

## 2012 SEMI-ANNUAL REPORT

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## GENERAL ASSESSMENT OF SEMI-ANNUAL PERFORMANCE

In general, in the first half of 2012 international demand continued to grow, particularly in the international marketplace. Growing orders and resulting higher revenues show that the company enjoys a stable and prospective market position, which it is unable to exploit to the fullest extent due to a lack of permanent working capital. The disbursement of the remaining Apex IV credit line and of the Development Fund loan is expected to significantly improve financing. However, full capacity utilization and further growth, particularly in the global market, will depend to a large extent on the implementation of a long-term financial stabilization program, which will be supported by DEG. Based on comprehensive assessments which indicate that the Company has at its disposal robust capacities; cutting-edge technologies; a strong development potential; a highly trained workforce; and products that belong to the highest market segments, certified per international standards; and given that an appropriate modification of its sources of financing, further optimization of the Company's lines of business and cost cuts in certain areas will allow the Company to achieve considerable growth in sales and overall performance, in July the Company initiated the development of a project aimed at optimizing our businesses, organizational structure and costs, and modifying the structure of our sources of financing to procure missing funds from long-term sources. The project will be developed over a period of two months and implemented before the end of the year.

The largest contributors to our consolidated sales income were the factories (55%), followed by the distribution of goods, particularly tires (24%) and external sales of services (21%). Sales during the period largely targeted our existing customers, leaving considerable room for growth, depending on the terms and conditions associated with the procurement of permanent working capital. During the first quarter of 2012, we recorded a 12% decline in consolidated sales income. The largest contributor was the decline in sales of complementary goods, particularly tires via our entities operating abroad as well as in the domestic market, by 24%. Exports contributed 65.5% to the sales of products made by Tigar factories, of which 86% went to EU markets. The top performer at the end of the period was our footwear business, which now has orders worth 4 million € to fill by the end of September only in EU markets.

The previous upward trend of key raw material prices came to a stop during the first quarter; prices of certain groups of raw materials were reduced but still continued to fluctuate. During the period Tigar continued to invest heavily in the development of new groups of products, to maintain a leadership position in the market segments in which we operate, as well as in the development of new and alternative materials, primarily to improve product performance. All together, during the period we worked on the development of 153 new products, as well as 60 new and 85 alternative materials. Our production output measured in tons was lower than a year ago because we only filled confirmed orders, resulting in much lower inventories than in previous periods. At the end of 2011 the effect of increased inventories on our performance was 264 million, while at the end of the reporting period it was about 17 million. Income from work performed and capitalized largely traced to the development of new groups of products and new and alternative materials. The average number of employees during the reporting period, compared to 2011, declined by 8%, which was in accordance with our workforce plan. Downsizing resulted from retirement, voluntary terminations and fewer temporary workers, as required by manufacturing.

Operating expenses were made up of the cost of raw materials, fuel and energy and COGS, and correlated with our income. Employee expenses and other operating expenses were 100 million lower than at the end of the same period a year ago. Depreciation expenses grew as a result of

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activation of certain investment activities from the previous period, including investments in product development. Other income traced to the sale of real estate which the Company did not need for business purposes. High finance expenses were mainly a result of the structure of our sources of financing, which includes short-term loans and bonds. We gave top priority to the modification of this structure.

At the end of the reporting period, the Holding Company (JSC Tigar) reported an operating income of 1.8 billion RSD, an operating result of about 49 million RSD, a profit before taxes of 10 million RSD and a net profit of about 2.8 million RSD. At the consolidated level, the operating income was 2.2 billion RSD, the sales income was 1.9 billion, and the operating result was 13 million RSD. The Company reported an after-tax consolidated loss of 89 million. The largest contributors to the consolidated loss were the technical rubber goods factory and the construction subsidiary Tigar Incon. At the end of the period, the technical rubber goods factory had confirmed orders worth 786K€, or 32% more than the sales revenues earned during the reporting period, providing a sound basis for a positive result in the second half of the year. Given the high season and the fact that Tigar Incon has won several major tenders, it, too, is expected to report better performance at the end of the year.

Dragan Nikolić

Chairman of the Supervisory Board



## 1. INTRODUCTION

### 1.1 GENERAL

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

**Corporate ID:** 07187769

**Web site:** [www.tigar.com](http://www.tigar.com)

**Core activity:** Holdings

**Number of shareholders:** 4,497 at 30/06/2012

**Assets:** 8,539,232 (000 RSD) at 30/06/2012

**Registered address:** Nikole Pašića 213, 18300 Pirot, Serbia

**Tax ID:** 100358298

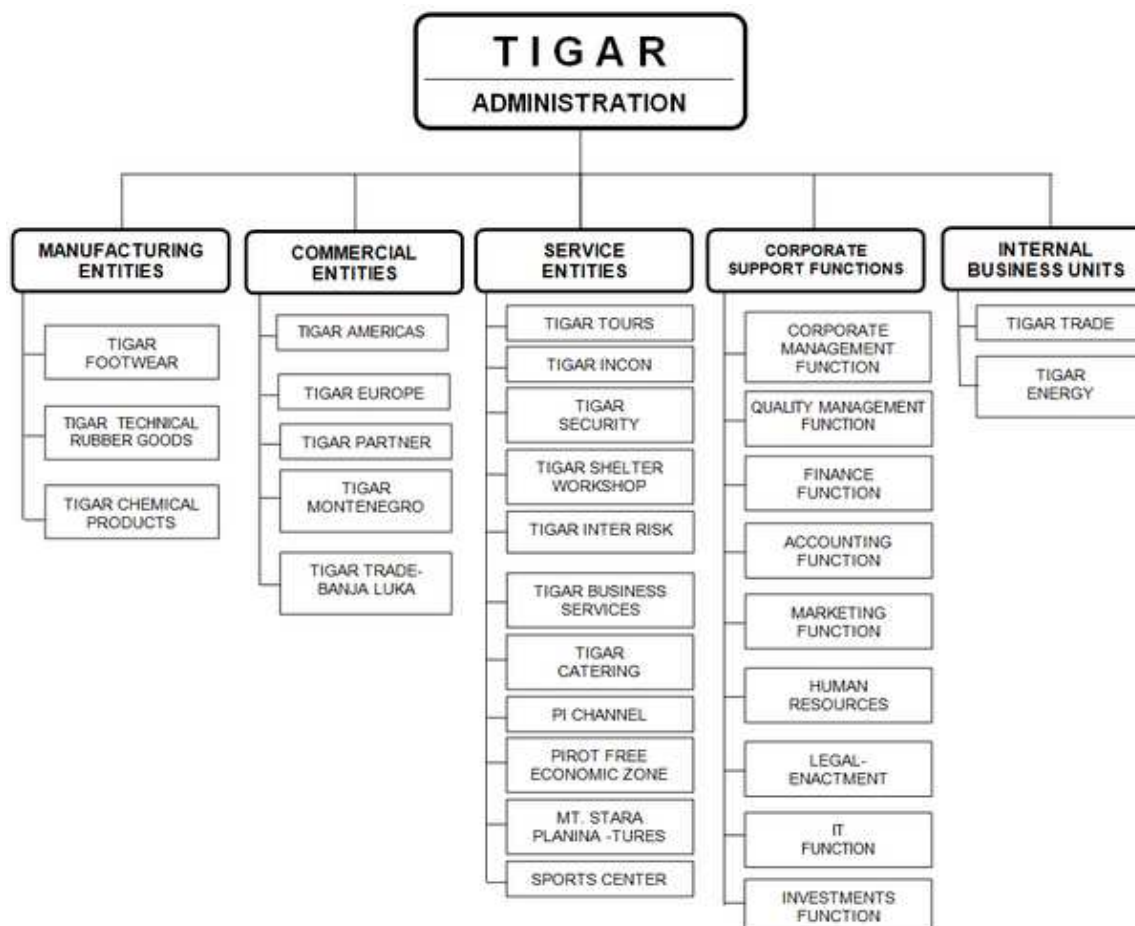
**Certificate of incorporation:** Registry File 1-1087

**Workforce:** 2,009 at 30/06/2012

**Capital:** 2,886,859 (000 RSD) at 30/06/2012

**Capitalization:** 532,723 (000 RSD) at 30/06/2012

### 1.2. CORPORATE STRUCTURE



During the reporting period there were no organizational changes relative to the end of 2011. Based on a letter of intent, a joint venture with a foreign partner will be implemented in the molded rubber products segment, which will result in vertical expansion of the Holding Company, through the organization of a JV company of Tigar Technical Rubber Goods (a Tigar AD subsidiary) and the foreign partner.


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**1.3 ACHIEVEMENT OF CAPITAL EXPENDITURE PLAN OBJECTIVES**

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

in thousands of RSD	Purchases of fixed assets and intangible investments
	January-June 2012
Tigar Technical Rubber Goods	45,974
Tigar Chemical products	9,787
Tigar Footwear	135,387
Service entities	29,827
Holding Company	46,485
<b>Total</b>	<b>267,460</b>

Following a period of high capital spending from 2007 to 2010, capex levels were reduced and largely targeted product development (including new tooling), production process enhancements, updating of several sales outlets, opening of new retail outlets, and unavoidable spending on logistics. During the reporting period there were no major investments in market development, resulting in a relatively small market share outside the EU.





## 2. PRODUCTION LEVELS AND SALES OF GOODS AND SERVICES

### 2.1. BREAKDOWN OF PRODUCTION AND SALES

Our product range did not change during the reporting period.

#### Footwear

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

#### Technical rubber goods

- *Molded rubber products.*
- *Rubber profiles.*
- *Compounds and semi-finished rubber products.*
- *Sporting goods.*
- *Recycled-rubber products.*

#### Chemical products

- *Horizontal road signage materials.*
- *Self-spreading flooring.*
- *Sheet-metal coatings.*
- *Anti-corrosion coatings.*
- *Coatings for the consumer market and the construction industry.*
- *Adhesives* (These products include adhesives for the consumer market, adhesives for the construction industry, various industrial adhesives, and special-purpose adhesives).

#### Complementary goods

- Tires and other vehicle-related items, including motor oils, batteries, car-care products and similar products from domestic and international sources.
- Leather footwear.

During the reporting period, our STOP & DRIVE chain offered the following types of services:

- Tire repair, including wheel removal and installation, balancing, tire inspection, compliance checks, and filling with liquid nitrogen.
- Auto-mechanic services, including wheel alignment; inspection of brakes, shock absorbers and suspensions; replacement of axels, shock absorbers, and brake discs and plates; disc machining; air conditioning unit cleaning and disinfection; oil, oil filter and fuel filter changes; and replacement of shock absorbers;
- Car wash;
- Tire monitoring and safe-keeping.



## Other services

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

- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;
- Pirot Free Economic Zone (Free Zone), which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Free Zone is a joint-stock company whose majority shareholder is JSC Tigar. Among the other shareholders is the Municipality of Pirot. The Free Zone is located within the Industrial Zone of Pirot and covers 7 ha, 65 a, and 45 m<sup>2</sup> of infrastructure-enabled land. The total surface area controlled by the Free Zone is 102 ha, 65 a and 63 m<sup>2</sup>, including its own railroad track and 50 telephone lines. Fifty-two companies currently operate within the Free Zone, including 29 foreign companies. In addition to tax and other advantages, companies operating within the zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these facilities are currently available only in the Free Zone in Pirot, and they can reduce operating costs by 25% compared to other locations in Serbia.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted inter-city transportation of goods, and maintenance of vehicles.
- Food production for internal needs of JSC Tigar and Tigar Tyres, but also for the external market, as well as hospitality services offered to tourists, business men and women, delegations, and sports teams
- Shelter workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling and several other types of support services.
- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.

## 2.2. SALES STRATEGY

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

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



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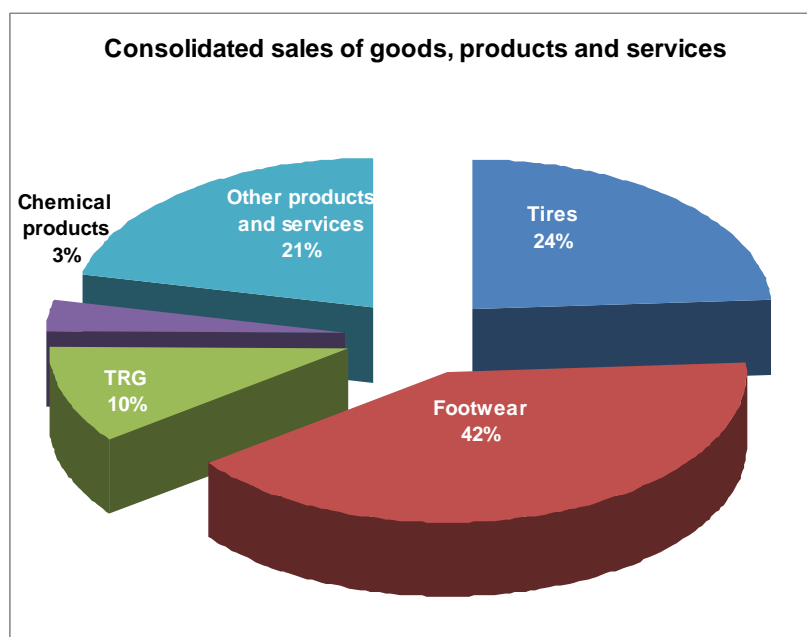
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### 2.3. SALES OF GOODS AND SERVICES

#### EXTERNAL REVENUES

During the reporting period, consolidated external revenues from sales of goods and services amounted to slightly more than 1.92 billion RSD.

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



<i>Net sales income from goods and products in Serbia in thousands of RSD</i>	<i>January-June 2011</i>	<i>January-June 2012</i>	<i>%</i>
Tires	84,447	75,713	-10%
Footwear	843,307	789,089	-6%
Technical rubber goods	162,976	200,405	23%
Chemical products	48,617	64,143	32%
Other products	25,463	17,824	-30%
<b>TOTAL SALES WITHIN AND OUT OF SERBIA</b>	<b>1,164,809</b>	<b>1,147,174</b>	<b>-2%</b>

Tigar Footwear was the largest contributor to our consolidated sales revenues earned within and from Serbia, which was as expected, given our previous capital expenditures on buildings and equipment, but also on market and product development. The reported decline in sales, similar to last year, was a result of the lack of permanent working capital to support all customer demands, especially in the international market. Our footwear sales are driven by a three-pronged approach: (1) the development of a group of large customers who outsource production for their supply chains to Tigar Footwear, thus ensuring volume and maintaining their high reputation in the marketplace; (2) increase in sales of products made under our own brand names, including Tigar, Century, Forester, Firefighter, Maniera and Brolly; and (3) breakthrough into new markets, focusing on Central Europe, Eastern Europe, the US, Russia and Australia, where Tigar Footwear has already certified its products as required by local legislation.

The industrial segment of Tigar Technical Rubber Goods (TTRG) reported a 23% growth. The delayed national budget year caused TTRG to report performance below plan in the special-purpose



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products segment and the segment that specializes in products which target public agencies, such that contracts were put on hold and activated as late as May, thus affecting semi-annual revenues.

Tigar Chemical Products (TCP) reported a growth in sales. It won a considerable number of road paint tenders in the country, which will boost sales particularly from June to September - the period of high demand for this product. After nearly two years, TCP resumed producing road paint because it was able to achieve a balance between the prevailing market price and the product quality that TCP is required by its certification to produce.

Sales of other goods, particularly complementary footwear and automotive products, fell short of last year's levels, mainly as a result of purchasing priorities given to Tigar's footwear and technical rubber goods businesses. Reduced tire sales did not have a major impact on Stop & Drive revenues because many customers purchased services even when they did not buy tires.

Tigar's entities operating abroad recorded a decline in sales, especially of tires which continued to contribute 90% to overall sales. Tigar Europe was particularly affected by a lack of supply of tires in the required quantities and product mix from Tigar Tyres. A framework agreement with Michelin, which was signed last year and is valid until the year 2016, will help maintain the tire sales levels of Tigar's entities operating abroad, given that tire sales constitute a significant portion of their business. Contrary to our distribution network in Serbia, which follows a multi-brand sales strategy, the companies operating aboard sell Tigar brand tires. The role of Tigar's international entities, especially Tigar Europe and Tigar Americas, has steadily been expanding based on activities initiated in 2010, including more aggressive marketing, web presentations, participation at international trade shows, opening of show rooms, and rental of warehouses from which products will generally be sold to medium- and small-volume buyers, but a lack of funds has resulted in a considerably reduced scope of these activities.

### 2.4. PRICE FLUCTUATIONS OF KEY RAW MATERIALS

Apart from synthetic rubber, there were no price increases of key raw materials on commodity exchanges. As a matter of fact, prices either fell or stagnated. As in previous years, Tigar largely purchased raw materials from European distributors. In mid-2011, via Tigar Americas, we established a direct working relationship with Far East manufacturers of important raw materials, which allows for considerable savings. In anticipation of long-term sources of financing, utmost efforts were made to expedite accounts receivable and maximize purchasing of raw materials from manufacturers, through direct arrangements with buyers and suppliers.

### 2.5. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The tables below show breakdowns by manufacturing segment.

Production (tons )	January-June 2011	January-June 2012	%
Tigar Footwear	1,094	830	-24%
Tigar Technical Rubber Goods	909	743	-18%
Tigar Chemical products	112	162	45%
<b>TOTAL</b>	<b>2,115</b>	<b>1,735</b>	<b>-18%</b>

Production proceeded in accordance with pre-defined monthly plans, inventory levels of finished products and available raw materials, with the goal of optimizing the utilization of materials and keeping inventories at necessary levels.



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### 3. SEMI-ANNUAL FINANCIALS

#### 3.1. KEY INDICATORS OF THE HOLDING COMPANY (JSC TIGAR)

JSC Tigar unconsolidated financials in thousand of RSD	January - June 2011	January - June 2012	% of change
Total assets	6,572,926	8,539,232	30%
Total equity	2,800,191	2,886,859	3%
Total income	2,155,025	2,047,707	-5%
Operating income	1,986,463	1,806,163	-9%
EBIT	34,422	49,451	44%
EBITDA	59,315	74,705	26%
Net income	37,336	2,857	-92%
<u>Racia</u>			
Current ratio	1.11	1.00	-9%
Debt-to assets ratio	0.57	0.66	15%
Net profit/total income	1.73%	0.14%	-92%

#### 3.2. KEY CONSOLIDATED INDICATORS

Tigar consolidated financials in thousand of RSD	January-June 2011	January-June 2012	% change
Total assets	8,555,745	9,747,439	14%
Total equity	3,387,545	3,061,473	-10%
Total income	2,748,699	2,441,805	-11%
Operating income	2,515,480	2,202,366	-12%
EBIT	44,000	13,001	-70%
EBITDA	125,951	124,867	-1%
Net income	59,774	-89,194	-249%

Financing was our main challenge during the reporting period; it continued to be generally short-term, based on letters of credit, accounts receivable or short-term bonds, with no new long-term loans for either capital expenditures or permanent work capital. Although our performance was below plan, given all our activities and particularly the demand, the conditions are definitely there for further growth, with stagnating fixed costs.



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## 3.3. JSC TIGAR (HOLDING COMPANY)

Balance Sheet (in thousands of RSD)	As of 31 December 2010 (audited)	As of 31 December 2011 (audited)	As of 30 June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>3,226,938</b>	<b>3,867,687</b>	<b>3,992,027</b>
Intangible assets	24,030	23,913	140,188
<b>Property, plant and equipment</b>	<b>1,042,031</b>	<b>1,453,626</b>	<b>1,461,144</b>
Property, plant and equipment	1,042,031	1,226,615	1,126,973
Investment property		227,011	334,171
<b>Long-term financial placements</b>	<b>2,160,877</b>	<b>2,390,148</b>	<b>2,390,695</b>
Equity investments	2,115,409	2,348,428	2,348,975
Other long-term financial placements	45,468	41,720	41,720
<b>Current assets</b>	<b>2,944,421</b>	<b>3,553,640</b>	<b>4,547,205</b>
Inventories	880,900	986,031	1,142,831
Assets held-for-sale	20,039	6,846	6,846
<b>Accounts receivable, placements and cash</b>	<b>2,043,482</b>	<b>2,560,763</b>	<b>3,397,528</b>
Accounts receivable	1,627,244	2,071,781	2,705,380
Receivables from over-paid taxes	908		122
Short-term financial placements	51,042	89,169	96,622
Cash and cash equivalents	227,195	155,262	107,885
Value added tax and prepayments	137,093	244,551	487,519
<b>Deferred tax assets</b>			
<b>TOTAL ASSETS</b>	<b>6,171,359</b>	<b>7,421,327</b>	<b>8,539,232</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>2,800,750</b>	<b>2,884,851</b>	<b>2,886,859</b>
Share and other capital	2,062,152	2,062,152	2,062,152
Share issuing premiums			
Reserves	206,215	206,215	206,215
Revaluation reserves			
Retained earnings	581,886	665,987	667,995
Loss	49,503	49,503	49,503
Shares buyback			
<b>Long-term liabilities and provisions</b>	<b>3,367,236</b>	<b>4,531,862</b>	<b>5,647,760</b>
Long-term provisions	12,842	12,577	11,317
<b>Long-term liabilities</b>	<b>639,769</b>	<b>754,450</b>	<b>1,106,593</b>
Long-term debt	436,914	152,601	479,938
Other long-term liabilities	202,855	601,849	626,655
<b>Current liabilities</b>	<b>2,714,625</b>	<b>3,764,835</b>	<b>4,529,850</b>
Short-term financial liabilities	1,410,182	2,500,849	2,752,603
Account payable	1,166,539	1,025,128	1,580,564
Other current liabilities	68,116	138,597	110,196
Value added tax and other taxes payable and accruals	57,178	73,989	61,013
Income taxes payable	12,610	26,272	25,474
<b>Deferred tax liabilities</b>	<b>3,373</b>	<b>4,614</b>	<b>4,613</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,171,359</b>	<b>7,421,327</b>	<b>8,539,232</b>



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Income statement (in thousands of RSD)	January- December 2010 (audited)	January- December 2011 (audited)	January-June 2011	January-June 2012
<b>OPERATING INCOME</b>	<b>3,817,469</b>	<b>4,113,622</b>	<b>1,986,463</b>	<b>1,806,163</b>
Sales of goods, products and services	3,664,473	3,967,657	1,916,779	1,744,393
Work performed by the company and capitalized	118,190	118,160	52,821	38,666
Increase in inventories of finished products and work in progress				
Decrease in inventories of finished products and work in progress				
Other operating income	34,806	27,805	16,863	23,104
<b>OPERATING EXPENSES</b>	<b>3,679,302</b>	<b>4,102,655</b>	<b>1,952,041</b>	<b>1,756,712</b>
Cost of commercial goods sold	2,300,257	3,022,823	1,432,888	1,259,693
Material, fuel and energy consumed	281,648	192,715	95,221	88,945
Staff costs	489,045	519,952	251,977	254,667
Depreciation, amortization and provisions	53,764	51,908	24,893	25,254
Other operating expenses	554,588	315,257	147,062	128,153
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>138,167</b>	<b>10,967</b>	<b>34,422</b>	<b>49,451</b>
<b>FINANCE INCOME</b>	<b>125,476</b>	<b>304,273</b>	<b>159,456</b>	<b>116,736</b>
<b>FINANCE EXPENSES</b>	<b>273,347</b>	<b>439,446</b>	<b>143,426</b>	<b>270,852</b>
<b>OTHER INCOME</b>	<b>239,769</b>	<b>310,830</b>	<b>9,107</b>	<b>124,808</b>
<b>OTHER EXPENSES</b>	<b>156,701</b>	<b>34,361</b>	<b>16,007</b>	<b>9,588</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>73,364</b>	<b>152,263</b>	<b>43,552</b>	<b>10,555</b>
<b>INCOME TAXES</b>				
Current tax expense	24,023	29,026	6,226	7,698
Deferred income tax expense	1,236	1,241		
Deferred income tax benefit			10	
<b>NET PROFIT/LOSS</b>	<b>48,105</b>	<b>121,996</b>	<b>37,336</b>	<b>2,857</b>



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CASH FLOWS (in thousands of RSD)	January-June 2011	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	1,750,595	1,252,655
Cash receipts from customers	1,580,727	1,149,698
Interest received from operating activities	975	1,474
Other receipts from operating activities	168,893	101,483
Cash outflow from operating activities	2,218,262	1,543,200
Cash paid to suppliers for raw materials and other expenses	1,841,591	1,053,514
Gross salaries and other personnel costs paid	233,903	248,716
Interest paid	107,184	227,191
Income tax expense	2,763	9,448
Other levies paid	32,821	4,331
Net cash inflow from operating activities		
Net outflow from operating activities	467,667	290,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	6,685	38,606
Sale shares and stakes (net inflow)		
Sales of fixed assets		306
Other financial placements ( net inflow)		
Interest received		
Dividends received	6,685	38,300
Cash outflow from investing activities	14,525	1,913
Purchase of shares		
Purchase of fixed assets	14,525	1,913
Other financial placements ( net outflow)		
Net cash inflow from investing activities		36,693
Net cash outflow from investing activities	7,840	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	572,615	204,013
Increase in capital		
Long-term and short-term borrowings ( net inflow)	572,615	122,670
Other long-term and short-term liabilities		81,343
Cash outflow from financing activities	103,314	2,130
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)	99,266	
Financial lease	3,936	2,130
Dividends paid	112	
Net cash inflow from financing activities	469,301	201,883
Net cash outflow from financing activities		
<b>Total cash inflow</b>	<b>2,329,895</b>	<b>1,495,274</b>
<b>Total cash outflow</b>	<b>2,336,101</b>	<b>1,547,243</b>
<b>NET CASH INFLOW</b>		
<b>NET CASH OUTFLOW</b>	<b>6,206</b>	<b>51,969</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>213,404</b>	<b>155,262</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>		<b>4,592</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>8,364</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>198,834</b>	<b>107,885</b>





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## 3.4. CONSOLIDATED FINANCIALS

Consolidated Balance Sheet (in thousands of RSD)	As of 31 December 2010 (audited)	As of 31 December 2011 (audited)	As of 30 June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>4,743,526</b>	<b>5,349,185</b>	<b>5,607,084</b>
Intangible assets	398,125	547,151	904,520
<b>Property, plant and equipment</b>	<b>4,288,114</b>	<b>4,748,495</b>	<b>4,649,017</b>
Property, plant and equipment	4,288,114	4,521,484	4,311,344
Investment property		227,011	337,673
<b>Long-term financial placements</b>	<b>57,287</b>	<b>53,539</b>	<b>53,547</b>
Equity investments	11,819	11,819	11,827
Other long-term financial placements	45,468	41,720	41,720
<b>Current assets</b>	<b>3,455,721</b>	<b>3,532,298</b>	<b>4,120,056</b>
Inventories	1,823,646	2,073,287	2,271,327
Assets held-for-sale	20,039	6,846	6,846
<b>Accounts receivable, placements and cash</b>	<b>1,612,036</b>	<b>1,452,165</b>	<b>1,841,883</b>
Accounts receivable	903,162	892,958	961,188
Receivables from over-paid taxes	7,097	2,171	2,889
Short-term financial placements	4,986	4,765	11,253
Cash and cash equivalents	369,524	251,093	203,602
Value added tax and prepayments	327,267	301,178	662,951
<b>Deferred tax assets</b>	<b>21,305</b>	<b>22,160</b>	<b>20,299</b>
<b>TOTAL ASSETS</b>	<b>8,220,552</b>	<b>8,903,643</b>	<b>9,747,439</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>3,393,665</b>	<b>3,096,122</b>	<b>3,061,473</b>
Share and other capital	2,144,189	2,179,038	2,242,756
Share issuing premiums			
Reserves	941	5,418	5,461
Revaluation reserves	1,051,401	1,079,077	1,072,787
Retained earnings	197,134		
Loss		167,411	259,531
Shares buyback			
<b>Long-term liabilities and provisions</b>	<b>4,692,191</b>	<b>5,664,555</b>	<b>6,543,000</b>
Long-term provisions	83,087	84,127	81,575
<b>Long-term liabilities</b>	<b>1,729,282</b>	<b>1,270,109</b>	<b>1,729,488</b>
Long-term debt	1,512,668	1,032,473	1,466,608
Other long-term liabilities	216,614	237,636	262,880
<b>Current liabilities</b>	<b>2,879,822</b>	<b>4,310,319</b>	<b>4,731,937</b>
Short-term financial liabilities	1,716,210	2,684,202	2,892,324
Account payable	851,145	1,164,507	1,350,831
Other current liabilities	183,926	296,432	347,665
Value added tax and other taxes payable and accruals	110,455	114,852	84,572
Income taxes payable	18,086	50,326	56,545
<b>Deferred tax liabilities</b>	<b>134,696</b>	<b>142,966</b>	<b>142,966</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,220,552</b>	<b>8,903,643</b>	<b>9,747,439</b>



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Consolidated Income statement (in thousands of RSD)	January- December 2010 (audited)	January- December 2011 (audited)	January-June 2011	January-June 2012
<b>OPERATING INCOME</b>	<b>5,160,882</b>	<b>5,298,485</b>	<b>2,515,480</b>	<b>2,202,366</b>
Sales of goods, products and services	4,288,191	4,296,923	2,167,281	1,916,543
Work performed by the company and capitalized	743,239	710,666	158,147	249,532
Increase in inventories of finished products and work in progress	89,828	264,350	180,674	32,031
Decrease in inventories of finished products and work in progress				15,315
Other operating income	39,624	26,546	9,378	19,575
<b>OPERATING EXPENSES</b>	<b>4,889,597</b>	<b>5,285,551</b>	<b>2,471,480</b>	<b>2,189,365</b>
Cost of commercial goods sold	902,193	836,916	329,003	364,481
Material, fuel and energy consumed	1,563,187	1,862,687	879,678	631,252
Staff costs	1,611,720	1,770,138	872,110	810,944
Depreciation, amortization and provisions	187,982	177,188	81,951	111,866
Other operating expenses	624,515	638,622	308,738	270,822
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>271,285</b>	<b>12,934</b>	<b>44,000</b>	<b>13,001</b>
<b>FINANCE INCOME</b>	<b>72,209</b>	<b>108,672</b>	219,465	107,412
<b>FINANCE EXPENSES</b>	<b>391,035</b>	<b>537,175</b>	190,363	312,031
<b>OTHER INCOME</b>	<b>74,505</b>	<b>237,660</b>	13,754	132,027
<b>OTHER EXPENSES</b>	<b>46,648</b>	<b>57,822</b>	13,766	14,797
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-19,684</b>	<b>-235,731</b>	<b>73,090</b>	<b>-74,388</b>
<b>INCOME TAXES</b>				
Current tax expense	31,088	65,456	13,326	14,806
Deferred income tax expense	6,349	7,946		
Deferred income tax benefit			10	
<b>NET PROFIT/LOSS</b>	<b>-57,121</b>	<b>-309,133</b>	<b>59,774</b>	<b>-89,194</b>



## 3.5. SUMMARY OF KEY FINANCIAL RESULTS BY ENTITY

## TIGAR

### TIGAR JSC

Equity: 2,886,859  
Total income: 2,047,707  
EBITDA: 74,705  
*(000 RSD)*

### PRODUCTION ENTITIES

#### TIGAR FOOTWEAR

Equity: 872,641  
Total income: 829,606  
EBITDA: 77,373  
*(000 RSD)*

#### TIGAR TEHNICAL RUBBER GOODS

Equity: 313,152  
Total income: 212,188  
EBITDA: -27,857  
*(000 RSD)*

#### TIGAR CHEMICAL PRODUCTS

Equity: 126,688  
Total income: 65,338  
EBITDA: -5,670  
*(000 RSD)*

### COMMERCIAL ENTITIES

#### TIGAR MONTENEGRO

Equity: 113  
Total income: 197  
EBITDA: 1  
*(000 EUR)*

#### TIGAR PARTNER

Equity: 17,794  
Total income: 12,062  
EBITDA: -336  
*(000 DEN)*

#### TIGAR TRADE Banja Luka

Equity: 19  
Total income: 276  
EBITDA: -97  
*(000 KM)*

#### TIGAR EUROPE

Equity: 2,955  
Total income: 5,446  
EBITDA: 155  
*(000 GBP)*

### SERVISE ENTITIES

#### PIROT FREE ZONE

Equity: 156,662  
Total income: 153,004  
EBITDA: 6,641  
*(000 RSD)*

#### TIGAR BUSINESS SERVICES

Equity: 27,846  
Total income: 57,724  
EBITDA: 9,570  
*(000 RSD)*

#### TIGAR HOSPITALITY

Equity: 125,245  
Total income: 93,091  
EBITDA: -3,261  
*(000 RSD)*

#### TIGAR INCON

Equity: 151,340  
Total income: 72,649  
EBITDA: -15,021  
*(000 RSD)*

#### TIGAR INTER RISK

Equity: 2,910  
Total income: 1,951  
EBITDA: 358  
*(000 RSD)*

#### TIGAR WORKSHOP

Equity:  
Total income: 11,918  
EBITDA: -5,227  
*(000 RSD)*

#### TIGAR SECURITY

Equity: 49,182  
Total income: 51,886  
EBITDA: 10,469  
*(000 RSD)*

#### TIGAR TOURS

Equity: 10,195  
Total income: 3,316  
EBITDA: 524  
*(000 RSD)*

#### PI CHANNEL

Equity: 5,857  
Total income: 8,898  
EBITDA: 2,243  
*(000 RSD)*



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## 3.6. TIGAR FOOTWEAR

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	1,420,256	1,990,058	2,070,246
Current assets	1,137,422	962,942	1,456,631
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>2,557,678</b>	<b>2,953,000</b>	<b>3,526,877</b>
Equity	857,475	870,449	872,641
Long-term liabilities and provisions	772,345	673,676	742,149
Current liabilities	920,603	1,397,623	1,900,835
Deferred tax liabilities	7,255	11,252	11,252
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,557,678</b>	<b>2,953,000</b>	<b>3,526,877</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	1,508,921	2,008,517	1,024,279	823,128
Operating expenses	1,553,008	2,129,305	1,006,580	801,957
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-44,087</b>	<b>-120,788</b>	<b>17,699</b>	<b>21,171</b>
Finance income	1,147	12,886	27,411	5,840
Finance expenses	67,491	40,788	22,701	21,544
Other income	144,231	343,945	108	638
Other expenses	26,910	21,357	298	647
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>6,890</b>	<b>173,898</b>	<b>22,219</b>	<b>5,458</b>
<b>INCOME TAXES</b>				
Current tax expense	257	16,926	128	3,267
Deferred income tax expense	2,587	3,997		
Deferred income tax benefit				
<b>NET PROFIT/LOSS</b>	<b>4,046</b>	<b>152,975</b>	<b>22,091</b>	<b>2,191</b>

CASH FLOWS (in thousands of RSD)	January-June 2011	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	741,235	368,793
Cash outflow from operating activities	525,297	367,679
Net cash inflow from operating activities	215,938	1,114
Net outflow from operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Cash outflow from investing activities	10,520	1,035
Net cash inflow from investing activities		
Net cash outflow from investing activities	10,520	1,035
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	97	
Cash outflow from financing activities	205,532	
Net cash inflow from financing activities		
Net cash outflow from financing activities	205,435	
<b>NET CASH INFLOW</b>		79
<b>NET CASH OUTFLOW</b>	17	
Cash and cash equivalents at beginning of year	187	138
Foreign exchange gains on translation of cash and cash equivalents	1	3
Foreign exchange losses on translation of cash and cash equivalents	49	91
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>122</b>	<b>129</b>



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## 3.7. TIGAR TECHNICAL RUBBER GOODS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	741,043	1,015,037	1,047,119
Current assets	379,575	292,885	335,717
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>1,120,618</b>	<b>1,307,922</b>	<b>1,382,836</b>
Equity	296,544	363,891	313,152
Long-term liabilities and provisions	350,698	253,980	279,300
Current liabilities	469,550	683,280	783,613
Deferred tax liabilities	3,826	6,771	6,771
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,120,618</b>	<b>1,307,922</b>	<b>1,382,836</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	581,761	424,959	205,258	205,133
Operating expenses	617,183	525,974	249,793	246,882
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-35,422</b>	<b>-101,015</b>	<b>-44,535</b>	<b>-41,749</b>
Finance income	1,414	2,682	27,869	5,263
Finance expenses	35,112	32,279	15,480	11,355
Other income	38,801	1,227	570	1,792
Other expenses	632	7,685	1,478	4,689
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-30,951</b>	<b>-137,070</b>	<b>-33,054</b>	<b>-50,738</b>
<b>INCOME TAXES</b>				
Current tax expense				
Deferred income tax expense	2,920	2,944		
Deferred income tax benefit				
<b>NET PROFIT/LOSS</b>	<b>-33,871</b>	<b>-140,014</b>	<b>-33,054</b>	<b>-50,738</b>

CASH FLOWS (in thousands of RSD)	January-June 2011	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	272,271	184,935
Cash outflow from operating activities	261,910	146,422
Net cash inflow from operating activities	10,361	38,513
Net outflow from operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Cash outflow from investing activities	19,197	2,236
Net cash inflow from investing activities		
Net cash outflow from investing activities	19,197	2,236
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	33,000	
Cash outflow from financing activities	23,960	36,243
Net cash inflow from financing activities	9,040	
Net cash outflow from financing activities		36,243
<b>NET CASH INFLOW</b>	<b>204</b>	<b>34</b>
<b>NET CASH OUTFLOW</b>		
Cash and cash equivalents at beginning of year	230	3
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents	1	17
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>433</b>	<b>20</b>



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## 3.8. TIGAR CHEMICAL PRODUCTS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	124,800	143,443	152,463
Current assets	145,528	129,426	117,414
Deferred tax assets	973	947	947
<b>TOTAL ASSETS</b>	<b>271,301</b>	<b>273,816</b>	<b>270,824</b>
Equity	131,031	131,401	126,688
Long-term liabilities and provisions	2,806	2,039	1,611
Current liabilities	137,464	140,376	142,525
Deferred tax liabilities			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>271,301</b>	<b>273,816</b>	<b>270,824</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	199,256	163,006	82,241	62,596
Operating expenses	256,565	162,657	79,374	69,032
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-57,309</b>	<b>349</b>	<b>2,867</b>	<b>-6,436</b>
Finance income	2,269	1,958	1,014	2,488
Finance expenses	6,258	3,274	2,335	921
Other income	4,036	4,552	252	254
Other expenses	774	3,189	153	98
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-58,036</b>	<b>396</b>	<b>1,645</b>	<b>-4,713</b>
<b>INCOME TAXES</b>				
Current tax expense				
Deferred income tax expense		26		
Deferred income tax benefit	186			
<b>NET PROFIT/LOSS</b>	<b>-57,850</b>	<b>370</b>	<b>1,645</b>	<b>-4,713</b>

CASH FLOWS (in thousands of RSD)	January-June 2011	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	81,432	78,366
Cash outflow from operating activities	79,353	59,018
Net cash inflow from operating activities	2,079	19,348
Net outflow from operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Cash outflow from investing activities	228	268
Net cash inflow from investing activities		
Net cash outflow from investing activities	228	268
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	33,319	5,857
Cash outflow from financing activities	33,985	24,761
Net cash inflow from financing activities		
Net cash outflow from financing activities	666	18,904
<b>NET CASH INFLOW</b>	<b>1,185</b>	<b>176</b>
<b>NET CASH OUTFLOW</b>		
Cash and cash equivalents at beginning of year	<b>1,086</b>	<b>114</b>
Foreign exchange gains on translation of cash and cash equivalents	<b>222</b>	<b>86</b>
Foreign exchange losses on translation of cash and cash equivalents	<b>1,446</b>	<b>124</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,047</b>	<b>252</b>



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### 3.9. TIGAR EUROPE, UK

Balance Sheet in thousands of GBP		As of 31 Dec.10 Audited	As of 31 Dec.11 Audited	As of 30 June 12
<b>Assets</b>				
	Non-current assets	5	3	2
	Current assets	4,217	4,267	4,261
	Deferred tax assets			
	<b>Total assets</b>	<b>4,222</b>	<b>4,270</b>	<b>4,263</b>
<b>Equity and liabilities</b>				
	Equity	2,668	2,826	2,955
	Non-current liabilities			
	Current liabilities	1,554	1,444	1,308
	<b>Total equity and liabilities</b>	<b>4,222</b>	<b>4,270</b>	<b>4,263</b>

INCOME STATEMENT (in thousands of GBP)	2010 Audited	2011 Audited	January-June 2011	January-June 2012
<b>Turnover</b>	<b>14,698</b>	<b>14,607</b>	<b>8,333</b>	<b>5,438</b>
Cost of sales	13,737	13,379	7,629	4,979
<b>Gross Profit</b>	<b>961</b>	<b>1,228</b>	<b>704</b>	<b>460</b>
Administrative expenses	616	628	324	305
<b>Operating Profit</b>	<b>345</b>	<b>600</b>	<b>379</b>	<b>154</b>
Interest receivable	7	6	3	4
Other income				2
<b>Profit on Ordinary Activities Before Taxation</b>	<b>352</b>	<b>606</b>	<b>382</b>	<b>161</b>
Tax on profit on ordinary activities	79	148	104	32
<b>Retained Profit for the period</b>	<b>273</b>	<b>459</b>	<b>278</b>	<b>129</b>



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## 3.10. TIGAR MONTENEGRO, MONTENEGRO

BALANCE SHEET (in thousands of EUR)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	4	4	5
Current assets	271	281	251
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>275</b>	<b>284</b>	<b>256</b>
Equity	108	112	113
Long-term liabilities and provisions			
Current liabilities	166	172	143
Deferred tax liabilities			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>275</b>	<b>284</b>	<b>256</b>

Income statement (in thousands of EUR)	January - December 2010	January - December 2011	January-June 2011	January-June 2012
Total income	774	666	226	197
Total expenses	750	650	219	196
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>24</b>	<b>16</b>	<b>6</b>	<b>1</b>
Income taxes	2	1		
Deferred Income Tax expense				
Deferred Income Tax benefit				
<b>NET PROFIT/LOSS</b>	<b>21</b>	<b>14</b>	<b>6</b>	<b>1</b>

## 3.11. TIGAR TRADE, REPUBLIKA SRPSKA

BALANCE SHEET (in thousands of KM)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	244	248	242
Current assets	1,446	960	780
Deferred tax assets	0	0	0
<b>TOTAL ASSETS</b>	<b>1,691</b>	<b>1,209</b>	<b>1,022</b>
Equity	435	145	19
Long-term liabilities and provisions	0	0	0
Current liabilities	1,256	1,063	1,003
Deferred tax liabilities	0	0	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,691</b>	<b>1,209</b>	<b>1,022</b>

Income statement (in thousands of KM)	January - December 2010	January - December 2011	January - June 2011	January - June 2012
Total income	2,455	1,362	477	276
Total expenses	2,451	1,651	554	402
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>4</b>	<b>-290</b>	<b>-76</b>	<b>-126</b>
Income taxes	1	0	0	0
Deferred Income Tax expense	0	0	0	0
Deferred Income Tax benefit	0	0	0	0
<b>NET PROFIT/LOSS</b>	<b>3</b>	<b>-290</b>	<b>-76</b>	<b>-126</b>





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### 3.12. TIGAR PARTNER, MACEDONIA

BALANCE SHEET (in thousands of Denars)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	334	50	40
Current assets	23,772	22,862	27,733
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>24,106</b>	<b>22,912</b>	<b>27,773</b>
Equity	17,722	17,744	17,794
Long-term liabilities and provisions			
Current liabilities	6,384	5,168	9,979
Deferred tax liabilities			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,106</b>	<b>22,912</b>	<b>27,773</b>

Income statement (in thousands of Denars)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
<b>Total income</b>	<b>31,092</b>	<b>28,674</b>	<b>11,045</b>	<b>12,062</b>
<b>Total expenses</b>	<b>30,978</b>	<b>28,639</b>	<b>11,130</b>	<b>12,010</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>114</b>	<b>35</b>	<b>-84</b>	<b>52</b>
<b>Income taxes</b>	<b>19</b>	<b>12</b>	<b>0</b>	<b>3</b>
<b>Deferred Income Tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred Income Tax benefit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET PROFIT/LOSS</b>	<b>95</b>	<b>22</b>	<b>-84</b>	<b>50</b>



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### 3.13. TIGAR BUSINESS SERVICES

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	218,217	50,301	45,893
Current assets	84,664	37,275	22,243
Deferred tax assets	79	546	546
<b>TOTAL ASSETS</b>	<b>302,960</b>	<b>88,122</b>	<b>68,682</b>
Equity	169,308	27,836	27,846
Long-term liabilities and provisions	20,025	6,610	7,041
Current liabilities	113,627	53,676	33,795
Deferred tax liabilities			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>302,960</b>	<b>88,122</b>	<b>68,682</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	311,757	136,213	74,905	57,451
Operating expenses	321,654	133,915	74,023	53,887
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-9,897</b>	<b>2,298</b>	<b>882</b>	<b>3,564</b>
Finance income	82	2,897	1,624	116
Finance expenses	4,736	6,873	2,734	3,551
Other income	1,732	2,182	1,830	157
Other expenses	991	420	220	144
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-13,810</b>	<b>84</b>	<b>1,382</b>	<b>142</b>
<b>INCOME TAXES</b>				
Current tax expense	0	267	0	133
Deferred income tax expense	0	0	0	0
Deferred income tax benefit	225	467	0	0
<b>NET PROFIT/LOSS</b>	<b>-13,585</b>	<b>284</b>	<b>1,382</b>	<b>9</b>



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## 3.14 TIGAR HOSPITALITY

BALANCE SHEET (in thousands of RSD)	Opening balance sheet as of 01 February 2011	As of 31 December 2011	As of 30 June 2012
Non-current assets	157,308	153,093	150,615
Current assets	48,822	55,051	56,456
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>206,130</b>	<b>208,144</b>	<b>207,071</b>
Equity	141,755	132,398	125,245
Long-term liabilities and provisions	5,841	5,470	5,012
Current liabilities	58,534	70,125	76,663
Deferred tax liabilities		151	151
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>206,130</b>	<b>208,144</b>	<b>207,071</b>

Income statement (in thousands of RSD)	February-December 2011	February-June 2011	January-June 2012
Operating income	188,658	80,950	92,949
Operating expenses	197,151	84,160	98,969
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-8,493</b>	<b>-3,210</b>	<b>-6,020</b>
Finance income	135	130	20
Finance expenses	1,669	626	1,158
Other income	1,122	985	122
Other expenses	355	24	117
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-9,260</b>	<b>-2,745</b>	<b>-7,153</b>
<b>INCOME TAXES</b>			
Current tax expense		42	
Deferred income tax expense	151		
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>-9,411</b>	<b>-2,787</b>	<b>-7,153</b>

CASH FLOWS (in thousands of RSD)	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash inflow from operating activities	78,661
Cash outflow from operating activities	76,225
Net cash inflow from operating activities	2,436
Net outflow from operating activities	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash inflow from investing activities	59
Cash outflow from investing activities	1,870
Net cash inflow from investing activities	
Net cash outflow from investing activities	1,811
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash inflow from financing activities	
Cash outflow from financing activities	621
Net cash inflow from financing activities	
Net cash outflow from financing activities	621
<b>NET CASH INFLOW</b>	<b>4</b>
<b>NET CASH OUTFLOW</b>	
Cash and cash equivalents at beginning of year	41
Foreign exchange gains on translation of cash and cash equivalents	
Foreign exchange losses on translation of cash and cash equivalents	
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>45</b>



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## 3.15 TIGAR INCON

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	161,407	168,571	165,734
Current assets	114,201	56,494	108,953
Deferred tax assets			
<b>TOTAL ASSETS</b>	<b>275,608</b>	<b>225,065</b>	<b>274,687</b>
Equity	169,561	169,796	151,340
Long-term liabilities and provisions	5,860	6,471	6,310
Current liabilities	99,404	47,893	116,132
Deferred tax liabilities	783	905	905
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>275,608</b>	<b>225,065</b>	<b>274,687</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	233,516	269,264	156,614	72,571
Operating expenses	223,194	268,099	156,067	90,692
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>10,322</b>	<b>1,165</b>	<b>547</b>	<b>-18,121</b>
Finance income	870	17	16	45
Finance expenses	230	403	2	354
Other income	1,408	126	50	33
Other expenses	661	435	110	3
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>11,709</b>	<b>470</b>	<b>501</b>	<b>-18,400</b>
<b>INCOME TAXES</b>				
Current tax expense	614	113	307	56
Deferred income tax expense	165	122		
Deferred income tax benefit				
<b>NET PROFIT/LOSS</b>	<b>10,930</b>	<b>235</b>	<b>194</b>	<b>-18,456</b>

CASH FLOWS (in thousands of RSD)	January-June 2011	January-June 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	141,783	62,072
Cash outflow from operating activities	144,885	65,902
Net cash inflow from operating activities		
Net outflow from operating activities	3,102	3,830
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	5,947	
Cash outflow from investing activities	121	51,013
Net cash inflow from investing activities	5,826	
Net cash outflow from investing activities		51,013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities		57,910
Cash outflow from financing activities	1,738	3,080
Net cash inflow from financing activities		54,830
Net cash outflow from financing activities	1,738	
<b>NET CASH INFLOW</b>	<b>986</b>	
<b>NET CASH OUTFLOW</b>		<b>13</b>
Cash and cash equivalents at beginning of year	266	41
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents		
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,252</b>	<b>28</b>



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### 3.16 FREE ECONOMIC ZONE

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 30 June 2012
Non-current assets	131,986	66,028	91,947
Current assets	68,879	150,707	123,926
Deferred tax assets	110	129	129
<b>TOTAL ASSETS</b>	<b>200,975</b>	<b>216,864</b>	<b>216,002</b>
<b>Off balance sheet assets</b>	<b>25,500</b>	<b>28,500</b>	<b>28,500</b>
Equity	140,069	145,104	156,662
Long-term liabilities and provisions	3,555	3,089	3,089
Current liabilities	57,351	68,671	56,251
Deferred tax liabilities			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>200,975</b>	<b>216,864</b>	<b>216,002</b>
<b>Off balance sheet liabilities</b>	<b>25,500</b>	<b>28,500</b>	<b>28,500</b>

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	214,364	282,617	142,543	144,352
Operating expenses	194,755	262,916	130,381	138,881
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>19,609</b>	<b>19,701</b>	<b>12,162</b>	<b>5,471</b>
Finance income	2,358	2,599	1,578	8,349
Finance expenses	1,048	2,640	2,012	1,393
Other income	740	62,299	679	303
Other expenses	1,377	3,803	1,272	33
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>20,282</b>	<b>78,156</b>	<b>11,135</b>	<b>12,697</b>
<b>INCOME TAXES</b>				
Current tax expense	678	9,140	283	1,139
Deferred income tax expense				
Deferred income tax benefit	98	19		
<b>NET PROFIT/LOSS</b>	<b>19,702</b>	<b>69,035</b>	<b>10,852</b>	<b>11,558</b>



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### 3.17 AGGREGATE FINANCIALS OF OTHER SERVICE SUBSIDIARIES

Income statement (in thousands of RSD)	January-December 2010	January-December 2011	January-June 2011	January-June 2012
Operating income	153,123	153,485	80,272	74,254
Operating expenses	143,842	139,739	68,978	68,285
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>9,281</b>	<b>13,746</b>	<b>11,294</b>	<b>5,969</b>
Finance income	309	304	96	147
Finance expenses	207	134	42	467
Other income	3,332	735	274	3,568
Other expenses	213	191	64	57
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>12,502</b>	<b>14,460</b>	<b>11,558</b>	<b>9,160</b>
<b>INCOME TAXES</b>				
Current tax expense	488	710	244	363
Deferred income tax expense		1		
Deferred income tax benefit	103	70		
<b>NET PROFIT/LOSS</b>	<b>12,117</b>	<b>13,819</b>	<b>11,314</b>	<b>8,797</b>



## 4. REAL ESTATE AND LEGAL MATTERS

### 4.1 REAL ESTATE

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

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

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

#### Land

Tigar and its subsidiaries (excluding the Free Economic Zone) own 127 parcels of land as of 30 June 2012. The total surface area of the land is 398,276 m<sup>2</sup>, of which 297,326 m<sup>2</sup> is undeveloped land. The total carrying value of the land is RSD 51,109,591.

The carrying value of the land of the Free Economic Zone was RSD 38,310,826 on 30 June 2012.

#### Buildings

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

As of 30 June 2012, the carrying value of the buildings owned by Tigar and its major subsidiaries was RSD 2,092,578,992.

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



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### Carrying value of buildings

Book value of buildings (in RSD)		
Entity	31.12.2011.	30.06.2012.
Tigar Company	516,048,831.84	506,740,793.84
Tigar Technical Rubber Goods	423,366,706.45	430,697,471.45
Tigar Chemical Products	39,366.00	38,136.00
Tigar Footwear	774,913,486.93	770,733,736.83
Tigar Workshop	30,709,766.18	30,411,619.18
Tigar Business Services	16,138,351.73	16,838,347.65
Tigar Tours	6,203,975.10	6,144,290.10
Tigar Security	26,421,236.49	26,207,736.49
Tax Free Economic Zone Pirot	23,673,873.36	23,492,595.06
Tigar Incon	143,930,620.26	142,836,118.26
Tigar Hospitality	139,654,191.19	138,438,147.19
<b>Total</b>	<b>2,101,100,405.53</b>	<b>2,092,578,992.05</b>

### Real estate transactions

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

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

### Material encumbrances

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

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

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

- Agreement 3617/04 dated 6 October 2004; total amount EUR 704,494.39; outstanding amount EUR 126,932.82.
- Agreement 3618/04 dated 6 October 2004; total amount EUR 2,439,711.58; outstanding amount EUR 436,903.48.
- Agreement 3619/04 dated 6 October 2004; total amount USD 2,362,641.42; outstanding amount USD 425,690.74.





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

Mortgage Statement I 428/2012 dated 14 February 2012 places a lien on real estate in Pirot, Novi Sad and Čačak in favor of AIK Bank a.d., Niš.

Mortgage Statement I 472/12 dated 22 February 2012 places a lean on real estate in Pirot in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 734/12 dated 12 March 2012 places a lien on real estate in Pirot, in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 1849/2012 dated 21 May 2012 places a lien on real estate in Pirot, in favor of AIK Bank a.d., Niš.

Mortgage Statement I 1920/2012 dated 25 May 2012 places a lien on real estate in Pirot, in favor of Banka Poštanska štedionica a.d., Belgrade.

Mortgage Statement I 2381/2012 dated 26 June 2012 places a lien on real estate in Pirot, in favor of Srpska Banka a.d., Belgrade.

### 4.2 LEGAL PROCEEDINGS

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

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

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

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



## 5. CAPITAL MARKET POSITION AND DIVIDEND POLICY

The second quarter at the Belgrade Stock Exchange was characterized by extremely low liquidity. Both indexes slumped. A number of foreign investors, including some of Tigar's major shareholders, exited the Serbian capital market. This led to a further decrease in the Tigar stock price, which was rather low at the end of the second quarter.

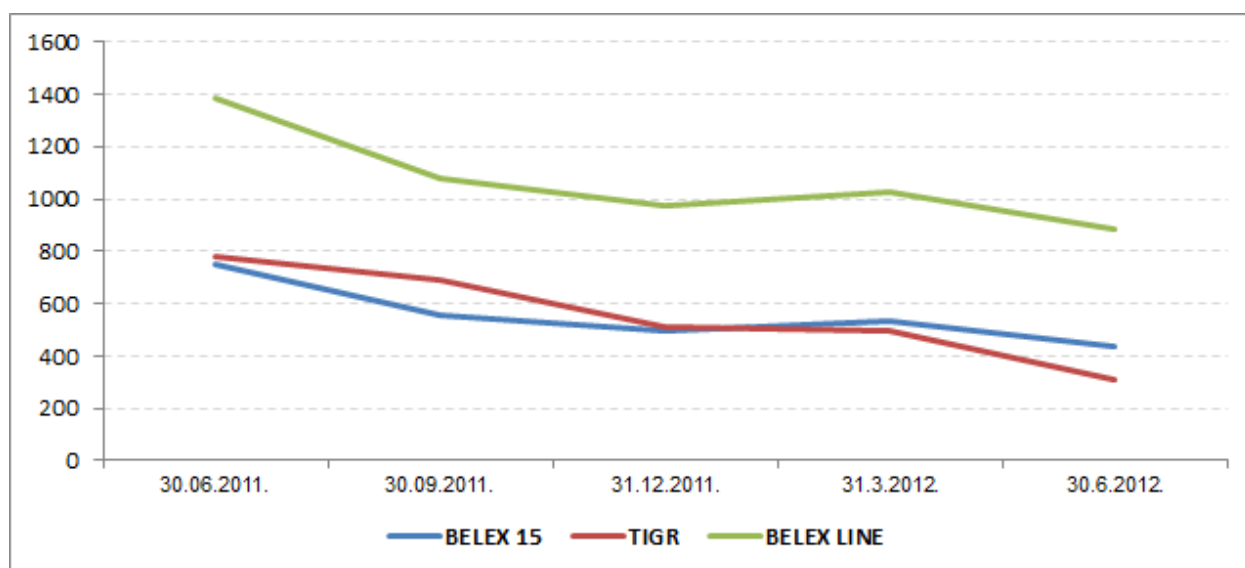
The table below contains a summary of Tigar stock trading during the second quarter.

	31 MARCH 2012	30 JUNE 2012	% CHANGE
Number of shareholders	4,512	4,497	-0.33%
Total number of shares	1,718,460	1,718,460	
Book value of shares	1,678.74	1,678.74	
Market price of shares	495.00	310.00	-37.37%
Lowest price during the period	287.00 - 13.6.2012		
Highest price during the period	499.00 - 25.4.2012		
Average price in Q2	418.00		
Market capitalization in RSD	850,637,700	532,722,600	-37.37%
P/ BV *	0.35		

Following the entry into force of the Capital Market Law (in November 2011) and a series of bylaws of the Securities Exchange Commission and the Belgrade Stock Exchange (during the first two quarters of 2012), Tigar stock (symbol: TIGR) is traded on the regulated prime market and included in both stock exchange indexes: the Belex Line (general index) and the Belex 15 (most liquid securities).

In addition to our regular communications with the investment community during the period, the Company was present in the capital market through the issuance of short-term bonds.

The graph below shows Tigar stock price and index movements during the past 12 months.





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### Changes in shareholder structure during the reporting period

Shareholders	31.03.2012.	30.06.2012.	% change
Legal entities	43.50%	43.50%	-
Individuals	26.40%	26.55%	-0.15%
Custody accounts	30.10%	29.95%	0.15%

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

An ordinary session of the Shareholders' Assembly was held on 20 June. Apart from adopting annual financial statements, the Shareholders' Assembly approved a series of documents which aligned the Company with the new Companies Law. Pursuant to the law, the Company notified its shareholders of the agenda in good time and provided all the relevant materials, including drafts of the Company's new Bylaws and Articles of Association. As always, before this year's session the management team had a series of individual meetings with representatives of the Company's largest shareholders.

### Top ten shareholders as of 30 June 2012

	Shareholder	Number of shares	% Stake
1	EQUITY FUND, BELGRADE	429,429	24.98
2	NATIONAL PENSION AND DISABILITY FUND OF THE REPUBLIC OF SERBIA	149,981	8.72
3	UNICREDIT BANK SRBIJA AD, Custody account	147,321	8.57
4	ERSTE BANK AD, Custody account	136,548	7.94
5	ERSTE BANK AD, Custody account	92,897	5.4
6	RAIFFEISEN BANK AD BEOGRAD, Custody account	55,907	3.25
7	KOMERCIJALNA BANKA, Custody account	26,062	1.51
8	HERMA INVESTMENTS CO. LTD.	20,000	1.16
9	UNICREDIT BANK SRBIJA AD, Custody account	18,500	1.07
10	DUNAV OSIGURANJE A.D.O.	17,120	0.99

Source: Central Registry of Securities, Depository and Clearing House, 30 June 2012, [www.crhov.rs](http://www.crhov.rs)

On 20 June, the Shareholders' Assembly elected members of the Company's Supervisory Board in accordance with the new corporate legislation. The shareholders opted for professional members of the Supervisory Board, such that shareholders are not directly represented on the Board.

The table below shows the number of shares held by members of the Supervisory Board as of 30 June 2012.

Name	Shares held as of	Shares held as of	% of existing shares
	31 May 2005	30 June 2012	
Dragan Nikolić	880	898	0.052
Vladimir Nikolić	803	803	0.05
Jose Alexandre F. da Costa	-	-	-
Tihomir Nenadić	-	-	-
Gordana Lazarević	-	-	-



## 6. SUSTAINABLE DEVELOPMENT

### 6.1. EMPLOYEES

#### Headcount and structure

At the end of the reporting period Tigar had 2009 employees. In addition, Tigar's entities in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 18 local employees.

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

Workforce as of 30 June 2012	
Company	Number of employees
JSC Tigar	472
Tigar Footwear	829
Tigar Technical Goods	215
Tigar Chemical Products	35
Other	458
<b>Total</b>	<b>2,009</b>

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

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

#### Employee expenses

Total employee expenses incurred by JSC Tigar and its subsidiaries during the period, including net earnings, taxes, pension fund and health insurance contributions, in-house meals, and local transportation subsidies amounted to 804,370,000 RSD. The table below shows paid salaries and wages as a percentage of sales income.

Total employee expenses in I-VI 2012			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
JSC Tigar	148,288	251,517	14%
Tigar Footwear	158,890	272,416	41%
Tigar Technical Goods	47,734	82,078	51%
Tigar Chemical Products	10,362	17,744	26%
Others	105,422	180,615	41%
<b>Total</b>	<b>470,696</b>	<b>804,370</b>	<b>26%</b>



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During the reporting period, taxes and health insurance and pension fund contributions amounted to 333,674,000 RSD.

### Optimization of human resources

During the reporting period, 30 employees left Tigar on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
JSC Tigar	2	2	1	5
Tigar Footwear	6	1	4	11
Tigar Technical Goods	1	1	1	3
Tigar Chemical Products			2	2
Others	3	2	4	9
Total	12	6	12	30

\*Of these 12 employees, 3 left the Company of their own volition, 2 were terminated after a leave without pay, 4 were dismissed as a result of disciplinary action, and 3 passed away.

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

Retrenchment is inherent in the restructuring process. This process will continue during 2012.

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

Workforce downsizing costs and percentage of gross salaries		
	In thousands of RSD	%
JSC Tigar	1,096	0.43
Tigar Footwear	1,506	0.55
Tigar Technical Goods	175	0.21
Tigar Chemical Products	0	0.00
Others	1,245	0.69
Total	4,022	0.50

### Professional education

Tigar's policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2012.

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

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
TOTAL	22	6	3	7



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Tuition and scholarship expenses paid during the reporting period amounted to 1,024,000 RSD, or 0.13% of gross salaries.

### Employee training

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

Employee training			
	Internal	External	Total
JSC Tigar	14	45	59
Tigar Footwear	331	25	356
Tigar Technical Goods	196	22	218
Tigar Chemical Products	5	0	5
Others	595	22	617
Total	1,141	114	1,255

Employee training expenses during the reporting period amounted to 1,643,609 RSD, or 0.20% of gross salaries.

## 6.2. QUALITY ASSURANCE

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

Annual inspections and audits corroborate Tigar's compliance with certification attest to the Company's ongoing commitment to customer and stakeholder satisfaction. These inspections and audits are conducted by YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC. Additionally, this year the Company started working with the certification firm Kvalitet AD from Niš; they certified the integrated management system at Tigar Incon LLC.

Based on guidelines laid down by Tigar's Quality Assurance Function, the IT Function developed new software for electronic document management. After months of testing, RDP software was installed at all user locations. It allows access to a DocIMS application on the main server, based on pre-assigned privileges.

At the end of May, Tigar Incon obtained initial certification of its integrated management system and joined Tigar's other entities who are already certified per ISO 9001, ISO 14001 and OHSAS 18001.

Annual IMS reviews were undertaken at all entities, focusing on:

- The outcomes of internal and external audits;
- User and stakeholder feedback;
- Performance reports;
- Product quality reports;
- Reports on the status of corrective and preventative measures;
- Progress reports on general and specific objectives;



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- Reports on measures resulting from previous reviews;
- Changes in circumstances which might affect the IMS, including developments in environmental and occupational health and safety legislation and requirements;
- Reports on environmental and OH&S performance;
- Evaluation of compliance with legislation and other requirements;
- Outcomes of participation, consultation, etc.;

and recommendations were made for further refinement accordingly.

An action plan was launched at Tigar Footwear LLC to enhance documentation management and improve processes across the board, which is being successfully implemented.

Pirot Free Economic Zone, which is controlled by Tigar, is currently implementing an IMS per ISO 9001, ISO 14001 and OHSAS 18001. Certification is scheduled for end of 2012.

### 6.3. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

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

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

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

Potential occupational health and safety risks and environmental impacts trace to the use of raw materials classified as hazardous substances. These substances are purchased, stored, and used in accordance with applicable regulations aimed at preventing accidents. All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet is provided for





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each raw material. Each safety data sheet is comprised of 16 sections which clearly describe the nature of the substance, its possible affect on health and the environment, procedures to be implemented in the event of an accident, procedures to be undertaken related to packaging, waste, etc. Accordingly, all employees who come in contact with the substance receive regular training and re-training. All corporate documents are consistent with the new Chemicals Law (Official Gazette of the Republic of Serbia 36/2009) and related implementing legislation. In accordance with recent legislation, 43 chemicals imported by Tigar Trade were registered with the Chemicals Agency (Ministry of Environment, Mining and Spatial Planning) in March 2011. Tigar Chemical Products, which both imports and produces chemicals, registered 89 substances. Chemical files and material safety data sheets were submitted to the Agency and relevant fees were paid, as stipulated by applicable legislation.

Pursuant to applicable legislation, which requires Tigar to entrust a specialist with supplemental management of chemical substances no later than March 2013, a raw materials engineer from the Quality Assurance Function attended training courses in April and May at the University of Belgrade/School of Pharmacology, and passed a professional exam granting the title of Chemical Substances Consultant.

Tigar is continually working on the introduction of new or alternative raw materials to improve environmental, health and safety performance of our products and production processes.

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

During the period, the Company recorded three minor and one major injury at work (bone fracture as a result of a fall). There were no accidents.

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

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

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



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In March 2012, Annual Waste Management Reports were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products, as required by applicable legislation (Official Gazette of the RoS 96/2010). An annual report on special waste and packaging waste flows was also presented.

Packaging waste management has been delegated to operators certified by the Ministry of Environment and Spatial Planning. This was one of the options offered by the Law on Packaging and Packaging Waste (Official Gazette of the Republic of Serbia 135/09), which has been adopted by Tigar. Such arrangements allow Tigar to use the Green Dot on our packaging. Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products have delegated their obligations to Sekopak, while JSC Tigar/Tigar Trade have a contract with Ekostarpak, with whom Tigar Shelter Workshop has a contract as a collector of packaging waste. Reports are submitted and fees paid on a monthly basis. In March 2012, 2011 Annual Reports on Packaging Material Management were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products and Tigar Trade in accordance with applicable legislation. On behalf of Tigar, our waste management operators met national objectives and ensured recycling of Tigar's packaging waste such that our subsidiaries are among the 9% of Serbian companies which are complying with waste management legislation. As a result, the Environmental Protection Fund issued certificates to Tigar's subsidiaries which exempt them from packaging waste fees.

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

During the period, Tigar's manufacturing entities reported a 19% reduction in water consumption.

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

Tigar operates a cutting-edge automated power station designed to fire either oil or gas. It is currently using fuel oil. Gas emissions are checked on a regular basis at source but a certified institution (Institut 1. maj from Niš). Additionally, air quality within the industrial zone is continually monitored by Pirot's Public Health Institute.

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

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



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Tigar marked the World Environmental Protection Day by partnering with the Mt. Stara Planina NGO to open the first ecological classroom at the Little Red Riding Hood Kindergarten of the Čika Jova Zmaj Preschool. All the materials used to build the classroom traced to recycling, as a practical example and first lecture in recycling. On the same occasion, Tigar supported Mt. Stara Planina NGO's electronic waste collection campaign.

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

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

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

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

JSC Tigar and Tigar Footwear underwent an evaluation of compliance with EU and national environmental and health and safety legislation, including the use of the CE mark, within the framework of an international PACE (Partners for Acquis Compliance and Energy Efficiency) project. The Company received a project participation certificate and a compliance report which states that the Company shows superior knowledge in the implementation of applicable national and EU legislation.

Tigar was among the ten reputable Serbian companies selected to take part in the project "Establishment of Environmental Management Centers in Serbia". The project is financed from Norwegian bilateral support funds and focuses on the duties and tasks of the Environmental Protection Agency and corporations, aimed at effective monitoring of emissions and environmental reporting. The Company seeks to demonstrate its responsibility and contribute to the comprehensive efforts being made to achieve the goals of the National Sustainable Development Strategy and its environmental component.



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## 6.4. INTELLECTUAL PROPERTY

Tigar's full registered name is *Joint-Stock Company Tigar – Piro*t in English, and *Akcionarsko društvo Tigar – Piro*t, in Serbian. Our short name is Tigar AD in Serbian and JSC Tigar in English. The registered name and its use are regulated by the provisions of Articles 10 and 14, of the our Bylaws. The above name fulfills all legal requirements. Tigar is registered under the said name with the Serbian Business Registers Agency.

Registered trademarks:

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

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Ž-2677/08	03.11.08.	59336	Ratar	03.11.18.	Tigar AD
Ž-2676/08	03.11.08.	59451	Balerina	03.11.18.	Tigar AD
Ž-2675/08	03.11.08.	59335	Work	03.11.18.	Tigar AD
Ž-2904/08	02.12.08.	59458	Polar	03.11.18.	Tigar AD
Ž-2674/08	03.11.08.	59337	Protecta	03.11.18.	Tigar AD
Ž-2673/08	03.11.08.	59390	Forestry Line	03.11.18.	Tigar AD
Ž-2672/08	03.11.08.	60043	Fireproof	03.11.18.	Tigar AD
Ž-2671/08	03.11.08.	59326	Cryo	03.11.18.	Tigar AD
Ž-2670/08	03.11.08.	59387	Sparclesafety	03.11.18.	Tigar AD
Ž-2661/08	31.10.08.	59341	Firefigher Super Safety	31.10.18.	Tigar AD
Ž-2662/08	31.10.08.	59452	Century Super Safety	31.10.18.	Tigar AD
Ž-2659/08	31.10.08.	59334	Century 4000 Safety	31.10.18.	Tigar AD



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Ž-2660/08	31.10.08.	59345	Forester 3000	31.10.18.	Tigar AD
Ž-2903/08	02.12.08.	60464	Trendy	02.12.18.	Tigar AD
Ž-247R/80	30.04.80.	49044	Tigar	30.09.15.	Tigar Tyres
Ž-1369/05	17.10.05.	49768	Tigar Tyres	17.10.15.	Tigar Tyres
Ž-1373/05	17.10.05.	49792	Hitris Logo	17.10.15.	Tigar Tyres
Ž-1371/05	17.10.05.	49819	Cargo Speed Logo	17.10.15.	Tigar Tyres
Ž-1372/05	17.10.05.	49912	Wintera Logo	17.10.15.	Tigar Tyres
Ž-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Ž-551/09	27.03.09.	60789	Bottega	27.03.19.	Tigar AD
Ž-639/09	13.04.09.	59942	Hotel StarA	13.04.19.	Tigar AD
Ž-1011/09	30.06.09.	59367	Brolly	30.06.19.	Tigar AD
Ž-1012/09	30.06.09.	59366	Maniera	30.06.19.	Tigar AD
Ž-1685/09	03.11.09.	60513	Stop&Drive	03.11.19.	Tigar AD
Ž-1686/09	03.11.09.	60514	S&D	03.11.19.	Tigar AD
Ž-795/11	30.05.11	-	Srbija na dlanu	-	Tigar AD
International	03.07.97.	675 773	Tigar	20.05.17.	Tigar AD
US		675 773A	Tigar	20.05.17.	Tigar Tyres
	24.10.78.	1174089	Tigar Logo	15.08.12.	Tigar Americas Corp.
US	02.11.07.	77320619	Tigar	-	Tigar Americas Corp.
International	07.09.09.	1020263	Brolly	07.09.19.	Tigar AD
237003/1					
International	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
235877/1					
US	07.09.09.	3870299	Maniera	07.09.19	Tigar AD
79075140					
US	07.09.09.	3906894	Brolly	07.09.19	Tigar AD
79075638					
Canada	25.05.90.	368832	Forester	25.05.15.	Tigar Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	Tigar Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	Tigar Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	Tigar Footwear
UK	23.06.95.	2025055	Century	23.06.15.	Tigar Footwear
UK	31.05.84.	1219898	Forester	31.05.15.	Tigar Footwear
UK	23.06.95.	2025057	Forester	23.06.15.	Tigar Footwear

The flagship trademark is “a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet” (Article 13 of Bylaws of the Joint-stock company Tigar – Pirot). The design and contents of the flagship trademark fall within the jurisdiction of the Supervisory board. Affiliated companies, which are controlled by JSC Tigar, may use the flagship trademark.

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

In 2007, JSC Tigar applied for registration of 9 new trademarks in Serbia and for territorial expansion of trademark 675773 to include eight additional member states of the Madrid Agreement (application EX-I/397708101/CB). Also in 2007, Tigar applied for registration of the Tigar trademark in the name of the Tigar Americas Corporation in the USA, for Classes 7, 17, 25 and 35 (application 77320619).



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

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

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

JSC Tigar holds two internet domain names: [www.tigar.com](http://www.tigar.com) and [www.tigar.co.rs](http://www.tigar.co.rs).

Tigar Footwear holds five domain names: [www.century-safety.com](http://www.century-safety.com), [www.century-safety.de](http://www.century-safety.de), [www.century-safety.fr](http://www.century-safety.fr), [www.century-safety.es](http://www.century-safety.es) and [www.century-safety.co.uk](http://www.century-safety.co.uk).

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

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

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

### 6.5. INFORMATION TECHNOLOGY

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

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

#### Main features of Tigar's Information System:

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.
- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.
- **Highest level of security:** System security is under the full control of the administrator; there is a three-tiered data security feature which ensures:



- Protection from unauthorized access,
- Protection from unauthorized use of system functions,
- Protection from unauthorized retrieval of data,
- The user has access to data only if such access is allowed by the administrator,
- Query, modification, deletion, and addition rights are defined at document level,
- User registration and allocation of user privileges is centralized,
- Switching to other modules or programs does not require logging off and on.

## 6.6. CORPORATE SOCIAL RESPONSIBILITY

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

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

Our ongoing CSR enhancement activities have resulting in Tigar being among the five companies which are participating in the first **National CSR Certification Program**. Certification is a step further in CSR advancement, with the goal of establishing CSR standards in Serbia, recognizing and promoting best practices, and prompting companies to follow CSR guidelines.

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

To support a breast cancer prevention campaign, Tigar partnered with the Pirot branch of the Serbian Breast Cancer Society and organized **medical checkups and lectures** on the significance of self-examination and prevention, which included more than 100 of our female employees.

Again this year Tigar sponsored the participation of athletes in numerous sports competitions and preparations for HEMINS (sports meetings of Serbia's chemical and non-metal industry workers). Our employees were able to **use sports and recreation facilities in Pirot free of charge** and, following a long-standing tradition, health boost weekends were offered at rehabilitation centers and health spas.

During the reporting period **Tigar amended its Code of Ethics and Business Conduct** adopted in 2005, with the goal of updating the definitions of business conduct objectives and setting forth preferred approaches to resolving important ethical issues. The updated Code establishes regulatory mechanisms for relationships among employees and with key interested publics.

**During the reporting period we generally focused our philanthropic activities on local community projects.** One of the examples of good practice was our support to the international exchange student program "The Boat of Friendship", which Tigar has been supporting for 10 years. This year's activities included an Open House organized by Tigar for Pirot High School guests from French, Russian and Bulgarian schools. At the end of the school year, our Company awarded gold pens to top Pirot High School students, as well as items from our sporting goods range to top student athletes.



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Partnering with the Mt. Stara Planina NGO and other organizations and institutions, we helped open the first ecological classroom at the Little Red Riding Hood Kindergarten of the Čika Jova Zmaj Preschool in Pirot, where products made from recycled rubber were put to use.

Our company also supported the rehabilitation of the White Water Spring within the project “Belgrade’s Urban Pockets”, by donating recycled rubber tiles for a 90m<sup>2</sup> playground.

Maintaining our reputation in the corporate community of working not only on specific projects but urging other companies to adopt CSR, during the period we initiated and sponsored a TV documentary series „Living With Us, Not Next To Us“ on the Pi TV Channel, dedicated to children with special needs who attend the Sunce Daycare Center and the Mladost School. Our designers and a number of other employees volunteered to work with disabled children and students of other elementary schools on a project titled “Inclusive Art Workshop”, to mark the 40<sup>th</sup> anniversary of the Mladost School.

During the reporting period, Tigar continued to actively participate in the work of the CSR Council of the Serbian Chamber of Commerce, which aims to promote and develop CSR through the implementation of ISO 26000 standards and to familiarize both corporations and the Serbian public with this concept.

### 6.7 CORPORATE MANAGEMENT

The first quarter witnessed significant changes in this area, given that a set of new laws that affect the Company were passed, including the Companies Law, the Capital Market Law and the Takeover Law, as well as a series of implementing legislation. At its annual session this year, Tigar’s Shareholders’ Assembly adopted the Company’s Bylaws, which are now the primary constitutional document, and amended the Articles of Association. Following the adoption of these documents, the Company became aligned with the new Companies Law. Accordingly, the Shareholders’ Assembly also elected the Supervisory Board composed of five members who are not employed by Tigar. In June, following the session of the Shareholders’ Assembly, the Supervisory Board held its first meeting, elected the SB Chairperson and the Company Secretary, set up committees of the Supervisory Board, and elected the Executive Committee composed of executive directors. The Supervisory Board also appointed the CEO from among the Executive Committee members.





## 7. CORPORATE BODIES

At its annual session held on 20 June 2012, the Shareholders' Assembly of JSC Tigar appointed the following individuals to serve on the Supervisory Board: Dragan Nikolic, Gordana Lazarevic, Tihomir Nenadic, Vladimir Nikolic and Jose Alexandre F. da Costa.

The new Supervisory Board held its first meeting on 29 June and elected Dragan Nikolic as Chairman and Slavoljub Stankovic as Company Secretary.

The Supervisory Board also set up the following committees attached to the Supervisory Board:

- Audit Committee composed of Gordana Lazarevic (Chairwoman) and Jose Alexandre F. da Costa and Nada Tosic (members);
- Nomination Committee composed of Mivoje Nikolic (Chairman) and Dragan Nikolic and Vladimir Nikolic (members); and
- Remuneration and Evaluation Committee, composed of Tihomir Nenadic (Chairman) and Gordana Lazarevic and Jelena Petkovic (members).

The Supervisory Board appointed the following executive directors:

- Djordje Dzunic, ED for Finance
- Slobodan Sotirov, ED for Quality Assurance
- Mivoje Nikolic, ED for Human Resources
- Djordje Dzunic, ED for Complementary Programs
- Miodrag Tancic, ED for Production Processes and Programs
- Branislav Mitrovic, ED for Investment Activities and IT
- Goran Jovanovic, ED for Commercial Operations and Marketing
- Jelena Petkovic, ED for Corporate Management and Business Development

Jelena Petkovic was appointed Chief Executive Officer.

## 8. MAJOR TRANSACTIONS WITH RELATED PARTIES

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



## 9. RESEARCH AND DEVELOPMENT

Considering the importance of increasing the production and sales volumes in the footwear segment, product development plans give priority to off-take customers, both existing and new. During the period, this segment actively developed proprietary brands of firefighting and other safety footwear, farmers' footwear and general-purpose footwear, applying a special dipping technology. A new brand of sports footwear - Caccia, new Maniera Sports styles and new children's footwear styles were also developed. In parallel, a large number of alternative materials were introduced. During the reporting period Tigar Footwear commercialized 22 new products, another 58 were being approved by customers, and 10 were undergoing certification. Twenty-nine new and 29 alternative materials were introduced or undergoing laboratory testing.

The technical rubber goods segment continued to develop new products, largely custom-made. It also continued preparations for the introduction of new products to be made on the newly-acquired or reconstructed dual-component and thermoplastic profiles lines, which have created industrial conditions for TTRG to respond to large international and domestic orders, particularly from the automotive and construction industries. During the period TTRG commercialized 20 new products, 15 were undergoing approval and 22 were being developed. Twenty-five new and 45 alternative materials were developed and introduced. Following the acquisition of Bilgutex brands, TTRG was able to offer the following groups of products made from recycled rubber: Bilgusafe – playground tiles; Bilgusand – sandboxes; Bilgusign Bases – traffic sign supports, Bilgubollards – bollards; Bilgulane – rubber matting; and Bilguwell Goods – general purpose products. All these products have been certified to EU standards, creating conditions for the development of both custom-made products and products aimed at meeting market demands.

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



## 10. COMPETITIVE STRENGTHS AND RISKS

### 10.1 STRENGTHS

#### Leading producer of rubber products in the region

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

#### Convenient location

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

#### Brands

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

#### Geographical diversification of sales

Maintaining its leadership position, during the period Tigar reported a consolidated foreign currency income of 1,080 million RSD, 88% of which traced to Western Europe, 10% to the Balkans, Central Europe and Eastern Europe, and 2% to overseas and other markets. As shown in the table below, Tigar Footwear was the top performer in the export segment, with most of its exports going to the EU.



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In thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
European Union	539,326	46,596	10,165	596,087	86%
The Balkans	63,870	7,221		71,091	10%
Russia and ex-Soviet republics		5,623		5,623	1%
Other countries	3,388		14,214	17,602	3%
<b>Total</b>	<b>606,585</b>	<b>59,440</b>	<b>24,379</b>	<b>690,404</b>	<b>100%</b>
<b>Western Europe, in thousands of RSD</b>					
Western Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
Finland	230,429	10		230,439	40%
Denmark	138,589	4,204		142,793	25%
Italy	66,159	9,229		75,388	13%
Sweden	32,671	29,731		62,402	11%
UK	31,926			31,926	6%
France	24,493	2,714		27,207	5%
Ireland	8,873			8,873	2%
Spain	13			13	0%
<b>Total</b>	<b>533,153</b>	<b>45,888</b>		<b>579,041</b>	<b>84%</b>
<b>Eastern Europe, in thousands of RSD</b>					
Eastern Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
Bosnia and Herzegovina	28,933	416		29,349	33%
Macedonia	16,388	5,289		21,677	25%
Montenegro	9,713	1,259		10,973	12%
Kosovo	8,836	257		9,093	10%
Poland	1,828	33	5,978	7,839	9%
Bulgaria	1,349	675	4,187	6,211	7%
Slovenia	1,585			1,585	2%
Greece	1,412			1,412	2%
<b>Total</b>	<b>70,044</b>	<b>7,929</b>	<b>10,165</b>	<b>88,137</b>	<b>13%</b>
<b>Other countries, in thousands of RSD</b>					
Other countries, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
South Africa	159		14,214	14,373	62%
Russia and ex-Soviet republics		5,623		5,623	24%
Hong Kong, Korea	3,229			3,229	14%
<b>Total</b>	<b>3,388</b>	<b>5,623</b>	<b>14,214</b>	<b>23,226</b>	<b>3%</b>

### A combination of low-cost and high-performance production

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

Additionally, Tigar's highly educated human resources, specialized in both industrial and other areas, allow Tigar to maintain and strengthen its market positioning and remain attractive for different types of strategic alliances with internationally visible companies. Tigar is continually investing in training and specialization of its nearly two thousand employees. With the goal of increasing our production



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efficiency, as well as capacities, the Company has invested and plans to continue to invest in upgrading of our production facilities. All of Tigar's factories hold quality certification. Tigar owns a number of cutting-edge technologies, including a dipping technology applied in the manufacture of safety and other rubber footwear, which ensures top quality.

### **Leading national automotive service network**

Tigar began developing its sales network in the 1970s. As a result of previous investments in this area, Tigar now operates the largest national vehicle tire and afterpart chain. In 2004, the Company initiated a complete reconstruction and updating of this chain, by shutting down unprofitable facilities and developing new, highly-profitable service centers. Prior to this project, the Company operated 80 retail outlets, while today the chain is comprised of 17 service centers which sell vehicle tires and afterparts, and offer light vehicle servicing; 4 mobile service units; and 25 sales outlets. It also operates a chain of specialty footwear stores - Bottega. The Company uses these chains to sell its own products, as well as products made by other manufacturers, following a multi-product/multi-brand strategy.

### **Long-term experience in international strategic alliances**

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

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

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

## **10.2. RISKS**

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

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

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



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### Currency fluctuation risks

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

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

### Risks related to inflation, capital procurement, and capital cost

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

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

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



### **Business risks inherent in the rubber industry**

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

### **Risks related to capacity utilization**

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

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

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

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

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

### **Risks related to shareholder and corporate structure**

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

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



## 11. MAJOR EVENTS AFTER 30 JUNE 2012

After the end of the first half of the year, the Company intensified its activities in connection with financing, focusing on the modification of maturities, procurement of missing capital and increasing business efficiency. The president and co-president of DEG/EU-Europe, Middle East and Central Asia, visited Tigar in mid-July. As a creditor of Tigar Footwear since 2007, DEG have been monitoring Tigar's performance on a quarterly basis. During the visit, the gentlemen from DEG and Tigar representatives a meeting with the Ministry of Economy, the Development Fund of the Republic of Serbia and SIEPA, where it was stated that DEG is prepared not only to become involved in the procurement of permanent working capital for Tigar, but also to participate in Tigar's full consolidation process, which will also involve in certain stages and as appropriate, the Ministry, the Fund and other institutions able to contribute to the overall process.

This objective calls for Tigar and a selected consultant to develop a special program in which DEG will become actively involved and provide partial financing, aimed at producing a diagnostic analysis, market assessment, operational and organizational optimization and financial consolidation measures, and a business plan through the year 2016, including its implementation. In parallel, in order to save time, a debt restructuring process will be under way, along with procurement of additional capital, independently or with a financial advisor. The ultimate goal of these activities is to fully utilize the market, development and industrial resources and potential of the Company.





## STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF THE SEMI-ANNUAL REPORT

Pursuant to Article 50 paragraph 3 of the Law on capital market, as persons responsible for compiling of the the semi-annual reports, we hereby state that according to the best of our knowledge, the semiannual report has been compiled with the application of relevant international standards related to financial reporting and that it contains truthful and objective information about the assets, liabilities, financial position and business profits and losses, cash flows and changes in equity of the public company.

**JSC TIGAR**

**Jelena Petković**  
Chief Executive Officer

**JSC TIGAR**

**Dragan Nikolić**  
Supervisory Board Chairman