TIGAR A.D., PIROT

Financial Statements
Year Ended December 31, 2011
and Independent Auditors' Report

Translation of the Auditors' Report issued in the Serbian language

CONTENTS

This is a translation of the original Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of TIGAR A.D., Pirot

We have audited the accompanying financial statements (pages 3 to 50) of Tigar A.D., Pirot (the "Company"), which comprise the balance sheet as at December 31, 2011, and the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting regulations of the Republic of Serbia, as well as for internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the Law on Accounting and Auditing of the Republic of Serbia. 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 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.

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

Basis of Modified Opinion

As it is disclosed in Note 6 to the financial statements, the income from own work capitalized for the year ended December 31, 2011 totaled RSD 118,160 thousand and refer to the costs of employee benefits capitalized and directly attributed to the property, plant and equipment under construction in order to improve business operations and reconstruct retail outlets and servicing network facilities. The Company's management holds the aforementioned investments are necessary for the purpose of improving business operations through the increase in sales volume, development of new products and reconstruction of retail stores and servicing and distribution network intended for direct sales to customers without intermediaries and aiming at the highest possible margin percentage, whereof the management expects economic benefits in the ensuing period. Based on the available documentation and audit procedures conducted, we could not satisfy ourselves as to whether the conditions for recognizing assets under construction were entirely fulfilled in accordance with requirements of IAS 16 "Property, Plant and Equipment." In addition, for intangible assets and property, plant and equipment under construction in respective amounts of RSD 23,906 thousand (Note 17) and RSD 322,455 thousand (Note 18), the Company failed to perform testing, i.e. to check whether these investments had been impaired in accordance with requirements of IAS 36 "Impairment of Assets," and determine whether their recoverable amounts were below their carrying amounts. Accordingly, we were unable to assess potential effects of the aforedescribed inconsistencies on the accompanying financial statements.

(Continued)

This is a translation of the original Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of TIGAR A.D., Pirot

Basis of Modified Opinion (Continued)

As disclosed in Note 21 to the financial statements, inventories of goods sated as of December 31, 2011 as totaling RSD 885,573 thousand include certain slow-moving inventories which, due to the nature of accounting records, we were unable to quantify. The Company's management did not make allowance for impairment of the inventories given that it believes that they will be realized in the ensuing periods with regard to specific market characteristics, features of the inventories and their long useful lives. Based on the documentation made available to us, we could not satisfy ourselves as to whether additional allowance for impairment of inventories was necessary, i.e. reduction of inventories to their net realizable value in accordance with requirements of IAS 2 "Inventories."

Modified Opinion

In our opinion, except for the possible effect of the matters described in the Basis of Modified Opinion paragraph, the financial statements of the Company for the year ended December 31, 2011 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements disclosing that the Company is the parent company of the Tigar Group, whose members are the parent Company and subsidiaries (hereinafter collectively referred to as: the "Group") and that consolidated financial statements of the Group have not yet been prepared and issued. Note 2.1 to the unconsolidated financial statements explains when the consolidated financial statements will be prepared and issued as well as the accounting method and other disclosures with regard thereto. Our opinion is not modified in respect of this matter.

Belgrade, April 27, 2012

Zoran Nešić,
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2011
(thousands of RSD)

	Notes	2011	*Restated* 2010
OPERATING INCOME			
Sales of goods, products and services	5	3,967,657	3,664,473
Own work capitalized	6	118,160	118,190
Other operating income		27,805	34,806
		4,113,622	3,817,469
OPERATING EXPENSES			
Cost of commercial goods sold		(3,022,823)	(2,300,257)
Cost of materials	7	(192,715)	(281,648)
Staff costs	8	(519,952)	(489,045)
Depreciation, amortization and provisions	9	(51,908)	(53,764)
Other operating expenses	10	(315,257)	(554,588)
		(4,102,655)	(3,679,302)
PROFIT FROM OPERATIONS		10,967	138,167
Finance income	11	304,273	125,476
Finance expenses	12	(439,446)	(273,347)
Other income	13	310,830	239,769
Other expenses	14	(34,361)	(156,701)
PROFIT BEFORE TAXATION		152,263	73,364
INCOME TAXES	15		
- Current income tax expense		(29,026)	(24,023)
- Deferred income tax expense		(1,241)	(1,236)
PROFIT FOR THE YEAR		121,996	48,105
Earnings per share (in RSD)	16	70.99	27.99

The accompanying notes on the following pages
are an integral part of these financial statements.

These financial statements were approved by the management of Tigar A.D., Pirot on February 25, 2012 and submitted with the Serbian Business Registers Agency.

Signed on behalf of Tigar A.D., Pirot by:

Dragan Nikolić General Manager	Dragoslava Branković Head of Accounting

BALANCE SHEET
As of December 31, 2011
(thousands of RSD)

	Notes	December 31, 2011	*Restated* December 31, 2010
ASSETS			
Non-current assets			
Intangible assets	17	23,913	24,030
Property, plant and equipment	18	1,226,615	1,042,031
Investment property	18	227,011	-
Equity investments	19	2,348,428	2,115,409
Other long-term financial placements	20	41,720	45,468
		3,867,687	3,226,938
Current assets			
Inventories	21	986,031	880,900
Assets held-for-sale	22	6,846	20,039
Accounts receivable	23	2,071,781	1,627,244
Receivables for prepaid income taxes		-	908
Short-term financial placements	24	89,169	51,042
Cash and cash equivalents	25	155,262	227,195
Value added tax and prepayments	26	244,551	137,093
		3,553,640	2,944,421
Total assets		7,421,327	6,171,359
EQUITY AND LIABILITIES			
Equity and reserves	28		
Share capital		2,062,152	2,062,152
Reserves		206,215	206,215
Retained earnings		616,484	532,383
		2,884,851	2,800,750
Long-term provisions and liabilities			
Long-term provisions	29	12,577	12,842
Long-term liabilities	30	754,450	639,769
		767,027	652,611
Short-term liabilities			
Short-term financial liabilities	31	2,500,849	1,410,182
Accounts payable	32	1,025,128	1,166,539
Other short-term liabilities	33	138,597	68,116
Value added taxes and other public duties payable and accruals		73,989	57,178
Income taxes payable		26,272	12,610
		3,764,835	2,714,625
Deferred tax liabilities	15c	4,614	3,373
Total Equity and Liabilities		7,421,327	6,171,359

The accompanying notes on the following pages
are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2011
(thousands of RSD)

	Share Capital	Reserves	Accumulated Losses	Retained Earnings	Total
Restated					
Balance January 1, 2010	2,062,152	206,215	(49,503)	571,675	2,790,539
Dividends paid to shareholders	-	-	-	(37,894)	(37,894)
Profit for the year	-	-	-	48,105	48,105
Balance, December 31, 2010	2,062,152	206,215	(49,503)	581,886	2,800,750
Balance January 1, 2011	2,062,152	206,215	(49,503)	581,886	2,800,750
Dividends paid to shareholders	-	-	-	(37,895)	(37,895)
Profit for the year	-	-	-	121,996	121,996
Balance, December 31, 2011	2,062,152	206,215	(49,503)	665,987	2,884,851

The accompanying notes on the following pages
are an integral part of these financial statements.

CASH FLOW STATEMENT
Year Ended December 31, 2011
(thousands of RSD)

	2011	*Restated* 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	2,915,050	3,347,212
Interest receipts	1,943	2,685
Other receipts from operating activities	228,647	192,780
Cash paid to suppliers for raw materials and other expenses	(3,118,536)	(3,534,914)
Gross salaries and other staff costs paid	(483,278)	(470,488)
Interest paid	(277,318)	(161,585)
Taxes and contributions paid	(13,948)	(13,206)
Other public duties payable	(35,839)	(78,806)
Net cash used in operating activities	(783,279)	(716,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment	114,029	9,358
Dividends received and distribution of profit	69,149	25,415
Purchase of shares	-	(202)
O Purchases of property, plant and equipment	(24,985)	(36,514)
Net cash provided by/(used in) investing activities	158,193	(1,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other long-term and short-term liabilities (inflows)	48,977	21,956
Long-term and short-term loans (net outflows)	518,645	373,883
Finance lease payments	(6,021)	(3,292)
Dividends paid	(112)	(35,756)
Net cash provided by financing activities	561,489	356,791
NET CASH DECREASE	(63,597)	(361,474)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	227,195	559,376
Foreign exchange (losses)/gains on translation of cash and cash equivalents, net	(8,336)	29,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	155,262	227,195

The accompanying notes on the following pages
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

Tigar A.D., Pirot (the "Company") was founded in 1935 through the establishment of an industrial workshop engaged in the production of a variety of rubber products and rubber-constructed shoes. After a temporary cessation of its business activities during World War II, the Factory resumed its operations on December 20, 1945. In 1972, the Company was the first in the former Yugoslavia to introduce, by its own technological and construction processes, the production of radial automobile tires manufactured with an inner textile belt. During 1991 the Company changed its legal form from that of a socially-owned enterprise to a shareholding company operating under mixed ownership, and on July 16, 1996, the Company changed its name to Tigar A.D., Pirot, an unlimited liability, shareholding company doing business in the manufacture of rubber products.

As of January 1, 2003 the Company underwent legal reorganization and status changes, whereby its organizational units, Fabrika Autoguma (tire production factory) and Fabrika unutrašnjih guma (inner tube production factory) separated from the Company and joined the newly-established entity, Tigar M.H., a Company for the Production of Tires, D.O.O., Pirot ("TMH") in which the Company held an equity interest of 65%. During 2005, the minority investors of Tigar MH made additional capital contributions, whereby the Company's equity interest changed from 65% to 50%. In accordance with the relevant partners' agreement, the registered share of the Company in Tigar MH with the Company Register is 49.4%. Taking into account the date of registration and the date of additional capital contributions paid by minority investors, the Company's investment in Tigar MH for 2005, calculated on a "pro-rata temporis" basis is 51.7674% and 51.9033%, respectively. During 2007, the Company's 19.4% equity investment in "Tigar Tyres" (previously known as "Tigar MH") was sold to the entity Michelin, Netherlands. As of December 31, 2007, based on the registration, the Company's investments in "Tigar Tyres" (previously known as: "Tigar MH"), amounted to 30%.

In 2008, the Company sold another 10% of its equity interest to Michelin, Netherlands and in 2009, it sold another 20%. Thus, at December 31, 2009, the equity interest in Tigar Tyres no longer existed.

In addition, based on the Board of Directors' Resolution dated December 16, 2002, subsequent to the legal separation of its former organizational units, eight newly-formed entities, all wholly-owned by the Company, were registered with the Commercial Court of Niš on December 26 and 27, 2002. These entities commenced their business activities on January 1, 2003. From April 1, 2005, subsequent to its separation from the Company, the newly-formed, wholly-owned entity, Tigar Trgovine D.O.O., Pirot (Trading entity), commenced its business operations.

In addition to the aforelisted entities, the Company has equity investments in certain entities domiciled in the country and abroad (Note 19).

The Company's primary business activity, subsequent to the above-described organizational and status changes, involves holding operations, managing and financing subsidiaries, determining their strategic objectives and basic strategies, business operation monitoring and determining their status.

As of May 16, 2011, Decision on Adoption of Merger and Acquisition Agreement was enacted, whereby the subsidiary Tigar Trade d.o.o., Pirot (as the Acquiree) ceased to exist and was merged to the Company (as the Acquirer). The Date of the status change was April 30, 2011.

The Company's governing administrative bodies are its Shareholders' Assembly, Board of Directors, Director and Supervisory Board.

The Company's registered office is located at the street address of Nikole Pašića 213, in Pirot.

As of December 31, 2011, the Company had 485 employees (December 31, 2010: 476 employees).

The tax identification number of the Company is 100358298 and its company registration number is 07187769.

In accordance with the Decision of the Securities Commission governing the listings and quotations on the Belgrade Stock Exchange (BELEX), enacted on April 2, 2007, the Company's shares were admitted to the A listing of BELEX. These are common voting shares. The symbol – TIGR. Trading method – continuous trading method.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD

2.1. Basis of Preparation and Presentation of Financial Statements

Pursuant to the Law on Accounting and Auditing (Official Gazette of the Republic of Serbia no. 46 of June 2, 2006 and no. 111 as of December 29, 2009), legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards which were in effect as at December 31, 2002.

The amendments to IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"), in the period between December 31, 2002 and January 1, 2009, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia ("Ministry") and published in the Official Gazette of the Republic of Serbia number 77 of October 25, 2010.

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, nos. 114/2006 to 3/2011). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue, but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

In addition to the aforementioned, the accounting regulations of the Republic of Serbia depart from IFRS in the following respects:

- Pursuant to the Opinion of the Ministry issued on January 22, 2009, transfer of rights of handling and using property from a parent company to its subsidiary, as a means of increasing capital, has the character of transfer and/or disposal. Also, according to the aforementioned Ministry's opinion, the difference between the appraised value of property, based on which the value of additional equity stake of the parent company is determined, and its carrying value included the business books of the parent, is credited to income of the period. The aforementioned accounting treatment is a departure from IAS 16 "Property, Plant and Equipment," which requires that: 1) the revaluation result be attributed directly to equity to the position of revaluation reserves, i.e. that it be recognized within income presented in the income statement up to the amount of reversal of revaluation reserves accumulated for that asset and previously recognized within expenses; also 2) revaluation reserves which are a component part of equity relating to property, plant and equipment may be transferred directly to retained earnings, once the asset is derecognized. In addition, income recognition applied in the accompanying financial statements that is in accordance with the aforementioned opinion, departs from the requirements of IAS 18 "Revenues" (Note 13).

- As in accordance with the Rules on Amendments and Supplements to the Rules on the Chart of Account for Companies, Cooperatives, Other Legal Entities and Entrepreneurs which came in effect as of January 24, 2011, in preparing the annual financial statements as of and for the year ended December 31, 2010, legal entities and entrepreneurs may decide not to disclose the net effects of foreign currency clause related to receivables and payables denominated in foreign currency within income and expenses of the current period. In the aforementioned case, net effect of the contractually agreed currency clauses is stated within other prepayments/accruals (Notes 3.3 and 25). The proportionate amount of deferred currency clause effects is transferred to the accounts of foreign exchange losses and gains as of the date upon which the respective payable if due for settlement and receivable is due for collection. The Company exercised this option in the preparation of 2010 and 2009 financial statements. The aforementioned accounting treatment departs from the provisions IAS 21 "Effects of Changes in Foreign Exchange Rates."

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (Continued)

2.1. Basis of Preparation and Presentation of Financial Statements (Continued)

In accordance with the aforedescribed, and given the potentially material effects which the departures of accounting regulations of the Republic of Serbia from IAS and IFRS may have on the fairness presentations made in the financial statements, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

The financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

The accompanying financial statements include only the receivables, payables, results of operation, changes in equity and cash flows of the Company, without those of its subsidiaries disclosed in Note 19. Investments in subsidiaries are stated at cost less impairment if any in these unconsolidated financial statements. In accordance with Law on Accounting and Auditing (Official Gazette of the Republic of Serbia no. 46 as of June 2, 2006) the Company will prepare consolidated financial statements and submit them to the Serbian Business Registers Agency until April 30, 2012.

In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 3.

The Company's financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

2.2. Standards and Interpretations in Issue, but not yet Translated and Adopted

As of the financial statements issuance date, the following standards, amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of Serbia for the annual accounting periods commencing on or after January 1, 2010:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);

- Amendments to IFRS 1 "First-time Adoption of IFRS" – Additional Exemptions for First-time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);

- Amendments to IAS 38 "Intangible Assets" (revised in July 2009, effective for annual periods beginning on or after July 1, 2009);

- Amendments to IFRS 2 "Share-based Payment": Amendments resulting from the Annual quality improvement project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (Continued)

2.2. Standards and Interpretations in Issue, but not yet Translated and Adopted (Continued)

- IFRIC 18 “Transfers of Assets from Customers” (effective for annual periods beginning on or after July 1, 2009);

- “Conceptual Framework for Financial Reporting 2010” being an amendments to “Framework for the Preparation and Presentation of Financial Statements” (effective for transfer of assets from customers received on or after September 2010);

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);

- Amendments to IAS 24 “Related Party Disclosures” – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues (effective for annual periods beginning on or after February 1, 2010);

- Amendments to various standards and interpretations “Improvements to IFRSs” resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);

- Amendments to IFRIC 14 “IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction” – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);

- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after July 1, 2010).

2.3. Standards and Interpretations in Issue not yet in Effect

At the date of issuance of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2015);

- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 12 “Disclosures of Involvement with Other Entities” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after January 1, 2013);

- IAS 27 (revised in 2011) “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2013);

- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after January 1, 2013);

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD (Continued)

2.3. Standards and Interpretations in Issue not yet in Effect (Continued)

- Amendments to IFRS 1 “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures;
- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);
- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after January 1, 2013).

2.4. Comparative Data

As of May 16, 2011, Decision on Adoption of Merger and Acquisition Agreement was enacted, whereby the subsidiary Tigar Trade d.o.o., Pirot (as the Acquiree) ceased to exist and was merged to the Company (as the Acquirer). The Date of the status change was April 30, 2011. Given the aforesaid, comparative data comprise the joint financial statements of the Company and the merged subsidiary Tigar Trade d.o.o., Pirot as of and for the year ended December 31, 2010. All intercompany balance were eliminated (Note 38).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenue and Expense Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided throughout the normal course of business, net of discounts, value added taxes and other sales taxes.

Income from sales of products and goods is recognized when the risk and rewards associated with the right of ownership are transferred to the customer.

At the time when income is recognized, the related expenditure is also recognized (as per the “matching principle”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale.

Investment income realized from the temporary placement of funds borrowed is netted against borrowing costs intended to finance qualifying assets.

All other borrowing costs are recognized on the profit and loss account in the period to which these relate.

3.3. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official exchange rates in effect at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates prevailing at the balance sheet date, unless loan of finance lease agreement stipulate otherwise.

Foreign exchange gains or losses arising upon the translation of transactions, and assets and liabilities in foreign currencies are credited or charged to the income statement, except for the effects of currency clause indexed to long-term receivables and payables denominated in dinars, which are presented on the line item of other accruals or other prepayments. The proportionate amount of deferred foreign currency clause effects is transferred to the accounts of foreign currency clause gains and losses at the date when the liability falls due for settlement or a receivable becomes due for collection.

3.4. Intangible Assets

Intangible assets are stated in the Company's books of account at cost, as adjusted for accumulated amortization and any impairment losses.

Intangible assets comprise the capitalized cost of software, licenses and similar rights acquired through purchases, which are amortized over a period of five years.

In addition, intangible assets include internally-generated intangible assets mostly relating to the investments in development of projects the Company's management deems as necessary for the purpose of improving business operations via increase in sales volume, development of new products and reconstruction of retail stores and investments in developing servicing and distribution network to allow direct sales to customers without intermediaries in order to achieve the highest margin percentages possible, whereof the management expects economic benefits in the ensuing years.

Cost (cost price) of the separately acquired intangible assets is comprised of cost including customs duties and non-refundable turnover taxes payable, less any discounts and rebates or any costs directly attributable to bringing the asset into the condition necessary for its intended use.

Directly attributable costs are:

- Costs of employee benefits (defined by IAS 19) incurred directly during the process of preparing the asset in to the functional state;
- Professional service incurred directly during the process of preparing the asset in to the functional state; and
- Costs of testing functionality of the assets.

All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Intangible Assets (Continued)

Recognition of expenses included within the carrying value of intangible assets ceases when the assets have been brought to the functional condition for the use intended by the managements. Therefore, the expenditure incurred during the usage or reallocation of intangible assets is not included in the carrying value of those assets.

The value of intangible assets with a limited useful life that is being amortized is systematically allocated during their useful life. The calculation of amortization commences when the assets are available for usage, i.e. when they are situated at the location and in condition ready for operation in the manner intended by the management.

Amortization of intangible assets ceases at the earlier of the date of classification as assets held for sale (or the date of their inclusion in the asset group intended for retirement classified as group of assets held for sale) in accordance with IFRS 5 and the date of derecognition.

The amortization method applied reflects the pattern of expected Company’s consumption of the future benefits from the assets. In case the pattern cannot be reliably determined, amortization is provided using the straight-line method.

3.5. Property, Plant and Equipment

The items of plant, property and equipment qualifying for recognition, are initially stated at cost.

Cost represents the prices billed by suppliers together with all costs incurred in bringing new fixed assets into use, net of discounts.

Subsequent expenditures such as modification or adaptation to the assets is recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company, and when the cost can reliably be measured. All other subsequent expenditures are expensed as incurred.

Property, plant and equipment subsequent to initial recognition, are stated at cost as decreased by the amount of accumulated depreciation and accumulated impairment losses.

The depreciation of property, plant and equipment is computed on a straight-line basis for every, individual item of property, plant and equipment in order to fully write off the cost of assets over their estimated useful lives.

Buildings	1.5% - 10%
Equipment	3.33% - 20%
Telecommunication equipment	7% - 11%
Passenger vehicles	15.5%
Furniture	11% - 16.5%
Computers	20%

3.6. Investment Property

Investment properties are properties held to earn rentals or for capital appreciation or both rather than be used to render services or for administrative or regular sales purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Tangible Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. For the purposes of estimating value in use, future cash flows are discounted to the net book value by applying the discount rate before taxation reflecting the present market value of the time value of money and risks inherent in the asset.

If the estimated recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period under operating expenses, except in case of land and buildings that are not used as investment property which is stated at revalued amount in which case impairment loss is presented as a loss on revaluation of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the respective asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

At December 31, 2011, according to the Company's management, there were no indications of impairment in the Company's tangible assets.

3.8. Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer all risks and rewards of ownership to the Company. All other leases are classified as operating leases.

The Company as a Lessor

Lease income from operating leases (rentals) is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term.

The Company as a Lessee

Assets held under finance leases are initially recognized as the assets of the Company at the present value of the minimum lease payments, which is determined at the inception of the particular lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (Note 3.2).

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Leases (Continued)

The Company as a Lessee (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9. Inventories

Inventories are primarily stated at the lower of cost and net realizable value. The cost comprises invoiced value, cost of transport and other related costs. The net realizable value is the price at which inventories can be realized throughout the normal course of business, after allowing for the costs of realization. The cost of inventories is determined using the weighted average cost.

Provisions charged to “Other expenses” are made where appropriate in order to reduce the value of inventories to management’s best estimate of net realizable value. Inventories found to be damaged or of a substandard quality are written off.

3.10. Equity Investments in Subsidiaries

Equity investments in domestic subsidiaries are stated at cost less allowance for impairment losses or at estimated fair value.

Equity investments in foreign subsidiaries are initially measured at cost increased by profit reinvested less allowance for impairment.

3.11. Financial Instruments

Financial instruments are initially measured at fair value as increased by the transaction costs (except for financial assets and liabilities carried at fair value through profit and loss) which are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Financial assets and financial liabilities are recognized in the Company’s balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument. Purchase or sale of financial instruments is recognized by accounting as of the settlement date or delivery date.

Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities cease to be recognized when the Company fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

a) Long-Term Financial Placements

Long-term financial placements are comprised of equity investments in other legal entities.

Equity investments in banks and other legal entities, for which an active market and reliable market values do not exist, are stated at cost less allowances for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

b) Other Long-term Financial Placements

Other long-term financial placements are comprised of receivables from employees for residential housing loans that have been extended with 20-year maturities, and have been stated at nominal value which represents the present value of the future cash flows discounted at a contractually-agreed interest rate. In the opinion of the management, the effects of non-application of IAS 39 "Financial Instruments: Recognition and Measurement" requiring that long-term receivables be carried at amortized value by using the effective interest rate method are immaterial for the financial statements taken as a whole.

c) Accounts Receivable

Accounts receivable are stated at their nominal values as reduced by appropriate allowances for estimated bad debts. An allowance for impairment is recognized and charged to the income statement against domestic and foreign accounts receivable balances that are more than 180 days past due. The uncollectible receivables are written off either on the basis of a court decision or settlement agreed between the parties involved, or otherwise, based upon a relevant resolution of the Company's Board of Directors. Allowance for impairment of receivables from related parties is not calculated.

d) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents entail cash on hand as well as balances on bank accounts with commercial banks. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents represent demand deposits with commercial banks approved for the period of 90 days.

e) Accounts Payable

Accounts payable are stated at their nominal values.

f) Borrowings

Borrowings are initially recognized at fair value net of transaction costs, whereafter they are stated at amortized cost applying the contractually-agreed interest rate which approximates effective interest rate.

3.12. Income Taxes, Other Taxes and Contributions

a) Current Income Tax

Current income tax represents the amount calculated in accordance with the Income Tax Law effective in the Republic of Serbia. The annual corporate income tax is payable at the rate of 10% on the tax base reported in the annual income tax return, as reduced by any applicable tax credits. The taxable base includes the profit stated in the statutory statement of income, as adjusted for permanent differences that are specifically defined under local tax rules.

The effective tax regulations in the Republic of Serbia do not allow any tax losses of the current period to be used to recover taxes paid within a specific carryback period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods for a duration of no longer than five ensuing years. Tax losses incurred prior to January 1, 2010 are available for carryforward and may be utilized against future profits for a period of ten years.

b) Deferred Income Taxes

Deferred income tax is determined using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities components, and their carrying values in the consolidated financial statements. The currently-enacted tax rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, and the tax effects of income tax losses and credits available for carry forward, to the extent that it is probable that future taxable profit will be available against which deferred tax assets may be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Income Taxes, Other Taxes and Contributions (Continued)

c) Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, taxes and contributions paid by employer to or on behalf of employees, as well as other taxes and contributions paid pursuant to republic and municipal regulations, presented within Other operating expenses.

3.13. Employee Benefits

a) Taxes and Contributions Made to the Employee Social Security and Insurance Funds

In accordance with regulatory requirements, the Company is obligated to pay contributions to tax authorities and to various state social security funds that guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

b) Obligations for Retirement Benefits and Jubilee Awards

The Company is under obligation to pay to its employees retirement benefits, depending on the years of service with the Company in the amount of three salaries which the employee earned in the month preceding the payment, i.e., in the amount of an average salary in the Company in the month preceding the payment of retirement benefit, if such arrangement proves more favorable for the employee.

In addition, the Company is under obligation to pay jubilee awards for 20 and 30 years of service with the Company and upon his/her retirement, payable in gold coins of 3, 6 and 9 grams of gold.

The Company formed provisions for the liabilities based on the aforementioned and adequate disclosures are included in Note 28.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the financial statements. Actual results may vary from these estimates. What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the balance sheet date which represent risk from material adjustments to the amounts of balance sheet items in the following fiscal year.

4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the economic useful life of property, equipment and intangible assets. Once a year, the Company assesses the economic useful life based on the current estimates.

4.2. Allowance for Impairment of Receivables

We calculated the allowance for impairment of doubtful receivables based on the estimated losses arising from customer's default. Our assessment is based on the aging analysis of accounts receivable, historical write-offs, customer creditworthiness and changes in the terms of sale, identified upon determining the adequacy of allowance for impairment of doubtful receivables. This includes the assumptions on the future customer behavior and the resultant future collections. The management assesses that additional allowance for impairment of receivables is not necessary.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

4.3. Fair Value

The fair value of financial instruments for which an active market does not exist is determined by applying adequate valuation methods. The Company applies its professional judgment in the selection of adequate methods and assumptions.

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

4.4. Allowance for Impairment of Inventories

We calculated allowance for impairment of inventories based on the estimated losses due to impossibility of sales or realization within the production process. Our estimates are based on the analyses of movements in inventories, historical write-offs, estimates of the movements in sales market, sales targets, changes in terms of sales and in estimates of useful lives and conditions of inventories when determining allowance for impairment. This includes the assumptions on the future customer behavior and the resultant future sales. The management assesses that additional allowance for impairment of inventories is not necessary.

5. SALES

	Year Ended December 31,	
	2011	**2010**
Related parties (Note 34):		
- sales of services	435,256	439,415
- sales of goods, domestic market	1,172,945	810,101
- sales of goods, foreign market	124,629	194,397
	1,732,830	1,443,913
Sales in domestic market:		
- goods	841,961	1,016,623
- products and services	68,999	96,904
	910,960	1,113,527
Sales in foreign market:		
- goods	1,323,867	1,107,033
	1,323,867	1,107,033
	3,967,657	3,664,473

Income from the sales of services to related parties amounting to RSD 435,256 thousand (2010: RSD 439,415 thousand) mostly refer to centrally rendered administrative, accounting and other services based on annual agreements totaling RSD 382,121 thousand and income from reinvoiced electricity, cooling and sanitary waters consumed in the amount of RSD 53,135 thousand.

All amounts are expressed in thousands of RSD, unless otherwise stated.

5. SALES (Continued)

a) Geographical concentration of income from sales in foreign markets

	Year Ended December 31, 2011	2010
Sales of goods:		
- Finland	263,710	299,637
- Denmark	183,425	139,561
- Italy	241,535	381,542
- Sweden	95,541	73,804
- United Kingdom	70,217	58,593
- Other markets	469,439	153,896
	1,323,867	1,107,033

b) Information on major customers

Income from sales of products, services and goods in the country in the total amount of RSD 910,960 thousand for the year ended December 31, 2011 (2010: RSD 1,113,527 thousand), includes income from the sales to the following major domestic customers:

	Year Ended December 31, 2011	2010
Customer:		
Tigar Tyres d.o.o., Pirot	165,678	107,606
GP Auto Shop d.o.o., Lazarevac	27,591	23,162
Visok Promet d.o.o., Pirot	24,942	30,445
Agromarket d.o.o., Kragujevac	23,901	41,679
Seme Promet d.o.o., Petrovac	20,339	3,500
Agropharmacy d.o.o., Novi Sad	18,086	23,319
GRS Inzenjering d.o.o., Beograd	16,153	15,643
Prim d.o.o., Kostolac	14,741	16,203
D Company d.o.o., Babušnica	14,008	-
Ema d.o.o., Knić	13,800	-
Sedam Trading d.o.o., Babušnica	12,794	39,465
- Other customers	558,927	812,505
	910,960	1,113,527

c) Location of noncurrent assets

All the Company's non-current assets, excluding financial instruments, are located in the territory of the Republic of Serbia and stated in these financial statements as of December 31, 2011 in the amount of RSD 1,477,539 thousand (December 31, 2010: RSD 1,066,061 thousand).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

6. OWN WORK CAPITALIZED

Income from own work capitalized for the year ended December 31, 2010 aggregated to RSD 118,160 thousand (2010: RSD 118,190 thousand) and refers to the costs of employee benefits directly attributed to property, plant and equipment based on engagement in a number of projects. The Company's management believes that the aforementioned investments are necessary in order to improve business operation though increase in sales volume. Development of new products and reconstruction of retail stores and investments in developing servicing and distribution network for the purpose of direct sales to customers without intermediaries so as to achieve the highest margin percentage possible, whereof the management expects economic benefits in the ensuing years.

7. COST OF MATERIAL

	Year Ended December 31,	
	2011	2010
Cost of materials and packaging	60,980	147,749
Cost of fuel oil	57,519	60,047
Electricity	39,523	38,633
Other fuel and lubricants	20,338	18,249
Chemicals	5,341	7,596
Office supplies	5,052	5,355
Other material	3,962	4,019
	192,715	281,648

8. STAFF COSTS

	Year Ended December 31,	
	2011	2010
Net salaries	285,371	269,082
Taxes and contributions on salaries paid by employees	112,269	105,230
Taxes and contributions on salaries paid by the employer	71,387	66,848
Other staff costs	27,689	25,349
Remunerations to the Management and Supervisory Boards	9,088	10,890
Employee transport	11,967	11,161
Other staff costs	2,181	485
	519,952	489,045

9. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31,	
	2011	2010
Depreciation and amortization (Notes 17 and 18)	49,977	48,993
Long-term provisions	1,931	4,771
	51,908	53,764

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

10. OTHER OPERATING EXPENSES

	Year Ended December 31, 2011	2010
Costs of finishing, processing and refinement	-	229,240
Non-production services	77,761	68,751
Rentals	51,913	54,308
Dispatch of goods to the customer	20,455	17,214
Consultant services	19,198	16,837
Telecommunications	18,720	17,000
Maintenance and repairs	12,230	10,994
Cultural and sports events	11,623	9,873
Physical security	10,701	10,888
Public utilities	10,613	9,248
Insurance premiums	9,665	9,796
Bank charges	9,247	20,345
Entertainment	8,883	10,108
Marketing and advertising	8,446	19,294
Export operations	6,930	12,752
Healthcare services	6,448	5,851
Fair exhibitions	5,628	4,712
Other taxes and contributions	5,302	5,374
Membership fees	1,848	2,149
Scholarship and loans to students	1,708	2,573
Professional training	3,069	1,895
Other	14,869	15,386
	315,257	554,588

11. FINANCE INCOME

	Year Ended December 31, 2011	2010
Share in the profit of:		
- domestic related parties (Note 34)	203,380	53,293
- foreign related parties (Note 34)	19,456	12,271
	222,836	65,564
Foreign exchange gains	78,537	54,217
Interest income	2,900	5,695
	304,273	125,476

12. FINANCE EXPENSES

	Year Ended December 31, 2011	2010
Interest expense	303,102	177,214
Foreign exchange losses	71,045	24,089
Other finance expenses	65,299	72,044
	439,446	273,347

All amounts are expressed in thousands of RSD, unless otherwise stated.

13. OTHER INCOME

	Year Ended December 31, 2011	2010
Gains on the transfer of property (Note 18)	183,019	217,579
Gains on the sale of property (Note 18)	98,121	-
Gains on the sale of fixed assets	14,182	3,070
Other	15,508	19,120
	310,830	239,769

Gains on the transfer of property stated in the amount of RSD 183,019 thousand fully relate to the appraisal effects in respect of buildings transferred to subsidiaries as capital increase – contribution in kind (Notes 2.1, 18 and 19).

14. OTHER EXPENSES

	Year Ended December 31, 2011	2010
Loss on the sale of property, plant and equipment	849	4,506
Allowance for impairment of receivables (Notes 23 and 27)	3,589	885
Write-off of short-term loans to related parties (Note 27)	-	141,836
Subsequently approved rebates to the customers	24,959	7,540
Other	4,964	1,934
	34,361	156,701

15. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2011	2010
Current income tax expense	(29,026)	(24,023)
Deferred income tax expense	(1,241)	(1,236)
	(30,267)	(25,259)

b) Numerical Reconciliation of the Tax Expense and the Product of Accounting Results as Multiplied by the Statutory Income Tax Rate

	2011	2010
Profit before tax	152,263	73,364
Income taxes at the statutory tax rate of 10%	15,226	7,346
Tax effects of non-deductible expenses	15,405	14,085
Other	(364)	3,828
	30,267	25,259

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

15. INCOME TAXES (Continued)

b) Deferred Tax Liabilities

Deferred tax liabilities amounting to RSD 4,614 thousand as of December 31, 2011 (December 31, 2010: RSD 3,373 thousand) relate to the temporary differences between the basis at which building property, equipment and intangible assets are recognized in the tax balance and carrying values of these assets used in the financial statements.

16. EARNINGS PER SHARE

	2011	2010
Profit for the year	121,996	48,105
Weighted average number of shares	1,718,460	1,718,460
Basic earnings per share (in RSD)	70.99	27.99

17. INTANGIBLE ASSETS

	Licenses	Other Intangible Assets	Intangible Assets in Progress	Total Intangible Assets
Cost				
Balance, January 1, 2010	11,085	1,107	20,656	32,848
Additions	-	-	3,250	3,250
Decreases	-	-	-	-
Balance, December 31, 2010	11,085	1,107	23,906	36,098
Balance, January 1, 2011	11,085	1,107	23,906	36,098
Additions	-	-	-	-
Decreases	-	-	-	(50)
Balance, December 31, 2011	11,085	1,107	23,906	36,048
Accumulated Amortization				
Balance, January 1, 2010	10,308	1,107	-	11,415
Charge for the year	652	-	-	652
Balance, December 31, 2010	10,960	1,107	-	12,067
Balance, January 1, 2011	10,960	1,107	-	12,067
Charge for the year	68	-	-	68
Balance, December 31, 2011	11,028	1,107	-	12,135
Net Book Value				
- December 31, 2011	57	1,107	23,906	23,913
- December 31, 2010	125	1,107	23,906	24,030

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

18. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

	Land	Buildings	Equipment	Construction in Progress	Leasehold Improve-ments	Fixed Assets Total	Investment Property
Cost							
Balance, January 1, 2010	44,313	512,315	485,679	96,440	18,133	1,156,880	-
Additions	-	32,854	14,080	54,525	-	101,459	-
Capitalized costs	-	-	-	118,190	-	118,190	-
Transfers - activations	1,110	12,523	19,857	(38,750)	5,260	-	-
Transfers to related parties	-	(25,209)	-	(54,777)	-	(79,986)	-
Sales	(170)	(2,297)	(8,933)	(2,283)	-	(13,683)	-
Disposals	-	(4,665)	(13,947)	-	-	(18,612)	-
Transfer to intangible assets	-	-	(1,792)	-	-	(1,792)	-
Balance, December 31, 2010	45,253	525,521	494,944	173,345	23,393	1,262,456	-
Additions	-	45,114	14,768	368,868	-	428,750	-
Capitalized costs	-	-	-	118,160	-	118,160	-
Transfers - activations	13,244	21,769	12,328	(48,187)	846	-	-
Transfers to related parties	-	(2,059)	-	(48,939)	-	(50,998)	-
Sales	(7,387)	(16,024)	(7,725)	-	-	(31,136)	-
Disposals	-	-	(3,467)	-	-	(3,467)	-
Other	-	(2,091)	-	(13,781)	-	(15,872)	-
Transfer to assets held for sale and intangible assets	-	-	-	(227,011)	-	(227,011)	227,011
Balance, December 31, 2011	51,110	572,230	510,848	322,455	24,239	1,480,882	227,011
Accumulated Depreciation							
Balance, January 1, 2010	-	46,801	145,635	-	2,305	194,741	-
Charge for the year	-	10,562	34,453	-	3,324	48,339	-
Transfers to related parties	-	(5,368)	-	-	-	(5,368)	-
Sales and disposals	-	(719)	(16,568)	-	-	(17,287)	-
Balance, December 31, 2010	-	51,276	163,520	-	5,629	220,425	-
Charge for the year	-	10,295	34,925	-	4,059	49,279	-
Transfers to related parties	-	(201)	-	-	-	(201)	-
Sales and disposals	-	(5,189)	(10,037)	-	-	(15,226)	-
Balance, December 31, 2011	-	56,181	188,408	-	9,688	254,277	-
Net Book Value							
- December 31, 2011	51,110	516,049	322,450	322,455	14,551	1,226,615	227,011
- December 31, 2010	45,253	474,245	331,434	173,334	17,764	1,042,031	-

A first ranking mortgage lien has been placed in favor of Alpha Bank A.D., Beograd against the Company's buildings and factory courtyard, and serves to securitize the regular repayment of refinanced foreign currency loans. In accordance with the terms of the Agreement on Rescheduling and Write-off of Principal and Interest, executed on October 6, 2004 with Alpha Bank A.D., Beograd, the outstanding portion of such loans at December 31, 2011 amounted to EUR 793,539 and USD 599,114 or RSD 131,485 thousand in the dinar counter value (Note 30).

All amounts are expressed in thousands of RSD, unless otherwise stated.

18. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

Over buildings used to perform other industries located on the cadaster lot number 3620/1 inscribed in the title deed number 8370 of the Cadastral Municipality of Pirot a pledge lien has been instituted in favor of Banca Intesa a.d., Beograd based on a long-term loan approved on March 5, 2010 in the amount of RSD 150,000 thousand, whereof the amount outstanding as of December 31, 2011 totaled RSD 93,750 thousand (Note 30). In addition, The June 21, 2010 Pledge Lien Agreement instituted a pledge lien over certain Company's equipment in favor of Banca Intesa a.d., Beograd to securitize the aforementioned loan.

In addition, pledge lien was instituted over a number of the Company's buildings located across the Republic in favor of commercial banks to securitize repayment of long-term and short-term loans.

During 2011, the Company purchased a group of buildings located in Pirot, at the address of 22. Divizije St., no. 10 (old footwear plant location) from the subsidiary Tigar Obuća d.o.o., Pirot at the purchase price of RSD 368,868 thousand, determined based on the assessment by an independent appraiser. Subsequent to the purchase, the Company's management enacted a decision to classify portion of the aforementioned group of buildings of the total amount of RSD 227,011 thousand as investment property intended for lease.

In 2011, the Company increased the value of its equity investment in subsidiaries by transferring buildings and construction in progress with the net book value of RSD 50,797 thousand. The transfer was executed at the appraised value of RSD 233,019 thousand and the appraisal effects are included within Other income (Notes 2.1 and 13).

In 2011, the Company sold a building and the related land to the entity Tigar Tyres d.o.o., Pirot of the net book value of RSD 18,222 thousand. Gains on the sale totaling RSD 98,121 thousand are credited to Other income (Note 13).

19. EQUITY INVESTMENTS

	December 31, 2011	December 31, 2010
Equity investments in subsidiaries and related parties	2,362,891	2,129,872
Less: Allowance for impairment (Note 27)	(14,571)	(14,571)
	2,348,320	2,115,301
Equity investments in other legal entities	108	108
	2,348,428	2,115,409

All amounts are expressed in thousands of RSD, unless otherwise stated.

19. EQUITY INVESTMENTS (Continued)

	% Interest	December 31, 2011	December 31, 2010
Equity investments in subsidiaries and related parties (gross)			
Foreign:			
- Tigar Americas, Jacksonville, Florida, USA	100.00	35,743	35,743
- Tigar Montenegro, Podgorica	80.00	4,868	4,868
- Tigar Partner, Skopje, FYRM	70.00	20,749	20,749
- Tigar Trade, Banja Luka, Republic of Srpska	70.00	8,995	8,995
- Tigar Europe, London, UK	50.00	122,406	122,406
		192,761	192,761
Domestic:			
- Tigar Obuća d.o.o., Pirot	100.00	820,485	820,485
- Tigar Tehnička guma d.o.o., Pirot	100.00	626,048	418,687
- Tigar Hemijski proizvodi d.o.o, Pirot	100.00	202,562	202,562
- Tigar Ugostiteljstvo d.o.o., Pirot	100.00	181,270	53
- Tigar Incon d.o.o., Pirot	100.00	162,425	162,425
- Tigar – Slobodna carinska zona, Pirot	75.06	89,406	89,406
- Tigar Fizičko obezbeđenje d.o.o., Pirot	100.00	39,413	13,755
- Tigar Poslovni servis d.o.o., Pirot	100.00	23,104	204,321
- Dom Sportova d.o.o., Pirot	50.00	12,265	12,265
- Tigar Tours d.o.o., Pirot	100.00	9,103	9,103
- Tigar Inter Risk d.o.o., Pirot	100.00	1,773	1,773
- Tigar Zaštitna radionica d.o.o., Pirot	100.00	1,348	1,348
- P kanal, Pirot	75.00	400	400
Other		528	528
		2,170,130	1,937,111
Total equity investments, domestic and foreign		2,362,891	2,129,872
***Less*: Allowance for impairment of equity investments in subsidiaries**			
- Tigar Americas, Jacksonville, Florida		(12,273)	(12,273)
- Tigar Incon d.o.o., Pirot		(818)	(818)
- Dom Sportova d.o.o., Pirot		(738)	(738)
Other		(742)	(742)
		(14,571)	(14,571)
		2,348,320	2,115,301

During 2011, the Company increased the value of equity share in the capital of its subsidiary Tigar Tehnička guma d.o.o., Pirot through transfer of a building property and assets under construction of the net book value of RSD 233,019 thousand (Note 18).

As of June 10, 2011 the following status change of separation and acquisition was registered with Business Register of the Serbian Business Registers Agency: a part of the subsidiary Tigar Poslovni servis d.o.o. seceded and merged to the entity Tigar Ugostiteljstvo d.o.o. Therefore the structure of the Company's interest within the aforementioned entities changed accordingly.

20. OTHER LONG-TERM FINANCIAL PLACEMENTS

Other long-term financial placements stated in the balance sheet as of December 31, 2011, in the amount of RSD 41,720 thousand (December 31, 2010: RSD 45,468 thousand) relate to the receivables from employees based on the approved long-term housing loans, with up to 20-year maturities effective from the execution date of the loan agreement, and issued at annual interest rates ranging from 1.5% to 2%.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

21. INVENTORIES

	December 31, 2011	December 31, 2010
Advances to suppliers	23,519	35,309
Goods	885,573	785,633
Work in process	66,814	57,558
Fuel oil	6,894	2,368
Other materials	4,103	903
	986,902	881,771
Less: Allowance for impairment of inventories	(871)	(871)
	986,031	880,900

The structure of goods totaling RSD 885,573 thousand is provided in the following table:

	December 31, 2011	December 31, 2010
The structure of goods:		
Technical rubber products	211,925	238,313
Chemical products	8,197	9,195
Footwear	378,991	294,261
Other	286,460	243,864
Total goods	885,573	785,633

The rise in prices of natural rubber and textile in the global market starting from 2011 resulted in a two-digit and, in some instances, a three-digit increase in all sorts of goods from the Company's product range in the global market. In addition, modern technologies and materials applied in the production process prevent any damages or deformation of the products due to retention, as well as any adverse effect on their functionality. The inventory turnover does not depart from the standards and practices of distributors worldwide; therefore the Company's management deems that the inventories of goods will be realized in the ensuing periods, as well as that the recoverable value of inventories will not be below the stated present value of inventories, i.e. that the stated allowance for impairment in the amount of RSD 871 thousand is sufficient.

Inventories comprise inventories of footwear (low-cut footwear, work footwear, hunting and fishing rubber boots, protective and special-purpose footwear, as well as fashion footwear), technical rubber (pressed rubber products, profiles and pipes, sports program, industrial rubber and recycled rubber products), chemical products (consumer glues, industrial glues and adhesives, consumer and industrial colors and lacquers, polyurethane floors, solvents and auxiliary chemicals) and other products.

22. NON-CURRENT ASSETS HELD FOR SALE

	December 31, 2011	December 31, 2010
Property held for sale	6,574	19,321
Equipment held for sale	272	718
	6,846	20,039

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

23. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010
Receivables from related parties (Note 34)	1,395,194	1,016,666
Domestic accounts receivable	290,678	343,207
Foreign accounts receivable	120,097	149,878
Receivables arising from share in profit (Note 34)	256,252	107,212
Receivables from employees	19,109	19,523
Other receivables	348	810
Less: Allowance for impairment of receivables (Note 27)	(9,897)	(10,052)
	2,071,781	1,627,244

24. SHORT-TERM FINANCIAL PLACEMENTS

	December 31, 2011	December 31, 2010
Short-term loans to related parties (Note 34)	89,150	51,024
Other short-term placements	18	18
	89,169	51,042

Short-term loans to related parties as of December 31, 2011 stated as totaling RSD 89,150 thousand (December 31, 2010: RSD 51,024 thousand) relate to loans extended to related parties for the current liquidity needs with up to one-year maturity.

25. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Current accounts	2,526	2,830
Foreign currency accounts	6	6,054
Cash on hand	210	130
Short-term guarantee deposits	145,465	212,557
Other cash	7,055	5,624
	155,262	227,195

Short-term guarantee deposits stated at December 31, 2011 in the total amount of RSD 145,465 thousand (EUR 1,300,000 and RSD 25,000 thousand) have been placed with commercial banks for the purpose of securing short-term loans approved and banking guarantees issued – AIK Banka a.d., Beograd (RSD 25,000 thousand), EFG a.d.,Beograd (RSD 50,758 thousand), Hypo Alpe Adria Bank a.d., Beograd (RSD 17,387 thousand), Societe Generale Banka Srbija a.d., Beograd (RSD 20,928 thousand) and Srpska banka a.d., Beograd (RSD 31,392 thousand).

26. VALUE ADDED TAXES AND PREPAYMENTS

	December 31, 2011	December 31, 2010
Deferred unrealized foreign exchange losses, net	29,950	53,055
Deferred income	159,103	1,603
Other prepayments	10,058	22,897
Receivables for prepaid VAT	42,566	55,358
Prepaid expenses	2,874	4,180
	244,551	137,093

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

26. VALUE ADDED TAXES AND PREPAYMENTS (Continued)

Deferred unrealized foreign exchange losses amounting to RSD 29,950 thousand as of December 31, 2011 (December 31, 2010: RSD 53,055 thousand) contain a portion of unrealized foreign exchange differences that mature in 2012 in the amount of RSD 16,025 thousand based on long-term borrowings.

27. MOVEMENTS IN PROVISIONS

	Equity Investments (Note 19)	Loans to Related Parties	Accounts Receivable (Note 23)	Total
Balance, January 1, 2010	14,571	-	15,157	29,728
Charge for the year (Note 14)	-	141,836	885	142,721
Derecognition	-	(141,836)	(5,990)	(147,826)
Balance, December 31, 2010	14,571	-	10,052	24,623
Additional charge for the year (Note 14)	-	-	3,589	3,589
Derecognition	-	-	(3,744)	(3,744)
Balance, December 31, 2011	14,571	-	9,897	24,468

28. SHARE CAPITAL

The ownership structure of the Company's share capital as of December 31, 2011 was as follows:

	Number of Shares	%	Thousands of RSD
Share Fund of the Republic of Serbia	429,429	25.0	515,315
Pension and Disability Fund of the Republic of Serbia	149,981	9.0	179,977
Artio International Equity Fund	123,132	7.0	147,758
Erste Bank a.d., Beograd – Custody	87,728	5.0	105,274
Société Générale Bank Srbija a.d., Beograd – Custody	55,654	3.0	66,785
Raiffeisen Bank, International	42,164	2.0	50,597
Erste & Steiermärkische Bank d.d.	37,637	2.0	45,164
Komercijalna Banka a.d., Beograd – Custody	26,062	2.0	31,274
Sweden Bank a.s.	24,851	1.0	29,821
UniCredit Bank a.d., Beograd	18,500	1.0	22,200
Other	723,322	43.0	867,986
	1,718,460	100.0	2,062,152

The ownership structure of the Company's share capital as of December 31, 2010 was as follows:

	Number of Shares	%	Thousands of RSD
Share Fund of the Republic of Serbia	429,429	25.0	515,315
Pension and Disability Fund of the Republic of Serbia	149,981	9.0	179,977
Artio International Equity Fund	123,132	7.0	147,758
Société Générale Banka Srbija a.d., Beograd	86,463	5.0	103,756
Erste Bank a.d., Beograd – Custody	83,788	5.0	100,546
Raiffeisen Bank, Vienna	45,073	3.0	54,088
Stichting Shell Pensioenfonds	23,970	1.0	28,764
Société Générale Banka Srbija a.d., Beograd	23,583	1.0	28,300
UniCredit bank a.d., Beograd Custody	18,500	1.0	22,200
Dunav Osiguranje a.d.o., Beograd	17,120	1.0	20,544
Other	717,421	42.0	860,904
	1,718,460	100.0	2,062,152

All amounts are expressed in thousands of RSD, unless otherwise stated.

28. SHARE CAPITAL (Continued)

As of December 31, 2011 and 2010, the Company's share capital comprised of 1,718,460 ordinary shares with the individual par value of RSD 1,200.

Based on the Decision of the Company's Assembly dated June 24, 2011, the Company distributed prior years' profit in the form of dividend paid to shareholders in the total of RSD 37,895 thousand.

29. LONG-TERM PROVISIONS

Long-term provisions which amounted to RSD 12,577 thousand as of December 31, 2011 (December 31, 2010: RSD 12,842 thousand) entirely relate to long-term provisions for employee retirement benefits and jubilee awards.

The assumptions used in the actuarial assessment were as follows:

	2011	2010
Nominal discount rate	9.75%	11.5%
Expected rate of nominal salary growth	7%	8%

The movements in long-term provisions for employee benefits were as follows:

	Retirement Benefits	Jubilee Awards	Total
Balance, January 1, 2010	8,829	2,432	11,261
Cost of current services	1,379	476	1,855
Interest expenses	694	197	891
Paid benefits	(310)	(245)	(555)
Actuarial (losses)/gains	(1,106)	496	(610)
Balance, December 31, 2010	9,486	3,356	12,842
Cost of current services	457	281	738
Interest expenses	925	327	1,252
Paid benefits	(1,682)	(513)	(2,195)
Actuarial (losses)/gains	139	(199)	(60)
Balance, December 31, 2011	9,325	3,252	12,577

30. LONG-TERM LIABILITIES

	December 31, 2011	December 31, 2010
Long-term borrowings	652,779	871,763
Liabilities arising from long-term securities issued	290,292	243,763
Liabilities to related parties (Notes 18 and 34)	368,868	-
Finance lease liabilities	6,370	4,813
	1,318,309	1,120,339
Less: Current portion of long-term liabilities (Note 31)	(563,859)	(480,570)
	754,450	639,769

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

30. LONG-TERM LIABILITIES (Continued)

a) Long-Term Borrowings

Creditor	Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Refinanced loans through Alpha bank A.D., Beograd:					
Berliner bank A.G., Berlin	5.5 % p.a.	EUR	178,644	18,694	27,768
Algemeine bank Nederlend N.V.	5.6 % p.a.	EUR	614,895	64,343	95,576
The First national bank of Chicago	5.5 % p.a.	USD	599,114	48,448	69,980
Intesa banka ad ,Beograd	1.2% p.m.	RSD		93,750	150,000
Hypo Aple Adria ad, Beograd	3M EURIBOR + 8.5% p.a.	EUR	2,000,000	188,919	211,629
Hypo Aple Adria ad, Beograd		EUR	500,000	28,624	52,907
Hypo Aple Adria ad, Beograd		EUR	500,000	28,624	52,907
Erste Bank, ad Beograd	3.1% p.a.	EUR	2,000,000	181,377	210,996
				652,779	871,763
Less: Current portion of long-term borrowings				(500,178)	(434,849)
				152,601	436,914

The long-term borrowings mature as presented in the table below:

	December 31, 2011	December 31, 2010
Within a year	500,178	434,849
From 1 to 5 years	152,601	436,914
	652,779	871,763

b) Long-Term Bonds

Investor	Annual Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Komercijalna banka a.d., Beograd	7.5 %	EUR	958,703	82,127	101,142
Wiener Stadtische osiguranje a.d., Bgd	7.5 %	EUR	678,895	58,383	71,622
KBC Banka a.d., Beograd	7.5 %	EUR	199,543	47,810	21,051
DDOR Novi Sad a.d.,Novi Sad	7.5 %	EUR	188,248	36,666	19,860
Takovo a.d., Kragujevac	7.5 %	EUR	185,429	26,155	19,562
Wiener reosiguranje a.d., Beograd	7.5 %	EUR	99,772	18,823	10,526
Jubmes Banka a.d., Beograd	9.0%	EUR	194,256	20,327	-
				290,292	243,763
Less: Current portion of long-term bonds				(59,991)	(43,314)
				230,301	200,449

The maturities of long-term bonds are as follows:

	December 31, 2011	December 31, 2010
Within a year	59,991	43,314
From 1 to 5 years	230,301	200,449
	290,292	243,763

In 2011, the Company executed the third private bond issue to known buyers, without public offering. The total number of bonds issued was 34,500, worth RSD 340,395 thousand; bonds accrue interest at the 7.5% rate annually, are indexed to a currency clause and mature over a period of five years.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

30. LONG-TERM LIABILITIES (Continued)

c) Finance Lease Liabilities

	Sum of Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Maturity:				
Up to one year	4,000	2,666	3,690	2,407
From 1 to 5 years	2,791	2,505	2,680	2,406
Less: future cost of financing	(421)	(358)	-	-
Present value of minimum lease payments	6,370	4,813	6,370	4,813
Included in the financial statements as:				
Current portion of long-term liabilities			3,690	2,407
Other long-term liabilities			2,680	2,406
			6,370	4,813

d) Liabilities to Related Party

Long-term liabilities to a related party in the amount of RSD 368,868 thousand entirely relate to the liabilities to Tigar Obuća d.o.o., Pirot based on the purchase of property (Note 18). The liability matures within the period from June 30 to December 31, 2013, at an annual interest rate of 7.5%.

31. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2011	December 31, 2010
Maturities within a year (Note 30):		
- long-term borrowings	500,178	434,849
- fiancé lease liabilities	3,690	2,407
- long-term bonds issued	59,991	43,314
	563,859	480,570
Short-term borrowings:		
- in foreign currency	840,230	521,993
- in RSD	1,001,761	387,636
	1,841,991	909,629
Short-term bonds issued	75,000	-
Other short-term liabilities – current account overdraft	19,999	19,981
	2,500,849	1,410,182

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

31. SHORT-TERM FINANCIAL LIABILITIES (Continued)

a) Short-Term Loans in Foreign Currency

Creditor	Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Loans in foreign currency:					
Agencija za osig. i finan.izvoza	5% p.a.	EUR	500,000	52,350	52,749
Intesa banka a.d Beograd	9% p.a.	EUR	2,000,000	209,282	-
Intesa banka a.d Beograd	9% p.a.	EUR	137,368	14,404	-
Intesa banka a.d. Beograd	10% p.a.	EUR	592,000	61,948	-
Univerzal banka ad Beograd	1% p.m.	EUR	500,000	52,320	-
Societe Generale Banka Srbija a.d. Beograd	3-m EURIBOR + 5.3% p.a.	EUR	2,800,000	292,995	-
Societe Generale Banka Srbija a.d. Beograd	3-m EURIBOR + 5% p.a.	EUR	500,000	52,320	-
Eurobank EFG ad Beograd	3-m EURIBOR + 6.5% p.a.	EUR	1,000,000	104,641	-
Societe Generale Banka Srbija		EUR	2,000,000	-	211,630
Intesa banka a.d Beograd		EUR	875,000	-	92,312
Societe Generale Banka Srbija		EUR	480,000	-	50,639
Societe Generale Banka Srbija		EUR	800,000	-	84,399
Hypo Alpe Adria a.d.		EUR	286,000	-	30,264
				840,230	521,993

b) Short-Term Loans in RSD

Creditor	Interest Rate	December 31, 2011	December 31, 2010
Loans in dinars:			
Srpska banka ad Beograd	1.7% p.m.	100,000	-
Srpska banka ad Beograd	1.65% p.m.	100,000	-
Societe General bank Srbija a.d. Beograd	1-m BELIBOR + 1.9%	99,379	-
Srpska banka ad Beograd	1.7% p.m.	80,000	-
Srpska banka ad Beograd	1.8% p.m.	80,000	-
Univerzal banka ad Beograd	7% p.a.	65,000	-
Srpska banka ad Beograd	1.7% p.m.	60,000	-
AIK banka a.d. Niš	1.7% p.m.	54,000	-
AIK banka a.d. Niš	3.5% p.a.	42,500	-
AIK banka a.d. Niš	1.9% p.m.	35,000	-
Dunav banka a.d. Zvečan	20.25% p.a.	35,000	-
AIK banka a.d. Niš	1% p.m.	30,000	-
Privredna banka Beograd a.d.	12.25% p.a.	30,000	-
Srpska banka ad Beograd	1.8% p.m.	30,000	-
Srpska banka ad Beograd	1.7% p.m.	30,000	-
Srpska banka ad Beograd	1.8% p.m.	30,000	-
AIK banka a.d. Niš	1.9% p.m.	20,498	-
AIK banka a.d. Niš	1.9% p.m.	20,000	-
AIK banka a.d. Niš	1.9% p.m.	16,521	-
Dunav banka a.d. Zvečan	20.25% p.a.	16,500	-
AIK banka a.d. Niš	1.9% p.m.	15,000	-
AIK banka a.d. Niš	1.9% p.m.	8,500	-
AIK banka a.d. Niš	2% p.m.	2,194	-
AIK banka a.d. Niš	1.9% p.m.	1,669	-
Societe General bank Srbija a.d. Beograd	2-ned. REPO-1.5% p.a.	-	45,000
Srpska banka a.d Beograd	1.6% p.m.	-	100,000
Srpska banka a.d Beograd	1.7% p.m.	-	80,000
Privredna banka a.d Beograd	7% p.a.	-	20,014
Privredna banka a.d Beograd	6.5% p.a.	-	65,000
AIK banka ad Niš	2% p.a.	-	2,695
Unicredit bank Srbija ad Beograd	6.5% p.a.	-	4,500
Unicredit bank Srbija ad Beograd	RKS + 3.5% p.a.	-	70,428
		1,001,761	387,636

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

31. SHORT-TERM FINANCIAL LIABILITIES (Continued)

c) Short-Term Bonds Issued

Short-term bonds issued in the aggregate amount of RSD 75,000 thousand mature as of February 25, 2012 in the amount of RSD 45,000 thousand (Investor Slobodna zona a.d., Pirot – a subsidiary) and as of March 27, 2012 in the amount of RSD 30,000 thousand (Investor Wiener Stadtische Osiguranje a.d., Beograd). The bonds were issued in several issues at the interest rate ranging from 2% to 9% annually.

32. ACCOUNTS PAYABLE

	December 31, 2011	December 31, 2010
Domestic accounts payable	460,197	369,951
Accounts payable – related parties (Note 34)	203,334	653,525
Other accounts payable	11,786	8,916
Foreign accounts payable	296,297	88,177
Advances, deposits and retainers received from customers	53,514	45,970
	1,025,128	1,166,539

33. OTHER SHORT-TERM LIABILITIES

	December 31, 2011	December 31, 2010
Gross salaries	56,504	39,320
Dividend payables	53,343	15,292
Interest accrued	26,855	11,783
Other short-term liabilities	1,895	1,721
	138,597	68,116

34. RELATED PARTY TRANSACTIONS

Balance Sheet	**2011**	**2010**
Assets		
Equity investments (net)		
- Tigar Obuća d.o.o., Pirot	820,485	820,485
- Tigar Hemijski proizvodi d.o.o., Pirot	202,562	202,562
- Tigar Tehnička guma d.o.o., Pirot	626,048	418,687
- Tigar Tours d.o.o, Pirot	9,103	9,103
- Tigar Poslovni servis d.o.o., Pirot	23,104	204,321
- Tigar Zaštitna radionica d.o.o., Pirot	1,348	1,348
- Tigar Obezbeđenje d.o.o., Pirot	39,413	13,755
- Tigar – Slobodna carinska zona a.d., Pirot	89,406	89,406
- Tigar Montenegro d.o.o., Podgorica, Montenegro	4,868	4,868
- Tigar Inter Risk d.o.o., Pirot	1,773	1,773
- Tigar Incon d.o.o., Pirot	161,607	161,607
- Tigar Americas inc. Jacksonville, USA	23,470	23,470
- Tigar Europe Ltd., London, UK	122,406	122,406
- Tigar Partner d.o.o.,Skoplje, Macedonia	20,749	20,749
- Tigar Trade d.o.o., Banja Luka	8,995	8,995
- Tigar Ugostiteljstvo	181,270	53
Other	11,821	11,821
	2,348,428	2,115,409
Advances paid		
- Slobodna zona d.o.o., Pirot	-	1
- Tigar Tehnička guma d.o.o., Pirot	-	4,498
- Tigar Poslovni servis d.o.o., Pirot	2,424	452
- Tigar Obezbeđenje d.o.o., Pirot	1,530	541
	3,954	5,492

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

34. RELATED PARTY TRANSACTIONS (Continued)

	2011	2010
Balance Sheet (Continued)		
Assets (Continued)		
Accounts receivable		
- Tigar Obuća d.o.o., Pirot	839,151	550,309
- Tigar Tehnička guma d.o.o., Pirot	461,010	337,614
- Tigar Hemijski proizvodi d.o.o, Pirot	4,237	9,348
- Tigar Zaštitna radionica d.o.o., Pirot	6,301	5,840
- Tigar – Slobodna carinska zona a.d., Pirot	167	579
- Tigar Poslovni servis d.o.o., Pirot	1,938	10,565
- Tigar Ugostiteljstvo d.o.o., Pirot	6,456	
- Tigar Inkon d.o.o., Pirot	1,587	3,035
- Tigar Europe Ltd., London, UK	13,846	30,423
- Tigar Montenegro d.o.o., Podgorica, Montenegro	6,556	6,394
- Tigar Americas, Corporation, Ashland	10,986	4,431
- Tigar Partner d.o.o.,Skoplje, Macedonia	7,000	15,086
- Tigar Trejd d.o.o., Banja Luka	34,996	41,128
Other	963	1,914
	1,395,194	1,016,666
Receivables from share in profit		
- Tigar Obuća d.o.o., Pirot	140,000	-
- Tigar Hemijski proizvodi d.o.o., Pirot	46,379	51,327
- Tigar Poslovni servis d.o.o., Pirot	-	162
- Tigar Zaštitna radionica d.o.o., Pirot	11,696	11,696
- Tigar Turs d.o.o., Pirot	212	295
- Tigar Partner d.o.o.,Skoplje, Macedonia	850	850
- Tigar Montenegro d.o.o., Podgorica, Montenegro	-	47
- Tigar Trade Banja Luka	1,673	1,673
- Tigar Inter Risk d.o.o., Pirot	130	40
- Tigar Incon d.o.o., Pirot	8,283	18,593
- Tigar Obezbeđenje d.o.o., Pirot	15,000	7,650
- Tigar – Slobodna carinska zona a.d., Pirot	13,039	14,579
- Tigar Europe, London	18,990	-
Other	-	300
	256,252	107,212
Short-term financial placements – related parties		
- Tigar Tehnička guma d.o.o., Pirot	2,269	2,269
- Tigar Hemijski proizvodi d.o.o., Pirot	2,902	2,902
Short-term loans		
- Tigar Tehnička guma d.o.o., Pirot	23,069	23,069
- Tigar Hemijski proizvodi d.o.o., Pirot	48,323	-
- Tigar Zaštitna radionica d.o.o., Pirot	8,103	7,443
- Tigar Incon d.o.o., Pirot	188	-
- Tigar Ugostiteljstvo d.o.o., Pirot	1,860	-
- Tigar Obezbeđenje d.o.o., Pirot	-	12,904
Other	4,706	4,707
	89,150	51,024
Total assets	1,745,767	1,180,073

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

34. RELATED PARTY TRANSACTIONS (Continued)

	2011	2010
Balance Sheet (Continued)		
Liabilities		
Long-term liabilities		
- Tigar Obuća d.o.o., Pirot	368,868	-
		-
Accounts payable		
- Tigar Incon d.o.o., Pirot	2,980	9,004
- Tigar Obuća d.o.o., Pirot	125,500	479,061
- Tigar Obezbeđenje d.o.o., Pirot	-	2,542
- Tigar Tours d.o.o., Pirot	1,514	2,677
- Tigar Tehnička guma d.o.o., Pirot	37,125	127,796
- Tigar – Slobodna carinska zona a.d., Pirot	7,247	2,597
- Tigar Zaštitna radionica d.o.o., Pirot	118	162
- Tigar Hemijski proizvodi d.o.o., Pirot	6,717	14,896
- Tigar Ugostiteljstvo d.o.o., Pirot	1,666	-
- Tigar Partner d.o.o.,Skoplje, Macedonia	267	350
- Tigar Europe Ltd., London, UK	17,122	526
- Tigar Americas Inc. Jacksonville, USA	456	11,602
Other	2,622	2,312
	203,334	653,525
Accruals		
- Tigar Obuća d.o.o., Pirot	20,529	-
- Tigar Americas Inc. Jacksonville, USA	10,626	-
	31,155	-
Total liabilities	603,357	653,525
Net assets	1,142,410	526,548

Income Statement		
Income	**2011**	**2010**
Sales of goods		
- Tigar Tehnička guma d.o.o., Pirot	128,025	212,376
- Tigar Obuća d.o.o., Pirot	1,014,357	602,481
- Tigar Poslovni servis d.o.o., Pirot	2,155	2,065
- Tigar Hemijski proizvodi d.o.o., Pirot	1,249	653
- Tigar Zaštitna radionica d.o.o., Pirot	1,341	2,012
- Tigar Obezbeđenje d.o.o., Pirot	335	32
- Tigar – Slobodna carinska zona a.d., Pirot	143	450
- Tigar Incon d.o.o., Pirot	170	270
- Tigar Europe Ltd., London, UK	61,437	44,525
- Tigar Montenegro d.o.o., Podgorica, Crna Gora	13,332	20,959
- Tigar Americas, Corporation, Ashland	10,119	22,205
- Tigar Partner d.o.o.,Skoplje, Macedonia	18,514	21,622
- Tigar Trejd d.o.o., Banja Luka	21,227	63,053
Other	212	4,255
	1,272,616	996,958
Sales of products and services		
- Tigar Tehnička guma d.o.o., Pirot	144,948	150,992
- Tigar Obuća d.o.o., Pirot	253,759	236,231
- Tigar Hemijski proizvodi d.o.o., Pirot	13,988	13,636
- Tigar Poslovni servis d.o.o., Pirot	3,909	7,800
- Tigar Zaštitna radionica d.o.o., Pirot	1,646	1,606
- Tigar Obezbeđenje d.o.o., Pirot	2,004	1,849
- Tigar Incon d.o.o., Pirot	9,266	9,005
- Tigar Tours d.o.o., Pirot	306	307
- Tigar Europe Ltd., London, UK	-	14,752
- Tigar Americas, Corporation, Ashland, OR 97520 USA	-	3,091
Other	5,430	146
	435,256	439,415

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

34. RELATED PARTY TRANSACTIONS (Continued)

	2011	2010
Income Statement (Continued)		
Finance income		
- Tigar Hemijski proizvodi d.o.o., Pirot	5	5,055
- Tigar Zaštitna radionica d.o.o., Pirot	1	5,706
- Tigar Obuća d.o.o., Pirot	140,009	8
- Tigar – Slobodna carinska zona a.d., Pirot	48,042	13,499
- Tigar Tehnička guma d.o.o., Pirot	11	7
- Tigar Montenegro d.o.o., Podgorica, Montenegro	765	520
- Tigar Poslovni servis d.o.o., Pirot	2	165
- Tigar Incon d.o.o., Pirot	4	18,595
- Tigar Inter Risk d.o.o., Pirot	90	41
- Tigar Tours d.o.o., Pirot	212	295
- Tigar Europe, London	18,690	8,504
- Tigar Obezbeđenje d.o.o., Pirot	15,003	898
- Tigar Ugostiteljstvo d.o.o., Pirot	2	-
	222,836	53,293
		-
Capital gains from property transfer		
- Tigar Hemijski proizvodi d.o.o., Pirot	-	60,547
- Tigar Incon d.o.o., Pirot	-	101,447
- Tigar Tehnička guma d.o.o., Pirot	158,422	
- Tigar Obezbeđenje d.o.o., Pirot	24,597	
- Other	-	55,585
	183,019	217,579
Total, income	2,113,727	1,707,245

Expenses

	2011	2010
Cost of material and spare parts		
- Tigar Incon d.o.o., Pirot	13	162
- Tigar Obuća d.o.o., Pirot	1,229	2,022
- Tigar – Slobodna carinska zona a.d., Pirot	44	65
- Tigar Poslovni servis d.o.o. Pirot	80	813
- Tigar Tours d.o.o. Pirot	10,839	9,347
- Tigar Ugostiteljstvo d.o.o.	499	-
- Tigar Obezbeđenje d.o.o.	4	-
	12,708	12,409
Non-production services		
- Tigar Obezbeđenje d.o.o., Pirot	10,704	10,799
- Tigar Poslovni servis d.o.o., Pirot	3,969	13,053
- Tigar Incon d.o.o., Pirot	4,658	2,964
- Tigar Tours d.o.o., Pirot	941	773
- Tigar Obuća d.o.o., Pirot	910	230,045
- Tigar Inter Risk d.o.o., Pirot	652	859
- Tigar – Slobodna carinska zona a.d., Pirot	5,087	6,189
- Tigar Tehnička guma d.o.o., Pirot	590	949
- Tigar Ugostiteljstvo d.o.o., Pirot	7,579	-
- Tigar Americas, Corporation, Ashland,	11,898	-
- Other	239	912
	47,227	266,543
Other expenses		
- Tigar Obuća d.o.o., Pirot	-	119,116
- Tigar Tehnička guma d.o.o., Pirot	-	22,720
- Tigar Europe Ltd., London, UK	9,555	-
- Tigar Partner d.o.o.,Skoplje, Macedonia	1,630	-
	11,185	141,836
Total expenses	71,120	420,788
Net income	2,042,607	1,286,457

All amounts are expressed in thousands of RSD, unless otherwise stated.

34. RELATED PARTY TRANSACTIONS (Continued)

Cost of gross salaries paid to the members of the Company's management for the period under review amounted to RSD 9,088 thousand.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

There is no legal framework for managing capital risk in the Company. The Company considers capital risk in order to diminish it and under the assumption that the Company will be able to continue its business operations in the foreseeable future, maximizing profits to the owners by optimizing the debt to equity ratio. The structure of the Company's capital includes debts, including long-term borrowings explained in Note 30, other long-term liabilities, cash and cash equivalents and equity attributed to owners which entails share capital, other capital, reserves, as well as retained earnings. Based on such review, the Company balances the equity structure through the payment of dividends, new long-term investments, as well as by obtaining new borrowings and repurchase of the existing ones.

The persons controlling finances on the Company level review the equity structure on annual basis. As a part of the review, the Company's management considers equity price and risk relating to the type of capital.

The gearing ratios of the Company as of the year-end were as follows:

	December 31, 2011	December 31, 2010
Debt a)	3,255,299	2,049,951
Cash and cash equivalents	(155,262)	(277,195)
Net debt	3,100,037	1,822,756
Equity b)	2,884,851	2,800,749
Debt-to-equity ratio	1,07	0,65

a) Debt is related to long-term and short-term borrowings and other financial liabilities.

b) Equity includes share capital, share premium, reserves, as well as retained earnings and equity deductibles relating to repurchased own shares that have not been sold.

Significant Accounting Policies Regarding Financial Instruments

The review of significant accounting policies, including the basis for measurement and recognition of income and expenses for each category of financial assets and financial liabilities, are set out in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Categories of Financial Instruments

	December 31, 2011	December 31, 2010
Financial assets		
Long-term financial placements	41,873	45,621
Short-term financial placements	89,169	51,042
Accounts receivable	1,796,072	1,499,699
Other receivables	256,252	107,212
Cash and cash equivalents	155,262	227,195
	2,362,147	1,966,078
Financial liabilities		
Long-term borrowings	754,450	639,769
Short-term borrowings	1,841,991	909,629
Current portion of long-term liabilities	563,859	480,570
Other short-term financial liabilities	94,999	19,981
Accounts payable	959,828	1,111,653
Other liabilities	26,855	11,783
	4,241,982	3,173,385

The Company's basic financial instruments comprise cash and cash equivalents, receivables, long-term and short-term financial placements related to the Company's business operations, as well as long-term borrowings, accounts payable and other liabilities mainly intended to finance the Company's current operations. In the regular course of business, the Company is exposed to the risk enumerated in the following passages.

Objectives of Financial Risk Management

Financial risks include market risk (foreign currency and interest rate risk), credit risk and liquidity risk. Financial risks are considered on time basis and are primarily mitigated by reducing the Company's exposure to these risks. The Company does not make use of any financial instruments as a hedge against the effects of financial risks on business operations because such instruments are neither widely used, nor is there an organized market for such instruments in the Republic of Serbia.

Market Risk

In its business operations, the Company is exposed to financial risks inherent in foreign currency and interest rate changes.

There were significant changes neither in the exposure of the Company to market risk, nor in the manner in which the Company manages or measures that risk.

All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

Foreign Currency Risk

The Company is mainly exposed to the foreign currency risk through the items of short-term financial placements, cash and cash equivalents, long-term borrowings, long-term bonds issued and accounts payable denominated in foreign currency. The Company does not use special hedge instruments, since such instruments are uncommon in the Republic of Serbia.

The stability of the economic environment in which the Company operates largely depends upon the economic measures introduced by the Government and the establishment of an adequate legal and regulatory framework.

The carrying value of the Company's monetary assets and liabilities expressed in foreign currency as of the reporting date were as follows:

	Assets		Liabilities	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
EUR	224,699	425,173	1,748,940	1,533,297
USD	12,960	7,111	229,471	105,229
GBP	44,503	45,313	14,027	1,171
	282,162	477,597	1,992,438	1,639,697

The Company is sensitive to the movements in the Euro (EUR) and American Dollar (USD) exchange rates. The following table gives details on the Company's sensitivity to the increase and decrease of 10% in the dinar against foreign currency exchange rate. The sensitivity rate of 10% was used in internal reporting on the foreign currency risk and it represents the management's best estimate of reasonably expected fluctuations in exchange rates. The sensitivity analysis includes only the outstanding foreign currency assets and liabilities and it adjusts their translation at the period end for the fluctuation of 10% in foreign exchange rates. The positive number from the table indicates the increase in the results of the current period, being the case when RSD value rises against the currency at issue. In case of RSD decline by 10% as compared to the relevant foreign currency, the impact on the profit for the current period would be the exact opposite of the one calculated in the previous case.

	December 31, 2011	December 31, 2010
EUR	152,424	110,812
USD	21,651	9,812
GBP	(3,048)	(4,414)
Impact on net profit for the year	174,075	120,591

The Company's sensitivity to the movements in foreign currency increased in the current period, primarily as a consequence of nominal increase of liabilities stated in EUR, mostly long-term loans (Note 30).

Interest Rate Risk

The Company is exposed to interest rate risk inherent in assets and liabilities with floating interest rate. This risk depends upon the financial market and the Company does not have any instruments that could alleviate its influence.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest Rate Risk (Continued)

The carrying values of financial assets and liabilities at the end of the period under review are presented in the following table:

	December 31, 2011	December 31, 2010
Financial Assets		
Non-interest bearing		
Long-term financial placements	153	153
Short-term financial placements	89,169	51,042
Cash and cash equivalents	9,797	16,199
Other receivables	256,252	227,195
Accounts receivable	1,796,072	1,499,699
	2,174,962	1,709,614
Fixed interest rates		
Long-term financial placements	41,720	45,468
Cash and cash equivalents	145,465	210,996
	187,185	256,464
	2,362,174	1,966,078
Financial liabilities		
Non-interest bearing		
Accounts payable	959,828	1,111,653
Fixed interest rates		
Long-term borrowings	670,486	440,820
Short-term borrowings	1,250,156	487,696
Current portion of long-term liabilities	401,656	359,594
Other financial liabilities	121,854	31,764
	2,444,152	1,319,874
Variable interest rates		
Long-term borrowings	83,964	198,949
Short-term borrowings	591,835	421,933
Current portion of long-term liabilities	162,203	120,976
	838,002	741,858
	4,241,982	3,173,385

The sensitivity analyses presented in the following text have been established based on the Company's exposure to interest rate risk inherent in non-derivative instruments as of the balance sheet date. For the liabilities with variable interest rate, the analysis has been prepared under the assumption that the outstanding balance of assets and liabilities as of the balance sheet date remained constant throughout the year. The 1% increase or decrease in interest rates represents the fluctuation reasonably anticipated by management. Had the interest rates been 1% higher and other variables remained unchanged, the Company would have incurred an operating loss in the year ended December 31, 2011in the amount of RSD 8,380 thousand (December 31, 2010: RSD 7,419 thousand). Such situation is attributed to the Company's exposure arising from the variable interest rates applied to long-term and short-term borrowings.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk

Managing Accounts Receivable

Credit risk relates to the exposure inherent in the possibility that the contractual party fails to act upon its contractual commitments and cause the Company to suffer loss. The Company's exposure to this risk is limited to the amount of accounts receivable as of the balance sheet date. Accounts receivable are comprised of a large number of customers, where most significant portion is due from related parties.

The most significant customers are presented in the following table:

	December 31, 2011	December 31, 2010
Tigar Obuća d.o.o., Pirot	839,151	550,309
Tigar Tehnička guma d.o.o., Pirot	461,010	337,614
Berner, Helsinki, Finland	35,925	27,401
Tigar Trade d.o.o. Banja Luka	34,996	41,128
Agromarket d.o.o. Kragujevac	13,397	18,649
Tigar Partnet d.o.o., Skoplje	7,000	15,086
Tigar Zaštitna radionica d.o.o., Pirot	6,301	17,536
Tigar Hemijski proizvodi d.o.o, Pirot	4,237	60,675
Tigar Poslovni servis d.o.o., Pirot	1,938	10,727
Tigar Inkon d.o.o., Pirot	1,587	21,628
Other	400,427	408,998
Less: Allowance for impairment of accounts receivable	(9,897)	(10,052)
	1,796,072	1,499,699

The structure of accounts receivable as of December 31, 2011 is presented in the following table:

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	529,026	-	529,026
Accounts receivable matured and provided for	9,897	(9,897)	-
Accounts receivable matured, but not provided for	1,267,046	-	1,267,046
	1,805,969	(9,897)	1,796,072

The structure of accounts receivable as of December 31, 2010 is presented in the following table:

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	711,198	-	711,198
Accounts receivable matured and provided for	10,052	(10,052)	-
Accounts receivable matured, but not provided for	788,501	-	788,501
	1,509,751	(10,052)	1,499,699

All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

Accounts Receivable not Matured

Accounts receivable, not matured as of December 31, 2011 in the amount of RSD 529,026 thousand (December 31, 2010: RSD 711,198 thousand) mostly refer to the receivables from the customers based on sales of services, maturing 60 days from the invoicing date, depending on the contractually-agreed terms. The average days sales outstanding in 2011 counted 150 days (2010: 119 days).

Accounts Receivable Matured and Provided for

In the period under review, the Company calculated an allowance for impairment of matured receivables in the amount of RSD 9,897 thousand (December 31, 2010: RSD 10,052 thousand), due from those customers whose creditworthiness has changed and which will not be collected in full.

Accounts Receivable Matured but not Provided for

The Company did not make an allowance for impairment of receivables matured as of December 31, 2011 in the amount of RSD 1,267,047 thousand (December 31, 2010: RSD 788,501 thousand) given that the customer creditworthiness has not changed and since the receivables mostly due from subsidiaries, the Company holds that the present value of these receivables will be collected in full.

The aging structure of accounts receivable matured but not provided for is presented was as follows:

	December 31, 2011
Less than 30 days	21,487
From 31 to 90 days	289,449
From 91 to 180 days	743,865
From 181 to 365 days	23,245
Over 365 days	-
	1,267,046

Managing Accounts Payable

Accounts payable as of December 31, 2011 were stated in the amount of RSD 959,828 thousand , and are associated with the acquisition of services. These suppliers do not charge penalty against matured liabilities, whereas the Company duly settles accounts payable, as in accordance with financial risk management policies. The average days outstanding for accounts payable in 2011 counted 144 days (2010: 105 days).

Liquidity Risk

The ultimate responsibility for liquidity risk management resides with the Company's management, which is also responsible for managing the Company's short-term, medium-term and long-term financing and liquidity management. The Company manages liquidity by maintaining the necessary level of cash reserves, based on continued monitoring over the planned and actual cash flows, as well as by matching the maturities of financial assets and liabilities.

Tables of Liquidity and Credit Risk

The following tables give details of outstanding contractual maturities of assets of the Company. The amounts presented are based on the undiscounted cash flows arising from financial assets based on the earliest date upon which the Company will be able to collect such receivables.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Tables of Liquidity and Credit Risk (Continued)

Maturities of Financial Assets

December 31, 2011

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	1,541,204	268,491	365,114	153	-	2,174,962
Fixed interest rate	-	1,094	148,828	17,169	29,010	196,101
	1,541,204	269,585	513,942	17,322	29,010	2,371,063

December 31, 2010

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	443,892	759,337	387,929	118,456	-	1,709,614
Fixed interest rate	221,545	-	-	-	50,200	271,745
	665,437	759,337	387,929	118,456	50,200	1,981,359

The following tables give details on outstanding contractual liabilities of the Company. The amounts presented are based on the undiscounted cash flows arising from financial liabilities based on the earliest date upon which the Company will be due to settle such payables.

Maturities of Financial Liabilities

December 31, 2011

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	704,549	255,279	-	-	-	959,828
Fixed interest rate	609,330	639,543	566,145	741,122	-	2,556,140
Variable interest rate	206,189	94,022	500,364	101,112	-	901,687
	1,520,068	988,844	1,066,509	842,234	-	4,417,655

December 31, 2010

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	969,648	142,005	-	-	-	1,111,653
Fixed interest rate	44,868	94,738	724,218	257,202	231,644	1,352,669
Variable interest rate	40,256	79,649	513,346	197,657	-	831,908
	1,054,772	316,392	1,238,564	454,859	231,644	3,296,230

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

The following table represents the present value of financial assets and liabilities and their fair value as of December 31, 2011 and 2010.

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term financial placements	41,873	41,873	45,621	45,621
Short-term financial placements	89,169	89,169	51,042	51,042
Accounts receivable	1,796,072	1,796,072	1,499,699	1,499,699
Other receivables	256,252	256,252	227,195	227,195
Cash and cash equivalents	155,262	155,262	107,212	107,212
	2,362,147	2,362,147	1,966,078	1,966,078
Financial Liabilities				
Long-term borrowings	754,450	754,450	639,769	639,769
Short-term borrowings	1,841,991	1,841,991	909,629	909,629
Current portion of long-term liabilities	563,859	563,859	480,570	480,570
Other financial liabilities	121,854	121,854	31,764	31,764
Accounts payable	959,828	959,828	1,111,653	1,111,653
	4,241,982	4,241,982	3,173,385	3,173,385

Assumptions for the Assessment of Financial Instruments' Fair Value

Given that the sufficient market experience, stability and liquidity do not presently exist for the purchase and sale of financial assets or liabilities, and given that the quoted prices, which could be used for the purposes of disclosing fair value of financial assets and liabilities are unavailable, the method here applied is that of discounted cash flows. In using this method of measurement, interest rates for financial instruments with similar characteristics have been used, with the aim to arrive at the relevant assessment of market values of financial instruments as of the balance sheet date. The carrying value of short-term accounts receivable and accounts payable approximates their fair value since they fall due within relatively short periods.

36. CONTINGENT LIABILITIES

As of December 31, 2011, litigations filed against the Company sought an amount of RSD 2,697 thousand. Based on the analysis of available legal documents and information obtained from professional services and legal advisors, management believes that these legal matters will be resolved in favor of the Company, and accordingly, as of December 31, 2010, the financial statements do not include additional provisions for these risks.

The Company acts as a pledgor for a large number of short-term and long-term loans approved to its subsidiaries by domestic commercial banks. The total amount of such loans for which the Company may be liable at December 31, 2011 totaled RSD 1,131,384 thousand.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

37. OPERATING LEASE

Commitments of the Company based on cancellable contracts on the lease of business premises were the following:

	December 31, 2011	December 31, 2010
Up to 1 year	45,120	30,991
From 1 to 5 years	123,170	123,965
Over 5 years	-	30,991
	168,290	185,947

According to the lease contract, the rental of business premises expires at December 31, 2016.

38. STAUS CHANGE – MERGER AND ACQUISITION

As of May 16, 2011, Decision on Adoption of Merger and Acquisition Agreement was enacted, whereby the subsidiary Tigar Trade d.o.o., Pirot (as the Acquiree) ceased to exist and was merged to the Company (as the Acquirer). The Date of the status change was April 30, 2011. The balance sheet positions of the merger with elimination of inter-company transactions are presented in the tables below:

INCOME STATEMENT
For the Period from January 1 through April 30, 2011
(thousands of RSD)

	Tigar AD	Tigar Trade d.o.o.	Inter-Company Eliminations	Total following Eliminations
OPERATING INCOME				
Sales of goods, products and services	178,220	1,098,099	(32,613)	1,243,706
Own work capitalized	17,740	16,006	-	33,746
Rentals	4,792	7,958	(132)	12,618
	200,752	1,122,063	(32,745)	1,290,070
OPERATING EXPENSES				
Cost of commercial goods sold	-	(926,320)	-	(926,320)
Cost of materials	(38,549)	(32,421)	3,742	(67,228)
Staff costs	(90,970)	(72,118)	-	(163,088)
Depreciation, amortization and provisions	(8,026)	(8,481)	-	(16,507)
Other operating expenses	(58,739)	(69,967)	28,975	(99,731)
	(196,284)	(1,109,307)	32,717	(1,272,874)
PROFIT FROM OPERATIONS	4,468	12,756	(28)	17,196
Finance income	66,189	51,820	(8,141)	109,868
Finance expenses	(66,109)	(42,530)	3	(108,636)
Other income	2,337	253	-	2,590
Other expenses	(1,068)	(9,909)	28	(10,949)
PROFIT BEFORE TAXATION	5,817	12,390	(8,138)	10,069
INCOME TAXES				
- Current income tax expense	(4,641)	(727)	-	(5,368)
- Deferred income tax expense	-	10	-	10
PROFIT FOR THE YEAR	1,176	11,673	(8,138)	4,711

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

INCOME STATEMENT
For the Period from January 1 through December 31, 2010
(thousands of RSD)

	Tigar AD	Tigar Trade d.o.o.	Inter-Company Eliminations	Total following Eliminations
OPERATING INCOME				
Sales of goods, products and services	569,892	3,211,984	(124,943)	3,656,933
Own work capitalized	53,219	64,971	-	118,190
Rentals	21,017	13,898	(107)	34,806
	644,128	3,290,853	(125,050)	3,809,929
OPERATING EXPENSES				
Cost of commercial goods sold	-	(2,300,257)	-	2,300,257
Cost of materials	(116,930)	(170,488)	5,770	281,648
Staff costs	(267,903)	(221,392)	250	489,045
Depreciation, amortization and provisions	(26,513)	(27,251)	-	53,764
Other operating expenses	(191,946)	(481,672)	119,030	554,588
	(603,292)	(3,201,060)	125,050	3,679,302
PROFIT FROM OPERATIONS	40,836	89,793	-	130,627
Finance income	114,725	25,085	(14,334)	125,476
Finance expenses	(160,894)	(112,470)	17	(273,347)
Other income	232,243	17,126	(9,600)	239,769
Other expenses	(148,627)	(10,134)	9,600	(149,161)
PROFIT BEFORE TAXATION	78,283	9,400	(14,317)	73,364
INCOME TAXES				
- Current income tax expense	(23,326)	(697)	-	(24,023)
- Deferred income tax expense	(671)	(565)	-	(1,236)
PROFIT FOR THE YEAR	54,286	8,138	(14,317)	48,105

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

BALANCE SHEET
As of April 30, 2011
(thousands of RSD)

	Tigar AD	Tigar Trade d.o.o.	Inter-Company Eliminations	Total following Eliminations
ASSETS				
Non-current assets				
Intangible assets	23,030	883	-	23,913
Property, plant and equipment	608,672	461,436	-	1,070,108
Equity investments	2,391,972	-	(276,563)	2,115,409
Other long-term financial placements	45,468	-	-	45,468
	3,069,142	462,319	(276,563)	3,254,898
Current assets				
Inventories	25,867	974,128	(5,579)	994,416
Assets held-for-sale	4,367	15,672	-	20,039
Accounts receivable	559,743	1,374,059	(9,221)	1,924,581
Short-term financial placements	585,512	122	(510,953)	74,681
Cash and cash equivalents	201,508	43,768	-	245,276
Value added tax and prepayments	51,355	41,829	-	93,184
	1,428,352	2,449,578	(525,753)	3,352,177
Total assets	4,497,494	2,911,897	(802,316)	6,607,075
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	2,062,152	276,563	(276,563)	2,062,152
Reserves	206,215	-	-	206,215
Retained earnings	560,605	(23,513)	-	537,092
	2,828,972	253,050	(276,563)	2,805,459
Long-term provisions and liabilities				
Long-term provisions	9,889	2,366	-	12,255
Long-term liabilities	279,454	186,578	-	466,032
Other long-term liabilities	193,896	1,200	-	195,096
	483,239	190,144	-	673,383
Short-term liabilities				
Short-term financial liabilities	988,763	1,218,076	(510,772)	1,696,067
Accounts payable	95,256	1,212,001	(6,843)	1,300,414
Other short-term liabilities	51,019	32,294	(8,138)	75,175
Income taxes payable	16,215	-	-	16,215
Value added taxes and other public duties payable and accruals	32,565	4,434	-	36,999
	1,183,818	2,466,805	(525,753)	3,124,870
Deferred tax liabilities	1,465	1,898	-	3,363
Total Equity and Liabilities	4,497,494	2,911,897	(802,316)	6,607,075

All amounts are expressed in thousands of RSD, unless otherwise stated.

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

BALANCE SHEET
As of December 31, 2010
(thousands of RSD)

	Tigar AD	Tigar Trade d.o.o.	Inter-Company Eliminations	Total following Eliminations
ASSETS				
Non-current assets				
Intangible assets	23,366	664	-	24,030
Property, plant and equipment	590,728	451,303	-	1,042,031
Equity investments	2,391,972	-	(276,563)	2,115,409
Other long-term financial placements	45,468	-	-	45,468
	3,051,534	451,967	(276,563)	3,226,938
Current assets				
Inventories	24,582	856,318	-	880,900
Assets held-for-sale	4,367	15,672	-	20,039
Accounts receivable	573,580	1,089,435	(35,771)	1,627,244
Receivables for prepaid income taxes	60	848	-	908
Short-term financial placements	356,805	-	(305,763)	51,042
Cash and cash equivalents	213,404	13,791	-	227,195
Value added tax and prepayments	53,865	83,228	-	137,093
	1,226,663	2,059,292	(341,534)	2,944,421
Total assets	4,278,197	2,511,259	(618,097)	6,171,359
EQUITY AND LIABILITIES				
Equity and reserves				
Share capital	2,062,152	276,563	(276,563)	2,062,152
Reserves	206,215	-	-	206,215
Retained earnings	559,429	(27,047)	-	532,383
	2,827,796	249,516	(276,563)	2,800,750
Long-term provisions and liabilities				
Long-term provisions	10,212	2,630	-	12,842
Long-term liabilities	239,258	197,656	-	436,914
Other long-term liabilities	201,562	1,293	-	202,855
	451,032	201,579	-	652,611
Short-term liabilities				
Short-term financial liabilities	796,224	919,540	(305,582)	1,410,182
Accounts payable	91,801	1,096,373	(21,635)	1,166,539
Other short-term liabilities	44,800	37,633	(14,317)	68,116
Income taxes payable	12,610	-	-	12,610
Value added taxes and other public duties payable and accruals	52,468	4,710	-	57,178
	997,904	2,058,256	(341,534)	2,714,625
Deferred tax liabilities	1,465	1,908	-	3,373
Total Equity and Liabilities	4,278,197	2,511,259	618,097	6,171,359

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

39. TAXATION RISKS

The Republic of Serbia tax legislation is subject to varying interpretations, and legislative changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not concur with the views of the Company's management. Consequently, the relevant tax authorities may challenge transactions and the Company could be assessed additional taxes, penalties and interest, which can be significant. The fiscal periods remain open for review by the tax and customs' authorities with regard to the tax-paying entity's tax liabilities for a period of five years. This practically means that tax authorities can demand payment of outstanding liabilities in the period of five years from the origination of the liability.

40. EXCHANGE RATES

The official exchange rates for major currencies determined in the interbank currency market and used in the translation of balance sheet components denominated in foreign currencies into dinars were as follows:

	December 31, 2011	December 31, 2010
USD	80.8662	79.2802
EUR	104.6409	105.4982
GBP	124.6022	122.4161
CHF	85.9121	84.4458