SHAREHOLDING COMPANY
BELGRADE NIKOLA TESLA AIRPORT

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

Translation of the auditors' report issued in the Serbian language

CONTENTS **Page**

Translation of the auditors' report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

TO THE ASSEMBLY AND MANAGEMENT BOARD OF BELGRADE NIKOLA TESLA AIRPORT

We have audited the accompanying financial statements (pages 2 to 42) of a Shareholding Company, Belgrade Nikola Tesla Airport (the "Company"), which comprise the balance sheet as at December 31, 2010, and the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements of a Shareholding Company, Belgrade Nikola Tesla Airport for the year ended December 31, 2010 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Serbia.

Other Matter

The financial statements of Belgrade Nikola Tesla Airport as of and for the year ended December 31, 2009 were audited by another auditor whose report dated March 5, 2010 expressed an unqualified opinion.

Belgrade, May 5, 2011

Deloitte d.o.o. BEOGRAD IV

Aleksandar Đurđević
Certified Auditor

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

	Notes	2010	*Audited by Another Auditor* 2009 *Restated*
OPERATING INCOME			
Sales income	6	5,058,725	4,233,707
Other operating income	7	410,187	351,851
		5,468,912	4,585,558
OPERATING EXPENSES			
Cost of commercial goods sold		(305,012)	(190,274)
Cost of materials	8	(367,873)	(303,785)
Staff costs	9	(715,895)	(678,548)
Depreciation, amortization and provisions	10	(777,371)	(715,373)
Other operating expenses	11	(1,097,021)	(919,833)
		(3,263,172)	(2,807,813)
PROFIT FROM OPERATIONS		2,205,740	1,777,745
Finance income	12	426,474	359,751
Finance expenses	12	(317,296)	(297,779)
Other income	13	543,643	467,744
Other expenses	14	(495,871)	(276,873)
		156,950	252,843
PROFIT BEFORE TAX		2,362,690	2,030,588
Income taxes	15	(145,194)	(121,025)
Deferred tax benefit		19,827	8,209
Remunerations paid to employer – interim dividend		(300,000)	-
NET PROFIT		1,937,323	1,917,772
Basic/Diluted earnings per share (in RSD)		65.35	55,93

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

These financial statements were approved by the Management Board of a Shareholding Company, Belgrade Nikola Tesla Airport on February 25, 2011 and submitted to the Serbian Business Registers Agency on February 28, 2011.

Signed on behalf of the Company by:

Velimir Radosavljević	Ljiljana Simonović	Zorka Latinović
General Manager	Chief Financial Officer	Head of Accounting

АКЦИОНАРСКО ДРУШТВО АЕРОДРОМ "НИКОЛА ТЕСЛА" БЕОГРАД

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

	Notes	December 31, 2010	*Audited by Another Auditor* December 31, 2009 *Restated*
ASSETS			
Non-current assets			
Intangible assets	17	861	8,067
Property, plant and equipment	17	20,611,793	20,785,730
Investment property	17	14,332	13,899
Equity investments	18	389	462
Other long-term investments	19	110,408	130,433
		20,737,783	20,938,591
Current assets			
Inventories and advances received	20	117,010	116,906
Accounts receivable	21	1,336,942	1,069,333
Short-term financial placements	22	2,180,671	2,164,557
Cash and cash equivalents	23	259,206	121,175
Value added tax and prepayments	25	50,540	53,158
		3,944,369	3,525,129
Total assets		24,682,152	24,463,720
EQUITY AND LIABILITY			
Equity			
Share capital	26	20,573,610	-
State-owned capital		-	20,573,610
Unrealized losses on securities		(73)	-
Retained earnings		1,937,323	1,413,007
		22,510,860	21,986,617
Long-term provisions and liabilities			
Long-term provisions	27	140,576	166,803
Long-term borrowings	28	1,138,765	1,121,882
Other long-term liabilities	29	189,155	259,980
		1,468,496	1,548,665
Short-term liabilities			
Short-term financial liabilities	30	186,835	311,888
Accounts payable	31	138,346	152,507
Other short-term liabilities	32	566	26,790
Value added tax, other taxes and duties payable and accruals	33	45,867	72,367
Income taxes payable		34,254	48,131
		405,868	611,683
Deferred tax liabilities		296,928	316,755
Total equity and liabilities		24,682,152	24,463,720
Off-balance sheet items	34	132,322	62,169

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

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

	Share Capital	State-Owned Capital	Other Capital	Reserves	Revaluation Reserves	Retained Earnings	Total
Audited by Another Auditor							
Balance, January 1, 2009	-	7,157,362	95,193	234,941	3,256,294	2,088,575	12,832,365
Distribution of profit	-	-	-	-	-	(1,002,393)	(1,002,393)
Other transfers	-	-	-	-	(733)	767	34
Balance before appraisal, Note 5	-	7,157,362	95,193	234,941	3,255,561	1,086,949	11,830,006
Effects of property, plant, equipment and investment property appraisal (Note 5)	-	-	-	-	8,372,797	-	8,372,797
Effects of deferred taxes arising from property, plant, equipment and investment property appraisal (Note 15)	-	-	-	-	(133,958)	-	(133,958)
Profit for the year	-	-	-	-	-	1,917,772	1,917,772
Adjustment of capital's carrying value upon appraisal, Note 5	-	13,416,248	(95,193)	(234,941)	(11,494,400)	(1,591,714)	-
Balance, December 31, 2009	-	20,573,610	-	-	-	1,413,007	21,986,617
Balance, January 1, 2010	-	20,573,610	-	-	-	1,413,007	21,986,617
Change of the legal form	20,573,610	(20,573,610)	-	-	-	-	-
Unrealized losses on securities	-	-	-	-	(73)	-	(73)
Prior year profit distribution	-	-	-	-	-	(1,413,007)	(1,413,007)
Profit for the year	-	-	-	-	-	1,937,323	1,937,323
Balance, December 31, 2010	20,573,610	-	-	-	(73)	1,937,323	22,510,860

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

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

	2010	*Audited by Another Auditor* 2009 *Restated*
OPERATING ACTIVITIES		
Cash receipts from customers	5,306,744	4,208,484
Interest receipts from operations	930	3,864
Other receipts from operations	486,391	365,969
Cash paid to suppliers	(1,974,590)	(1,635,227)
Cash paid to, and on behalf of employees	(747,923)	(697,239)
Interest paid	(95,909)	(108,591)
Income taxes paid	(159,070)	(117,225)
Other public duties paid	(303,655)	(318,030)
Net cash provided by operating activities	2,512,918	1,702,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of intangible assets, property, plant and equipment and biological assets	367	22
Interest received from investing activities	142,710	209,106
Purchase of plants and equipment	(651,807)	(392,119)
Other financial placements	174,179	(263,290)
Net cash used in investing activities	(334,551)	(446,281)
CASH FLOWS FORM FINANCING ACTIVITIES		
Long-term and short-term borrowings and other liabilities (net outflow)	(207,051)	(205,501)
Finance lease	(127,420)	(104,099)
Dividends paid	(1,713,003)	(1,002,393)
Net cash used in financing activity	(2,047,474)	(1,311,993)
Net increase/(decrease) of cash and cash equivalents	130,893	(56,269)
Cash and cash equivalents, beginning of year	121,175	172,224
Foreign exchange gains	7,138	5,220
Cash and cash equivalents, end of year	259,206	121,175

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

1. ESTABLISHMENT AND ACTIVITY

The business entity – Belgrade Nikola Tesla Airport (hereinafter the "Company") was established in 1992 as a company providing airport services based on a special Law and was fully owned by the Republic of Serbia. Accordingly, the Company's total capital is held by the Republic of Serbia.

During 2006, pursuant to the Decision of the Government of the Republic of Serbia, the Public Company Belgrade Airport was renamed into a Public Company Belgrade Nikola Tesla Airport.

The Company's is registered to perform the following business activities: providing conditions for landing, take-off and taxing of aircraft; ground handling of aircrafts, passengers, cargo at the airport apron; enabling jet fuel supply; catering services and luggage handling in the terminal building; passenger and crew transport; cargo storage and handling; joint use of equipment and fixtures; forwarding and transport; airport cleaning, sanitation and waste removal services; land leasing; airport security services; special requests and other related services.

Based on the Decision on determining dates for status changes in the Public Company Belgrade Nikola Tesla Airport as of August 5, 2005, four independent companies spun off as follows: Aerodrom catering d.o.o., Beograd, Aerodrom parking d.o.o., Beograd, Aerodrom poljoprivredna operativa d.o.o., Beograd and Aerodrom čistoća terminali d.o.o., Beograd. The status change was executed as of July 1, 2005. Fixed assets were transferred to the spun-offs and the ownership was transferred to the Republic of Serbia.

On June 17, 2010, the Government of the Republic of Serbia made a decision number 023-4432/2010 on the change of legal form of the Public Company Belgrade Nikola Tesla Airport into a closed shareholding company. The aforementioned change was registered with the Serbian Business Registers Agency on June 22, 2010, Decision number BD 68460/2010. A number of 34,289,350 shares were registered with the Central Securities Depositary and Clearing House on July 7, 2010 as the Republic of Serbia ownership.

The Company's Tax Identification Number (TIN) is 100000539.
The Company's registration number is 07036540.
The Company is headquartered in 11180 Belgrade, Surčin 59, Serbia.

As of December 31, 2010, the Company had 419 employees (December 31, 2009: 420 employees).

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.

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

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

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia, no. 114 of December 22, 2006, no. 119 as of December 26, 2008, no. 9 as of February 6, 2009 and no. 4 as of January 29, 2010). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue, but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

In addition, the accompanying financial statements depart from IAS and IFRS in the following respects:

- Departures from IAS 1 "Presentation of Financial Statements" and IAS 16 "Property, Plant and Equipment" in the treatment and recording of the effects of capital valuation mostly associated with the appraisal of property, plant and equipment and investment property. Namely, pursuant to Article 27 of the particular Articles of the Law on Supplements and Amendments of the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure (RS Official Gazette no. 30/2010), the Company's founder was obligated to make sure that the Company undergo a change of the legal form and state its core capital in shares of certain par value based on the restated carrying value of capital. In accordance therewith and following the capital valuation, the effects of valuation of assets and liabilities were credited to revaluation reserves. Pursuant to the procedure explained in Note 5 and based on the May 31, 2010 Decision of the Company's Management Board number 04-100/1 on capital increase, and the Decision adopted by the Government of the Republic of Serbia number 023-4175/2010 as of June 4, 2010 on issuing a consent on the aforementioned Decision on the increase of core capital from own assets by transforming reserves and retained earnings into core capital of the Public Company Belgrade Nikola Tesla Airport, in its business books the Company recorded the increase in state-owned capital as of January 1, 2010 through the opening balance adjustment by reducing other capital, reserves, revaluation reserves and retained earnings. The aforementioned accounting treatment departs from the requirements of IAS 16 "Property, Plant and Equipment" setting forth the following requirements: 1) revaluation results are reflected directly on equity, within the line item of revaluation reserves i.e. they are recognized as income in the profit and loss account to the extent a revaluation decrease of the same asset previously recognized in profit or loss is reversed; and in the part which sets forth that 2) the revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. The abovementioned recognition of valuation effects in the accompanying financial statements made in accordance with the aforementioned acts is not in compliance with IAS 1 "Presentation of Financial Statements."

- Departures from IAS 12 "Income Taxes" – SIC – 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets based on which deferred tax liabilities or assets are recognized as arising from non-depreciable assets according to IAS 16 "Property, Plant and Equipment" and measured based on tax ramification that would arise from the recovery of the carrying value of the asset through its sale, regardless of the basis of measuring the asset's carrying value. In the absence of a clear interpretation of regulations with respect to the cost of land, and determining the rights of handling and ownership over the Company's land, due to the particularity of the Company's activity and regulations governing the business operation of the Republic of Serbia airports, as well as special provisions of particular Articles of the Law on Supplements and Amendments of the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure (RS Official Gazette no. 30/2010), it is believed that the aforementioned SIC – 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets cannot be applied in the given circumstances.

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

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

In accordance with the 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.

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

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

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

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

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

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

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

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

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

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

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

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

2.3. Standards and Interpretations in Issue not yet in Effect

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013);

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

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

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

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

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

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

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

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

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

2.4. Comparative Data

Comparative data include the restated statement of changes in equity, restated income statement of the Company for the year ended December 31, 2009 and the restated balance sheet as of that date. As disclosed in Note 5, pursuant to the procedure for the change of legal form of the Company from a public company into a shareholding company, the Company adjusted the carrying value of capital based on the capital valuation performed by certified valuers and restated previously submitted financial statement and tax balance for the year ended December 31, 2009 to account for the effects thereof. The effects of adjustments are presented in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income and Expense Recognition

Income is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the regular course of business, net of discounts, recoveries and sales taxes.

Income from the sale of goods is recognized when the risk and rewards associated with the rights of ownership are transferred to the customer.

Income from the sale of services is recognized when services rendered have been invoiced.

At the moment in which income is recognized, the related expenditure is also recognized (as per the “matching principle”).

Interest income and interest expense are credited or charged to the income statement in the accounting period to which it relates.

3.2. Maintenance and Repairs

Current maintenance and repairs of fixed assets are charged to the income statement of the respective accounting period.

3.3. 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.

3.4. 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.

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.

3.5. Employee Benefits

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

In accordance with regulatory requirements in the Republic of Serbia, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Employee Benefits (Continued)

Obligations for Retirement Benefits and Jubilee Awards

Based on the Labor By-laws, the Company is obligated to pay retirement benefits to its employees in the amount of four average monthly salaries paid in the Company in the month preceding the payment of retirement benefit while jubilee awards are paid commensurately with the duration of employment with the employer as follows:

- 10 years of service – one average monthly salary paid in the Republic of Serbia
- 20 years of service – two average monthly salaries paid in the Republic of Serbia
- 30 years of service – tri average monthly salaries paid in the Republic of Serbia
- 35 years of service for women and 40 years for men – four average monthly salaries earned in the Republic of Serbia.

In its financial statements, the Company stated the present value of expected considerations paid to employees as retirement benefits and jubilee awards based on the valuation performed by an independent actuary. The assumptions used in the calculation by the actuary include a discount rate of 11.5% and expected salary increase in the Company of 2%.

3.6. Taxes and Contributions

Current Income Taxes

In the Republic of Serbia, income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes the profit shown in the statutory statement income, as adjusted for the differences that are specifically defined under statutory tax rules.

The tax regulations effective in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, tax losses stated in tax returns filed by 2009 may be used to reduce or eliminate taxes to be paid in future periods, but only for a duration of no longer than ten ensuing years, and the losses stated in the income tax returns filed for the year 2010 and after, are available for carryforward, but only for a duration of no longer than five ensuing years.

Deferred Income Taxes

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently-enacted tax rates or the substantively-enacted 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 all deductible temporary differences, and the tax effects of income tax losses and credits are available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

Deferred income taxes are either charged or credited to the income statement, except in so far as they relate to items that are directly credited or charged to capital, and in that instance, the deferred taxes are also recognized under equity.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, contributions paid by employer based on salaries and benefits, as well as other taxes and contributions paid pursuant to republic and municipal regulations. These taxes and contributions are presented within other operating expenses.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Property and Equipment

Items of property and equipment that qualify for recognition are carried at cost. Cost comprises purchase price, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Self-constructed assets are carried at cost unless its cost exceeds the market value of such asset. After recognition as an asset, an item of property and equipment is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The appraisal of the Company's property and equipment is performed at January 1, 2010 by an independent certified appraiser.

If an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of revaluation surplus. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. 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 shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

3.8. Investment Property

Investment property is property held by the Company to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. An investment property is measured initially at its cost. After recognition as an investment property is carried at its fair value.

3.9. Depreciation and Amortization

Depreciation of property and equipment and amortization of intangible assets are charged individually for each asset to the asset's appraised value at the beginning of year or to cost of assets placed in use during the year by applying the straight-line method. Depreciation and amortization rates have been determined so that the cost or appraised value of property and equipment is amortized in equal annual amounts over the estimated useful life of an asset. Depreciation and amortization rates applied were as follows:

	2010 %	2009 %
Buildings		
Energy and water supply facilities	1.50 - 10	10-20
Roads, airports and parking	2 - 12.5	1.25 - 20
Equipment		
New specialized equipment	6.67 - 33.33	6.67 - 33.33
Road transport equipment	6.67- 50	5.88 - 50
Telecommunication and TV equipment	9.09 - 50	10.00 - 50
Air transport equipment	6.67	7.17 - 50
Measuring and control devices and specialized devices	6.67	7.17 - 50
Laboratory equipment, teaching aids and medical devices	14.28	12.50 - 50
Electronic, computer machines and computers	11	10.00 - 50
Furniture and general purpose devices	10	9.09 - 50
Agricultural equipment	2.5	12.50 -33
Road transport obtained under finance lease arrangement	7.69 - 25.00	6.67 - 50

3.10. Leasing

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Leases (Continued)

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 as an expense over the lease term on the same basis as the lease income.

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 (see 3.3 below).

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. Impairment of Tangible Assets

At each balance sheet date, the Company's management reviews the carrying amounts of its fixed and intangible assets in order to determine the indications of impairment. 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. Where it is impossible to determine the recoverable value of an individual asset, the Company assesses the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is based on the higher of net selling price and value in use. The estimate of the value in use comprises the assessment of future cash inflows and outflows discounted to their present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to 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.

As of December 31, 2010, based on the assessment made by the Company's management, there were no indications that intangible assets, property and equipment have been impaired.

3.12. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories of materials and spare parts is assigned by applying the weighted-average method. The cost comprises invoiced value, cost of transport and other related costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Inventories (Continued)

Inventories of goods are recorded at their selling prices. At the end of the accounting period, their 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 at the year end.

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 (including slow-moving, excessive and obsolete inventories). Inventories found to be damaged or of a substandard quality are written off.

3.13. Financial Instruments

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.

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.

Long-term Investments

Long-term investments include long-term deposits, equity investments in banks and long-term housing loans to employees. Long-term housing loans are sated at fair value discounted by applying the market interest rate.

The Company has equity investments in banks undergoing liquidation and, pursuant to the applicable accounting standards, these were fully provided for.

Accounts Receivable, Short-Term Financial Placements and Other Short-Term Receivables

Accounts receivable, short-term financial placements and other short-term receivables are stated at nominal value net of allowance for impairment calculated based on the management’s assessment of their collectability.

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash includes cash on hand and balances on current dinar and foreign currency accounts held with commercial banks and short-term deposits with up to three-month maturities.

Financial Liabilities

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Other Financial Liabilities

Other financial liabilities (including borrowings and accounts payable) are initially recognized at fair value net of transaction costs. Loans and other financial liabilities are subsequently measured at amortized cost using the contractually agreed interest rate which approximates the effective interest rate.

Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1. Depreciation and Amortization Charge and Rates Applied

The estimate of a useful life of property, equipment and intangible assets is based on historical experience with similar assets, as well as the anticipated technical advancement and changes in economic and industrial factors. The adequacy of the estimate of the remaining useful life of property and equipment is analyzed once a year based on the current expectations.

In addition, due to the significance of non-current assets in the Company's total assets, any change in the aforementioned assumptions may lead to material effects on the Company's financial position, as well as financial result. For instance, should the Company reduce the average useful life by 10%, additional depreciation and amortization charge would increase by approximately RSD 71,930 thousand (2009: RSD 66,105 thousand).

4.2. Provisions for Litigations

Generally, provisions are highly judgmental. The Company estimates the likelihood of unfavorable events happening as a result of past events and assesses the amount necessary to settle such liability. Although the Company acts prudently in making such estimates, given the great extent of uncertainty, in certain cases actual results may depart from them.

4.3. Allowance for Impairment of Receivables

We calculated the allowance for impairment of doubtful receivables over 60 days past due based on the estimated losses arising from customer's default. Our assessment is based on the aging analysis of accounts receivable, historical write-offs, customer creditworthiness and changes in the terms of sale, identified upon determining the adequacy of allowance for impairment of doubtful receivables. This includes the assumptions on the future customer behavior and the resultant future collections. The management assesses that additional allowance for impairment of receivables is not necessary.

4.4. Fair Value

The fair value of financial instruments for which an active market does not exist is determined by applying adequate valuation methods. The 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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

5. OPENING BALANCE ADJUSTMENTS

Based on the Law on Supplements and Amendments of the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure, the Company was bound to change its legal form by June 30, 2010 and state its core capital in shares having certain par value based on the restated carrying value of capital. During 2010, in the Conclusion made by the Government of the Republic of Serbia (hereinafter the Government) number 023-448/2010-1, the Company was suggested to choose most favorable consultant to assess capital's market value and provide professional assistance in the preparation and implementation of the legal form transformation from a public company into a shareholding company. Pursuant to the aforementioned, the restatement of comparative information for the year ended December 31, 2009 relate to effects of capital appraisal, including the appraisal of property, plant, equipment and investment property. The effects of adjustments are provided in the following tables:

(a) Effects of adjustments on net operating profit for year 2009 and retained earnings as of December 31, 2009:

	January 1, 2009 Profit/ Retained Earnings	January 1 – December 31, 2009 Net Profit
Retained earnings/Net profit, previously stated	1,086,949	1,705,619
Retained earnings opening balance adjustment as of December 31, 2009		
Transfer based on capital valuation	(1,591,714)	-
	(1,591,714)	-
Adjustments in the period from January 1 through December 31, 2009:		
Reversal of revaluation decrease of assets previously recognized in profit or loss	-	393,690
Adjustment of the assets' carrying value through the amount of existing revaluation reserves arising from the prior year appraisal	-	(156,036)
Adjustments of other receivables		(5,816)
Appraisal effects	-	(19,685)
	-	212,153
Profit for the year ended December 31, 2009, after adjustments	1,917,772	1,917,772
Retained earnings after adjustments	1,413,007	-

In the process of transforming the legal form of the Company from a public company into a shareholding company, on May 31, 2010, a Decision was enacted by the Management Board on the adoption of the Valuation Report on the market value of capital as of January 1, 2010. Based on the report prepared by certified valuers, the Company stated the effects of increase in the value of property, plant, equipment and investment property up to the amount of revaluation decrease of assets previously recognized in profit or loss of RSD 393,690 thousand, as well as a decrease in the carrying value of assets charged to the amount of existing revolution reserves stated upon the previous appraisal in the amount of RSD 161,852 thousand in the prior year profit and loss account. Following the adjustments made in accordance with the Valuation Report on the market value of capital and the Company's income tax for the year 2009 was adjusted by the amount of RSD 19,685 thousand.

Based on the Decision on the increase of core capital from own assets by converting reserves and retained earnings into core capital, prior period retained earnings were apportioned into favor of core capital in the amount of RSD 1,591,714 thousand.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

5. OPENING BALANCE ADJUSTMENTS (Continued)

b) Effects on the balance sheet as of December 31, 2009

		December 31, 2009 Adjustments		
	Previously Stated	Capital Valuation	Decision on the Increase of Core Capital	Restated
ASSETS				
Non-current assets				
Intangible assets	8,067	-	-	8,067
Property, plant and equipment	12,175,515	8,610,215	-	20,785,730
Investment property	13,663	236	-	13,899
Equity investments	462	-	-	462
Other long-term investments	130,433	-	-	130,433
	12,328,140	8,610,451	-	20,938,591
Current assets				
Inventories	116,906	-	-	116,906
Accounts receivable	1,075,149	(5,816)	-	1,069,333
Short-term financial placements	2,164,557	-	-	2,164,557
Cash and cash equivalents	121,175	-	-	121,175
Value added tax and prepayments	53,158	-	-	53,158
	3,530,945	(5,816)	-	3,525,129
Total assets	15,859,085	8,604,635	-	24,463,720
EQUITY AND LIABILITY				
Equity				
State-owned capital	7,157,362	-	13,416,248	20,573,610
Other capital	95,193	-	(95,193)	-
Reserves	234,941	-	(234,941)	-
Revaluation reserves	3,255,561	8,238,839	(11,494,400)	-
Retained earnings	2,792,568	212,153	(1,591,714)	1,413,007
	13,535,625	8,450,992	-	21,986,617
Long-term provisions and liabilities				
Long-term provisions	166,803	-	-	166,803
Long-term borrowings	1,121,882	-	-	1,121,882
Other long-term liabilities	259,980	-	-	259,980
	1,548,665	-	-	1,548,665
Short-term liabilities				
Short-term financial liabilities	311,888	-	-	311,888
Accounts payable	152,507	-	-	152,507
Other short-term liabilities	26,790	-	-	26,790
Value added tax, other taxes and duties payable and accruals	72,367	-	-	72,367
Income taxes payable	28,446	19,685	-	48,131
	591,998	19,685	-	611,683
Deferred tax liabilities	182,797	133,958	-	316,755
Total equity and liabilities	15,859,085	8,604,635	-	24,463,720
Off-balance sheet items	62,169	-	-	62,169

Pursuant to the appraisal made, and in accordance with the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure, the Company adjusted its core capital for the purpose of restating it in shares with the par value determined by the restated carrying value of capital. This adjustment was performed under the Decision on the increase of core capital to be executed through the transfer of other capital, reserves, revaluation reserves and a portion of retained earnings onto the state-owned capital later registered as share capital (Note 26).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

5. OPENING BALANCE ADJUSTMENTS (Continued)

c) Effects of adjustments on the income statement for the year ended December 31, 2009

	Year Ended December 31, 2009		
	Before Adjustments	Adjustments upon Capital Valuation	Restated
OPERATING INCOME			
Sales income	4,233,707	-	4,233,707
Other operating income	351,851	-	351,851
	4,585,558	-	4,585,558
OPERATING EXPENSES			
Cost of commercial goods sold	(190,274)	-	(190,274)
Cost of materials	(303,785)	-	(303,785)
Staff costs	(678,548)		(678,548)
Depreciation, amortization and provisions	(715,373)	-	(715,373)
Other operating expenses	(919,833)	-	(919,833)
	(2,807,813)	-	(2,807,813)
Operating profit	1,777,745	-	1,777,745
Finance income	359,751	-	359,751
Finance expenses	(297,779)	-	(297,779)
Other income	74,054	393,690	467,744
Other expenses	(115,021)	(161,852)	(276,873)
	21,005	231,838	252,843
PROFIT BEFORE TAX	1,798,750	231,838	2,030,588
Income taxes	(101,340)	(19,685)	(121,025)
Deferred tax benefits	8,209	-	8,209
NET PROFIT	1,705,619	212,153	1,917,772

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

6. SALES

	Year Ended December 31, 2010	2009 Restated
Sales on domestic market		
Goods:		
- retail	910	536
Services:		
- airport fees for ground handling of aircraft	249,429	173,984
- ground services	847,064	709,620
- ground handling of aircraft in domestic traffic	176,206	119,181
- safety fee	182,449	190,012
- boarding passengers (airbridge)	41,594	25,601
- Cute system	25,816	19,111
- Use of airport infrastructure	129,466	88,257
- Cargo warehouse management, storage and handling of goods	140,576	139,394
- parking service	22,881	12,203
- Rent of advertising space	77,080	77,060
- other services	103,851	77,378
	1,996,412	1,631,801
	1,997,322	1,632,337
Sales on foreign market		
Goods – jet fuel	338,735	220,548
Products and services:		
- ground services	985,715	844,931
- airport fees for ground handling of aircraft	948,376	798,076
- boarding passengers (airbridge)	88,052	82,992
- Cute system	46,570	41,714
- airport parking fee	17,348	12,847
- special travelling services	29,979	35,259
- safety fee	201,535	224,675
- Use of airport infrastructure	310,496	261,401
- lost and found services	18,591	18,329
- aircraft defrosting services	47,639	37,295
- cargo warehouse management, storage and handling of goods	16,995	15,789
- other services	14,372	7,514
	2,722,668	2,380,822
	3,061,403	2,601,370
	5,058,725	4,233,707

Other income from the sales on domestic market for the year 2010 were stated in the amount of RSD 103,851 thousand mainly comprise income from joint costs reinvoiced to lessors in the amount of RSD 57,184 thousand (2009: RSD 51,012 thousand), as well as income from workorder requests of RSD 18,822 thousand.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

6. SALES (Continued)

Sales of services as per geographical areas

	Year Ended December 31, 2010	2009 *Restated*
Serbia	1,429,813	1,201,231
Germany	767,799	659,259
Montenegro	443,892	498,871
Austria (*)	58,837	180,569
Switzerland	176,403	177,796
Russia	141,449	129,384
Turkey	151,237	124,660
France	127,142	121,214
Great Britain	104,580	103,403
Italy	133,586	100,025
Czech	138,339	65,224
Hungary	97,679	3,452
Spain	45,762	-
Tunisia	24,891	33,342
Ukraine	42,313	23,853
Greece	70,931	89
Norway	60,197	47,451
Denmark	41,037	-
Other	1,002,838	763,884
	5,058,725	4,233,707

*A foreign customer – Austrian Airlines in 2010 registered a branch office of Austrian Airlines as a Republic of Serbia resident and in 2010 this customer is accounted for within domestic accounts receivable.

7. OTHER OPERATING INCOME

	Year Ended December 31, 2010	2009 *Restated*
Lease revenues:		
- from domestic entities	399,743	336,981
- from foreign entities	10,444	11,870
Donation income	-	3,000
	410,187	351,851

8. COST OF MATERIALS

	Year Ended December 31, 2010	2009 *Restated*
Materials	114,246	108,737
Other material	95,770	61,018
Fuel	53,840	41,248
Fuel oil	20,591	19,897
Electricity	83,426	72,885
	367,873	303,785

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

9. STAFF COSTS

	Year Ended December 31, 2010	2009 *Restated*
Gross salaries:		
- employees	409,867	398,450
- management	24,634	27,088
Taxes and contributions paid by employer	77,305	75,229
Service contracts and author fees	3,086	3,432
Gross wages and benefits of temporary employees	164,064	145,280
Remunerations to the Management Board members	6,887	6,941
Employee transport to work	10,962	10,485
Business trip expenses	7,938	6,204
Retirement benefits and jubilee awards	3,239	-
Other staff costs	7,913	5,439
	715,895	678,548

10. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2010	2009 *Restated*
Depreciation and amortization	719,306	661,050
Provisions for benefits and other payables to employees	5,866	24,556
Provisions for litigation	52,199	29,767
	777,371	715,373

11. OTHER OPERATING EXPENSES

	Year Ended December 31, 2010	2009 *Restated*
Transportation services	302,660	277,168
Maintenance	95,571	77,896
Rentals	4,576	15,986
Marketing and advertizing	22,523	6,538
Membership fees	4,093	3,829
Physical and technical security	211,340	179,798
Other production services	46,254	37,526
JAT occupational medicine services	12,154	5,205
Employee professional training	4,703	4,502
Cleaning	72,283	44,530
Data processing services	50,618	40,087
Other non-production services	78,163	68,844
Fees	14,142	13,640
Interior design services	25,117	30,759
IT support	8,177	5,118
Bank charges	6,981	5,427
Insurance premiums	42,428	50,993
Entertainment	6,255	4,676
Land taxes	32,464	4,920
Property taxes	24,242	20,471
Indirect taxes and contributions	17,253	11,912
Other operating expenses	15,024	10,008
	1,097,021	919,833

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

12. FINANCE INCOME AND EXPENSES

a) Finance income

	Year Ended December 31, 2010	2009 *Restated*
Interest received	161,998	217,956
Foreign exchange gains	262,833	139,602
Contractually agreed hedge against risk – currency clause	1,643	2,193
	426,474	359,751

b) Finance expenses

	Year Ended December 31, 2010	2009 *Restated*
Interest expenses	94,665	106,781
Foreign exchange losses	186,085	153,112
Contractually agreed hedge against risk – currency clause	36,546	37,886
	317,296	297,779

13. OTHER INCOME

	Year Ended December 31, 2010	2009 *Restated*
Revaluation of long-term housing loans	37,654	36,893
Collected receivables previously written off	10,304	20,638
Reversal of long-term provisions:		
- litigations	78,627	1,490
- employee benefits	696	-
Income from reconciling the value of receivables and short-term financial placements	1,578	6,770
Income from inventory revaluation	3,668	2
Write-off of liability based on equity investment	358,598	-
Increase in the value of PP&E up to the amount of previously accrued revaluation decrease determined in the previous appraisal (Note 5)	-	393,690
Project takeover fee (Note 20)	39,674	-
Other income	12,844	8,261
	543,643	467,744

Write-off of liabilities based on the payment of equity investment stated in 2010 as amounting to RSD 358,598 thousand entirely relates to the write-off of previously incurred liability based on the payment of equity share in a newly established entity Mondial Anonim Sirketi from Turkey. Namely, the Company entered into a consortium with Teknotes from Turkey and according to the Construction Agreement, Activation and Transfer of a new building comprised of terminals for international lines at Milas-Bodrum Airport, the Company committed to pay start-up capital into the entity Mondial Anonim Sirketi, Turkey in the amount of EUR 3,380,000. As Teknotes from Turkey paid capital of EUR 3,380,000 on December 14, 2010 in the name and on behalf of the Company, in the business books a liability was established in favor of long-term investments of RSD 358,598 thousand as of the transaction date.

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

13. OTHER INCOME (Continued)

Through the Agreement closed among Teknotes from Turkey, Astaldi Concessioni S.r.l from Italy and the Company on December 30, 2010, Teknotes from Turkey and Mondial Anonim Sirketi from Turkey have relieved the Company of duties, responsibilities and liabilities in the amount of EUR 3,380,000 arising in connection with the start-up capital. In addition, the Company's equity interest in Mondial Anonim Sirketi, Turkey was transferred to Astaldi Concessioni S.r.l., Italy free of charge i.e. at a consideration of EUR 1. Accordingly, the Company derecognized liabilities and credited RSD 358,598 thousand to income while the write-off of equity interest was charged to expenses in the given amount (Note 14).

14. OTHER EXPENSES

	Year Ended December 31, 2010	2009 *Restated*
Losses on disposal and sale of property and equipment	931	194
Write-off of receivables	-	21
Allowance for impairment of receivables	68,726	57,526
Impairment of inventories of material and goods	32	4,569
Charity	11,012	7,698
Impairment of long-term investments	39,741	11,275
Impairment of equity investments in foreign legal entities (Note 13)	358,598	-
Litigations expenses	3,481	14,294
Decrease in the carrying value of PP&E through the account of revaluation reserves determined in the previous appraisal (Note 5)	141	161,852
Other expenses	13,209	19,444
	495,871	276,873

15. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2010	2009 *Restated*
Current tax expense, previously stated	145,194	101,340
Opening balance adjustments	-	19,685
Current tax expense after adjustments	145,194	121,025
Deferred tax expense	(19,827)	(8,209)
	125,367	112,816

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

15. INCOME TAXES (Continued)

b) Numerical reconciliation between the tax expense and the product of accounting results multiplied by the applicable tax rate

	Year Ended December 31, 2010	2009 *Restated*
Profit before taxation	2,362,690	2,030,588
Income tax at the statutory tax rate of 10%	236,269	203,059
Tax effects of expenses not recognized in the tax balance	39,702	30,579
Tax credit for capital expenditures		
- from the current year	(117,611)	(86,230)
- from prior years	(27,582)	(34,794)
Other	(5,411)	202
	125,367	112,816

c) Table of movements in deferred tax assets and liabilities

Deferred tax liabilities relate to temporary differences between the base at which property, plant, equipment and investment property are recognized for tax purposes and their carrying values shown in the Company's financial statements.

	December 31, 2010	December 31, 2009 *Restated*
Deferred tax liabilities		
Balance, January 1	316,755	191,006
Opening balance adjustments	(89)	133,958
Balance, January 1 after adjustments	316,666	324,964
Deferred tax benefit	(19,738)	(8,209)
Balance, December 31	296,928	316,755

d) Realized, unused and unrecognized tax credits

Year of Inception	Year of Expiry	Tax Credit Carryforward	Tax Credits Used	Remaining Tax Credit Carryforward
2003	2013	92,094	27,582	64,512
2004	2014	121,717	-	121,717
2005	2015	106,634	-	106,634
2006	2016	161,173	-	161,173
2007	2017	34,140	-	34,140
2008	2018	58,615	-	58,615
2009	2019	-	-	-
2010	2020	117,611	117,611	-
		691,984	145,193	546,791

16. EARNINGS PER SHARE

	Year Ended December 31, 2010	2009 Proforma
Net profit attributable to owners	2,237,323	1,917,772
Average weighted number of shares	34,289,350	34,289,350
Basic earnings per share (in RSD)	65.35	55,93

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts are expressed in thousands of RSD, unless otherwise stated.

17. PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	Land	Buildings	Equipment	Livestock	Construction in Progress and Advances	Total	Investment Property	Intangible Assets
Audited by another auditor								
Cost								
Balance, January 1, 2009	1,684,090	10,171,009	1,912,391	667	34,927	13,803,034	13,409	19,137
Additions	-	-	-	-	353,795	353,795	254	2,038
Transfer from construction in progress	-	17,017	198,746	-	(215,763)	-	-	-
Sale and disposal	-	-	(2,840)	(7)	(43,751)	(46,598)	-	-
Balance, December 31, 2009	1,684,090	10,188,026	2,108,297	660	129,208	14,110,281	13,663	21,175
Balance, January 1, 2010	1,684,090	10,188,026	2,108,297	660	129,208	14,110,281	13,663	21,175
Opening balance adjustment upon appraisal	7,350,723	(20,557)	(654,717)	-	-	6,675,449	236	-
Balance, January 1, 2010, after adjustments	9,034,813	10,167,469	1,453,580	660	129,208	20,798,421	13,899	21,175
Additions	-	-	-	-	554,816	554,816	-	-
Transfer from construction in progress	-	54,668	411,374	-	(466,042)	-	-	-
Sale, disposal and retirement	-	-	(1,519)	-	(2,808)	(4,327)	-	-
Other	-	-	-	(141)	-	(141)	433	-
Balance, December 31, 2010	9,034,813	10,222,137	1,863,435	519	215,174	21,336,078	14,332	21,175
Audited by another auditor								
Accumulated Depreciation/ Amortization								
Balance, January 1, 2009	-	793,298	489,382	-	-	1,282,680	-	6,571
Charge for the year	-	406,218	248,295	-	-	654,513	-	6,537
Sale and disposal	-	-	(2,427)	-	-	(2,427)	-	-
Balance, December 31, 2009	-	1,199,516	735,250	-	-	1,934,766	-	13,108
Balance, January 1, 2010	-	1,199,516	735,250	-	-	1,934,766	-	13,108
Opening balance adjustment upon appraisal	-	(1,199,516)	(735,250)	-	-	(1,934,766)	-	-
Balance, January 1, 2010, after adjustments	-	-	-	-	-	-	-	13,108
Charge for the year	-	402,047	310,053	-	-	712,100	-	7,206
Other	-	-	-	-	12,691	12,691	-	-
Sale and disposal	-		(506)	-	-	(506)	-	-
Balance, December 31, 2010	-	402,047	309,547	-	12,691	724,285	-	20,314
Net book value								
December 31, 2010	9,034,813	9,820,090	1,553,888	519	202,483	20,611,793	14,332	861
December 31, 2009, restated	9,034,813	10,167,469	1,453,580	660	129,208	20,785,730	13,899	8,067

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

17. PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS (Continued)

The appraisal of property and equipment is performed by applying the net asset method. The total appraisal effects as of December 31, 2009 total RSD 8,610,451 thousand. The aforementioned effects were recorded as a 2010 opening balance adjustment of property and equipment. To record the appraisal, the Company opted for an alternative method for recording property and equipment as required under IAS 16 "Property, Plant and Equipment."

Net book value of equipment was stated as of December 31, 2010 in the amount of RSD 1,533,888 thousand and includes assets acquired under finance lease arrangements of RSD 356,694 thousand.

As disclosed in Note 2.1, the Company did not state deferred tax liability based on land revaluation that would total RSD 735,072 thousand so as to apply the requirements for SIC – 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets

18. EQUITY INVESTMENTS

	December 31, 2010	December 31, 2009 *Restated*
Equity investments in banks:		
Privredna banka a.d., Beograd	389	462
Equity investments in banks in liquidation:		
Union banka a.d., Beograd – *in liquidation*	667	667
Beogradska banka a.d., Beograd - *in liquidation*	18,988	18,988
Beobanka a.d., Beograd - *in liquidation*	38	38
	19,693	19,693
Less: Allowance for impairment of equity investments in banks in liquidation	(19,693)	(19,693)
	389	462

19. OTHER LONG-TERM INVESTMENTS

	December 31, 2010	December 31, 2009 *Restated*
Assets for the membership with Société International de Télécomunications Aéronautiques Swisse (SITA)	1,586	1,335
Long-term deposits	25,812	55,259
Long-term loans to employees	414,927	389,273
Receivables for social apartments sold	991	1,078
Purchase of solidarity apartments	3,741	3,766
	447,057	450,711
Current portions of long-term deposits	(14,435)	(38,024)
Current portion of long-term loans issued to employees	(14,929)	(13,548)
Fair value adjustment of long-term loans to employees	(307,285)	(268,706)
	110,408	130,433

Long-term deposits stated as of December 31, 2010 in the net amount of RSD 11,377 thousand (after allowing for the current portion of RSD 14,435 thousand) relate to deposits placed with Piraeus banka a.d., Beograd as collateral for a long-term borrowing. These deposits accrue interest at an annual rate of 0.5%.

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

19. OTHER LONG-TERM INVESTMENTS (Continued)

Long-term loans to employees sated at December 31, 2010 as totaling RSD 414,927 thousand (without current portions of RSD 14,929 thousand and effects of fair value adjustments of RSD 307,285 thousand) relate to loans approved to employees to resolve their housing issues, maturing over a period from 20 to 40 years at an interest rate of 0.5% annually. The aforementioned loans are revalued applying the retail price index of the Republic of Serbia but not over the amount of the average salary increase in the Republic of Serbia economy registered in the previous year. For the purpose of regular loan repayment, administrative injunctions have been instituted while the respective loan agreement require that mortgages be inscribed over the subject apartments in favor of the Company once the apartment has been taken over by an employee. The loan revaluation in 2010 by applying the annual quotient of 0.099, totaled RSD 37,654 thousand (Note 13). The effects of fair value adjustment of long-term loans in 2010 at a discount rate of 9.9% totals RSD 39,741 thousand (Note 14).

20. INVENTORIES AND ADVANCES PAID

	December 31, 2010	December 31, 2009 *Restated*
Material	53,969	39,315
Spare parts	9,364	17,330
Small tools and fixtures	6,259	11,189
Goods in warehouse	34,209	22,362
Goods in duty free shop	32	20
Advances paid	13,435	31,423
Less: Allowance for impairment of inventories of material and spare parts	(258)	(4,733)
	117,010	116,906

21. ACCOUNTS RECEIVABLE

	December 31, 2010	December 31, 2009 *Restated*
Accounts receivable:		
- domestic	1,061,901	907,689
- foreign	399,165	274,665
Interest receivables	35,164	28,830
Receivables from employees	1,347	113
Other receivables	40,385	-
	1,537,962	1,211,297
Less: Allowance for impairment		
- domestic accounts receivable	(179,483)	(134,977)
- foreign accounts receivable	(21,537)	(6,987)
	(201,020)	(141,964)
	1,336,942	1,069,333

Domestic accounts receivable stated as of December 31, 2010 as totaling RSD 1,061,901 thousand mostly pertain to receivables from JAT Airways a.d., Beograd (RSD 757,066 thousand) containing rescheduled amount of receivables of RSD 675,516 thousand. Namely, the April 22, 2010 Protocol on regulating matured liabilities sets forth that JAT Airways a.d., Beograd pays its liabilities based on invoiced services of the Company in the period from June 1, 2009 until March 17, 2010 due for settlement by March 30, 2010 in twelve approximately equal monthly rates, with the first one due on January 1, 2011.

Other receivables stated as of December 31, 2010 as amounting to RSD 40,385 thousand mostly, in the amount of RSD 39,674 thousand (EUR 375,556), are associated with the receivables from Astaldi Concessioni S.r.l., Italy, based on the fees for project takeover according to the December 30, 2010 Agreement (Note 13).

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

22. SHORT-TERM FINANCIAL PLACEMENTS

	December 31, 2010	December 31, 2009 *Restated*
Short-term loans to employees	18,384	14,840
Short-term deposits	2,133,873	2,099,248
Current portions of long-term deposits	14,435	38,024
Current portions of long-term loans to employees	14,929	13,548
	2,181,621	2,165,660
Less: Fair value adjustment of loans to employees	(950)	(1,103)
	2,180,671	2,164,557

Short-term deposits provided in the following breakdown:

	December 31, 2010	December 31, 2009 *Restated*
Komercijalna banka a.d., Beograd	1,870,003	1,342,930
Hypo Alpe Adria Bank a.d., Beograd	263,870	206,318
AIK banka a.d., Niš	-	450,000
EFG Eurobank a.d., Novi Sad	-	100,000
	2,133,873	2,099,248

Short-term deposits stated as of December 31, 2010 in the amount of RSD 2,133,873 thousand are associated with term deposits held with domestic banks at an interest rate ranging from 3.96% to 4.95%.

23. CASH AND CASH EQUIVALENTS

	December 31, 2010	December 31, 2009 *Restated*
Current portion	195,017	61,883
Foreign currency accounts	116,723	106,619
Cash on hand	374	332
Other cash	835	582
	312,949	169,416
Less: Allowance for impairment of foreign currency assets held with banks in liquidation	(53,743)	(48,241)
	259,206	121,175

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

24. MOVEMENTS ON ALLOWANCES FOR IMPAIRMENT

	Cash and Cash Equivalents (Note 23)	Long-Term Investments (Note 19)	Inventories of Material and Spare Parts (Note 20)	Accounts Receivable (Note 21)	Short-Term Financial Placements (Note 22)	Total
Balance, January 1, 2009	44,716	264,416	29,499	107,356	1,103	447,090
Charge for the year (Note 14)	-	-	4,569	55,169	-	59,738
Impairment of long-term investments and securities (Note 14)	-	11,275	-	-	-	11,275
Collected receivables previously provided for (Note 13)	-	-	-	(20,638)	-	(20,638)
Reconciliation of values	-	(6,770)	(2)	-	-	(6,772)
Derecognition	-	-	(29,333)	-	-	(29,333)
Foreign exchange gains	3,525	-	-	77	-	3,602
Other	-	(215)	-	-	-	(215)
Balance, December 31, 2009	48,241	268,706	4,733	141,964	1,103	464,747
Charge for the year (Note 14)	-	-	32	68,607	-	68,639
Impairment of long-term investments and securities (Note 14)	-	39,741	-	-	-	39,741
Collected receivables previously provided for (Note 13)	-	-	-	(10,304)	-	(10,304)
Reconciliation of values	-	(1,578)	(3,668)	-	-	(5,246)
Foreign exchange gains	5,502	-	-	104	-	5,606
Other	-	416	(839)	649	(153)	273
Balance, December 31, 2010	53,743	307,285	258	201,020	950	563,456

25. VALUE ADDED TAXES AND PREPAYMENTS

	December 31, 2010	December 31, 2009 *Restated*
Value added tax	14,618	26,897
Accrued insurance premium	10,079	13,822
Accrued interest on loans and leases	-	3,957
Other prepayments	25,843	8,482
	50,540	53,158

26. SHARE CAPITAL

Based on the Law on Supplements and Amendments of the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure, the Company was bound to change its legal form by June 30, 2010 and state its core capital in shares of certain par value based on the restated carrying value of capital. During 2010, in the Conclusion of the Government of the Republic of Serbia (hereinafter the “Government”) number 023-448/2010-1, the Company was suggested to choose most favorable consultant to assess the capital’s market value and provide professional assistance in the preparation and implementation of the legal form transformation from a public company into a shareholding company.

On June 17, 2010, the Government enacted a Decision number 023-4432/2010 on the change of the Company’s legal form from a public company into a closed shareholding company.

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

26. SHARE CAPITAL (Continued)

The aforementioned change was registered with the Serbian Business Registers Agency number BD 68460/2010 as of June 22, 2010 whereby the subscribed capital totaled EUR 214,556,965 or RSD 20,573,610 thousand as of the subscription date.

On July 7, 2010, a number of 34,289,350 shares were registered with the Central Securities Depositary and Clearing House where the individual share par value totaled RSD 600 and at December 31, 2010 shares were held by the Republic of Serbia.

Profit Distribution (Interim Dividend)

Based on the Decision of the Company's Assembly dated December 29, 2010, the Government's Conclusion number 343-4458/2010 dated June 17, 2010 and the October 14, 2010 Conclusion number 41-7298/2010, interim dividend was distributed in the amount of RSD 200,000 thousand to the Ministry of Defense – Lađevci Airport and the amount of RSD 100,000 thousand of interim dividends was paid to Niš Airport.

27. LONG-TERM PROVISIONS

	December 31, 2010	December 31, 2009 *Restated*
Provisions for employee retirement benefits	26,594	22,977
Provisions for jubilee awards	19,904	22,251
Provisions for litigation	94,078	121,575
	140,576	166,803

The movements in long-term provisions for employee retirement benefits, jubilee awards and litigations in 2010 are presented in the following table:

	Long-Term Provisions			
	Retirement Benefits	Jubilee Awards	Litigation	Total
Balance, January 1, 2009	12,898	8,388	99,808	121,094
Charge for the year (Note 10)	10,079	14,477	29,767	54,323
Reversal of provision (Note 13)	-	-	(1,563)	(1,563)
Release of provisions	-	(614)	(6,437)	(7,051)
Balance, December 31, 2009	22,977	22,251	121,575	166,803
Balance, January 1, 2010	22,977	22,251	121,575	166,803
Charge for the year (Note 10)	3,711	2,155	52,199	58,065
Reversal of provision (Note 13)	-	(697)	(78,627)	(79,324)
Release of provisions	(94)	(3,805)	(1,069)	(4,968)
Balance, December 31, 2010	26,594	19,904	94,078	140,576

Provisions for employee benefits were executed based on the present value of expected future payments to employees based on jubilee awards and retirement benefits. The present value of expected future payments of jubilee awards and retirement benefits has been determined using the annual interest rate of 11.5% and a projected salary increase rate 2%.

Long-term provisions for litigation were stated at December 31, 2010 in the amount of RSD 94,078 thousand. Reversal of provisions of RSD 78,627 thousand relate to litigations resolved favorably before the Commercial Court in Belgrade upon the lawsuit filed by Engel Europe Limited.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

28. LONG-TERM BORROWINGS

	December 31, 2010	December 31, 2009 *Restated*
Long-term borrowings		
- domestic	19,019	74,159
- foreign	1,215,290	1,245,527
	1,234,309	1,319,686
Current portion:		
- long-term borrowings (Note 29)	(95,544)	(197,804)
	1,138,765	1,121,882

	Annual Interest Rate	Maturity	Balance in EUR	Balance at December 31, 2010	Balance at December 31, 2009 *Restated*
a) Long-term domestic loans					
Piraeus Banka a.d., Beograd	4.5%	December 30, 2010	-	-	35,001
Piraeus Banka a.d., Beograd	4.5%	December 30, 2010	-	-	14,956
Piraeus Banka a.d., Beograd	4.5%	May 26, 2013	179,741	19,019	24,202
				19,019	74,159
b) Foreign long-term borrowings					
European Investment Bank	4.086% - 5.16%		11,485,081	1,215,290	1,184,522
Deutschebank	3.54%	May 9, 2010	-	-	42,182
Team Ikusi, Spain	9.40%	January 15, 2010	-	-	18,823
				1,215,290	1,245,527
Current portion of long-term borrowing:					
- domestic				(7,608)	(56,872)
- foreign				(87,936)	(140,932)
				(95,544)	(197,804)
				1,138,765	1,121,882

Long-term domestic loans stated as of December 31, 2010 as totaling RSD 19,019 thousand entirely relate to financing apartment building for the needs of the Company's employees.

Long-term loans stated in the balance sheet as of December 31, 2010 in the amount of RSD 1,215,290 thousand (EUR 11,485,081) refer to payables based on financing the Emergency Traffic Rehabilitation Project closed on December 13, 2001 among the European Investment Bank ("EIB"), the Republic of Serbia and the Company. Based on the Agreement, the Company was approved a loan of EUR 13,000,000 for the investments into and rehabilitation of airport infrastructure (studies, research and development, road and parking repair, investments in terminal, airport access area, equipment, evacuation system, luggage control and spare parts). The loan matures over the period ending 2025. The applicable interest rate is determined upon the approval of each loan tranche and so the annual interest rate for the first tranche totals 5.16%, for the second tranche the interest rate equals 4.85% and 4.068% is the rate applied to the third tranche. The repayment of the first loan tranche will be executed in 31 equal semi-annual installments starting from December 5, 2007, the second tranche is to be repaid in 30 equal semiannual installments starting from February 20, 2009 while third tranches is repaid staring from June 20, 2010 in 32 equal semiannual installments.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

28. LONG-TERM BORROWINGS (Continued)

The maturities based on long-term borrowings as of December 31, 2010 and 2009 are presented in the following breakdown:

	December 31, 2010	December 31, 2009 *Restated*
Up to one year	95,545	197,804
From one to two years	95,545	86,842
From two to three years	91,741	86,842
From three to four years	87,937	83,385
From four to five years	87,937	79,927
From five to ten years	439,686	479,564
Over ten years	335,918	305,322
	1,234,309	1,319,686

29. OTHER LONG-TERM LIABILITIES

	Sum of Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2010	December 31, 2009 *Restated*	December 31, 2010	December 31, 2009 *Restated*
Maturity:				
Up to one year	111,247	141,924	91,290	114,084
From one to six years	210,107	298,907	189,155	259,980
	321,354	440,831	280,445	374,064
Less: future cost of financing – interest	(40,909)	(66,767)	-	-
Present value of minimum lease payments	280,445	374,064	280,445	374,064
Included in the financial statements as:				
Current portion of finance lease liabilities			(91,290)	(114,084)
			189,155	259,980

Other long-term liabilities stated as of December 31, 2010 in the amount of RSD 280,445 thousand (net of the current portion of RSD 91,290 thousand) pertain to finance lease liabilities and mostly contain liabilities towards Hypo Alpe Adria Leasing for the acquisition of motor vehicles of RSD 252,101 thousand. The interest rate applied to finance lease liabilities range between 6% and 8% annually.

30. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2010	December 31, 2009 *Restated*
Current portions:		
- Long-term foreign loans (Note 27)	95,545	197,804
- Other long-term liabilities (Note 28)	91,290	114,084
	186,835	311,888

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

31. ACCOUNTS PAYABLE

	December 31, 2010	December 31, 2009 *Restated*
Accounts payable:		
- domestic	94,510	91,321
- foreign	6,231	37,600
Advances received	30,507	20,973
Other accounts payable	7,098	2,613
	138,346	152,507

32. OTHER SHORT-TERM LIABILITIES

	December 31, 2010	December 31, 2009 *Restated*
Liabilities for salaries	70	24,414
Interest payable	-	327
Other short-term liabilities	496	2,049
	566	26,790

33. VALUE ADDED TAX AND OTHER DUTIES PAYABLE, AND ACCRUALS

	December 31, 2010	December 31, 2009 *Restated*
Value added tax payable	606	-
Customs and other duties payable	823	710
Accrued expenses	26,825	61,310
Future period accrued income	16,485	9,421
Other accruals	287	228
Other liabilities	841	698
	45,867	72,367

34. OFF-BALANCE SHEET ITEMS

	December 31, 2010	December 31, 2009 *Restated*
Guarantees received	126,175	56,851
Third-party guarantees	5,579	4,500
Other	568	818
	132,322	62,169

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

There is no formal frame delineating the Company's risk management. The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's capital structure consists of net debt comprised of long-term borrowings explained in Note 26, other long-term liabilities, cash and cash equivalents and equity, which includes share capital, reserves and retained earnings.

Persons in control of finances on the Company level review the equity structure on annual basis. As part of this review, the Company's management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at end of the reporting period was as follows.

	December 31, 2010	December 31, 2009 *Restated*
Debt a)	1,514,755	1,693,750
Cash and cash equivalents	259,206	121,175
Net debt	1,255,549	1,572,575
Equity b)	22,510,860	21,986,617
Debt to equity ratio	0.06	0.07

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

b) Equity includes share capital, unrealized losses on securities and retained earnings.

Significant Accounting Policies regarding Financial Instruments

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

Categories of Financial Instruments

	December 31, 2010	December 31, 2009 *Restated*
Financial assets		
Equity investments in banks	389	462
Long-term investments	110,408	130,433
Short-term financial placements and loans	2,180,671	2,164,557
Accounts receivable	1,334,833	1,069,220
Cash and cash equivalents	259,206	121,175
	3,885,507	3,485,847
Financial liabilities		
Long-term borrowings	1,234,309	1,319,686
Other long-term liabilities	280,446	374,064
Accounts payable	100,741	128,921
Other liabilities	26,825	61,637
	1,642,321	1,889,308

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Categories of Financial Instruments (Continued)

Basic financial instruments held by the Company comprise cash and cash equivalents, receivables, financial placements arising directly from the Company's business operations, as well as long-term borrowings, accounts payable and other liabilities primarily used to finance the Company's current operations. In the regular course of business, the Company is exposed to the risk enumerated and delineated in the following passages.

Financial Risk Management

Financial risks include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are considered on time basis and are diminished by decreasing relevant exposures. The Company does not make use of any financial instruments so as to avoid the adverse effect of these risks on the Company's business operations, due to the fact that such instruments are not commonly used on the Republic of Serbia market, 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 fluctuations of foreign currencies and interest rates.

Market risk exposure is measured by means of sensitivity analysis. There have been no changes in the manner in which the Company alleviates and measures the exposure.

Foreign Currency Risk

The Company is exposed to foreign currency risks inherent in cash and cash equivalents, accounts receivable, long-term borrowings and accounts payable denominated in foreign currency. It does not make use of any special hedging instruments given that such instruments are uncommon in the Republic of Serbia.

The stability of economic environment in which the Company operates is greatly dependent upon the economic measures taken by the Republic of Serbia's Government including the establishment of an adequate legal and legislative framework.

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

	Assets		Liabilities	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
		Restated		*Restated*
EUR	2,543,100	1,729,549	1,512,146	1,737,553
USD	149,400	131,727	68	6,818
CHF	381	33	-	-
	2,692,881	1,861,309	1,512,214	1,744,371

The Company is sensitive to the movements in the Euro (EUR), American Dollar (USD) and Swiss Franc (CHF) exchange rates. The following table gives details on the Company's sensitivity analysis to the increase and decrease of 10% in the dinar to foreign currency exchange rate. These sensitivity rates were used to report on the foreign currency risk and represent the management's best estimate of reasonably expected fluctuations in exchange rates. The sensitivity analysis includes only the outstanding foreign currency assets and liabilities denominated in foreign currency and it adjusts their translation at the period end for the fluctuation of 10% in foreign exchange rates. The positive number from the table points to the increase in the result of the current period, being the case when RSD value grows stronger as opposed to the currency at issue. In case RSD decreases 10% as compared to the foreign currency at issue, the impact on the profit for the current period would be the exact opposite of the one calculated in the previous case.

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

Foreign Currency Risk (Continued)

						December 31, 2010
	EUR impact		USD impact		CHF impact	
	+10%	-10%	+10%	-10%	+10%	-10%
Profit/Loss	103,095	(103,095)	14,933	14,933	38	(38)

						December 31, 2009 *Restated*
	EUR impact		USD impact		CHF impact	
	+10%	-10%	+10%	-10%	+10%	-10%
Profit/Loss	(800)	800	12,491	(12,491)	3	(3)

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 since 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, 2010	December 31, 2009 *Restated*
Financial assets		
Non-interest bearing		
Equity investments in banks	389	462
Short-term financial placements	18,384	14,840
Accounts receivable	1,334,833	1,069,220
Cash and cash equivalents	259,206	121,175
	1,612,812	1,205,697
Fixed interest rates		
Long-term investments	110,408	130,433
Short-term financial placements	2,162,287	2,149,717
	2,272,695	2,280,150
	3,885,507	3,485,847
Financial liabilities		
Non-interest bearing		
Accounts payable	100,741	128,921
Other liabilities	26,825	66,637
	127,566	195,558
Fixed interest rates		
Long-term borrowings	1,251,989	1,370,069
Variable interest rates		
Other long-term liabilities	262,766	323,681
	1,642,321	1,889,308

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

Interest Rate Risk (Continued)

The sensitivity analysis presented in the following text has 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 increase or decrease in interest rates of 1 percentage point represents the fluctuation reasonably anticipated by the management. If the interest rates were 1 percentage point higher/lower and other variables remained unchanged, the Company would incur a loss/realized profit in the year ended December 31, 2010 in the amount of RSD 2,628 thousand (December 31, 2009: RSD 3,237 thousand). Such situation is ascribed to the Company's exposure arising from the variable interest rates applied to long-term borrowings and other long-term liabilities.

Credit Risk

Managing Accounts Receivable

Credit risk relates to the exposure inherent in the possibility that the contractual party fails to act upon its commitments and cause the Company to suffer financial 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 due from a large number of customers with the most considerable portion due from JAT Airways a.d., Beograd in the amount of RSD 757,066 thousand (December 31, 2009: RSD 678,729 thousand).

The most significant customers are presented in the following table:

	December 31, 2010	December 31, 2009 *Restated*
JAT Airways, Beograd	757,066	678,729
JAT Tehnika, Beograd	110,074	78,588
JAT Ketering, Beograd	28,544	24,195
Montenegro Airlines, Podgorica	78,379	67,991
Deutsche Lufthansa	58,920	40,409
Astaldi Concessioni S.r.l., Italy	39,623	-
Internacional CG, Beograd	35,019	29,806
Dufry d.o.o., Beograd	31,046	24,758
Air France	27,407	16,420
Swiss International	26,009	20,047
Branch of Austrian Airlines, Beograd	21,116	-
Wizz Air, Hungary	19,395	-
Czech Airlines Praha	17,735	7,420
Spainair Barcelona	15,594	-
Turkish Airlines, Istanbul	15,388	13,070
JP PTT Saobraćaja Srbija, Beograd	13,330	10,521
Aerosvit Airlines, Beograd	13,066	8,022
JP B&Hairlines, Sarajevo	11,168	-
Alitalia-compagnia aerea Italiana S.P.A. , Beograd	10,867	14,496
Other customers	5,087	34,748
	1,334,833	1,069,220

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

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	1,163,806	-	1,163,806
Accounts receivable matured and provided for	203,348	(203,348)	-
Accounts receivable matured, but not provided for	171,027	-	171,027
	1,538,181	(203,348)	1,334,833

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

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	745,660	-	745,660
Accounts receivable matured and provided for	144,612	(144,612)	-
Accounts receivable matured, but not provided for	323,560	-	323,560
	1,213,832	(141,964)	1,069,220

Accounts Receivable, not Matured

Accounts receivable, not matured as of December 31, 2010 in the amount of RSD 1,302,530 thousand (December 31, 2009: RSD 745,660 thousand) mostly refer to accounts receivable from JAT Airways a.d., Beograd. The average days sales outstanding counted 79 days in 2010 (2009: 69 days).

Accounts Receivable Matured and Provided for

In the previous periods, the Company calculated an allowance for impairment of matured receivables in the amount of RSD 201,020 thousand (2009: RSD 141,964 thousand) due from customers whose creditworthiness has changed that are assessed to be most likely uncollectible.

Accounts Receivable Matured, but Unprovided for

The Company did not make an allowance for impairment of receivables matured as of December 31, 2010 in the amount of RSD 32,303 thousand (December 31, 2009: RSD 323,560 thousand) given that the customer creditworthiness has not changed, the Company holds that the present value of these receivables will be collected in full.

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

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

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

	December 31, 2010	December 31, 2009 *Restated*
Less than 30 days	10,761	81,648
31 - 60 days	21,542	116,387
61 - 90 days	-	94,325
91 - 120 days	-	19,220
Over 120 days	-	11,980
	32,303	323,560

Managing Accounts Payable

Accounts payable as of December 31, 2010 were stated in the amount of RSD 100,741 thousand (December 31, 2009: RSD 128,921 thousand) where the major portion in the amount of RSD 12,771 thousand relates payables to the entity domiciled in the country Umka a.d., Umka for the supply of produciton material. 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 settling accounts payable in the course of 2010 counted 30 days (2009: 48 days).

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserve, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Tables of Liquidity and Credit Risk

The following tables give the 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.

Maturities of Financial Assets

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 Year	Total
Non-interest bearing	1,091,321	127,523	392,382	-	1,586	1,612,812
Fixed interest rate						
- principal	1,181,101	217,876	764,896	79,684	29,138	2,272,695
- interest	5,946	6,446	5,729	8,215	54,773	81,109
	2,278,368	351,845	1,163,007	87,899	85,497	3,966,616

December 31, 2009

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Year	Total
Non-interest bearing	1,194,327	10,035	-	-	1,335	1,205,697
Fixed interest rate						
- principal	1,619,045	499,908	32,099	77,986	51,112	2,280,150
- interest	6,324	4,453	2,513	8,242	49,296	70,828
	2,819,696	514,396	34,612	86,228	101,743	3,556,675

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts 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)

The following tables present details of outstanding contractual maturities of the Company's financial liabilities. The amounts presented are based on the non-discounted cash flows from financial liabilities based on the earliest date upon which the Company's may be expected to settlement such liabilities.

Maturities of Financial Liabilities

						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 Year	Total
Non-interest bearing	127,570	-	-	-	-	127,570
Fixed interest rate						
- principal	1,704	15,917	95,603	363,160	775,605	1,251,989
- interest	222	7,056	47,752	168,480	165,886	389,396
Variable interest rate						
- principal	1,374	14,078	58,159	189,155	-	262,766
- interest	77	3,765	14,536	20,540	-	38,918
	130,947	40,816	216,050	741,335	941,491	2,070,639

						December 31, 2009
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Year	Total
Non-interest bearing	195,558	-	-	-	-	195,558
Fixed interest rate						
- principal	21,643	29,479	180,980	353,064	784,840	1,370,006
- interest	1,391	7,464	49,193	169,244	184,682	411,974
Variable interest rate						
- principal	6,508	13,162	60,100	243,911	-	323,681
- interest	2,363	4,583	18,198	37,083	-	62,227
	227,463	54,688	308,471	803,302	969,522	2,363,446

Fair Value of Financial Instruments

The following table represents the present value of financial assets and liabilities and their fair value as of December 31, 2010 and 2009.

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Equity investments in banks	389	389	462	462
Long-term investments	110,408	110,408	130,433	130,433
Short-term financial placements and loans	2,180,671	2,180,671	2,164,557	2,164,557
Accounts receivable	1,334,833	1,334,833	1,069,220	1,069,220
Cash and cash equivalents	259,206	259,206	121,175	121,175
	3,885,507	3,885,507	3,485,847	3,485,847
Financial liabilities				
Long-term borrowings	1,234,309	1,234,309	1,319,686	1,319,686
Other long-term liabilities	280,446	280,446	374,064	374,064
Accounts payable	100,741	100,741	128,921	128,921
Other liabilities	26,825	26,825	61,637	61,637
	1,642,321	1,642,321	1,884,308	1,884,308

All amounts 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 for long-term loans. 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. In addition, the assessment of current fair value relied also upon the assumption that the carrying value of short-term receivables and payables approximates their fair value as these are due for settlement within relatively short notice.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale:				
- listed securities (Note 18)	389	-	-	389
- unlisted securities	-	-	-	-
Long-term loans to employees	-	-	106,692	106,692
Total	389	-	106,692	106,692

The table above only includes financial assets as the Company has no financial liabilities subsequently measured at fair value.

All gain and losses included in other comprehensive income relate to financial assets available for sale, and are reported as 'Unrealized gains on securities.'

36. REMUNERATIONS TO MANAGEMENT

During 2010, the Company paid remunerations to key management comprised of the Management Board members, directors and other managers (2010: total of 16; 2009: total of 16) in the gross amount of RSD 31,521 thousand (2009: RSD 34,029 thousand).

	December 31, 2010	December 31, 2009
Management		*Restated*
Salaries	24,634	27,088
Incentives/bonuses	-	-
	24,634	27,088
Management Board		
Remunerations to the Management Board members	6,887	6,941
	31,521	34,029

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

37. 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, transactions may be challenged by the relevant tax authorities 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.

38. LITIGATION

As of December 31, 2010, there were litigations filed against the Company in the amount of RSD 394,847 thousand (without penalty interest). The amount of final losses on litigations may be increased for the amount of penalty interest accrued until the date of final resolution of these litigations, i.e. date when payments were made to settle liabilities arising thereof. As of December 31, 2010, the Company formed provisions against these litigations in the amount of RSD 94,078 thousand (Note 26). In the assessment of the Company's management, no additional materially significant losses are anticipated in the ensuing period.

39. POST BALANCE SHEET EVENTS

Pursuant to the Law Regulating the Right to Free-of-Charge Shares and Cash Compensation Exercised by Citizens in the Privatization Procedure (RS Official Gazette no. 123/07 and 30/10), on December 9, 2010, based on the Decision enacted by the Republic of Serbia Government number 023-9103/2010-1, the right to the transfer of 16.85% ownership in the Company was acquired by the Republic of Serbia citizens and employees and former employees of the Company.

The structure of capital based on data provided by the Central Securities Depositary and Clearing House at January 25, 2011 is provided in the following table:

	January 25, 2011		
	Value in Thousands of RSD	**Number of Shares**	**% Share**
Republic of Serbia	17,107,193	28,511,988	83.15%
Company's employees and former employees	574,004	956,673	2.79%
Republic of Serbia citizens	2,892,413	4,820,689	14.06%
	20,573,610	34,289,350	100.00%

During 2011, according to the payment reschedule, the Company collected receivables from JAT Airways a.d., Beograd in the amount of RSD 224,027 thousand.

The receivable from Astaldi Concessioni S.r.l. Italy in the amount of EUR 375,556 based on project takeover fees (Notes 13 and 20) was collected in full until the adoption the financial statements for the year 2010.

40. EXCHANGE RATES

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

	December 31, 2010	**December 31, 2009**
USD	79.2802	66.7285
EUR	105.4982	95.8888
CHF	84.4458	64.4632