

2011 ANNUAL REPORT

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IZ.P. 11/04**INTRODUCTION**

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

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

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



GENERAL ASSESSMENT OF 2011 PERFORMANCE

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

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

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

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

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

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

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

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



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The Holding Company (Tigar AD) reported an operating income of 4,143 million RSD, an operating result of 11 million RSD, a profit before taxes of 152 million RSD and a net profit of 122 million RSD.

At the consolidated level, operating income was 5.2 billion RSD, sales income was 4.3 billion RSD, and the operating result was 13 million RSD. Sales revenues matched 2010 levels. A gross loss of 236 million RSD was recorded at the end of the year. Total consolidated assets amounted to 8.9 billion RSD, of which fixed assets amounted to 5.1 billion RSD and current assets to 3.8 billion RSD. Consolidated capital amounted to roughly 3 billion RSD. The difference between the net result at the Holding Company level and the consolidated result, before and after taxation, is a result of differences in finance and other income. First, at the consolidated level dividends are excluded as internal income. The second reason for a lower result stems from other income, due to the difference in valuing assets at the individual and consolidated levels. Tigar AD had the same situation in 2009, after it disposed of its remaining 10% stake in Tigar Tyres. In 2009, Tigar AD's other income was (in thousands of RSD) 688,343, while at the consolidated level it was 327,820, having an adverse effect on the ultimate result for that year of 361 million RSD.

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

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

Dragan Nikolić

Chairman of the Board of Directors



1. INTRODUCTION

1.1. GENERAL

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

Corporate ID: 07187769

Web site: www.tigar.com

Core activity: Holdings

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

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

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Tax ID: 100358298

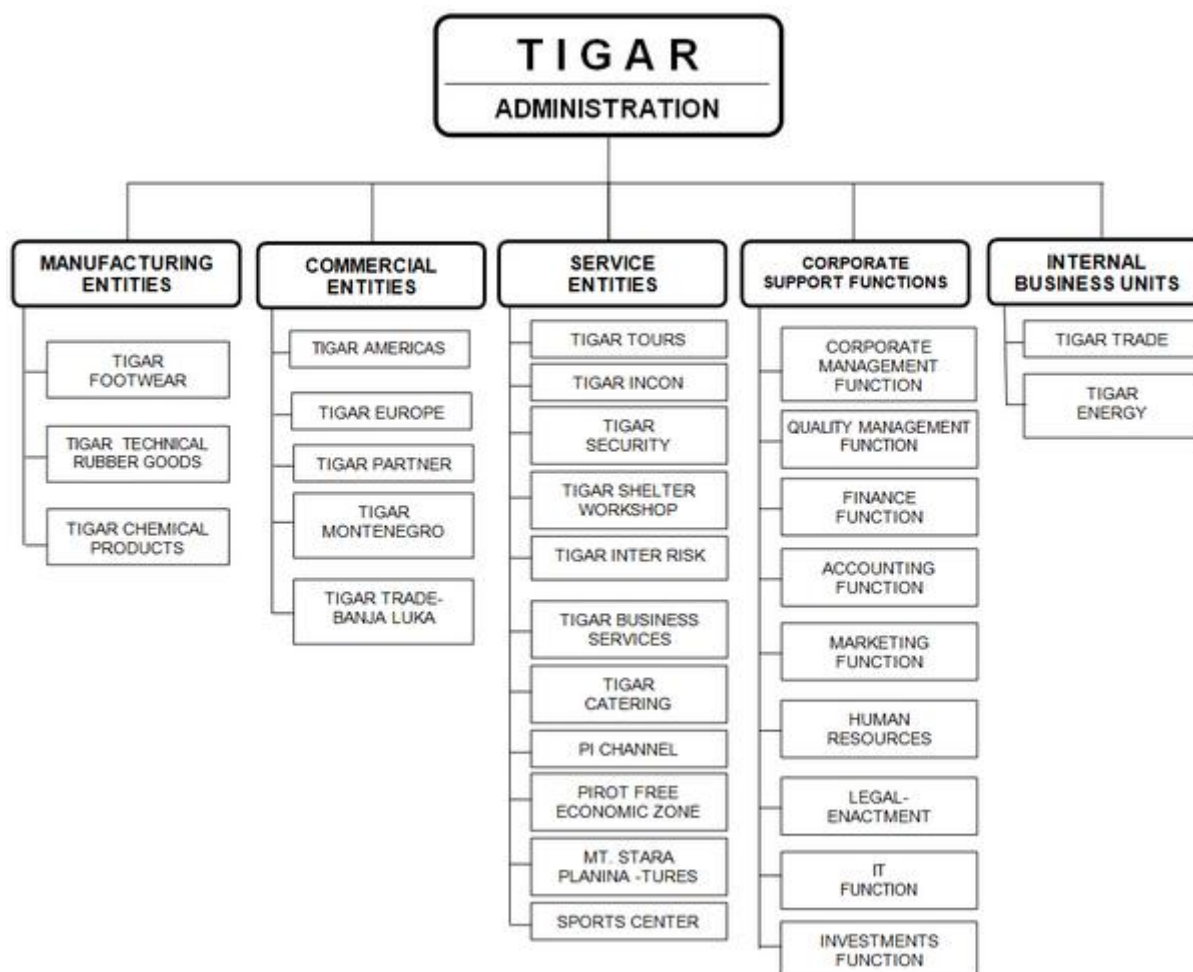
Certificate of incorporation: Registry File 1-1087

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

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

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

1.2. CORPORATE STRUCTURE





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

1.3 ACHIEVEMENT OF CAPITAL EXPENDITURE PLAN OBJECTIVES

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

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

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



2. PRODUCTION LEVELS AND SALES OF GOODS AND SERVICES

2.1. BREAKDOWN OF PRODUCTION AND SALES

Footwear

Tigar Footwear's product lines currently include:

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

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

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

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

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

Technical rubber goods

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

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



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

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

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

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

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

Chemical products

Tigar Chemical Products manufactures more than 300 products classified into:

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

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

Sheet-metal coatings. These coatings are used to protect outer steel-sheet and aluminum surfaces of buildings, such as production halls, warehouses, pre-fabricated structures, and the like, as well as the inner and outer surfaces of cans. The coatings are hard, flexible and, if required, resistant to



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sterilization. If the product is used to coat cans for food or beverages, certification by appropriate institutions is obtained.

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

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

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

Complementary goods

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

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

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

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

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

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

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

Car wash.



Tire monitoring and safe-keeping.

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

Other services

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

- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;
- Pirot Free Economic Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Economic Zone (PFEZ) is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The PFEZ is located within the Industrial Zone of Pirot and covers 7 ha, 65 a, and 45 m² of infrastructure-enabled land. The total surface area controlled by the PFEZ is 65 ha, 21a and 26 m², including its own railroad track and 50 telephone lines. Seventy-five companies currently operate within the PFEZ, including 45 foreign companies. In addition to tax and other advantages, companies operating within the zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the PFEZ, and they can reduce operating costs by 25% compared to other locations in Serbia.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted inter-city transportation of goods, and maintenance of vehicles.
- Food production for internal needs of Tigar AD and Tigar Tyres, but also for the external market, as well as hospitality services offered to tourists, business men and women, delegations, and sports teams
- Shelter workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling and several other types of support services.
- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.



2.2. SALES STRATEGY

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

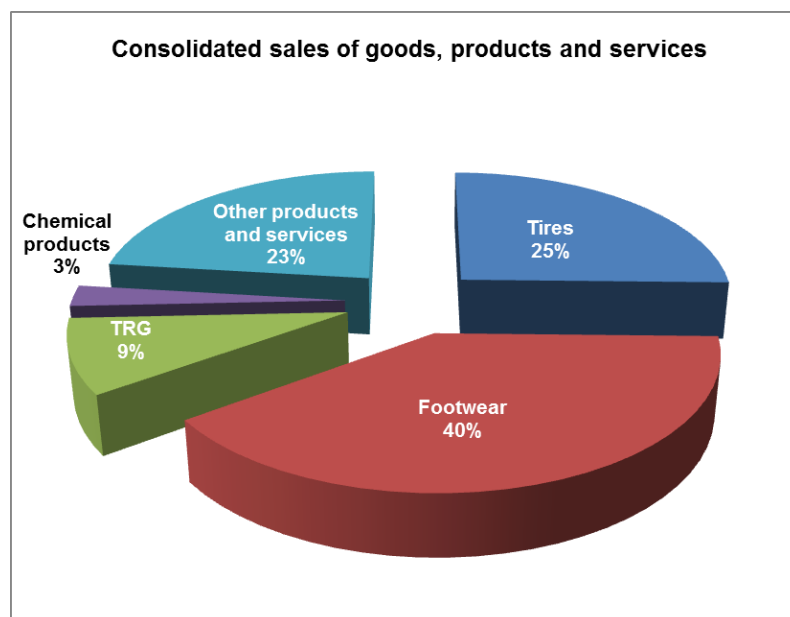
- Volume growth, through increased sales to both existing and new customers and markets;
- Ongoing product mix changes, focusing on highly sophisticated products;
- Exports, as the main source of revenue;
- Growing proprietary brand sales, particularly to export markets;
- Introduction of new sales methods,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

2.3. 2011 SALES

EXTERNAL REVENUES

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

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



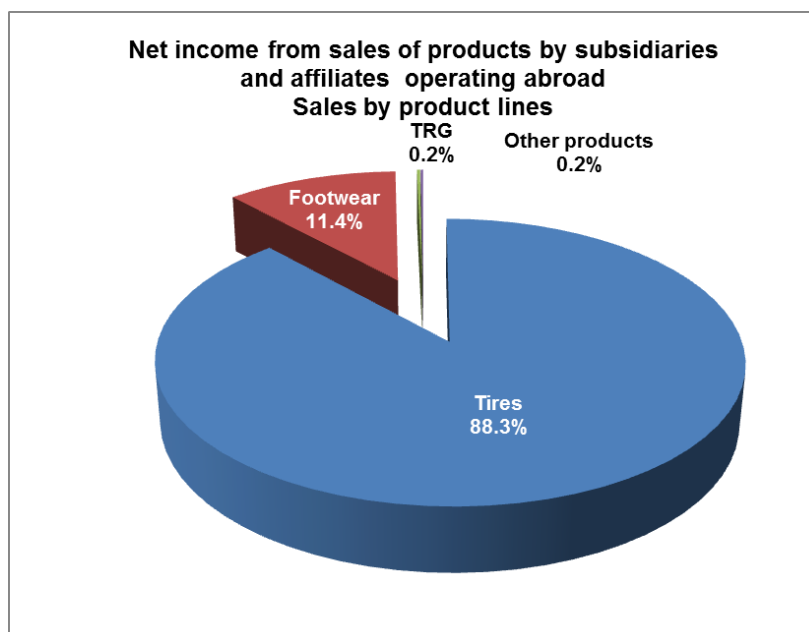


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SALES REVENUES EARNED BY ENTITIES OPERATING ABROAD



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

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

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

Tire sales in the domestic market were adversely impacted by a lack of supply during the entire year, and significantly lower-than-expected sales in the last quarter. Tire sales by Tigar's entities operating abroad, especially Tigar Europe, also suffered from a lack of supply. A framework agreement with Michelin, which was signed last year and is valid until the year 2016, will help maintain the tire sales



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levels of Tigar's entities operating abroad, given that tire sales constitute a significant portion of their business (but they will also be focusing on increasing sales of other products, primarily those made by Tigar Footwear and TTRG). The role of Tigar's international entities, especially Tigar Europe and Tigar Americas, has steadily been expanding based on activities initiated in 2010, including more aggressive marketing, web presentations, participation at international trade shows, opening of show rooms, and rental of warehouses from where products will generally be sold to medium- and small-volume buyers.

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

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

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

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



2.4. PRICE FLUCTUATIONS OF KEY RAW MATERIALS

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

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

2.5. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The tables below show breakdowns by manufacturing segment.

FOOTWEAR

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



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TECHNICAL RUBBER GOODS

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

CHEMICAL PRODUCTS

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



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3. 2011 FINANCIALS

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

Tigar AD's unconsolidated financials in thousands of Dinars	Actual January-December 2010	Actual January-December 2011	% change
Assets	6,171,359	7,421,327	20%
Equity	2,800,749	2,884,851	3%
Operating income	3,826,909	4,142,791	8%
EBIT	138,167	10,967	-92%
EBITDA	187,160	60,945	-67%
Financial income	125,476	304,273	142%
Other income	239,769	310,830	30%
Total income	4,192,154	4,757,894	13%
Net income	48,105	121,996	154%
<u>Significant ratios</u>			
Return on equity (ROE)	1.72%	4.23%	146%
Return on total assets (ROA)	0.78%	1.64%	111%
Current Ratio	1.08	1.00	-7%
Debt-to-assets ratio	0.54	0.61	12%
Debt / Equity	1.20	1.57	31%
Net profit/total income	1.15%	2.56%	123%

3.2. KEY CONSOLIDATED INDICATORS

Tigar AD's consolidated financials in thousands of Dinars	Actual January-December 2010	Actual January-December 2011	% change
Assets	8,220,552	8,903,643	8%
Equity	3,393,665	3,096,122	-9%
Operating income	5,160,882	5,236,328	1%
EBIT	271,285	12,934	-95%
EBITDA	424,323	176,919	-58%
Financial income	72,209	108,672	50%
Other income	74,505	237,660	219%
Total income	5,307,596	5,582,660	5%
Net income	-57,121	-309,133	-441%

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



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

Salaries were adjusted for inflation.

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

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

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



Relations with banks

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

The National Bank of Serbia implemented special measures towards this bank in 2011, so the reduction in exposure is a result of the bank's situation. Srpska Banka granted the highest increase in exposure. It generally focuses on financing manufacturers and shows maximum understanding towards clients, as far as it is able. The bank has increased Tigar's credit limit to a maximum of 7 million €, which will include 2.7 million from the EIB credit line. Further transactions with this bank will require a certain reduction in the overall exposure, based on our policy which requires a change in the structure of the sources of financing, focusing on long-term funds. AIK Bank bases its loans on contracts and receivables from domestic customers. Tigar's credit limit at this bank is 3 million but, if an opportunity arises, Tigar's short-term debt will be converted to long-term sources. Tigar started working with Dunav Bank and Univerzal Bank at the end of 2011, to maintain current liquidity, and will continue to work with them as long as there is a need for short-term borrowing.

Tigar issued short-term corporate bonds in October 2011, maturing at the end of the year, with the goal of supporting cash flow until the disbursement of the EIB loan. However, since the loan was not disbursed before the end of the year, Tigar had to redeem 2.6 million of the short-term bonds in December. Given the deferral of the EIB disbursement, the lengthy procedure associated with the issuance of long-term bonds, and negotiations with international financial organizations regarding long-term financing, in order to maintain the required level of liquidity the Company will continue to issue bonds until conditions are created for modifying the structure of the sources of funding, provided that these will be long-term bonds with acceptable terms and conditions.



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3.3. TIGAR AD (HOLDING COMPANY)

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
Non-current assets	2,900,089	3,226,938	3,640,676
Current assets	2,131,950	2,944,421	3,780,651
Deferred tax assets			
TOTAL ASSETS	5,032,039	6,171,359	7,421,327
Equity	2,790,539	2,800,749	2,884,851
Long-term liabilities and provisions	209,074	652,611	767,027
Current liabilities	2,030,290	2,714,626	3,764,835
Deferred tax liabilities	2,136	3,373	4,614
TOTAL EQUITY AND LIABILITIES	5,032,039	6,171,359	7,421,327

Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January- December 2011
Operating income	2,490,945	3,826,909	4,142,791
Operating expenses	2,742,644	3,688,742	4,131,824
PROFIT/LOSS FROM OPERATIONS	-251,699	138,167	10,967
Finance income	162,358	125,476	304,273
Finance expenses	192,140	273,347	439,446
Other income	698,824	239,769	310,830
Other expenses	245,030	156,701	34,361
PROFIT/LOSS BEFORE TAXATION	172,313	73,364	152,263
INCOME TAXES			
Current tax expense	31,217	24,023	29,026
Deferred income tax expense	1,961	1,236	1,241
Deferred income tax benefit			
NET PROFIT/LOSS	139,135	48,105	121,996

CASH FLOWS (in thousands of RSD)	January-December 2010.	January- December 2011.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	3,542,677	3,145,640
Cash outflow from operating activities	4,258,999	3,928,919
Net cash inflow from operating activities		
Net outflow from operating activities	716,322	783,279
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	34,773	183,178
Cash outflow from investing activities	36,716	24,985
Net cash inflow from investing activities		158,193
Net cash outflow from investing activities	1,943	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	395,839	567,622
Cash outflow from financing activities	39,048	6,133
Net cash inflow from financing activities	356,791	561,489
Net cash outflow from financing activities		
NET CASH INFLOW		
NET CASH OUTFLOW	361,474	63,597
Cash and cash equivalents at beginning of year	559,376	227,195
Foreign exchange gains on translation of cash and cash equivalents	29,293	
Foreign exchange losses on translation of cash and cash equivalents		8,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	227,195	155,262



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3.4. CONSOLIDATED FINANCIALS

Tigar ad Consolidated Balance Sheet (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010	As of 31 December 2011
ASSETS			
Non-current assets	4,110,708	4,743,526	5,122,174
Intangible assets	111,442	398,125	709,363
Property, plant and equipment	3,939,938	4,288,114	4,359,272
Property, plant and equipment	3,939,938	4,288,114	4,359,272
Long-term financial placements	59,328	57,287	53,539
Equity investments	11,670	11,819	11,819
Other long-term financial placements	47,658	45,468	41,720
Current assets	3,026,465	3,455,721	3,759,309
Inventories	1,442,628	1,823,646	2,073,287
Assets held-for-sale	19,884	20,039	233,857
Accounts receivable, placements and cash	1,563,953	1,612,036	1,452,165
Accounts receivable	727,066	903,162	892,958
Receivables from over-paid taxes	14,303	7,097	2,171
Short-term financial placements	5,736	4,986	4,765
Cash and cash equivalents	702,009	369,524	251,093
Value added tax and prepayments	114,839	327,267	301,178
Deferred tax assets	18,036	21,305	22,160
TOTAL ASSETS	7,155,209	8,220,552	8,903,643
EQUITY AND LIABILITIES			
Equity	3,514,083	3,393,665	3,096,122
Share and other capital	2,146,009	2,144,190	2,179,038
Share issuing premiums			
Reserves	207,925	940	5,418
Revaluation reserves	1,074,215	1,051,401	1,079,077
Retained earnings	85,934	197,134	
Loss			167,411
Shares buyback			
Long-term liabilities and provisions	3,513,163	4,692,191	5,664,555
Long-term provisions	79,861	83,087	84,127
Long-term liabilities	1,149,078	1,729,282	1,270,109
Long-term debt	1,132,408	1,512,668	1,032,473
Other long-term liabilities	16,670	216,614	237,636
Current liabilities	2,284,224	2,879,822	4,310,319
Short-term financial liabilities	1,432,181	1,716,210	2,684,202
Account payable	639,111	851,145	1,164,507
Other current liabilities	151,136	183,926	296,432
Value added tax and other taxes payable and accruals	43,134	110,455	114,852
Income taxes payable	18,662	18,086	50,326
Deferred tax liabilities	127,963	134,696	142,966
TOTAL EQUITY AND LIABILITIES	7,155,209	8,220,552	8,903,643

* The legal deadline for submission of consolidated financial statements is 30 April.



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Tigar ad Consolidated Income statement (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	Actual January-December 2011
OPERATING INCOME	3,880,745	5,160,882	5,236,328
Sales of goods, products and services	3,349,344	4,288,191	4,296,924
Work performed by the company and capitalized	441,254	743,239	710,666
Increase in inventories of finished products and work in progress	57,463	89,828	204,055
Decrease in inventories of finished products and work in progress			1,863
Other operating income	32,684	39,624	26,546
OPERATING EXPENSES	4,163,474	4,889,597	5,223,394
Cost of commercial goods sold	914,976	902,193	774,759
Material, fuel and energy consumed	1,174,529	1,563,187	1,862,687
Staff costs	1,500,700	1,611,720	1,770,138
Depreciation, amortization and provisions	148,471	187,982	177,188
Other operating expenses	424,798	624,515	638,622
PROFIT/LOSS FROM OPERATIONS	-282,729	271,285	12,934
FINANCE INCOME	74,609	72,209	108,672
FINANCE EXPENSES	262,493	391,035	537,175
OTHER INCOME	327,820	74,505	237,660
OTHER EXPENSES	29,528	46,648	57,822
PROFIT/LOSS BEFORE TAXATION	-172,320	-19,684	-235,731
INCOME TAXES			
Current tax expense	41,236	31,088	65,456
Deferred income tax expense	6,831	6,349	7,946
Deferred income tax benefit	489		
NET PROFIT/LOSS	-219,898	-57,121	-309,133

* The legal deadline for submission of consolidated financial statements is 30 April.



3.5. SUMMARY OF KEY FINANCIAL RESULTS BY ENTITY

TIGAR		
TIGAR AD		
Equity: 2,884,851 Total income: 4,757,894 EBITDA: 60,945 <i>(000 RSD)</i>		
PRODUCTION ENTITIES	COMMERCIAL ENTITIES	SERVICE ENTITIES
TIGAR FOOTWEAR Equity: 870,449 Total income: 2,365,348 EBITDA: -65,941 <i>(000 RSD)</i>	TIGAR MONTENEGRO Equity: 112 Total income: 666 EBITDA: 16 <i>(000 EUR)</i>	PIROT FREE ZONE Equity: 145,104 Total income: 347,515 EBITDA: 22,751 <i>(000 RSD)</i>
TIGAR TECHNICAL RUBBER GOODS Equity: 363,891 Total income: 428,868 EBITDA: -75,440 <i>(000)</i>	TIGAR PARTNER Equity: 17,744 Total income: 28,674 EBITDA: 281 <i>(000 DFN)</i>	TIGAR BUSINESS SERVICES Equity: 27,836 Total income: 141,292 EBITDA: 14,557
TIGAR CHEMICAL PRODUCTS Equity: 131,401 Total income: 169,516 EBITDA: 2,299	TIGAR TRADE Banja Luka Equity: 145 Total income: 1,362 EBITDA: -184 <i>(000)</i>	TIGAR HOSPITALITY Equity: 132,398 Total income: 189,915 EBITDA: -3,330 <i>(000 RSD)</i>
	TIGAR EUROPE Equity: 2,819 Total income: 14,614 EBITDA: 602 <i>(000 GBP)</i>	TIGAR INCON Equity: 169,796 Total income: 269,407 EBITDA: 7,273 <i>(000 RSD)</i>
	TIGAR AMERICAS Equity: 437 Total income: 1,171 EBITDA: 6 <i>(000 USD)</i>	TIGAR INTER RISK Equity: 2,560 Total income: 4,319 EBITDA: 884 <i>(000)</i>
		TIGAR WORKSHOP Equity: 885 Total income: 32,771 EBITDA: -2,044 <i>(000)</i>
		TIGAR SECURITY Equity: 40,099 Total income: 96,154 EBITDA: 17,315 <i>(000 RSD)</i>
		TIGAR TOURS Equity: 9,754 Total income: 5,953 EBITDA: 477 <i>(000 RSD)</i>
		PI CHANNEL Equity: 4,175 Total income: 15,327 EBITDA: 1,067 <i>(000 RSD)</i>



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3.6. TIGAR FOOTWEAR

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

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

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



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3.7. TIGAR TECHNICAL RUBBER GOODS

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

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

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



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3.8. TIGAR CHEMICAL PRODUCTS

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

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

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



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3.9. TIGAR EUROPE, UK

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

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



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3.10. TIGAR AMERICAS, USA

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

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

3.11. TIGAR MONTENEGRO

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

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



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3.12. TIGAR TRADE, REPUBLIKA SRPSKA

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

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

3.13. TIGAR PARTNER, MACEDONIA

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

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



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3.14. TIGAR BUSINESS SERVICES

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

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

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



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3.15. TIGAR HOSPITALITY

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

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

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



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3.16. TIGAR INCON

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

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

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



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3.17. FREE ECONOMIC ZONE OF PIROT

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

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



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3.18. AGGREGATE FINANCIALS OF OTHER SERVICE SUBSIDIARIES

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



4. REAL ESTATE AND LEGAL MATTERS

4.1. REAL ESTATE

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

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

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

Land

Tigar and its subsidiaries (excluding the Free Economic Zone) own 127 parcels of land as of 31 December 2011. The total surface area of the land is 398,276 m², of which 297,326 m² is undeveloped land. The total carrying value of the land is RSD 51,109,591.

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

Buildings

Tigar and its main subsidiaries own a total of 192 buildings, whose aggregate surface area is 100,950 m².

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

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



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Book value of buildings

BOOK VALUE OF BUILDINGS (RSD)		
Entities	31.12.2010.	31.12.2011.
Tigar AD	253,538,204.06	516,048,831.84
Tigar Trade	220,707,302.83	0
Tigar Technical Rubber Goods	420,074,092.79	423,366,706.45
Tigar Chemical Products	41,827.00	39,366.00
Tigar Rubber Footwear	811,145,229.58	774,913,486.93
Tigar Workshop	10,797,109.14	30,709,766.18
Tigar Business Services	158,174,475.41	16,138,351.73
Tigar Tours	6,323,346.10	6,203,975.10
Tigar Security	798,528.31	26,421,236.49
Tax Free Economic Zone Pirot	47,338,709.26	23,673,873.36
Tigar Incon	132,297,768.93	143,930,620.26
Tigar Hospitality		139,654,191.19
Total	2,061,236,593.41	2,101,100,405.53

Real estate transactions

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

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

Material encumbrances

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

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

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

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



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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

4.2 LEGAL PROCEEDINGS

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

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

For all of these disputes, effective court rulings 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

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

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

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

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

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

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

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

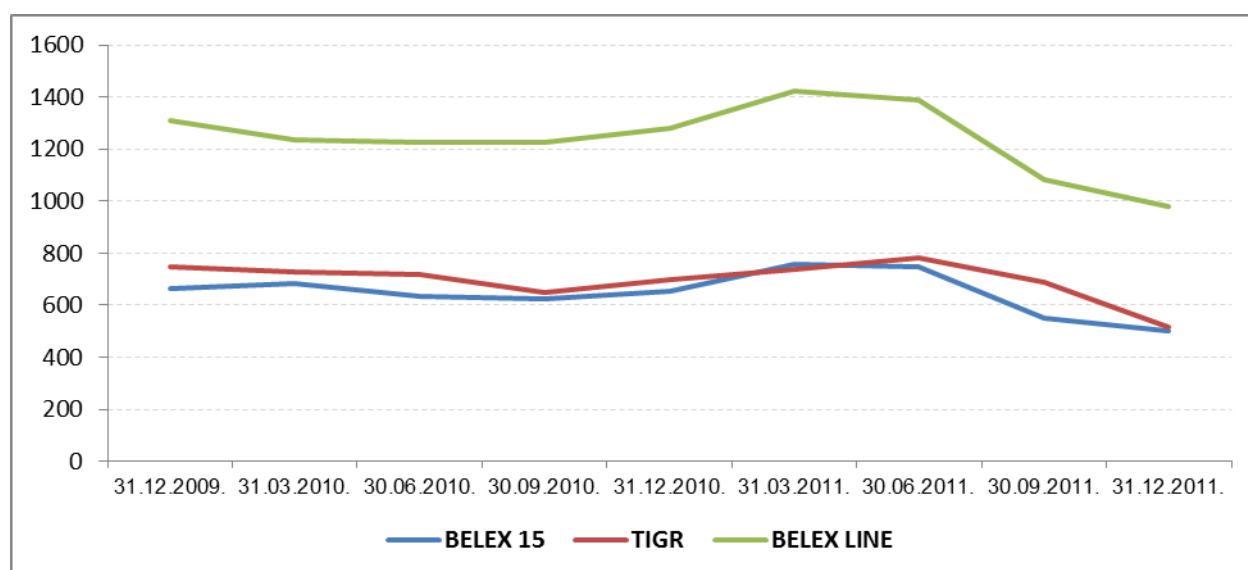


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The graph below shows Tigar stock price and index movements in 2011.



Changes in shareholders structure in 2011

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

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

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

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



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Top ten shareholders as of 31 December 2011

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

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

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

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

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

Members of the Supervisory Board hold no Tigar stock.



6. SUSTAINABLE DEVELOPMENT

6.1. EMPLOYEES

Headcount and structure

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

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

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

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

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

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

Employee expenses

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

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

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



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Optimization of human resources

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

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

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

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

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

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

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

Professional education

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

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

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

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



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Employee training

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

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

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

6.2. QUALITY ASSURANCE

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

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

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

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

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

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



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

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

6.3. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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6.4. INTELLECTUAL PROPERTY

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

Registered trademarks as of 31 December 2011:

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



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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	Firefighter Super Safety	31.10.18.	Tigar AD
Ž-2662/08	31.10.08.	59452	Century Super Safety	31.10.18.	Tigar AD
Ž-2659/08	31.10.08.	59334	Century 4000 Safety	31.10.18.	Tigar AD
Ž-2660/08	31.10.08.	59345	Forester 3000	31.10.18.	Tigar AD
Ž-2903/08	02.12.08.	60464	Trendy	02.12.18.	Tigar AD
Ž-247R/80	30.04.80.	49044	Tigar	30.09.15.	Tigar Tyres
Ž-1369/05	17.10.05.	49768	Tigar Tyres	17.10.15.	Tigar Tyres
Ž-1373/05	17.10.05.	49792	Hitris Logo	17.10.15.	Tigar Tyres
Ž-1371/05	17.10.05.	49819	Cargo Speed Logo	17.10.15.	Tigar Tyres
Ž-1372/05	17.10.05.	49912	Wintera Logo	17.10.15.	Tigar Tyres
Ž-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Ž-551/09	27.03.09.	60789	Bottega	27.03.19.	Tigar AD
Ž-639/09	13.04.09.	59942	Hotel StarA	13.04.19.	Tigar AD
Ž-1011/09	30.06.09.	59367	Brolly	30.06.19.	Tigar AD
Ž-1012/09	30.06.09.	59366	Maniera	30.06.19.	Tigar AD
Ž-1685/09	03.11.09.	60513	Stop&Drive	03.11.19.	Tigar AD
Ž-1686/09	03.11.09.	60514	S&D	03.11.19.	Tigar AD
Ž-795/11	30.05.11	-	Srbija na dlanu	-	Tigar AD
International	03.07.97.	675 773	Tigar	20.05.17.	Tigar AD
US	24.10.78.	675 773A	Tigar	20.05.17.	Tigar Tyres
US	02.11.07.	1174089	Tigar Logo	15.08.12.	Tigar Americas Corp.
US	02.11.07.	77320619	Tigar	-	Tigar Americas Corp.
International 237003/1	07.09.09.	1020263	Brolly	07.09.19.	Tigar AD
International 235877/1	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
US 79075140	07.09.09.	3870299	Maniera	07.09.19	Tigar AD
US 79075638	07.09.09.	3906894	Brolly	07.09.19	Tigar AD
Canada	25.05.90.	368832	Forester	25.05.15.	Tigar Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	Tigar Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	Tigar Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	Tigar Footwear
UK	23.06.95.	2025055	Century	23.06.15.	Tigar Footwear
UK	31.05.84.	1219898	Forester	31.05.15.	Tigar Footwear
UK	23.06.95.	2025057	Forester	23.06.15.	Tigar Footwear

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

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

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



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

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

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

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

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

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

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

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

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

6.5. INFORMATION TECHNOLOGY

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

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



Main features of Tigar's Information System include:

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



6.6. CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



AWARDS AND RECOGNITIONS

2005 BEST CORPORATE BRAND AWARD

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

2005 NATIONAL BUSINESS EXCELLENCE AWARD: QUALITY OSCAR

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

BUSINESSMAN OF THE YEAR 2005

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

2008 CSR LEADER

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

RECOGNITION OF THE CENTURY BRAND IN 2009

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

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

2009 BUSINESS PARTNER AWARD

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

FIRST NATIONAL TRANSPARENCY AWARD IN 2010



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

RECOGNITION OF THE MANIERA BRAND CAMPAIGN IN 2010

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

FIRST PRIZE TO THE PIROT FREE ECONOMIC ZONE IN 2010

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

2010 SCC JUBILEE RECOGNITION

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

BUSINESS PLANET 2011

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

BUSINESSWOMAN OF THE YEAR 2011 RECOGNITION

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

BEST FROM SERBIA 2011 – THIRD TIME

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

6.7. CORPORATE GOVERNANCE

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



7. MANAGEMENT

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

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

Board of Directors

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

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

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

Management Body

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

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



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

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

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

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

Supervisory Board

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

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

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



8. MAJOR 2011 TRANSACTIONS WITH RELATED PARTIES

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



9. RESEARCH AND DEVELOPMENT

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

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

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



10. COMPETITIVE ADVANTAGES AND RISKS

10.1 COMPETITIVE ADVANTAGES

Leading producer of rubber products in the region

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

Convenient location

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

Brands

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



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Geographical diversification of sales

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

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



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A combination of low-cost and high-performance production

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

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

Leading national automotive service network

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

Long-term experience in international strategic alliances

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

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

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



10.2. RISKS

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

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

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

Currency fluctuation risks

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

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

Risks related to inflation, capital procurement, and capital cost

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

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



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discontinue issuing short-term bonds. Advantages include long repayment periods, long grace periods, favorable interest rates, and a better position in terms of collateral.

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

Business risks inherent in the rubber industry

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

Risks related to capacity utilization

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

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

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

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

In summary, the capacities of Tigar's factories are sufficient for the projected level of growth, with some investment required in facilities for the fabrication of semi-finished products and the energy

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supply plant. A scrap tire recycling plant is needed to substantially increase the current output of final products made from recycled rubber, commensurate with existing capacities.

Risks related to shareholder and corporate structure

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

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



11. MAJOR EVENTS AFTER FY2011

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

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

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

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



DECLARATION

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

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

Included herewith are summaries of financial statements and a listing of released information.

**EXECUTIVE DIRECTOR FOR CORPORATE
MANAGEMENT SUPPORT**

TIGAR AD

Jelena Petković

BOARD OF DIRECTORS CHAIRMAN

TIGAR AD

Dragan Nikolić