the devalorization of receivables or their write-off is made by the Director of the Company.

Estimation of receivables value correction is done based on the age analysis and historical experience and when the collection of the whole or part of the receivable is not probable any more.

Other long-term financial investments comprise long-term domestic and foreign loans given to entities (parent companies, subsidiaries, other associated entities, third parties– please adapt), as well as interest-free and interest-bearing receivables from the employees for the granted housing loans. Housing loans to the employees are evaluated at depreciated value by using the interest rate at which the Company could obtain long-term loans and which corresponds to the effective interest rate. Correction of value of receivables from the employees is determined when there is an objective proof that the Company will not be able to collect all the amounts it is claiming based on the initial conditions of claim.

Financial assets held until maturity are non-derivative financial assets with fixed or determinable payment dates and fixed maturity dates which the management intends and is able to hold until maturity. After initial recognition, the financial assets held until maturity are subsequently weighed at the depreciated value using the effective interest rate method, reduced for the impairment. In the Company Balance Sheet, this financial assets category comprises securities held until maturity.

Leasing

Based on the contract on leasing, the Company appears as leasing user. The company classifies leasing as financial in the case when the contract stipulates that basically all risks and benefits from the ownership of the object of leasing are transferred to the leasing user. All other contracts on leasing are classified as contracts on operational leasing.

Contracts on leasing referring to office space lease are mainly operational leasing. All payments during the year for operational leasing are recorded as cost in the income statement, evenly in a straight line during the period of leasing.

The assets held on the basis of financial leasing contract are recognized as Company assets at their fair value or, if that value is lower, at the present value of minimum leasing instalments determined at the beginning of duration of the contract on leasing. On the date of the balance sheet, the liability for leasing is disclosed at the present value of minimum leasing payments.

Leasing instalments are divided into the part referring to the financial expense and the part reducing the liability for financial leasing, so that a constant interest rate on the remaining part of liability is achieved. The financial expense is disclosed directly as the expense for the period.

Financial liabilities

The Company recognizes financial liabilities in its balance sheet only when it becomes one of contractual parties in a financial instrument. The financial liability ceases to be recognized when the Company fulfils the obligation or when the obligation of payment provided for under the contract has been abolished or expired.

Financial liabilities are initially recognized at fair value increased for directly attributable transactions costs. By way of exception from the general rule of initial recognition of financial liabilities, short-term interest-free liabilities with intangible discounting effect are initially recognized at the original invoice value.

Financial liabilities of the Company include liabilities to the suppliers and other operating liabilities as well as loans received from the banks.

Liabilities to suppliers and other short-term operating liabilities are subsequently evaluated at their nominal (invoice) value.

Loans received from the banks are initially recognized in the amounts of received assets, and afterwards they are recognized at the depreciated value with application of the agreed interest rate. The effects of application of the agreed instead of effective interest rate as is required in accordance with IAS 39 Financial instruments: recognition and weighing as per Company management's estimation have no materially significant effect on financial statements.

The loans have been granted with variable interest rates, and prepaid fees for granted loans are deferred on proportional basis during the loan period.

The liability is current if it is expected to be settled in the ordinary course of business cycle of the Company, that is, in the period of up to 12 months after the reporting date. All other liabilities are classified as long-term.

Financial instruments offsetting

Financial assets and financial liabilities are offset, and the difference between their sums is recognized in the balance sheet, if, and only if, there is a right facilitated by law to perform offsetting of the recognized amounts and there is the intention to execute the payment on the net basis, or to simultaneously sell the asset and settle the liability.

Cash and cash equivalents

Cash equivalents and cash include assets on the accounts with the banks, cash in hand, as well as highly liquid assets with initial maturity date of up to three months or shorter, which can be converted fast into known cash amounts with insignificant risk of change in value.

Current account overdrafts are included in liabilities for loans within current liabilities in the balance sheet.

Provisions

Provisions are recognized in the amounts that represent the best estimation of the expenses required to settle the present liability on the date of the balance sheet. Provision cost is recognized in the expenses for the period.

Provisions are recognized and made when the Company has a legal or agreed liability as the result of past events and when it is probable that there will be resources outflow in order to settle the liability and when it is possible to estimate with certainty the amount of the liability.

Provisions for severance pays and jubilee awards are weighed at present value of expected future outflow by applying the discount rate.

Provisions for litigations are formed in the amount that corresponds to the best estimate of the Company management of the expenses that will be incurred for such liabilities to be settled.

Provisions are reviewed on each date of the balance sheet and corrected in order to reflect the best current estimate. When it is no longer probable that the outflow of resources that represent economic benefits will be required, the provision is abolished to the credit of the income statement of the current year.

Provisions are not recognized for the future business losses.

Off-balance sheet assets and liabilities

Off-balance sheet assets/liabilities include: assets taken on lease, except the assets taken on financial leasing, goods in consignment, material received for processing and final processing and other assets that are not owned by the Company, as well as the receivables/liabilities for payment security instruments such as guarantees and other forms of security.

Income and expenses

Income from sale and providing services

Income is disclosed at fair value of received reimbursement or reimbursement that will be received and represents the amounts received for sold goods/finished products and services provided in the course of ordinary business operations, reduced for the given quantity discounts, rebates and value added tax. The recognition of income is performed simultaneously with the recognition of the assets increase or liabilities reduction.

Income from ordinary activities is the income from the sale of products, goods and services, interests, dividends, royalties, rents and other. Income from the sale of goods/products (and purchase value of the sold goods) is recognized at the moment of sale, when the goods/products are delivered and when significant risks and benefits from the ownership of goods/products are transferred to the buyer. Income from providing services is recorded at invoice value excluding value added tax. Income from dividend is recognized when shareholders' rights to receive the payment are determined.

Work performed by the enterprise and capitalized

Income from use of goods, products and services for intangible investments, for capital assets, for material, for increase of basic herd and for own transport for purchase of material and goods is disclosed within work performed by the enterprise and capitalized.

Financial income

Financial income comprises income from interest, currency differentials, dividends and other financial income made from the relationship with parent legal entities, subsidiaries and other associates.

Income from interests is, in accordance with the matching principle, recognized in the income statement for the period it refers to.

Other income

Profit from sale of property, plants and equipment (capital assets) and intangible investments, profit from sale of biological assets, profit from sale of long-term securities and investments in capital, profit from sale of material, collected written-off receivables, surpluses, income from effects of agreed risk protection, income from reducing liabilities, income from abolishing long-term provisions, income from assets value adjustment, positive effects of change of fair value of intangible investments, property, plants, equipment, biological assets and inventories up to the value of previously disclosed expenses for those assets based on value adjustment and abolishment of corrections of value based on value adjustment in accordance with Company accounting policy are disclosed under other income.

Operational expenses

Operational expenses comprise the costs contingent by making income from sale and include purchase value of sold goods, costs of material, fuel and energy, gross salaries, depreciation costs and services provided by third parties. Operational expenses comprise also general costs such as rental costs, marketing costs, insurance costs, payment operations costs, tax costs and other costs incurred in the current accounting period.

Financial expenses

Financial expenses comprise the expenses for interests and currency differentials and other financial expenses. Interest expenses include interest calculated on the received loans that is recorded in the income statement for the period they refer to in accordance with the matching principle.

Other expenses

Loss from sale and write-off of property, plants and equipment and intangible investments, loss from biological assets write-off and sale, loss from sale of securities and investments in capital of legal entities, loss from material sale, shortages, expenses for the effects of the agreed risk protection, expenses for direct write-off of receivables, expenses for assets impairment, negative effects of value adjustment of intangible investments, property, plants, equipment and biological assets, long-term and short-term financial investments, inventories, securities and receivables in accordance with the accounting policy of the Company are disclosed under other expenses.

Materially significant error

Materially significant error is considered to be the error from the previous period which individually or jointly amounts to more than 2% of the determined profit, or loss of company before taxation disclosed in the income statement for the previous period.

Translation of foreign means of payment and accounting treatment of currency differentials and effects based on currency clause

Transactions performed in a foreign currency are translated on the date of the transaction into RSD as per the mean exchange rate determined on the interbank foreign exchange market. Assets and liabilities disclosed in foreign currency on the date of the Balance Sheet are translated and disclosed in RSD as per the mean exchange rate determined on interbank foreign exchange market valid on the date of preparation of financial statements.

Realized foreign currency gains or losses that are the result of translation of business transactions in foreign currency are balanced to the credit or to the debit of the Income Statement as income and expenses based on currency differentials.

The official exchange rates for most common foreign currencies applied on the date of preparation of the Financial Statements are as follows:

Currency mark	**Valid for**	**Mean exchange rate:**	**31.12.2012**	**31.12.2011**
EUR	1		113.7183	104.6409
USD	1		86.1763	80.8662
CHF	1		94.1922	85.9121

Potential liabilities and potential assets

Potential liabilities are not recognized in the financial statements. Potential liabilities are disclosed in the Notes to the Financial Statements, unless the probability of outflow of resources containing economic benefits is very small.

The Company does not recognize the potential assets in the Financial Statements. Potential assets are disclosed in the Notes to the Financial Statements if the inflow of economic benefits is probable.

Taxes and contributions

Current tax

Current tax on profit is the amount calculated and paid in accordance with the Law on Tax on Profit in force in the Republic of Serbia. Tax on profit in the amount of 10% is paid on the tax base determined by tax balance. Tax base disclosed in the tax balance includes the profit disclosed in the official income statement and corrections defined by tax regulations of the Republic of Serbia. Tax regulations of the Republic of Serbia do not provide for the possibility for the tax losses from the current period to be used as the basis for the return of the tax paid in the previous periods. However, losses from the current period can be transferred to the profit account from future accounting periods, but not longer than five years.

Deferred tax

Deferred tax on profit is calculated for all temporary differentials between tax base of assets and liabilities and their book value. Current valid tax rates on the date of balance have been used for calculation of the amount of deferred tax. Deferred tax liabilities are recognized for all taxable temporary differentials. Deferred tax assets are recognized for deductible temporary differentials and for the effects of transferred loss and unused tax credits from previous periods up to the level where it is probable that there will be future taxable profit to the debit of which the deferred tax assets can be used. Book value of deferred tax assets is reviewed on the date of each balance sheet and reduced to the extent where it is no longer certain that the level of anticipated future taxable profit is sufficient enough for the total value or part of value of deferred tax assets to be used. Deferred tax assets that are not recognized are evaluated on the date of each balance sheet and are recognized up to the extent where it has become certain that the level of anticipated future taxable profit is sufficient enough for the deferred tax assets to be used.

Current and deferred taxes are recognized as income and expenses and are included in net profit for the period.

Taxes and contributions not depending on the result

Taxes and contributions not depending on the result include tax on property, as well as other taxes and contributions in accordance with the republic and municipal regulations.

Employees' salaries

Taxes and contributions to the funds for employees' social security

In accordance with the regulations of the Republic of Serbia, the Company is obliged to calculate and pay the taxes and contributions to tax authorities and state funds which provide social security to the employees. These liabilities include tax on salaries and contributions for the employees charged to the employer and to the employees in the calculated amounts at the rates prescribed by the relevant legal regulations. These taxes and contributions represent the expense for the period to which they refer.

Liabilities for severance pay

Labour Act obliges the Company to pay compensation to the employees, when retiring, in the amount of three average monthly salaries earned in the Company or in the amount of the average salary in the Republic of Serbia (the option which is more favorauble for the employee) in the month preceding the month of retiring.

According to the opinion of the Company management, present value of liabilities for severance pay for retiring after fulfilling the conditions is not materially significant for the Financial Statements seen as a whole and therefore no provisions for this have been made in these financial statements.

6. Property, plants, equipment and biological assets

Balance and changes in property, plants, equipment and biological assets can be represented by the following table:

CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings	Equipment	Property, plants, equipment in preparation	Total
Purchase value: Balance as of 01.01.2011	3,246	31,937	8,856	42,907	86,946
Increases:					
			7,396	2,409	9,805
Decrease:					
		800	4,008		4,808
Balance as of 31.12.2011	3,246	31,137	12,244	45,316	**91,943**
Purchase value: Balance as of 01.01.2012	3,246	31,137	12,244	45,316	91,943
Increases:					
		66,423	7,502	22,826	96,751
Decrease:					
		800	9,638	68,142	78,580
Balance as of 31.12.2012	3,246	96,760	10,108	0	**110,114**

On the date of the Balance Sheet for the year 2012, the Company has registered mortgages on the following property:

Object of mortgage	Decision on registering in the land registry	Basic contract under which mortgage was registered	Creditor	Debtor	Mortgage amount (basic amount)
Building under construction	952-02-1685/2012 19.03.2012	Contract on overall documentary credit line Contract on revolving credit	OTP BANK	TEI-MC DOO	EUR 985,000.00

Building under construction: office-warehouse building on the building lot no. 1030/5 KO Krnjaca, with the area of 29.92 ares, in Belgrade with the following floors P (warehouse part) to P+1 (office part) of total gross construction area 969.85 m^2 for which a final building approval IX-04 NO.351-519/2007 was issued on 21.05.2008. The building has been completely finished and the procedure for obtaining certificate of occupancy began in the beginning of 2013. The request for surveying the building on the cadastral lot no. 1030/5 KO Krnjaca was submitted to the Land Registry Office on 07.12.2011. The decision on this request has not yet been brought.

7. Investments in capital

Investments in capital refer to:

Investments in capital	2012	2011
Investments in subsidiaries	500	500
Total:	**500**	**500**

8. Inventories

The following items are balanced under inventories:	2012	2011
- Given advances	8,072	19,342
- Goods in public bonded warehouse - uncleared	16,187	34,813
- Goods in wholesale warehouse	13,424	14,188
Total:	**37,683**	**68,343**

On the date of the balance, the Company has registered liens, as security of payment for letters of credit, over the following goods:

Letter of Credit no.	Lien no.	Amount (EUR)	Creditor (OTP Bank)
44312001	667/12	48,410	
44312007	3376/12	61,321	
44312008	3378/12	38,149	
44312011	6234/12	47,792	
44312012	6236/12	104,030	
44312015	8548/12	9,878	
44312017	9276/12	47,792	
44312020	12703/12	47,837	
44312021	12702/12	67,980	
44312022	13947/12	46,350	
44312025	18264/12	56,238	
44312030	18270/12	33,948	
44312031	18276/12	61,321	
44312028	18279/12	46,350	
44312026	18286/12	56,238	
44312029	18278/12	46,350	
44312027	18281/12	59,740	
51760/12	8699/12	63,036	Creditor (SOCIETE BANK)

9. Non-current assets intended for sale and assets from discontinued operations

Non-current assets intended for sale and assets from discontinued operations include:

	2012	2011
- Property intended for sale	**29,428**	**29,428**

10. Receivables

The structure of receivables in the reviewed period is as follows:

	2012	**2011**
Buyers - parent companies and subsidiaries	4,045	
Buyers - domestic	93,753	114,765
Buyers – foreign	53,656	74,710
Correction of value of receivables from buyers	-3,099	-6,687
Receivables for interest	31	2
Receivables from state bodies	65	

TOTAL	**148,451**	**182,790**

11. Short-term financial investments

	2012	2011
Securities – shares intended for sale	0	2,098
Given deposits	85	29
Given loans	1,000	7,656
TOTAL:	**1,085**	**9,783**

12. Cash equivalents and cash

Cash, as well as directly cashable securities, refer to:

Cash equivalents and cash	2012	2011
Securities cash equivalent		
Current (business) accounts	740	1,666
Appropriate funds and letters of credit		
Cash in hand	6	1
Foreign exchange account	40,027	26,218
Foreign exchange letters of credit	12,478	35,201
Foreign exchange cash in hand		
Other funds		
Funds with limited use or decreased value		
Total:	**53,251**	**63,086**

13. Value added tax and prepayments and accrued income

Value added tax and prepayments and accrued income refer to:

Value added tax and prepayments and accrued income	2012	2011
Value added tax	1,447	
Prepayments and accrued income	1,546	840
Total:	**2,993**	**840**

14. Capital

Company capital is made of:

Capital	2012	2011
Stakes in limited liability company	37,960	37,960
Undistributed profit of previous years	70,344	62,999
Undistributed profit of current year	4,204	7,345
Total:	**112,508**	**108,304**

Capital subscribed in Serbian Business Registers Agency's register amounts to:

- Subscribed, paid-in money capital: 34,796 thousand of dinars
- Subscribed, non-monetary capital contribution: 3,245 thousand of dinars (in property)

15. Long-term provisions

On the date of Balance Sheet, the Company discloses the following provisions:

Long-term provisions	**2012**	**2011**
Provisions for costs during warranty period	6,679	7,208
Provisions for costs of recovery of natural resources		
Provisions for retained caution money and deposits		
Provisions for restructuring costs		
Provisions for remunerations and other employee's benefits		
Other long-term provisions		
Total:	**6,679**	**7,208**

16. Short-term financial liabilities	**2012**	**2011**
Short-term loans – domestic	1,686	2,721
OTP Bank	(697)	(0)
Societe Bank	(989)	(2,721)
Other short-term financial liabilities	25,294	15,620
Total:	**26,980**	**18,341**

17. Operating liabilities

Operating liabilities have the following structure:

Operating liabilities	2012	2011
Received advances, deposits and caution money	944	10,855
Suppliers – parent company and subsidiaries		
Suppliers – other associated companies		
Suppliers – domestic	39,628	56,428
Suppliers – foreign	195,752	244,471
Other operating liabilities		
Liabilities to importer		
Liabilities for export for third person's account		
Liabilities for sale on commission and consignment		
Other liabilities from specific business operations		
Total:	**236,324**	**311,754**

18. Other short-term liabilities

Other short-term liabilities refer to:

Other short-term liabilities	2012	2011
Liabilities for salaries and salaries compensations	10	
Other liabilities	45	
Total:	**55**	**0**

Liabilities for salaries and salaries compensations have the following structure:

Liabilities for salaries and salaries compensations	2012	2011
Liabilities for net salaries and salaries compensations, except refundable salaries compensations		
Liabilities for taxes on salaries and salaries compensations charged to the employee		
Liabilities for contributions on salaries and salaries compensations charged to the employee	10	
Liabilities for taxes and contributions on salaries and salaries compensations charged to the employer		
Liabilities for refundable net salaries compensations		
Liabilities for taxes and contributions on salaries and refundable salaries compensations charged to the employee		
Liabilities for taxes and contributions on refundable salaries compensations charged to the employer		
Total:	**10**	**0**

Other liabilities refer to:

Other liabilities	2012	2011
Liabilities for interests and financing costs	45	
Liabilities for dividends		
Liabilities for profit share		
Liabilities due to employees		
Liabilities due to members of Board of Director and Supervisory Board		
Liabilities due to natural persons for compensations as per contracts		
Liabilities for net income of the entrepreneur who withdraws the advance payment during the year		
Other liabilities		
Total:	**45**	**0**

19. Liabilities for VAT, other public revenue and accruals and deferred income

	2012	**2011**
Liabilities for taxes, customs duties and other duties from purchase or to the debit of costs	186	
Deferred liabilities for value added tax	21	2

Deferred tax liabilities	2	
Liabilities for VAT		183
Total:	**209**	**185**

20. Liabilities for tax on profit

Liabilities for tax on profit in the year 2012 are disclosed in the amount of RSD 748 thousand, while in the year 2011 they amounted to 839 thousand.

21. Deferred tax liabilities

Deferred tax liabilities are disclosed in the amount of RSD 2 thousand in the year 2012, while, in the year 2011, they were disclosed in the amount of RSD 82 thousand.

Their trend in the observed period was as follows:

Trend of changes in deferred tax liabilities	2012	2011
Balance at the beginning of the year	82	42
Increase/decrease	-80	40
Balance at the end of the year	**2**	**82**

22. Sale revenue

The structure of sale revenue in the reviewed period is as follows:

Sale revenue	2012	2011
Income from sale of goods to parent companies and subsidiaries	6,254	
Income from sale of goods to other associated companies		
Income from sale of goods in domestic market	197,892	182,248
Income from sale of goods in foreign market	113,702	100,020
Income from sale of goods:	**317,848**	**282,268**
Income from sale of products and services to parent companies and subsidiaries		
Income from sale of products and service to other associated companies		
Income from sale of products and services in domestic market	6,436	3,488
Income from sale of products and services in foreign market	227	241
Income from sale of products and services	**6,663**	**3,729**
Total:	**324,511**	**285,997**

23. Work performed by the enterprise and capitalized

Work performed by the enterprise and capitalized in the reviewed period refers to:

Work performed by the enterprise and capitalized	2012	2011
Income from own use of goods	1,080	8,224
Income from own use of products and services		
Total:	**1,080**	**8,224**

24. Other operational income

Other operational income refers to:

Other operational income	2012	2011
Income from premiums, subsidies, grants, recourses, compensations and tax duties return		67
Income from conditioned donations		
Income from premiums, subsidies, grants, donations etc.		67
Rental income	2,050	3,970
Membership fees income		
Income from royalties		
Other operating income		
Other operating income	2,050	3,970
Total:	**2,050**	**4,037**

25. Purchase value of sold goods

Purchase value of sold goods in the year 2012 is disclosed in the amount of RSD 263,861 thousand, and in the year 2011 in the amount of RSD 235,778 thousand.

26. Cost of material

Costs of material have the following structure:

Costs of material	2012	2011
Raw material and consumables used		
Costs of other material (overhead)	2,018	799
Fuel and energy costs	2,192	2,011
Total:	**4,210**	**2,810**

27. Costs of salaries, salaries compensations and other personal expenses

The structure of costs of salaries, salaries compensations and other personal expenses is presented in the following table:

Costs of salaries, salaries compensations and other personal expenses	2012	2011
Costs of salaries and salaries compensations (gross)	8,621	7,840
Costs of taxes and contributions on salaries and salaries compensations	1,543	1,403

charged to the employer		
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		
Costs for compensation to the members of Board of Directors and of the Supervisory Board		
Other personal expenses and compensations	2,472	2,249
Total:	**12,636**	**11,492**

28. Depreciation and provisions costs

The following depreciation and provisions costs are disclosed in the reviewed period:

Depreciation and provisions costs	2012	2011
Depreciation costs	3,653	3,300
Costs for provisions during warranty period	6,679	8,577
Provisions for natural wealth renewal costs		
Provisions for retained caution money and deposits		
Provisions for restructuring costs		
Provisions for compensations and other employees' benefits		
Other long-term provisions		
Total:	**10,332**	**11,877**

29. Other operational expenses

The following operational expenses were made in the reviewed period:

Other operational expenses	2012	2011
Costs for services used in production process of own costs capitalized		
Transport services costs	10,481	8,164
Maintenance services costs	724	1,005
Rental costs	827	509
Exhibition costs	942	1,598
Advertising and propaganda costs	78	54
Research costs		
Development costs that are not capitalized		
Other services costs	890	809
Production services costs	13,942	12,139
Nonproduction services costs	1,227	3,524
Representational costs	1,397	1,264
Insurance premium costs	568	474
Payment operations costs	836	360
Membership fees costs	38	35
Tax costs	1,433	1,283
Contributions costs		

Other intangible costs	904	1,018
Intangible costs	6,403	7,958
Total:	**20,345**	**20,097**

30. Financial income

The following financial income was made in the reviewed period:

Financial income	2012	2011
Financial income from parent companies and subsidiaries		
Financial income from other associated companies		
Interest income	740	175
Foreign currency gains	19,006	8,576
Income from the currency clause effects	4,333	5,150
Income from sharing profit of subsidiaries and joint investments		
Other financial income		
Total:	**24,079**	**13,901**

31. Financial expenses

The structure of financial expenses in the reviewed period is as follows:

Financial expenses	2012	2011
Financial expenses from the relationship with the parent companies and subsidiaries		
Financial expenses from the relationship with other associated companies		
Interest expenses	141	176
Foreign currency loss	23,395	9,195
Expenses for the currency clause effects	1,533	1,796
Expenses from sharing the loss of subsidiaries and joint investments calculated using equity method		
Other financial expenses	2,014	1,642
Total:	**27,083**	**12,809**

32. Other income

Other income refers to:

Other income	2012	2011
Profit from sale of intangible investments, property, plants and equipment	302	831
Profit from sale of biological assets		
Profit from sale of investments and long-term securities		
Profit from sale of material		

Surpluses	169	60
Collected written-off receivables		
Income from agreed risk protection effects		5
Income from decrease of liabilities	10,804	11,364
Income from abolishing long-term provisions	3,740	
Other unmentioned income	1,485	2,184
Other income	16,500	14,444
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	36	
Income from reconciliation of value of other assets.		
Income from reconciliation of value of assets		
Total:	**16,536**	**14,444**

33. Other expenses

The structure of other expenses is as follows:

Other expenses	2012	2011
Losses from writings-off and sale of intangible investments, property, plants and equipment	302	825
Losses from writings-off and sale of biological assets		
Losses from the sale of investment in capital and securities		
Losses from the material sale		
Shortages	182	12
Expenses from the agreed risk protection effects which do not meet the conditions to be disclosed within revaluation reserves.		
Expenses from direct writings-off of receivables	9,262	3,454
Expenses from writings–off of materials and goods inventories		
Other unmentioned expenses	91	1,194
Other expenses	9,837	5,485
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	5,579	7,936
Impairment of receivables and short-term financial investments	8,102	9,407
Other assets impairment		
Expenses for assets impairment	13,681	17,343
Total:	**23,518**	**22,828**

34. PROFIT	2012	2011
Profit before taxation	6,271	8,912
Tax	2,147	1,526
Deferred tax income		41
Deferred tax expenses	80	
Net profit	**4,204**	**7,345**

35. Risks based on litigations

There are NO litigations against the Company.

36. Potential liabilities

*TEI MC doo has made a Buyback Agreement with the buyer Raiffeisen Leasing doo Beograd (whose user is IN-VEST Commerce Inzenjering doo company from Zemun and new user is BEOFUND doo from Zemun), which stipulates that TEI MC doo shall irrevocably buy back the object 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.

***Review of granted credit lines as of 31.12.2012**

BANK	Description	EUR	Withdrawn in use (revolving)	Withdrawn in use (letters of credit and guarantees)
Otp Bank	Overall credit line for Letters of Credit and Guarantees No. 0047501000201/OL2012/2	900,000		760,115
Otp bank	Revolving credit No. 00-422-0000572.9/KR2012/59	85,000	6,130	
Societe Bank	Overall credit line for Letters of Credit and Guarantees Revolving credit no. 155/12	300,000	8,700	63,036

- **Out of total granted assets, as of 31.12.2011, EUR 760,115 was withdrawn for Letters of Credit and Guarantees with OTP Bank, and out of that sum, EUR 109,731 is covered with 100% deposit.**

In Belgrade, 23.02.2013

(All amounts are in RSD 000, unless stated otherwise)

Person responsible for preparing financial statements	Legal representative
Name and surname	Name and surname