	TIGAR AD

2011 ANNUAL REPORT

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INTRODUCTION

The format and content of this 2011 Annual Report conform to the stipulations of Article 50 of the Capital Market Law. In addition to corporate growth, the results of operations and, in particular, the financial condition of the Company and its assets and liabilities, all of which were addressed in previous reports, the present report contains the following:

- A description of the Company's expected development, any policy changes, and the main risks and threats to which the Company is exposed;
- Significant events after the reporting period;
- Significant transactions with related parties;
- The Company's research and development activities.

Given that the Company did not acquire any treasury shares in 2011, the report does not contain any information in that regard.

GENERAL ASSESSMENT OF 2011 PERFORMANCE

In 2011, international demand grew and attested to a gradual economic recovery of developed countries in particular. However, adverse developments in the Serbian real sector and financial markets continued, including a decline in domestic demand. Banks focused their credit activities on short-term financing with monthly or quarterly repayments, or on a revolving basis, secured either by domestic and international accounts receivable (including letters of credit) or mortgages. Given that a long-term loan from Apex IV for the financing of permanent working capital was not disbursed in 2011, the Company resorted to financial bridging through the issuance of short-term corporate bonds. This method of financing led to high finance expenses and a larger proportion of raw material purchases from European distributors as opposed to direct purchases from overseas manufacturers, resulting in increased costs.

The Company gave the highest development priority to its footwear business, where it focused its overall resources, including financial resources. Footwear exports grew by 9%, while domestic sales recorded a 7% decline. Based on placed orders, this segment could have reported a considerably higher growth but was constrained by the permanent working capital available for financing growth. In the domestic market, sales were adjusted to the ability of customers to pay, which resulted in lower but collectable sales.

Tigar Technical Rubber Goods LLC (TTRG) reported a sales growth of 18%, but this growth was not sufficient to produce a positive bottom line.

Tigar Chemical Products LLC (TCP) did not take part in public procurement tendering for road paint and this resulted in a decline in sales revenues but did not significantly affect their bottom line.

A lack of supply of complementary goods, particularly tires, reduced sales revenues in that segment.

Overall, exports grew by 10% but the consolidated sales income, which includes the sales income earned by Tigar’s entities operating abroad, matched 2010 levels. In the footwear segment, contrary to 2010 when new customers absorbed 20% of exports, sales in 2011 focused on existing customers. Conversely, TTRG sold 20% of its products to new customers. Tigar Footwear’s 2012 sales plans are based on existing customers, leaving considerable room for growth relative to plan, depending on market conditions. TTRG’s plans call for half of its sales to be made to new customers. TCP is resuming production of road paint, owing above all to its excellent quality references. Similar to a year ago, tire distribution this year will largely depend on supply.

The previous year was characterized by significant commodity price increases, recording the highest prices of raw materials in history during the first half of the year. A downward trend began during the last quarter, albeit with continued fluctuations. Tigar respond to these price increases twice during the year: it increased the prices of its exports by 10% on average in January and June, and increased domestic prices by smaller percentages several times during the year.

In 2011, the Company continued to invest heavily in the development of new groups of products to maintain a leadership position in the market segments in which it operates, as well as in the development of new and alternative materials primarily aimed at improving product performance, while cost optimization targeted productivity growth.

The Holding Company (Tigar AD) reported an operating income of 4,114 million RSD, an operating result of 11 million RSD, a profit before taxes of 152 million RSD and a net profit of 122 million RSD.

At the consolidated level, operating income was 5.3 billion RSD, sales income was 4.3 billion RSD, and the operating result was 13 million RSD. Sales revenues matched 2010 levels. A gross loss of 236 million RSD was recorded at the end of the year. Total consolidated assets amounted to 8.9 billion RSD, of which fixed assets amounted to 5.4 billion RSD and current assets to 3.5 billion RSD. Consolidated capital amounted to roughly 3 billion RSD. The difference between the net result at the Holding Company level and the consolidated result, before and after taxation, is a result of differences in finance and other income. First, at the consolidated level dividends are excluded as internal income. The second reason for a lower result stems from other income, due to the difference in valuing assets at the individual and consolidated levels. Tigar AD had the same situation in 2009, after it disposed of its remaining 10% stake in Tigar Tyres. In 2009, Tigar AD's other income was (in thousands of RSD) 688,343, while at the consolidated level it was 327,820, having an adverse effect on the ultimate result for that year of 361 million RSD.

An overall assessment of the year 2011 shows that international market demand continued to grow but domestic market demand did not. Customer orders in excess of achieved sales revenues show that the Company held a stable and prospective market position, but also that the utilization of this potential required adequate permanent working capital to finance growth.

Even though the Company failed to meet expectations in 2011, its business activities are proceeding according to plan which, following a period of investment in buildings and equipment, and a period of investment in product and market development, calls for full commercialization and production and sales growth, while maintaining the same levels of fixed costs. In industry in general, two to four years need to pass between the implementation of projects for new capacities and their full commercialization. In Tigar's case, this process proceeded in the midst of a global economic crisis.

Dragan Nikolić

Chairman of the Board of Directors

1. INTRODUCTION

1.1. GENERAL

Registered name: Akcionarsko društvo "Tigar" Pirot (Joint-Stock Company Tigar Pirot, hereinafter also referred to as Tigar, Tigar AD, the Company, and the Holding Company)

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Corporate ID: 07187769

Tax ID: 100358298

Web site: www.tigar.com

Certificate of incorporation: Registry File 1-1087

Core activity: Holdings

Number of employees: 1,904 at 31/12/2011

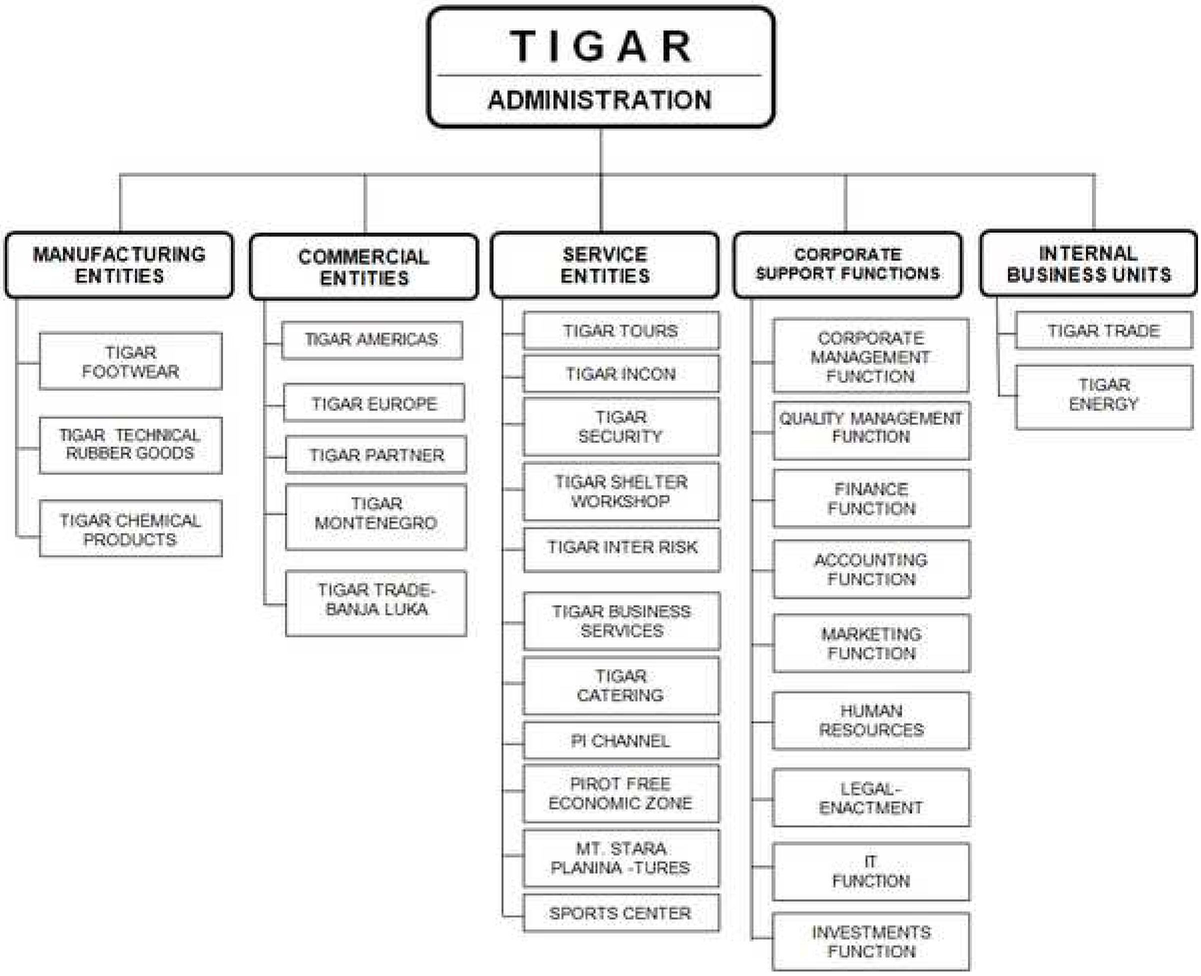
Number of shareholders: 4,530 at 31/12/2011

Capital: 2,884,851 (000 RSD) at 31/12/2011

Assets: 7,421,327 (000 RSD) at 31/12/2011

Capitalization: 883,288 (000 RSD) at 31/12/2011

1.2. CORPORATE STRUCTURE



In May 2011, Tigar Trade (Serbia) was merged with Tigar AD and became one of its business units. Tigar Trade's internal organization was not changed. The merger created conditions for all external sales, marketing, purchasing and logistical services in Serbia to be concentrated within the scope of the Holding Company and considerably improved both revenues and cash flows. Based on this organization, the Holding Company took out working capital loans for the entire group, while Tigar Footwear and TTRG had only capital loans. Tigar's other subsidiaries had no borrowings, except Tigar Business Services in connection with the leasing of vehicles. As a result, the entire working capital financing burden was concentrated at the Holding Company. Tigar's business plan does not call for any other organizational changes, but it is reasonable to expect that during the planning period certain units of the factories will be consolidated, such as investments, maintenance, raw material research and development (including laboratories), and activities aimed at building new capacities for the fabrication of semi-finished products. Based on negotiations conducted in 2011, TTRG is expected to enter into a joint venture in its molded rubber products segment, which might result in the vertical expansion of the Holding Company through the organization of joint venture between TTRG, a subsidiary of Tigar AD, and a foreign partner.

1.3 ACHIEVEMENT OF CAPITAL EXPENDITURE PLAN OBJECTIVES

During the reporting period, the Company's capital expenditures were as follows:

in thousands of RSD	**Purchases of fixed assets and intangible investments January-December 2011**
Tigar Technical Rubber Goods	92,235
Tigar Chemical products	20,592
Tigar Rubber Footwear	283,260
Service entities	22,120
Holding company	176,766
Total	**594,974**

Following a period of high capital spending from 2007 to 2010, capex levels were reduced and largely targeted product development (including new tooling), production process enhancements, updating of several sales outlets, opening of new retail outlets, and unavoidable spending on logistics. Due to a lack of adequate sources of financing, all major infrastructure projects, including the largest tire collection and recycling project, were deferred until the next planning period such that the relocation of the chemical products factory to the Tigar 3A compound is currently the only significant infrastructure project. During the reporting period there were no major investments in market development, resulting in a relatively small market share outside the EU and sales of our branded products in markets where Tigar's commercial subsidiaries operate, including the regional market. The financing policy during the period was to support intangible investments from cash flow, largely in product development. There were no investments in infrastructure, given that they would need to be financed from long-term sources.

2. PRODUCTION LEVELS AND SALES OF GOODS AND SERVICES

2.1. BREAKDOWN OF PRODUCTION AND SALES

Footwear

Tigar Footwear's product lines currently include:

- *Safety footwear*
- *Work boots*
- *Sports footwear*
- *Fashion footwear*
- *Children's footwear*
- *Low footwear*

Rubber footwear encompasses a wide range of products for diverse uses, which are made in a large number of standardized styles based on pre-defined ecological standards to ensure minimal pollution of the workplace and the environment at the end of their life cycle.

These products are used for general and special purposes (such as in households, agriculture, health services, hunting, fishing, recreation, work under special conditions, and where special foot and leg protection is needed). Tigar's rubber footwear is anatomically designed for maximum comfort, even when worn for many hours at a time (uniform load distribution, normal circulation, etc.). The use of special materials prevents bacterial growth and infections. Depending on type, it protects the foot from weather conditions (rain, snow, heat, cold) and external impacts (dirt, mud, diverse chemicals, oil, mechanical injury, and slipping). The design ensures both dynamic flexibility and stability of the leg and foot.

The quality and characteristics of raw materials and the quality of the final product are defined by stringent specifications consistent with international standards and specific requirements of respective markets and customers.

In addition to off-take exports made under customers' brand names, Tigar sells products under its proprietary brand names, such as Tigar and Century safety boots, Maniera stylish footwear, Brolly children's footwear, and other types of footwear made under the Tigar brand name. Bottega stores offer complementary Italian imports.

Technical rubber goods

Molded rubber products. These products are very strong, durable, and flexible. Tigar Technical Rubber Goods (TTRG) produces molded rubber products for a variety of industrial applications, traffic supplies and special-purpose uses. It also provides rubber coating services for diverse metal parts such as pipes, valves, and the like.

Rubber profiles. Depending on the application and customer requirements, these products are made with various cross-sections and from different grades of rubber. Tigar currently manufactures more than 150 different rubber profiles. Tigar's customers use these products as seals for machine tools; as seals for doors and windows, often in combination with aluminum or PVC parts; and as seals and gaskets for chemical, textile and agricultural equipment and a variety of other uses.

Hoses. TTRG produces a line of rubber hoses, fabric-reinforced hoses, and steel-spring flexible hoses. A steel spring in the flexible hose gives special mechanical and elastic characteristics to these hoses, allowing them to be bent in any direction while keeping the same cross-section. Hoses are used primarily in automobiles, both as original equipment and as spare parts (hoses for air and liquid cooling systems). Some of the hoses are made from special types of synthetic rubber that is resistant to heat, cold, and mineral oils.

Compounds and semi-finished rubber products. These products include rubber-coated cables, rubber compounds, rubber-metal products, shock absorbers for road vehicles, shock mounts for rail vehicles, and various products for other applications.

Sporting goods. TTRG produces a line of rubber and leather sporting goods, including balls for both professional and recreational use, rubber-coated weights, and other training equipment and accessories. TTRG also produces “promotional” balls with the name or logo of the customer. Sporting goods are sold under the Tigar brand name, primarily to schools and sports clubs and associations.

Recycled-rubber products. Products made from recycled (crumb) rubber of different particle sizes (0.5 – 5mm) and binding agents, with or without a surface finish, of different colors and shapes, are used to overlay and protect outdoor and indoor surfaces (squares, sidewalks, promenades, parking lots, school and daycare center yards, corridors in public institutions, sports arenas, areas surrounding swimming pools, and so on). The list of industrial rubber products based on recycled rubber and made by extruding and molding is quite long. It includes flooring, doormats, various kinds of bumpers (e.g. for docking facilities), rubber components for the automotive industry, rubber belts, rubber tubing, and many others. This group also includes rubber sheeting for soundproofing in the construction industry, rubber tiles, roofing sheets and tiles, sheeting for landfills, etc. The appearance and functional characteristics of these products can easily be changed by adding pigment and other additives to the mixture of crumb rubber and liquid polyurethane binder.

Sports court flooring is basically comprised of rubber matting whose thickness depends on the type of court. Also, depending on the sport, different grades of crumb rubber and surface finish are used. The formula is adjusted to the required quality of the flooring (e.g., for recreational sports, children’s courts, school playgrounds, professional sports, tennis courts, sports arenas, athletic tracks...) to provide the required characteristics (elasticity, impact absorption, resistance to weather conditions...). Sports surfaces with this type of overlay exhibit numerous advantages over concrete or asphalt surfaces; they are softer and more elastic, they absorb jump, impact and fall energy, their surface is uniform and conducive to better results in sports, and they ensure fewer and less serious injuries. Since these are the latest-generation surfaces, they are far more durable and resistant to all kinds of influences, and their repair is much simpler and inexpensive.

Chemical products

Tigar Chemical Products manufactures more than 300 products classified into:

Horizontal road signage materials. These products include road paint, applied in thin layers, and „cold plastic“.

Self-spreading flooring. These products are generally intended for the construction industry and are used as protective and decorate flooring in industrial facilities, commercial buildings (warehouses, sales areas), hospitals, food production plants, and the like.

Sheet-metal coatings. These coatings are used to protect outer steel-sheet and aluminum surfaces of buildings, such as production halls, warehouses, pre-fabricated structures, and the like, as well as the inner and outer surfaces of cans. The coatings are hard, flexible and, if required, resistant to sterilization. If the product is used to coat cans for food or beverages, certification by appropriate institutions is obtained.

Anti-corrosion coatings. These are air-dried coatings designed for various types of steel structures. The product range is very wide, based on alkyd, modified alkyd, vinyl-acrylic, epoxy, polyurethane or chlorine-rubber types of binders.

Coatings for the consumer market and the construction industry. These are water-dispersion based products comprised of pigments, fillers and additives. They are used to protect and at the same time decorate indoor walls. They feature excellent coverage and permeability, as well as resistance to dirt and scraping. These coatings have been certified by the IMS DD Institute from Belgrade. They are also used to protect facades made from extended mortar, concrete, bricks, particle board and the like. A high binding agent content ensures excellent adhesion in all construction industry applications, as well as high resistance to water and weather conditions. High-quality pigments ensure good coverage as well as whiteness, as necessary. These coatings can be applied to both wood and metal.

Adhesives. These products include adhesives for the consumer market, adhesives for the construction industry, various industrial adhesives, and special-purpose adhesives. Industrial adhesives include adhesives for the footwear, printing, furniture and timber industries. A special product belonging to this group is conveyor belt adhesive designed for the mining industry. It ensures splicing and restarting of a loaded conveyor belt within one hour after joining. In recent years this product has also been used for rubber coating of conveyor belt drums.

Complementary goods

In addition to products made by Tigar's manufacturing subsidiaries, Tigar's commercial entities offer a wide range of complementary products. The most important among these are vehicle tires, spare parts and after parts.

In the domestic market, Tigar follows a multi-brand/multi-product approach, while its subsidiaries and affiliates operating abroad offer solely Tigar-brand tires manufactured by Tigar Tyres.

Tigar's domestic Stop & Drive chain of automotive service centers and retail outlets offers passenger, light-truck and truck tires made by Michelin (including Tigar-brand tires), Cooper and Continental, as well as tires made by other manufacturers but to a much lesser extent. Tigar's offering of agricultural tires is largely comprised of domestic brands, such as Ruma and Trayal. Other complementary products include motor oils, batteries, car care products, exhausts, etc., made by both domestic and international manufacturers.

Tigar's specialized Bottega chain offers women's and children's footwear, as well as Italian leather men's, women's and children's footwear to bridge seasonality.

During the reporting period, Tigar's Stop & Drive chain offered the following services:

Tire repair, including wheel removal and installation, balancing, tire inspection, and filling with liquid nitrogen.

Auto-mechanic services, including wheel alignment; inspection of brakes, shock absorbers and suspensions; replacement of axels, shock absorbers, and brake discs and plates; disc machining; air conditioning unit cleaning and disinfection; oil, oil filter and fuel filter changes; and replacement of shock absorbers.

Car wash.

Tire monitoring and safe-keeping.

The above services are provided by service centers and mobile units for both cars and trucks. The mobile units are fully equipped to provide tire-repair and other services to users who operate fleets of vehicles or require assistance on the road.

Other services

In addition to the above-described manufacturing and complementary segments, Tigar operates a number of domestic service subsidiaries which support Tigar's core businesses and provide high-quality services to both the Company and the local community. These businesses include:

- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;

- Pirot Free Economic Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Economic Zone (PFEZ) is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The PFEZ is located within the Industrial Zone of Pirot and covers 7 ha, 65 a, and 45 m^2 of infrastructure-enabled land. The total surface area controlled by the PFEZ is 65 ha, 21a and 26 m^2, including its own railroad track and 50 telephone lines. Seventy-five companies currently operate within the PFEZ, including 45 foreign companies. In addition to tax and other advantages, companies operating within the zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the PFEZ, and they can reduce operating costs by 25% compared to other locations in Serbia.

- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted inter-city transportation of goods, and maintenance of vehicles.

- Food production for internal needs of Tigar AD and Tigar Tyres, but also for the external market, as well as hospitality services offered to tourists, business men and women, delegations, and sports teams

- Shelter workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling and several other types of support services.

- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.

2.2. SALES STRATEGY

During the reporting period, Tigar's sales strategy focused on:

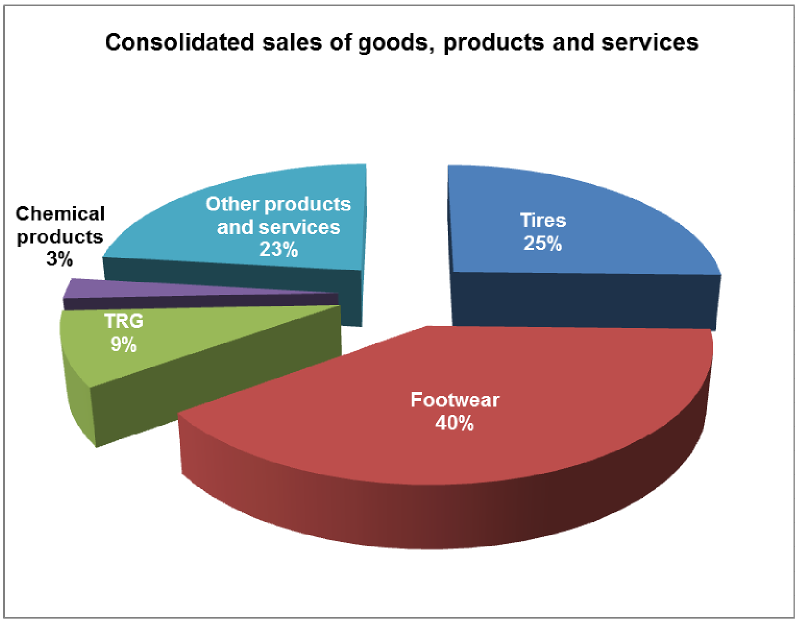
- Volume growth, through increased sales to both existing and new customers and markets;
- Ongoing product mix changes, focusing on highly sophisticated products;
- Exports, as the main source of revenue;
- Growing proprietary brand sales, particularly to export markets;
- Introduction of new sales methods, such as sales via the internet;
- Higher sales to end users of tires, footwear and complementary goods in the Serbian market;
- Maintenance of the sales volume of tires and complementary goods via Tigar's entities operating abroad;
- Increased revenues from Stop & Drive, construction and Free Economic Zone services;
- Maintenance of internal services at the level required by the Tigar Group and Tigar Tyres.

2.3. 2011 SALES

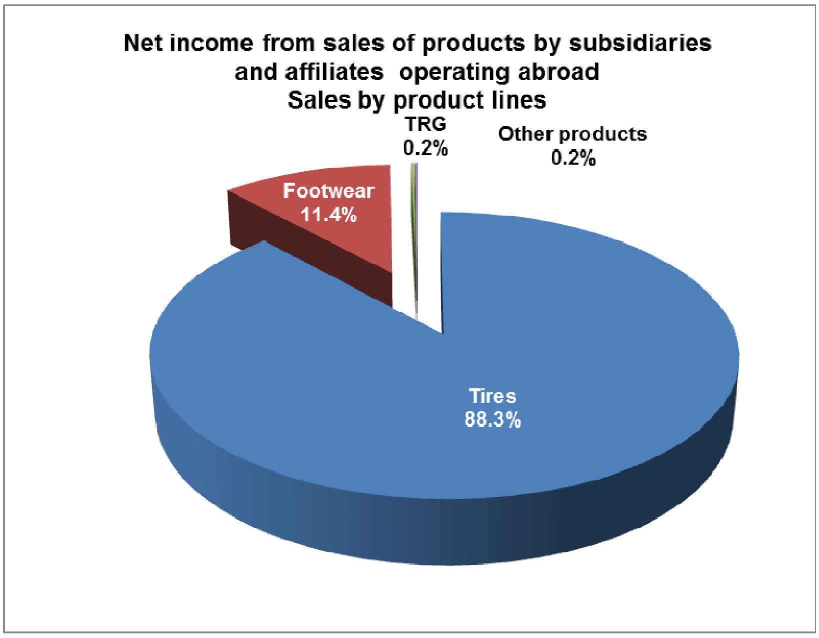
EXTERNAL REVENUES

In 2011, consolidated external revenues from sales of goods and services amounted to 4.3 billion RSD.

Following is a breakdown of external sales revenues by product line:



SALES REVENUES EARNED BY ENTITIES OPERATING ABROAD



REVENUES FROM SALES OF PRODUCTS AND GOODS IN AND OUT OF SERBIA

Net sales income from goods and products in thousands of RSD	*2009*	*2010*	*2011*
Sales by product group			
Total tires sale	**433,915**	**311,323**	**166,399**
Inner tubes	**15,847**	**11,071**	**4,057**
Tigar Rubber footwear	**1,039,679**	**1,634,536**	**1,711,713**
- Domestic market	301,538	387,399	358,684
- Export	738,141	1,247,137	1,353,029
Non - Tigar footwear	**13,176**	**28,210**	**18,519**
Technical Rubber goods	**185,073**	**334,986**	**394,426**
- Domestic market	155,079	264,604	287,721
- Export	29,993	70,382	106,705
Chemical products	**187,237**	**192,561**	**110,902**
- Domestic market	136,178	144,128	67,580
- Export	51,059	48,433	43,322
Complementary goods	**27,415**	**33,382**	**31,276**
TOTAL	**1,902,342**	**2,546,069**	**2,437,292**

The above tables and charts show that the revenue growth largely traced to domestic and international sales of footwear and to the distribution of tires.

Tire sales in the domestic market were adversely impacted by a lack of supply during the entire year, and significantly lower-than-expected sales in the last quarter. Tire sales by Tigar's entities operating abroad, especially Tigar Europe, also suffered from a lack of supply. A framework agreement with Michelin, which was signed last year and is valid until the year 2016, will help maintain the tire sales levels of Tigar’s entities operating abroad, given that tire sales constitute a significant portion of their business (but they will also be focusing on increasing sales of other products, primarily those made by Tigar Footwear and TTRG). The role of Tigar’s international entities, especially Tigar Europe and Tigar Americas, has steadily been expanding based on activities initiated in 2010, including more aggressive marketing, web presentations, participation at international trade shows, opening of show rooms, and rental of warehouses from where products will generally be sold to medium- and small-volume buyers.

Tigar’s footwear segment was the largest contributor to consolidated sales revenues, which was as expected in view of the level of investment in infrastructure, equipment, and development of new products and markets. Tigar’s footwear sales strategy comprises three superior components: (1) the creation of a group of large buyers which channel production for their supply chains to Tigar Footwear and guarantee both volume and high market visibility; (2) increase in sales of products made under Tigar’s proprietary brand names, such as Century, Forester, Firefighter, Maniera and Brolly (in addition to the Tigar brand); and (3) entry into new markets, particularly Central and Eastern Europe, the US, Russia and Australia, where Tigar has already obtained mandatory local product certification.

Industrial products made by Tigar Technical Rubber Goods (TTRG) recorded an 18% growth relative to 2010 but met expectations only half way. The main reason for this was a delay in putting of its new plants into operation. Following commissioning, TTRG’s plant for the manufacture of recycled-rubber products focused on former Bilgutex buyers from Denmark and other North European countries, given that time was needed for buyers to gain confidence in a new supplier and its product quality. The recycled-rubber products made by this plant were relatively or totally new in the Serbian and regional markets, particularly traffic supplies and products for public surfaces. Marketing and sales teams worked hard on promoting the new products to potential large-volume buyers, such as government agencies, local administrations, and public institutions, but also retail customers.

In the chemical products segment, the global economic crisis stood in the way of expectations, particularly in Greece and neighboring countries. The demand of public agencies, especially for road paint, as well as that of other large-volume buyers, was greater than the ultimate output. Many of these buyers were unable to place firm orders in time while TCP could not pre-order raw materials. This resulted in minimized production and sales. Production for the consumer market was reduced due to payment security concerns, so as not to tie up cash to make products which might not be sold, given a general decline in sales of consumer products in 2011. Inter-company production matched the needs of Tigar Tyres and Tigar’s footwear and technical rubber goods factories. In view of all these problems, a study was initiated to show the output level and product mix TCP should target after it relocates

Sales of other products, especially footwear and complementary goods, exceeded previous year levels and are expected to continue to grow. The reduction in tire sales did not have a major impact on Stop & Drive revenues because customers purchased services even when they did not purchase tires. As a result, sales of services were 20% lower than during the previous year, but 50% better than tire sales. The decline in the purchasing power of the population had an adverse impact on sales performance and also necessitated deferred payments by customers, which affected cash flow. Based on current developments, this segment is expected to report a significant growth if the mandatory winter tire legislation is enforced in 2012.

2.4. PRICE FLUCTUATIONS OF KEY RAW MATERIALS

The year 2011 was characterized by significant price increases on global commodity exchanges. Rubber and cotton recorded the highest upward trends, as did energy. Rubber prices grew appreciably during the first half of the year, while cotton prices peaked between March and June. Tigar responded to these fluctuations by increasing the prices of its finished products twice during the year, at the end of January and at the end of June, by 10% on average. Due to our inability to fully synchronize raw material lead times with our production and sales cycles, there were months of disparity between raw material costs and final product prices. Additionally, we were unable to negotiate price increases in the lower market segments, particularly in Italy, and this impacted 2011 sales. When buyers of low-end products were unwilling to agree to price increases, our alternative was to reduce product quality through cheaper raw materials and technologies, but this was deemed too risky and was not pursued. We had the fewest pricing issues in the upper market segments.

Considerable raw material price fluctuations also affected our relationships with customers because Tigar is generally unable to automatically adjust to changes, but can do so over a certain period of time which cannot be shorter than one quarter. Insufficient permanent working capital prevented us from ordering large quantities when prices were favorable, such that fragmented orders, based on available cash, exposed the Company to raw material market fluctuations. As before, in 2011 Tigar purchased raw materials from European distributors who offered short lead times, but at considerably higher prices than manufacturer prices. Most of the raw materials for our industry originate in the Far East. In 2011, via Tigar Americas, we established a direct working relationship with Far East manufacturers of important raw materials, which reduced raw material costs by 20 to 40%. On the other hand, given that we did not have a track record with these manufacturers, payment largely had not be made in advance and created cash flow issues. Tigar Americas did not have the potential to borrow from its bank, due to Tigar AD's inability to increase the capital of this company in 2010. Also, in 2011 Tigar was unable to negotiate favorable letter of credit lines with its banks in Serbia. All of this reduced the benefits of direct purchases from manufacturers.

2.5. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The tables below show breakdowns by manufacturing segment.

FOOTWEAR

Production (tons)	January - December		
	2009	2010	2011
Low footwear	366	260	280
Work footwear	851	828	704
Hunting footwear	286	471	550
Fishing footwear	47	57	38
Safety footwear	211	237	215
Fashion footwear	44	136	204
Children`s footwear	51	40	38
Cardboard, soles, heels	15	25	17
TOTAL:	**1,870**	**2,054**	**2,047**

TECHNICAL RUBBER GOODS

Production (tons)	January - December		
	2009	2010	2011
External rubber compound mixing plant	210	935	351
Molded products	62	121	67
Rubber profiles and tubing	179	308	172
Sporting goods	17	51	32
Industrial rubber coating	21	102	121
Recycled-rubber products	0	1,157	600
TOTAL:	**489**	**2,674**	**1,343**

CHEMICAL PRODUCTS

Production (tons)	January-December		
	2009	2010	2011
Mining industry products	41	67	55
Road paint	921	524	21
Railways/ACP	13	13	9
Metal industry products	74	70	35
Construction industry products/flooring	13	64	27
Consumer products	144	108	122
Internal production	110	118	7
TOTAL:	**1,315**	**964**	**276**

3. 2011 FINANCIALS

3.1. KEY INDICATORS OF THE HOLDING COMPANY (TIGAR AD)

Tigar AD's unconsolidated financials in thousands of Dinars	Actual January-December 2010	Actual January-December 2011	% change
Assets	6,171,359	7,421,327	20%
Equity	2,800,750	2,884,851	3%
Operating income	3,817,469	4,113,622	8%
EBIT	138,167	10,967	-92%
EBITDA	187,160	60,944	-67%
Financial income	125,476	304,273	142%
Other income	239,769	310,830	30%
Total income	4,182,714	4,728,725	13%
Net income	48,105	121,996	154%
Significant ratios			
Return on equity (ROE)	1.72%	4.23%	146%
Return on total assets (ROA)	0.78%	1.64%	111%
Current Ratio	1.08	0.94	-13%
Debt-to-assets ratio	0.54	0.61	12%
Debt / Equity	1.20	1.57	31%
Net profit/total income	1.15%	2.58%	124%

3.2. KEY CONSOLIDATED INDICATORS

Tigar AD's consolidated financials in thousands of Dinars	Actual January-December 2010	Actual January-December 2011	% change
Assets	8,220,552	8,903,643	8%
Equity	3,393,665	3,096,122	-9%
Operating income	5,160,882	5,298,485	3%
EBIT	271,285	12,934	-95%
EBITDA	424,323	176,919	-58%
Financial income	72,209	108,672	50%
Other income	74,505	237,660	219%
Total income	5,307,596	5,644,817	5%
Net income	-57,121	-309,133	-441%

Our operating result deteriorated as a result of not meeting sales growth expectations due to insufficient permanent working capital for financing growth, raw material and energy prices increases during the reporting period, and our inability to adjust employee expenses and fixed costs to production volume variations on a monthly basis. Other income and finance income were higher than in the previous year, largely as a result of a transaction with Tigar Tyres which involved real estate of Tigar AD and the Free Economic Zone. Given that Tigar AD is the majority shareholder of the Free Economic Zone, it benefited from interim dividends.

Following merging of Tigar Trade with Tigar AD, Tigar AD assumed domestic and international purchasing, sales and logistics. In line with the corporate working capital financing policy, Tigar AD also assumed Tigar Trade's liabilities and continued to take out working capital loans to settle its debts primarily to Tigar Footwear, TTRG and TCP and allow for their unhindered operation, either through direct financing or the use of borrowed capital to finance accounts payable. However, this policy resulted in high financing costs and high raw material costs as a result of purchases largely being made in Europe. These were the major contributors to a lower net result than a year ago. Tigar's manufacturing entities, excluding TCP, reported a growth in operating income, based on increased sales revenues resulting from both volume increases and product mix changes. Tigar Footwear recorded high R&D expenses which were in part capitalized. Raw material price increases in the global and domestic markets, and product mix changes where sophisticated products required costlier raw materials, resulted in increased costs of raw materials.

Salaries were adjusted for inflation.

Financing during the reporting period was characterized by short-term loans based on letters of credits, accounts receivable or short-term bonds. There were no new long-term loans for either capex and permanent working capital. A special challenge with regard to liquidity was the fact that during the reporting period Tigar began to repay long-term loans to most of its foreign banks, which resulted in an average monthly outflow of 750,000€ for the principal. A lesser exposure to foreign banks increased the exposure to domestic banks and increased the number of issues of corporate bonds, especially short-term bonds with high interest rates. During the entire year Tigar pursued the possibility of obtaining financial support through EIB Apex IV. Like all other companies, Tigar submitted formal applications in October 2011 for 6.7 million €. Since then, operations with +/- 6.7 million € of long-term funds dedicated to the financing of permanent working capital considerably increased the complexity of maintaining a normal cash flow and resulted in increased short-term borrowing, high capital cost due to expensive sources, insufficient financial stability due to an unfavorable structure of the sources of financing, and our inability to purchase directly from manufacturers large quantities of raw materials which account for more than 40% of overall expenses. At the end of the year current liabilities grew by more than 350 million, given that some of the working capital loans with a two-year term were due within less than a year, and this impacted our current ratio. A relatively low exchange rate reduced our export revenues, while its increase at the very end of the year reduced the effects of foreign currency gains which only the Holding Company recorded at 70 million.

Although our 2011 performance was below plan and in certain segments lower than a year ago, given all the activities we have undertaken, it is without doubt that we have created conditions for further growth, with stagnating fixed costs, which will certainly improve both our operating and net results this year and next, especially since 2013 capex largely focuses on productivity, capacity, quality and product and market development, while investments in infrastructure have either been deferred until after the year 2013 or will depend on special credit arrangements.

Securing long-term sources in 2012, including 6.7 million € from the EIB credit line, up to 10 million through the issuance of long-term bonds and 5 million from a transaction with an international financial organization, will allow us to meet plan objectives, reduce our loan debt, and make repayments by short-term borrowing based on either short-term loans or short-term bonds, all of which will considerably improve our financial stability due to the modified structure of our sources of financing.

Relations with banks

Banca Intesa followed a downward trend until the beginning of 2011, when the original exposure of 5 million € was reduced to 1.4 million. The exposure level fluctuated during the year, peaked in the summer, and was reduced at the end of the year by about 2.6 million € relative to the summer period. Banca Intesa applied to the EIB for 2 million €. This bank's policy towards Tigar is to secure 2 million € for Tigar from the EIB credit line, have Tigar repay during the year all the short-term loans which are not based on accounts payable or letters of credit, and continue to support Tigar by purchasing its accounts receivable and letters of credit. Societe Generale have been supporting Tigar at a constant level of exposure between 4 and 5 million €. This bank has followed the most consistent policy towards Tigar with regard to exposure and the cost of capital has not fluctuated. Erste Bank granted a 2 million € long-term loan to Tigar in 2010, with a 6-month grace period and 18 monthly installments of 140,000€. In 2011 this long-term loan became short-term. This bank's policy is not to increase the level of exposure until the loan is repaid. Hypo Alpe Adria Bank had the greatest exposure to Tigar until the year 2010, which addressed both working capital and a capital loan targeting TTRG. However, due to policy changes, the bank could not maintain this level of exposure but was highly cooperative in adjusting the terms and conditions. Negotiations have been scheduled to resume at the beginning of March, to review the repayment plan and discuss new loans based on letters of credit and accounts receivable, depending on Tigar's needs. The original exposure of 5 million € to UniCredit Bank has been reduced to zero. This bank's policy is not really clear to Tigar, except that it is seeking to solve internal problems through a very rigid policy towards clients. EFG Bank granted a 1 million € credit line to Tigar based on a 0.5 million deposit, which is to be repaid from foreign currency receivables by 30 June 2012. If the transaction involving long-term funds materializes according to plan, Tigar will accelerate repayment since this credit line has locked cash; it is being repaid from receivables while a Dinar deposit is held dormant. EFG applied to the EIB for 2 million € on behalf of Tigar. The original maximum exposure of 1.5 million to PBB is being settled from the middle of the year, through monthly installments under an existing short-term loan.

The National Bank of Serbia implemented special measures towards this bank in 2011, so the reduction in exposure is a result of the bank's situation. Srpska Banka granted the highest increase in exposure. It generally focuses on financing manufacturers and shows maximum understanding towards clients, as far as it is able. The bank has increased Tigar's credit limit to a maximum of 7 million €, which will include 2.7 million from the EIB credit line. Further transactions with this bank will require a certain reduction in the overall exposure, based on our policy which requires a change in the structure of the sources of financing, focusing on long-term funds. AIK Bank bases its loans on contracts and receivables from domestic customers. Tigar's credit limit at this bank is 3 million but, if an opportunity arises, Tigar's short-term debt will be converted to long-term sources. Tigar started working with Dunav Bank and Univerzal Bank at the end of 2011, to maintain current liquidity, and will continue to work with them as long as there is a need for short-term borrowing.
Tigar issued short-term corporate bonds in October 2011, maturing at the end of the year, with the goal of supporting cash flow until the disbursement of the EIB loan. However, since the loan was not disbursed before the end of the year, Tigar had to redeem 2.6 million of the short-term bonds in December. Given the deferral of the EIB disbursement, the lengthy procedure associated with the issuance of long-term bonds, and negotiations with international financial organizations regarding long-term financing, in order to maintain the required level of liquidity the Company will continue to issue bonds until conditions are created for modifying the structure of the sources of funding, provided that these will be long-term bonds with acceptable terms and conditions.

3.3. TIGAR AD (HOLDING COMPANY)

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011 (audited)
ASSETS			
Non-current assets	**2,900,089**	**3,226,938**	**3,867,687**
Intangible assets	21,433	24,030	23,913
Property, plant and equipment	**962,140**	**1,042,031**	**1,453,626**
Property, plant and equipment	962,140	1,042,031	1,226,615
Investment property			227,011
Long-term financial placements	**1,916,516**	**2,160,877**	**2,390,148**
Equity investments	1,868,858	2,115,409	2,348,428
Other long-term financial placements	47,658	45,468	41,720
Current assets	**2,131,950**	**2,944,421**	**3,553,640**
Inventories	678,224	880,900	986,031
Assets held-for-sale	19,884	20,039	6,846
Accounts receivable, placements and cash	**1,433,842**	**2,043,482**	**2,560,763**
Accounts receivable	823,169	1,627,244	2,071,781
Receivables from over-paid taxes	9,865	908	
Short-term financial placements	5,188	51,042	89,169
Cash and cash equivalents	559,376	227,195	155,262
Value added tax and prepayments	36,244	137,093	244,551
Deferred tax assets			
TOTAL ASSETS	**5,032,039**	**6,171,359**	**7,421,327**
EQUITY AND LIABILITIES			
Equity	**2,790,539**	**2,800,750**	**2,884,851**
Share and other capital	2,062,152	2,062,152	2,062,152
Share issuing premiums			
Reserves	206,215	206,215	206,215
Revaluation reserves			
Retained earnings	571,675	581,886	665,987
Loss	49,503	49,503	49,503
Shares buyback			
Long-term liabilities and provisions	**2,239,364**	**3,367,236**	**4,531,862**
Long-term provisions	11,261	12,842	12,577
Long-term liabilities	**197,813**	**639,769**	**754,450**
Long-term debt	194,981	436,914	152,601
Other long-term liabilities	2,832	202,855	601,849
Current liabilities	**2,030,290**	**2,714,625**	**3,764,835**
Short-term financial liabilities	1,194,825	1,410,182	2,500,849
Account payable	730,241	1,166,539	1,025,128
Other current liabilities	56,512	68,116	138,597
Value added tax and other taxes payable and accruals	38,976	57,178	73,989
Income taxes payable	9,736	12,610	26,272
Deferred tax liabilities	**2,136**	**3,373**	**4,614**
TOTAL EQUITY AND LIABILITIES	**5,032,039**	**6,171,359**	**7,421,327**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011 (audited)
OPERATING INCOME	**2,490,945**	**3,817,469**	**4,113,622**
Sales of goods, products and services	2,380,369	3,664,473	3,967,657
Work performed by the company and capitalized	63,331	118,190	118,160
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	47,245	34,806	27,805
OPERATING EXPENSES	**2,742,644**	**3,679,302**	**4,102,655**
Cost of commercial goods sold	1,828,028	2,300,257	3,022,823
Material, fuel and energy consumed	139,461	281,648	192,715
Staff costs	444,305	489,045	519,952
Depreciation, amortization and provisions	41,980	53,764	51,908
Other operating expenses	288,870	554,588	315,257
PROFIT/LOSS FROM OPERATIONS	**-251,699**	**138,167**	**10,967**
FINANCE INCOME	**162,358**	**125,476**	**304,273**
FINANCE EXPENSES	**192,140**	**273,347**	**439,446**
OTHER INCOME	**698,824**	**239,769**	**310,830**
OTHER EXPENSES	**245,030**	**156,701**	**34,361**
PROFIT/LOSS BEFORE TAXATION	**172,313**	**73,364**	**152,263**
INCOME TAXES			
Current tax expense	31,217	24,023	29,026
Deferred income tax expense	1,961	1,236	1,241
Deferred income tax benefit			
NET PROFIT/LOSS	**139,135**	**48,105**	**121,996**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	3,542,677	3,145,640
Cash receipts from customers	3,347,212	2,915,050
Interest received from operating activities	2,685	1,943
Other receipts from operating activities	192,780	228,647
Cash outflow from operating activities	4,258,999	3,928,919
Cash paid to suppliers for raw materials and other expenses	3,534,914	3,118,536
Gross salaries and other personnel costs paid	470,488	483,278
Interest paid	161,585	277,318
Income tax expense	13,206	13,948
Other levies paid	78,806	35,839
Net cash inflow from operating activities		
Net outflow from operating activities	716,322	783,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	34,773	183,178
Sale shares and stakes (net inflow)		
Sales of fixed assets	9,358	114,029
Other financial placements (net inflow)		
Interest received		
Dividends received	25,415	69,149
Cash outflow from investing activities	36,716	24,985
Purchase of shares	202	
Purchase of fixed assets	36,514	24,985
Other financial placements (net outflow)		
Net cash inflow from investing activities		158,193
Net cash outflow from investing activities	1,943	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	395,839	567,622
Increase in capital		
Long-term and short-term borrowings (net inflow)	373,883	518,645
Other long-term and short-term liabilities	21,956	48,977
Cash outflow from financing activities	39,048	6,133
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)		
Financial lease	3,292	6,021
Dividends paid	35,756	112
Net cash inflow from financing activities	356,791	561,489
Net cash outflow from financing activities		
Total cash inflow	**3,973,289**	**3,896,440**
Total cash outflow	**4,334,763**	**3,960,037**
NET CASH INFLOW		
NET CASH OUTFLOW	**361,474**	**63,597**
Cash and cash equivalents at beginning of year	**559,376**	**227,195**
Foreign exchange gains on translation of cash and cash equivalents	**29,293**	
Foreign exchange losses on translation of cash and cash equivalents		**8,336**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**227,195**	**155,262**

3.4. CONSOLIDATED FINANCIALS

Tigar ad Consolidated Balance Sheet (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011(audited)
ASSETS			
Non-current assets	**4,110,708**	**4,743,526**	**5,349,185**
Intangible assets	111,442	398,125	547,151
Property, plant and equipment	**3,939,938**	**4,288,114**	**4,748,495**
Property, plant and equipment	3,939,938	4,288,114	4,521,484
Invenstment property			227,011
Long-term financial placements	**59,328**	**57,287**	**53,539**
Equty investments	11,670	11,819	11,819
Other long-term financial placements	47,658	45,468	41,720
Current assets	**3,026,465**	**3,455,721**	**3,532,298**
Inventories	1,442,628	1,823,646	2,073,287
Assets held-for-sale	19,884	20,039	6,846
Accounts receivable, placementes and cash	**1,563,953**	**1,612,036**	**1,452,165**
Accounts receivable	727,066	903,162	892,958
Receivables from over-paid taxes	14,303	7,097	2,171
Short-term financial placements	5,736	4,986	4,765
Cash and cash equivalents	702,009	369,524	251,093
Value added tax and prepayments	114,839	327,267	301,178
Deferred tax assets	**18,036**	**21,305**	**22,160**
TOTAL ASSETS	**7,155,209**	**8,220,552**	**8,903,643**
EQUITY AND LIABILITIES			
Equity	**3,514,083**	**3,393,665**	**3,096,122**
Share and other capital	2,146,009	2,144,189	2,179,038
Share issuing premiums			
Reserves	207,925	941	5,418
Revaluation reserves	1,074,215	1,051,401	1,079,077
Retained earnings	85,934	197,134	
Loss			167,411
Shares buyback			
Long-term liabilities and provisions	**3,513,163**	**4,692,191**	**5,664,555**
Long-term provisions	79,861	83,087	84,127
Long-term liabilities	**1,149,078**	**1,729,282**	**1,270,109**
Long-term debt	1,132,408	1,512,668	1,032,473
Other long-term liabilities	16,670	216,614	237,636
Current liabilities	**2,284,224**	**2,879,822**	**4,310,319**
Short-term financial liabilities	1,432,181	1,716,210	2,684,202
Account payable	639,111	851,145	1,164,507
Other current liabilities	151,136	183,926	296,432
Value added tax and other taxes payable and accruals	43,134	110,455	114,852
Income taxes payable	18,662	18,086	50,326
Deferred tax liabilities	**127,963**	**134,696**	**142,966**
TOTAL EQUITY AND LIABILITIES	**7,155,209**	**8,220,552**	**8,903,643**

Tigar ad Consolidated Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011 (audited)
OPERATING INCOME	**3,880,745**	**5,160,882**	**5,298,485**
Sales of goods, products and services	3,349,344	4,288,191	4,296,923
Work performed by the company and capitalized	441,254	743,239	710,666
Increase in inventories of finished products and work in progress	57,463	89,828	264,350
Decrease in inventories of finished products and work in progress			
Other operating income	32,684	39,624	26,546
OPERATING EXPENSES	**4,163,474**	**4,889,597**	**5,285,551**
Cost of commercial goods sold	914,976	902,193	836,916
Material, fuel and energy consumed	1,174,529	1,563,187	1,862,687
Staff costs	1,500,700	1,611,720	1,770,138
Depreciation, amortization and provisions	148,471	187,982	177,188
Other operating expenses	424,798	624,515	638,622
PROFIT/LOSS FROM OPERATIONS	**-282,729**	**271,285**	**12,934**
FINANCE INCOME	**74,609**	**72,209**	**108,672**
FINANCE EXPENSES	**262,493**	**391,035**	**537,175**
OTHER INCOME	**327,820**	**74,505**	**237,660**
OTHER EXPENSES	**29,528**	**46,648**	**57,822**
PROFIT/LOSS BEFORE TAXATION	**-172,320**	**-19,684**	**-235,731**
INCOME TAXES			
Current tax expense	41,236	31,088	65,456
Deferred income tax expense	6,831	6,349	7,946
Deferred income tax benefit	489		
NET PROFIT/LOSS	**-219,898**	**-57,121**	**-309,133**

3.5. SUMMARY OF KEY FINANCIAL RESULTS BY ENTITY

T I G A R

TIGAR AD
Equity: 2,884,851
Total income: 4,728,725
EBITDA: 60,944
(000 RSD)

PRODUCTION ENTITIES

TIGAR FOOTWEAR
Equity: 870,449
Total income: 2,365,348
EBITDA: -65,941
(000 RSD)

TIGAR TEHNICAL RUBBER GOODS
Equity: 363,891
Total income: 428,868
EBITDA: -75,440
(000

TIGAR CHEMICAL PRODUCTS
Equity: 131,401
Total income: 169,516
EBITDA: 2,299

COMMERCIAL ENTITIES

TIGAR MONTENEGRO
Equity: 112
Total income: 666
EBITDA: 16
(000 EUR)

TIGAR PARTNER
Equity: 17,744
Total income: 28,674
EBITDA: 281
(000 DEN)

TIGAR TRADE Banja Luka
Equity: 145
Total income: 1,362
EBITDA: -184
(000

TIGAR EUROPE
Equity: 2,819
Total income: 14,614
EBITDA: 602
(000 GBP)

TIGAR AMERICAS
Equity: 437
Total income: 1,171
EBITDA: 6
(000 USD)

SERVISE ENTITIES

PIROT FREE ZONE
Equity: 145,104
Total income: 347,515
EBITDA: 22,751
(000 RSD)

TIGAR BUSINESS SERVICES
Equity: 27,836
Total income: 141,292
EBITDA: 14,557

TIGAR HOSPITALITY
Equit: 132,398
Total income: 189,915
EBITDA: -3,330
(000 RSD)

TIGAR INCON
Equity: 169,796
Total income: 269,407
EBITDA: 7,273
(000 RSD)

TIGAR INTER RISK
Equity: 2,560
Total income: 4,319
EBITDA: 884
(000

TIGAR WORKSHOP
Equity: 885
Total income: 32,771
EBITDA: -2,044
(000

TIGAR SECURITY
Equity: 40,099
Total income: 96,154
EBITDA: 17,315
(000 RSD)

TIGAR TOURS
Equity: 9,754
Total income: 5,953
EBITDA: 477
(000 RSD)

PI CHANNEL
Equity: 4,175
Total income: 15,327
EBITDA: 1,067
(000 RSD)

3.6. TIGAR FOOTWEAR

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	1,229,437	1,420,256	1,990,058
Current assets	814,964	1,137,422	962,942
Deferred tax assets			
TOTAL ASSETS	**2,044,401**	**2,557,678**	**2,953,000**
Equity	853,427	857,475	870,449
Long-term liabilities and provisions	701,950	772,345	673,676
Current liabilities	484,356	920,603	1,397,623
Deferred tax liabilities	4,668	7,255	11,252
TOTAL EQUITY AND LIABILITIES	**2,044,401**	**2,557,678**	**2,953,000**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	1,094,733	1,508,921	2,008,517
Operating expenses	1,207,366	1,553,008	2,129,305
PROFIT/LOSS FROM OPERATIONS	**-112,633**	**-44,087**	**-120,788**
Finance income	11,141	1,147	12,886
Finance expenses	26,216	67,491	40,788
Other income	171,518	144,231	343,945
Other expenses	2,921	26,910	21,357
PROFIT/LOSS BEFORE TAXATION	**40,889**	**6,890**	**173,898**
INCOME TAXES			
Current tax expense	1,853	257	16,926
Deferred income tax expense	3,218	2,587	3,997
Deferred income tax benefit	0	0	0
NET PROFIT/LOSS	**35,818**	**4,046**	**152,975**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	1,268,652	1,236,414
Cash outflow from operating activities	1,411,624	1,016,409
Net cash inflow from operating activities		220,005
Net outflow from operating activities	142,972	
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	9,747	14,446
Net cash inflow from investing activities		
Net cash outflow from investing activities	9,747	14,446
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	152,749	
Cash outflow from financing activities		205,532
Net cash inflow from financing activities	152,749	
Net cash outflow from financing activities		205,532
NET CASH INFLOW	30	27
NET CASH OUTFLOW		
Cash and cash equivalents at beginning of year	**190**	**187**
Foreign exchange gains on translation of cash and cash equivalents	**48**	**16**
Foreign exchange losses on translation of cash and cash equivalents	**81**	**92**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**187**	**138**

3.7. TIGAR TECHNICAL RUBBER GOODS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	636,132	741,043	1,015,037
Current assets	235,127	379,575	292,885
Deferred tax assets			
TOTAL ASSETS	**871,259**	**1,120,618**	**1,307,922**
Equity	330,415	296,544	363,891
Long-term liabilities and provisions	270,367	350,698	253,980
Current liabilities	269,570	469,550	683,280
Deferred tax liabilities	907	3,826	6,771
TOTAL EQUITY AND LIABILITIES	**871,259**	**1,120,618**	**1,307,922**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	212,354	581,761	424,959
Operating expenses	309,092	617,183	525,974
PROFIT/LOSS FROM OPERATIONS	**-96,738**	**-35,422**	**-101,015**
Finance income	2,764	1,414	2,682
Finance expenses	14,376	35,112	32,279
Other income	37,195	38,801	1,227
Other expenses	5,962	632	7,685
PROFIT/LOSS BEFORE TAXATION	**-77,117**	**-30,951**	**-137,070**
INCOME TAXES			
Current tax expense	0	0	0
Deferred income tax expense	1,462	2,920	2,944
Deferred income tax benefit	0	0	0
NET PROFIT/LOSS	**-78,579**	**-33,871**	**-140,014**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	478,549	417,644
Cash outflow from operating activities	426,769	376,097
Net cash inflow from operating activities	51,780	41,547
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	8,418	
Cash outflow from investing activities	178,248	26,764
Net cash inflow from investing activities		
Net cash outflow from investing activities	169,830	26,764
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	94,130	9,143
Cash outflow from financing activities		24,127
Net cash inflow from financing activities	94,130	
Net cash outflow from financing activities		14,984
NET CASH INFLOW		
NET CASH OUTFLOW	**23,920**	**201**
Cash and cash equivalents at beginning of year	**24,207**	**230**
Foreign exchange gains on translation of cash and cash equivalents	**48**	
Foreign exchange losses on translation of cash and cash equivalents	**105**	**26**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**230**	**3**

3.8. TIGAR CHEMICAL PRODUCTS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	9,446	124,800	143,443
Current assets	183,572	145,528	129,426
Deferred tax assets	787	973	947
TOTAL ASSETS	**193,805**	**271,301**	**273,816**
Equity	91,112	131,031	131,401
Long-term liabilities and provisions	3,043	2,806	2,039
Current liabilities	99,650	137,464	140,376
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	**193,805**	**271,301**	**273,816**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	252,603	199,256	163,006
Operating expenses	247,080	256,565	162,657
PROFIT/LOSS FROM OPERATIONS	**5,523**	**-57,309**	**349**
Finance income	2,170	2,269	1,958
Finance expenses	20,394	6,258	3,274
Other income	24,203	4,036	4,552
Other expenses	6,533	774	3,189
PROFIT/LOSS BEFORE TAXATION	**4,969**	**-58,036**	**396**
INCOME TAXES			
Current tax expense	1,594	0	0
Deferred income tax expense	0	0	26
Deferred income tax benefit	192	186	0
NET PROFIT/LOSS	**3,567**	**-57,850**	**370**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	261,271	153,923
Cash outflow from operating activities	281,560	163,926
Net cash inflow from operating activities		
Net outflow from operating activities	20,289	10,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	2,113	322
Net cash inflow from investing activities		
Net cash outflow from investing activities	2,113	322
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	51,968	47,610
Cash outflow from financing activities	29,973	38,198
Net cash inflow from financing activities	21,995	9,412
Net cash outflow from financing activities		
NET CASH INFLOW		
NET CASH OUTFLOW	**407**	**913**
Cash and cash equivalents at beginning of year	**1,562**	**1,086**
Foreign exchange gains on translation of cash and cash equivalents	**59**	**138**
Foreign exchange losses on translation of cash and cash equivalents	**128**	**197**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,086**	**114**

3.9. TIGAR EUROPE, UK

Balance Sheet in thousands of GBP	**As of 31 December 2009**	**As of 31 December 2010**	**As of 31 December 2011**
Assets			
Non-current assets	7	5	3
Current assets	3921	4,217	4,267
Deferred tax assets			
Total assets	**3,928**	**4,222**	**4,270**
Equity and liabilities			
Equity	2,582	2,668	2,819
Non-current liabilities			
Current liabilities	1,346	1,554	1,451
Deferred tax liabilities			
Total equity and liabilities	**3,928**	**4,222**	**4,270**

INCOME STATEMENT (in thousands of GBP)	**Actual January-December 2009**	**Actual January-December 2010**	**Actual January-December 2011**
Turnover	**12,992**	**14,698**	**14,607**
Cost of sales	12,137	13,737	13,377
Gross Profit	**856**	**961**	**1,229**
Administrative expenses	569	616	629
Operating Profit	**287**	**345**	**600**
Interest receivable	10	7	6
Commission	33	0	0
Profit on Ordinary Acitvities Before Taxation	**330**	**352**	**607**
Tax on profit on ordinary activities	72	79	155
Retained Profit for the Financial Year	**257**	**273**	**451**

3.10. TIGAR AMERICAS, USA

BALANCE SHEET (in thousands of USD)		As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Assets				
	Non-current assets	1	6	5
	Current assets	261	282	475
	Deferred tax assets	254	250	250
	Total assets	**517**	**538**	**730**
Equity and liabilities				
	Equity	429	436	437
	Non-current liabilities	0	0	0
	Current liabilities	88	102	293
	Deferred tax liabilities			
	Total equity and liabilities	**517**	**538**	**730**

INCOME STATEMENT (in thousands of USD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Sales and marketing income	**566**	**985**	**1,171**
Cost of goods sold	381	808	923
Gross Profit	**185**	**178**	**249**
Selling, general and administrative expenses	192	163	243
Result from operations	**-7**	**14**	**5**
Other income (expense)	-31	-3	-2
Net result before corporation taxes	**-37**	**11**	**3**
Income tax	0	0	2
Net profit (loss)	**-37**	**11**	**1**

3.11. TIGAR MONTENEGRO

BALANCE SHEET (in thousands of EUR)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	4	4	4
Current assets	218	271	281
Deferred tax assets			
TOTTAL ASSETS	**222**	**275**	**284**
Equity	93	108	112
Long-term liabilities and provisions			
Current liabilities	129	166	172
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	**222**	**275**	**284**

Income statement (in thousands of EUR)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Total income	**718**	**774**	**666**
Total expenses	**696**	**750**	**650**
PROFIT/LOSS BEFORE TAXATION	**23**	**24**	**16**
Income taxes	**2**	**2**	**1**
Deferred income tax expense			
Deferred income tax benefit			
NET PROFIT/LOSS	**21**	**21**	**14**

3.12. TIGAR TRADE, REPUBLIKA SRPSKA

BALANCE SHEET (in thousands of KM)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	243	244	248
Current assets	1,254	1,446	960
Deferred tax assets	0	0	0
TOTTAL ASSETS	**1,498**	**1,691**	**1,209**
Equity	485	435	145
Long-term liabilities and provisions	0	0	0
Current liabilities	1,012	1,256	1,063
Deferred tax liabilities	0	0	0
TOTAL EQUITY AND LIABILITIES	**1,498**	**1,691**	**1,209**

Income statement (in thousands of KM)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Total income	**2,603**	**2,455**	**1,362**
Total expenses	**2,580**	**2,451**	**1,651**
PROFIT/LOSS BEFORE TAXATION	**22**	**4**	**-290**
Income taxes	**2**	**1**	
Deferred income tax expense			
Deferred income tax benefit			
NET PROFIT/LOSS	**20**	**3**	**-290**

3.13. TIGAR PARTNER, MACEDONIA

BALANCE SHEET (in thousands of Denars)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	615	334	50
Current assets	27,061	23,772	22,862
Deferred tax assets	0	0	0
TOTTAL ASSETS	**27,676**	**24,106**	**22,912**
Equity	17,626	17,722	17,744
Long-term liabilities and provisions	0	0	0
Current liabilities	10,050	6,384	5,168
Deferred tax liabilities	0	0	0
TOTAL EQUITY AND LIABILITIES	**27,676**	**24,106**	**22,912**

Income statement (in thousands of Denars)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Total income	**45,032**	**31,092**	**28,674**
Total expenses	**46,116**	**30,978**	**28,639**
PROFIT/LOSS BEFORE TAXATION	**-1,084**	**114**	**35**
Income taxes	**54**	**19**	**12**
Deferred Income Tax expense	**0**	**0**	**0**
Deferred Income Tax benefit	**0**	**0**	**0**
NET PROFIT/LOSS	**-1,137**	**95**	**22**

3.14. TIGAR BUSINESS SERVICES

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	130,543	218,217	50,301
Current assets	70,396	84,664	37,275
Deferred tax assets		79	546
TOTAL ASSETS	**200,939**	**302,960**	**88,122**
Equity	96,228	169,308	27,836
Long-term liabilities and provisions	30,313	20,025	6,610
Current liabilities	74,223	113,627	53,676
Deferred tax liabilities	175		
TOTAL EQUITY AND LIABILITIES	**200,939**	**302,960**	**88,122**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	286,700	311,757	136,213
Operating expenses	290,230	321,654	133,915
PROFIT/LOSS FROM OPERATIONS	**-3,530**	**-9,897**	**2,298**
Finance income	982	82	2,897
Finance expenses	6,910	4,736	6,873
Other income	11,179	1,732	2,182
Other expenses	1,252	991	420
PROFIT/LOSS BEFORE TAXATION	**469**	**-13,810**	**84**
INCOME TAXES			
Current tax expense	340	0	267
Deferred income tax expense	0	0	0
Deferred income tax benefit	194	225	467
NET PROFIT/LOSS	**323**	**-13,585**	**284**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	337,520	180,613
Cash outflow from operating activities	314,984	165,070
Net cash inflow from operating activities	22,536	15,543
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	210	2,291
Cash outflow from investing activities	10,608	3,396
Net cash inflow from investing activities		
Net cash outflow from investing activities	10,398	1,105
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	13,487	14,547
Net cash inflow from financing activities		
Net cash outflow from financing activities	13,487	14,547
NET CASH INFLOW		
NET CASH OUTFLOW	**1,349**	**109**
Cash and cash equivalents at beginning of year	**1,771**	**274**
Foreign exchange gains on translation of cash and cash equivalents	**5**	**10**
Foreign exchange losses on translation of cash and cash equivalents	**153**	**119**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**274**	**56**

3.15. TIGAR HOSPITALITY

BALANCE SHEET (in thousands of RSD)	Opening balance as of 1 February 2011	As of 31 December 2011
Non-current assets	157,308	153,093
Current assets	48,822	55,051
Deferred tax assets		
TOTAL ASSETS	**206,130**	**208,144**
Equity	141,755	132,398
Long-term liabilities and provisions	5,841	5,470
Current liabilities	58,534	70,125
Deferred tax liabilities		151
TOTAL EQUITY AND LIABILITIES	**206,130**	**208,144**

Income statement (in thousands of RSD)	Actual February-December 2011
Operating income	188,658
Operating expenses	197,151
PROFIT/LOSS FROM OPERATIONS	**-8,493**
Finance income	135
Finance expenses	1,669
Other income	1,122
Other expenses	355
PROFIT/LOSS BEFORE TAXATION	**-9,260**
INCOME TAXES	
Current tax expense	0
Deferred income tax expense	151
Deferred income tax benefit	0
NET PROFIT/LOSS	**-9,411**

CASH FLOWS (in thousands of RSD)	February-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash inflow from operating activities	155,511
Cash outflow from operating activities	154,425
Net cash inflow from operating activities	1,086
Net outflow from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash inflow from investing activities	53
Cash outflow from investing activities	248
Net cash inflow from investing activities	
Net cash outflow from investing activities	195
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash inflow from financing activities	
Cash outflow from financing activities	850
Net cash inflow from financing activities	
Net cash outflow from financing activities	850
NET CASH INFLOW	41
NET CASH OUTFLOW	
Cash and cash equivalents at beginning of year	
Foreign exchange gains on translation of cash and cash equivalents	
Foreign exchange losses on translation of cash and cash equivalents	
CASH AND CASH EQUIVALENTS AT END OF YEAR	**41**

3.16. TIGAR INCON

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	26,351	161,407	168,571
Current assets	74,682	114,201	56,494
Deferred tax assets			
TOTAL ASSETS	**101,033**	**275,608**	**225,065**
Equity	50,080	169,561	169,796
Long-term liabilities and provisions	5,883	5,860	6,471
Current liabilities	44,451	99,404	47,893
Deferred tax liabilities	619	783	905
TOTAL EQUITY AND LIABILITIES	**101,033**	**275,608**	**225,065**

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	300,236	233,516	269,264
Operating expenses	277,173	223,194	268,099
PROFIT/LOSS FROM OPERATIONS	**23,063**	**10,322**	**1,165**
Finance income	95	870	17
Finance expenses	795	230	403
Other income	37	1,408	126
Other expenses	434	661	435
PROFIT/LOSS BEFORE TAXATION	**21,966**	**11,709**	**470**
INCOME TAXES			
Current tax expense	1,197	614	113
Deferred income tax expense	150	165	122
Deferred income tax benefit	0	0	0
NET PROFIT/LOSS	**20,619**	**10,930**	**235**

CASH FLOWS (in thousands of RSD)	January-December 2010	January-December 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	316,210	256,260
Cash outflow from operating activities	305,137	251,309
Net cash inflow from operating activities	11,073	4,951
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		4,966
Cash outflow from investing activities	13,849	2,539
Net cash inflow from investing activities		2,427
Net cash outflow from investing activities	13,849	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	1,514	7,603
Net cash inflow from financing activities		
Net cash outflow from financing activities	1,514	7,603
NET CASH INFLOW		
NET CASH OUTFLOW	**4,290**	**225**
Cash and cash equivalents at beginning of year	**4,493**	**266**
Foreign exchange gains on translation of cash and cash equivalents	**66**	
Foreign exchange losses on translation of cash and cash equivalents	**3**	
CASH AND CASH EQUIVALENTS AT END OF YEAR	**266**	**41**

3.17. FREE ECONOMIC ZONE OF PIROT

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	125,799	131,986	66,028
Current assets	31,434	68,879	150,707
Deferred tax assets	12	110	129
TOTAL ASSETS	**157,245**	**200,975**	**216,864**
Off balance sheet assets	25,500	25,500	28,500
Equity	138,156	140,069	145,104
Long-term liabilities and provisions	2,634	3,555	3,089
Current liabilities	16,455	57,351	68,671
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	**157,245**	**200,975**	**216,864**
Off balance sheet liabilities	25,500	25,500	28,500

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	58,078	214,364	282,617
Operating expenses	51,980	194,755	262,916
PROFIT/LOSS FROM OPERATIONS	**6,098**	**19,609**	**19,701**
Finance income	2,286	2,358	2,599
Finance expenses	434	1,048	2,640
Other income	1,821	740	62,299
Other expenses	1,330	1,377	3,803
PROFIT/LOSS BEFORE TAXATION	**8,441**	**20,282**	**78,156**
INCOME TAXES			
Current tax expense	261	678	9,140
Deferred income tax expense	11	0	0
Deferred income tax benefit	0	98	19
NET PROFIT/LOSS	**8,169**	**19,702**	**69,035**

3.18. AGGREGATE FINANCIALS OF OTHER SERVICE SUBSIDIARIES

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
Operating income	165,115	153,123	153,485
Operating expenses	162,329	143,842	139,739
PROFIT/LOSS FROM OPERATIONS	**2,786**	**9,281**	**13,746**
Finance income	754	309	304
Finance expenses	192	207	134
Other income	11,549	3,332	735
Other expenses	1,502	213	191
PROFIT/LOSS BEFORE TAXATION	**13,395**	**12,502**	**14,460**
INCOME TAXES			
Current tax expense	597	488	710
Deferred income tax expense	28	0	1
Deferred income tax benefit	106	103	70
NET PROFIT/LOSS	**12,876**	**12,117**	**13,819**

4. REAL ESTATE AND LEGAL MATTERS

4.1. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. Tigar Footwear and Tigar Technical Rubber have relocated to the Tigar 3 compound, which was purchased in 2006 and outfitted in 2007 and 2008. Tigar owns a number of buildings in Belgrade and across Serbia (office space, warehouses and retail outlets).

All the real estate owned by the Company has been entered in the land registry.

The ownership of real estate held within the Tigar 2, Tigar 3 and Tigar 3B compounds and the cardboard plant (where Tigar's production facilities and warehouses are located), as well as that of the Vrelo and Planinarski Dom tourist facilities, has been converted and they now constitute private property.

Land

Tigar and its subsidiaries (excluding the Free Economic Zone) own 127 parcels of land as of 31 December 2011. The total surface area of the land is 398,276 m^2, of which 297,326 m^2 is undeveloped land. The total carrying value of the land is RSD 51,109,591.

The carrying value of the land of the Free Economic Zone was RSD 31,240,666 on 31 December 2011.

Buildings

Tigar and its main subsidiaries own a total of 192 buildings, whose aggregate surface area is 100,950 m^2.

As of 31 December 2011, the carrying value of the buildings owned by Tigar and its major subsidiaries was RSD 2,101,100,405.

The table below shows the carrying value of buildings owned by Tigar AD, its nine largest subsidiaries, and the Free Economic Zone.

Book value of buildings

BOOK VALUE OF BUILDINGS (RSD)		
Entities	**31.12.2010.**	**31.12.2011.**
Tigar AD	253,538,204.06	516,048,831.84
Tigar Trade	220,707,302.83	0
Tigar Technical Rubber Goods	420,074,092.79	423,366,706.45
Tigar Chemical Products	41,827.00	39,366.00
Tigar Rubber Footwear	811,145,229.58	774,913,486.93
Tigar Workshop	10,797,109.14	30,709,766.18
Tigar Business Services	158,174,475.41	16,138,351.73
Tigar Tours	6,323,346.10	6,203,975.10
Tigar Security	798,528.31	26,421,236,49
Tax Free Economic Zone Pirot	47,338,709.26	23,673,873.36
Tigar Incon	132,297,768.93	143,930,620.26
Tigar Hospitality		139,654,191.19
Total	**2,061,236,593.41**	**2,101,100,405.53**

Real estate transactions

In 2011 Tigar AD sold to Tigar Tyres a portion of a parcel of land within the Tigar 2 compound (reducing the area between the tire factory and Tigar AD's administration building), as well as land in Babušnica around Tigar Tyres' factory there and buildings owned by Tigar AD within the Free Economic Zone in Pirot. Being the majority shareholder of the Free Economic Zone Management Company, Tigar AD, along with the other shareholders, decided to also sell two parcels of land within the Zone.

In 2011, Tigar AD transferred a portion of the land and buildings within the Tigar 3B compound to Tigar Technical Rubber Goods (TTRG) for its expansion, particularly in view of the potential joint ventures and the construction of a plant for the fabrication of semi-finished products. Tigar AD purchased from Tigar Footwear its old locations, which Tigar Footwear has not been using since it relocated in 2008. Tigar AD intends to change the designated uses of the buildings and to dispose of them. Additional real-estate transactions might take place in 2012, depending on the outcome of negotiations with potential buyers.

Material encumbrances

The Company's material encumbrances at the end of the reporting period were as follows:

Municipal Court of Pirot ruling I 1562/04 dated 21 December 2004

places a mutually agreed lien in favor of Jubanka Belgrade on immovable property (cardboard and footwear facilities) as collateral under the following agreements between Jubanka and Tigar:

- Agreement 3617/04 dated 6 October 2004; total amount EUR 704,494.39; outstanding amount EUR 178,644.44
- Agreement 3618/04 dated 6 October 2004; total amount EUR 2,439,711.58; outstanding amount EUR 614,895.16
- Agreement 3619/04 dated 6 October 2004; total amount USD 2,362,641.42; outstanding amount USD 599,114.42.

Collateral agreement I 622/09 dated 25 June 2009 places a lien on the Occupational Health Building in favor of Hypo Alpe Adria Banka a.d., Belgrade.

Mortgage statements 93/2009, 94/2009, 95/2009 and 96/2009 dated 15 October 2009 place liens on business premises in Zrenjanin, Bačka Palanka, Užice and Kruševac in favor of Privredna Banka a.d., Belgrade.

Mortgage statement 1587/2010 dated 13 April 2010 places liens on immovable property in Kruševac and Užice in favor of Privredna Banka a.d. Belgrade.

Collateral agreement I 1402/2010 dated 16 April 2010 places a lien on the Occupational Health Building in favor of Hypo Alpe Adria Banka a.d., Belgrade.

Mortgage statement 2351/10 dated 26 May 2010 places liens on immovable property in Niš and business premises of Tigar Tours and Tigar Incon in favor of Societe Generale Bank a.d., Belgrade.

Mortgage statements I 309/2011 dated 8 February 2011 and I 562/2011 dated 4 March 2011 place liens on the Administration Building in Pirot in favor of Srpska Banka a.d., Belgrade.

Mortgage statement 548/2011 dated 3 March 2011 places a lien on immovable property in Belgrade (Cara Nikolaja 37) in favor of UniCredit Bank a.d., Belgrade.

Mortgage statement II 37/2011 dated 11 March 2011 places liens on immovable property in Pirot, Čačak and Novi Sad in favor of AIK Bank a.d., Niš.

Mortgage statements I 1091/2011, 1092/2011, 1090/2011, 1089/2011, 1088/2011, 1086/2011 and 1085/2011 dated 19 April 2011 place liens on immovable property in Bačka Palanka, Pirot, Subotica, Knjaževac, Svilajnac, Užice and Zrenjanin in favor of Privredna Banka a.d., Belgrade.

Mortgage statements I 1809/2011 and 1810/2011 dated 28 June 2011 place liens on real estate in Pirot in favor of Hypo Alpe Adria Bank a.d., Belgrade.

Mortgage statements I 2899/10, 2898/10 and 2900/10 dated 2 July 2010 place liens on business premises in Knjaževac, Pirot and Subotica in favor of Privredna Banka a.d., Belgrade.

Belgrade First Basic Court ruling 8-I-55362/2010 dated 27 August 2010 places a lien on a 5-bedroom apartment in Belgrade in favor of Hypo Alpe Adria Banka a.d., Belgrade.

Mortgage statements I 4400/2010 and 4401/2010 dated 23 November 2010 place liens on real estate in Niš and business premises of Tigar Tours in favor of Societe Generale Banka a.d., Belgrade.

Mortgage Statement I 1863/2011 dated 1 July 2011 places a lien on real estate in Pirot in favor of Banca Intesa a.d., Belgrade.

Mortgage Statement I 1838/2011 dated 29 June 2011 places a lien on real estate in Vračar in favor of UniCredit Bank Serbia a.d., Belgrade.

Mortgage Statement I 1774/2011 dated 24 June 2011 places a lien on real estate in Pirot in favor of AIK Bank a.d., Niš.

Mortgage Statement I 2636/2011 dated 9 September 2011 places a lien on real estate in Pirot in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 2987/2011 dated 19 October 2011 places a lien on real estate in Pirot (Administration Building) in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 3179/2011 dated 8 November 2011 places a lien on real estate in Pirot in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 3280/2011 dated 21 November 2011 places a lien on real estate in Pirot (Tigar Tours) in favor of Societe Generale Bank a.d., Belgrade.

Mortgage Statement I 3670/2011 dated 27 December 2011 places a lien on real estate in Pirot in favor of AIK Bank a.d., Niš.

Mortgage Statement I 3659/2011 dated 27 December 2011 places a lien on real estate in Pirot (Administration Building) in favor of Srpska Banka a.d., Belgrade.

4.2 LEGAL PROCEEDINGS

Tigar is party to a number of legal disputes that have arisen in the course of its business, including: commercial litigation; administrative proceedings; employee litigation; liquidation, bankruptcy and mandatory settlement proceedings; and participation in criminal proceedings against individuals who had victimized Tigar, usually by thefts or bad checks. These proceedings are not unusual and are not expected to have a significant impact on Tigar's financial position.

The largest disputes at the corporate level occurred prior to 2000. They include the following (excluding interest): Trepca-Zvecan 9,637,376; Union Banka 6,194,000; Lola Corporation 8,210,350; and Tigar Prom Nova Varos 3,636,676; totalling 27,678,402.

For all of these disputes, effective court rulings exists, but payout has not been realized due to political problems (e.g. Trepca), multiple-year liquidation proceedings which for unexplainable reasons have not been completed, and long-term restructuring processes (e.g. Lola Corporation).

Regardless of the delay in the execution of the court decisions, it is realistic to expect their partial or complete payout in the coming years. Since the value of the claims has already been booked against expenses, the payout of the court decisions will represent considerable extraordinary income for the Company.

5. CAPITAL MARKET POSITION AND DIVIDEND POLICY

During the reporting period there were no major shifts in the ownership structure or the number of shareholders. The government has not undertaken any activities aimed at disposing of state-held stakes and has not announced its intention of doing so in the near future. Share prices during the period matched those of the Belex 15 group (15 top performing stocks). The share price at the end of the reporting period was 30% lower than the book value, but at a very low level of trading. A number of investors showed interest, but there was no major sale.

A new Companies Law entered into force on 1 February 2012. It changes the corporate management approach, requiring joint-stock companies to amend their corporate documents and choose between bicameral management (shareholders' meeting and supervisory board) and unicameral management (shareholders meeting and managing director). In its draft Articles of Association to be presented to the General Assembly of Shareholders, Tigar proposes bicameral management which it believes is more suited to its diffuse ownership structure. The major change compared to the previous law is that the General Assembly used to elect the Board of Directors composed of independent, non-executive and executive directors, while it will now elect the Supervisory Board composed of only non-executive members. The supervisory board which existed under the previous law has been eliminated. Now the Supervisory Board will elect the Board of Directors, and the Board will appoint the CEO. Tigar will formally harmonize its corporate documents with the new law at the annual session of the General Assembly before 30 June 2012.

The table below contains a summary of Tigar stock trading in 2011.

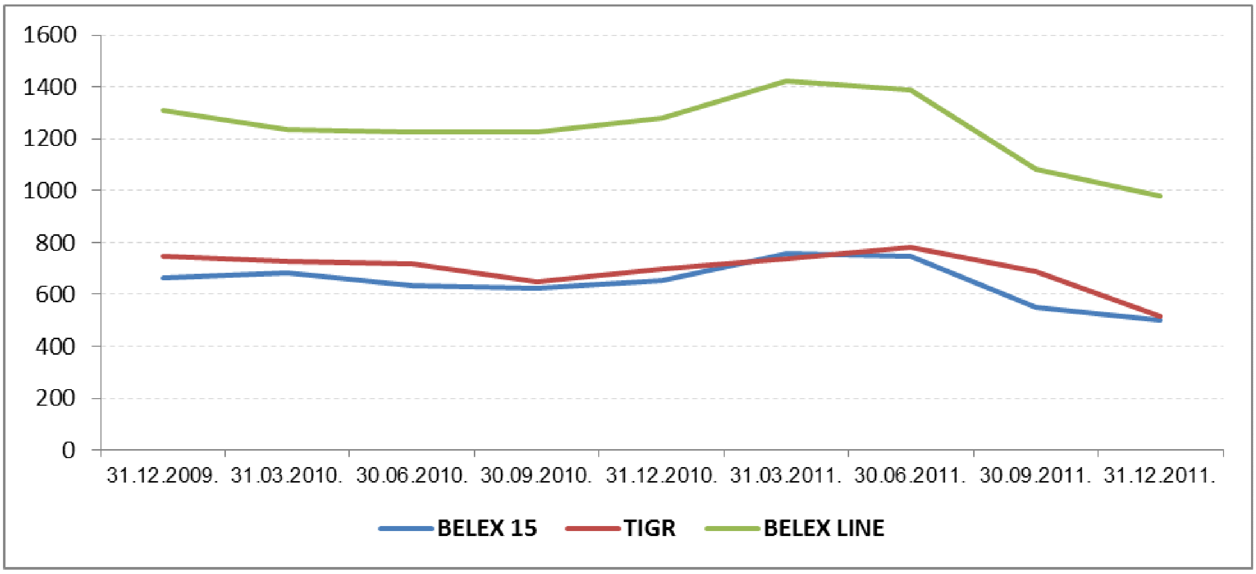
	31 DECEMBER 2010	31 DECEMBER 2011	% CHANGE
Number of shareholders	4,753	4,530	-6.2%
Total number of shares	1,718,460	1,718,460	
Book value of shares	1,636	1,678.74	2.5%
Market price of shares	700.00	514.00	-26.6%
Lowest price during the period	411,00 - 20. December		
Highest price during the period	829,00 - 19.maj		
Average price in 2010*	684.00		
Market capitalization in RSD	1,202,922,000.00	883,288,440	-26.6%
P/ BV *	**0.30**		

During 2011, a total of 295,526 shares were traded (i.e. slightly more than 17% of the total share capital), and a turnover of 220 million RSD was realized.

Tigar stock is traded on the BSE Premium Market and included in both indices; the Belex Line (general index) and the Belex 15 (most liquid securities).

During the reporting period the Company was active in the debentures market; it implemented one issue of long-term bonds and eight issues of short-term bonds.

The graph below shows Tigar stock price and index movements in 2011.



Changes in shareholders structure in 2011

Shareholder	31.12.2010.	31.12.2011.	% changes
Legal entities	52.30%	44.36%	-7.94%
Individuals	28.98%	26.31%	-2.67%
Custody accounts	18.71%	29.32%	10.61%

Tigar's ownership structure is characterized by stable stakes of three groups of shareholders: the Serbian government (via two national funds); domestic and international institutional investors; and retail investors.

During the reporting period, Tigar continued to actively maintain investor relations with all shareholders and the investment public in general, and received an award from the BSE in 2010 for its exemplary investor relations in the domestic market, and recognition for communication with investors in 2011.

The Company's General Assembly of Shareholders held its annual session on 24 June, at which it adopted financial statements, elected the Board of Directors and Supervisory Board, and resolved on the distribution of the profit earned during the previous year.

Top ten shareholders as of 31 December 2011

	Shareholder	Number of shares	% Stake
1	NATIONAL SHARE FUND, BELGRADE	429,429	24.98
2	NATIONAL PENSION AND DISABILITY FUND OF THE REPUBLIC OF SERBIA	149,981	8.72
3	ERSTE BANK AD, Custody account	127,999	7.45
4	ERSTE BANK AD, Custody account	104,947	6.11
5	UNICREDIT BANK SRBIJA AD, Custody account	75,503	4.39
6	RAIFFEISEN BANK AD BEOGRAD, Custody account	52,505	3.06
7	RAIFFEISEN BANK AD BEOGRAD, Custody account	49,851	2.9
8	KOMERCIJALNA BANKA, Custody account	26,062	1.51
9	HERMA INVESTMENTS CO. LTD.	20,000	1.16
10	UNICREDIT BANK SRBIJA AD, Custody account	18,500	1.77

Source: Central Registry of Securities, Depository and Clearing House, 31 December 2011, www.crhov.rs

Corporate management holds less than 1% of Tigar stock. The table below shows the number of shares held by members of the Board of Directors as of 31 December 2011.

Name	Shares held as of 31 May 2005	Shares held as of 31 December 2011	% of Existing Shares
Dragan Nikolić	880	898	0.052
Jelena Petković	275	281	0.016
Slobodan Sotirov	539	550	0.032
Miodrag Tančić	460	460	0.027
Vladimir Nikolić	803	803	0.050
Jose Alexandre F. da Costa	-	-	-
Tihomir Nenadić	-	-	-
Gordana Lazarević	-	-	-
Aleksej Misailović	-	-	-

Some Board members increased their stake as a result of participation in a pro-rated sale of treasury shares by Tigar in 2009.

Members of the Supervisory Board hold no Tigar stock.

6. SUSTAINABLE DEVELOPMENT

6.1. EMPLOYEES

Headcount and structure

At the end of the reporting period Tigar had 1,904 employees. In addition, Tigar's entities in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 24 local employees.

At the end of the reporting period the employee structure was as follows:

Workforce as of 31 December 2011	
Company	**Number of employees**
Tigar AD	485
Tigar Rubber Footwear*	692
Tigar Technical Rubber Goods	220
Tigar Chemical Products	37
Others	470
Total	1,904

*In addition, due to the seasonal nature of its production, Tigar Footwear hired 220 temporary workers on average.

All employees sign standard employment contracts with the Company's top executives, stipulating the basic conditions of employment, from working hours to grounds for termination of contract. Full-time employment entails 40 working hours per week. Employment contracts are confidential.

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, in case of death of its retired employee, Tigar pays to the family one monthly salary. Currently, 34 employees and retirees are repaying housing loans obtained from Tigar. Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

Employee expenses

Total 2011 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals, and local transportation subsidies amounted to 1,654,897,000.00 RSD. The table below shows paid salaries and wages as a percentage of sales income.

Total employee expenses in 2011			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
Tigar AD	285,371	483,174	12.13%
Tigar Rubber Footwear	359,215	614,245	39.80%
Tigar Technical Rubber Goods	90,484	155,352	45.77%
Tigar Chemical Products	25,170	43,108	32.14%
Others	209,635	359,018	35.37%
Total	969,875	1,654,897	23.59%

In 2011, taxes and health insurance and pension fund contributions amounted to 685,022 000 RSD.

Optimization of human resources

In 2011, 38 employees left Tigar on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD	4	4	3	11
Tigar Rubber Footwear	4	2	4	10
Tigar Technical Rubber Goods	2		2	4
Tigar Chemical Products	1			1
Others	3	4	5	12
Total	14	10	14	38

*Of these 14 employees, six left the Company of their own volition, six were dismissed, one passed away, and one was reassigned to another entity within the Tigar Group.

The numbers do not show large shifts in the number of employees. The primary reasons for termination of full-time employment are retirement and redundancy (referral of full-time employees to the Labor Market).

Retrenchment is inherent in the restructuring process. This process will continue during 2012. Solving the problem of employee redundancy on a voluntary basis was a major component of Tigar's contribution to social stability.

All-inclusive expenses associated with the optimization of human resources and percentages relative to gross salaries are shown below:

Workforce downsizing costs and percentage of gross salaries		
	In thousands of RSD	%
Tigar AD	4,205	0.87
Tigar Rubber Fotwear	639	0.10
Tigar Technical Rubber Goods	309	0.20
Tigar Chemical Products	236	0.54
Others	969	0.30
TOTAL	6,358	0.38

Professional education

Tigar's policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2011.

Scholarships were paid for students at the following colleges/universities during the period:

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
Total	23	7	5	8

Tuition and scholarship expenses paid in 2011 amounted to 2,958,000RSD, or 0.18% of gross salaries.

Employee training

The following numbers of employees were trained through internal and external training programs during the reporting period:

Employee training			
	Internal	External	Total
Tigar AD	31	103	134
Tigar Rubber Footwear	863	64	927
Tigar Technical Rubber Goods	304	38	342
Tigar Chemical Products		4	4
Others	950	38	988
Total	2,148	247	2,395

Employee training expenses in 2011 amounted to 4,879,850 RSD, or 0.29% of gross salaries.

6.2. QUALITY ASSURANCE

Tigar's quality management system (ISO 9001) was initially certified in 1995 by the then Federal Standardization Bureau. Tigar was the third company in the country to obtain certification of its quality management system. Following the introduction of environmental management standards (ISO 14001), and occupational health and safety standards (OHSAS 18001), Tigar's system was upgraded accordingly so that today Tigar has a well-established integrated management system which ensures that all risks associated with quality, the environment, and employee health and safety are monitored and addressed.

Annual inspections and audits corroborate Tigar's compliance with certification attest to the Company's ongoing commitment to customer and stakeholder satisfaction. These inspections and audits are conducted by YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC.

A Tigar Footwear audit was conducted in July 2010, at which time an occupational health and safety management system per OHSAS 18001 was added to the existing quality and environmental management components of the integrated management system at this company. In 2011, Tigar Footwear underwent an annual compliance inspection of its integrated management system.

The Tigar Technical Rubber Goods integrated management system was audited at the end of December 2010, per ISO 9001, ISO 14001, and OHSAS 18001, with all three management component being certified. JUQS conducted its annual inspection of the integrated management system in December 2011.

In 2011, Tigar Incon continued its activities aimed at certifying an integrated management system per ISO 9001, ISO 14001 and OHSAS 18001 requirements at this company. Tigar Incon, which provides design and engineering services, will join Tigar's already certified entities in 2012.

In 2011, the Free Economic Zone, where Tigar AD is the majority shareholder, initiated activities aimed at certifying an integrated management system per ISO 9001, ISO 14001 and OHSAS 18001. Plans call for this company to be certified as well by the end of 2012.

Tigar Footwear and Tigar Technical Rubber Goods underwent a number of third-party audits which were carried out by customers or independent experts on their behalf.

Tigar Hospitality, which offers hotel accommodation, restaurant and catering services, is currently implementing the HACCP (food safety) management system.

6.3. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

Tigar’s manufacturing facilities are located within the industrial zone of Pirot, at the end of the Pirot Gorge. The condition of the natural environment and the unaltered ecosystem here attest to the Company’s good environmental practices. Tigar has been committed to sustainable development and occupational health and safety even prior to the introduction of standards.

At Tigar, environmental management and occupational health and safety management are incorporated with quality management. At the corporate level, the overall responsibility for environmental protection resides with the Executive Director for Quality Management and all environment-related tasks and responsibilities are coordinated by Tigar’s Quality Management Function. At the subsidiary level, respective environmental concerns are addressed by individual Quality Management Departments.

Tigar received its initial environmental management (ISO 14001) certification in 2003. Since then, the system has been upgraded on an ongoing basis and improvements are evident. The initial certification of the occupational health and safety management system per OHSAS 18001 standards was completed in 2010.

The Environmental Ministry has classified Tigar as a company whose activities involve a low level of environmental risk. Tigar’s subsidiaries do not operate IPPC or Seveso facilities, and have been categorized as such.

In general, any environmental impacts which result from activities in the rubber industry primarily originate from:

- Generation of solid waste;
- Utilization of natural resources;
- Emissions into the atmosphere; and
- Wastewater discharges.

Some occupational health and safety risks exist in areas where natural rubber is mixed and rubber sheeting produced, due to rotating equipment components which are common in rubber industry machinery.

Potential occupational health and safety risks and environmental impacts trace to the use of raw materials classified as hazardous substances. These substances are purchased, stored, and used in accordance with applicable regulations aimed at preventing accidents. All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet is provided for each raw material. Each safety data sheet is comprised of 16 sections which clearly describe the nature of the substance, its possible affect on health and the environment, procedures to be implemented in the event of an accident, procedures to be undertaken related to packaging and packaging waste, etc. Accordingly, all employees who come in contact with the substance receive regular training and re-training. All corporate documents are consistent with the new Chemicals Law (Official Gazette of the Republic of Serbia 36/2009) and related implementing legislation. In accordance with recent legislation, 128 chemicals imported by Tigar Trade were registered with the Chemicals Agency (Ministry of Environment, Mining and Spatial Planning) in March 2011. . Tigar Chemical Products, which both imports and produces chemicals, registered 165 substances. Chemical files and material safety data sheets were submitted to the Agency and relevant fees were paid, as stipulated by applicable legislation.

Multi-disciplinary teams, including occupational medicine specialists in the capacity as independent consultants, have prepared risk assessments for all workplaces and work environments within the Company based on in-depth analyses. These documents identify workplaces at potential risk and stipulate measures which must be undertaken to prevent hazards. All requirements per OHSAS 18001 and all provisions of the Occupational Safety Law (Official Gazette of the Republic of Serbia 101/2005) and related secondary legislation have been satisfied. At Tigar manufacturing subsidiaries, 14 work assignments, with a total of 139 employees, were identified as being at elevated risk. These employees are kept under special scrutiny.

At locations containing raw materials, in addition to preventative measures being carried out, emergency response plans are in place in the event of accidental spills of raw materials, to ensure that the health of employees is maintained and the environment protected. Tigar's industrial facilities are not classified as Seveso facilities (i.e. facilities in which hazardous substances are produced, stored, or used in quantities which may result in chemical accidents). The quantities of hazardous substances stored at Tigar facilities are significantly below specified potentially-critical levels. None of Tigar's subsidiaries store or use radioactive substances.

Tigar waste is classified based on the Waste Categorization, Testing and Classification Handbook (Official Gazette 56/10). Lab analyses of all kinds of waste have been conducted (i.e. characterization and classification of waste) and a waste management plan consistent with the Waste Management Law (Official Gazette of the Republic of Serbia 135/09) prepared. The plan is being implemented by Tigar Shelter Workshop, which holds a special permit for waste collection, transportation, and storage, issued by the Ministry of Environment and Spatial Planning.

Recyclable waste is kept onsite for only a short period of time, in a special warehouse intended for secondary raw materials, and is sold or given away to certified recyclers. A portion of rubber waste is processed within Tigar Technical Rubber Goods. Waste which has no useful value (i.e. cannot be recycled) is stored and disposed of at the municipal landfill. All waste disposal at Tigar is handled under contract with the local utility. Waste management at the Company is based on specified internal criteria and rules, which control all waste flows.

In March 2011, Annual Waste Management Reports were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products, as required by applicable legislation (Official Gazette of the RoS 96/2010).

Packaging waste management has been delegated to operators certified by the Ministry of Environment and Spatial Planning. This was one of the options offered by the Law on Packaging and Packaging Waste (Official Gazette of the Republic of Serbia 135/09), which has been adopted by Tigar. Such arrangements allow Tigar to use the Green Dot on its packaging. Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products have delegated their obligations to Sekopak, while Tigar Trade has a contract with Ekostarpak, with whom Tigar Shelter Workshop has a contract as a collector of packaging waste. Reports are submitted and fees paid on a monthly basis. In March 2011, 2010 Annual Reports on Packaging Material Management were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products and Tigar Trade in accordance with applicable legislation. On behalf of Tigar, our waste management operators met national objectives and ensured recycling of Tigar's packaging waste such that our subsidiaries are among the 9% of Serbian companies which are complying with waste management legislation. As a result, the Environmental Protection Fund issued certificates to Tigar's subsidiaries which exempt them from packaging waste fees.

Tigar operates a cutting-edge automated power station designed to fire either oil or gas. Gas emissions are checked at source once a year but a certified institution. Additionally, air quality within the industrial zone is continually monitored by Pirot's Public Health Institute.

Tigar's subsidiaries use both water from the public water supply system and industrial water. Water is used for sanitary needs, as a source of energy (steam), and as a cooling fluid. None of Tigar's subsidiaries use water as part of their manufacturing processes and, as such, do not produce any industrial wastewater.

Tigar's liquid effluents, generally standard urban wastewaters, are discharged into the public sewage system based on stipulations set out in Tigar's Water Permit. Wastewater quality is routinely monitored by certified laboratories, based on the law, on a quarterly basis, and has to date always been found to be compliant. The monitoring encompasses a number of parameters which may have significant impact on the recipient – the Nišava River. All indicators to date have shown that the impact of Tigar's wastewater is equal to that of wastewater discharged from residential areas (urban wastewater). Consistent with the use of water by the Company, no exceedance of permissible levels of pollutants has been recorded and Tigar's discharges, therefore, are not seen to present a threat to the environment.

Fire risk is inherent in the production processes of all manufacturing entities. As such, all required permits, preventative measures, and Fire Response Plans are in place for assets exposed to fire risk. All buildings are covered by a video surveillance system. Tigar Security, which manages this system, is well-equipped and adequately staffed to provide fire protection, fire fighting, and physical security services.

There are no pending proceedings against Tigar or its subsidiaries with respect to environmental issues and no proceedings initiated by employees involving occupational health and safety matters. There are no litigation proceedings involving Tigar arising out of environmental or social concerns.

Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products have submitted a series of reports to the local administration for the compilation of a Register of Polluters per applicable legislation (Official Gazette of the RoS 91/2010). This obligation also includes reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste, types and quantities of hazardous waste), and submission of information about major raw materials, manufactured products, and the like. All such information is available to the public.

The following environmental and occupational health and safety legislation applies to the Company:

- The Occupational Health and Safety Law,
- The Environmental Protection Law,
- The Air Protection Law,
- The Waste Management Law,
- The Law on Packaging Materials and Waste,
- The Environmental Noise Protection Law,
- The Chemicals Law,
- The Water Law,
- The Fire Protection Law, and
- The Law on Explosive Substances and Flammable Liquids and Gases.

Tigar regularly monitors its legal environment to ensure that all regulations are observed. An adjustment period for new requirements is generally defined and an action plan prepared to make sure that activities are carried out, resources procured and responsibilities assigned, as required.

All audits performed by national environmental and occupational health and safety inspectors confirm the Company's full compliance with legislation.

6.4. INTELLECTUAL PROPERTY

Tigar's full registered name is *Joint-Stock Company Tigar – Pirot* in English, and *Akcionarsko društvo Tigar – Pirot*, in Serbian. Its short name is Tigar AD – Pirot, in both languages. The registered name and its use are regulated by the provisions of Article 14 of the Articles of Association. The above name fulfills all legal requirements. Tigar is registered under the said name with the Serbian Business Registers Agency.

Registered trademarks as of 31 December 2011:

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Ž-247/80	30.04.80.	31499	Tigar	21.12.17.	Tigar AD
Ž-2606/06	14.11.06.	54763	Tigar	14.11.16.	Tigar AD
Ž-84/385	17.01.84.	29947	Tigar Tg 615	25.05.17.	Tigar AD
Ž-947/07	30.04.07.	55640	Tigar Planinarski Dom	30.04.17.	Tigar AD
Ž-918/07	27.04.07.	55822	Tigar Tours	27.04.17.	Tigar AD
Ž-842/07	18.04.07.	55612	Markol	18.04.17.	Tigar AD
Ž-1129/07	17.05.07.	55735	Tigar Incon	17.05.17.	Tigar AD
Ž-890/80	11.07.03.	49590	Tigar Sportski Program	11.07.13.	Tigar AD
Ž-152/07	29.01.07.	56018	Tigar	29.01.07.	Tigar AD
Ž-1703/07	26.07.07	56315	Tigar Footwear	26.07.17.	Tigar AD
Ž-1704/07	26.07.07.	56315	Tigar Obuća	26.07.17.	Tigar AD
Z-2440/07	17.10.07.	56731	Tigar Hemijski Proizvodi	17.10.17.	Tigar AD
Ž-212/08	05.02.08	57737	Tigrostik	05.02.18.	Tigar AD
Ž-211/08	05.02.08.	57738	Tigrolux	05.02.18.	Tigar AD
Ž-214/08	05.02.08.	57650	Tigropren	05.02.18.	Tigar AD
Ž-213/08	05.02.08.	57649	Tigrokol	05.02.18.	Tigar AD
Ž-768/08	31.03.08.	57538	Hotel Stara Planina	31.03.18.	Tigar AD
Ž-1433/08	06.06.08.	58815	Overload	06.06.18.	Tigar AD
Ž-1475/08	11.06.08.	58462	Waterpolo Senior	11.06.18.	Tigar AD
Ž-1473/08	11.06.08.	58427	Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1431/08	06.06.08.	58813	Waterpolo Junior	06.06.18.	Tigar AD
Ž-1472/08	11.06.08.	58428	Specijal	11.06.18.	Tigar AD
Ž-1432/08	06.06.08.	59305	Basketball Tg21 Official	06.06.18.	Tigar AD
Ž-1474/08	11.06.08.	58424	Neos	06.06.18.	Tigar AD
Ž-1469/08	11.06.08.	58426	Tricker Ball Basket Ball	11.06.18.	Tigar AD
Ž-1471/08	11.06.08.	59401	Bistro	11.06.18.	Tigar AD
Ž-1468/08	11.06.08.	58423	Overload Handball	11.06.18.	Tigar AD
Ž-1470/08	11.06.08.	58425	Dynamic Overload	11.06.18.	Tigar AD
Ž-1429/08	06.06.08.	58464	Overload Waterpolo Junior	06.06.18.	Tigar AD
Ž-1467/08	11.06.08.	58430	Overload Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1476/08	11.06.08.	58463	Overload Waterpolo Senior	11.06.18.	Tigar AD
Ž-1430/08	06.06.08.	59304	Basketball TG21 Overload	06.06.18.	Tigar AD
Z-2441/07	17.10.07.	56730	Tigar Tehnička Guma	17.10.17.	Tigar AD
Ž-2681/08	03.11.08.	59486	Trapper	03.11.18.	Tigar AD
Ž-2682/08	03.11.08.	59485	Pesca	03.11.18.	Tigar AD
Ž-2679/08	03.11.08.	59327	Rainydays	03.11.18.	Tigar AD
Ž-2680/08	03.11.08.	59334	Nency	03.11.18.	Tigar AD
Ž-2678/08	03.11.08.	59333	Ladybird	03.11.18.	Tigar AD
Ž-2677/08	03.11.08.	59336	Ratar	03.11.18.	Tigar AD
Ž-2676/08	03.11.08.	59451	Balerina	03.11.18.	Tigar AD
Ž-2675/08	03.11.08.	59335	Work	03.11.18.	Tigar AD
Ž-2904/08	02.12.08.	59458	Polar	03.11.18.	Tigar AD

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Ž-2674/08	03.11.08.	59337	Protecta	03.11.18.	Tigar AD
Ž-2673/08	03.11.08.	59390	Forestry Line	03.11.18.	Tigar AD
Ž-2672/08	03.11.08.	60043	Fireproof	03.11.18.	Tigar AD
Ž-2671/08	03.11.08.	59326	Cryo	03.11.18.	Tigar AD
Ž-2670/08	03.11.08.	59387	Sparclesafety	03.11.18.	Tigar AD
Ž-2661/08	31.10.08.	59341	Firefigher Super Safety	31.10.18.	Tigar AD
Ž-2662/08	31.10.08.	59452	Century Super Safety	31.10.18.	Tigar AD
Ž-2659/08	31.10.08.	59334	Century 4000 Safety	31.10.18.	Tigar AD
Ž-2660/08	31.10.08.	59345	Forester 3000	31.10.18.	Tigar AD
Ž-2903/08	02.12.08.	60464	Trendy	02.12.18.	Tigar AD
Ž-247R/80	30.04.80.	49044	Tigar	30.09.15.	Tigar Tyres
Ž-1369/05	17.10.05.	49768	Tigar Tyres	17.10.15.	Tigar Tyres
Ž-1373/05	17.10.05.	49792	Hitris Logo	17.10.15.	Tigar Tyres
Ž-1371/05	17.10.05.	49819	Cargo Speed Logo	17.10.15.	Tigar Tyres
Ž-1372/05	17.10.05.	49912	Wintera Logo	17.10.15.	Tigar Tyres
Ž-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Ž-551/09	27.03.09.	60789	Bottega	27.03.19.	Tigar AD
Ž-639/09	13.04.09.	59942	Hotel StarA	13.04.19.	Tigar AD
Ž-1011/09	30.06.09.	59367	Brolly	30.06.19.	Tigar AD
Ž-1012/09	30.06.09.	59366	Maniera	30.06.19.	Tigar AD
Ž-1685/09	03.11.09.	60513	Stop&Drive	03.11.19.	Tigar AD
Ž-1686/09	03.11.09.	60514	S&D	03.11.19.	Tigar AD
Ž-795/11	30.05.11	-	Srbija na dlanu	-	Tigar AD
International	03.07.97.	675 773	Tigar	20.05.17.	Tigar AD
US		675 773A	Tigar	20.05.17.	Tigar Tyres
	24.10.78.	1174089	Tigar Logo	15.08.12.	Tigar Americas Corp.
US	02.11.07.	77320619	Tigar	-	Tigar Americas Corp.
International 237003/1	07.09.09.	1020263	Brolly	07.09.19.	Tigar AD
International 235877/1	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
US 79075140	07.09.09.	3870299	Maniera	07.09.19	Tigar AD
US 79075638	07.09.09.	3906894	Brolly	07.09.19	Tigar AD
Canada	25.05.90.	368832	Forester	25.05.15.	Tigar Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	Tigar Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	Tigar Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	Tigar Footwear
UK	23.06.95.	2025055	Century	23.06.15.	Tigar Footwear
UK	31.05.84.	1219898	Forester	31.05.15.	Tigar Footwear
UK	23.06.95.	2025057	Forester	23.06.15.	Tigar Footwear

The flagship trademark is “a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet” (Article 17 of the Articles of Association). The design and contents of the flagship trademark fall within the jurisdiction of the Board of Directors. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

In 2006, the flagship trademark was protected as a registered trademark within the territory of the Republic of Serbia for goods in international Classes 1, 7, 17, 20, 25 and 28, as a separate trademark only for tires in Class 12, and as an international trademark in 43 countries for the same classes previously listed and for Class 12 (vehicle tires); all are in the name of Tigar AD. A variation of the flagship trademark, “Tigar MH”, is protected in Serbia for tires and processing of materials (Classes 12 and 40) in the name of Tigar Tyres. Under a Trademark Assignment Agreement, signed by Tigar AD and MHPB in 2002, Tigar AD is obligated to assign its flagship trademark for tires and inner tubes (Class 12) only to Tigar Tyres. The proceedings for recording of the assignment have been completed for Serbia and the member states of the Madrid Agreement. Transfer to the US is pending.

In 2007, Tigar AD applied for registration of 9 new trademarks in Serbia and for territorial expansion of trademark 675773 to include eight additional member states of the Madrid Agreement (application

EX-I/397708101/CB). Also in 2007, Tigar applied for registration of the Tigar trademark in the name of the Tigar Americas Corporation in the USA, for Classes 7, 17, 25 and 35 (application 77320619).

In 2008, Tigar initiated the registration of marks with which its products and product lines are identified.

In 2011, Tigar AD initiated the registration of a domestic trademark “Serbia on the Palm of Your Hand” at the Serbian Intellectual Property Office (application Ž-795/11 dated 30 May 2011).

Tigar Technical Rubber Goods was granted patent rights by the Serbian Intellectual Property Office for an invention entitled *Flexible Hose Production Technology* (certificate P-2006/0071 dated 12 April 2011). The patent rights were filed under number 51610.

Tigar AD holds two internet domain names: www.tigar.com and www.tigar.co.rs.

Tigar Footwear holds five domain names: www.century-safety.com, www.century-safety.de, www.century-safety.fr, www.century-safety.es and www.century-safety.co.uk.

Tigar holds no software copyrights or neighboring rights. Tigar uses standard software under licenses duly acquired from software manufacturers or distributors.

Article 12 (3) of the Particular Collective Contract stipulates that employees have a right to be remunerated for copyrights, technical innovations, and improvements in production processes. The level of remuneration is regulated by a separate contract between the employee and Tigar AD, in the form of an increase of the employee’s salary. This contract represents an annex to the individual employment contract; its contents are confidential and it is valid for one year.

Tigar has not been notified of any complaints, objections or claims and Tigar has not filed any complaints, objections or claims with respect to any infringement of intellectual property rights.

6.5. INFORMATION TECHNOLOGY

The IT Function is a part of Tigar AD. It provides integrated data management services to Tigar and its key activities include:

- Development of application software
- Installation of software
- Software and hardware user training
- Logistic support to users
- Database maintenance
- Data security
- Installation and maintenance of hardware and software
- Administration and user access management
- Local area network management and anti-virus protection
- Maintenance of internet and internet access
- Standardization of corporate hardware and software

Main features of Tigar's Information System include:

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.
- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.
- **Highest level of security:** System security is under the full control of the administrator; there is a three-tiered data security feature which ensures:
    - Protection from unauthorized access,
    - Protection from unauthorized use of system functions,
    - Protection from unauthorized retrieval of data,
    - The user has access to data only if such access is allowed by the administrator,
    - Query, modification, deletion, and addition rights are defined at document level,
    - User registration and allocation of user privileges is centralized,
    - Switching to other modules or programs does not require logging off and on.
- **Multi-company system:** The system allows for instantaneous monitoring of multiple companies within the same database and for consolidation at Company level.
- **Multi-currency system:** Business transactions can be entered and monitored in both the national currency and in foreign currencies.
- **Centralized coding system:** Product, customer and supplier codes can be entered by several users, but only authorized users can approve or modify codes.
- **Integrated approach:** All business functions of the Company have been integrated by means of a single database. The system automatically generates a large number of different documents, such as bookkeeping/accounting entries, warehouse receipts, delivery notes, and the like. Any document can be cancelled regardless of its level, along with any other documents which might have been created on the basis of such document.
- **Openness:** The system is readily expandable and can be interfaced with other information systems and the Windows environment.
- **Flexibility:** The system can be adapted to any specific needs of the Company, based on a large number of parameters which were set at the time of implementation.
- **Modular approach:** Individual modules can be operated independently or as part of the integrated system.
- **Simple and consistent user interface:** Requires little training and is easy to operate. Flexible menus, graphic user interface, and online context-sensitive help.
- **Large processing and storage capacity:** For example, the system supports a payroll of 4,000.
- **Multiple-user support:** The system supports several hundred interactive users.
- **Three-layer architecture:** The use of leading-edge internet technologies facilitates administration and access from several locations.

6.6. CORPORATE SOCIAL RESPONSIBILITY

In keeping with its corporate policy of social responsibility, Tigar is committed to a high level of corporate responsibility toward its employees and the community in which it earns its profits. All stakeholders are treated in a responsible and ethical manner.

Corporate social responsibility (CSR) is ensured by Tigar's strategic corporate documents and the Codex, which constitute an integral part of Tigar's overall business policy. Tigar's vision and mission clearly define its relationships with employees, shareholders, customers, the local community and society, and its attitude toward the environment, which are consistent with a balanced CSR approach.

In 2008, Tigar AD received the first national CSR recognition. The synergy of our ethical conduct of business and our responsible approach to the environment, along with clearly defined policies with regard to employees, the local community and society in general, as well as a high level of respect for shareholders and public stakeholders, permeated all segments of the Company's operations during the reporting period.

In 2011, Tigar continued to make efforts to maintain and upgrade its CSR reputation by, among other things, taking part in a national CSR competition organized by the Serbian Chamber of Commerce, and becoming actively involved in a pilot project aimed at CSR certification of companies. The level of spending on philanthropic activities during the reporting period remained at 0.1% of the Company's income.

Respect for our employees is one of the most important aspects of Tigar's CSR policy. In line with the principle that employee health and safety are Tigar's number one priority, Tigar conducted training courses for all new employees in potential workplace risks. The Company also provided regular medical examinations of employees working in special environments and ensured training of all operators of newly-acquired equipment.

The Company partnered with the Serbian Chamber of Commerce and on the occasion of the 28th of April, the International Occupational Health and Safety Day, organized a conference titled "Occupational Health and Safety – An Investment in the Future". It also launched an internal campaign "No Injury at Work – Our Common Goal", aimed at reducing the number of injuries through internal communication channels, the Tigar Info newsletter and presentations on bulletin boards.

During the reporting period, the Company again sponsored the participation of athletes in sports competitions. At the 10th HEMINS (sports meetings of Serbia's chemical and non-metal industry workers), which was held in Kladovo, there were 56 Tigar employees among 500 workers and athletes from 25 different companies. During the year our employees were able to use sports and recreation facilities in Pirot free of charge and, following a long-standing tradition, health boost weekends were offered at rehabilitation centers and health spas.

Tigar has been a reliable partner to its local and wider community for decades. Committed to increasing knowledge and developing talent, the Company continued to offer scholarships to high school students based on merit, awarding the best students of the Pirot High School. Additionally, the top student each year is automatically awarded a Tigar scholarship if he or she chooses to pursue university studies consistent with Tigar's business and development goals. One of the examples of good practice was our support to the international exchange student program "The Boat of Friendship".

Another aspect of Tigar's corporate social responsibility has to do with **supporting disabled and handicapped individuals, especially children.** Tigar continued to partner with the Sunce Daycare Center and Mladost School and launched a project "Living with Us, not Next to Us", whose goal was to enhance social inclusion and involve our employees in voluntary events with disabled children.

Adding to its philanthropic activities, the Company supported the purchase of equipment and training aids for a Montessori lab, which will help children with different types of disabilities to follow instruction better.

In 2011, the Company launched a radio show “Seeking the Right to Rights” on the local radio. The goal of this project was to contribute to social inclusion and quicker and easier integration of disabled individuals into everyday life.

During the reporting period the Company sponsored disabled athletes, students of the Mladost School, who participated in the Special Summer Olympic Games in Athens.

Seeking to motivate young professionals – architects and designers – to apply ecological thinking to the design of housing, business premises, public areas and landscapes, the Company partnered with the *Kuća Stil* magazine and sponsored a competition for young architects titled “**"Environmentally Friendly Design".**

The Company assisted local environmental activities within the scope of the *Clean Up Serbia* campaign, which were organized in the Pirot District on the occasion of the 5th of June, the International Environmental Protection Day, and participated in the global campaign which marked the 22nd of September, the European Day Free from Car Fumes. By taking part in this campaign, the Company corroborated its commitment to the conservation of the environment, the promotion of healthy lifestyles, and the motivation of not only employees, but of all citizens, to become involved in local life, to be responsible toward their environment and to act proactively in protecting their health.

Aiming to improve general conditions and create a better climate for healthy lifestyles and sports, the Company assisted the construction of a ski resort on Mt. Stara Planina, in the immediate vicinity of the StarA hotel, to attract tourists to this part of Serbia. Tigar also supported sports summer schools, such as Open Fun Football, which attracted 200 children between the ages of 7 and 11 from the Pirot District.

In 2011 as well, Tigar **supported the Book Fair in Pirot**, as well as **Belgrade International Games** – BIG 2011, which attracted more than 350 scholarship students from 18 universities and 12 countries, and some 400 students from the University of Belgrade.

To further promote it approach to CSR and transparency, Tigar arranged visits of NGOs from Bulgaria and Pirot and students from the American College from Blagoevgrad, and participated in a project of the US Chamber of Commerce called “Meet the Business First Hand”, where it presented Tigar’s CSR concept and shared good practices with some 50 graduates of the University of Belgrade.

The Company actively participated in the “Certify Serbian CSR Companies” program of the National Local Economic Development Alliance, the Smart Association and the Balkan Local Initiative Fund. Tigar presented its corporate governance practices at the conference “Who are Serbia’s CSR Leaders?”, organized by NALED. Tigar also actively participated in the work of the CSR Council of the Serbian Chamber of Commerce, which aims to promote and develop CSR through the implementation of ISO 26000 standards and to familiarize both corporations and the Serbian public with this concept.

AWARDS AND RECOGNITIONS

2005 BEST CORPORATE BRAND AWARD

As part of the *Best Serbian Brands* campaign, which was jointly organized for the second time in 2005 by the Ministry of Trade, Tourism and Services, the Serbian Chamber of Commerce and the Pregled daily, **Tigar was awarded the grand prize for the best corporate brand** across the board. The jury stated that Tigar was one of the top performing companies in Serbia, with a clear strategy and prospects for development, whose products and services successfully cope in the highly competitive international marketplace despite the economic transition in Serbia.

2005 NATIONAL BUSINESS EXCELLENCE AWARD: QUALITY OSCAR

The Serbian Chamber of Commerce pronounced Tigar the absolute winner in 2005 in the large companies category and Tigar received the *National Business Excellence Award – the Quality Oscar* . The Quality Oscar is an independent and neutral national award for outstanding achievements in quality enhancement and development, awarded to for profit it non-profit organizations. The jury included representatives from government, scientific and professional institutions, selected by an evaluation team composed of certified business excellence appraisers per the per FQCE model.

BUSINESSMAN OF THE YEAR 2005

The jury of the Business Journalists Club composed of representatives from 12 editorial boards granted the traditional **2005 Businessperson of the Year** award to Tigar AD's CEO, Dragan Nikolić, for Tigar's outstanding production achievements.

2008 CSR LEADER

Tigar was declared the most socially responsible company in Serbia in 2008, within the scope of the project of the Serbian Chamber of Commerce *Establishment of Corporate Social Responsibility in South East Europe*. Tigar's CSR concept is defined by its vision and mission, and core corporate values, ensured by its Corporate Governance Code, and is an integral part of the Company's business policies. Tigar was selected among 400 of Serbia's top performing companies. The campaign was supported by the Ministry for Economic Cooperation and Development, the Federal Republic of Germany and the German organization InWEnt from Cologne.

RECOGNITION OF THE CENTURY BRAND IN 2009

As part of the *Best of Serbia* campaign in 2009, which showcased national brands, the Century brand received a recognition in the **best brand/durable consumer goods category.**

Century safety footwear became a part of Tigar's product portfolio after the Company acquired the Century Division of the UK manufacturer Hunter Boots Ltd. in 2008, along with the Century, Forester and Firefighter brands.

2009 BUSINESS PARTNER AWARD

In 2009, Tigar was recognized as the **Business Partner** within the scope of a campaign which aimed to promote the best companies and institutions whose conduct of business is governed by high professional and ethical standards. In 1999, Tigar was the first company to receive this prestigious recognition.

FIRST NATIONAL TRANSPARENCY AWARD IN 2010

Tigar received **the first National Award for the Development of Investor Relations** from the Belgrade Stock Exchange. The jury evaluated criteria such as disclosure of significant facts for decision making, communication strategy, and openness to investors. The grounds for selection included the timeliness and comprehensiveness of financial statements, business plans, and performance reports.

RECOGNITION OF THE MANIERA BRAND CAMPAIGN IN 2010

Maniera fashion boots were recognized for the **Most Successful Brand Introduction** within the scope of the *Best from Serbia* campaign. This recognition attested that Tigar, the leading European manufacturer of rubber footwear, became a domestic trend-setter.

FIRST PRIZE TO THE PIROT FREE ECONOMIC ZONE IN 2010

In 2010, the Free Economic Zone of Pirot, which operates within the Tigar Group, was awarded the **first prize in the *Best from Serbia*** services category/small and medium enterprises in 2010. The main criterion, apart from market and financial indicators, was customer and business partner satisfaction.

2010 SCC JUBILEE RECOGNITION

For his achievements and contribution to the enhancement of Serbia's economy in 2010, Tigar's CEO, Dragan Nikolić, received a jubilee recognition from the Serbian Chamber of Commerce.

BUSINESS PLANET 2011

The Business and Econometer magazines awarded the Business Plant award to Tigar's CEO, Dragan Nikolić, for his excellent management of a company which competes with leading global brands.

BUSINESSWOMAN OF THE YEAR 2011 RECOGNITION

Our Executive Director for Corporate Management Affairs, Jelena Petković, received the *Businesswoman of the Year* recognition from Serbia's Business Journalists Club.

BEST FROM SERBIA 2011 – THIRD TIME

The Free Economic Zone received from the Serbian Chamber of Commerce, for the third time, the *Best from Serbia* award as the top performing small or medium enterprise.

6.7. CORPORATE GOVERNANCE

During the period, Tigar duly adhered to all applicable legislation, regulations of the Securities Exchange Commission and the Stock Exchange, its Articles of Association and Corporate Governance Code – the Codex, as well as other corporate regulatory documents. Meetings of the General Assembly of Shareholders, Board of Directors, and Supervisory Board were held as required by law. The General Assembly of Shareholders held an ordinary session in 2011. Meetings of the Board of Directors were held as needed. The Company complied with all of its public reporting obligations and published performance reports, business plan statements and significant event reports in both Serbian and English, and posted them on the corporate website. Tigar continued to work with the IFC and an independent consultant on the Tigar AD Corporate Governance Refinement Project.

7. MANAGEMENT

The management structure remained unchanged. The General Assembly of Shareholders (GAS) re-elected the Board of Directors at its annual session held on 24 June 2011. The Board of Directors elected the Management Body. The Management Body was in charge of day-to-day operations. The three-member Supervisory Board reviewed Tigar's corporate documents and the status of its assets. It reported its findings in these and other specific areas to shareholders. At its annual session held in June 2010, the GAS elected a new Board of Directors.

As of 31 December 2011, corporate governing bodies were as follows:

Board of Directors

Name	Responsibility at Tigar/Position outside Tigar
Executive members:	
Dragan Nikolić	Management Body Chairman and Chief Executive Officer
Jelena Petković	Executive Director for Corporate Management Support
Slobodan Sotirov	Executive Director for Quality Management
Miodrag Tančić	Executive Director for Manufacturing Processes
Non-executive members:	
Vladimir Nikolić	CEO of Tigar Tyres
Gordana Lazarević	Assistant Minister at the Ministry of Finance
Jose Alexandre F. da Costa	Legal counsel to Tigar AD's CEO
Independent members:	
Aleksej Misailović	Chief Executive Officer of Adventis
Tihomir Nenadić	Director of Mayfield Management d.o.o., a member of the Fordgate Group, UK

Members of the Board of Directors can be reached at Tigar's business address: Nikole Pašića 213 18300 Pirot, Republic of Serbia.

In 2011, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 7,872,148. The Board of Directors held 7 meetings during the period.

Management Body

The structure and composition of the Management Body has not changed since the last published report.

Name	Position at Tigar
Dragan Nikolić	Chief Executive Officer
Jelena Petković	Executive Director (ED) for Corporate Management Support
Đorđe Džunić	ED for Financial Affairs
Miodrag Tančić	ED for Manufacturing
Slobodan Sotirov	ED for Quality Management
Branislav Mitrović	ED for IT and Investments
Milivoje Nikolić	ED for Human Resources

Members of the Management Body can be reached at Tigar's business address: Nikole Pašića 213, 18300 Pirot, Republic of Serbia.

In 2011, the Management Body held 15 meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

Members of the Management Body receive no special compensation for their services as members of the Management Body.

There are no service contracts between Tigar and/or its subsidiaries and Management Body members providing for benefits upon termination of Management Body membership.

Supervisory Board

Full name	SB position	Principal activities outside Tigar
Milivoje Cvetanović	Chairman	Independent Accounting Consultant
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration
Dragan Milosavljević	Member	Ministry of Finance, Treasury Administration, Belgrade

Members of the Supervisory Board can be reached at Tigar's business address: Nikole Pašića 213, 18300 Pirot, Republic of Serbia.

In 2011, members of the Supervisory Board received an aggregate gross compensation 585,577 RSD.

8. MAJOR 2011 TRANSACTIONS WITH RELATED PARTIES

After Tigar Trade was merged with Tigar AD, Tigar AD assumed the supply of international and domestic purchasing, sales, logistical and marketing services to its subsidiaries. The margins applied by Tigar AD were equivalent to standard wholesale margins, a fact which was particularly important from a transfer price perspective. Tigar AD also supplied accounting, financial, business plan development, budgeting, legal, human resources and other administrative services to its subsidiaries, based on annual contracts. As an exclusive supplier, Tigar AD purchased and supplied raw and intermediate materials. It took out loans from banks and borrowed from the financial market to finance working capital. Given that the centralized energy supply facilities within the Tigar 3 compound are owned by Tigar AD, it supplied energy to its subsidiaries. In 2011, Tigar Footwear's old location within a residential area of Pirot was transferred to Tigar AD, given that Tigar Footwear has had no use for it since it relocated to new premises within the Tigar 3 compound. As this location is not suitable for production or logistical purposes, Tigar AD intends to dispose of it. In 2011, Tigar conducted negotiations with Tigar Tyres and its founder on behalf of the Free Economic Zone Management Company and reported a capital gain equal to the book value. Tigar consolidated the financial statements of all its subsidiaries, and consolidated the Tigar Europe joint venture at 50%, proportional to its stake.

9. RESEARCH AND DEVELOPMENT

Considering the importance of increasing the production and sales volumes in the footwear segment, product development plans give priority to off-take customers, both existing and new. In 2011, this segment actively developed proprietary brands of firefighting and other safety footwear, farmers' footwear and general-purpose footwear, applying a special dipping technology. A new brand of sports footwear - Caccia, new Maniera Sports styles and new children's footwear styles were also developed. In parallel, a large number of alternative materials were introduced. During the reporting period Tigar Footwear commercialized 73 new products, while another 49 were being approved by customers at the end of the year. Additionally, 48 new and 56 alternative materials were introduced.

The technical rubber goods segment continued to develop new products, largely custom-made. It also continued preparations for the introduction of new products to be made on the newly-acquired or reconstructed dual-component and thermoplastic profiles lines, which have created industrial conditions for TTRG to respond to large international and domestic orders, particularly from the automotive and construction industries. In 2011 TTRG commercialized 61 new products, 14 were undergoing approval and 27 were at the certification stage. Ten new and 27 alternative materials were developed and introduced. Following the acquisition of Bilgutex brands, TTRG was able to offer the following groups of products made from recycled rubber: Bilgusafe – playground tiles; Bilgusand – sandboxes; Bilgusign Bases – traffic sign supports, Bilgubollards – bollards; Bilgulane – rubber matting; and Bilguwell Goods – general purpose products. All these products have been certified to EU standards, creating conditions for the development of both custom-made products and products aimed at meeting market demands.

Tigar's chemical products segment defined its product development processes based on market information, contacts with raw material manufacturers and applicable legislation, particularly the REACH Regulation 2006/1907 and Directives 1999/13/EC and 2004/42/EC, as well as forthcoming legislation. In view of these regulations, as well as general trends in the coatings and adhesives market segments, in 2011 TCP continued to develop alternatives to its major products.

10. COMPETITIVE ADVANTAGES AND RISKS

10.1 COMPETITIVE ADVANTAGES

Leading producer of rubber products in the region

Tigar is the leading producer of rubber products (excluding tires) in the region of the former Yugoslavia. Tigar's product portfolio includes rubber footwear, technical rubber goods and chemical products. Its production facilities are located within a single industrial compound, ensuring their synergy. For example, certain groups of products made by one segment constitute semi-finished products for another segment. In addition to its industrial capacities, Tigar operates a national sales network which offers both Tigar-made products and complementary products made by other manufacturers, including tires and car parts.

Convenient location

Tigar's production facilities are located in Pirot, Southeast Serbia. This geographical location offers strategic advantages and a number of product distribution options. An additional benefit is the proximity to the state border and other countries in the region. Tigar is located at a distance of 600 km from the Port of Bar in Montenegro, 380 km from the Port of Thessaloniki in Greece and 480 km from the Port of Varna in Bulgaria, allowing it to combine different modes of transportation, including shipping via the Adriatic, Mediterranean and Black Sea. Tigar's strategic location will become increasingly important as countries in the region form alliances, including the lifting of customs barriers and creating a common market of 55 million consumers.

Brands

The Tigar brand holds a dominant position in both domestic and regional markets. Through international acquisitions, Tigar became the owner of the Century (safety footwear) and Bilgutex (recycled-rubber products) brands. In 2009 and 2010, Tigar developed two new product brands: Maniera (fashion footwear) and Brolly (children's footwear). It is currently developing new private brands in the sports footwear segment. TCP holds several private brand names, which are owned by Tigar and include the Tigar name. Two new retail chains have been established in the domestic market: Stop & Drive and Bottega, which have become highly-visible brands and have contributed to Tigar's recognition in the domestic market. Over the next five years Tigar will follow a strategy of continually strengthening its proprietary brands in both domestic and international markets, aiming to earn equal shares of revenues from sales under its own brand names and sales under customer brand names.

Geographical diversification of sales

Maintaining its leadership position, in 2011 Tigar reported a consolidated foreign currency income of 2,446 billion, 84% of which traced to Western Europe, 13% to the Balkans, Central Europe and Eastern Europe, and 3% to overseas and other markets. As shown in the table below, Tigar Footwear was the top performer in the export segment, with most of its exports going to the EU.

2011, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
European Union	1,206,687	49,775	22,757	1,279,219	85%
The Balkans	122,066	19,428	1,732	143,226	10%
Russia and ex-Soviet republics	846	31,649	3,661	36,156	2%
US and Canada	10,120	0	0	10,120	1%
Other countries	13,310	5,853	15,172	34,335	2%
Total	**1,353,029**	**106,705**	**43,322**	**1,503,056**	**100%**
Western Europe, in thousands of RSD	**Footwear**	**Technical rubber goods**	**Chemical Products**	**Total**	**Percent share**
Finland	352,101	0	0	352,101	29%
Italy	257,092	2,100	0	259,192	21%
Denmark	207,708	2,263	0	209,971	17%
Sweden	104,270	40,043	0	144,313	12%
UK	136,504	0	0	136,504	11%
France	95,651	4,514	0	100,165	8%
Germany	13,666	0	0	13,666	1%
Belgium	9,059	0	0	9,059	1%
The Netherlands	0	30	0	30	0%
Total	**1,176,051**	**48,950**	**0**	**1,225,002**	**82%**
Eastern Europe, in thousands of RSD	**Footwear**	**Technical rubber goods**	**Chemical Products**	**Total**	**Percent share**
Bosnia and Herzegovina	72,100	629	0	72,729	37%
Macedonia	20,530	15,519	1,732	37,781	19%
Bulgaria	3,577	252	14,407	18,236	9%
Montenegro	12,800	1,998	0	14,798	7%
Slovenia	13,799	547	0	14,346	7%
Kosovo	10,005	1,232	0	11,238	6%
Poland	16	25	8,350	8,391	4%
Croatia	6,631	49	0	6,680	3%
Hungary	6,045	0	0	6,045	3%
Greece	5,344	0	0	5,344	3%
Czech Republic	1,844	0	0	1,844	1%
Lithuania	10	0	0	10	0%
Total	**152,702**	**20,252**	**24,489**	**197,443**	**13%**
Other countries, in thousands of RSD	**Footwear**	**Technical rubber goods**	**Chemical Products**	**Total**	**Percent share**
Russia and ex-Soviet republics	846	31,649	3,661	36,156	45%
South Africa	0	0	15,172	15,172	19%
Hong Kong	10,721	0	0	10,721	13%
US and Canada	10,120	0	0	10,120	13%
Egypt	0	5,853	0	5,853	7%
Japan	2,589	0	0	2,589	3%
Total	**24,276**	**37,503**	**18,833**	**80,612**	**5%**

A combination of low-cost and high-performance production

Serbia, including Pirot where Tigar's manufacturing facilities are located, offers a highly attractive business environment. Profit is taxed at a rate of 10% and there are a number of other incentives. Tigar has the added advantage of being the majority shareholder of the Free Economic Zone in Pirot, which offers special customs and tax concessions to companies which conduct their business within the Zone. For example, some of the production facilities of the tire manufacturer Tigar Tyres operate within the Zone and avail themselves of its advantages. In addition to the above customs and tax facilities, the region offers advantages in terms of energy costs, which have a positive impact on Tigar's competitive edge and allow it to market excellent products at competitive prices.

Additionally, Tigar's highly educated human resources, specialized in both industrial and other areas, allow Tigar to maintain and strengthen its market positioning and remain attractive for different types of strategic alliances with internationally visible companies. Tigar is continually investing in training and specialization of its nearly two thousand employees. With the goal of increasing its production efficiency, as well as capacities, the Company has invested and plans to continue to invest in upgrading of its production facilities. All of Tigar's factories hold quality certification. Tigar owns a number of cutting-edge technologies, including a dipping technology applied in the manufacture of safety and other rubber footwear, which ensures top quality.

Leading national automotive service network

Tigar began developing its sales network in the 1970s. As a result of previous investments in this area, Tigar now operates the largest national vehicle tire and afterpart chain. In 2004, the Company initiated a complete reconstruction and updating of this chain, by shutting down unprofitable facilities and developing new, highly-profitable service centers. Prior to this project, the Company operated 80 retail outlets, while today the chain is comprised of 18 service centers which sell vehicle tires and afterparts, and offer light vehicle servicing; 4 mobile service units; and 25 sales outlets. It also operates a chain of specialty footwear stores - Bottega. The Company uses these chains to sell its own products, as well as products made by other manufacturers, following a multi-product/multi-brand strategy.

Long-term experience in international strategic alliances

Tigar had partnered with BF Goodrich for more than 30 years. After Michelin acquired this company, Tigar became and remained its strategic partner in the tire segment for nearly twenty years, from the early 1990's to the year 2010. Given that Tigar is the European leader in the footwear market, it does not seek strategic alliances in this segment as there are opportunities for Tigar to acquire one or more of the remaining European manufacturers independently, or to partner with others and organize production outside Serbia. However, there are opportunities for strategic alliances in the technical rubber goods segment, one of which is a potential partnership with the Spanish company Kaufil targeting the production of automotive rubber parts. Strategic alliances are also possible in connection with Tigar's new ecological projects, especially if this is the main line of business of potential partners.

Beginning in 2001, Tigar entered into a number of significant arrangements with international financial organizations. The first such project was with the EBRD in 2001, which was related to working capital. In 2002 the IFC granted a capital loan to Tigar's joint venture with Michelin – Tigar MH, where the IFC held a 10% stake until 2006. In 2008, arrangements with DEG created conditions for Tigar's footwear factory to become the leading European manufacturer, within two years of commissioning of its new facilities.

In 2010 Tigar pursued a number of strategic alliances, primarily targeting rubber parts for automobiles and molded rubber products within the scope of TTRG.

10.2. RISKS

Tigar is exposed to a number of risks which have the potential to adversely affect its business, results of operations, financial condition, and prospects. Factors beyond Tigar's control, such as potential political or economic instabilities, or adverse economic conditions in Serbia, high inflation, ease of procuring capital, and changes in interest rates or currency fluctuations, have the potential to affect Tigar's ability to achieve its strategic objectives. Tigar operates in competitive markets, may lose market share and, like all competitors, may suffer losses if it is unable to meet the needs of its customers or to compete effectively.

Tigar is also exposed to risks relating to the legal and regulatory environment in which it operates, especially due to major changes being implemented as part of harmonization with EU legislation.

Being a joint-stock company, Tigar is affected by capital market developments. Additionally, major shareholders may be willing to modify corporate policies and strategies.

Currency fluctuation risks

Tigar's reporting currency is the Dinar (RSD). However, a significant portion of Tigar's business is related to foreign currencies, including sales, purchasing, assets held in companies operating abroad, and loans indexed in foreign currencies, such that many of the items shown in Tigar's financial statements are in fact Dinar equivalents of assets, revenues, expenses and liabilities denominated in currencies other than the Dinar.

Non-Dinar income and expense items are translated into Dinars, using the exchange rate on the date of the respective transaction, such that they are to a large extent affected by exchange rate movements. At the end of the year, all accounts payable and receivable indexed in foreign currencies are reported in Dinars applying the year-end exchange rate, and this has a considerable impact on the balance sheet. Tigar has no practical means of hedging against foreign currency risks.

Risks related to inflation, capital procurement, and capital cost

The inflation rate in 2011 was 7%. The National Bank of Serbia (NBS) chose to target low inflation and governing exchange rates. The projected inflation rate was largely threatened by excessive public and private spending and sudden and uncontrolled price increases. Serbia follows a policy of managing exchange rates, which is a trade-off between fixed and flexible exchange rates. The monetary authority influences the Dinar exchange rate by intervening and establishes the margins of possible fluctuations based on foreign currency supply and demand, the status of the balance of payments, and the difference between domestic and foreign exchange rates. The NBS has not declared the exchange rate level it is prepared to defend (or the "projected" exchange rate), but has stated that it only prevents daily fluctuations (2-3% during a day). The basic question is what is gained when the NBS intervenes? Foreign currency reserves are still relatively high, but one must keep in mind the liabilities stemming from pre-Balkan conflict foreign currency savings, international obligations, and the like. The country spent 4 billion on defending exchange rates from October 2008 to October 2010. Once the NBS sells foreign currency, Dinars are withdrawn from circulation and this is one of the restrictive measures of the monetary policy. Due to large fluctuations, there are in fact no efficient measures against foreign currency risks.

Tigar will continue to replace short-term sources with long-term sources of financing because of more favorable repayment terms, but it will also need short-term sources. High production and sales growth increases the need for permanent working capital considerably, as it cannot be financed from cash flow and requires additional loans. Tigar's plans call for long-term borrowing for refinancing and production financing purposes, up to a level of 22.6 million, allowing us to repay short-term loans and discontinue issuing short-term bonds. Advantages include long repayment periods, long grace periods, favorable interest rates, and a better position in terms of collateral.

Tigar will continue to apply for EU funds and will seek a long-term capital loan for its recycling project. The financing policy set out in the current business plan stipulates that no capital project will be launched unless appropriate sources of funding have been procured, which might result in the deferral or possibly abandonment of certain projects. The latter would definitely have a negative impact on operations. To finance capital projects, Tigar plans additional long-term borrowing of 5 million €, through either a loan or long-term bonds. Given the recent changes in legislation, it is not reasonable to expect that that additional funding for capital projects and development can be procured through the issuance of new stock.

Business risks inherent in the rubber industry

The rubber industry is, by its very nature, subject to numerous business risks. Tigar is faced with strong competition in the middle- and lower-tier segments of the footwear market, increases in raw materials and semi-finished product costs, especially natural rubber and cotton fabric costs, which tend to drive up finished product prices, and the fact that in the recycled-rubber products segment, Tigar has yet to develop its own capacities for the production of crumb rubber and this makes it dependent on imports. In order to cope with key risks from this group, production is oriented towards the premium- and higher-medium segment, where competition is less intense. To reduce the risk of increasing raw-material prices, technologies are being modified but only where such modifications will not reduce finished product quality.

Risks related to capacity utilization

Current footwear factory capacities are sufficient for the planned level of growth. Therefore, further large investments in Tigar Footwear's capacity will not be required in the subsequent five-year period. However, some investment in equipment reconstruction may be needed to increase productivity and quality, and in the fabrication of tools and lasts for new footwear models. With regard to technical rubber goods, two production lines for EPDM and thermoplastic profiles has been deferred to 2012, while planned production levels do not require any major investment. If Tigar, through its venture with a German partner, obtains the status of a rubber parts suppliers for the automotive industry, additional investments in the amount of 1.5 million € will be needed. At present, the plant which produces finished products from recycled rubber has capacities which exceed by far its planned level of production. To fully utilize these capacities, Tigar needs to build its own supply of recycled rubber.

The energy supply capacities within the Tigar 3 compound are sufficient to support the factories operating at full capacity. A small boiler will need to be purchased to allow for significant savings during the summer months, when energy consumption is much lower. This boiler will also serve as a backup unit in the event of failure of the main boiler.

In 2012, Tigar plans to invest in facilities for the production of semi-finished products, in the event Tigar Tyres is unable to provide black rubber compound mixing services if its own production grows appreciably. These new facilities will be built within the Tigar 3 compound and will be used to produce both black and color rubber compounds, to respond to both the needs of Tigar's factories operating at full capacity and some non-Tigar buyers.

Investments in TCP's reconstruction and updating will depend on decisions made regarding its product mix and output volume, after it relocates to Tigar 3.

In summary, the capacities of Tigar's factories are sufficient for the projected level of growth, with some investment required in facilities for the fabrication of semi-finished products and the energy supply plant. A scrap tire recycling plant is needed to substantially increase the current output of final products made from recycled rubber, commensurate with existing capacities.

Risks related to shareholder and corporate structure

In 2010, there were no major changes in shareholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be facing this type of risk in the near future. Since the position of the government related to its stake in the capital is that it will not take any action that might lead to unexpected or uncontrolled ownership changes, which could negatively influence business operations, it is reasonable to expect that no such moves will be made given that the Company is among the largest employers, exporters and taxpayers.

Based on recently amended legislation, there is no deadline for the sale of state-held stock. Tigar's management is of the opinion that such sale of stock should take place after the overall investment program has been completed and the Tigar Group has fully stabilized, which would be after the year 2012.

11. MAJOR EVENTS AFTER FY2011

Although the disbursement of Apex IV was to have taken place at the very beginning of 2012, as of the date of this report the Company has not been notified when it can expect this disbursement. The banks which have applied on behalf of Tigar have confirmed that disbursement is imminent, but they do not know exactly when the funds will be available. Given these circumstances, in order to finance production and sales, repay loans and redeem bonds, the Company continued to use short-term loans and to issue short-term bonds for financial bridging purposes. As a result of this financial situation, the Company was forced to defer the distribution of outstanding dividends until May 2012. However, in view of the importance of replacing most of its short-term bonds with long-term bonds, the Company is currently pursuing the issuance of long-term bonds in the aggregate amount of up to 10 million €, with a minimum five-year term, six-month grace period and an interest rate not higher than 7%. The company has engaged a financial consultant for this transaction, who will receive a commission only if the issue is successful. The proceeds will be used as follows: 85% to refinance current liabilities and 15% to finance permanent working capital. Discussions were resumed in February with one of the leading international financial organizations concerning long-term financing of working capital, in the amount of 5 million € for the footwear segment. By the middle of the year all three sources should secure a total of 22.7 million of long-term funds. Plans call for another 5 million of long-term funds to be procured in the latter half of the year, to finance investments. The Company has applied to Alpha Bank to cancel the remaining three installments under a Paris Club loan in the amount of 1.2 million €, based on a write-off the member states have approved for Serbia. Tigar has already repaid 33% of the loan, commensurate to the amount the Serbian government is required to repay to the Paris Club member states.

During the first quarter the Company drafted its amended Articles of Association and Bylaws, to reflect new legislation. They will be presented to the General Assembly of Shareholders for approval at its next ordinary session.

A letter of intent was signed on 30 March 2012 with a German partner, concerning the incorporation of a joint-venture company by the German partner and Tigar Technical Rubber Goods. The new company will produce molded rubber products. The parties have agreed to register the company by June 2012 and to commence operations on 30 September 2012. Additionally, if appropriate conditions are created, this company will also operate the rubber compound mixing plant and might also include several other TTRG segments.

All other activities fell within the scope of business as usual.

DECLARATION

Pursuant to article 50 (3) of the Capital Market Law, as individuals responsible for the preparation of annual reports, we hereby declare that to our best knowledge this Annual Report has been prepared applying appropriate international financial reporting standards and that it is a true and objective presentation of the assets, liabilities, financial position, business, profits, losses, cash flows, and capital changes of this public company, including its subsidiaries whose financial statements are consolidated.

The Board of Directors of the Company has reviewed and approved this Annual Report at its meeting held on 23 April 2012. The General Assembly of Shareholders, as the competent body for the adoption of annual reports, will review and resolve on the adoption of Tigar's financial statements at its ordinary annual session convened for 21 June 2012. Following this session, the Company will fully disclose the resolution adopting the annual financial statements of the Holding Company Tigar AD and the consolidated financial statements, as well as the resolution on any distributions to be made based on the adopted financial statements.

U prilogu:

- Finansijski izveštaj Tigar ad i konsolidovani
- Revizorski izveštaj za Tigar ad i konsolidovani
- Godišnji dokument o objavljenim informacijama

EXECUTIVE DIRECTOR FOR CORPORATE MANAGEMENT SUPPORT	BOARD OF DIRECTORS CHAIRMAN
TIGAR AD	**TIGAR AD**
Jelena Petković	**Dragan Nikolić**

ANNEX 1

TIGAR A.D., PIROT

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

Translation of the Auditors' Report issued in the Serbian language

CONTENTS

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis of Modified Opinion

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

(Continued)

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

INDEPENDENT AUDITORS' REPORT

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

Basis of Modified Opinion (Continued)

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

Modified Opinion

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

Emphasis of Matter

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

Belgrade, April 27, 2012

Zoran Nešić,
Certified Auditor

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

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

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

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

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

Dragan Nikolić
General Manager

Dragoslava Branković
Head of Accounting

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

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

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

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

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

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

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

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

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

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

1. FOUNDATION AND ACTIVITY

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1. Basis of Preparation and Presentation of Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. Standards and Interpretations in Issue not yet in Effect

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 1 “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);

- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures;

- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);

- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);

- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after January 1, 2013).

2.4. Comparative Data

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Revenue and Expense Recognition and Measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Borrowing Costs

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

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

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

3.3. Foreign Exchange Translation

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

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

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

3.4. Intangible Assets

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

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

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

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

Directly attributable costs are:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Intangible Assets (Continued)

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

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

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

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

3.5. Property, Plant and Equipment

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

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

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

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

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

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

3.6. Investment Property

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Tangible Assets

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

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

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

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

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

3.8. Leases

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

The Company as a Lessor

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

The Company as a Lessee

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Leases (Continued)

The Company as a Lessee (Continued)

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

3.9. Inventories

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

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

3.10. Equity Investments in Subsidiaries

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

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

3.11. Financial Instruments

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

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

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

a) Long-Term Financial Placements

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (Continued)

b) Other Long-term Financial Placements

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

c) Accounts Receivable

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

d) Cash and Cash Equivalents

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

e) Accounts Payable

Accounts payable are stated at their nominal values.

f) Borrowings

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

3.12. Income Taxes, Other Taxes and Contributions

a) Current Income Tax

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

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

b) Deferred Income Taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

c) Indirect Taxes and Contributions

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

3.13. Employee Benefits

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

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

b) Obligations for Retirement Benefits and Jubilee Awards

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

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

4.1. Depreciation and Amortization Charge and Rates Applied

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

4.2. Allowance for Impairment of Receivables

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

4.3. Fair Value

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

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

4.4. Allowance for Impairment of Inventories

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

5. SALES

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

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

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

5. SALES (Continued)

a) Geographical concentration of income from sales in foreign markets

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

b) Information on major customers

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

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

c) Location of noncurrent assets

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

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6. OWN WORK CAPITALIZED

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

7. COST OF MATERIAL

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

8. STAFF COSTS

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

9. DEPRECIATION, AMORTIZATION AND PROVISIONS

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

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10. OTHER OPERATING EXPENSES

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

11. FINANCE INCOME

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

12. FINANCE EXPENSES

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

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13. OTHER INCOME

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

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

14. OTHER EXPENSES

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

15. INCOME TAXES

a) Components of Income Taxes

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

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

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

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

15. INCOME TAXES (Continued)

b) Deferred Tax Liabilities

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

16. EARNINGS PER SHARE

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

17. INTANGIBLE ASSETS

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

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18. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

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

19. EQUITY INVESTMENTS

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

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19. EQUITY INVESTMENTS (Continued)

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

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

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

20. OTHER LONG-TERM FINANCIAL PLACEMENTS

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

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21. INVENTORIES

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

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

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

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

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

22. NON-CURRENT ASSETS HELD FOR SALE

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

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23. ACCOUNTS RECEIVABLE

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

24. SHORT-TERM FINANCIAL PLACEMENTS

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

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

25. CASH AND CASH EQUIVALENTS

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

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

26. VALUE ADDED TAXES AND PREPAYMENTS

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

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26. VALUE ADDED TAXES AND PREPAYMENTS (Continued)

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

27. MOVEMENTS IN PROVISIONS

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

28. SHARE CAPITAL

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

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

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

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

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

28. SHARE CAPITAL (Continued)

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

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

29. LONG-TERM PROVISIONS

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

The assumptions used in the actuarial assessment were as follows:

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

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

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

30. LONG-TERM LIABILITIES

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

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30. LONG-TERM LIABILITIES (Continued)

a) Long-Term Borrowings

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

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

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

b) Long-Term Bonds

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

The maturities of long-term bonds are as follows:

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

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

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30. LONG-TERM LIABILITIES (Continued)

c) Finance Lease Liabilities

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

d) Liabilities to Related Party

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

31. SHORT-TERM FINANCIAL LIABILITIES

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

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31. SHORT-TERM FINANCIAL LIABILITIES (Continued)

a) Short-Term Loans in Foreign Currency

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

b) Short-Term Loans in RSD

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

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31. SHORT-TERM FINANCIAL LIABILITIES (Continued)

c) Short-Term Bonds Issued

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

32. ACCOUNTS PAYABLE

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

33. OTHER SHORT-TERM LIABILITIES

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

34. RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS
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34. RELATED PARTY TRANSACTIONS (Continued)

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

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34. RELATED PARTY TRANSACTIONS (Continued)

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

Income Statement

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

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34. RELATED PARTY TRANSACTIONS (Continued)

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

Expenses

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

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

34. RELATED PARTY TRANSACTIONS (Continued)

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

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

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

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

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

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

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

Significant Accounting Policies Regarding Financial Instruments

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Categories of Financial Instruments

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

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

Objectives of Financial Risk Management

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

Market Risk

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

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

Foreign Currency Risk

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

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

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

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

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

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

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

Interest Rate Risk

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest Rate Risk (Continued)

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

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

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk

Managing Accounts Receivable

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

The most significant customers are presented in the following table:

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

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

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

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

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

Accounts Receivable not Matured

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

Accounts Receivable Matured and Provided for

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

Accounts Receivable Matured but not Provided for

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

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

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

Managing Accounts Payable

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

Liquidity Risk

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

Tables of Liquidity and Credit Risk

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Tables of Liquidity and Credit Risk (Continued)

Maturities of Financial Assets

December 31, 2011

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

December 31, 2010

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

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

Maturities of Financial Liabilities

December 31, 2011

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

December 31, 2010

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

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

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

Assumptions for the Assessment of Financial Instruments' Fair Value

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

36. CONTINGENT LIABILITIES

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

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

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

37. OPERATING LEASE

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

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

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

38. STAUS CHANGE – MERGER AND ACQUISITION

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

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

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

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

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

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

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

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

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

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

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

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

38. STAUS CHANGE – MERGER AND ACQUISITION (Continued)

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

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

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

39. TAXATION RISKS

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

40. EXCHANGE RATES

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

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

ANNEX 2

TIGAR A.D., PIROT

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

Translation of the Auditors' Report issued in the Serbian language

CONTENTS

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements (pages 3 to 47) of Tigar A.D., Pirot (the "Company") and its subsidiaries (collectively: the "Group"), which comprise the consolidated balance sheet as at December 31, 2011, and the related consolidated income statement, consolidated statement of changes in equity and consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting regulations of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 presentation of the consolidated financial statements.

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

Basis of Modified Opinion

As it is disclosed in Note 7 to the consolidated financial statements, the income from own work capitalized for the year ended December 31, 2011 totaled RSD 710,666 thousand and comprises:

- the effects of valuation of properties that the Parent Company transferred to its subsidiaries in the form of capital contribution increase of RSD 183,019 thousand, which the Group recorded in accordance with the Opinion of the Ministry of Finance (Note 2.1) whereby transfer of disposal rights over property from the parent company to its subsidiary within capital increase procedure, is in its substance transfer, i.e. retirement, which was then applied to the consolidated financial statements as well. The afore described treatment departs from the Group's accounting policy and requirements of IAS 16 "Property, Plant and Equipment," whereby the effects of increase in property value based on revaluation should be recorded within revaluation reserves and deferred tax liabilities, in the respective amounts of RSD 164,717 thousand and RSD 18,302 thousand.

(Continued)

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

INDEPENDENT AUDITORS' REPORT

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

Basis of Modified Opinion (Continued)

- the costs of material and employee benefits capitalized and directly attributed to the property, plant and equipment under construction in order to improve business operations and reconstruct retail outlets and servicing network facilities in the amount of RSD 527,647 thousand. The Group's management holds the aforementioned investments are necessary for the purpose of improving business operations through the increase in sales volume, development of new products and reconstruction of retail stores and servicing and distribution network intended for direct sales to customers without intermediaries and aiming at the highest possible margin percentage, whereof the management expects economic benefits in the ensuing period. Based on the available documentation and audit procedures conducted, we could not satisfy ourselves as to whether the conditions for recognizing assets under construction were entirely fulfilled in accordance with requirements of IAS 16 "Property, Plant and Equipment." In addition, for intangible assets and property, plant and equipment under construction in respective amounts of RSD 337,259 thousand (Note 19) and RSD 740,753 thousand (Note 20), the Group failed to perform testing, i.e. to check whether these investments had been impaired in accordance with requirements of IAS 36 "Impairment of Assets," and determine whether their recoverable amounts were below their carrying amounts. Accordingly, we were unable to assess potential effects of the aforedescribed inconsistencies on the accompanying consolidated financial statements.

As disclosed in Note 23 to the consolidated financial statements, inventories of goods sated as of December 31, 2011 as totaling RSD 1,301,484 thousand include certain slow-moving inventories which, due to the nature of accounting records, we were unable to quantify. The Group's management did not make allowance for impairment of the inventories given that it believes that they will be realized in the ensuing periods with regard to specific market characteristics, features of the inventories and their long useful lives. Based on the documentation made available to us, we could not satisfy ourselves as to whether additional allowance for impairment of inventories was necessary, i.e. reduction of inventories to their net realizable value in accordance with requirements of IAS 2 "Inventories."

As it is disclosed in Note 31 to the consolidated financial statements, two Group's adequacy indicators were not in compliance with the terms of the relevant loan agreements as of December 31, 2011, which, among other issues, allows the creditor to request early loan repayment. Accordingly, the long-term borrowings stated at December 31, 2011 as totaling RSD 732,486 thousand should have been presented within short-term financial liabilities. The Group's management does not expect adverse effects thereof given the fact that the creditor did not deliver any payment reminders or requested early repayment from the loan approval date up to the date of this report issuance.

Modified Opinion

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

Emphasis of Matter

We draw attention to the fact that the accompanying consolidated financial statements have been prepared on a going concern assumption. As disclosed in Note 2.5 to the consolidated financial statements, the Group incurred loss for the year ended December 31, 2011 in the amount of RSD 309,133 thousand, whereas the Group's current liabilities exceeded its current assets by RSD 778,021 thousand as of the same date. In addition, in 2011, all cash outflows from operating activities exceeded cash inflows by RSD 694,523 thousand. These matters, together with matters described in the Basis of Modified Opinion paragraph, suggest materially significant uncertainties that may cast substantial doubt upon the Group's ability to continue as a going concern. The consolidated financial statements do not include adjustments that may arise from the aforementioned uncertainties. In order to overcome those uncertainties, the Group's management has taken measures disclosed in Note 2.5. Our opinion is not modified in respect of these matters.

Belgrade, May 18, 2012

Zoran Nešić,
Certified Auditor

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

	Notes	2011	2010
OPERATING INCOME			
Sales of goods, products and services	5	4,296,923	4,288,191
Own work capitalized	7	710,666	743,239
Increase in inventories		264,350	89,828
Other operating income	8	26,546	39,624
		5,298,485	5,160,882
OPERATING EXPENSES			
Cost of commercial goods sold		(836,916)	(902,193)
Cost of materials	9	(1,862,687)	(1,563,187)
Staff costs	10	(1,770,138)	(1,611,720)
Depreciation, amortization and provisions	11	(177,188)	(187,982)
Other operating expenses	12	(638,622)	(624,515)
		(5,285,552)	(4,889,597)
PROFIT FROM OPERATIONS		12,934	271,285
Finance income	13	108,672	72,209
Finance expenses	14	(537,174)	(391,035)
Other income	15	237,660	74,505
Other expenses	16	(57,822)	(46,648)
LOSS BEFORE TAXATION		(235,731)	(19,684)
Income taxes			
- Current income tax expense	17	(65,456)	(31,088)
- Deferred income tax expense		(7,946)	(6,349)
LOSS FOR THE YEAR		(309,133)	(57,121)
Net (loss) / profit attributable to:			
- majority shareholders		(326,650)	(62,560)
- non-controlling (minority) interest		17,519	5,439
Earnings per share (in RSD)	18	(179.89)	(33.24)

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

These consolidated financial statements were approved on April 30, 2012 by the management of Tigar A.D., Pirot.

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

Dragan Nikolić
General Manager

Aleksandra Lilić
Preparer of Financial Statements

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

	Notes	2011	2010
ASSETS			
Non-current assets			
Intangible assets	19	547,151	398,125
Property, plant and equipment	20	4,521,484	4,288,114
Investment property	20	227,011	-
Equity investments	21	11,819	11,819
Other long-term financial placements	22	41,720	45,468
		5,349,185	4,743,526
Current assets			
Inventories	23	2,073,287	1,823,646
Assets held-for-sale	24	6,846	20,039
Accounts receivable	25	892,958	903,162
Receivables for prepaid income taxes		2,171	7,097
Short-term financial placements		4,765	4,986
Cash and cash equivalents	26	251,093	369,524
Value added tax and prepayments	28	301,178	327,267
		3,532,298	3,455,721
Deferred tax assets	17	22,160	21,305
Total assets		8,903,643	8,220,552
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	29	2,062,152	2,062,152
Reserves		5,418	941
Revaluation reserves		1,079,077	1,051,401
(Accumulated losses) / retained earnings		(167,411)	197,134
Translation reserves		44,198	26,868
Capital attributable to majority shareholders		3,023,434	3,338,496
Non-controlling (minority) interest		72,688	55,169
		3,096,122	3,393,665
Long-term provisions and liabilities			
Long-term provisions	30	84,127	83,087
Long-term liabilities	31	1,270,109	1,729,282
		1,354,236	1,812,369
Current liabilities			
Short-term financial liabilities	32	2,684,202	1,716,210
Accounts payable	33	1,164,507	851,145
Other current liabilities	34	296,432	183,926
Value added tax and other public duties payable and accruals	35	114,852	110,455
Income taxes payable		50,326	18,086
		4,310,319	2,879,822
Deferred tax liabilities	17	142,966	134,696
Total equity and liability		8,903,643	8,220,552

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

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

	Share Capital	Reserves	Revaluation Reserves	(Accumulated Loss)/ Retained Earnings	Translation Reserves	Capital Attributable to Majority Shareholders	Non-Controlling Interest	Total
Balance January 1, 2010	2,062,152	207,925	1,074,215	85,934	34,127	3,464,353	49,730	3,514,083
Dividends paid to shareholders	-	-		(37,894)	-	(37,894)	-	(37,894)
Transfer	-	(206,215)		206,215	-	-	-	-
Effects of foreign currency fluctuations	-	-	-	-	(7,259)	(7,259)	-	(7,259)
(Loss)/profit for the year	-	-		(62,560)	-	(62,560)	5,439	(57,121)
Other	-	(769)	(22,814)	5,439	-	(18,144)	-	(18,144)
Balance, December 31, 2010	2,062,152	941	1,051,401	197,134	26,868	3,338,496	55,169	3,393,665
Balance January 1, 2011	2,062,152	941	1,051,401	197,134	26,868	3,338,496	55,169	3,393,665
Revaluation effects	-	-	69,211	-	-	69,211		69,211
Dividends paid to shareholders	-	-	-	(37,895)	-	(37,895)	-	(37,895)
Sales of property and equipment	-	-	(29,875)	-	-	(29,875)	-	(29,875)
Effects of foreign currency fluctuations	-	-	-	-	17,330	17,330	-	17,330
(Loss)/profit for the year	-	-	-	(326,650)	-	(326,650)	17,519	(309,131)
Other	-	4,477	(11,660)	-	-	(7,183)	-	(7,183)
Balance, December 31, 2011	2,062,152	5,418	1,079,077	(167,411)	44,198	3,023,434	72,688	3,096,122

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

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	4,282,666	4,216,087
Interest receipts	83	3,877
Other receipts from operating activities	238,940	61,589
Cash paid to suppliers	(2,894,920)	(3,066,000)
Gross salaries and other staff costs paid	(1,719,868)	(1,624,709)
Interest paid	(399,169)	(256,169)
Income taxes payable	(14,991)	(21,235)
Other public duties payable	(187,264)	(186,118)
Net cash used in operating activities	(694,523)	(872,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property, plant and equipment	114,253	17,986
Interest received and other placements	8,375	8,507
Dividends received	-	72
Purchases of property, plant and equipment	(48,288)	(177,269)
Net cash provided by/ (used in) investing activities	74,330	(150,704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term and short-term loans (net inflows)	486,418	466,040
Other long-term and short-term liabilities	46,529	243,763
Finance lease payments	(21,256)	(15,129)
Dividends paid	-	(34,083)
Net cash provided by financing activities	511,691	660,591
NET CASH INCREASE	-	-
NET CASH DECREASE	(108,502)	(362,791)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	369,524	702,009
Foreign exchange (losses) / gains on translation of cash and cash equivalents, net	(9,929)	30,306
CASH AND CASH EQUIVALENTS AT END OF YEAR	251,093	369,524

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

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

1. GENERAL INFORMATION ON THE COMPANY AND THE GOUP

Tigar A.D., Pirot (the "Company" OR THE "Parent 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, the shareholding company doing business in the manufacture of rubber products (Tigar A.D., Pirot).

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. Thus, at December 31, 2008, equity interest in Tigar Tyres amounted to 20%. In 2009, the Company sold the remaining 20% of equity in this entity. Accordingly, the entity "Tigar Tyres," Pirot was not included in the consolidated financial statements of the Company prepared at December 31, 2009 and 2008.

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 production of rubber products, the Company's principal activities also include the production of glues and utensils, transport, construction services, tourism and accommodation, foreign trade operations related to the activity for which the Company was established, special forms of foreign trade (agreements on long-term production cooperation, compensation transactions, purchase of goods abroad for the purpose of resale abroad, as well as export of purchased and imported goods), services in foreign trade and the like.

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

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

As of December 31, 2011, the Company had 485 employees (December 31, 2010: 476 employees) whereas the Group had 2,024 employees altogether (December 31, 2010: 2,026 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis for Consolidation

The accompanying financial statements represent the consolidated financial statement of the Company Tigar A.D., Pirot (the "Company" or "Parent Company"), and the financial statements of the following subsidiaries (collectively: the "Group")

		% Equity Interest
1	Tigar Obuća d.o.o., Pirot	100.00%
2	Tigar Hemijski proizvodi d.o.o., Pirot	100.00%
3	Tigar Tehnička guma d.o.o., Pirot	100.00%
4	Tigar Trejd d.o.o.,Pirot	100.00%
5	Tigar Poslovni servis d.o.o., Pirot	100.00%
6	Tigar Tours d.o.o., Pirot	100.00%
7	Tigar Obezbeđenje d.o.o., Pirot	100.00%
8	Tigar Zaštitna radionica d.o.o., Pirot	100.00%
9	Tigar Inter Risk d.o.o., Pirot	100.00%
10	Tigar Inkon d.o.o., Pirot	100.00%
11	Slobodna Zona Pirot A.D., Pirot	75.06%
12	Tigar Montenegro d.o.o., Podgorica, Montenegro	80.00%
13	Tigar Patner d.o.o., Skopje, Republic of Macedonia	70.00%
14	D.O.O. Tigar Trejd, Banja Luka, Republic of Srpska	70.00%
15	Tigar Americas Jacksonville, Florida, USA	100.00%
16	Tigar Europe, London, UK	50.00%

The financial statements of foreign subsidiaries stated in their functional currencies are translated into the reporting currency of the Parent Company (Dinar), by translating the assets and liabilities at the official exchange rate as of the balance sheet date, and by translating income and expenses at the average rates of exchange prevailing during the year.

All material intercompany balances and transactions relating to the abovelisted subsidiaries have been eliminated upon consolidation.

2.2. Basis of Preparation and Presentation of Consolidated 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.

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

2.2. Basis of Preparation and Presentation of Consolidated Financial Statements (Continued)

However, until the preparation date of the accompanying consolidated 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 consolidated financial statements are presented in the format prescribed under the “Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures” (Official Gazette of the Republic of Serbia, nos. 114/2006 to 3/2011). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, “Presentation of Financial Statements,” and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue, but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.3 and 2.4.

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.”

- 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 consolidated 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 consolidated financial statements. The aforementioned accounting treatment departs from the provisions IAS 21 “Effects of Changes in Foreign Exchange Rates.”

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

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

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

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

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

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

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

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

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

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

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

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

- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009);

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

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

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

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

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

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

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

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

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

2.4. Standards and Interpretations in Issue not yet in Effect

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

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

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

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

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

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

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

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures;

- Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);

- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);

- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1, 2013).

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

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

2.5. Going Concern

The Group incurred loss for the year ended December 31, 2011 in the amount of RSD 309,133 thousand, whereas the Group's current liabilities exceeded its current assets by RSD 778,021 thousand as of the same date. In addition, in 2011, all cash outflows from operating activities exceeded cash inflows by RSD 694,523 thousand.

In the previous period, the Group's business operations were affected by the economic crisis and deteriorating conditions. In 2012, the Group expects better conditions in the economy; however, due to the current global market crisis and its impact on the Serbian market, the Group expects to continue its business operations in difficult and uncertain circumstances. The impact of the crisis on the Group's operations is not entirely predictable, therefore, there is an element of general uncertainty. In prior years, as well as in 2011, the Group made considerable effort to define and reschedule major Group's debts (Note 31), and significant amounts were invested in new production capacities and new product development.

The Group's management expects to be able to convert current liabilities into long-term liabilities, upon the creditor's consent, as well as to obtain new sources of long-term financing in order to settle the commitments. In addition, the management hopes that the creditors may decide to convert portion of long-term liabilities into equity or additionally increase capital contributions in subsidiaries in the ensuing period.

In addition to the aforedescribed plans to overcome the liquidity issues and stabilize regular operations, the Groups' management expects that the conducted reorganization and centralization of the distribution function with regard to extending range of sales of services, significant investments in new production capacities and retail and servicing networks and increased production volume in subsidiaries as well as favorable conditions in the footwear and technical rubber markets will have positive effects on the Group's business operations in the subsequent periods.

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; which is considered to be the date upon which products are delivered to the customer.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Borrowing Costs

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

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

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

3.3. Foreign Exchange Translation

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

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

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

3.4. Employee Benefits

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

In accordance with regulatory requirements, the Group 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 Group is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

b) Obligations for Retirement Benefits and Jubilee Awards

The Group is under obligation to pay to its employees retirement benefits, depending on the years of service with the Group 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 Group in the month preceding the payment of retirement benefit, if such arrangement proves more favorable for the employee.

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

The Group formed provisions for the liabilities based on the aforementioned and adequate disclosures are included in Note 30.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Taxes and Contributions

a) Current Income Tax

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

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

b) Deferred Income Taxes

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

c) 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.

3.6. Intangible Assets

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

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

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

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

Directly attributable costs are:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Intangible Assets (Continued)

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized as an asset and development activities refer to the following

- design, construction and testing of proto-types and models prior to production and usage;
- design of tools, assembled devices, molds and matrices relying on new technology;
- design, construction and testing of the selected alternatives to new or improved materials, devices, products, processes, systems or services.

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

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

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

3.7. 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.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the revaluation surplus is credited to income statement up to the amount in which the previously recognizes decrease was recorded within expenses.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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December 31, 2011
All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Property, Plant and Equipment (Continued)

In 2011 and 2010, the Parent Company appraised the value of buildings transferred to subsidiaries as contribution in kind. The effects of appraising buildings that were not subject to valuation in prior years are credited to profit of the period.

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 Group, and when the cost can reliably be measured. All other subsequent expenditure is expensed as incurred.

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 by applying the following depreciation rates:

	%
Buildings	1.3% - 5%
Equipment	
Power stations	10%
Production equipment	12.5% - 14.3%
Molds	50%
Vehicles	14.3%
Cars	15.5%
Laboratory and measurement equipment	16.6%
Office furniture	12.5%
Computers	20%

3.8. Investment Property

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

3.9. Impairment of Tangible Assets

At each balance sheet date, the Group’s management reviews the carrying amounts of the Group’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 Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Impairment of Tangible Assets (Continued)

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

At December 31, 2011, the Group's management did not perform any testing in order to determine whether there were any indications of impairment in the Group's tangible assets.

3.10. Leases

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

The Group 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 Group as a Lessee

Assets held under finance leases are initially recognized as the assets of the Group 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 Group'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.

3.11. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Inventories (Continued)

The value of work in progress and finished products include all costs directly attributable to production, as well as production overheads.

Inventories in retail outlets are carried at retail prices. At the end of each accounting period, the carrying value is adjusted to cost by an apportionment of the related retail price calculated on an average basis, between the cost of goods sold and the inventories held.

Goods for sale at warehouses are valued during the year at their wholesale prices. At the end of each accounting period, the carrying value is adjusted to cost by an apportionment of the related selling margin calculated on an average basis, between the cost of goods sold and the inventories held.

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.

3.12. 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 Group’s consolidated balance sheet on the date upon which the Group becomes counterparty to the contractual provisions of a specific financial instrument.

Financial assets cease to be recognized when the Group 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 Group fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

a) Long-Term Financial Placements

Long-term financial placements are comprised of equity investments in other legal entities and 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 Group’s Board of Directors. Allowance for impairment of receivables from related parties is not calculated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. 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, and penalties, if any.

g) Impairment of Financial Assets

At each balance sheet date, financial assets, except for assets carried at fair value through profit and loss, are assessed for impairment. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset.

For shares not listed on the market which are classified as available-for-sale, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

For all other financial assets, including redeemable securities classified as available for sale and receivables arising from finance lease, objective evidence of impairment may include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

For certain categories of financial assets, such as accounts receivable, that have been individually assessed for impairment and found not to be individually impaired are included in a collective assessment of impairment. The objective evidence of collective impairment could include previous experience with collection, delinquency in collection, as well as changes in the national or local economic circumstances that correlate with defaults.

For financial assets stated at amortized cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the consolidated financial statements requires the Company’s i.e. Group’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 consolidated 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 consolidated financial statements. Actual results may vary from these estimates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the consolidated balance sheet date which represent risk from material adjustments to the amounts of consolidated 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 Group 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 allowance for impairment of receivables, in addition to the amounts already disclosed in the accompanying consolidated financial statements, is not necessary.

4.3. Allowance for Impairment of Inventories

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

4.4. Fair Value

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

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

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

5. SALES OF PRODUCTS, GOODS AND SEVICES

	Year Ended December 31, 2011	2010
Sale on domestic market		
Sales of products and services on domestic market	1,607,516	1,586,456
Sale of goods on domestic market	242,712	344,705
	1,850,228	1,931,161
Sale on foreign market		
Sales of products and services on foreign markets	1,528,986	1,356,230
Sale of goods on foreign markets	917,709	1,000,800
	2,446,695	2,357,030
	4,296,923	4,288,191

6. OPERATING AND GEOGRAPHICAL SEGMENTS

Products and Services within Operating Segments

For management needs, the Group is organized in six operating segments. These segments are the basis for the Group's segment reporting. Basic products and services of each of the segments are as follows:

Rubber products – the manufacture and sale of rubber products such as: tire treads, pipes and flaps designated for the automotive industry, rubber products for mining, sporting equipment and balls.

Chemical products – the production and sale of a range of chemical products, including colors, polishes and other related products, glues and gelatin.

Footwear – the production and sale of rubber-made shoes.

Trade - retail trade and wholesale of products from the production program of other segments, as well as marketing, distribution and sale of inner and outer car tires.

Services – providing services to tourist agencies, hotel accommodation, catering, protection and security and other services.

Segment Sales Revenues

	External sales		Inter-segment		Total	
	2011	2010	2011	2010	2011	2010
Rubber products	38,255	35,969	301,192	430,611	339,447	464,580
Chemical products	103,848	183,856	30,269	(15,814)	134,117	168,042
Footwear	628	1,362	1,542,776	1,241,520	1,543,404	1,242,882
Trade	1,041,791	1,138,413	81,994	191,237	1,123,785	4,416,691
Services	881,326	707,932	118,712	173,727	1,000,038	881,659
Parent Company	2,231,075	2,220,659	1,769,196	1,443,812	4,000,271	577,430
Total	4,296,923	4,288,181	3,844,139	3,465,093	8,141,062	7,753,284
Eliminations					(3,844,139)	(3,465,093)
Consolidated sales revenues					4,296,923	4,288,191

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

6. OPERATING AND GEOGRAPHICAL SEGMENTS (Continued)

Segment Operating Result

	Year Ended December 31, 2011	Year Ended December 31, 2010
Rubber products	(137,070)	(30,951)
Chemical products	396	(58,036)
Footwear	173,898	6,891
Trade	22,287	24,792
Services	83,819	30,344
Parent Company	152,263	87,681
Total of all segments	295,593	60,721
Eliminations	(531,324)	(80,405)
Loss before taxation	(235,731)	(19,684)
Current income tax expense	(65,456)	(31,088)
Deferred income tax expense	(7,946)	(6,349)
Net (loss)	(309,133)	(57,121)

Segment Assets and Liabilities

	Assets		Liabilities	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Rubber products	1,307,922	1,120,619	937,260	820,247
Chemical products	273,816	271,303	142,415	140,271
Footwear	2,953,000	2,557,679	2,071,299	1,692,949
Trade	458,139	2,973,506	179,768	2,459,189
Services	870,524	887,855	341,011	378,858
Parent Company	7,421,327	4,278,197	4,531,862	1,448,936
Total of all segments	13,284,728	12,089,159	8,221,615	6,940,450
Eliminations	(4,381,085)	(3,868,607)	(2,557,060)	(2,248,259)
Consolidated	8,903,643	8,220,552	5,664,555	4,692,191

Other Segment Information

	Acquisition of fixed assets and intangible assets		Depreciation charges	
	2011	2010	2011	2010
Rubber products	92,235	130,230	25,575	20,492
Chemical products	20,592	16,948	1,950	4,416
Footwear	283,260	257,624	54,848	49,537
Trade	580	83,848	2,136	25,778
Services	22,120	49,526	27,488	27,506
Parent Company	176,766	93,213	49,977	25,309
	597,564	633,399	163,985	153,038

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Sale of Products, Goods and Services on Foreign Markets by Geographical Location

	Year Ended December 31, 2011	2010
United Kingdom	852,850	899,727
Finland	373,368	321,982
Italy	259,372	336,889
Denmark	219,243	84,957
Sweden	145,076	71,174
Republic of Srpska	137,935	181,939
France	100,561	80,651
Macedonia	84,856	70,234
Montenegro	82,214	102,308
Russia	31,675	6,206
USA	21,829	33,682
Bulgaria	18,933	7,142
South Africa	15,173	35,414
Slovenia	14,346	17,563
Germany	13,666	6,769
China (Hong Kong)	10,720	0
Belgium	9,058	5,717
Poland	8,390	3,165
Other	47,430	91,511
	2,446,695	2,357,030

7. OWN WORK CAPITALIZED

Income from own work capitalized for the year ended December 31, 2011 aggregated to RSD 710,666 thousand (2010: RSD 743,239 thousand) mostly, in the amount of RSD 527,647 thousand (2010: RSD 526,258 thousand) refers to the costs of employee benefits directly attributed to property, plant and equipment and work in progress based on engagement in a number of projects with the view of improving business operations and developing new products, as well as adapting and reconstructing retail and servicing network. The Company's management believes that the aforementioned investments are necessary in order to improve business operation though increase in sales volume. Development of new products and reconstruction of retail stores and investments in developing servicing and distribution network for the purpose of direct sales to customers without intermediaries so as to achieve the highest margin percentage possible, whereof the management expects economic benefits in the ensuing years.

The remaining amount of RSD 183,019 thousand (2010: RSD 216,981 thousand) represents the effect of valuation of property the parent company transferred to its subsidiaries in order to increase capital contribution (Note 2.2.). The management construed the Opinion of Ministry of Finance dated January 22, 2009 on accounting for effects of the transfer of disposal rights over property from a parent company to its subsidiaries within capital increase procedure that is recorded as income as applicable to the consolidation level as well.

8. OTHER OPERATING INCOME

	Year Ended December 31, 2011	2010
Rentals	18,436	19,574
Other income	8,110	20,050
	26,546	39,624

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

9. COST OF MATERIAL

	Year Ended December 31, 2011	2010
Raw materials	1,607,889	1,299,477
Overheads	58,482	69,256
Electricity	54,014	53,447
Other fuel and energy costs	142,302	141,007
	1,862,687	1,563,187

10. STAFF COSTS

	Year Ended December 31, 2011	2010
Net salaries	1,020,304	925,030
Taxes and contributions on salaries paid by employees	380,378	342,712
Taxes and contributions on salaries paid by the employer	249,678	224,721
Considerations based on service contracts	11,600	10,658
Remunerations to the Management and Supervisory Boards	9,088	10,890
Retirement benefits and jubilee awards	1,255	1,778
Business travel costs and per diems	30,420	33,124
Employee transportation costs	57,236	54,469
Other staff costs	10,179	8,338
	1,770,138	1,611,720

11. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2011	2010
Depreciation and amortization (Notes 19 and 20)	163,985	153,038
Long-term provisions (Note 30)	13,203	34,944
	177,188	187,982

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12. OTHER OPERATING EXPENSES

	Year Ended December 31, 2011	2010
Other transportation services	224,482	166,383
Other non-production service costs	125,628	134,396
Rentals	73,769	79,009
Taxes and contributions	26,132	20,713
Telecommunications	22,297	18,933
Production costs	20,912	19,888
Other production services	19,963	17,101
Insurance premiums	19,568	20,647
Maintenance	19,209	24,666
Lawyer fees and other consultant services	18,399	18,670
Marketing and advertising	16,713	32,572
Bank charges	14,581	26,378
Entertainment	7,403	8,244
Fair exhibitions	5,427	4,920
Membership fees	2,110	2,583
Research	89	939
Other non-material expenses	21,940	28,473
	638,622	624,515

13. FINANCE INCOME

	Year Ended December 31, 2011	2010
Dividend income	-	72
Interest income from placements	3,451	3,000
Income from penalty interest	48	3,877
Foreign exchange gains	101,226	59,356
Other finance income	3,947	3,894
	108,672	72,209

14. FINANCE EXPENSES

	Year Ended December 31, 2011	2010
Interest expense	384,144	265,386
Foreign exchange losses	124,463	125,112
Other finance expenses	28,567	538
	537,174	391,035

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15. OTHER INCOME

	Year Ended December 31, 2011	2010
Gains on the sales of property, plant and equipment	150,888	37,353
Effects of valuation of property held for sale	60,006	-
Reversal of long-term provisions (Note 30)	2,002	446
Reversal of allowance for impairment (Note 27)	1,110	5,701
Gains on the sale of materials	346	616
Surpluses	68	84
Write-off of liabilities	12	-
Collected receivable previously written off	-	8,101
Other income	23,228	22,204
	237,660	74,505

16. OTHER EXPENSES

	Year Ended December 31, 2011	2010
Losses on the sale of property, plant and equipment	1,671	30,931
Losses on sales of material	247	71
Shortages	290	66
Allowance for impairment of placements, receivables and inventories	12,496	3,934
Subsequently approved discounts and rebates to customers	24,959	4,106
Other expenses	18,159	11,646
	57,822	46,648

17. INCOME TAXES

a) Components of Income Taxes

	2011	2010
Current income taxes	65,456	31,088
Deferred tax expense	7,946	6,349
	73,402	37,437

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

	2011	2010
Loss before taxation	(235,731)	(19,684)
Income taxes at the statutory tax rate of 10%	(23,573)	(1,968)
Tax effects of non-deductible expenses	88,377	38,724
Tax credits for capital expenditures	(24,787)	(3,828)
Tax loss carryforwards	15,668	-
Other	17,717	4,509
	73,402	37,437

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17. INCOME TAXES (Continued)

c) Components of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities relate to the following positions:

	December 31, 2011	December 31, 2010
Deferred tax assets		
Deferred tax assets arising from a difference between the value of assets recorded for book and tax purposes	22,160	21,305
Deferred tax liabilities		
Deferred tax liabilities arising on difference between the value of assets recorded for book and tax purposes	(142,966)	(134,696)
Deferred tax liabilities, net	(120,806)	(113,391

d) Unrecognized Deferred Tax Assets

As of December 31, 2011, the Group did not recognize deferred tax assets arising from the earned tax credits that are available for carryforward, as the management was uncertain that these credits could be utilized in the future reporting periods.

Inception Year	Expiration Year	December 31, 2011	December 31, 2010
- 2003	2013	1,253	1,253
- 2004	2014	10,519	10,519
- 2005	2015	2,271	2,271
- 2006	2016	2,558	2,558
- 2007	2017	8,627	8,627
- 2008	2018	82,364	82,364
- 2009	2019	62,888	62,888
- 2010	2015	33,534	37,632
- 2011	2021	181,424	-
	Used in the current year:	(24,787)	(3,828)
		356,823	204,014

18. EARNINGS PER SHARE

	2011	2010
Net loss	(309,133)	(57,121)
Weighted average number of shares in the year	1,718,460	1,718,460
Earnings per share (in RSD)	(179.89)	(33.24)

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19. INTANGIBLE ASSETS

	Licenses	Other Intangible Assets	Intangible Assets in Progress	Total Intangible Assets
Cost				
Balance, January 1, 2010	19,503	1,273	106,080	126,856
Additions	5,381	-	403,635	409,016
Transfers	7,003	(152)	(6,851)	-
Other	-	-	(120,380)	(120,380)
Balance, December 31, 2010	31,887	1,121	382,484	415,492
Balance, January 1, 2011	31,887	1,121	382,484	415,492
Additions	-	563	414,436	414,999
Transfers	(361)	197,731	(199,141)	(1,771)
Transfer to property and equipment	-	-	(260,520)	(260,520)
Balance, December 31, 2011	31,526	199,415	337,259	568,200
Accumulated Amortization				
Balance, January 1, 2010	14,255	1,160	-	15,415
Charge for the year	2,002	(50)	-	1,952
Balance, December 31, 2010	16,257	1,110	-	17,367
Balance, January 1, 2011	16,257	1,110	-	17,367
Charge for the year	3,245	437	-	3,682
Balance, December 31, 2011	19,502	1,547	-	21,049
Net Book Value				
- December 31, 2011	12,024	197,868	337,259	547,151
- December 31, 2010	15,630	11	382,484	398,125

Intangible assets in progress stated in the amount of RSD 337,259 thousand mostly refer to the following:

	2011	2010
Development of new footwear products	313,353	229,936
Information technologies	-	9,242
Other	23,906	121,969
	337,259	382,484

The Group’s management expects future economic benefits resulting from the projects presented through extended range of sales products and penetration into new markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Equipment	Other Assets	Advances and Construction in Progress	Total	Investment Property
Cost							
Balance, January 1, 2010	122,411	2,711,736	1,398,120	24,318	208,020	4,464,605	-
Additions	-	-	-	-	108,039	108,039	-
Transfer from intangible assets		44,729	63,001	-	120,380	228,110	-
Valuation effect	586	110,599	-	-	106,392	217,577	-
Other	-	(6,962)	(1,805)	-	-	(8,767)	-
Sale and disposal	(171)	(130)	(39,120)	-	(28,601)	(68,022)	-
Balance, December 31, 2010	123,937	2,950,131	1,597,092	28,395	241,987	4,941,542	-
Balance, January 1, 2011	123,937	2,950,131	1,597,092	28,395	241,987	4,941,542	-
Additions	-	187,099	-	1,618	402,537	591,254	-
Activation	-	65,477	51,577	2,148	(119,202)	-	-
Transfer from intangible assets	-	-	45,089	-	215,431	260,520	-
Valuation effect	13,244	55,969	-	-	-	69,211	-
Transfer to assets held for sale and intangible assets	-	(233,585)	(272)		-	(233,857)	227,011
Sale and disposal	(48,164)	(244,582)	(30,234)	(3,919)	-	(326,899)	-
Balance, December 31, 2011	89,017	2,780,509	1,663,252	28,242	740,753	5,301,773	227,011
Accumulated Depreciation							
Balance, January 1, 2010	-	85,813	435,048	3,806	-	524,667	-
Charge for the year	-	30,838	116,999	3,249	-	151,086	-
Other	-	4,647	-	-	-	4,647	-
Sale and disposal	-	-	(26,972)	-	-	(25,586)	-
Balance, December 31, 2010	-	121,298	525,075	7,055	-	653,428	-
Balance, January 1, 2011	-	121,298	525,075	7,055	-	653,428	-
Charge for the year	-	52,115	103,021	5,167	-	160,303	-
Sale and disposal	-	(25,186)	(7,531)	(725)	-	(33,442)	-
Balance, December 31, 2011	-	148,227	620,565	11,497	-	780,289	-
Net Book Value							
- December 31, 2011	89,017	2,632,282	1,042,687	16,745	740,753	4,521,484	227,011
- December 31, 2010	123,937	2,828,833	1,072,017	21,340	241,987	4,288,114	-

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 793,540 and USD 599,114 or RSD 131,485 thousand as translated to dinars (Note 31).

Over buildings used to perform other industries located on the cadaster lot number 3620/1 inscribed in the title deed number 8370 of the Cadastral Municipality of Pirot (of the aggregate net book value as of December 31, 2011 of RSD 434,067 thousand) a pledge lien has been instituted in favor of Banca Intesa a.d., Beograd based on a long-term loan approved on March 5, 2010 in the amount of RSD 150,000 thousand, whereof the amount outstanding as of December 31, 2011 totaled RSD 93,750 thousand (Note 31). In addition, The June 21, 2010 Pledge Lien Agreement instituted a pledge lien over certain Company's equipment in favor of Banca Intesa a.d., Beograd to securitize the aforementioned loan.

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

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

Over properties of the new footwear production plant (of the net book value as of December 31, 2011 of RSD 774,436 thousand) first ranking mortgage lien was instituted in favor of DEG (Deutsche Investitions und Entwicklungsgesellschaft mbh), Frankfurt, Germany, as well as first ranking pledge over all present and future equipment and movables of the subsidiary Tigar Obuca d.o.o., Pirot, whose portion as of December 31, 2011 amounted to RSD 732,486 thousand (Note 31).

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

Construction in progress in the amount of RSD 740,753 thousand mostly relate to the following:

	2011	2010
Facilities and properties at the Kartonaza location	141,857	-
Investments in fixed assets for production of technical rubber products	217,532	49,883
Investments in fixed assets for production of chemical products	108,255	119,571
New chemical products production plant	32,538	21,337
Development of new chemical products	31,909	-
Development of new technical rubber products	61,111	-
Information technologies	19,889	-
Development of retail and servicing network	74,019	51,196
Other	53,643	-
	740,753	241,987

Facilities and properties at the Kartonaza location are intended for storage, whereas, due to their excellent location and connections to main roads, the facilities will be used for construction of modern multi-purpose logistics center, by the highest standards, for all production programs, as well as the goods of other manufacturers traded in both domestic and foreign markets.

Investments in property, plant and equipment for production of chemicals and technical rubber products relate to the location Tigar 3 and footwear, technical rubber and recycled products production plants that are, in the management's opinion, necessary for further development and improvement of production process.

21. EQUITY INVESTMENTS

	December 31, 2011	December 31, 2010
Equity investments in other legal entities	13,300	13,300
Less: Allowance for impairment (Note 27)	(1,481)	(1,481)
	11,819	11,819

22. OTHER LONG-TERM FINANCIAL PLACEMENTS

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

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23. INVENTORIES

	December 31, 2011	December 31, 2010
Raw materials and other materials	209,162	229,565
Spare parts	33,979	30,203
Work in progress	479,231	310,740
Finished products	1,086,620	990,761
Goods	214,864	208,309
Advances to suppliers	51,229	64,564
	2,075,085	1,834,142
Less: Allowance for impairment of inventories (Note 27)	(1,798)	(10,496)
	2,073,287	1,823,646

Finished products and goods stated in the amount of RSD 1,301,484 thousand relate to the following:

	December 31, 2011	December 31, 2010
Technical rubber products	307,797	321,396
Chemical products	49,940	39,520
Footwear	728,883	629,845
Total finished goods	1,086,620	990,761
Goods		
- Automobile tyres	105,299	101,075
- other goods	109,565	107,234
Total goods	214,864	208,309
	1,301,484	1,199,070

The rise in prices of natural rubber and textile in the global market starting from 2011 resulted in a two-digit and, in some instances, a three-digit increase in all sorts of goods from the Group's product range in the global market. In addition, modern technologies and materials applied in the production process prevent any damages or deformation of the products due to retention, as well as any adverse effect on their functionality. The inventory turnover does not depart from the standards and practices of distributors worldwide; therefore the Group's management deems that the inventories of goods will be realized in the ensuing periods, as well as that the recoverable value of inventories will not be below the stated present value of inventories, i.e. that the stated allowance for impairment in the amount of RSD 1,798 thousand is sufficient.

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

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24. NON-CURRENT ASSETS HELD FOR SALE

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

25. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010
Receivables from related parties	60,203	42,743
Domestic accounts receivable	474,574	519,863
Foreign accounts receivable	351,096	327,680
Prepaid other taxes and contributions	71	216
Receivables from employees	29,359	29,548
Other receivables	16,390	11,997
	931,693	932,047
Less: Allowance for impairment of receivables (Note 27)	(38,735)	(28,885)
	892,958	903,162

26. CASH AND CASH EQUIVALENTS

	December 31, 2011	December 31, 2010
Cash on hand in RSD	5,170	3,210
Cash on hand in foreign currency	44	18,718
Business account in RSD	3,588	7,430
Business account in foreign currency	49,733	115,099
Other cash	187,095	219,399
Securities and cash equivalents	5,463	5,668
	251,093	369,524

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

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27. MOVEMENTS IN PROVISIONS

	Equity Investments (Note 21)	Inventories (Note 23)	Accounts Receivable (Note 25	Total
Balance, January 1, 2010	1,481	3,286	35,359	40,126
Gains on the valuation adjustments (Note 15)	-	-	(5,701)	(5,701)
Charge for the year (Note 16)	-	3,934	-	3,934
Other	-	3,276	(773)	2,503
Balance, December 31, 2010	1,481	10,496	28,885	40,862
Gains on the valuation adjustments (Note 15)	-	-	(1,110)	(1,110)
Charge for the year (Note 16)	-	1,536	10,960	12,496
Derecognition	-	(10,234)	-	(10,234)
Balance, December 31, 2011	1,481	1,798	38,735	42,014

28. VALUE ADDED TAXES AND PREPAYMENTS

	December 31, 2011	December 31, 2010
Receivables for prepaid VAT	40,793	49,432
Prepaid expenses	1,640	941
Other prepayments	81,039	96,736
Deferred unrealized foreign exchange losses, net	177,706	180,158
	301,178	327,267

29. SHARE CAPITAL

According to the excerpt from the Central Securities Depository and Clearing House, the ownership structure of the Company’s share capital as of December 31, 2011 was as follows:

	Number of Shares	%	Thousands of RSD
Share Fund of the Republic of Serbia	429,429	25.0	515,315
Pension and Disability Fund of the Republic of Serbia	168,462	9.0	179,977
Erste Bank a.d., Novi Sad – Custody	127,999	7.0	153,599
Société Générale Bank Srbija a.d., Beograd – Custody	104,947	6.0	125,936
Unicredit bank Srbija a.d – Custody	75,503	4.0	90,604
Raiffeisenbank a.d., Beograd – Custody	52,505	3.0	63,006
Raiffeisenbank a.d., Beograd – Custody	49,851	3.0	59,821
Komercijalna Banka a.d., Beograd – Custody	26,062	2.0	31,274
Herma Investments Co. Ltd.	20,000	1.0	24,000
Unicredit bank Srbija a.d – Custody	19	1.0	22,200
Other	663,683	39.0	796,420
	1,718,460	100.0	2,062,152

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29. SHARE CAPITAL (Continued)

According to the excerpt from the Central Securities Depository and Clearing House, 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., Novi Sad – Custody	87,728	5.0	105,274
Société Générale Bank Srbija a.d., Beograd – Custody	55,654	3.0	66,785
Raiffeisenbank a.d., Beograd – Custody	42,164	2.0	50,597
Erste & Streiermarkische Bank d.d.	37,637	2.0	45,164
Komercijalna Banka a.d., Beograd – Custody	26,062	2.0	31,274
Sweden Bank a.s.	24,851	1.0	29,821
UniCredit Bank a.d., Beograd	18,500	1.0	22,200
Other	723,322	43.0	867,986
	1,718,460	100.0	2,062,152

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

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

30. LONG-TERM PROVISIONS

Long-term provisions which amounted to RSD 84,127 thousand as of December 31, 2011 (December 31, 2010: RSD 83,087 thousand) entirely relate to long-term provisions for employee retirement benefits and jubilee awards.

The assumptions used in the actuarial assessment were as follows:

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

The amounts included in the consolidated balance sheet with respect to a defined benefit plan are as follows:

	December 31, 2011	December 31, 2010
Balance, January 1	81,376	78,631
Additional provisions (Note 11)	13,203	34,944
Reversal of long-term provisions (Note 15)	(2,002)	(446)
Employee retirement benefits	(8,450)	(29,357)
Other changes	-	(685)
Balance, December 31	84,127	83,087

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31. LONG-TERM LIABILITIES

	December 31, 2011	December 31, 2010
Long-term bonds	290,292	243,763
Long-term borrowings		
- foreign	863,971	931,811
- domestic	855,820	1,039,796
Finance lease liabilities	21,412	34,268
	2,031,495	2,249,638
Less: Current portions (Note 32)	(761,386)	(520,357)
	1,270,109	1,729,282

a) Long-Term Bonds

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

The maturities of long-term bonds are as follows:

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

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

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

31. LONG-TERM LIABILITIES (Continued)

b) Long-Term Borrowings, Domestic

Creditor	Annual Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Banca Intesa ad ,Beograd	1.2% p.m.	RSD		93,750	150,000
Hypo Aple Adria ad, Beograd	3M EURIBOR + 8.5% p.a.	EUR	2,000,000	188,919	211,629
Hypo Aple Adria ad, Beograd	3M EURIBOR + 8.5% p.a.	EUR	500,000	28,624	52,907
Hypo Aple Adria ad, Beograd	3M EURIBOR + 8.5% p.a.	EUR	500,000	28,624	52,907
Hypo Aple Adria ad, Beograd	3M EURIBOR + 7% p.a.	EUR	2,500,000	244,894	264,537
Hypo Aple Adria ad, Beograd	3M EURIBOR + 8% p.a.	EUR	915,000	89,632	96,820
Erste Bank, ad Beograd	3.1% p.a.	EUR	2,000,000	181,377	210,996
				855,820	1,039,796
Less: Current portion of long-term borrowings				(514,160)	(242,132)
				341,660	436,668

c) Long-Term Borrowings, Foreign

Creditor	Annual Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Refinanced loans through Alpha bank A.D., Beograd:					
Berliner Bank A,G,, Berlin	5.5 % p.a.	EUR	178,644	18,694	27,768
Algemeine bank Netherlands, Amsterdam,	5.6 % p.a.	EUR	614,895	64,343	95,576
The First National Bank, Chicago, USA	5.5 % p.a.	USD	599,114	48,448	69,980
				131,485	193,324
DEG (Deutsche Investitions und Entwicklungsgesellschaft mbh), Frankfurt, Germany	6 M EURIBOR + 2.875% p.a.	EUR	7,000,000	732,486	738,487
				863,971	931,811
Less: Current portion of long-term borrowings				(173,159)	(62,109)
				690,812	869,702

Long-term financial liabilities as of December 31, 2011 of RSD 732,486 thousand (December 31, 2010: RSD 738,487 thousand), entirely refer to the liabilities to DEG (Deutsche Investitions und Entwicklungsgesellschaft mbh), Frankfurt, Germany, based on a long-term loan. In 2008, the company entered into the Agreement on Long-Term Financing (the “Agreement”) with DEG (Deutsche Investitions und Entwicklungsgesellschaft mbh),), Frankfurt, Germany, for the purpose of reallocation of production into the new production plant, purchase of machinery and acquisition of rights to brands belonging to Hunter Boot Ltd., UK. The maximum financing amount pursuant to the Agreement as of October 14, 2008 totals EUR 7 million, with principal repayment in equal semi-annual installments, the first of which is due at September 15, 2012 and the last one at March 15, 2016. The interest rate equals 6-month EURIBOR + 2.875% annually, and the interest accrued is calculated to the outstanding loan amount and paid in semi-annual payments. .

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

31. LONG-TERM LIABILITIES (Continued)

c) Long-Term Borrowings, Foreign (Continued)

As collateral, ten blank bills of exchange were deposited covering the loan amount and financing costs. In addition, first ranking mortgage lien was instituted in favor of the creditor over a new production plant, first ranking pledge over all present and future equipment and movables as well as over all accounts receivable within the records of the subsidiary Tigar Obuca d.o.o., Pirot. The value of aggregate pledge must at all times equal 150% of the amount of the liability to the creditor.

Pursuant to the Agreement, the Company is obligated to adhere to the maximum and minimum adequacy ratios during loan repayment, as follows:

- equity ratio – minimum 30%;
- current ratio – minimum 1.2;
- debt service coverage ratio – minimum 1.3.

As of December 31, 2011, two of the three financial indicators (equity ratio – 29.5% and current ratio – 0.6%) were not in compliance with the conditions defined in the Agreement with DEG (Deutsche Investitions und Entwicklungsgesellschaft mbh), Frankfurt, Germany, which, among other issues, allows the creditor to request early loan repayment. Given that, up to the date of approval of this report, the creditor had not delivered repayment reminders or requested early repayment loan, the Group's management holds that as of December 31, 2011 there are no grounds for any reclassification of the recorded long-term liabilities into short-term liabilities.

In accordance with interpretations of the Agreement provisions, the subsidiary compiled a methodology for calculation of the abovementioned ratios, whereto the creditor consented and whereby the Company fulfills the debt service coverage ratio requirement as of December 31, 2011.

d) Finance Lease Liabilities

	Sum of Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Maturity:				
Up to one year	15,350	20,651	14,076	18,104
From 1 to 5 years	7,614	16,925	7,336	16,154
	22,964	37,576	21,412	34,268
Less: future cost of financing	(1,552)	(3,308)	-	-
Present value of minimum lease payments	21,412	34,268	21,412	34,268
Included in the financial statements as:				
Current portion of long-term liabilities			14,076	18,104
Other long-term liabilities			7,336	16,154
			21,412	34,268

Maturities of long-term liabilities are presented in the following table:

	December 31, 2011	December 31, 2010
- within a year (Note 32)	761,386	520,357
- from 1 to 5 years	1,270,109	1,729,282
	2,031,495	2,249,639

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32. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2011	December 31, 2010
Short-term loans, domestic	1,866,210	1,165,758
Current account overdrafts	26,606	30,095
Short-term bonds issued	30,000	-
Current portions of long-term financial liabilities (Note 31)	761,386	520,357
	2,684,202	1,716,210

a) Short-Term Loans, Domestic

Creditor	Interest Rate	Currency Code	Currency Amount	December 31, 2011	December 31, 2010
Loans in foreign currency:					
AOFI Beograd	5% p.a.	EUR	500,000	52,320	52,749
Banca Intesa a.d. Beograd	9% p.a.	EUR	2,000,000	209,282	-
Banca Intesa a.d. Beograd	9% p.a.	EUR	137,368	14,404	-
Banca Intesa a.d. Beograd	10% p.a.	EUR	592,000	61,948	-
Univerzal banka a.d., Beograd	1% p.m.	EUR	500,000	52,320	-
Societe General bank a.d.	3-m EURIBOR + 5.3% p.a.	EUR	2,800,000	292,995	-
Societe General bank a.d.	3-m EURIBOR + 5% p.a.	EUR	500000	52320	-
„Eurobank EFG a.d., Beograd	3-m EURIBOR + 6.5% p.a.	EUR	1,000,000	104,641	-
AIK banka a.d. Niš		EUR	2,000,000	-	210,996
AIK banka a.d. Niš		EUR	300,000	-	29,382
Societe General bank a.d.		EUR	2,000,000	-	211,630
Banca Intesa a.d. Beograd		EUR	875,000	-	92,312
Societe General bank a.d.		EUR	480,000	-	50,639
Societe General bank a.d.		EUR	800,000	-	84,399
Hypo Alpe Adria Banka a.d.		EUR	286,000	-	30,264
				840,230	762,371
Loans in RSD:					
AIK banka ad Niš	from 1.7% p.m. to 3.5% + RKS NBS p.a.			255,637	-
Srpska banka ad Beograd	from 1.6% p.m.			510,000	-
Univerzal banka a.d., Beograd	7% p.a.			65,000	-
Privredna banka a.d., Beograd	12.25% p.a.			30,000	-
Dunav banka a.d., Zvečan	20.25% p.a.			51,500	-
Societe Generale a.d.	1m BELIBOR + 1.9%			99,379	-
Srpska banka a.d.				-	180,000
Unicredit banka a,d,, Beograd				-	70,428
Privredna banka a.d., Beograd				-	85,014
Societe Generale a.d.				-	45,000
Unicredit banka a,d,, Beograd				-	4,500
AIK Banka				-	2,694
Other				14,464	15,751
				1,025,980	403,387
				1,866,210	1,165,758

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

32. SHORT-TERM FINANCIAL LIABILITIES (Continued)

b) Current Account Overdrafts

Creditor	Interest Rate	December 31, 2011	December 31, 2010
Privredna banka a.d., Beograd	19% p.a.	19,999	19,983
Unicredit banka a,d,, Beograd	1m BELIBOR+2.15% p.a.	6,607	10,112
		26,606	30,095

c) Short-Term Bonds Issued

Short-term bonds issued in the amount of RSD 30,000 thousand mature as of March 27, 2012 (Investor Wiener Stadtische osiguranje a.d., Beograd). The bonds were issued in several issues at the interest rate ranging from 2% to 9% annually.

33. ACCOUNTS PAYABLE

	December 31, 2011	December 31, 2010
Accounts payable – related parties	37,636	19,236
Advances, deposits and retainers	59,680	89,556
Accounts payable – domestic	664,856	547,353
Accounts payable – foreign	386,127	181,306
Other accounts payable	16,208	13,694
	1,164,507	851,145

34. OTHER CURRENT LIABILITIES

	December 31, 2011	December 31, 2010
Gross salaries	201,866	139,434
Interest accrued	34,526	20,984
Liabilities for dividends and share in profit	53,343	16,696
Other current liabilities	6,697	6,812
	296,432	183,926

35. VAT AND OTHER PUBLIC DUTIES PAYABLE AND ACCRUALS

	December 31, 2011	December 31, 2010
VAT payables	8,132	38,523
Other taxes and contributions payable	10,939	5,639
Accrued expenses	84,550	63,283
Deferred income	-	667
Other accruals	11,231	2,343
	114,852	110,455

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36. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

There is no legal framework for managing capital risk in the Company i.e. the Group. The Group's management 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 and the Group's capital includes debts, including long-term borrowings explained in Notes 31 and 32, 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 Group 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 Group level review the equity structure on annual basis. As a part of the review, the Group's management considers equity price and risk relating to the type of capital.

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

	December 31, 2011	December 31, 2010
Debt a)	3,954,311	3,445,492
Cash and cash equivalents	(251,093)	(369,524)
Net debt	3,703,218	3,075,968
Equity b)	3,096,122	3,393,665
Debt-to-equity ratio	1.20	0.91

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 loss and retained earnings.

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, 2011	December 31, 2010
Financial assets		
Long-term financial placements	41,720	45,468
Accounts receivable	847,138	861,401
Other receivables	45,820	41,761
Cash and cash equivalents	251,093	369,524
Short-term financial placements	4,765	4,986
	1,190,536	1,323,140
Financial liabilities		
Long-term borrowings	1,270,109	1,729,282
Accounts payable and other payables	1,104,827	851,145
Current portion of long-term liabilities	761,386	520,358
Short-term financial liabilities	1,922,816	1,195,851
	5,059,138	4,296,636

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Categories of Financial Instruments (Continued)

The Group'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 Group's current operations. In the regular course of business, the Group 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 Group's exposure to these risks. The Group 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 Group is exposed to financial risks inherent in foreign currency and interest rate changes.

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

Foreign Currency Risk

The Group is mainly exposed to the foreign currency risk through the items of cash and cash equivalents, accounts receivable, long-term borrowings and accounts payable denominated in foreign currency. The Group 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 Group 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 Group's monetary assets and liabilities expressed in foreign currency as of the reporting date were as follows:

	Assets		Liabilities	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
EUR	206,692	413,168	2,819,027	2,884,546
USD	2,100	2,550	229,015	93,627
GBP	11,666	14,890	2,484	645
CHF	-	-	-	324
	220,458	430,608	3,050,526	2,979,142

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

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign Currency Risk (Continued)

	31.decembar 2011	December 31, 2010
EUR	261,233	247,138
USD	22,691	9,107
GBP	(918)	(1,425)
CHF	-	32
Impact on net profit for the year	283,006	254,852

The Group'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.

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.

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

	December 31, 2011	December 31, 2010
Financial Assets		
Non-interest bearing		
Accounts receivable	847,138	861,401
Other receivables	45,820	41,761
Cash and cash equivalents	63,998	150,125
Short-term financial placements	4,765	4,986
	961,721	1,058,273
Fixed interest rates		
Long-term financial placements	41,720	45,468
Cash and cash equivalents	187,095	219,399
	228,815	264,867
	1,190,536	1,323,140
Financial liabilities		
Non-interest bearing		
Accounts payable and other payables	1,104,827	851,145
Fixed interest rates		
Long-term borrowings	297,474	454,579
Short-term borrowings	1,232,813	763,808
Current portion of long-term liabilities	412,043	374,914
	1,942,330	1,593,301
Variable interest rates		
Long-term borrowings	972,635	1,274,702
Short-term borrowings	690,003	432,043
Current portion of long-term liabilities	349,343	145,445
	2,011,981	1,852,190
	5,059,138	4,296,636

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35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest Rate Risk (Continued)

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 Group would have incurred an operating loss in the year ended December 31, 2011 in the amount of RSD 20,120 thousand (December 31, 2010: RSD 18,522 thousand). Such situation is attributed to the Group's exposure arising from the variable interest rates applied to long-term and short-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 Group to suffer loss. The Group's exposure to this risk is limited to the amount of accounts receivable as of the balance sheet date. Accounts receivable are comprised of a large number of customers, where most significant portion is due from related parties.

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

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	480,686	-	480,686
Accounts receivable matured and provided for	38,735	(38,735)	-
Accounts receivable matured, but not provided for	366,452	-	366,452
	885,873	(38,735)	847,138

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

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	545,667	-	545,667
Accounts receivable matured and provided for	28,885	(28,885)	-
Accounts receivable matured, but not provided for	315,734	-	315,734
	890,286	(28,885)	861,401

Accounts Receivable not Matured

Accounts receivable, not matured as of December 31, 2011 in the amount of RSD 480,686 thousand (December 31, 2010: RSD 545,667 thousand) mostly refer to the receivables from the customers based on sales of services, maturing 60 to 90 days from the invoicing date, depending on the contractually-agreed terms. The average days sales outstanding in 2011 counted 75 days (2010: 76 days).

Accounts Receivable Matured and Provided for

In the period under review, the Group calculated an allowance for impairment of matured receivables in the amount of RSD 38,735 thousand (December 31, 2010: RSD 28,885 thousand), due from those customers whose creditworthiness has changed and which will not be collected in full.

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

Accounts Receivable Matured but not Provided for

The Group did not make an allowance for impairment of receivables matured as of December 31, 2011 in the amount of RSD 366,452 thousand (December 31, 2010: RSD 315,734 thousand), according to the management's estimate based on collectability and the aging analysis of these receivables. The receivables are collectable in the period of three months, and accordingly, the Group did not form any allowance for impairment thereof.

Managing Accounts Payable

Accounts payable as of December 31, 2011 were stated in the amount of RSD 1,104,827 thousand (December 31, 2010: RSD 851,145 thousand), and are associated with the acquisition of services. These suppliers do not charge penalty against matured liabilities, whereas the Group duly settles accounts payable, as in accordance with financial risk management policies. The average days outstanding for accounts payable in 2011 counted 112 days (2010: 87 days).

Liquidity Risk

The ultimate responsibility for liquidity risk management resides with the Group's management, which is also responsible for managing the Group'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 Group. The amounts presented are based on the undiscounted cash flows arising from financial assets based on the earliest date upon which the Group will be able to collect such receivables.

Maturities of Financial Assets

December 31, 2011

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	745,743	191,407	24,418	153	-	961,721
Fixed interest rate	187,095	-	-	-	43,270	230,365
	932,838	191,407	24,418	153	43,270	1,192,086

December 31, 2010

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	732,962	290,472	34,686	153	-	1,058,273
Fixed interest rate	219,399	-	-	-	48,265	267,664
	952,361	290,472	34,686	153	48,265	1,325,937

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35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Tables of Liquidity and Credit Risk (Continued)

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

Maturities of Financial Liabilities

December 31, 2011

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	576,047	416,515	112,265	-	-	1,104,827
Fixed interest rate	613,744	605,178	569,820	376,483	-	2,165,225
Variable interest rate	206,309	146,759	703,297	1,118,279	-	2,174,644
	1,396,100	1,168,452	1,385,382	1,494,762	-	5,444,696

December 31, 2010

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	559,435	268,109	23,601	-	-	851,145
Fixed interest rate	75,523	431,595	642,025	472,866	-	1,622,009
Variable interest rate	24,136	350,780	375,440	1,053,470	110,302	1,914,128
	659,094	1,030,502	1,041,066	1,526,336	110,302	4,387,282

Fair Value of Financial Instruments

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

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term financial placements	41,720	41,720	45,468	45,468
Accounts receivable	847,138	847,138	861,401	861,401
Other receivables	45,820	45,820	41,761	41,761
Cash and cash equivalents	251,093	251,093	369,524	369,524
Short-term financial placements	4,765	4,765	4,986	4,986
	1,190,536	1,190,536	1,323,140	1,323,140
Financial Liabilities				
Long-term borrowings	1,270,109	1,270,109	1,729,282	1,729,282
Accounts payable	1,104,827	1,104,827	851,145	851,145
Current portion of long-term liabilities	761,386	761,386	520,358	520,358
Short-term financial liabilities	1,922,816	1,922,816	1,195,851	1,195,851
	5,059,138	5,059,138	4,296,636	4,296,636

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments (Continued)

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.

37. OPERATING LEASE

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

	December 31, 2011	December 31, 2010
Up to 1 year	30,043	30,991
From 1 to 5 years	120,172	123,965
Over 5 years	-	30,991
	150,215	185,947

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

38. CONTINGENT LIABILITIES

As of December 31, 2011, litigations filed against the Company and the Group sought an amount of RSD 832 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 the Group, and accordingly, as of December 31, 2010, the financial statements do not include additional provisions for these risks.

The Group acts as a pledgor for a large number of short-term and long-term loans approved to its subsidiaries by domestic commercial banks. The total amount of such loans for which the Group may be liable at December 31, 2011 totaled RSD 1,083,628 thousand.

39. TAXATION RISKS

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

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

40. EXCHANGE RATES

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

	2011	2010
USD	80,8662	79,2802
EUR	104,6409	105,4982
GBP	124,6002	122,4161
CHF	85,9121	84,4458