

“TIGAR” A.D., PIROT

**Financial Statements
Year Ended December 31, 2010
and Independent Auditors’ Report**

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This is a translation of the original 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 2 to 39) of Tigar A.D., Pirot (the "Company"), which comprise the balance sheet as at December 31, 2010, 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.

Opinion

In our opinion, the financial statements of "Tigar" A.D., Pirot for the year ended December 31, 2010 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 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. Investments in subsidiaries are included in these financial statements at cost. More detailed information about the Company's financial position is provided in the Company's consolidated financial statements which the Company is under obligation to prepare as in accordance with the Law on Accounting and Auditing (Official Gazette of RS, number 46, June 2, 2006) and submit them to the Serbian Business Registers Agency by the end of April 2011. Our opinion is not qualified in respect of this matter.

Belgrade, April 27, 2011

Žarko Mijović
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2010
(thousands of RSD)

	Notes	2010	2009
OPERATING INCOME			
Sales of goods, products and services	5	577,430	242,016
Own work capitalized	6	53,219	9,361
Rentals		21,017	21,834
		<u>651,666</u>	<u>273,211</u>
OPERATING EXPENSES			
Cost of commercial goods sold		-	(38)
Cost of materials	7	(116,930)	(80,494)
Staff costs	8	(267,903)	(245,379)
Depreciation, amortization and provisions	9	(26,513)	(22,235)
Other operating expenses	10	(191,946)	(187,388)
		<u>(603,292)</u>	<u>(535,534)</u>
PROFIT/(LOSS) FROM OPERATIONS		<u>48,374</u>	<u>(262,323)</u>
Finance income	11	114,725	154,698
Finance expenses	12	(160,894)	(140,161)
Other income	13	232,243	688,343
Other expenses	14	(156,167)	(295,278)
PROFIT BEFORE TAXATION		<u>78,281</u>	<u>145,279</u>
INCOME TAXES	15		
- Current income tax expense		(23,326)	(30,148)
- Deferred income tax expense		(671)	(1,449)
PROFIT FOR THE YEAR		<u>54,284</u>	<u>113,682</u>
Earnings per share (in RSD)	16	<u>31.59</u>	<u>66.44</u>

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, 2011 and submitted with the Serbian Business Registers Agency.

Signed on behalf of Tigar A.D., Pirot

Dragan Nikolić
General Manager

Dragoslava Branković
Head of Accounting

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

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
ASSETS			
Non-current assets			
Intangible assets	17	23,956	20,769
Property, plant and equipment	18	590,138	612,227
Equity investments	19	2,391,972	2,099,576
Other long-term financial placements	20	45,468	47,658
		<u>3,051,534</u>	<u>2,780,230</u>
Current assets			
Inventories	21	24,582	26,005
Assets held-for-sale		4,367	4,367
Accounts receivable	22	573,580	142,844
Receivables for prepaid income taxes		60	8,520
Short-term financial placements	23	356,805	488,501
Cash and cash equivalents	24	213,404	530,588
Value added tax and prepayments	25	53,865	16,738
		<u>1,226,663</u>	<u>1,217,563</u>
Total assets		<u><u>4,278,197</u></u>	<u><u>3,997,793</u></u>
EQUITY AND LIABILITIES			
Equity and reserves			
	27		
Share capital		2,062,152	2,062,152
Reserves		206,215	206,215
Retained earnings		559,429	543,040
		<u>2,827,796</u>	<u>2,811,407</u>
Long-term provisions and liabilities			
Long-term provisions	28	10,212	9,562
Long-term liabilities	29	440,820	171,009
		<u>451,032</u>	<u>180,571</u>
Current liabilities			
Short-term financial liabilities	30	796,224	862,551
Accounts payable	31	91,801	62,368
Other current liabilities	32	44,800	34,736
Income taxes payable		12,611	9,536
Value added taxes and other public duties payable and accruals		52,468	35,831
		<u>997,904</u>	<u>1,005,022</u>
Deferred tax assets		<u>1,465</u>	<u>793</u>
Total Equity and Liabilities		<u><u>4,278,197</u></u>	<u><u>3,997,793</u></u>

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

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2010
(thousands of RSD)

	Share Capital	Share Premium	Reserves	Treasury Shares Repurchased	Retained Earnings	Total
Balance January 1, 2009	2,062,152	13,781	574,953	(26,019)	111,926	2,736,793
Dividends paid to shareholders	-	-	-	-	(56,709)	(56,709)
Treasury shares sold	-	(8,378)	-	26,019	-	17,641
Transfers	-	(5,403)	(368,738)	-	374,141	-
Profit for the year	-	-	-	-	113,682	113,682
Balance, December 31, 2009	<u>2,062,152</u>	<u>-</u>	<u>206,215</u>	<u>-</u>	<u>543,040</u>	<u>2,811,407</u>
Balance January 1, 2010	2,062,152	-	206,215	-	543,040	2,811,407
Dividends paid to shareholders	-	-	-	-	(37,895)	(37,895)
Profit for the year	-	-	-	-	54,284	54,284
Balance, December 31, 2010	<u>2,062,152</u>	<u>-</u>	<u>206,215</u>	<u>-</u>	<u>559,429</u>	<u>2,827,796</u>

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

CASH FLOW STATEMENT
Year Ended December 31, 2010
(thousands of RSD)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	333,606	196,715
Interest receipts	2,640	1,314
Other receipts from operating activities	14,542	25,914
Cash paid to suppliers for raw materials and other expenses	(350,482)	(331,808)
Gross salaries and other staff costs paid	(250,750)	(243,987)
Interest paid	(104,823)	(106,197)
Taxes and contributions paid	(12,806)	(72,723)
Other public duties payable	(66,263)	(12,520)
<i>Net cash used in operating activities</i>	<u>(434,336)</u>	<u>(543,292)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of shares and equity investments (net inflows)	-	1,216,599
Sale of intangible assets, property, plant and equipment	7,477	1,432
Dividends received and distribution of profit	30,153	301,305
Other financial placements (net outflows)	(1,850)	(219,797)
Purchases of property, plant and equipment	(24,221)	(140,417)
<i>Net cash provided by investing activities</i>	<u>11,559</u>	<u>1,159,122</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Other long-term and short-term liabilities (inflows)	131,688	-
Long-term and short-term loans (net outflows)	(20,886)	(101,917)
Finance lease payments	(1,441)	(2,629)
Purchase of treasury shares	-	17,641
Dividends paid	(35,666)	(52,181)
<i>Net cash provided by/(used in) financing activities</i>	<u>73,695</u>	<u>(139,086)</u>
NET CASH (DECREASE)/INCREASE	(349,082)	476,744
Cash and cash equivalents at beginning of year	530,588	52,935
Foreign exchange gains on translation of cash and cash equivalents, net	31,898	909
Cash and cash equivalents at end of year	<u>213,404</u>	<u>530,588</u>

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

1. ESTABLISHMENT 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.

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, 2010, the Company had 213 employees (December 31, 2009: 206 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

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, no. 114 of December 22, 2006, no. 119 as of December 26, 2008, no. 9 as of February 6, 2009 and no. 4 as of January 29, 2010). 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.”

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

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

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

In accordance with the aforescribed, 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. The Company is obligated to prepare its consolidated financial statements as in accordance with the Law on Accounting and Auditing (Official Gazette of RS, number 46, June 2, 2006) and submit them to the Serbian Business Registers Agency by the end of April 2011.

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 January 1, 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 ending on or after June 30, 2009);
- IFRIC 18 “Transfers of Assets from Customers” (effective for annual periods ending on or after July 1, 2009).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

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

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:

- “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);
- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2013);
- 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 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” – Transfer of Financial Assets (effective for annual periods beginning on or after July 1, 2011);
- 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 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).

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”).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

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 receivables become 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.

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%

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. 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, 2010, according to the Company’s management, there were no indications of impairment in the Company’s tangible assets.

3.7. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. 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.

3.9. 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 a counterparty to the contractual provisions of a specific financial instrument.

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 domestic and foreign subsidiaries, as well as placements with banks and other legal entities.

Equity investments in foreign subsidiaries are initially stated at cost increased by a portion of reinvested profit and decreased for any related impairment losses.

Equity investments in domestic subsidiaries are recorded at cost as subsequently decreased by any related impairment loss or at estimated fair value.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Instruments (Continued)

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.

3.10. 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.

a) 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.

b) Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes and other 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.

3.11. 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Employee Benefits (Continued)

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.

4.3. Fair Value

The accompanying financial statements are prepared on a historical cost basis, including adjustments and provisions made to reduce assets to their estimated recoverable amounts.

It is the policy of the Company to disclose the fair value information on those financial assets and financial liabilities for which published market information is readily and reliably available, and whose fair value is materially different from their recorded amounts. Sufficient market experience, stability and liquidity do not exist for the purchase and sale of loans and other financial assets or liabilities, given that published market information is not readily available. Hence, fair value cannot be reliably determined. As per the Company's management, amounts expressed in the financial statements reflect the fair value which is most reliable and useful for the needs of the financial reporting in accordance with the Law on Accounting and Auditing of the Republic of Serbia.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

5. SALES OF GOODS, PRODUCTS AND SERVICES

	Year Ended 2010	December 31, 2009
Sales of products and services:		
- subsidiaries (Note 33)	510,510	240,926
- other	66,861	894
Sale of goods	59	196
	<u>577,430</u>	<u>242,016</u>

Income from the sales of services to subsidiaries aggregating to RSD 510,510 thousand mostly relate to centrally rendered administrative, accounting and other services based on annual agreements totaling RSD 384,817 thousand and invoices for electricity consumer and cooling and sanitary waters of RSD 121,572 thousand.

6. OWN WORK CAPITALIZED

Income from own work capitalized for the year ended December 31, 2010 aggregated to RSD 53,219 thousand (December 31, 2009: RSD 9,361 thousand), and is associated with the directly attributable costs of hiring employees engaged on the construction in progress as necessary for a number of projects.

7. COST OF MATERIAL

	Year Ended 2010	December 31, 2009
Cost of fuel oil	59,917	35,446
Electricity	32,579	24,147
Other fuel and lubricants	8,550	7,941
Chemicals	7,596	3,927
Office supplies	5,273	5,901
Other material	3,015	3,132
	<u>116,930</u>	<u>80,494</u>

8. STAFF COSTS

	Year Ended 2010	December 31, 2009
Net salaries	143,389	126,708
Taxes and contributions on salaries paid by employees	55,282	48,850
Taxes and contributions on salaries paid by the employer	34,566	30,534
Other staff costs	18,010	13,502
Remunerations to the Management and Supervisory Boards	10,890	21,173
Employee transport	5,475	4,358
Retirement benefits and jubilee awards	291	254
	<u>267,903</u>	<u>245,379</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

9. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended 2010	December 31, 2009
Depreciation and amortization (Note 18)	25,309	18,391
Provisions (Note 28)	1,204	3,844
	<u>26,513</u>	<u>22,235</u>

10. OTHER OPERATING EXPENSES

	Year Ended 2010	December 31, 2009
Non-production services	33,831	30,912
Rentals	31,160	28,493
Cost of project feasibility studies and market research	16,226	22,220
Fees paid to auditors, lawyers and consultants	16,216	9,620
Marketing and advertising	14,966	16,772
Other expenses	9,815	8,395
Bank charges	9,247	9,495
Public utilities	7,750	5,703
Entertainment	7,394	7,353
Telecommunications	6,861	6,332
Cultural and sports events	6,667	7,556
Insurance premiums	5,894	2,282
Maintenance and repair	5,465	4,842
Health services	5,102	2,821
Physical security	4,603	3,776
Other taxes and contributions	3,241	6,616
Scholarship and loans to students	2,573	5,882
Membership fees	2,149	1,821
Professional training	1,635	2,988
Fair exhibitions	952	3,492
Dispatch of goods to the customer	199	17
	<u>191,946</u>	<u>187,388</u>

11. FINANCE INCOME

	Year Ended 2010	December 31, 2009
Share in the profit of:		
- domestic subsidiaries (Note 19)	67,610	99,307
- foreign related parties (Note 19)	12,271	50,649
Foreign exchange gains	32,072	2,870
Interest income	2,772	1,872
	<u>114,725</u>	<u>154,698</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

12. FINANCE EXPENSES

	<u>Year Ended</u> 2010	<u>December 31,</u> 2009
Interest expense	111,012	103,733
Foreign exchange losses	49,882	33,771
Other finance expenses	-	2,657
	<u>160,894</u>	<u>140,161</u>

13. OTHER INCOME

	<u>Year Ended</u> 2010	<u>December 31,</u> 2009
Gains on the transfer of property, plant and equipment (Note 18)	217,577	127,705
Gains on the sale of property, plant and equipment	3,070	777
Other	11,596	10,331
Gains on the sale of equity investments	-	549,530
	<u>232,243</u>	<u>688,343</u>

Gains on the transfer of property, plant and equipment totaling RSD 217,577 thousand fully relate to the appraisal effects in respect of buildings transferred to subsidiaries as a contribution in kind (Note 2.1).

14. OTHER EXPENSES

	<u>Year Ended</u> 2010	<u>December 31,</u> 2009
Loss on the sale of property, plant and equipment	3,751	966
Impairment of equity investments	-	47
Impairment of receivables (Note 26)	885	831
Write-off of short-term loans to subsidiaries (Note 26)	151,436	290,415
Other	95	3,019
	<u>156,167</u>	<u>295,278</u>

15. INCOME TAXES

a) Components of Income Taxes

	<u>Year Ended</u> 2010	<u>December 31,</u> 2009
Current income tax expense	(23,326)	(30,148)
Deferred income tax expense	(671)	(1,449)
	<u>(23,997)</u>	<u>(31,597)</u>

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

	<u>2010</u>	<u>2009</u>
Profit before tax	78,281	145,279
Income taxes at the statutory tax rate of 10%	(7,828)	(14,528)
Tax effects of non-deductible expenses	(20,653)	(45,189)
Tax credits for capital expenditures	3,828	28,120
Other	656	-
	<u>(23,997)</u>	<u>(31,597)</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

15. INCOME TAXES (Continued)

c) Deferred Tax Liabilities

Deferred tax liabilities amounting to RSD 1,465 thousand at December 31, 2010 (December 31, 2009: RSD 793 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

	<u>2010</u>	<u>2009</u>
Profit for the year	54,284	113,682
Weighted average number of shares	<u>1,718,460</u>	<u>1,711,095</u>
Basic earnings per share (in RSD)	<u>31.59</u>	<u>66.44</u>

17. INTANGIBLE ASSETS

	<u>Licenses</u>	<u>Other Intangible Assets</u>	<u>Intangible Assets in Progress</u>	<u>Total Intangible Assets</u>
Cost				
Balance, January 1, 2009	7,253	1,107	18,956	27,316
Additions	-	-	1,699	1,699
Balance, December 31, 2009	<u>7,253</u>	<u>1,107</u>	<u>20,655</u>	<u>29,015</u>
Balance, January 1, 2010	7,253	1,107	20,655	29,015
Additions	-	-	3,250	3,250
Decreases	-	-	(23)	(23)
Balance, December 31, 2010	<u>7,253</u>	<u>1,107</u>	<u>23,882</u>	<u>32,242</u>
Accumulated Amortization				
Balance, January 1, 2009	6,993	1,107	-	8,100
Charge for the year	146	-	-	146
Balance, December 31, 2009	<u>7,139</u>	<u>1,107</u>	<u>-</u>	<u>8,246</u>
Balance, January 1, 2010	7,139	1,107	-	8,246
Charge for the year	40	-	-	40
Balance, December 31, 2010	<u>7,179</u>	<u>1,107</u>	<u>-</u>	<u>8,286</u>
Net Book Value				
- December 31, 2010	<u>74</u>	<u>-</u>	<u>23,882</u>	<u>23,956</u>
- December 31, 2009	<u>114</u>	<u>-</u>	<u>20,656</u>	<u>20,769</u>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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

18. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Leasehold Improvements</u>	<u>Total PP&E</u>
Cost						
Balance, January 1, 2009	35,637	225,143	261,995	218,288	150	741,213
Additions	-	-	-	132,698	-	132,698
Transfers	8,713	84,688	43,434	(145,225)	8,390	-
Transfers to related parties	-	-	-	(111,529)	-	(111,529)
Sales	(37)	-	(526)	(63)	-	(626)
Disposals	-	(113)	(7,562)	(4,279)	-	(11,954)
Balance, December 31, 2009	44,313	309,718	297,341	89,890	8,540	749,802
Balance, January 1, 2010	44,313	309,718	297,341	89,890	8,540	749,802
Additions	-	-	-	39,995	-	39,995
Capitalized costs	-	-	-	53,219	-	53,219
Transfers	1,111	11,661	5,009	(18,263)	482	-
Transfers to related parties	-	(25,209)	-	(54,777)	-	(79,986)
Sales	(171)	(2,297)	(10,689)	(2,284)	-	(15,441)
Disposals	-	-	(9,010)	-	-	(9,010)
Transfer to intangible assets	-	-	-	(3,250)	-	(3,250)
Balance, December 31, 2010	45,253	293,873	282,651	104,530	9,022	735,329
Accumulated Depreciation						
Balance, January 1, 2009	-	33,646	93,766	-	30	127,442
Charge for the year	-	4,925	13,290	-	30	18,245
Sales	-	-	(526)	-	-	(526)
Disposals	-	(113)	(7,473)	-	-	(7,586)
Balance, December 31, 2009	-	38,458	99,057	-	60	137,575
Balance, January 1, 2010	-	38,458	99,057	-	60	137,575
Charge for the year	-	7,524	16,013	-	1,732	25,269
Transfers to related parties – contribution in kind	-	(5,369)	-	-	-	(5,369)
Sale and disposal	-	(278)	(12,006)	-	-	(12,284)
Balance, December 31, 2009	-	40,335	103,064	-	1,792	145,191
Net Book Value						
- December 31, 2010	45,253	253,538	179,587	104,530	7,230	590,138
- December 31, 2009	44,313	271,260	198,284	89,890	8,480	612,227

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, 2010 amounted to EUR 1,169,150 and USD 882,696 or RSD 193,324 thousand as translated to dinars (Note 29).

Over the business building located upon the cadastral plot numbers 1897/2, 1897/8, 1897/9 and 1897/10 included in the title deed number 8311 of the Cadastral Municipality of Pirot, as well as over the building on the cadastral plot number 3484/1 included in the title deed number 6797 of the Cadastral Municipality of Niš a pledge lien was inscribed in favor of Soci t  G n rale Banka Srbija a.d., Beograd based on a short-term loan approved on March 25, 2010 in the amount of EUR 2,000,000 or RSD 211,630 thousand as translated to dinars as of December 31, 2010 (Note 29).

Over buildings used to perform other industries located on the cadastral plot 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 (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The June 21, 2010 Pledge Lien Agreement instituted a pledge lien over certain Company's equipment 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 (Note 29).

Based on the December 17, 2010 Pledge Agreement, the Company encumbered certain equipment as a pledgor acting on behalf of its subsidiary Tigar Trade d.o.o., Pirot based on two loans approved by Erste Banka a.d., Novi Sad aggregating to EUR 2,084,000 which totaled RSD 219,858 thousand as translated to dinars at December 31, 2010.

In 2010, 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 74,617 thousand. The transfer was executed at the appraised value of RSD 292,194 thousand and the appraisal effects of RSD 217,577 thousand were credited to profit and loss account (Notes 2.1 and 13).

The increase in construction in progress of RSD 53,219 thousand relates to the capitalization of expenses of salaries paid to workers engaged on a large number of investment projects.

19. EQUITY INVESTMENTS

	December 31, 2010	December 31, 2009
Equity investments in subsidiaries and related parties	2,406,391	2,113,995
Less: Allowance for impairment (Note 26)	(14,572)	(14,572)
	<u>2,391,819</u>	<u>2,099,423</u>
Equity investments in banks	89	89
Equity investments in other legal entities	64	64
	<u><u>2,391,972</u></u>	<u><u>2,099,576</u></u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

19. EQUITY INVESTMENTS (Continued)

	% Interest	December 31, 2010	December 31, 2009
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, Great Britain	50.00	122,406	122,406
		<u>192,761</u>	<u>192,761</u>
Domestic:			
- Tigar Obuća d.o.o., Pirot	100.00	820,485	820,486
- Tigar Tehnička guma d.o.o., Pirot	100.00	418,687	418,688
- Tigar Trade d.o.o., Pirot	100.00	276,563	230,719
- Tigar Poslovni servis d.o.o., Pirot	100.00	204,321	102,774
- Tigar Hemijski proizvodi d.o.o., Pirot	100.00	202,562	99,740
- Tigar Incon d.o.o., Pirot	100.00	162,425	35,282
- Tigar Fizičko obezbeđenje d.o.o., Pirot	100.00	13,755	13,755
- 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
- Tigar Ugostiteljstvo d.o.o., Pirot	100.00	53	-
- Tigar – Slobodna carinska zona, Pirot	75.06	89,406	89,406
- P kanal, Pirot	75.00	400	400
- Dom Sportova d.o.o., Pirot	50.00	12,265	12,265
- Tigar Hotel Planinarski dom d.o.o., Pirot	-	-	85,164
Other		637	484
		<u>2,213,783</u>	<u>1,921,387</u>
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		(743)	(743)
		<u>(14,572)</u>	<u>(14,572)</u>
		<u>2,391,972</u>	<u>2,099,576</u>

During 2010, the Company increased the value of equity share in the capital of its subsidiaries by the total of RSD 292,194 thousand (Note 34).

20. OTHER LONG-TERM FINANCIAL PLACEMENTS

Other long-term financial placements stated in the balance sheet as of December 31, 2010, in the amount of RSD 45,468 thousand (December 31, 2009: RSD 47,658 thousand) are associated with 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%.

21. INVENTORIES

	December 31, 2010	December 31, 2009
Advances to suppliers	21,311	22,870
Fuel oil	2,368	992
Other materials	903	2,143
	<u>24,582</u>	<u>26,005</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

22. ACCOUNTS RECEIVABLE

	December 31, 2010	December 31, 2009
Receivables from related parties (Note 33)	429,869	63,972
Domestic accounts receivable	21,377	4,440
Receivables arising from share in profit (Note 33)	121,531	71,803
Receivables from employees	3,969	3,833
Other receivables	-	1,077
	<u>576,746</u>	<u>145,125</u>
Less: Allowance for impairment of receivables (Note 26)	<u>(3,166)</u>	<u>(2,281)</u>
	<u><u>573,580</u></u>	<u><u>142,844</u></u>

23. SHORT-TERM FINANCIAL PLACEMENTS

	December 31, 2010	December 31, 2009
Short-term loans to domestic subsidiaries (Note 34)	356,788	488,484
Other short-term placements	17	17
	<u>356,805</u>	<u>488,501</u>

Short-term loans to subsidiaries at December 31, 2010 amounted to RSD 356,788 thousand (December 31, 2009: RSD 488,484 thousand) and are associated with loans extended to related parties for the current liquidity needs with up to one-year maturity.

24. CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009
Current account	176	12,445
Foreign currency accounts	615	473,290
Cash on hand	56	172
Short-term guarantee deposits	210,996	43,150
Other cash	1,561	1,531
	<u>213,404</u>	<u>530,588</u>

Short-term guarantee deposits stated at December 31, 2010 in the total of RSD 210,996 thousand (EUR 2,000,000) have been placed with commercial banks for the purpose of securing short-term loans approved and banking guarantees issued – Banca Intesa a.d., Beograd (RSD 94,948 thousand), Hypo Alpe Adria Bank a.d., Beograd (RSD 63,299 thousand) and Societe Générale Banka Srbija a.d., Beograd (RSD 52,749 thousand).

25. VALUE ADDED TAXES AND PREPAYMENTS

	December 31, 2010	December 31, 2009
Deferred unrealized foreign exchange losses, net	49,202	13,315
Accrued income	1,603	-
Other prepayments	1,580	2,676
Receivables for prepaid VAT	-	747
Prepaid expenses	1,480	-
	<u>53,865</u>	<u>16,738</u>

NOTES TO THE FINANCIAL STATEMENTS

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

25. VALUE ADDED TAXES AND PREPAYMENTS (Continued)

Deferred unrealized foreign exchange losses amounting to RSD 49,202 thousand (December 31, 2009: RSD 13,315 thousand) contain a portion of unrealized foreign exchange differences that mature in 2011 in the amount of RSD 16,025 thousand based on long-term borrowings.

26. MOVEMENTS IN PROVISIONS

	Equity Investments	Loans to Subsidiaries	Accounts Receivable	Total
Balance, January 1, 2009	14,572	-	1,450	16,022
Charge for the year (Note 14)	-	290,415	831	291,246
Write-off	-	(290,415)	-	(290,415)
Balance, December 31, 2009	<u>14,572</u>	<u>-</u>	<u>2,281</u>	<u>16,853</u>
Balance, January 1, 2010	14,572	-	2,281	16,853
Charge for the year (Note 14)	-	151,436	885	152,321
Write-off	-	(151,436)	-	(151,436)
Balance, December 31, 2010	<u>14,572</u>	<u>-</u>	<u>3,166</u>	<u>17,738</u>

27. SHARE CAPITAL

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
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
	<u>1,718,460</u>	<u>100.0</u>	<u>2,062,152</u>

The structure of the Company's share capital as of December 31, 2009, as stipulated in the excerpt from the Central Securities Depository and Clearing House, 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 Pensioenfond	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
	<u>1,718,460</u>	<u>100.0</u>	<u>2,062,152</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

27. SHARE CAPITAL (Continued)

At December 31, 2010 and 2009, 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 18, 2010, the Company distributed prior years' profit in the form of dividend paid to shareholders in the total of RSD 37,895 thousand.

28. LONG-TERM PROVISIONS

Long-term provisions which amounted to RSD 10,212 thousand as of December 31, 2010 (December 31, 2009: RSD 9,562 thousand) entirely relate to long-term provisions for employee retirement benefits and jubilee awards.

The assumptions used in the Actuary's assessment were as follows:

	<u>2010</u>	<u>2009</u>
Nominal discount rate	11.5%	8.5%
Expected rate of nominal salary growth	8%	5.1%

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

	<u>Retirement Benefits</u>	<u>Jubilee Awards</u>	<u>Total</u>
Balance, January 1, 2010	7,430	2,132	9,562
Cost of current services	736	188	924
Interest expenses	694	197	891
Paid benefits	(310)	(245)	(555)
Actuarial (losses)/gains	(1,106)	496	(610)
Balance, December 31, 2010	<u>7,444</u>	<u>2,768</u>	<u>10,212</u>

29. LONG-TERM LIABILITIES

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Long-term borrowings	554,953	212,953
Liabilities arising from long-term securities issued	243,763	-
Finance lease liabilities	1,698	398
	<u>800,414</u>	<u>213,351</u>
Less: Current portion of long-term liabilities	<u>(359,594)</u>	<u>(42,342)</u>
	<u>440,820</u>	<u>171,009</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

29. LONG-TERM LIABILITIES (Continued)

a) Long-Term Borrowings

<u>Creditor</u>	<u>Interest Rate</u>	<u>Code</u>	<u>Currency</u>		<u>December 31, 2010</u>	<u>December 31, 2009</u>
			<u>Amount</u>			
Refinanced loans through Alpha bank A.D., Beograd:						
Berliner bank A.G., Berlin	5.5 % p.a.	EUR	263,203		27,768	31,428
Algemene bank Nederland N.V., Amsterdam	5.6 % p.a.	EUR	905,947		95,576	108,177
The first national bank of Chicago, SAD	5.5 % p.a.	USD	882,696		69,980	73,348
Hypo Alpe Adria Bank, a.d., Beograd	3M Euribor + 8.5% p.a.	EUR	2,000,000		211,629	-
Banca Intesa a.d., Beograd	1.2% p.m.	RSD			150,000	-
					554,953	212,953
Current portion of long-term borrowings					(315,695)	(41,944)
					239,258	171,009

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Within a year	315,695	41,944
From 1 to 2 years	54,058	18,171
From 2 to 5 years	185,200	152,838
	554,953	212,953

b) Long-Term Bonds

<u>Investor</u>	<u>Annual Interest Rate</u>	<u>Code</u>	<u>Currency</u>		<u>December 31, 2010</u>	<u>December 31, 2009</u>
			<u>Amount</u>			
Komercijalna banka a.d., Beograd	7.5 %	EUR	958,703		101,142	-
Wiener Stadtische osiguranje a.d., Beograd	7.5 %	EUR	678,895		71,622	-
KBC Banka a.d., Beograd	7.5 %	EUR	199,543		21,051	-
DDOR Novi Sad a.d., Novi Sad	7.5 %	EUR	188,248		19,860	-
Takovo a.d., Kragujevac	7.5 %	EUR	185,429		19,562	-
Wiener reosiguranje a.d., Beograd	7.5 %	EUR	99,772		10,526	-
					243,763	-
Less: Current portion of long-term bonds					(43,314)	-
					200,449	-

The maturities of long-term bonds are as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Within a year	43,314	-
From 2 to 5 years	200,449	-
	243,763	-

In 2010, the Company executed two private bond issues to known buyers, without public offering. The total number of bonds issued is 25,050 and are worth RSD 250,500 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, 2010

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

29. LONG-TERM LIABILITIES (Continued)

c) Finance Lease Liabilities

	Sum of		Present Value of	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<i>Maturity:</i>				
Up to one year	671	403	585	398
From 1 to 5 years	1,175	-	1,113	-
	1,846	403	1,698	398
Less: future cost of financing	(148)	(5)	-	-
Present value of minimum lease payments	1,698	398	1,698	398
Included in the financial statements as:				
Current portion of long-term liabilities			585	398
Other long-term liabilities			1,113	-
			1,698	398

30. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2010	December 31, 2009
Domestic short-term loans	436,630	725,209
Short-term bonds	-	95,000
Current portion of long-term loans and finance leases	316,280	42,342
Current portion of long-term bonds	43,314	-
	796,224	862,551

Domestic Short-Term Loans

Creditor	Interest Rate	Maturity Period	Currency		December 31, 2010	December 31, 2009
			Code	Amount		
Loans in foreign currency:						
Hypo Alpe Adria Bank a.d. Beograd	6-m EURIBOR + 6.5% p.a.	1 year	EUR	1,000,000	-	96,177
Hypo Alpe Adria Bank a.d. Beograd	3% p.a.	1 year	EUR	666,667	-	63,926
Société Générale Banka Srbija a.d., Beograd	3-m EURIBOR + 4.5% p.a.	6 months	EUR	1,300,000	-	125,029
Société Générale Banka Srbija a.d., Beograd	3-m EURIBOR + 4.5% p.a.	5 months	EUR	750,000	-	72,132
Unicredit bank a.d., Beograd	Nominal – 5.5% p.a.	1 year	EUR	1,000,000	-	95,889
Hipo Alpe Adria banka a.d. Beograd	6-m EURIBOR + 6.5% p.a.	1 year	EUR	1,000,000	-	96,177
Société Générale Banka Srbija a.d. Beograd	3-m EURIBOR + 5.3% p.a.	1 year	EUR	2,000,000	211,630	-
					211,630	453,153
Loans in dinars:						
Banca Intesa a.d. Beograd	3M BELIBOR + 2.2% p.a.	1 year	RSD		-	120,000
AIK banka a.d. Niš	1.2% p.m.	1 year	RSD		-	110,000
Moskovska banka a.d., Beograd	Reference interest rate NBS + 5% p.a.	1 year	RSD		-	42,056
Société Générale Banka Srbija a.d., Beograd	Two-week REPO- 1.5% p.a.	1 year	RSD		45,000	-
Srpska banka a.d. Beograd	1.6% p.m.	4 months	RSD		100,000	-
Srpska banka a.d. Beograd	1.7% p.m.	1 year	RSD		80,000	-
					225,000	272,056
					436,630	725,209

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

31. ACCOUNTS PAYABLE

	December 31, 2010	December 31, 2009
Domestic accounts payable	57,958	30,830
Accounts payable – subsidiaries (Note 33)	26,029	26,033
Other accounts payable	5,828	776
Foreign accounts payable	1,986	1,317
Advances, deposits and retainers received from customers	-	3,412
	<u>91,801</u>	<u>62,368</u>

32. OTHER CURRENT LIABILITIES

	December 31, 2010	December 31, 2009
Gross salaries	20,483	17,388
Dividend payables	15,292	13,063
Interest accrued	7,941	3,991
Other short-term liabilities	1,084	294
	<u>44,800</u>	<u>34,736</u>

33. RELATED PARTY TRANSACTIONS

	2010	2009
Balance sheet		
Assets		
<u>Equity investments (net)</u>		
- Tigar Obuća d.o.o., Pirot	820,485	820,485
- Tigar Tehnička guma d.o.o., Pirot	418,687	418,687
- Tigar Trade d.o.o., Pirot	276,563	230,718
- Tigar Poslovni servis d.o.o., Pirot	204,321	102,774
- Tigar Hemijski proizvodi d.o.o., Pirot	202,562	99,740
- Tigar Incon d.o.o., Pirot	161,607	34,464
- Tigar Europe Ltd., London, UK	122,406	122,406
- Tigar – Slobodna carinska zona a.d., Pirot	89,406	89,406
- Tigar Americas inc. Jacksonville, USA	23,470	23,470
- Tigar Partner d.o.o., Skopje, Macedonia	20,749	20,749
- Tigar Obezbeđenje d.o.o., Pirot	13,755	13,755
- Dom sportova a.d., Pirot	11,527	11,527
- Tigar Turs d.o.o., Pirot	9,103	9,103
- Tigar Trade d.o.o., Banja Luka	8,995	8,995
- Tigar Montenegro d.o.o., Podgorica, Montenegro	4,868	4,868
- Tigar Inter Risk d.o.o., Pirot	1,773	1,773
- Tigar Zaštitna radionica d.o.o., Pirot	1,348	1,348
- Tigar Ugostiteljstvo	53	-
- Hotel Stara d.o.o., Pirot	-	85,163
Other	141	(8)
	<u>2,391,819</u>	<u>2,099,423</u>
<u>Advances paid</u>		
- Tigar Tehnička guma d.o.o., Pirot	4,498	4,501
- Tigar Poslovni servis d.o.o., Pirot	452	770
- Slobodna zona d.o.o., Pirot	1	-
- Tigar Obuća d.o.o., Pirot	-	79
- Tigar Hotel Stara d.o.o., Pirot	-	210
	<u>4,951</u>	<u>5,560</u>

NOTES TO THE FINANCIAL STATEMENTS

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

33. RELATED PARTY TRANSACTIONS (Continued)

	<u>2010</u>	<u>2009</u>
Balance sheet (Continued)		
Assets (Continued)		
<i>Accounts receivable</i>		
- Tigar Obuća d.o.o., Pirot	206,014	22,089
- Tigar Tehnička guma d.o.o., Pirot	177,631	9,327
- Tigar Trade d.o.o. Pirot	19,077	-
- Tigar Hemijski proizvodi d.o.o, Pirot	9,205	1,162
- Tigar Poslovni servis d.o.o., Pirot	5,859	4,040
- Tigar Zaštitna radionica d.o.o., Pirot	5,305	4,372
- Tigar Inkon d.o.o., Pirot	2,652	1,462
- Hotel Stara d.o.o., Pirot	2,024	2,014
- Tigar Obezbeđenje d.o.o., Pirot	490	-
- Tigar Inter Risk d.o.o., Pirot	463	-
- Tigar – Slobodna carinska zona a.d., Pirot	296	890
- Tigar Tours d.o.o., Pirot	216	-
- Tigar Tyres d.o.o., Pirot	-	17,645
Other	637	970
	<u>429,869</u>	<u>63,971</u>
<i>Receivables from share in profit</i>		
- Tigar Hemijski proizvodi d.o.o., Pirot	51,327	46,275
- Tigar Inkon d.o.o., Pirot	18,593	-
- Tigar – Slobodna carinska zona a.d., Pirot	14,579	3,016
- Tigar Trade d.o.o. Pirot	14,317	3,182
- Tigar Zaštitna radionica d.o.o., Pirot	11,696	8,073
- Tigar Obezbeđenje d.o.o., Pirot	7,650	3,692
- Tigar Trade Banja Luka	1,673	1,673
- Tigar Partner d.o.o., Skopje, Macedonia	850	850
- Tigar Europe, London	300	18
- Tigar Turs d.o.o., Pirot	296	-
- Tigar Poslovni servis d.o.o., Pirot	162	4,813
- Tigar Montenegro d.o.o., Podgorica, Montenegro	47	-
- Tigar Inter Risk d.o.o., Pirot	41	211
	<u>121,531</u>	<u>71,803</u>
<i>Short-term financial placements – related parties</i>		
- Tigar Trade d.o.o. Pirot	305,763	454,815
- Tigar Tehnička guma d.o.o., Pirot	23,069	2,269
- Tigar Obezbeđenje d.o.o., Pirot	12,904	13,504
- Tigar Zaštitna radionica d.o.o., Pirot	7,443	8,683
- P kanal d.o.o., Pirot	4,707	-
- Tigar Hemijski proizvodi d.o.o., Pirot	2,902	2,902
- Tigar Poslovni servis d.o.o., Pirot	-	6,311
	<u>356,788</u>	<u>488,484</u>
Total, assets	<u><u>3,304,958</u></u>	<u><u>2,729,241</u></u>

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

33. RELATED PARTY TRANSACTIONS (Continued)

	2010	2009
Balance sheet		
<i>Liabilities</i>		
<i>Advances received</i>		
- Tigar Trade d.o.o. Pirot	-	3,413
	-	3,413
<i>Accounts payable</i>		
- Tigar Americas Inc. Jacksonville, USA	11,099	5,539
- Tigar Incon d.o.o., Pirot	5,929	15,872
- Tigar Obezbeđenje d.o.o., Pirot	2,542	439
- Tigar Tours d.o.o., Pirot	2,395	608
- Tigar Trade d.o.o. Pirot	2,349	1,857
- Tigar Zaštitna radionica d.o.o., Pirot	158	87
- Tigar Hemijski proizvodi d.o.o., Pirot	24	24
- Tigar Obuća d.o.o., Pirot	22	-
- Tigar – Slobodna carinska zona a.d., Pirot	-	4
Other	1,511	1,603
	26,029	26,033
Total, liabilities	26,029	29,446
Net assets	3,278,929	2,699,795
Income statement		
Income		
<i>Sale of products and services</i>		
- Tigar Obuća d.o.o., Pirot	211,703	83,473
- Tigar Tehnička guma d.o.o., Pirot	151,760	22,996
- Tigar Trade d.o.o. Pirot	113,250	46,319
- Tigar Hemijski proizvodi d.o.o., Pirot	13,377	4,038
- Tigar Incon d.o.o., Pirot	8,852	6,579
- Tigar Poslovni servis d.o.o., Pirot	7,780	5,981
- Tigar Obezbeđenje d.o.o., Pirot	1,837	1,407
- Tigar Zaštitna radionica d.o.o., Pirot	1,600	873
- Tigar Tours d.o.o., Pirot	307	105
- Hotel StarA d.o.o., Pirot	-	420
- Tigar Tyres d.o.o., Pirot	-	68,677
Other	103	58
	510,569	240,926

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

33. RELATED PARTY TRANSACTIONS (Continued)

	<u>2010</u>	<u>2009</u>
Income statement (Continued)		
<u>Finance income</u>		
- Tigar Incon d.o.o., Pirot	18,593	181,417
- Tigar Trade d.o.o. Pirot	14,317	-
- Tigar – Slobodna carinska zona a.d., Pirot	13,496	12,293
- Tigar Europe, London	11,678	5,400
- Tigar Zaštitna radionica d.o.o., Pirot	11,696	5,389
- Tigar Hemijski proizvodi d.o.o., Pirot	5,053	5,277
- Tigar Obezbeđenje d.o.o., Pirot	3958	3,693
- Tigar Montenegro d.o.o., Podgorica, Montenegro	520	2,962
- Tigar Tours d.o.o., Pirot	295	1,892
- Tigar Poslovni servis d.o.o., Pirot	163	1,726
- Tigar Inter Risk d.o.o., Pirot	41	1,323
- Tigar Tehnička guma d.o.o., Pirot	-	1,111
- Tigar Partner d.o.o., Skopje, Macedonia	-	559
- Tigar Trade d.o.o., Banja Luka	-	201
- Tigar Tyres d.o.o., Pirot	-	27,304
Other	-	-
	<u>79,810</u>	<u>151,665</u>
<u>Sale of equity investments</u>		
Other		
- Tigar Tyres d.o.o., Pirot	-	549,530
	-	<u>549,530</u>
<u>Capital gains from property transfer</u>		
- Tigar Incon d.o.o., Pirot	101,448	-
- Tigar Hemijski proizvodi d.o.o., Pirot	60,546	-
- Tigar Trade d.o.o., Pirot	45,845	-
- Tigar Poslovni servis d.o.o., Pirot	9,738	-
- Tigar Tehnička guma d.o.o., Pirot	-	127,636
	<u>217,577</u>	<u>127,636</u>
Total, income	<u><u>807,956</u></u>	<u><u>1,069,757</u></u>
Expenses		
<u>Cost of production services</u>		
- Tigar Trade d.o.o. Pirot		
- Tigar Tehnička guma d.o.o., Pirot	2,251	1,494
- Tigar Poslovni servis d.o.o., Pirot	949	62
- Tigar Tours d.o.o., Pirot	456	24
- Tigar Incon d.o.o., Pirot	304	391
- Tigar Obuća d.o.o., Pirot	157	898
- Tigar Zaštitna radionica d.o.o., Pirot	-	3
	<u>4,117</u>	<u>2,874</u>
<u>Cost of material and spare parts</u>		
- Tigar Trade d.o.o. Pirot	6,020	3,564
- Tigar Poslovni servis d.o.o. Pirot	707	-
- Tigar Tours d.o.o. Pirot	7,845	5,845
- Tigar Hotel StarA d.o.o. Pirot	-	639
	<u>14,572</u>	<u>10,048</u>

NOTES TO THE FINANCIAL STATEMENTS

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

33. RELATED PARTY TRANSACTIONS (Continued)

	<u>2010</u>	<u>2009</u>
Income statement (Continued)		
Expenses (Continued)		
<i>Cost of non-material expenses</i>		
- Tigar Poslovni servis d.o.o., Pirot	8,548	6,411
- Tigar Obezbeđenje d.o.o., Pirot	4,514	3,778
- Tigar Incon d.o.o., Pirot	2,533	2,343
- Tigar Inter Risk d.o.o., Pirot	750	96
- Tigar Obuća d.o.o., Pirot	322	334
- Tigar Tours d.o.o., Pirot	217	309
- Tigar Trade d.o.o. Pirot	156	195
- Tigar Zaštitna radionica d.o.o., Pirot	60	29
- Tigar Tehnička guma d.o.o., Pirot	46	43
- Tigar – Slobodna carinska zona a.d., Pirot	23	11
- Hotel Stara d.o.o., Pirot	-	1,729
- Tigar Hemijski proizvodi d.o.o., Pirot	-	34
	<u>17,169</u>	<u>15,312</u>
<i>Other expenses</i>		
- Tigar Obuća d.o.o., Pirot	119,116	168,456
- Tigar Tehnička guma d.o.o., Pirot	22,720	31,254
- Tigar Trade d.o.o. Pirot	9,600	56,000
- Tigar Hemijski proizvodi d.o.o., Pirot	-	15,000
- Hotel StarA d.o.o., Pirot	-	8,905
- Tigar Obezbeđenje d.o.o., Pirot	-	10,000
	<u>151,436</u>	<u>289,615</u>
Total expenses	<u>187,294</u>	<u>317,849</u>
Net income	<u>620,622</u>	<u>751,908</u>

Cost of gross salaries paid to the members of the Company's management for the period under review amounted to RSD 20,698 thousand.

34. 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 debt to equity ratios of the Company as of the year end were as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Debt a)	1,237,044	1,033,963
Cash and cash equivalents	<u>(213,404)</u>	<u>(530,588)</u>
Net debt	<u>1,023,640</u>	<u>503,375</u>
Equity b)	<u>2,827,796</u>	<u>2,811,407</u>
Debt to equity ratio	<u>0.36</u>	<u>0.18</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Capital Risk Management (Continued)

- 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.

Categories of Financial Instruments

	December 31, 2010	December 31, 2009
Financial assets		
Long-term financial placements	45,468	47,658
Short-term financial placements	356,805	488,501
Accounts receivable	448,080	66,130
Other receivables	121,531	71,803
Cash and cash equivalents	213,404	530,588
	<u>1,185,288</u>	<u>1,204,680</u>
Financial liabilities		
Long-term borrowings	239,258	171,009
Long-term liabilities based on securities issued	200,449	-
Long-term borrowings	436,629	820,209
Current portion of long-term borrowings and lease liabilities	316,280	42,342
Current portion of long-term liabilities arising from securities issued	43,315	-
Other financial liabilities	1,113	398
Accounts payable	136,898	93,759
	<u>1,373,942</u>	<u>1,127,717</u>

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

34. 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, 2010	December 31, 2009	December 31, 2010	December 31, 2009
EUR	214,286	516,526	795,981	595,176
USD	339	15	82,758	81,293
	<u>214,625</u>	<u>516,541</u>	<u>878,739</u>	<u>676,469</u>

The Company is sensitive to the movements in the 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 to 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 points to the increase in the results of the current period, being the case when RSD value declines as opposed to the currency at issue. In case RSD declines 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, 2010	December 31, 2009
EUR	±58,169	±7,865
USD	±8,242	±8,128
Impact on net profit for the year	<u>±66,411</u>	<u>±15,993</u>

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 29).

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, 2010

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

34. 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, 2010	December 31, 2009
Financial Assets		
<i>Non-interest bearing</i>		
Short-term financial placements	472,853	531,651
Cash and cash equivalents	2,408	487,438
Other receivables	121,531	71,803
Accounts receivable	448,080	66,130
	<u>1,044,872</u>	<u>1,057,022</u>
<i>Fixed interest rates</i>		
Long-term financial placements	45,468	47,658
<i>Variable interest rate</i>		
Short-term financial placements	94,948	-
	<u>1,185,288</u>	<u>1,204,680</u>
Financial liabilities		
<i>Non-interest bearing</i>		
Accounts payable	136,898	93,759
<i>Fixed interest rates</i>		
Long-term borrowings	239,258	171,009
Long-term liabilities arising from securities issued	200,449	-
Short-term borrowings	180,000	300,889
Current portion of long-term borrowings and lease liabilities	316,280	42,342
Current portion of long-term liabilities based on securities issued	43,315	-
Other financial liabilities	1,113	398
	<u>980,415</u>	<u>514,638</u>
<i>Variable interest rates</i>		
Short-term borrowings	256,629	519,320
	<u>256,629</u>	<u>519,320</u>
	<u>1,373,942</u>	<u>1,127,717</u>

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, 2010 in the amount of RSD 2,566 thousand (December 31, 2009: RSD 5,193 thousand). Such situation is attributed to the Company's exposure arising from the variable interest rates applied to long-term borrowings.

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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

The most significant customers are presented in the following table:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Tigar Obuća d.o.o., Pirot	206,014	22,080
Tigar Tehnička guma d.o.o., Pirot	177,631	9,327
Tigar Trade d.o.o. Pirot	19,077	3,412
Tigar Hemijski proizvodi d.o.o, Pirot	9,205	1,162
Tigar Poslovni servis d.o.o., Pirot	5,859	4,040
Tigar Zaštitna radionica d.o.o., Pirot	5,305	4,372
Tigar Inkon d.o.o., Pirot	2,652	1,462
Hotel Stara d.o.o. Pirot	2,024	2,014
Niki metal d.o.o., Pirot	1,061	-
SP-produkt, Pirot	841	-
Other	<u>21,577</u>	<u>20,542</u>
	451,246	68,411
Less: Allowance for impairment of accounts receivable	<u>(3,166)</u>	<u>(2,281)</u>
	<u>448,080</u>	<u>66,130</u>

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

	<u>Gross Exposure</u>	<u>Allowance for Impairment</u>	<u>Net Exposure</u>
Accounts receivable, not matured	109,290	-	109,290
Accounts receivable matured and provided for	3,166	(3,166)	-
Accounts receivable matured, but not provided for	<u>338,790</u>	<u>-</u>	<u>338,790</u>
	<u>451,246</u>	<u>(3,166)</u>	<u>448,080</u>

The structure of accounts receivable as of December 31, 2009 is presented in the following table:

	<u>Gross Exposure</u>	<u>Allowance for Impairment</u>	<u>Net Exposure</u>
Accounts receivable, not matured	31,676	-	31,676
Accounts receivable matured and provided for	2,281	(2,281)	-
Accounts receivable matured, but not provided for	<u>34,454</u>	<u>-</u>	<u>34,454</u>
	<u>68,411</u>	<u>(2,281)</u>	<u>66,130</u>

Accounts Receivable, not Matured

Accounts receivable, not matured as of December 31, 2010 in the amount of RSD 109,290 thousand (December 31, 2009: RSD 31,676 thousand) mostly refer to accounts receivable arising from the sale of services. Most of these receivables mature within 60 days from the invoicing date, depending on the contractually-agreed terms. The average days' sales outstanding in 2010 counted 171 days (2009: 299 days).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

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 885 thousand (December 31, 2009: RSD 2,281 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, 2010 in the amount of RSD 338,790 thousand (December 31, 2009: RSD 34,454 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 as follows:

	December 31, 2010	December 31, 2009
Less than 30 days	36,884	23,325
From 31 to 90 days	79,483	9,154
From 91 to 180 days	222,423	-
From 181 to 365 days	-	1,975
Over 365 days	-	-
	<u>338,790</u>	<u>34,454</u>

Managing Accounts Payable

Accounts payable as of December 31, 2010 were stated in the amount of RSD 133,959 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 2010 counted 191 days (2009: 174 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, 2010

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

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Tables of Liquidity and Credit Risk (Continued)

Maturities of Financial Assets

	December 31, 2010					Total
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	
Non-interest bearing	36,884	79,483	810,049	118,456	-	1,044,872
Fixed interest rate	-	-	-	-	50,200	50,200
Variable interest rate	-	-	99,695	-	-	99,695
	<u>36,884</u>	<u>79,483</u>	<u>909,774</u>	<u>118,456</u>	<u>45,468</u>	<u>1,194,767</u>

	December 31, 2009					Total
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	
Non-interest bearing	23,325	9,154	637,105	487,438	-	1,157,022
Fixed interest rate	-	-	-	-	49,583	49,583
	<u>23,325</u>	<u>9,154</u>	<u>537,105</u>	<u>487,438</u>	<u>49,583</u>	<u>1,206,605</u>

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, 2010					Total
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	
Non-interest bearing	136,898	-	-	-	-	136,898
Fixed interest rate	-	-	581,261	257,202	231,644	1,070,107
Variable interest rate	-	-	269,460	-	-	269,460
	<u>136,898</u>	<u>-</u>	<u>850,721</u>	<u>257,202</u>	<u>231,644</u>	<u>1,476,465</u>

	December 31, 2009					Total
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	
Non-interest bearing	93,759	-	343,629	171,009	-	607,397
Variable interest rate	-	-	545,286	-	-	545,286
	<u>93,759</u>	<u>-</u>	<u>888,915</u>	<u>171,009</u>	<u>-</u>	<u>1,152,683</u>

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

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

34. 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, 2010 and 2009.

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term financial placements	45,468	14,364	47,658	24,092
Short-term financial placements	567,801	567,801	531,651	531,651
Accounts receivable	448,080	448,080	66,130	66,130
Other receivables	121,531	121,531	71,803	71,803
Cash and cash equivalents	2,408	2,408	487,438	487,438
	<u>1,185,288</u>	<u>1,154,184</u>	<u>1,204,680</u>	<u>1,181,114</u>
Financial Liabilities				
Long-term borrowings	239,258	239,258	171,009	171,009
Long-term liabilities arising from securities issued	200,449	200,449	-	-
Short-term borrowings	436,629	436,629	820,209	820,209
Current portion of long-term borrowings	316,280	316,280	42,342	42,342
Current portion of long-term liabilities based on securities issued	43,315	43,315	-	-
Other financial liabilities	1,113	1,113	398	398
Account payable	136,898	136,898	93,759	93,759
	<u>1,373,942</u>	<u>1,373,942</u>	<u>1,127,717</u>	<u>1,127,717</u>

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.

35. CONTINGENT LIABILITIES

At December 31, 2010, 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 banks. The total amount of such loans for which the Company may be liable at December 31, 2010 totaled RSD 1,131,384 thousand, as translated to dinars.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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

36. OPERATING LEASE

Commitments of the Company based on contracts on the lease of business premises subject to cancellations were the following:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Up to 1 year	30,991	28,676
From 1 to 5 years	123,965	114,703
Over 5 years	<u>30,991</u>	<u>70,841</u>
	<u>185,947</u>	<u>214,220</u>

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

37. POST BALANCE SHEET EVENTS

On March 30, 2011, the Draft Merger and Acquisition Agreement closed on March 21, 2011 between the Company in the capacity of acquirer and its subsidiary Tigar Trade d.o.o., Pirot in the capacity of the acquiree (which discontinues its operations), was entered into the Business Register.

38. 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.

39. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet components denominated in foreign currencies, into dinars were as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
USD	79.2802	66.7285
EUR	105.4982	95.8888
GBP	122.4161	107.2582
CHF	84.4458	64.4631