

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2011**

**SARANTIS d.o.o.  
Belgrade, Serbia**

**February 2012**

**COPY NO.: 1**

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SARANTIS DOO  
MILANA RESETARA 7  
BELGRADE

## **INDEPENDENT AUDITOR'S REPORT**

**TO: THE DIRECTOR OF THE COMPANY SARANTIS DOO, BELGRADE**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of SARANTIS DOO BELGRADE which comprise the balance sheet as at 31 December 2011, and income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Republic of Serbia applicable to those legal entities that prepare their financial statements in compliance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

# CONFIDA FINODIT

Belgrade 1 Imotska  
Auditing company

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SARANTIS DOO BELGRADE as of 31 December 2011, and of its financial performance and of its cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia to those legal entities which prepare their financial statements in compliance with International Financial Reporting Standards, International Accounting Standards and International Auditing Standards.

  
Jelena Slovic MSc  
Certified Auditor  
Confida Finodit Ltd  
Belgrade, Serbia  
Belgrade, 21 February 2012



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**INCOME STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2011

| Balance Item                            | Notes | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---|-------|------------------------|------------------------|
| Operating income                        |       | 1.425.460              | 1.193.608              |
| Operating costs and expenses            |       | (1.113.075)            | (991.541)              |
| <u>Profit from operating activities</u> |       | <u>312.385</u>         | <u>202.067</u>         |
| Finance income                          |       | 32.914                 | 35.141                 |
| Finance expenses                        |       | (38.067)               | (13.854)               |
| Extraordinary income                    |       | 6.367                  | 1.908                  |
| Extraordinary expenses                  |       | (92.814)               | (44.398)               |
| Profit/(Loss) before tax                |       | 220.785                | 180.864                |
| Income tax                              |       | (23.125)               | (20.272)               |
| Profit for the year                     |       | 197.660                | 160.592                |

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**BALANCE SHEET**  
**AS OF 31 DECEMBER 2011**

| Balance Item                              | Notes | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---|-------|------------------------|------------------------|
| <b>ASSETS</b>                             |       |                        |                        |
| Non-current assets                        |       | 477.035                | 184.093                |
| Intangible assets                         |       | 1.133                  | 1.624                  |
| Property and equipment                    |       | 44.876                 | 40.589                 |
| Investments in shares                     |       | 431.026                | 141.880                |
| Other long term financial assets          |       | 0                      | 0                      |
| Current assets                            |       | 928.106                | 938.588                |
| Inventories                               |       | 182.940                | 70.147                 |
| Receivables                               |       | 625.333                | 470.487                |
| Income tax receivables                    |       | 0                      | 237                    |
| Short term financial assets               |       | 52.320                 | 316.687                |
| Cash and cash equivalents                 |       | 66.243                 | 79.358                 |
| VAT receivables and accruals              |       | 1.270                  | 1.672                  |
| Deferred taxation                         |       | 1.091                  | 1.850                  |
| <b>TOTAL ASSETS</b>                       |       | <b>1.406.232</b>       | <b>1.124.531</b>       |
| <b>EQUITY AND LIABILITIES</b>             |       |                        |                        |
| Equity                                    |       | 1.174.125              | 976.465                |
| Share capital                             |       | 76.709                 | 76.709                 |
| Reserves                                  |       |                        | 6.334                  |
| Revaluation reserves                      |       | 6.334                  | 0                      |
| Retained earnings                         |       | 1.091.082              | 893.422                |
| Loss                                      |       | 0                      | 0                      |
| Repurchased shares                        |       | 0                      | 0                      |
| Long term provisions and liabilities      |       | 0                      | 0                      |
| Short term liabilities                    |       | 232.107                | 148.066                |
| Short term borrowings                     |       | 0                      | 1.474                  |
| Operating liabilities                     |       | 209.605                | 121.291                |
| VAT payables and other public income      |       | 19.724                 | 25.301                 |
| Other short term liabilities and accruals |       | 0                      | 0                      |
| Income tax liabilities                    |       | 2.778                  | 0                      |
| Deferred tax                              |       | 0                      | 0                      |
| <b>TOTAL EQUITY AND LIABILITIES</b>       |       | <b>1.406.232</b>       | <b>1.124.531</b>       |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2011

| <i>Cash flow statement</i>          | <i>Inflow</i>    | <i>Outflow</i>   | <i>Net</i>    |
|-------------------------------------|------------------|------------------|---------------|
| Operating activities                | 1.398.856        | 1.378.004        | 20.852        |
| Investing activities                | 291.707          | 323.856          | (32.149)      |
| Financing activities                | 0                | 1.449            | (1.449)       |
| <b>Total</b>                        | <b>1.690.563</b> | <b>1.703.309</b> | <b>0</b>      |
| Cash open balance                   | 79.358           | 0                | 79.358        |
| F/X rates effects                   | 0                | 369              | (369)         |
| <b>Total Cash as of 31 December</b> | <b>1.769.921</b> | <b>1.703.678</b> | <b>66.243</b> |

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 31 DECEMBER 2011

| <i>Balance Item</i>           | <i>Initial capital</i> | <i>Reserves</i> | <i>Retained earnings</i> | <i>Total</i>     |
|-------------------------------|------------------------|-----------------|--------------------------|------------------|
| As at 01 January 2011         | 76.709                 | 6.334           | 893.422                  | 976.465          |
| Increase                      | 0                      | 0               | 0                        |                  |
| Result for the period         | 0                      | 0               | 197.660                  | 197.660          |
| <b>As at 31 December 2011</b> | <b>76.709</b>          | <b>6.334</b>    | <b>1.091.082</b>         | <b>1.174.125</b> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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## 1. GENERAL INFORMATION

Limited Liability Company Sarantis, Beograd, for trade and offering services, was founded 19 May 1997 and was initially registered by the Commercial Court Decision in Belgrade No. VI Fi-5844/97. as "Net West" company.

There were several organizational changes, since the founding of the company until nowadays. These changes relates to the organization of the company, than the owners and the director of the company. All those changes were approved and on the basis of these decisions and the other legal documents they were registered by the Commercial Court.

After the changes in the Law on Company registration, the company settled its legal documents and changed Contract and the decisions about the foundation of the company. Changes relate to the following legal documents:

- Shareholders of the company
- Name of the company
- Address of the company

During the year 2009, GR Sarantis Cyprus limited, Nicosia, Cyprus became 100.0% owner of the Company. This change is registered at the Serbian Business Register Agency on 22 June 2009 under the register number BD 97575/2009.

By the Commercial Court Decision is regulated that Founder takes operating risks at deposit level.

Authorized persons for payment orders and cash withdrawals are Directors, Mr. Petar Labudović and Branka Kosovac.

The Company is located in Belgrade, Milana Rešetara 7, with tax identification number 100180969 and personal identification number 17162403. Authorized representative of the Company is the Director, Mr. Petar Labudović.

As at 31 December 2011, the Company had 67 full-time employees.

## 2. SIGNIFICANT ISSUES IN 2011

During 2011 there were few major actions that affected Company's operating:

1. Sarantis ltd Belgrade, Serbia invested in shares and buy 30% more of company Sarantis S.A. Skopje Macedonia, so it owns 60% of the company in Macedonia. This change is registered in the Center register of shares of Republic of Macedonia. Also, Sarantis ltd Belgrade founded new company in Bosnia and Herzegovina - Sarantis Banja Luka with 100% share.
2. The other significant event in 2011 relates to change of the warehouse operating, distributing and operating with stocks and engaging an outsourcing company. With the company Kuehne+Nagel was sign a contract for warehouse operation and management services, including distribution and transportation of stocks on the whole territory of Serbia.
3. During 2011 Sarantis Group acquired Serbian brand Top Star, and the placement of these products is exclusively through Sarantis doo Belgrade, so it affected operating of the Company in 2011.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**3. BASIS OF PRESENTATION**

The financial statements were prepared by applying the historical cost principle. All the amounts are presented in dinars (RSD) – as a functional currency and currency for presentation of financial statements of the Company, and all the values are presented in thousands of dinars (RSD '000), except if stated otherwise.

**(a) Statement of compliance**

The accompanying financial statements have been prepared in accordance with the Audit and Accounting Law of the Republic of Serbia (Official Gazette of the RS no. 46/2006), Rulebook on the Forms and Contents of the Financial Statements and of Companies, Cooperatives and Entrepreneurs (Official Gazette of the RS no. 75/2004) and Rulebook on the Chart of Accounts and Contents of Accounts of Companies, Cooperatives and Entrepreneurs (Official Gazette of the RS no. 53/2004, 11/2005 and 51/2005).

**(b) Approval of financial statements**

The director of the Company approved the financial statements for the year ended 31 December 2011 on 30 January 2012.

**4. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Income recognition**

Incomes are recognized up to the amount of economic benefits that flow to the Company, if those benefits can be reliably measured. The Company recognizes incomes when the significant risks and rewards of ownership of the goods have passed to customers. They are recognized net of trade discounts and sales incentives.

**(b) Foreign currency translation**

The Company's measurement and reporting unit of currency is the Serbian Dinar (RSD). Transactions involving other currencies are initially recognized converted into RSD using the exchange rates which are in effect at the dates of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are converted into RSD at the closing rate. Gains and losses resulting from foreign currency re-measurements are reflected in the statements of income. Non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined ("assumed historical cost").

The official closing rates for EUR, as the foreign currency used in transactions, was following:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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| <i>Currency</i> | <i>31 December 2011</i> | <i>31 December 2011</i> |
|-----------------|-------------------------|-------------------------|
| EUR             | 104,6409                | 105,4982                |

**(c) Property, plant and equipment**

Buildings, plants and equipment are initially recognized at their purchase cost.

Property, plant and equipment are subsequently recognized at their fair value. Revaluation gains arising from identifying fair valued of property, plant and equipment is included into revaluation reserves, within equity. The revaluation surplus is credited to the revaluation reserves included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same property and equipment item is directly offset against the surplus in the revaluation reserves. On the disposal of an item of property and equipment, the portion of revaluation reserves referring to that item is released to the retained earnings.

Subsequent expenditure on property plant and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance (such as: modification of an item of plant to extend its useful life, including an increase in its capacity, upgrading machine parts to achieve a substantial improvement in the quality of output or adoption of new production processes enabling a substantial reduction in previously assessed operating costs). Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, starting with the month immediately following the month in which the asset was put into operation.

Depreciation rates are as follows:

| <i>Property and equipment category</i> | <i>Rates %</i> |
|--|----------------|
| Software                               | 20%            |
| Computer equipment                     | 30%            |
| Furniture                              | 12,5%          |
| Printers                               | 15%            |
| Mobile telephones                      | 30%            |
| Vehicles                               | 20%            |
| Other equipment                        | 15%            |

Property and equipment items are assessed for the indication of their impairment at the balance sheet dates and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If there is an indication of the impairment of an asset/cash-generating unit, the Company estimates the recoverable amount of such an asset/cash-generating unit. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment loss is recognized in the statement of income. An impairment loss is recognized as an expense in the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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income statement immediately, unless the asset is carried at re-valued amount, in which case it is treated as a revaluation decrease.

An item of property and equipment is eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of an item of property and equipment (being the difference between the estimated net disposal proceeds and the carrying amount of the asset) is recognized as income or expense in the income statement.

**(d) Inventories**

Merchandise on stock and cost of goods sold are assessed at average purchase cost.

Inventories are recognized at purchase value, and the impairment is recognized if there are damaged or obsolete stocks.

**(e) Trade and other receivables**

Receivables are measured, recognized and carried at original invoice amount, decreased for allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable, and at the same time, the collection is not secured by some collateral. All potentially uncollectible accounts are assessed individually. The decision on bad debt allowance is to be brought by Management Board of the Company.

In cases when the improbability to collect the debt is certain and documented (court decision, liquidation), or the collection period stipulated by the Law on obligations has ran out, the receivable is written-off and eliminated from the Company's records. The decision on write-off is to be brought by the Management Board of the Company.

**(f) Concentrations of credit risk**

Concentrations of credit risk are limited with respect to receivables due to large number of customers comprising the Company's customer base. The Company generally requires collateral or other security to support customer receivables (mainly promissory notes).

**(g) Cash and cash equivalents**

Cash and cash equivalents, as disclosed in the Company's balance sheet, comprise cash in hand and at banks, time deposits with banks with original maturity of 3 months or less, cheques and other means of payment received as collection of debt, as well as the funds on transit accounts. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less any credit balances on bank accounts.

**(h) Pensions and other employee benefits**

The Company, in the normal course of business, makes contributions on behalf of the employees for pension, health care, unemployment and personal income tax on the basis of gross salaries and wages, as well as other compensations in accordance with local legislation. The Company makes these contributions to the Government's health and retirement funds at

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the statutory rates in force during the period. The cost of social security payments is charged to the statement of income in the same period in the same period as the related salary cost. There is no additional liability arising from this issue.

**(i) Income tax (current and deferred)**

The final tax on profit is calculated at the 10% rate (which is statutory rate) applied to taxable profit as disclosed in the Tax Returns. Taxable profit is based on the annual profit, as disclosed in the income statement, adjusted for tax purposes in the manner prescribed by Serbian Corporate Profit Tax Law and it may be decreased by certain tax deductions. The final income tax payable is determined by the tax payer and filed to tax authorities within prescribed time limits.

During the year, the estimated income tax is paid in advance on the monthly basis. The total amount of the payments was determined by tax authorities by the end of the previous period, while presently it is determined by the tax-payer independently. The losses arising from operating, finance and non-operating transactions as disclosed in Tax Returns (excluding capital gains or losses as defined by the Law) may be carried forward and used to decrease taxable income for the period of 10 years.

**(j) Deferred taxation**

Total income tax expense/income comprises current income tax – disclosed in Tax Returns and deferred income tax. Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes at the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

At each balance sheet date, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is calculated using the income tax rate expected to be effective in the year in which tax credits and tax losses are to be utilized or deferred liabilities to be settled, based on substantively enacted tax rates at or after the balance sheet date.

As explained in Note 10 to the accompanying financial statements, the presented financial statements do not contain the effect of deferred taxation, i.e. deferred tax assets arising from the outstanding amount of tax credit based on fixed asset investment made by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**5. INCOME**

Operating income is shown at the total amount of 1.425.460 TRSD net. The amount of the gross sales is 1.613.308 TRSD and 187.848 TRSD represents deduction from sales (rebates, discounts etc.).

| Operating Income                                 | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Income – sales of merchandise on domestic market | 1.462.160              | 1.223.991              |
| Income – sales of merchandise on foreign market  | 139.822                | 116.189                |
| Income – sales of services on foreign market     | 3.532                  | 3.490                  |
| Income – activated merchandise for own usage     | 719                    | 3.085                  |
| Other operating income                           | 7.076                  | 0                      |
| <u>Gross income</u>                              | <u>1.613.308</u>       | <u>1.346.755</u>       |
| Rebates  | (187.848)              | (153.147)              |
| <u>Net income</u>                                | <u>1.425.460</u>       | <u>1.193.608</u>       |

In structure of income, the most significant is sales of merchandise on domestic and foreign market of 1.601.982 TRSD gross, other operating income amounted to 11.327, while rebates amounted to 187.848 TRSD, so total net income for the year 2011 is 1.425.460 TRSD. In comparing with the previous reporting period, operating income increased for 19,42%.

**6. OPERATING COSTS AND EXPENSES**

Operating costs and expenses for the year ended 31 December 2011 amount to 1.113.075 TRSD and relate to the following items:

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| Operating Costs and Expenses   | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Costs of goods sold  | 782.383                | 672.241                |
| Costs of material  | 16.061                 | 14.491                 |
| Gross salaries, compensations for salaries and other personal expenses | 115.246                | 105.704                |
| Depreciation and amortization  | 14.094                 | 13.751                 |
| Other operating expenses   | 185.291                | 185.354                |
| <b>Total Operating Expenses</b>  | <b>1.113.075</b>       | <b>991.541</b>         |

Costs of goods sold participate in total operating expenses with 70,29% and its structure is:

| COGS Structure     | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--------------------|------------------------|------------------------|
| COGS in wholesale  | 617.259                | 526.216                |
| COGS in export     | 117.126                | 90.868                 |
| COGS in commission | 15.508                 | 18.857                 |
| COGS in retail     | 32.490                 | 36.300                 |
| <b>Total</b>       | <b>782.383</b>         | <b>672.241</b>         |

Costs of material amount to 16.061 TRSD and consist of spare parts and maintenance in the amount of 3.674 TRSD and costs for fuel and energy in amount of 12.387 TRSD.

Gross salaries, compensations for salaries and other personal expenses amount 115.246 TRSD and related to the following:

| Salaries and Personnel Expenses     | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|-------------------------------------|------------------------|------------------------|
| Gross salaries                      | 107.914                | 100.407                |
| Fees of authors and other contracts | 2.900                  | 2.619                  |
| <b>Other personal expenses</b>      | <b>4.431</b>           | <b>2.678</b>           |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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| Salaries and Personnel Expenses       | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---------------------------------------|------------------------|------------------------|
| Total Salaries and Personnel Expenses | 115.247                | 105.704                |

Depreciation and amortization costs amount to 14.094 TRSD and relate to the costs of amortization of intangible assets in amount of 492 TRSD and cost of equipment depreciation in amount of 13.602 TRSD.

Other operating expenses amount to 185.291 TRSD and consist of productive services and non-material costs listed in the following table:

| Other Operating Expenses    | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|-----------------------------|------------------------|------------------------|
| Transportation expenses     | 23.147                 | 10.057                 |
| Maintenance expenses        | 2.881                  | 3.515                  |
| Rental expenses             | 17.176                 | 15.092                 |
| Advertising expenses        | 73.089                 | 87.155                 |
| Researching expenses        | 0                      | 1.337                  |
| Other services expenses     | 23.020                 | 11.818                 |
| Non-production expenses     | 28.337                 | 29.247                 |
| Representation expenses     | 1.884                  | 4.930                  |
| Insurance expenses          | 4.323                  | 3.723                  |
| Bank fees                   | 963                    | 1.226                  |
| Membership expenses         | 1.019                  | 695                    |
| Building land and taxes     | 5.609                  | 14.778                 |
| Other non-material expenses | 3.843                  | 1.781                  |
| Total Operating Expenses    | 185.291                | 185.354                |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**7. FINANCING INCOME**

Financing income is represented at the amount of 32.914 TRSD and relates to the following gains:

| Financing Income              | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|-------------------------------|------------------------|------------------------|
| Interest income               | 8.543                  | 9.555                  |
| Foreign exchange rate gains   | 24.284                 | 25.586                 |
| Other financing income        | 87                     | 0                      |
| <b>Total Financing Income</b> | <b>32.914</b>          | <b>35.141</b>          |

The most significant Finance Income are Foreign Exchange gains, which are shown at the amount of 24.284 TRSD and participates in total financing income with 73,78%.

**8. FINANCIAL EXPENSES**

Amount of the financial costs is 38.067 TRSD and they related to the following:

| Financial Costs                               | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---|------------------------|------------------------|
| Interests expense                             | 120                    | 970                    |
| Foreign exchange losses                       | 34.048                 | 10.308                 |
| Losses from foreign currency clause valuation | 118                    | 492                    |
| Other financial expenses                      | 3.781                  | 2.084                  |
| <b>Total Financial Expenses</b>               | <b>38.067</b>          | <b>13.854</b>          |

The major part in structure of Financial Expenses belongs to the Foreign Exchange losses of 34.048 TRSD occurred on basis of calculation of foreign currency positions.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**9. EXTRAORDINARY INCOME**

Extraordinary income amount 6.367 TRSD and represented in the following table:

| Extraordinary Income                     | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Gain of equipment sold                   | 4.138                  | 1.010                  |
| Goods surplus by inventory               | 868                    | 589                    |
| Income from decrease of liabilities      | 0                      | 39                     |
| Other non-specified income               | 1.332                  | 207                    |
| Income from the valuation of receivables | 29                     | 63                     |
| <b>Total Extraordinary Income</b>        | <b>6.367</b>           | <b>1.908</b>           |

**10. EXTRAORDINARY EXPENSES**

Extraordinary expenses are shown at the amount of 92.814 TRSD, specified in the following table:

| Extraordinary Expenses                              | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---|------------------------|------------------------|
| Writing-off of equipments                           | 1.949                  | 141                    |
| Deficient goods                                     | 2.067                  | 1.332                  |
| Writing-off of current assets                       | 50                     | 23                     |
| Impairment of the stocks (damaged, obsolete stocks) | 3.253                  | 4.642                  |
| Other non-specified expenses                        | 68.522                 | 35.408                 |
| Impairment of the of receivables                    | 16.973                 | 2.852                  |
| <b>Total Extraordinary Expenses</b>                 | <b>92.814</b>          | <b>44.398</b>          |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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The most significant Extraordinary expenses are subsequently approved discounts and at the amount of 67.367 TRSD and participates in structure of total total extraordinary expenses with 72,58%.

**11. INTANGIBLE AND FIXED ASSETS**

Intangible and fixed assets of the company Sarantis ltd Belgrade amounts 477.035 TRSD net as of 31 December 2011 and consists of the following assets position:

| Intangible and Fixed Assets              | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Intangible assets                        | 1.133                  | 1.624                  |
| Equipment                                | 44.876                 | 40.589                 |
| Investments in shares                    | 431.026                | 141.880                |
| <b>Total Intangible and Fixed Assets</b> | <b>477.035</b>         | <b>184.093</b>         |

*Intangible assets* amount 1.133 TRSD net and involve investments in software.

*Fixed assets* of the Company amount 44.876 TRSD net and include office equipment in the amount of 3.327 TRSD, vehicles in the amount of 40.967 TRSD and furniture of 582 TRSD. During the financial year the company is fundamentally renewal its vehicles, sold the old ones and buys the new one. Changes in fixed assets within the year ended 31 December 2011 were as follows (at TRSD):

| Fixed Assets                          | Office<br>equipment | Other office<br>equipment | Total Fixed<br>Assets |
|---------------------------------------|---------------------|---------------------------|-----------------------|
| <u>Acquisition value – 01/01/2011</u> | <u>81.555</u>       | <u>14</u>                 | <u>81.569</u>         |
| Increase/Purchases                    | 34.710              |                           | 34.710                |
| Reductions/Disposals                  | 55.432              |                           | 55.432                |
| Valuation adjustment                  |                     |                           |                       |
| <u>Balance as at 31/12/2011</u>       | <u>60.833</u>       | <u>14</u>                 | <u>60.847</u>         |
| <u>Depreciation – 01/01/2011</u>      | <u>40.980</u>       | <u>0</u>                  | <u>40.980</u>         |
| Depreciation for 2011                 | 13.602              |                           | 13.602                |
| Increase/Purchases                    |                     |                           |                       |
| Reduction/Disposals                   | 38.611              |                           | 38.611                |
| Valuation adjustment                  |                     |                           |                       |
| <u>Balance as at 31/12/2010</u>       | <u>15.971</u>       | <u>0</u>                  | <u>15.971</u>         |
| <u>Net present value 31/12/2011</u>   | <u>44.862</u>       | <u>14</u>                 | <u>44.876</u>         |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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On the day 31 December 2011 the fixed assets are shown at acquisition value of 60.847 TRSD, with accumulated depreciation of 15.971 TRSD and the net value of 44.876 TRSD.

The acquisition value of the equipment increased for 34.710 TRSD on the basis of the new purchase of equipment and decreased for 6.678 TRSD on the basis of the sold equipment.

Accumulated depreciation of the equipment increased for the amount of 13.602 TRSD resulted from the depreciation account and decreased for 38.611TRSD on the basis of the sold equipment.

Other office equipment amount 14 TRSD and include work of arts.

In 2011, total depreciation and amortization costs amounted to 14.094 TRSD and are recognized in the income statement, out of which office equipment depreciation was 13.602 TRSD and intangible assets amortization was 492 TRSD.

## 12. INVESTMENTS IN SHARES

Investments in shares amount to 431.026 TRSD and relate to shares in affiliated companies Sarantis S.A. Skopje Macedonia (60% share), which is registered in the Center register of shares of Republic of Macedonia in amount of 394.782 TRSD and new formed company Sarantis Banja Luka, Bosnia and Herzegovina (100% share) in the amount of 36.243 TRSD.

## 13. INVENTORIES AND ADVANCES

As of 31 December 2011 the Company the structure of the inventories and advances is as follows:

| Inventories and Advances      | 31/12/2010<br>RSD '000 | 31/12/2009<br>RSD '000 |
|-------------------------------|------------------------|------------------------|
| Stocks                        | 117.999                | 69.606                 |
| Advance payments to suppliers | 64.940                 | 541                    |
| Total:                        | 182.939                | 70.147                 |

In the structure of the inventories, major amount relates to the goods acquired from the founder company, Sarantis SA, Greece.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED  
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| Stocks                                | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---------------------------------------|------------------------|------------------------|
| Merchandise                           | 115.497                | 65.773                 |
| Packaging & other auxiliary materials | 2.502                  | 3.833                  |
| <b>Total:</b>                         | <b>117.999</b>         | <b>69.606</b>          |

If the structure of stocks 97.937 TRSD, respectively 84.80%, relate to the wholesale goods. Stocks hold by third parties amount 17.560 TRSD and relate to Sarantis's goods given to commission sale.

**14. SHORT TERM RECEIVABLES**

The receivables of the Company as at 31 December 2011 were structured as follows:

| Short-term Receivables                     | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Trade receivables - domestic market        | 564.404                | 417.902                |
| Trade receivables - foreign market         | 62.223                 | 38.242                 |
| (Impairment of trade receivables)          | (16.973)               | (2.851)                |
| Trade receivables - export (wholesale)     | 1.859                  | 1.859                  |
| (Impairment of trade receivables – export) | (1.859)                | (1.859)                |
| Trade receivables – commission             | 13.505                 | 11.849                 |
| Other short term receivables               | 2.174                  | 5.345                  |
| <b>Total Short-term Receivables - Net:</b> | <b>625.333</b>         | <b>470.487</b>         |

Short-term receivables increased in compare to the previous year for 31,91% which is result of increased sales, where increase and participation of domestic trade receivables is the most significant.

Audit procedure is done on the sample basis and included independent confirmation of trade receivables, subsequent realization, intercompany reconciliation and analysis of the solvency for sampled customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2011

**15. SHORT TERMS FINANCIAL INVESTMENTS**

Short terms financial investments amounts 52.320 TRSD and relate to the time deposits in foreign currency:

| Short terms financial investments | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|-----------------------------------|------------------------|------------------------|
| Domestic short-term loans         | 0                      | 8.440                  |
| Local currency time deposits      | 0                      | 150.000                |
| Foreign currency time deposits    | 52.320                 | 158.247                |
| <b>Total</b>                      | <b>52.320</b>          | <b>316.687</b>         |

**16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are stetted in the amount of 66.243 TRSD and refer to the following cash items:

| Cash and cash equivalents | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|---------------------------|------------------------|------------------------|
| Current account           | 34.344                 | 56.303                 |
| Letter of credit          | 14                     | 0                      |
| Cashier's office          | 55                     | 66                     |
| Foreign currency account  | 31.830                 | 22.989                 |
| <b>Total</b>              | <b>66.243</b>          | <b>79.358</b>          |

**17. INCOME TAX AND ACCRUALS**

Accruals amount to 1.270 TRSD and relate to the deferred expenses 73 TRSD and accrued VAT 731 TRSD, and other accruals in the amount of 466 TRSD.

**18. DEFERRED TAXES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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Deferred taxes amounted to 1.091 TRSD and calculated and recognized on the basis of deference between the accounting and tax depreciation.

**19. EQUITY AND RESERVES**

Total equity of the company Sarantis ltd Belgrade as of 31 December 2011 amounts to 1.174.125 TRSD. The equity structure is the following:

| Equity               | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|----------------------|------------------------|------------------------|
| Shareholders' equity | 76.709                 | 76.709                 |
| Reserves             | 6.334                  | 6.334                  |
| Retained earnings    | 1.091.082              | 893.422                |
| Total:               | 1.174.125              | 976.465                |

During the reporting period, there were no changes in shareholders equity in way of increase or decrease of the initial equity. GR Sarantis Cyprus limited, Nicosia, Cyprus is a 100% owner. This change is registered at the Serbian Business Register Agency on 22 June 2009 under the register number BD 97575/2009.

Position reserves amounts 6.334 TRSD and relate to statutory reserves formed in the previous years.

Total amount of the retained earnings as of 31 December 2011 is 1.091.082 TRSD.

**20. OPERATING LIABILITIES**

Operating liabilities as of 31 December amount 209.605 TRSD. Structure of liabilities is as follows (in TRSD):

| Operating liabilities                        | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--|------------------------|------------------------|
| Suppliers - domestic market                  | 80.502                 | 11.689                 |
| Suppliers - foreign market, related entities | 129.017                | 109.368                |
| Advances received                            | 86                     | 234                    |
| Total:                                       | 209.605                | 121.291                |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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Operating liabilities increased in compare to the previous year for 72,81% which is result of Company's increased operating that caused additional purchases of goods and purchases related to the exclusive placement of the new, branded products, assortment Top Star.

Audit procedure is done on the sample basis and included independent confirmation of trade payables, subsequent realization and intercompany reconciliation. The Company settles its liabilities upon its maturity.

**21. INTER-GROUP TRANSACTIONS OUTSTANDING BALANCE**

Details of total annual realization with the companies within the Sarantis group and the balance at 31 December 2011 are given in the table bellow (in RSD).

| <i>Description</i>                  | <i>Trade Receivables</i> | <i>Advance Payments</i> | <i>Trade Debts</i>   | <i>Total</i>         |
|-------------------------------------|--------------------------|-------------------------|----------------------|----------------------|
| <u>GR Sarantis SA Greece</u>        |                          |                         |                      |                      |
| In RSD                              |                          |                         |                      |                      |
| Debit                               | 86.921,01                | 199.757.187,51          | 212.037.976,43       | 411.882.084,95       |
| Credit                              | -0,00                    | -136.541.194,24         | -218.090.222,96      | -354.631.417,20      |
| <u>Net</u>                          | <u>86.921,01</u>         | <u>63.215.993,27</u>    | <u>-6.052.246,53</u> | <u>57.250.667,75</u> |
| In EUR                              |                          |                         |                      |                      |
| Debit                               | 830,66                   | 1.908.978,11            | 2.026.339,38         | 3.936.148,15         |
| Credit                              | -0,00                    | -1.304.854,93           | -2.084.177,63        | -3.389.032,56        |
| <u>Net</u>                          | <u>830,66</u>            | <u>604.123,18</u>       | <u>-57.838,25</u>    | <u>547.115,59</u>    |
| <u>Total Sarantis SA Greece</u>     | <u>830,66</u>            | <u>604.123,18</u>       | <u>-57.838,25</u>    | <u>547.115,59</u>    |
| <u>GR Sarantis Cyprus Ltd.</u>      |                          |                         |                      |                      |
| In RSD                              |                          |                         |                      |                      |
| Debit                               | 0,00                     | 0,00                    | 261.602.250,00       | 261.602.250,00       |
| Credit                              | -0,00                    | -0,00                   | -265.068.479,81      | -265.068.479,81      |
| <u>Net</u>                          | <u>0,00</u>              | <u>0,00</u>             | <u>-3.466.229,81</u> | <u>-3.466.229,81</u> |
| In EUR                              |                          |                         |                      |                      |
| Debit                               | 0,00                     | 0,00                    | 2.500.000,00         | 2.500.000,00         |
| Credit                              | -0,00                    | -0,00                   | -2.533.125,00        | -2.533.125,00        |
| <u>Net</u>                          | <u>0,00</u>              | <u>0,00</u>             | <u>-33.125,00</u>    | <u>-33.125,00</u>    |
| <u>Total Sarantis Cyprus Ltd.</u>   | <u>0,00</u>              | <u>0,00</u>             | <u>-33.125,00</u>    | <u>-33.125,00</u>    |
| <u>Sarantis Ltd. Bulgaria</u>       |                          |                         |                      |                      |
| In RSD                              |                          |                         |                      |                      |
| Debit                               | 7.613.878,03             | 0,00                    | 0,00                 | 7.613.878,03         |
| Credit                              | -4.478.683,89            | -0,00                   | 0,00                 | -4.478.683,89        |
| <u>Net</u>                          | <u>3.135.194,14</u>      | <u>0,00</u>             | <u>0,00</u>          | <u>3.135.194,14</u>  |
| In EUR                              |                          |                         |                      |                      |
| Debit                               | 72.761,97                | 0,00                    | 0,00                 | 72.761,97            |
| Credit                              | -42.800,51               | -0,00                   | 0,00                 | -42.800,51           |
| <u>Net</u>                          | <u>29.961,46</u>         | <u>0,00</u>             | <u>0,00</u>          | <u>29.961,46</u>     |
| <u>Total Sarantis Ltd. Bulgaria</u> | <u>29.961,46</u>         | <u>0,00</u>             | <u>0,00</u>          | <u>29.961,46</u>     |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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| Description                            | Trade Receivables    | Advance Payments | Trade Debts   | Total                |
|--|----------------------|------------------|---------------|----------------------|
| <u>Sarantis SA Romania</u>             |                      |                  |               |                      |
| In RSD                                 |                      |                  |               |                      |
| Debit                                  | 16.884.680,87        | 0,00             | 9.597.594,28  | 26.482.275,15        |
| Credit                                 | -6.205.556,96        | -0,00            | -9.597.594,28 | -15.803.151,24       |
| <u>Net</u>                             | <u>10.679.123,91</u> | <u>0,00</u>      | <u>0,00</u>   | <u>10.679.123,91</u> |
| In EUR                                 |                      |                  |               |                      |
| Debit                                  | 161.358,33           | 0,00             | 91.719,34     | 253.077,67           |
| Credit                                 | -59.303,36           | -0,00            | -91.719,34    | -151.022,70          |
| <u>Net</u>                             | <u>102.054,97</u>    | <u>0,00</u>      | <u>0,00</u>   | <u>102.054,97</u>    |
| <u>Total Sarantis SA Romania</u>       | <u>102.054,97</u>    | <u>0,00</u>      | <u>0,00</u>   | <u>102.054,97</u>    |
| <u>Sarantis doo Skopje</u>             |                      |                  |               |                      |
| In RSD                                 |                      |                  |               |                      |
| Debit                                  | 64.262.325,88        | 0,00             | 0,00          | 64.262.325,88        |
| Credit                                 | -56.489.664,70       | -0,00            | -0,00         | -56.489.664,70       |
| <u>Net</u>                             | <u>7.772.661,18</u>  | <u>0,00</u>      | <u>0,00</u>   | <u>7.772.661,18</u>  |
| In EUR                                 |                      |                  |               |                      |
| Debit                                  | 614.122,45           | 0,00             | 0,00          | 614.122,45           |
| Credit                                 | -539.843,07          | -0,00            | -0,00         | -539.843,07          |
| <u>Net</u>                             | <u>74.279,38</u>     | <u>0,00</u>      | <u>0,00</u>   | <u>74.279,38</u>     |
| <u>Total Sarantis doo Skopje</u>       | <u>74.279,38</u>     | <u>0,00</u>      | <u>0,00</u>   | <u>74.279,38</u>     |
| <u>Sarantis Kft Hungary</u>            |                      |                  |               |                      |
| In RSD                                 |                      |                  |               |                      |
| Debit                                  | 0,00                 | 0,00             | 732.819,06    | 732.819,06           |
| Credit                                 | -0,00                | -0,00            | -732.819,06   | -732.819,06          |
| <u>Net</u>                             | <u>0,00</u>          | <u>0,00</u>      | <u>0,00</u>   | <u>0,00</u>          |
| In EUR                                 |                      |                  |               |                      |
| Debit                                  | 0,00                 | 0,00             | 7.003,18      | 7.003,18             |
| Credit                                 | -0,00                | -0,00            | -7.003,18     | -7.003,18            |
| <u>Net</u>                             | <u>0,00</u>          | <u>0,00</u>      | <u>0,00</u>   | <u>0,00</u>          |
| <u>Total Sarantis Kft Hungary</u>      | <u>0,00</u>          | <u>0,00</u>      | <u>0,00</u>   | <u>0,00</u>          |
| <u>Sarantis Czech Republic sro</u>     |                      |                  |               |                      |
| In RSD                                 |                      |                  |               |                      |
| Debit                                  | 764.598,50           | 0,00             | 129.126,87    | 893.725,37           |
| Credit                                 | -712.178,64          | -0,00            | -129.126,87   | -841.305,51          |
| <u>Net</u>                             | <u>52.419,86</u>     | <u>0,00</u>      | <u>0,00</u>   | <u>52.419,86</u>     |
| In EUR                                 |                      |                  |               |                      |
| Debit                                  | 7.306,88             | 0,00             | 1.234,20      | 8.541,08             |
| Credit                                 | -6.805,93            | -0,00            | -1.234,20     | -8.040,13            |
| <u>Net</u>                             | <u>500,95</u>        | <u>0,00</u>      | <u>0,00</u>   | <u>500,95</u>        |
| <u>Total Sarantis Czech Republic s</u> | <u>500,95</u>        | <u>0,00</u>      | <u>0,00</u>   | <u>500,95</u>        |



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| <i>Description</i>        | <i>Trade Receivables</i> | <i>Advance Payments</i> | <i>Trade Debts</i>    | <i>Total</i>          |
|---------------------------|--------------------------|-------------------------|-----------------------|-----------------------|
| <i>Sarantis SA Polska</i> |                          |                         |                       |                       |
| In RSD                    |                          |                         |                       |                       |
| Debit                     | 0,00                     | 0,00                    | 161.321.289,49        | 161.321.289,49        |
| Credit                    | -0,00                    | -0,00                   | -197.636.155,18       | -197.636.155,18       |
| <b>Net</b>                | <b>0,00</b>              | <b>0,00</b>             | <b>-36.314.865,69</b> | <b>-36.314.865,69</b> |
| In EUR                    |                          |                         |                       |                       |
| Debit                     | 0,00                     | 0,00                    | 1.541.665,73          | 1.541.665,73          |
| Credit                    | -0,00                    | -0,00                   | -1.888.708,48         | -1.888.708,48         |
| <b>Net</b>                | <b>0,00</b>              | <b>0,00</b>             | <b>-347.042,75</b>    | <b>-347.042,75</b>    |
| <b>Total Sarantis SA</b>  |                          |                         |                       |                       |
| <b>Polska</b>             | <b>0,00</b>              | <b>0,00</b>             | <b>-347.042,75</b>    | <b>-347.042,75</b>    |
| <i>Total Sarantis SA</i>  |                          |                         |                       |                       |
| <i>in RSD</i>             | <i>21.726.320,09</i>     | <i>63.215.993,27</i>    | <i>-45.833.342,04</i> | <i>39.108.971,32</i>  |
| <i>Total Sarantis SA</i>  |                          |                         |                       |                       |
| <i>in EUR</i>             | <i>207.627,42</i>        | <i>604.123,18</i>       | <i>-438.006,00</i>    | <i>373.744,60</i>     |

**22. VAT PAYABLES AND OTHER PUBLIC INCOME**

VAT payables and other public liabilities relate to the following:

| VAT payables and other public income | 31/12/2011<br>RSD '000 | 31/12/2010<br>RSD '000 |
|--------------------------------------|------------------------|------------------------|
| VAT payables and other public income | 19.724                 | 13.279                 |
| Accruals                             | 2.778                  | 12.022                 |
| Income tax liabilities               | 2.778                  | 0                      |
| <b>Total</b>                         | <b>22.502</b>          | <b>25.301</b>          |

