

RENTAL AS AN ENTREPRENEURIAL STRATEGY



TEKNOXGROUP
RENT

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RENTAL OF EARTH MOVING MACHINERY AS AN ENTREPRENEURIAL STRATEGY IN CONSTRUCTION INDUSTRY

When Rental Becomes the Most Cost-effective Solution

There are a number of advantages arising from the rental of earth moving machinery. Some of the advantages are of a general nature, whereas the other are characteristics of a lessor's offer itself, particularly when the lessor is an organisation renowned for its organisational structure, professionalism and close relations with its customers.

It is only the organisation with a diversified offer i.e. a fleet of new machines at its disposal and with a capillary presence all over the territory that can fully meet the needs of its customers.

Your decision to rent one or more machines from the Teknoxgroup Rent fleet is the right answer for your needs and the best solution for your earth moving assignments.

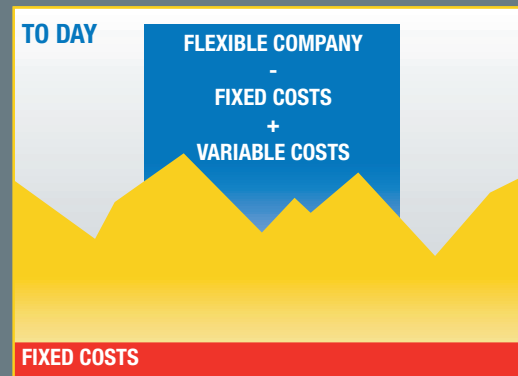
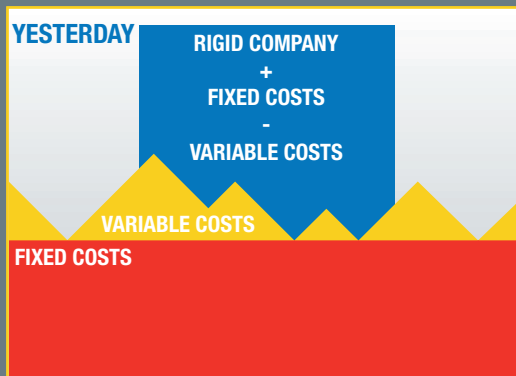
Teknoxgroup Rent is a guarantee of reliability and quality because our fleet becomes your virtual fleet. In other words, Teknoxgroup Rent offers the safety of use of an adequate machine, in excellent operating condition, for a required period.



KEY ADVANTAGES OF RENTAL

REDUCTION OF FIXED COSTS

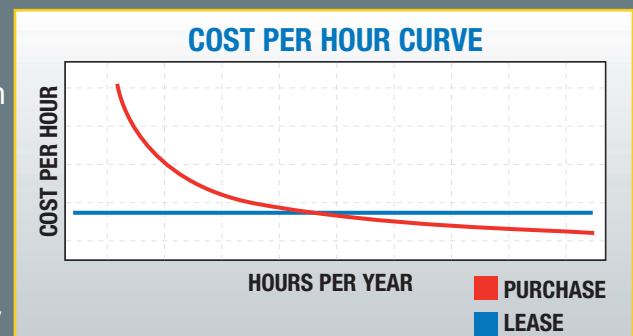
The possibility of substitution of fixed costs (related to an investment of any kind, such as e.g. procurement of machinery) with variable costs (such as the cost of rent) enables the companies to adapt themselves to market fluctuations in a flexible way. This means that the cost of use of machinery is paid when the company is operating, whereas in the periods of inoperation or operation with reduced capacity, or when there is no income or when the income is reduced, there is no cost of machine fleet. That is, the cost is balanced with the income in an optimum way. In other words, the substitution of fixed costs with variable ones enables you to save your money during the periods of decreased work intensity.



REDUCED MACHINE HOUR RATE FOR MACHINES WITH A LOW UTILISATION COEFFICIENT

The machines that are not utilised much, but are still indispensable for a company's activities, have a high machine hour rate because the total costs of operation and possession (purchase price + interest + insurance + maintenance + repairs + warehousing) are divided by a small number of work hours.

Today, it is possible to save money through a transition from the use based on possession to the use based on a certain period when the machinery is really needed, depending on specific requirements of the assignment.



2 TYPES OF COMPANIES:

FLEXIBLE COMPANY

- SELECTIVITY
- POSSIBILITY OF WAITING FOR A CHOICE
- LOW FIXED COSTS
- LOWER RISKS
- USE OF MACHINERY ON A 'AS NEEDED' BASIS
- GREATER POSSIBILITY OF DIVERSIFICATION
- USE OF EXTERNAL SERVICES

RIGID COMPANY

- COMPANY'S OWN MACHINERY ONLY
- HIGH FIXED COSTS
- DECREASE IN VALUE
- RISK
- SQUANDERING OF RESOURCES

KEY ADVANTAGES OF RENTAL



POSSIBILITY OF DIVERSIFICATION OF THE COMPANY'S ACTIVITY THROUGH A POSSIBILITY OF HAVING A 'VIRTUAL FLEET' AT ITS DISPOSAL

In the periods of decreased work intensity and increased variability of assignments, the company will be able to compete for currently offered assignments, for which it is not equipped. The advantage of rental of required machinery is an advantage in terms of employing one's own structure and earning income during the periods with less typical assignments.

POSSIBILITY OF COMPETING FOR A GREATER NUMBER OF ASSIGNMENTS WITHOUT THE NEED FOR HIGHER INVESTMENTS

How many times did it happen to you that all your machines have already been engaged on the existing assignments and therefore you had to withdraw from newly offered, interesting assignments?

Now, with the possibility of rental, such situations are not a problem any more. You eliminate the insecurity related to investments and at the same time grab new opportunities of making profits.



FISCAL BENEFIT – RENTAL IS FULLY TAX-DEDUCTIBLE

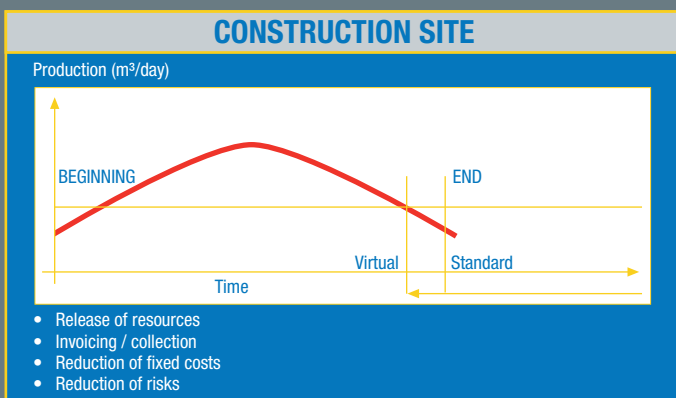
In contrast to financial obligations arising from your purchase, the cost of rental is recognised as the cost of operation, i.e. is 100 percent tax-deductible. This fact enables you to solve the problems of depreciation, residual value and tax deductions related to maintenance costs. The rental enables you to save on taxes, which results in a higher profitability of your company.

KEY ADVANTAGES OF RENTAL

RENTAL AS A STRATEGY TO FOCUS THE COMPANY'S RESOURCES, BOTH FINANCIAL AND HUMAN, ON 'IMPORTANT MATTERS'

If you look at the chain of activities preceding competing for an assignment (study – offer – execution), it becomes clear that the 'true value' for a company is not contained in its possession of material goods but in its entrepreneurial competence to anticipate the maximum number of variables and to lead its team successfully towards desired results.

As time and resources are not unlimited, successful companies on competitive markets are those which know how to focus their own resources on 'important matters', selecting qualified partners that can be entrusted with certain segments, such as e.g. care about their fleet of machines – rental. Such a possibility of concentration enables you to run your company more efficiently and to achieve higher profits.



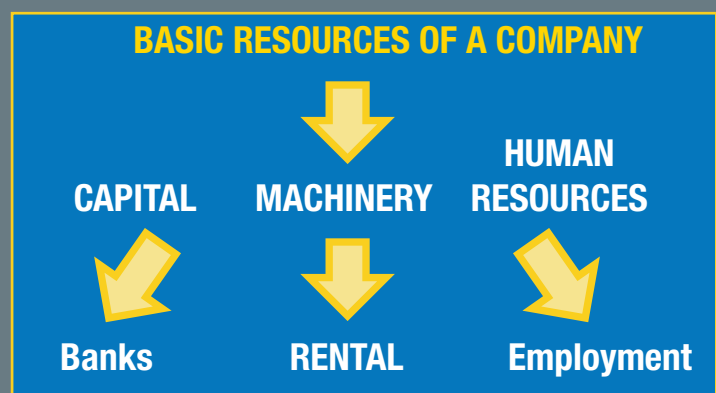
- **YESTERDAY:** OFFER FOR EXECUTION WITH A REAL FLEET OF MACHINES OWNED BY THE COMPANY
- **TODAY:** OFFER FOR EXECUTION WITH A VIRTUAL FLEET OF MACHINES

FIXED COSTS: manpower, provisional accommodation during construction, meals, machinery standstill

VARIABLE COSTS: proportional to production (e.g. cost of own and rented machinery in operation)

USE OF ADEQUATE MACHINES WHEN NEEDED ONLY

So many times the execution of works on a construction site commences with, unfortunately, inadequate machinery for the job because they are either too small or too big, or have a reduced operational safety. This inevitably leads to higher costs and lack of efficiency in managing the construction site, not to mention other problems arising from the use of such inadequate machinery. As the production on the construction site is not always constant in a unit of time, an optimum efficiency will be achieved only with the use of adequate machinery in each stage of execution. The execution of works with your own machinery only is not optimal because your company should have a broad range of machinery at its disposal and after the works have been executed these machines stand idly in your company's yard for a long time (as a consequence of the increased hour rate). Today, with the opportunity to rent, a great variety of machinery becomes your virtual fleet, and at the same time you do not have to endure the cost of its possession in a material sense, i.e. you do not engage your capital for the procurement of the machinery, further use of which is uncertain. Only the rented machinery can maximise your efficiency at construction sites (savings) with a maximum of safety and productivity.



KEY ADVANTAGES OF RENTAL

RELIABLE AMOUNT OF COSTS, EASY DRAWING UP OF ESTIMATES

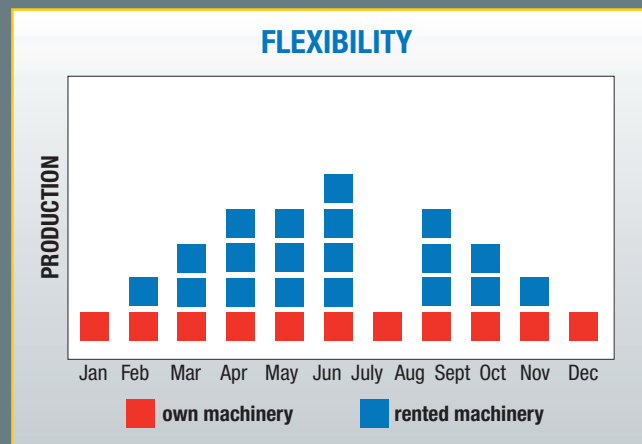
The reliability of the amount of costs related to the prices of rentals including the cost of maintenance and repairs enables you to estimate your costs and the time of execution in a very precise manner, although you do not possess the machinery. Therefore you can be assured of the accuracy of estimated parameters.

INCREASE OF THE COMPANY'S FLEXIBILITY

The rental provides you with an excellent opportunity to correlate your costs and your income, which is not possible in the case of investments, where the costs are incurred much earlier than the income has been made. The rental gives you an opportunity to increase or decrease the company's dimensions, being at the same time completely certain about the company's future, without having to get onto debt, but acting according to the current situation in your company. You also have the opportunity of a prompt diversification of your company's activities.

SECURITY OF MEETING UNPLANNED CEILING REQUIREMENTS IN PRODUCTION

Sometimes ceiling requirements occur in production without any previous notice. Meeting these requirements with the machinery from the company's own fleet can cause prolongations of execution deadlines, accompanied with financial losses. Another great advantage of rentals for your company is the opportunity of varying your own production capacity, being completely secure to meet the deadlines.



FINANCIAL COST-EFFECTIVENESS

During periods of reduced business activity and uncertainty, the biggest unknown in investments is related to the unknown regarding the possibility of accumulating the funds required to pay for the liabilities arising from such purchase. The rental is a solution which enables you to act with a maximum of certainty and security because it means that you have no difficult obligations but rather pay only when the machinery is in operation, i.e. when the machine itself makes money. Your obligations are thus reduced to a minimum and your profits are maximised. Therefore it can be said that rental is a strong alternative to financing because it increases your execution capacities, without affecting the financial capacities, which are decisive for the development of a company. Credit lines with banks are thus used in a reduced volume.



ADVANTAGES OF RENTAL AT TEKNOXGROUP RENT

The goal of Teknoxgroup Rent is to offer to our customers such products and services which **reduce the cost per cubic metre**. In order to be able to achieve this concept, applied to our fleet of machines for rentals, we have defined the following criteria:

ONLY NEW MACHINERY

Any second-hand machine, even the one that has been perfectly maintained, is subject to an inevitable physical law of aging: its productivity reduces in time, i.e. any new machine of the same brand and type will always have a higher productivity rate than the second-hand one. Translated into the financial language, this means considerable savings. It is also the reason why Teknoxgroup Rent introduces only brand new machines into its fleet. New machines have a higher operating safety, i.e. provide you a higher reliability with regard to your fulfilment of deadlines, with minimal coefficients of prolongation due to standstills.

ONLY THE LATEST GENERATION OF MACHINERY

Another typical feature of industrial machines is that they become obsolescent. Every day, new and technologically more sophisticated machines are launched on the market. The latest generation of the machinery will result in a higher productivity than the one achieved by earlier models.

In other words, a machine of the latest generation will have a higher production in cubic metres within the same unit of time, or the same production in cubic metres in a smaller unit of time. To have a fleet of the latest generation of machinery at your disposal means to make considerable savings.

AVAILABILITY

Wide possibilities arising from the Teknoxgroup Rent fleet enable you to find an optimal machine to meet your needs. This enables you in turn to accept all the assignments which are profitable to you and thus means a direct opportunity to make profits.

VERSATILITY

A large number of models, attachments and equipment are a guarantee that you will be able to use an optimal machine in accordance with the volume and type of work you are supposed to perform. Therefore you always achieve the right ratio between your receipts and your expenditure, without having to reach for your resources. In other words, you save money.

The goal of Teknoxgroup Rent is to offer to our customers such products and services which **reduce the cost per cubic metre**. In order to be able to achieve this concept, applied to our fleet of machines for rentals, we have defined the following criteria:

OUR GOAL



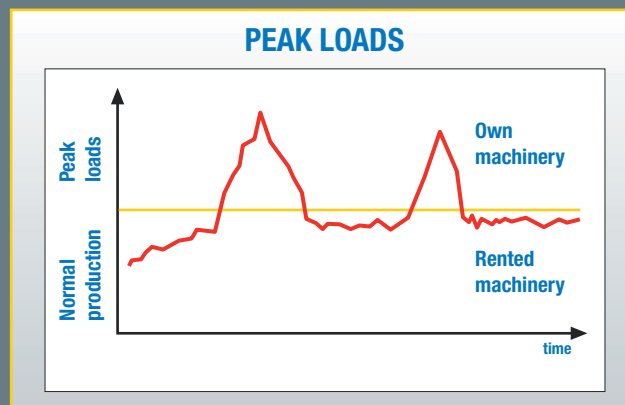
A MINIMUM COST PER CUBIC METRE



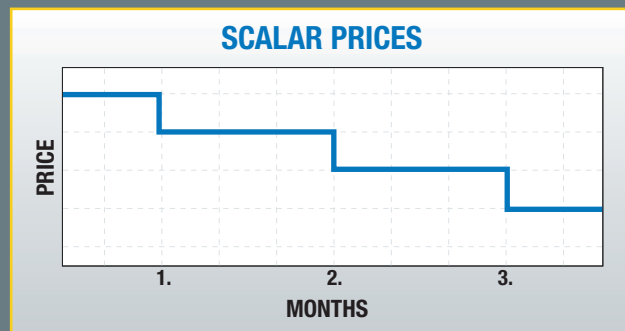
ADVANTAGES OF RENTAL AT TEKNOXGROUP RENT

NO PROBLEMS WITH THE REPAIR SHOP AND SPARE PARTS: PRODUCT SUPPORT (MAINTENANCE AND REPAIRS) INCLUDED IN THE PRICE

All machines from the Teknoxgroup Rent fleet are covered by a CSA maintenance contract. Such services are provided by highly trained and qualified service technicians, available at any place where your construction sites might be located. Your request for an intervention is very much simplified and reduced to your telephone call. Therefore it is not needed any more to make any investment into your own service technicians, repair shops, warehouses for spare parts etc.



The prices of Teknoxgroup Rent are such that a monthly rent decreases with the increase of work.



WARRANTY OF THE FULFILMENT OF OBLIGATIONS AND MANAGEMENT OF OPERATIONS ACCORDING TO THE GIVEN PROGRAM: THANKS TO 100-PERCENT AVAILABILITY AND THE POSSIBILITY OF REPLACING A MACHINE IN CASE OF A LONGER STANDSTILL

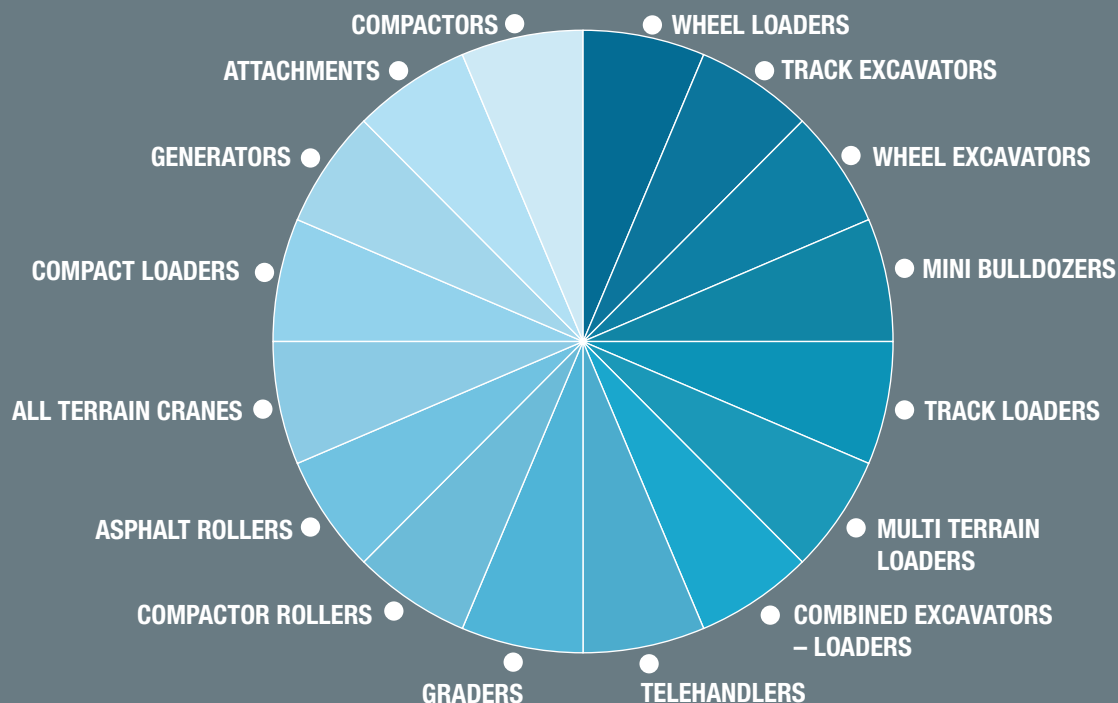
All of us are aware of the importance of meeting the deadlines in business. The success in business often depends on the ability to recognise problems and not to leave the investors in the lurch. In business environment this ability lies also in networking, i.e. being aware of one's capacities and capabilities. The assessment and selection of reliable suppliers becomes decisive for any industrial process. This fact is also of great importance for the rental activity because you delegate an important part of the company's activities to third persons. The possibility to use the machine the utilisation of which implies also all dependant risks arising from it (maintenance, repairs, insurance, transport) with a maximum of availability is a benefit which can be guaranteed only by a reliable and efficient partner like Teknoxgroup Rent.

ADVANTAGES OF RENTAL AT TEKNOXGROUP RENT

A WIDE SELECTION OF MACHINES

Teknoxgroup Rent is your virtual fleet, with a wide selection of various models and types of machines. Teknoxgroup Rent enables you to have the right machine at your disposal whenever you need it in order to be able to perform on short notice. This provides you the safety of performance in even non-standard assignments.

YOUR VIRTUAL FLEET READY TO GO



SAFETY OF WORK WITH THE MACHINERY THAT COMPLETELY MEETS ALL SAFETY AT WORK REGULATIONS

In order to protect all your interests, enable yourself to work with the equipment which is safe. The Teknoxgroup Rent fleet consists of new machines, which meet the requirements of all applicable regulations on safety at work and environmental protection. Functionality and efficiency of the machines are constantly checked at each servicing.

NO SURPRISES: TRANSPARENT PRICES, CLEARLY DEFINED CONTRACTS, FULL INSURANCE

The prices of rentals at Teknoxgroup Rent are public. You will not get an impression that you are treated differently than other clients. The contracts are simple and comprise all the aspects of a relationship between the lessor and the lessee. The insurance coverage "against all risk" and third-party insurance as the basic part of our offer keep you free from any accidents because as long as you work you must feel safe.

ADVANTAGES OF RENTAL AT TEKNOXGROUP RENT

A SUFFICIENT NUMBER OF BUSINESS UNITS ENABLES YOU TO WORK WITH COMPLETE SECURITY EVEN WHEN FAR AWAY FROM YOUR COMPANY SEAT

Teknoxgroup Rent provides you an opportunity to work with complete security even when you are far away from your company seat. This means that you will be able to accept the assignments which are located far from your company seat and that you still have a maximum availability of machines and product support service at your disposal at any time.



CONSULTING AND APPLICATION STUDIES BY CONTEK EXPERTS

A great advantage of rentals is the use of the machines that you usually do not have in your own fleet. To perform a task with a machine that you do not have in your fleet and that you basically do not know is not a problem because Contek is at your disposal with its know-how and expertise in selecting the right machine and informing you about its optimum use.

TRANSPORT

In order to be able to focus on important issues, i.e. to meet all the requirements and challenges of your assignment, you are also offered transport services for the construction machinery at fixed prices.

A NEW ALTERNATIVE

The opportunity to rent a construction machine and a handling machine opens up new possibilities in your operations. For instance, a need to increase your production capacities for a short period of time is quite a common issue.

Until recently the only alternative that you had at your disposal was to purchase the machinery. The use of such machines was not clearly determined. However, today there is a reasonable alternative – rentals. In that respect, some of the benefits may change:

“TO HAVE A DEPRECIATED MACHINE IS LIKE HAVING MONEY AT THE BANK”

Unfortunately, this becomes less and less true and is certainly not true for all the brands. It gets more and more difficult to estimate the market movements and variations in interest rates. Furthermore, in the periods of increased offers of second-hand machinery or unfavourable economic cycles, the realisation of projects becomes increasingly problematic. Therefore your “money at the bank” in this case cannot be used when needed.

“DEPRECIATED MACHINES COST NOTHING”

Very often we tend to forget an important fact that additional investments should be made into depreciated machines, i.e. into their repairs and maintenance for their proper operational condition. In case of sporadic uses of such machinery, one should cover all these costs for a small number of hours in operation.

“THE ONE THAT SPENDS ON RENTALS DOESN'T HAVE THE MONEY TO BUY A MACHINE”

The one that decided to rent the machinery has realised that it is more important for a company to be solvent than to invest its capital. Those that want to be competitive on the market today must be capable of prompt and flexible actions with regard to the needs. This is possible only if your company is solvent. In capital investment-oriented countries, such as Great Britain, France, Italy and Germany, half of the machines have been rented.

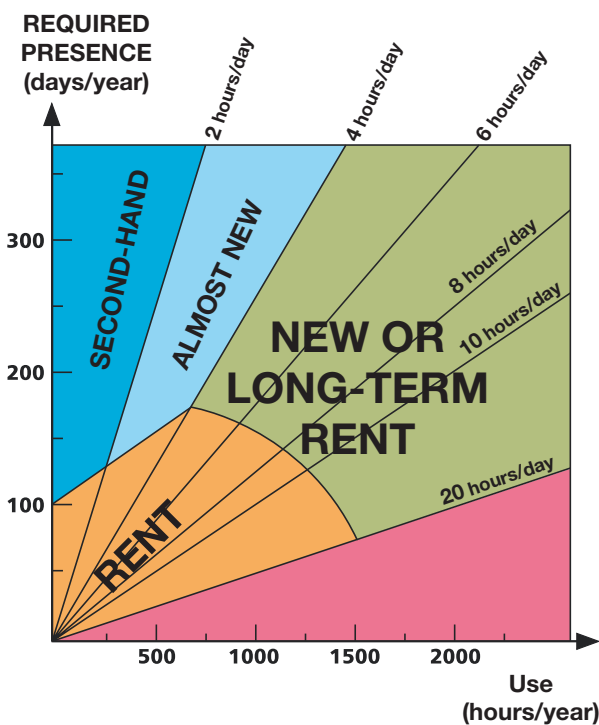


WHEN IS IT WORTH TO RENT?

In view of the aforementioned facts, try to find the most suitable solution for your company. A careful analysis of your costs reveals that the rent for a machine is more cost-effective than you thought at the first glance.

It is almost always more cost-effective to rent rather than buy a machine if the machine will be used for about 1,000 work hours per year. To make the right decision in this case means to have a strategic advantage in comparison to your competition.

THE MOST FAVOURABLE SOLUTION (New – Almost New – Second-Hand – Rent)



WHICH SOLUTION?

NEW

Presence > 150 days/year
Use > 6 hours/day
Critical Application level: high

ALMOST NEW

Presence > 200 days/year
Use > 2 – 4 hours/day
Critical Application level: average

SECOND-HAND

Presence > 200 days/year
Use > 1 – 2 hours/day
Critical Application level: low

RENT

Presence > 150 days/year
Use > 4 hours/day
Critical Application level: high or very high

DEFINITIONS:

PRESENCE (days/year)

A period of time in which a machine must be present on the site

USE (hours/day; days/year)

An average use of the machine (hours) during its presence on the site

CRITICAL APPLICATION (days/year)

An application is considered critical, when possible inefficiency of the machine may cause high dependent costs in the chain of operations.

The graph above shows in which cases the rental is considered the most favourable solution, based on the required presence of the machine on the construction site and the number of hours of operation of the same.

NEW SOLUTIONS BY TEKNOXGROUP RENT

If no cost estimate is possible – there is still no problem. In order to find the most favourable solution for you, it is necessary to know all the costs of possession and operation and the costs of rent. First, you should know the cost per cubic metre or the cost per hour of a machine you own, and then compare it with the cost of rent of the same machine. If it is not possible to calculate the costs precisely, Contek d.o.o. will help you with indicative data.

CRITERIA FOR THE SELECTION OF RENTAL – PROFESSIONALISM

Construction companies which decide to take rented machinery are those that want to make the best use of their ability to invest into execution of works. These are the companies that need complete and efficient services, backed up by highly trained and qualified personnel, professional consulting, the support service structure consisting of direct service shops for all demands, capillary presence all over the territory, and – above all – the possibility to have at its disposal, in the virtual sense, the complete fleet of machines with a wide range of attachments, ready to be used on short notice.

A MAXIMUM OF FLEXIBILITY AND INSTANT INCREASE OF THE COMPANY'S LIQUIDITY

The international experience in industry has shown constant changes and increasing demands in the recent years. It happens more and more often that large-scale projects are completed without any additional soliciting for tenders. Tenders are solicited for most various assignments, so that the companies often find themselves in situations that they do not have adequate resources at their disposal. A competent partner like Teknoxgroup Rent can help you in two ways: first, with adequate machinery, and second, with its extensive offer. Availability through rental before the replacement of your old and out-of-date machinery is a direct increase of your company's liquidity.



NEW SOLUTIONS BY TEKNOXGROUP RENT

NOT ALL NEEDS ARE THE SAME

Each company has its needs, which make it unique. For that reason, the offer of Teknoxgroup Rent is flexible enough to be easily adapted to specific requirements. At our company you will certainly find what you need.

OFFER OF TEKNOXGROUP RENT

1. Our fleet of machines is at your disposal through our business units (a machine you need for your assignment is located closely to the construction site you work at).
2. The machines are the latest generation of machinery and in excellent operating condition. These are new machines with a small number of work hours so far and very well maintained. They meet all the requirements of the applicable regulations on safety at work and environmental protection.
3. A warranty of product support service. All our machines are assisted by our highly trained and qualified personnel.
4. Scalar prices for longer rentals. The longer the rental, the lower the price per month.
5. Transport service, delivery and return of machinery to and from your construction site.
6. Cost-effectiveness. The cost of rent is tax-deductible.
7. Customisation / personalisation. For each group of machines you will find necessary attachments and configurations, which best suit the needs of your assignment.



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