



Tigar®

TIGAR AD PIROT

2009 SEMI-ANNUAL REPORT

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1. INTRODUCTION

1.1. BASIC FACTS

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

Corporate ID number: 07187769

Web site address: www.tigar.com

Core activity: Holdings

Number of shareholders: 4,843 at 30 June 2009

Assets: 3,956,127 (000 RSD) at 30 June 2009

Registered address: Nikole Pašića 213, 18300
Piot, Serbia

Fiscal ID number: 100358298

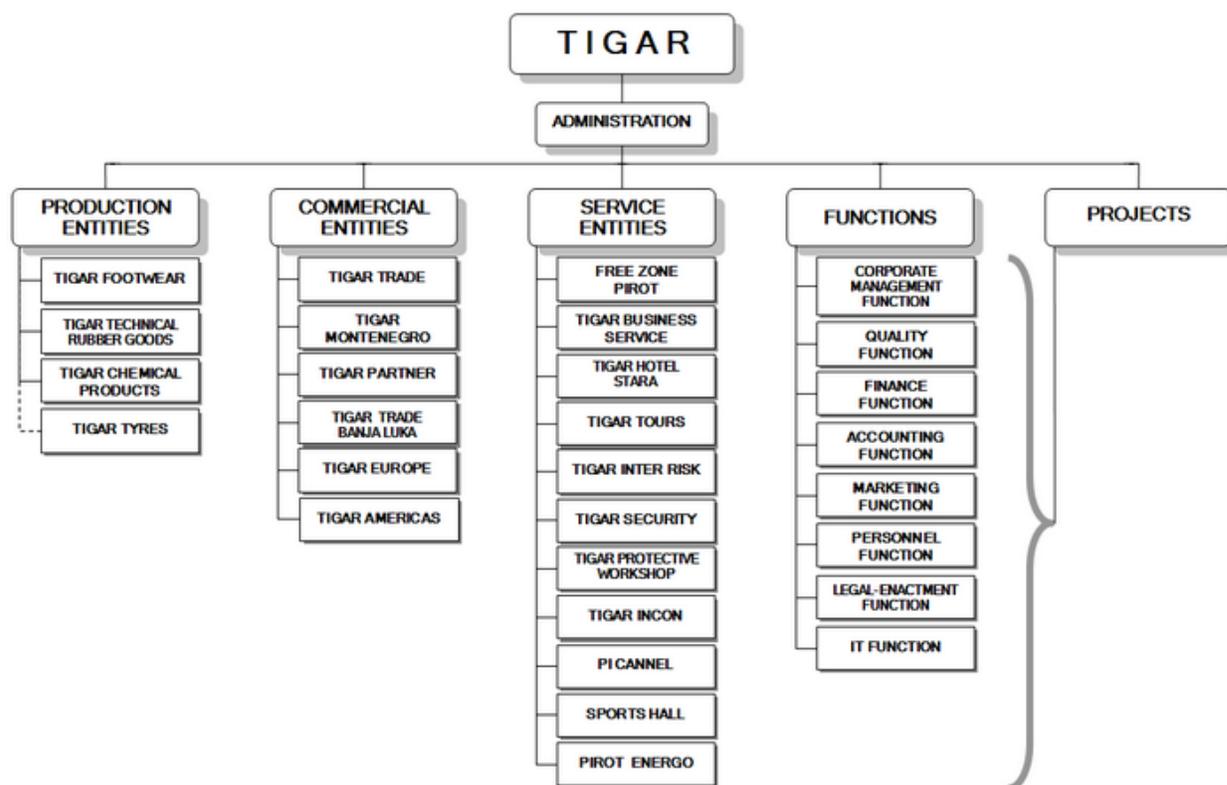
Incorporation certificate: Registry file no. 1-1087

Number of employees: 2,007 at 30 June 2009

Capital: 2,834,495 (000 RSD) at 30 June 2009

Capitalization: 1,306,029 (000 RSD) at 30 June 2009

1.2. CORPORATE STRUCTURE



NOTE: Under a decision of Tigar AD's Board of Directors, a new subsidiary – Tigar Trade – which is the legal successor of Tigar's Domestic Sales Network and Tigar Export-Import, was incorporated and began its operations on 1 January 2009. Tigar DSN and Tigar Export-Import ceased their operations on the same date.

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1.3. KEY 2009 SEMI-ANNUAL PERFORMANCE INDICATORS

Changes in equity (000 RSD), unconsolidated	31 December 2008	30 June 2009
Balance, beginning of the year/period	2,685,839	2,736,793
Adjustments		
New issuance of shares		
Profit for the year/period	168,103	154,702
Dividends	-104,911	-56,709
Other	-12,238	-291
Balance at the end of the year/period	2,736,793	2,834,495

Equity investments (000 RSD) unconsolidated	31 December 2008	30 June 2009
Related parties	2,189,976	1,872,960
Banks	137	181
Other legal entities	19	19
Adjustments	14,572	23,657
Total:	2,175,560	1,849,503

Tigar AD's unconsolidated financials in thousands of Dinars	Actual I-VI 2008	Actual I-VI 2009	% change
Assets	3,790,124	3,956,127	4%
Equity	2,840,096	2,834,495	0%
Total income	796,449	518,681	-35%
EBIT	299,668	240,661	-20%
EBITDA	307,446	249,842	-19%
Net income	259,167	154,702	-40%
<u>Significant ratios</u>			
Return on equity	9.13%	5.46%	-40%
Return on shareholders equity	12.57%	7.50%	-40%
Debt-to-assets ratio	0.25	0.28	13%
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.32	1.47	12%
Quick ratio	1.30	1.46	12%
Debt / Equity	0.33	0.39	19%
<u>Other ratios</u>			
ROE	9.13%	5.46%	-40%
ROA	6.84%	3.91%	-43%
Net profit/total income	32.54%	29.83%	-8%

*The decrease in overall income is a result of a lower income from the sale of Tigar 2 location property, which was 514 million RSD in the first quarter of 2008 and 256 million RSD (or 258 million less) in the first quarter of 2009. The value of equity investments is lower as a result of the disposal of 10% of Tigar AD's interest in Tigar Tyres, based on a prior agreement. Tigar AD currently holds a 10% interest in Tigar Tyres.

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SEGMENTED RESULT

Tigar has 17 subsidiaries which it controls, is party to one joint venture, has a stake in one agency, and is party to a project with the local government. Of the 21 companies, 16 are incorporated and operate in Serbia and five are incorporated and operate abroad.

Companies within the Tigar Group operate in the following areas:

- Manufacturing
- Commerce
- Services

2009 Semi-annual financials by geographical area (proportional to interest held)

Income Statement in thousands of Dinars	Serbia	The Balkans	EU + USA	Total
Total income	2,556,842	79,988	369,023	3,005,853
Total expenses	2,420,893	79,249	363,716	2,863,858
Profit (loss) before taxation	135,950	739	5,307	141,995
Income taxes	29,517	27	2,156	31,701
Deferred income tax expense				
Deferred income tax benefit				
Net result for the period	106,433	712	3,151	110,295

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Key subsidiary performance indicators

TIGAR		
	TIGAR AD	
	Equity: 2.834.495 Total revenues: 518.681 EBITDA: 249.842 <i>(000 RSD)</i>	
PRODUCTION ENTITIES	COMMERCIAL ENTITIES	SERVICE ENTITIES
TIGAR FOOTWEAR	TIGAR TRADE	PIROT FREE ZONE
Equity: 827.062 Total revenues: 644.320 EBITDA: 39.047 <i>(000 RSD)</i>	Equity: 185.713 Total revenues: 862.947 EBITDA: 18.175 <i>(000 RSD)</i>	Equity: 134.208 Total revenues: 28.661 EBITDA: 4.975 <i>(000 RSD)</i>
TIGAR TEHNICAL RUBBER GOODS	TIGAR MONTENEGRO	TIGAR BUSINESS SERVICES
Equity: 110.851 Total revenues: 67.660 EBITDA: -54.102 <i>(000 RSD)</i>	Equity: 107 Total revenues: 292 EBITDA: 7 <i>(000 EUR)</i>	Equity: 88.894 Total revenues: 141.556 EBITDA: 3.292 <i>(000 RSD)</i>
TIGAR CHEMICAL PRODUCTS	TIGAR PARTNER	TIGAR HOTEL STARA
Equity: 69.183 Total revenues: 94.776 EBITDA: -3.731 <i>(000 RSD)</i>	Equity: 18.919 Total revenues: 21.810 EBITDA: 554 <i>(000 DEN)</i>	Equity: 67.119 Total revenues: 6.739 EBITDA: -3.776 <i>(000 RSD)</i>
	TIGAR TRADE Banja Luka	TIGAR TOURS
	Equity: 468 Total revenues: 1.035 EBITDA: 36 <i>(000 KM)</i>	Equity: 9.525 Total revenues: 3.192 EBITDA: 642 <i>(000 RSD)</i>
	TIGAR EUROPE	TIGAR INTER RISK
	Equity: 3.230 Total revenues: 6.559 EBITDA: 141 <i>(000 GBP)</i>	Equity: 1.291 Total revenues: 2.044 EBITDA: 36 <i>(000 RSD)</i>
	TIGAR AMERICAS	TIGAR SECURITY
	Equity: 424 Total revenues: 341 EBITDA: -34 <i>(000 USD)</i>	Equity: 15.917 Total revenues: 38.466 EBITDA: 4.895 <i>(000 RSD)</i>
		TIGAR WORKSHOP
		Equity: 4.483 Total revenues: 26.703 EBITDA: 8.307 <i>(000 RSD)</i>
		TIGAR INCON
		Equity: 46.164 Total revenues: 122.486 EBITDA: 18.781 <i>(000 RSD)</i>
		PI CHANNEL
		Equity: 1.439 Total revenues: 7.530 EBITDA: -1.770 <i>(000 RSD)</i>
		SPORTS CENTER
		Equity: 14.834 Total revenues: 637 EBITDA: 30 <i>(000 RSD)</i>

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1.4. BUSINESS ENVIRONMENT

The business environment in the first semester of 2009 was largely characterized by the global financial crisis. The crisis enveloped Serbia in 2008, resulting in pressures on the exchange rate, a rapid depreciation of the dinar relative to the euro, declining business activity, and a slowdown in capital infusions from abroad. Compared to other countries in the region, Serbia has the advantage in that its banking sector has remained stable, the level of hard currency reserves is still high, political risks are comparable to or lower than those that exist in neighboring countries, and its citizens and the economy had the recent experience of prevailing under crisis conditions. Exchange rate fluctuations and the inability to predict future exchange rate developments were among the key challenges in the planning and implementation of business transactions. All negative trends of financial indicators were a direct consequence of the crisis. On a monthly basis, industrial production grew until August 2009. The cost of money increased, based on the lower availability of international loans and a higher investment risk in Serbia. This led to the worsening of loan terms and conditions, and a growth in interest rates which businesses find hard to afford.

The basic intent of the government was to employ 8 billion from the state budget and activate some 110 billion of bank funds, to support subsidized-interest loans. This was deemed realistic in view of the banks' high level of liquidity. Banks are allowed to choose clients who will receive subsidized loans and this fact has reduced the number of companies which can actually use these loans. Additionally, in order to obtain subsidized loans, companies have to agree to certain constraints which are not always consistent with their business policies. The key limiting factor is a reduced liquidity of both businesses and individuals, since it results in a higher debt collection risk and declining sales. Other than the subsidized interest rates, which the Government offered as part of its "stimulus package", there were no other notable corporate support measures.

1.5. KEY CHARACTERISTICS OF TIGAR'S BUSINESS POLICY DURING THE REPORTING PERIOD

During the reporting period, Tigar focused on the continuation of its investment activities at the Tigar 3 location and on the modernization of its sales network in Serbia, in order to concentrate the manufacturing plants it controls at the Tigar 3 location and to restructure its domestic retail sales to generally target end users (both individuals and companies).

As part of the organization of the new production plants of Tigar Technical Rubber Goods (TTRG), a selection was made of product lines which require fewer materials and achieve a high level of profitability. Based on profitability analyses, the plant which manufactures products from recycled rubber now ranks equal in priority with TTRG's „basic product lines“. A protocol was signed with the Danish company Bigoutex regarding the acquisition of their recycled-rubber products manufacturing business, including equipment (which ensures high productivity), technology, tooling, and brand (highly positioned in northern European markets). TTRG entered this line of business in 2008 and began by positioning itself in the domestic market through several projects involving sports courts. The transaction with Bigoutex will allow TTRG to supply products to Bigoutex's customers, which will be a sound basis for further export growth.

With regard to footwear exports, off-take manufacturing remained dominant but several arrangements were made with large European retail chains. A program for the development of Tigar-brand products was launched. During the reporting period, Tigar's prepared a new Maniera autumn/winter collection primarily intended for the domestic market, but also for export.

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1.6. SIGNIFICANT BUSINESS ACTIVITIES COMPLETED DURING THE REPORTING PERIOD

During the reporting period, purchasing of equipment and tooling for the footwear business continued. The footwear business modernization program will be completed by the end of the year. Current purchases are financed from the proceeds of the second disbursement of a DEG loan.

Production plants of Tigar Technical Rubber Goods (TTRG) at the Tigar 2 location were shut down and work on the new plants at the Tigar 3 location began. During the reporting period, a portion of the new production building was completed and available equipment was installed in order to meet customers' demand as far as possible, primarily for rubber profiles, tubing, and products for military applications. In view of the level of capital expenditure, a loan in the amount of 2.5 million € was obtained for the Hypo Alpe Adria Bank Serbia in July 2009. As a result, TTRG's „basic product lines“ will resume routine manufacturing at the end of September and the recycled-rubber product line will do so at the end of the year. Production processes will be organized in such a way as to ensure that customers' demands are met, primarily those of the construction and military industries. Other segments will likely defer deliveries.

Tigar Trgovine (Domestic Sales Network) and Tigar Export-Import ceased their operations on 1 January, while a new commercial subsidiary – Tigar Trade – was incorporated. Tigar Trade is the legal successor of these two companies. All sales and purchasing activities and logistics for the footwear and technical rubber goods factories will be handled by Tigar Trade. It will also operate the automotive service network which sells tires and automotive products and provides automotive services.

The Serbian sales network modernization process continued. During the reporting period, new automotive service centers were opened in Novi Sad and Indjija, and the service center at Pirot was extended and upgraded. The network comprised of 22 automotive service centers, including four mobile units, was named „Stop & Drive“, in line with its multi-product/multi-brand strategy. Stop & Drive is the only national network of its kind; it features a large number of modern sales outlets and is definitely the Serbian market leader.

During the reporting period, two retail outlets of the new Bottega Chan were opened and preparations were completed for the opening of a third outlet. The Bottega Chain specializes in footwear sales and follows a mono-product/multi-brand strategy. During the off-season, the outlets will sell only imported leather footwear, while during the high season (October-November) half of the offering will be made up of stylish rubber footwear.

The annual session of the General Assembly of Shareholders was held in June 2009. The GAS adopted Tigar's 2008 financial statements, elected the Board of Directors and Supervisory Board, and appointed Tigar's external auditors. It also approved the disposal of treasury shares which the Company acquired in the last quarter of 2008. The Board of Directors then delivered the required decisions in this regard.

Both Tigar AD and its Serbian subsidiaries submitted their 2008 financial reports to the National Bank of Serbia.

The Board of Directors adopted management's 2008 Annual Report and Version 0+1 of the 2009-2011 Business Plan.

The Vienna Stock Exchange was approached with a view to a potential dual listing of Tigar's stock but activities had to be suspended because of legal restrictions.

Activities continued with the company VMA in connection with the commissioning of new software for monitoring business operations in the areas of accounting, finances, sales, manufacturing, and inventories. BSC support will be provided to the Holding Company and its major subsidiaries.

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1.7. KEY INVESTMENT ACTIVITIES

Tigar's key investment activities targeted the TTRG building at the Tigar 3 location, the reconstruction of a portion of its existing equipment, purchasing of new equipment for this factory, and purchasing of equipment under the Tigar Footwear Modernization Program.

in thousands of Dinars	Purchases of fixed assets
	January-June 2009
Tigar Technical Rubber Goods	14,025
Tigar Chemical Products	316
Tigar Footwear	30,842
Tigar Trade	23,854
Service Entities	2,174
Holding company	88,535
Total	159,746

All investment activities during the reporting period, worth some 1.4 million € (except those related to the footwear business), were financed from cash flow. The Holding Company invested in buildings at the Tigar 3 location, intended for TTRG, and TTRG invested in equipment. Tigar Trade invested in new or reconstructed service facilities and the new Bottega Chain.

1.8. SALES

In view of the time required to bring the new system up to speed, Tigar Trade did not take over all the stocks and all the new products. Instead, it collected only those quantities of products which were required to service customer needs. This was the main reason for its departure from plan. Plans call for Tigar Trade to take over all the new products it has ordered as of the second semester, and to gradually take over all footwear and technical rubber goods stocks through the end of the year.

Tigar Footwear's sales income of 350 million was 10% higher than during the same period of the previous year. Footwear exports of 280 million during the first semester were 22% higher than during the same period of last year. However, domestic sales of 71 million were 22% lower than during the same period of a year ago. The wholesale segment reported the greatest decline (59%), which was a result of changes in sales policy and the focusing on retail sales due to higher margins and significantly greater debt collection security.

TTRG's result was some 60% lower than during the same period of the previous year, as a result of downtime and relocation. TTRG only sold products from stocks and those made in the portion of its building which has been outfitted for temporary production.

The automotive service network reported sales to the tune of 140 million Dinars, or 50% more than during the same period of the previous year. The wholesale unit reported 4% of sales during the period (compared to 22% during the same period of the previous year).

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Tigar Trade's sales structure was: 48% exports, 18% wholesale and 33% retail.

Tigar Chemical Products reported 10% higher sales than during the same period of last year. A substantial increase in sales is expected during the second semester, based on confirmed local orders and firm arrangements for exports.

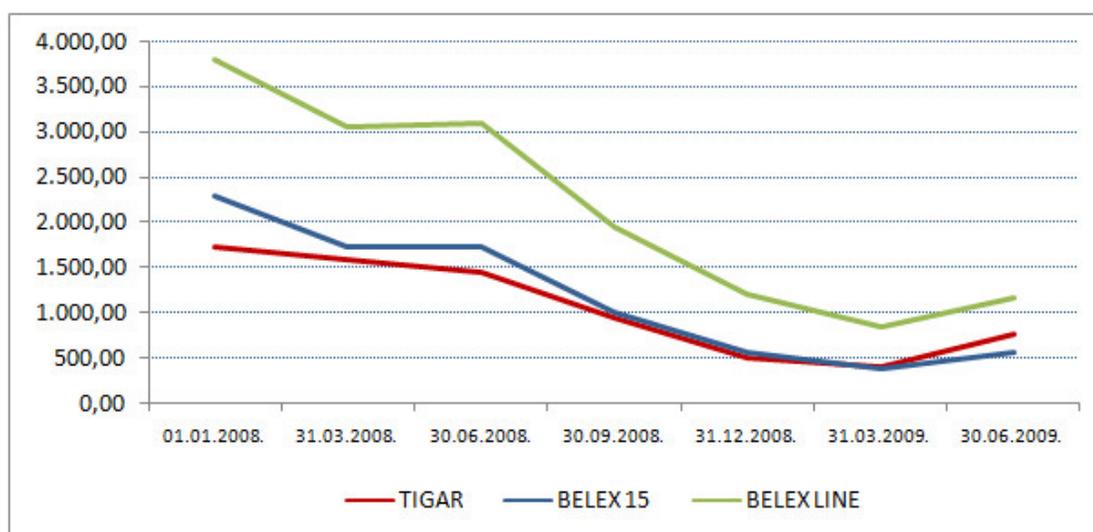
<i>TIGAR TRADE Sales 000 rsd</i>	<i>I-VI 2008</i>	<i>I-VI 2009</i>	<i>%change relative to 2008</i>
<i>Sales by product group:</i>			
Car and light truck tires	135,411	121,047	-11%
Truck tires	32,607	23,105	-29%
Agricultural and other tires	21,460	17,883	-17%
Total tires sale	189,478	162,035	-14%
Inner tubes	8,322	8,436	1%
Tigar Rubber footwear	318,982	350,240	10%
- Domestic market	90,178	70,546	-22%
- Export	228,804	279,694	22%
Other Suppliers Footwear	2,309	3,231	40%
Technical Rubber goods	166,933	64,593	-61%
- Domestic market	137,746	52,123	-62%
- Export	29,187	12,470	-57%
Chemical products	4,133	3,638	-12%
Complementary goods	13,468	11,386	-15%
TOTAL	703,625	603,558	-14%
<i>Sales by sales channel:</i>			
Export	257,991	292,164	13%
Wholesale	316,647	180,569	-43%
Sales to end users-individuals and legal entities	128,987	130,825	1%
TOTAL	703,625	603,558	-14%
<i>Sales by segment:</i>			
Export	257,991	292,164	13%
Wholesale	272,297	111,602	-59%
Retail	81,997	63,121	-23%
Service centers	91,340	136,670	50%
TOTAL	703,625	603,558	-14%

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1.9. CAPITAL MARKET POSITION

During the second quarter of 2009, the local capital market continued to be highly dependent on foreign investor activities and, in general, on the signals coming from international markets. As a result, Belgrade Stock Exchange indices finally left the zone of historic minimums at the beginning of June and reached Q3 2008 levels at the end of June. Tigar's stock followed the same trend; Tigar's share price jumped from 340 RSD (the lowest price ever, on 12 March) to the highest price during the reporting period of 897 RSD on 8 June (2.6 times higher than the lowest price).

The figure below shows Belgrade Stock Exchange index and Tigar stock price movements.



Even though liquidity of the Stock Exchange continues to be very low, Tigar substantially improved its liquidity during the reporting period and demand largely exceeded supply. All stock liquidity parameters are closely monitored based on BSE's weekly reports.

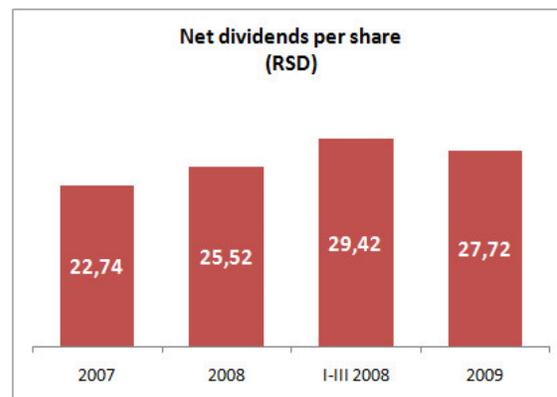
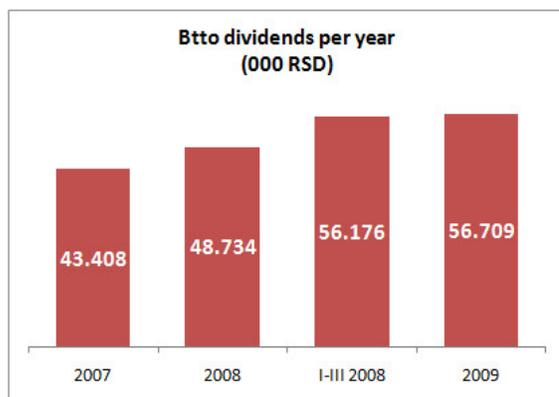
Following its standard calendar, Tigar released the following during the 2nd quarter:

- 2008 Annual Report, auditors' opinion, and updated Prospectus to reflect 2008 data;
- 1st Quarter 2009 Interim Report; and
- 2009 Semi-Annual Business Plan Statement.

Additionally, the Company reported all significant events and facts to the investment community (the annual meeting of the General Assembly of Shareholders, the proposed distribution of profit, etc.).

Preparations for the annual session of the General Assembly of Shareholders began in early April and the session was held on 19 June. All shareholders received timely invitations, draft resolutions, and other pertinent materials. The GAS passed several resolutions, including one that approved the proposed distribution of profits. The Company followed its dividend policy, which calls for distribution of one third of the profits to shareholders. As a result, Tigar AD distributed a total of RSD 56.7 million, or RSD 27.72 per share.

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The GAS also adopted a report on the acquisition of treasury shares and approved the disposal of these shares as required by law.

In May, the Company arranged a meeting with its largest shareholders, who had an opportunity to see the new footwear factory and to discuss corporate plans with the management team. This meeting took place after an investment conference held in Belgrade under the auspices of stock exchanges from the region.

The table below shows major stock trading indicators and ratios based on market prices of Tigar's stock during the reporting period.

	31 DECEMBER 2008	31 MARCH 2009	30 JUNE 2009	% CHANGE
Number of shareholders	4,830	4,833	4,843	0,20
Number of shares outstanding	1,718,460	1,718,460	1,718,460	-
Book value of shares	1,592.58			
Stock market value of shares	501.00	405.00	760.00	87,65%
Lowest price during the period		395.00 (07 April 2009)		
Highest price during the period		897.00 (08 June 2009)		
Average for the period *		607.00		
Market capitalization, RSD	860,948,460.00	695,976,300.00	1,306,029,600.00	87,65%
P/ BV **		0.38		
P/E ***		6.74		
EPS ****		90.02		

* The average price is based on closing prices and the number of trading days during the period.

** Average market price to book value ratio.

*** Price-to-earnings ratio.

**** Earnings per share during the period.

Share price movement

Date	31 December 2007	31 December 2008	31 March 2009	30 June 2009
Price	1.727,00	501,00	405,00	760,00

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Changes in shareholder structure as of 30 June 2009

Shareholders	31-12-2008	31-03-2009	30-06-2009
Legal entities	55.24%	53.91%	53,72%
Individuals	28.57%	28.62%	29,65%
Custody accounts	16.18%	17.47%	16,61%

In 2008, the number of shareholders was reduced from 4,924 to 4,830. This is generally the interval of the number of shareholders since mid-2007, when Tigar's stock began trading on the Prime Market of the Belgrade Stock Exchange. During the first quarter of 2009, the number of shareholders increased from 4,830 to 4,833. The growth trend continued during the second quarter and the number of shareholders at 30 June 2009 was 4,843. A characteristic of the period was a higher level of retail investments, following the purchase of 1% by a single shareholder at the beginning of June.

Top ten shareholders as of 30 June 2009

	Shareholder	Number of shares	%
1.	Equity Fund of the Republic of Serbia	429,429	24.98
2.	Pension and Disability Fund	149,981	8.72
3.	ARTIO EQUITE FUND	120,631	7.02
4.	SOCIETE GENERALE YUGOSLAV BANK	77,705	4.52
5.	ERSTE BANK CUSTODY 00001	62,990	3.67
6.	RAIFFEISEN ZENTRALBANK	46,311	2.69
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE YUGOSLAV BANK	23,496	1.37
9.	SG CUSTODY	22,432	1.30
10.	UNICREDIT BANK, CUSTODY ACCOUNT	17,750	1.03
11.	DUNAV INSURANCE COMPANY	16,772	0.97
	TOTAL	991,467	57.66

* Pension and Disability Fund shares and treasury shares are non-voting shares

At the end of June 2009, the largest shareholders held a total of 991,467 shares (or 57.66%), of which 819,054 (or 47.64%) are voting shares.

In its communications with shareholders and investors, the Company duly complied with its Corporate Governance Code, the responsibilities it assumed when it was officially listed on the stock exchange, as well as international standards generally applicable to corporate reporting and interaction with shareholders and the investment community. In June, Tigar began preparing updates for its web site pages which target investors.

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Tigar shares held by corporate management

Corporate management holds less than 1% of Tigar shares. The following table shows the number of shares held by members of the Board of Directors as of 30 June 2009.

Name	Shares held as of 31 May 2005	Shares held as of 30 June 2009	% of shares outstanding
Dragan Nikolić	880	880	0.0050
Jelena Petković	275	275	0.0017
Slobodan Sotirov	539	539	0.0030
Milivoje Nikolić	462	462	0.0024
Vladimir Nikolić	803	803	0.0050
Ljubiša Nikolovski	396	396	0.0026
Jose Alexandre F. da Costa	-	-	-
Dr Živko Mitrović	-	-	-
Tihomir Nenadić	-	-	-

Members of the Supervisory Board hold no Tigar shares.

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2. RISKS

Risks related to Tigar's business

The greatest business-related risk during the reporting period was the timely implementation of the TTRG investment plan. This risk has largely been minimized in view of the loan granted by the Hypo Alpe Adria Bank.

Risks related to raw material, fuel and energy prices

Oil price movements and general changes in the raw material market resulted in an increase in raw material prices in 2008. However, there has been a downward trend since March 2009.

Risks related to inflation, exchange rates, capital procurement and capital cost

Rising inflation has affected all inputs obtained from the domestic market, including salaries which, based on Tigar's labor union contract, must be adjusted when inflation exceeds 5%. In view of current inflation trends, the cost of salaries is expected to grow during the second quarter. High inflation has a considerable adverse effect on all Dinar costs, including energy costs. Only a portion of this increase was offset by increases in product prices since it is not possible to simply index prices in view of the overall situation and the current purchasing power. Consequently, optimization of all types of costs is required.

Risks related to shareholder and corporate structure

There were no major changes in stockholding 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, even though consolidation through capital increases is possible. However, management believes that any stockholding consolidation should not have a major impact on corporate business, development and investment policies. A potential risk is the government-owned stock which, based on current laws, must be disposed of before the end of this year. However, these laws are expected to be amended because there is a considerable delay in all privatization activities resulting from the current political environment. The best way to eliminate this risk would be to have the government-owned stock sold through a public offering, along with Tigar's capital increase following completion of the investment cycle by the year 2010; this would result in full stabilization of Tigar's existing businesses and the creation of positive conditions for entry into new business and project ventures.

Risks related to regulatory matters

A lack of recycling legislation continues to be Tigar's primary risk in this area, but also major changes (along with a short time frame) with respect to harmonization with EU legislation.

New legislation is expected to require tire manufacturers and importers to finance the collection, sorting, re-use and recycling of used tires, through membership in an organization which would be charged with these activities on their behalf. If the entire financial burden of collection continues to be the responsibility of utilities and minor collectors, no major progress in this area can be expected. The proposed system would provide material support for both tire collectors and recyclers.

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3. SUSTAINABLE DEVELOPMENT

3.1. EMPLOYEES

Number and structure

As of 30 June 2009, Tigar had 2,007 employees in Serbia. In addition, Tigar's subsidiaries located abroad employed a total of 79 local employees.

As of 30 June 2009, the employment structure was as follows:

Workforce as of 30 June 2009	
Company	Number of employees
Tigar AD	195
Tigar Footwear	766
Tigar Business Service	160
Tigar Technical Rubber Goods	233
Tigar Chemical Products	76
Tigar Trade	252
Others	325
Total	2,007

All employees sign 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, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 79 employees and retirees are repaying housing loans obtained from Tigar. Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

Employee expenses

Total employee expenses incurred during the reporting period 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 604,437,000 RSD. The table below shows paid salaries as a percentage of sales income.

January-June 2009 employee expenses			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales income
Tigar Ad	44,533	76,080	53.05%
Tigar Footwear	122,910	210,718	42.62%
Tigar Business Service	26,868	46,018	34.95%
Tigar Technical Rubber Goods	37,153	63,055	106.41%
Tigar Chemical Products	14,980	25,607	27.60%
Tigar Trade	48,242	82,607	10.24%
Others	58,704	100,352	44.23%
Total	353,390	604,437	30.92%

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Taxes, health insurance and pension fund contributions during the reporting period amounted to 251,047,000 RSD.

Optimization of human resources

46 employees left Tigar AD and its subsidiaries during the reporting period on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD		3		3
Tigar Footwear	10	5		15
Tigar Business Services	4	2	1	7
Tigar Technical Rubber Goods	1	6	1	8
Tigar Chemical Products		1		1
Tigar Trade		4	2	6
Others		4	2	6
Total	15	25	6	46

* Of these 6 employees, 2 left the Company voluntarily, 3 passed away, and 1 was terminated due to compulsory military service.

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 2009. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy.

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

Workforce downsizing costs and percentage of gross salaries		
	In 000 RSD	%
Tigar AD	1.570	2,06
Tigar Footwear	4.346	2,06
Tigar Business Service	1.454	3,16
Tigar Technical Rubber Goods	2.785	4,41
Tigar Chemical Products	293	1,14
Tigar Trade	1.518	1,84
Others	1.978	1,97
Total	13.944	2,31

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Professional education

Our policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2009.

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

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Ostali fakulteti
TOTAL	37	11	12	14

Tuition and scholarship expenses paid during the reporting period amounted to 2,924,500 RSD (or 0.48% of gross salaries).

Employee training

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

Employee training			
	Internal	External	Total
Tigar AD		75	75
Tigar Footwear	237	8	245
Tigar Business Services	20	2	22
Tigar Technical Rubber Goods	145	15	160
Tigar Chemical Products	7	2	9
Tigar Trade	35	24	59
Others	245	36	281
Total	689	162	851

Employee training expenses during the reporting period amounted to 2,518,279 RSD (or 0.42% of gross salaries).

3.2. QUALITY MANAGEMENT

Tigar's integrated management systems underwent significant changes during this reporting period. An all-encompassing re-engineering process was put in place and implemented. Documentation was revised and enhanced in line with OHSAS (Occupational Health and Safety) 18001 standards. Activities aimed at upgrading the integrated management systems are proceeding according to action plans.

The fact that the OHSAS 18001 model is identical to the ISO 14001 (Environmental Management) model, and compatible with the ISO 9001 Quality Management System, facilitated project design and the implementation of the new requirements.

The Corporation's traditional strategic orientation toward customer and stakeholder satisfaction and environmental protection, is reflected in the certification it holds for alignment to applicable standards. Annual audits of system maintenance and advancement are conducted by YUQS, one of the leading domestic certification bodies, and a member of IQNET, an international association of certification bodies. YUQS enjoys both domestic accreditation and the accreditation of the French accreditation body, COFRAC.

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Tigar Technical Rubber Goods is preparing to implement a quality management system in order to obtain technical ISO/TS 16949:2009 certification. This certification stipulates additional requirements for car and spare parts manufacturers and will apply to TTRG's products intended for the automotive industry.

Tigar Incon, which offers design, engineering, consulting, construction, and infrastructure maintenance services, will also be joining Tigar's certified subsidiaries. Training sessions have been held, and various procedures are being developed and documented in line with the standards mentioned above.

Tigar Footwear has undergone both a regular audit by the certification body and a third-party audit. The company was visited by QA experts from the Decathlon Group, who, over the course of two days, inspected all quality management system elements. Their findings, reported at the concluding meeting, were very positive; a formal report is to follow, and ongoing cooperation with this group is expected.

3.3. ENVIRONMENTAL PROTECTION

Tigar's manufacturing facilities are located in the town's industrial zone, at the end of the Pirot Valley. The existing environmental conditions and unaltered ecosystems attest to the good environmental practices followed by the Company. The Company opted to follow a tradition of sustainable development even prior to the establishment of current environmental standards.

Environmental management is integrated with the quality management system. At the corporate level, the Executive Director for Quality Assurance is responsible for environmental management and the Quality Function coordinates all activities pertaining to environmental protection. At the subsidiary level, QA departments address any particular environmental concerns.

The Corporation obtained its first ISO 14001 environmental management certification in 2003. Since then, the system has continually been improved and enhanced, with noticeable results.

Environmental impacts of rubber industries generally originate from:

- the generation of solid waste;
- the utilization of natural resources;
- emissions into the atmosphere; and
- wastewater.

Potential environmental concerns addressed by Tigar are the use of raw materials classified as hazardous substances, including flammable liquids and gases. These substances are purchased, stored, and used in accordance with applicable regulations. Records of hazardous substances are kept and annual reports submitted to the Ministry of Environmental Protection in accordance with the Regulation on the Methodology for Chemical Accident and Environmental Protection Risk Assessments, on Preparation Measures, and Impact Elimination Measures (Official Gazette, nos. 60/94 and 63/94). All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet, derived from the manufacturer's MSDS, is provided for each raw material. In addition to the preventative measures which are in place for raw material storage areas, accident response plans have been prepared in the event of spillage, to protect employee and environmental health. Tigar's manufacturing subsidiaries (Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products) have undergone special inspection within the scope of the national SAVECO Project, whose objective is to identify facilities and structures in which hazardous substances that can cause chemical accidents are manufactured, stored or used. The quantities of hazardous substances stored by Tigar are far below critical levels for potential chemical accident situations.

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Most of the industrial waste generated at Tigar is on the „green list“.

Description of waste	Waste classification	Waste qualification
Noncured rubber waste	GK 010 , Green list	Nonhazardous waste
Cured rubber waste	GK 010 , Green list	Nonhazardous waste
Plastic waste (polyethulene)	GK 010 , Green list	Nonhazardous waste
Wood waste	GL 010 , Green list	Nonhazardous waste
Scrap paper	GI 010 , Green list	Nonhazardous waste
Metal	GA , Green list	Nonhazardous waste
Wasted oils and grease	UN9 H13, AC 030	Hazardous waste

Tigar's waste generated by manufacturing processes is classified in accordance with the Regulation on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). Solid recyclable waste is kept at Tigar's Secondary Raw Materials Warehouse only for short periods of time and then sold to

waste recyclers via Tigar Workshop. Non-recyclable waste and waste which cannot be used as a secondary raw material for any other process is deposited at the municipal landfill. Waste generated by all Tigar subsidiaries is disposed of under

Emission test results, power station emitter			
<i>Tests conducted by the 1 may Institute from Niš, Lab accredited per ISO 17025</i>			
<i>Parameter</i>	<i>Unit</i>	<i>Test results average</i>	<i>Emission limit values</i>
<i>Carbon monoxide concentration</i>	<i>mg/m3</i>	<i>12</i>	<i>250</i>
<i>Sulfur dioxide concentration</i>	<i>mg/m3</i>	<i>1957.3</i>	<i>3200</i>
<i>Nitrogen oxide concentration</i>	<i>mg/m3</i>	<i>44</i>	<i>450</i>
<i>Particulate matter concentration</i>	<i>mg/m3</i>	<i>9.6</i>	<i>100</i>
<i>Inorganic fluoride and chlorine compounds were not detected</i>			

contract with Pirot's solid waste utility. Since there is no hazardous waste dumpsite in Serbia, such waste was stored in special, secured containers on the Company's grounds and was regularly inspected. Waste oil is an exception; it is returned to the refinery for recycling. Waste management at Tigar is defined by internal regulations which set forth waste flow procedures and control.

A modern, automated power station, designed to fire natural gas or fuel oil, has been installed at the location which hosts Tigar's manufacturing entities. The old boiler facility, which fired solid fuel (coal), ceased operating in August 2008. In addition to higher efficiency and the elimination of slag which constitutes hazardous waste, the quality of gas emissions has significantly improved.

The utilization of natural resources is an inevitable environmental aspect of manufacturing. Tigar's subsidiaries use both water from the public water supply system and industrial water. The number of metering points has been increased to facilitate detection of increased consumption and the undertaking of appropriate measures to ensure efficient consumption of this most important natural resource. Water is used for sanitary needs, as a source of energy (steam), and as a cooling fluid. None of Tigar's subsidiaries uses water as part of its manufacturing processes and, as such, Tigar's water uses do not result in any pollution originating from such sources (i.e., no industrial wastewater is discharged).

Tigar's liquid effluents, generally standard urban wastewaters, are discharged into the public sewage system in accordance with the conditions stipulated in Tigar's Water Permit. Wastewater quality is routinely monitored by certified laboratories, in accordance with the law, and is always found to be compliant. This monitoring encompasses a number of parameters which demonstrate any 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 maximum permissible concentrations (MPCs) of pollutants has been recorded.

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Fire risk is inherent in the production processes of the four manufacturing entities. 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 also well-equipped and adequately staffed to provide fire protection, fire fighting and physical security services.

None of Tigar's subsidiaries uses or stores radioactive substances.

There are no pending proceedings against Tigar or its subsidiaries relating to environmental issues. There are also no litigation proceedings involving Tigar arising out of environmental issues.

Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products, and Tigar Workshop submitted information to the Environmental Protection Agency, as required for the Integrated Register of Polluters pursuant to the Environmental Protection Law (Article 75) and Regulations on the Integrated Polluter Register Development Methodology (Official Gazette no. 94/07). These obligations also include reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste, types and quantities of hazardous substances), and submission of information about major raw materials, manufactured products, and the like. All of this information is accessible to the public.

Regular inspections were conducted and compliance with environmental legislation was confirmed.

There were significant changes in the legal environment during the reporting period. A number of laws harmonized with EU directives were passed. Secondary legislation based on these laws is expected to be enacted shortly. From an environmental perspective, the Company's business is subject to the following laws:

- *Environmental Protection Law,*
- *Law on Integrated Prevention and Control of Pollution of the Environment,*
- *Air Protection Law,*
- *Waste Management Law,*
- *Law on Packaging Material and Packaging Waste,*
- *Environmental Noise Protection Law,*
- *Law on Chemicals,*
- *Water Law,*
- *Fire Protection Law, and*
- *Law on Explosive Substances, Flammable Liquids and Gases.*

In addition to the above laws, environmental impacts are regulated by a large number of by-laws, regulations and decrees, which have not been listed because of their large number. Tigar monitors its compliance with these laws and regulations on an ongoing basis. Action plans are prepared whenever changes need to be implemented; they specify deadlines for harmonization with new legal requirements, activities, required resources, and responsibilities.

Wastewater quality test results				
<i>Test conducted by the Publik Health Institute from Niš Lab accredited per ISO 17025</i>				
<i>Item</i>	<i>Required lab test</i>	<i>Unit</i>	<i>Limit values</i>	<i>Test results</i>
1	Water temperature ⁰ C	⁰ C	up to 40	15.1
2	pH	mg/l	6.0-9.5	6.9
4	Ammonium ion - NH ₄ ⁺	mg/l	-	25.5
5	Nitrates- NO ₃ ⁻	mg/l	30	2
6	Nitrites - NO ₂ ⁻	mg/l	50	not detected
7	Chlorides - Cl ⁻	mg/l	500	26
8	Sulfates - SO ₄ ²⁻	mg/l	350	30.7
9	KMnO ₄ demand	mg/l	-	138
10	Detergents	mg/l	10	0.88
11	Sedimentable solids	mg/l	1	0.05
12	Suspended solids	mg/l	500	110
13	BOD	mg/l	300	107
14	COD	mg/l	450	217
15	Oil and grease	mg/l	40	22.5
16	Chromium - Cr ⁶⁺	mg/l	0.1	not detected
17	Chromium - Cr ³⁺	mg/l	0.5	not detected
18	Lead - Pb	mg/l	2	not detected
19	Cadmium - Cd	mg/l	2	not detected
20	Zinc - Zn	mg/l	5	0.329
21	Copper - Cu	mg/l	2	0.028
22	Nickel - Ni	mg/l	3	not detected
23	Manganese - Mn	mg/l	-	not detected
24	Iron - Fe	mg/l	5	not detected

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3.4. 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 30 June 2009

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 Sporting Goods	11.07.13	Tigar AD
Ž-152/07	29.01.07	56018	Tigar	29.01.17	Tigar AD
Ž-1703/07	26.07.07	56315	Tigar Footwear	26.07.17	Tigar AD
Ž-1704/07	26.07.07	56315	Tigar Obuca	26.07.17	Tigar AD
Z-2440/07	17.10.07	56371	Tigar Chemical Products	17.10.17	Tigar AD
Ž-2441/07	17.10.07	56370	Tigar Tehnička guma	17.10.07	Tigar AD
Ž-2/08	03.01.08	57651	Tigar Poslovni servis	03.01.18	Tigar AD
Ž-212/08	05.02.08		Tigrostik	-	Tigar AD
Ž-211/08	05.02.08		Tigrolux	-	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	-	Hotel Stara Planina	-	Tigar AD
Ž-1433/08	06.06.08	-	Overload	-	Tigar AD
Ž-1475/08	11.06.08	-	Waterpolo Senior	-	Tigar AD
Ž-1473/08	11.06.08	-	Waterpolo Mini Mini	-	Tigar AD
Ž-1431/08	06.06.08	-	Waterpolo Junior	-	Tigar AD
Ž-1472/08	11.06.08	-	Special	-	Tigar AD
Ž-1432/08	06.06.08	-	Basketball Tg21 Official	-	Tigar AD
Ž-1474/08	11.06.08	-	Neos	-	Tigar AD
Ž-1469/08	11.06.08	-	Tricker Ball Basketball	-	Tigar AD
Ž-1471/08	11.06.08	-	Bistro fishing buoy	-	Tigar AD
Ž-1468/08	11.06.08	-	Overload Handball	-	Tigar AD
Ž-1470/08	11.06.08	-	Dynamic Overload	-	Tigar AD
Ž-1429/08	06.06.08	-	Overload Waterpolo Junior	-	Tigar AD
Ž-1467/08	11.06.08	-	Overload Waterpolo Mini Mini	-	Tigar AD
Ž-1476/08	11.06.08	-	Overload Waterpolo Senior	-	Tigar AD
Ž-1430/08	06.06.08	-	Basketball TG21 Overload	-	Tigar AD
Z-2441/07	17.10.07	-	Tigar Tehnička guma	-	Tigar AD
Ž-2681/08	03.11.08	-	Trapper	-	Tigar AD
Ž-2906/08	02.12.08	-	Seeking hunter	-	Tigar AD
Ž-2905/08	02.12.08	-	Waiting hunter	-	Tigar AD
Ž-2682/08	03.11.08	-	Pesca	-	Tigar AD
Ž-2679/08	03.11.08	-	Rainy days	-	Tigar AD
Ž-2680/08	03.11.08	-	Nancy	-	Tigar AD
Ž-2678/08	03.11.08	-	Ladybird	-	Tigar AD
Ž-2677/08	03.11.08	-	Ratar	-	Tigar AD
Ž-2676/08	03.11.08	-	Balerina	-	Tigar AD
Ž-2675/08	03.11.08	-	Work	-	Tigar AD
Ž-2904/08	02.12.08	-	Polar	-	Tigar AD
Ž-2674/08	03.11.08	-	Protecta	-	Tigar AD
Ž-2673/08	03.11.08	-	Forestry Line	-	Tigar AD
Ž-2672/08	03.11.08	-	Fireproof	-	Tigar AD
Ž-2671/08	03.11.08	-	Cryo	-	Tigar AD
Ž-2670/08	03.11.08	-	Sparkle safety	-	Tigar AD
Ž-2661/08	31.10.08	-	Firefighter Super Safety	-	Tigar AD

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Ž-2662/08	31.10.08	-	Century Super Safety	-	Tigar AD
Ž-2659/08	31.10.08	-	Century 4000 Safety	-	Tigar AD
Ž-2660/08	31.10.08	-	Forester 3000	-	Tigar AD
Ž-2903/08	02.12.08	-	Trendy	-	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-312/09	18.02.09	-	Tigar Obezbeđenje	-	Tigar AD
Ž-492/09	17.03.09	-	Tigar Security	-	Tigar AD
Ž-546/09	27.03.09	-	Tigar Trade	-	Tigar AD
Ž-639/09	13.04.09	-	Hotel StarA	-	Tigar AD
Ž-1012/09	30.06.09	-	Brolly	-	Tigar AD
Ž-1011/09	30.06.09	-	Maniera	-	Tigar AD
Ž-551/09	27.03.09	-	Bottega	-	Tigar AD
International trademark	03.07.97	675 773	Tigar	20.05.17	Tigar AD
USA	24.10.78	675 773A	Tigar	20.05.17	Tigar Tyres
USA	02.11.07	1174089	Tigar Logo	15.08.12	Tigar Americas Corp.
USA		77320619	Tigar	-	Tigar Americas Corp.
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 appearance and contents of the flagship trademark fall within the jurisdiction of the Board of Directors. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

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

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

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

In 2009, Tigar initiated the national and international registration of the Maniera and Brolly trademarks owned by Tigar AD.

Tigar Technical Rubber Goods has one pending patent application with the Serbian Intellectual Property Office, for an invention entitled "Tigar Flex" Flexible Hose Production Technology, filed on 30 January 2006 under no. P-2006/0071.

Tigar AD holds two internet domain names: www.tigar.com and www.tigar.co.yu. Tigar Footwear holds five new domain names: www.century-safety.com, www.century-safety.de, www.century-safety.fr, www.century-safety.es and www.century-safety.co.uk.

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

3.5. INFORMATION TECHNOLOGIES

The IT Function is a part of Tigar AD which provides data management services to Tigar. 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 network and anti-virus protection
- Maintenance of internet and internet access
- Standardization of corporate hardware and software

The IT Function employs 16 individuals, 13 of whom are university graduates. It is comprised of two departments:

- The Programming and Development Department, and
- The Installations Department.

The Programming and Development Department employs eight engineers who develop and generate application software and provide logistic support to users.

The Installations Department employs four engineers. Two of these engineers are in charge of data entry and one operates the system console. This department installs and maintains hardware and operating system software at workstations, monitors the operation of the host computer, installs user applications, defines users and grants access privileges.

The IT Function ensures access to the IT Center, the Internet and the Intranet by all Tigar locations. The IT Center and the various Company sites are linked by means of optical cabling. Local IT engineers maintain local computer networks and local computer equipment at the manufacturing plants, while the IT Function maintains computer equipment at all other Tigar locations. The IT Function ensures data security at host computer and workstation levels, as well as appropriate anti-virus protection. Backups from the main server and anti-virus update downloads are made on a daily basis, and workstations automatically download updates upon morning boot-up.

In the Central Computer Room there is a production server - IBM POWER-6 M25 with the IBM operating system OS400 V5R4 and DB2 database - which is used for communications, development, applications and access to databases. The disaster recovery machine is IBM POWER-6 M15, with the same operating system. There is an IBM POWER-6 M15 machine at another location, the ICT Center at Tigar 3. These two systems communicate directly, via optical cabling. Using IBM's ITERA software installed on both machines, databases are replicated on-line and in real time such that, in the event of failure of the production server, the M15 machine can assume

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all of its functions and become the main production server until the M25 server is back online. This ensures continuous operation of the entire IT system and uninterrupted access by users.

Additional security is provided by tape backups, using the system's tape library.

Files are backed up daily at three levels. Media containing backups are kept in a metal safe under lock and key. Entry into the Central Computer Room is limited to essential personnel – system engineers who have coded access. A data warehouse server (with a Windows 2000 operating system and Progress database), internet server, intranet server, web server, DNS server, and mail server are also located in the Central Computer Room. Only computer equipment made by reputable manufacturers (e.g., IBM and Dell) is used

Tigar's business entities and the IT function are linked via optical cabling. Local networks within the entities use UTP Class 5 cabling, while UTP Class 6 (transmission speed up to 1 Gbit/s) cabling is used at the new, Tigar 3 location. The network protocol is TCP/IP. Wireless networks are also available at the corporate administration building and the new Tigar Footwear factory.

Tigar's entire communication network is protected from unnecessary broadcast traffic within the network and between workstations by virtual LANs deployed by functional entity. This also enhances network performance in terms of speed, response, and data transmission. A total of 15 virtual LANs are available within the Corporation.

Control of Internet traffic is provided by means of additional Juniper-140 hardware and software components, which ensure faster response and data transmission, higher network and user security through a server in the DMZ zone, as well as enhanced performance of the overall system.

Links with distant locations (regional offices and warehouses) are supported by a L3VPN corporate network with a throughput of 2Mb/sec. It provides online access to and by the Niš, Belgrade and Novi Sad branch offices, and the warehouses at Šimanovci and Temerin. These facilities use warehouse and general business applications in real time. Data transmission and Internet connection protocols are independent, to prevent unauthorized access via the Internet.

A Juniper hardware firewall was installed at the business center in Belgrade. It allows safe external access to the Tigar network. The separation of Internet traffic and data transmission significantly increases the access and response speed and provides a comfortable work environment.

The Company uses all data transmission systems supported by Telecom: FR (frame relay) link to the internet provider, primary ISDN, FTP internet service for communication with branch offices, retail outlets, and regional centers, and the like. A Falcon video conferencing system with three ISDN lines has been installed.

The Tigar 3 location and the corporate administration building at the Tigar 1 location use an IP telephone switchboard - AWAYA S8300, which includes a media server - Awaya6700. Communication with Telekom is established via two primary ISDNs and 60 incoming lines. The switchboard currently services 450 extensions, but can be expanded to 900 extensions, 34 wireless base units (DECT phones), and 24 analog channels. Three "conference rooms" are currently active. They are accessed via authorization codes. Each phone of the Awaya 1608 system can be used to set up an internal conference with five other participants from Tigar, without using the "conference room". The old OMNI switchboard was fully integrated with the new IP AWAYA system and both function as a single communication system. Internal software allows for easy administration and maintenance of the corporate telephone system, controlled access and use, as well as cost monitoring and management by user, group of users or business unit.

The system supports a centralized business application with 18 different modules, 800 table formats, and some 2000 programs which are used by the Company and its subsidiaries in their daily activities.

Appropriate software support has been provided for all organizational changes in the interim. A new environment and all the necessary software is in place for the new subsidiary – Tigar Trade. Maintenance and continual software enhancements constitute an ongoing activity.

Full application support has been provided for comprehensive use of the IBM POWER-6 M25 server by Tigar Footwear, Tigar Chemical Products, and Tigar Incon. The same activity is nearing completion at the Pirot Free Zone.

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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 on-line 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.

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3.6. SOCIAL RESPONSIBILITY

In keeping with its social responsibility policy, Tigar is committed to a high level of responsibility to the community in which it earns its profits. All social stakeholders and representatives, both within the Company and beyond, are treated in a socially responsible and ethical manner. Corporate social responsibility (CSR) is ensured by our strategic corporate documents and the Corporate Governance Code, which constitute an integral part of Tigar's overall business policy. Tigar's vision, mission corporate values clearly define its relationships with employees, customers, the local community and society, and its attitude toward the environment, which constitute a balanced approach and are consistent with CSR strategies that are well-established today.

Respect for our customers

The Company demonstrates its responsibility to customers through the production and distribution of safe, high-quality products; it offers a product mix and designs which meet customer needs, at competitive prices and on a continual basis. During the reporting period, the Company developed a number of highly sophisticated and attractive products and provided unique services to the Serbian market. By putting the Bottega sales chain into place, the Company now offers the marketplace new and modern sales facilities, which, by design, suggest a gallery setting where Italian men's, women's and children's leather footwear is displayed alongside Tigar's stylish line of Maniera rubber boots for the 2009/2010 season. Tigar's orientation to its consumers and service users is evidenced by its expansion of Tigar Trade's automotive service and sales network; this network, named „Stop & Drive“ in mid-2009, is the largest domestic network for the servicing of vehicles and sales of tires and automotive accessories. With more than twenty service centers across the country, and four mobile units, it is unique, both in terms of its high level of professional servicing and its efficiency, and offers a wide array of high-quality well-known internationally branded products for passenger, light- and heavy-duty vehicles. In the first six months of 2009, a new service center of this type was opened in Inđija, and the service center in Pirot was expanded. Intended for cars and light utility vehicles, Stop & Drive in Pirot offers tire repairs, light servicing of vehicles, and wheel alignment, all in a single location. There is also a car wash, and statutory vehicle inspection services will soon be added. The Nis service center is also undergoing expansion and upgrading and will also be performing vehicle inspections in the near future.

The quality we offer and our focus on our customers are demonstrated by our commitment to ISO and other applicable standards, and regular customer satisfaction surveys.

Respect for our employees

Respect for our employees is one of the most important aspects of our CSR policy. In line with the principle that employee health and safety are our number one priority, during the reporting period we conducted training courses for all new employees in fire protection, use of personal safety aids, handling of hazardous and toxic substances, and measures to be undertaken in the event of undesirable situations. We also ensured that all newly acquired equipment was certified as required by applicable legislation.

Based on the Occupational Health and Safety Law, and as stipulated by Workplace and Work Environment Risk Assessment Regulations, we prepared a comprehensive risk assessment report. We also made all the necessary preparations and conducted training courses in connection with the implementation of the Occupational Health and Safety Management System in accordance with OHSAS 18001.

During the reporting period, the Company adopted a Quality Management Policy, Environmental Policy, and Occupational Health and Safety Policy. It issued an Occupational Health and Safety Policy Statement through which Tigar confirms that occupational health and safety are among its strategic commitments. This has created conditions for the implementation of an Occupational Health and Safety Management System and its incorporation into Tigar's Integrated Management System which already includes quality management (ISO 9001) and environmental management (ISO 14001).

During the reporting period, the Company organized and sponsored a number of corporate sports events, weekends away from home and vacations at health resorts for its employees and their families, at subsidized rates, all aimed at preventing occupational disability.

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Active communication with shareholders and investors

During the reporting period, Tigar AD duly adhered to its Corporate Governance Code, the responsibilities it assumed when it was A-listed on the Belgrade Stock Exchange, and sound international practices relating to transparent reporting and communication with shareholders and the investment community. Active communication with these target groups was implemented through: regular annual and quarterly performance reporting; significant event reports and media releases concerning business activities of interest to shareholders and the general public; direct communication with shareholders and investors. Tigar's largest shareholders visited Tigar and the new footwear factory at the end of May 2009. They had an opportunity to tour the new industrial facilities which feature the highest rubber-footwear manufacturing capacity in Europe, and to familiarize themselves with corporate plans in a personal exchange with the management team.

Tigar communicated with its shareholders and investors via its corporate services and participated in investment conferences. Additionally, the Company's web site and the web site of the Belgrade Stock Exchange are regular communication channels.

Tigar partnered with the Belgrade Stock Market and USAID to organize a training program for Tigar shareholders and other interested individuals and legal entities; the program was aimed at encouraging interested parties to conduct stock trades on the Belgrade Stock Exchange.

Philanthropic activities

During this reporting period the Company participated in a number of valuable philanthropic activities, which were in keeping with the Company's goal of extending aid and support to projects which benefit wide groups of citizens. Numerous donation and humanitarian undertakings were realized in key areas of community life – education, culture, arts and sciences, health and sports. The Company particularly aided institutionalized children throughout Serbia – in Aleksinac, Negotin, and Bela Crkva. Tigar continued to work with the „Cika Jova Zmaj“ Pre-School Center during the reporting period and children at five of their locations received realistic doll scenes and guignol toys which will assist them in developing their creative potential.

Promoting corporate social responsibility

The Tigar Corporation continued to follow a balanced approach in its corporate social responsibility, not focusing its activities in one single area nor favoring only a single target group. Tigar's vision with respect to conducting its business in a socially-responsible manner continues to focus on corporate ethics and environmental protection. Tigar follows a policy of support for its employees, local community and the society within which it operates, while continuing to demonstrate great respect for the Company's shareholders, consumers and business partners through a holistic CSR approach.

In the first half of 2009, the Corporation, in cooperation with the Balkan Community Initiatives Fund, organized a regional conference – CSRbia 2009: New Challenges for Corporate Social Responsibility - which attracted professionals in numerous fields and had the goal of promoting corporate social responsibility in the region, particularly among small and medium-sized companies, to enable a quality, cross-sectional dialog.

For its exemplary performance, which includes establishing a high level of professionalism and ethics, showing great regard for its business partners, clients and consumers, and devoting attention to wider social interests, the local community and environmental imperatives, the Tigar Corporation was awarded the 2009 Business Partner Award by Massmedia International.

3.7. CORPORATE GOVERNANCE

During the reporting period, Tigar duly adhered to its adopted Corporate Governance Code—the Codex. Activities continued with the IFC and an external consultant on a Tigar AD corporate governance refinement project.

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4. MANAGEMENT

The management structure is unchanged. The General Assembly of Shareholders (GAS) elects the Board of Directors. The Board of Directors elects the Executive Board. The Executive Board is in charge of day-to-day operations. There is also a three-member Supervisory Board, which reviews all of Tigar's documents and the status of its assets. It reports findings in these and other specific areas to shareholders. At its annual session held on 19 June 2009, the GAS re-elected the Board of Directors.

As of 30 June 2009, the corporate governing bodies are as follows:

Board of Directors

Name	Responsibility at Tigar/Position outside Tigar
<i>Executive members:</i>	
Dragan Nikolić	Executive Board Chairman and Chief Executive Officer
Jelena Petković	Executive Director for Corporate Management Support
Slobodan Sotirov	Executive Director for Quality Assurance
Milivoje Nikolić	Executive Director for Human Resources
<i>Non-executive members:</i>	
Vladimir Nikolić	Director General of Tigar Tyres
Ljubiša Nikolovski	HR Director at Tigar Tyres
Jose Alexandre F. da Costa	Legal Counsel to Tigar AD's CEO
<i>Independent members:</i>	
Dr. Živko Mitrović	Full Professor at Belgrade University School of Business Administration
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.

During the reporting periods, members of the Board of directors received remuneration in the gross aggregate amount of 5,329,650 RSD. The Board of Directors held five meetings.

Executive Board

The structure and composition of the Executive Board have not changed since the last published report.

The Executive Board consists of eight members:

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

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

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During the reporting period, the Executive Board held six meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

Members of the Executive Board receive no special compensation for their services as members of the Executive Board.

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

Supervisory Board

Current members of the Supervisory Board are:

Full name	SB position	Principal activities outside Tigar
Milivoje Cvetković	Chairman	Certified accountant, retired, partner of Deloitte Central Europe
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration
Dragan Milosavljević	Member	<i>Ministry of Finance, Treasury Administration, Belgrade</i>

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

During the reporting period, members of the Supervisory Board received an aggregate gross compensation of 506,473 RSD

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5. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY

5.1. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. In 2008, there were four manufacturing plants at two separate locations. The larger location held tire, rubber goods, and chemicals products manufacturing facilities. Tigar Footwear was located at a separate site. It moved to the Tigar 3 location, which was purchased in 2006 and refurbished and prepared for re-location in 2008. During this time, the Tigar 3 project was booked as a „capital project in progress“. Tigar owns several buildings in Belgrade, and Tigar Trade owns buildings across Serbia (office buildings, warehouses, and retail outlets).

Tigar Tyres owns the buildings in which it operates, and holds the right to use the land on which these buildings are located. Tigar owns or holds the right to use all the remaining land. The buildings on this land are owned by Tigar and/or the subsidiaries it controls. Buildings used by Tigar's manufacturing subsidiaries are owned by them. The buildings used by Tigar's service subsidiaries are either owned by the respective subsidiary or by Tigar. Based on a resolution of Tigar AD's General Assembly of Shareholders concerning the sale of a portion of infrastructure-enabled land at the Tigar 2 location, and the pertinent contract with Tigar Tyres dated 27 March 2008, Tigar Tyres acquired 148,274 m² of additional industrial land (and the surface area of undeveloped land owned by Tigar AD was reduced by as much).

Per Serbian laws, urban land zoned for construction is owned by the state, and Tigar has acquired the permanent right to use the land. Land away from urban construction zones is owned by Tigar.

Land

The total number of cadastral lots owned by Tigar and its subsidiaries is 123 as of 30 June 2009. Their total surface area is 339,147 m², of which 269,298 m² is undeveloped land. The book value of the land is RSD 41.943.959,51.

Buildings

Tigar and its main subsidiaries own a total of 140 buildings (this figure excludes Tigar Trade, which has 27 buildings).

The total surface area of the buildings owned by Tigar and its subsidiaries is 69,849 m² (of which 6,583 m² are owned by Tigar Trade).

As of 30 June 2009, the book value of buildings owned by Tigar and its major subsidiaries was RSD 1.362.415.403,39

The following table shows the book value of buildings owned by Tigar AD, its major subsidiaries, and the Pirot Free Zone.

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Book value of buildings of Dinars

ENTITY	31 December 2007	31 December 2008	30 June 2009
Tigar AD	158.535.507,71	65.722.853,24	189.034.663,52
Tigar Trade DSN	95.142.125,90	117.476.083,94	142.031.598,78
Tigar Technical Rubber Goods	827.305,00	772.021,00	744.379,00
Tigar Chemical Products	49.261.268,72	46.749,00	45.519,00
Tigar Footwear	29.965.650,20	781.764.477,38	838.110.359,39
Tigar Protective Workshop	4.447.654,61	11.122.403,23	11.056.517,84
Tigar Business Service	3.254.784,64	64.798.304,78	64.172.175,78
Tigar Tours	0,00	6.562.088,10	6.502.403,10
Tigar Hotel StarA	1.278.075,76	81.298.046,40	80.557.744,40
Tigar Security	924.612,31	882.584,31	861.570,31
Tax Free Zone	28.502.993,12	29.647.119,79	29.298.472,27
Total	372.139.977,97	1.160.092.731,17	1.362.415.403,39

Material encumbrances

The Company's material encumbrances at the end of June 2009 were as follows

Municipal Court of Pirot certificate ref. I no. 1562/04 dated 21 December 2004, under agreement in favor of Yu Banka Belgrade, places a lien against real property (cardboard and footwear plant buildings) serving as a security for the following agreements between Yu Banka and Tigar:

- Agreement no. 3617/04 dated 6 October 2004, EUR 704,494.39 (outstanding balance EUR 404,724.72);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,397,235.77); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,357,313.65).

A mortgage statement certified by the Municipal Court of Pirot on 8 May 2009 under reference number 3136/09, and a mortgage statement certified by the same court on 19 May 2009 under reference number 3297/2009, both place a lien against real estate (Tigar's administration building) in favor of the UniCredit Bank AD Belgrade, as collateral under the following agreements:

- Short-Term Loan Agreement, to support liquidity and finance permanent working capital, subsidized interest rate, reference R. 1487/09. Tigar Footwear is the borrower and Tigar AD is the sponsor. The amount of the loan is EUR 1,000,000.
- Short-Term Loan Agreement, to support liquidity and finance permanent working capital, subsidized interest rate, reference R. 1573/09. Tigar Footwear is the borrower and Tigar AD is the sponsor. The amount of the loan is EUR 1,000,000.
- Short-Term Loan Agreement, to support liquidity and finance permanent working capital, subsidized interest rate, reference R. 1581/09. Tigar AD is the borrower. The amount of the loan is EUR 1,000,000.
- Revolving Credit Line Agreement for bank guarantees, reference R. 3675/07, including Appendices 1 and 2. Tigar Trade, Tigar AD, and Tigar Footwear are parties to this agreement. The amount is EUR 200,000.
- Short-Term Revolving Loan Agreement, reference R. 3257/08, including Appendix 1. Tigar Footwear is the borrower and Tigar AD is the sponsor. The amount of the loan is EUR 1,500,000.
- Short-Term Revolving Loan Agreement, reference R. 3255/08, including Annex 1/2009. Tigar AD. Amount EUR 1,000,000.
- Short-Term Loan Agreement, to support liquidity and finance permanent working capital, subsidized interest rate, reference R. 1581/09. Tigar AD. Amount EUR 1,000,000.
- Overdraft Agreement, reference R. 1577/09. Tigar Footwear is the borrower and Tigar AD is the sponsor. The amount is RSD 8.600.000.

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- Overdraft Agreement, reference R. 3579/08 including Annex 2009 . Tigar AD Amount RSD 10,000,000.

Municipal Court of Pirot certificate ref. I no. 622/09 dated 25 June 2009, under agreement in favor of the Hypo Alpo Adria Bank, places a lien against real property (cadastral lot 3390/04 – Building 1, First Aid) serving as security under Short-Term Loan Agreement (subsidized interest rate loan) L 1215/09. Tigar Trade is the borrower and Tigar AD is the sponsor. The amount of the loan is EUR 1,000,000.

5.2. 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 (amounts shown do not include interest):

DEFENDANT	CLAIM
TREPČA-Zvečan	9.637.376
UNION BANKA	6.194.000
LOLA KORPORACIJA	7.159.000
2M-Pirot	2.247.300
TIGAR PROM-Nova Varoš	3.636.000
PRIMA TREJD-Kučevo	1.174.680
TOTAL:	30.048.356

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, long-term restructuring processes (e.g., the Lola Corporation), or a lack of assets (Prima Trejd –Kučevo)

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.

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6. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES

6.1. TIGAR FOOTWEAR

Tigar Footwear (Tigar Obuća d.o.o.) is a subsidiary of Tigar AD. It manufactures rubber footwear for various market segments. Its basic products lines include:

- *General-purpose footwear.* Tigar's general-purpose women's and men's footwear includes low rubber shoes, used principally by farmers; a wide range of rubber boots; women's fashion rubber footwear; and children's rubber footwear.
- *Rubber boots for hunting and fishing.* Tigar's specialized rubber boots for hunting and fishing are sold primarily to the international market. This group of products includes high rubber wading boots for fishing and a wide range of boots for hunting. Domestically and in the Balkan countries, these boots are sold under the Tigar brand name. For international markets, Tigar brands the boots with the name of its customer.
- *Safety rubber boots and work boots.* Tigar's safety rubber boots and work boots are manufactured for use by firemen, forestry workers and other workers who require specialized boots which provide protection from mechanical, heat, electrical and chemical impacts. These boots are made from special materials designed to withstand extreme conditions.

Business activity codes and headings per local classification:

19303 Manufacture of rubber footwear

51420 Wholesale distribution of apparel and footwear

52430 Retail distribution of footwear and leather goods

52630 Other, non-outlet retail distribution

The year 2008 was characterized by a comprehensive upgrade of Tigar Footwear's production facilities after its new plants were put into operation at the Tigar 3 location, the purchase of Hunter's Century Division (resulting not only in a wider range of internationally recognized brands, but significant technological and manufacturing process improvements as well), the creation of conditions for cutting all types of costs due to implemented production process improvements, substantial quality improvements, intensified development activities, and an increase in the number of international customers.

Tigar's financial transaction with the financial organization DEG was a major contributor to the successful implementation of the upgrading process. DEG granted a long-term capital loan with a four-year grace period to Tigar Footwear and provided the necessary funding for machinery and equipment upgrades. The first disbursement of the loan of €5 million in 2008 allowed Tigar Footwear to complete the first and most extensive phase of its upgrading project. The second disbursement was made at the end of June 2009. These funds will be used to purchase equipment which will boost Tigar Footwear's productivity.

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2009 Semi-annual financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	1,171,806	1,187,939
Intangible assets	45,988	49,930
Property, plant and equipment	1,125,818	1,138,009
Property, plant and equipment	1,125,818	1,138,009
Long-term financial placements	-	-
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	922,422	809,338
Inventories	471,730	543,013
Assets held-for-sale		
Accounts receivable, placements and cash	450,692	266,325
Accounts receivable	379,600	242,933
Receivables from over-paid taxes	74	
Short-term financial placements		
Cash and cash equivalents	31,833	498
Value added tax and prepayments	39,185	22,894
Deferred tax assets		
TOTAL ASSETS	2,094,228	1,997,277
EQUITY AND LIABILITIES		
Equity	817,610	827,062
Share and other capital	820,484	820,485
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	38,441	47,893
Loss	41,315	41,316
Shares buyback		
Long-term liabilities and provisions	1,275,169	1,168,766
Long-term provisions	34,777	22,118
Long-term liabilities	443,005	498,583
Long-term debt	443,005	467,208
Other long-term liabilities		31,375
Current liabilities	797,387	648,065
Short-term financial liabilities	157,902	281,648
Account payable	583,168	301,388
Other current liabilities	48,239	57,254
Value added tax and other taxes payable and accruals	8,078	7,775
Income taxes payable		
Deferred tax liabilities	1,449	1,449
TOTAL EQUITY AND LIABILITIES	2,094,228	1,997,277

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INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	545,032	634,427	16%
Sales of goods, products and services	391,383	494,423	26%
Work performed by the company and capitalized	6,348	4,445	-30%
Increase in inventories of finished products and work in progress	147,301	134,585	-9%
Decrease in inventories of finished products and work in progress			
Other operating income		974	
OPERATING EXPENSES	589,619	592,262	0%
Cost of commercial goods sold			
Material, fuel and energy consumed	298,813	304,436	2%
Staff costs	228,212	217,669	-5%
Depreciation, amortization and provisions	9,832	19,153	95%
Other operating expenses	52,762	51,004	-3%
PROFIT/LOSS FROM OPERATIONS	-44,587	42,165	profit vs loss
FINANCE INCOME	4,215	9,715	130%
FINANCE EXPENSES	17,996	41,979	133%
OTHER INCOME	63,126	177	-100%
OTHER EXPENSES	1,572	201	-87%
PROFIT/LOSS BEFORE TAXATION	3,186	9,877	210%
INCOME TAXES			
Current tax expence		425	
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	3,186	9,452	197%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	913,467	731,294
Cash receipts from customers	825,496	725,275
Interest received from operating activities	319	
Other receipts from operating activities	87,652	6,019
Cash outflow from operating activities	1,064,161	834,327
Cash paid to suppliers for raw materials and other expenses	573,182	591,061
Gross salaries and other personnel costs paid	472,416	208,598
Interest paid	17,457	17,915
Income tax expense		352
Other levies paid	1,106	16,401
Net cash inflow from operating activities	-	-
Net outflow from operating activities	150,694	103,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	-	-
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements (net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	435,492	50,754
Purchase of shares		
Purchase of fixed assets	435,492	50,754
Other financial placements (net outflow)		
Net cash inflow from investing activities	-	-
Net cash outflow from investing activities	435,492	50,754
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	593,777	121,527
Increase in capital		
Long-term and short-term borrowings (net inflow)	452,933	103,314
Other long-term and short-term liabilities	140,844	18,213
Cash outflow from financing activities	-	-
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)		
Financial lease		
Dividends paid		
Net cash inflow from financing activities	593,777	121,527
Net cash outflow from financing activities	-	-
Total cash inflow	1,507,244	852,821
Total cash outflow	1,499,653	885,081
NET CASH INFLOW	7,591	-
NET CASH OUTFLOW	-	32,260
Cash and cash equivalents at beginning of year	24,248	31,833
Foreign exchange gains on translation of cash and cash equivalents	5,632	1,258
Foreign exchange losses on translation of cash and cash equivalents	5,638	333
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	31,833	498

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6.2. TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods (TTRG) manufactures:

- Pressed rubber products
- Rubber profiles for the construction and automotive industries
- Sporting goods
- Rubber hoses
- Rubber-metal products
- Semi-finished rubber products

In 2008, TTRG operated at its old facilities at the Tigar 2 location, which were sold to Tigar Tyres as part of the overall transaction with Michelin since TTRG will move to the Tigar 3 location. Currently operating at the Tigar 3 location are several segments of the TTRG's "basic" product lines, which do not require large amounts of materials and are highly profitable. The new factory layout allows for considerable cost cuts, particularly in the area of energy consumption.

Essential preparatory work was financed and down payments for equipment ordered in 2008 were made from cash flow and a short-term bank loan of 0.6 million. During this reporting period a transaction was negotiated with the Hypo Alpe Adria Bank, to support the TTRG project. A portion of this transaction was realized in July and the remainder will be realized in September/October.

The relocation and upgrading of TTRG at its new location will allow for the plant which manufactures automotive parts to be a physically stand-alone unit, a pre-requisite for the implementation of the TS 16949 standard which is mandatory for all automotive industry suppliers. Plans call for TTRG to be certified in 2009.

Continuing its positive experiences related to the acquisition of the Century Division for the footwear business, the Company concluded negotiations to purchase technology, equipment and the brand Bilgutex from Denmark, in order to expand its presence in the manufacturing of finished products from recycled rubber. Technical and financial due diligence and capacity analyses of necessary equipment and marketplace demand revealed that it was a better business decision to make this purchase rather than to attempt to establish it from the ground up.

A great deal of time and thought has been invested in negotiations associated with the recycling business, which have included foreign and domestic partners and financial institutions which would provide support for the project. However, further actions have been delayed until next year pending the enactment of legislation which may affect the potential profitability of this program.

TTRG sells 85% of its products to the domestic market and 15% to international markets.

Most of TTRG's products are exported to the former Yugoslav republics, Russia, Greece, France, Italy, and Egypt. TTRG holds a significant share of the domestic market, from 15% in the sporting goods segment to 60% in the rubber profiles segment. TTRG competes with a large number of European and Asian companies. There are only a few local manufacturers of similar products.

TRG's market position is expected to improve considerably in 2009, as a result of the expected developments in Serbia and its neighboring countries:

- Shutting down of competitors' manufacturing capacities in Serbia;
- Active involvement of the Ministry of Defense in supplies for the military;
- Privatization of the Bor Mining Complex;
- Privatization of Zastava and FAP; and
- Privatization and revival of a large number of mines in Bulgaria and Macedonia;

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In order to increase its domestic and international market share during the 2009-2011 period, TTRG has set objectives and designed action plans which are expected to deliver the following:

- A 70% share of the domestic rubber profiles market segment: investment in a new UHF line
- A greater share of the French rubber profiles market segment, where TTRG appeared for the first time in 2007: investment in a new UHF line
- A significant share of the OEM supply (Zastava and FAP): quality certification
- Active involvement in the jump-starting of the Bor Mining Complex, with the new owner (only one of 11 floatation plants is currently active)
- Major presence in the recycled-rubber products market segment: investment in equipment for the manufacture of products made from recycled rubber;
- Major presence in the Balkan printing market segment: investment in equipment for manual rubber-coating of rollers; and
- Higher output and lower prices of sports balls: investment in new equipment.

Plans call for the following recycled-rubber products: rubber mats, playground tiles, different types of pressed products, and flooring for sports arenas, outdoor courts (including tennis courts) and fields, and the like, whose finish and performance characteristics will be suitable for either recreation or professional sports. Currently, there is no other manufacturer in Serbia who makes these types of recycled-rubber products. On a global scale, this market segment is dominated by two multinational corporations: Kraiburg and BSW. In addition to complete manufacturing lines, from granulate to final product, these two companies have a number of small suppliers from whom they purchase, for example, a single granulate fraction or a single type of final product. At the time of writing, no reputed manufacturer is present in the Serbian market directly or via agent/distributor.

Based on the basic plan, 50% of the output will be exported. This will rank the company among prevalent exporters and will secure the benefits granted to this group of exporters. The remaining output will be sold to the domestic market. In the domestic market, TRG's products would basically substitute exports. Since there was no local manufacturing, 100% of these products were imported.

Target customers in the country include city departments, construction agencies (to whom a wide range of products will be offered for paving squares, sidewalks, yards, promenades and other public surfaces), state institutions (education, health and child care – materials and flooring for playgrounds and school yards), and large public systems (Serbian Railways, Serbian Oil Industry, JAT Airways, postal services, etc.), and large construction companies (flooring, external wall coverings, waterproofing materials, road bumpers, rubber pellets added to asphalt, etc.).

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2009 Semi-annual financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	96,364	121,850
Intangible assets	7,427	24,562
Property, plant and equipment	88,937	97,288
Property, plant and equipment	88,937	97,288
Long-term financial placements		-
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	327,351	216,423
Inventories	179,986	157,044
Assets held-for-sale		
Accounts receivable, placements and cash	147,365	59,379
Accounts receivable	128,489	49,449
Receivables from over-paid taxes	9,269	9,165
Short-term financial placements	188	188
Cash and cash equivalents	4,156	416
Value added tax and prepayments	5,263	161
Deferred tax assets	556	555
TOTAL ASSETS	424,271	338,828
EQUITY AND LIABILITIES		
Equity	174,416	110,851
Share and other capital	179,523	179,523
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	4,705	118
Loss	9,812	68,790
Shares buyback		
Long-term liabilities and provisions	249,855	227,977
Long-term provisions	11,777	10,286
Long-term liabilities	628	662
Long-term debt		
Other long-term liabilities	628	662
Current liabilities	237,450	217,029
Short-term financial liabilities	49,991	78,255
Account payable	162,379	113,623
Other current liabilities	23,829	23,673
Value added tax and other taxes payable and accruals	1,209	1,478
Income taxes payable	42	
Deferred tax liabilities		
TOTAL EQUITY AND LIABILITIES	424,271	338,828

2009 SEMI-ANNUAL REPORT	Document reference
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INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	172,695	65,874	-62%
Sales of goods, products and services	167,900	59,254	-65%
Work performed by the company and capitalized	933	17,217	
Increase in inventories of finished products and work in progress	3,064		
Decrease in inventories of finished products and work in progress		10,597	
Other operating income	798		
OPERATING EXPENSES	191,586	123,543	-36%
Cost of commercial goods sold			
Material, fuel and energy consumed	87,337	31,911	-63%
Staff costs	76,018	67,967	-11%
Depreciation, amortization and provisions	4,078	4,678	15%
Other operating expenses	24,153	18,987	-21%
PROFIT/LOSS FROM OPERATIONS	-18,891	-57,669	-205%
FINANCE INCOME	353	1,641	365%
FINANCE EXPENSES	3,510	2,891	-18%
OTHER INCOME	23,600	145	-99%
OTHER EXPENSES	255	58	-77%
PROFIT/LOSS BEFORE TAXATION	1,297	-58,832	-4636%
INCOME TAXES			
Current tax expence		146	
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	1,297	-58,978	-4647%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	520,134	155,512
Cash receipts from customers	514,478	152,902
Interest received from operating activities	78	3
Other receipts from operating activities	5,578	2,607
Cash outflow from operating activities	544,428	169,330
Cash paid to suppliers for raw materials and other expenses	339,399	98,974
Gross salaries and other personnel costs paid	156,058	66,968
Interest paid	14,522	2,333
Income tax expense	22,864	
Other levies paid	11,585	1,055
Net cash inflow from operating activities	-	-
Net outflow from operating activities	24,294	13,818
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	0	0
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements (net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	81,308	10,088
Purchase of shares		
Purchase of fixed assets	81,308	10,088
Other financial placements (net outflow)		
Net cash inflow from investing activities	-	-
Net cash outflow from investing activities	81,308	10,088
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	202,355	25,683
Increase in capital	152,604	
Long-term and short-term borrowings (net inflow)	49,751	
Other long-term and short-term liabilities		25,683
Cash outflow from financing activities	109,248	5,467
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)		
Financial lease	248	190
Dividends paid	109,000	5,277
Net cash inflow from financing activities	93,107	20,216
Net cash outflow from financing activities	-	-
Total cash inflow	722,489	181,195
Total cash outflow	734,984	184,885
NET CASH INFLOW	-	-
NET CASH OUTFLOW	12,495	3,690
Cash and cash equivalents at beginning of year	16,783	4,156
Foreign exchange gains on translation of cash and cash equivalents		7
Foreign exchange losses on translation of cash and cash equivalents	132	57
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,156	416

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6.3. TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products (TCP) manufactures:

- *Special adhesives for conveyor belts*
- *Road paint*
- *Industrial and general-purpose adhesives*
- *Coatings, solvents, thinners and chemicals*

In view of the fact that TCP's plants at the Tigar 2 location were transferred to Tigar Tyres as part of the overall transaction with Michelin, some of TCP's activities focused on preparations for the opening of new plants at their new location as of the end of 2010. Since TCP manufactures chemical products, the opening of new manufacturing facilities will take longer and require compliance with a number of special regulatory requirements than would otherwise not be the case.

TCP's major domestic customers are road maintenance companies (Serbia Roads and Belgrade Roads) and various industries. There was a significant increase in exports as of 2009. For example, TCP exports specialized adhesives to South Africa and road paint to Greece. In view of the quality of TCP's products, it is realistic to expect a significant growth. The greatest challenge faced by TCP is production financing due to debt collection difficulties in its segment of the domestic market.

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2009 Semi-annual financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	13,568	11,352
Intangible assets	37	11
Property, plant and equipment	13,531	11,341
Property, plant and equipment	13,531	11,341
Long-term financial placements	-	-
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	362,156	204,331
Inventories	80,808	73,691
Assets held-for-sale		
Accounts receivable, placements and cash	281,348	130,640
Accounts receivable	279,668	115,771
Receivables from over-paid taxes		
Short-term financial placements		
Cash and cash equivalents	1,451	83
Value added tax and prepayments	229	14,786
Deferred tax assets	595	595
TOTAL ASSETS	376,319	216,278
EQUITY AND LIABILITIES		
Equity	110,263	69,183
Share and other capital	99,740	99,740
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	26,354	3,636
Loss	15,831	34,193
Shares buyback		
Long-term liabilities and provisions	266,056	147,095
Long-term provisions	2,101	1,808
Long-term liabilities	-	-
Long-term debt		
Other long-term liabilities		
Current liabilities	263,955	145,287
Short-term financial liabilities	1,600	18,000
Account payable	41,730	40,648
Other current liabilities	186,438	70,779
Value added tax and other taxes payable and accruals	9,493	3,513
Income taxes payable	24,694	12,347
Deferred tax liabilities		
TOTAL EQUITY AND LIABILITIES	376,319	216,278

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INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	71,084	91,943	29%
Sales of goods, products and services	84,315	92,763	10%
Work performed by the company and capitalized			
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress	13,231	820	-94%
Other operating income			
OPERATING EXPENSES	85,288	100,335	18%
Cost of commercial goods sold			
Material, fuel and energy consumed	41,196	57,214	39%
Staff costs	28,976	28,078	-3%
Depreciation, amortization and provisions	3,353	2,533	-24%
Other operating expenses	11,763	12,510	6%
PROFIT/LOSS FROM OPERATIONS	-14,204	-8,392	41%
FINANCE INCOME	622	1,282	106%
FINANCE EXPENSES	1,962	8,225	319%
OTHER INCOME	19,372	1,551	-92%
OTHER EXPENSES	28	0	-100%
PROFIT/LOSS BEFORE TAXATION	3,800	-13,784	-463%
INCOME TAXES			
Current tax expence		4,578	
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	3,800	-18,362	-583%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	232,969	255,546
Cash receipts from customers	232,835	252,834
Interest received from operating activities	21	
Other receipts from operating activities	113	2,712
Cash outflow from operating activities	275,613	132,799
Cash paid to suppliers for raw materials and other expenses	217,175	79,227
Gross salaries and other personnel costs paid	53,645	25,591
Interest paid		
Income tax expense		16,925
Other levies paid	4,793	11,056
Net cash inflow from operating activities	-	122,747
Net outflow from operating activities	42,644	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	145,507	-
Sale shares and stakes (net inflow)		
Sales of fixed assets	145,507	
Other financial placements (net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	38,085	275
Purchase of shares	2,085	275
Purchase of fixed assets	36,000	
Other financial placements (net outflow)		
Net cash inflow from investing activities	107,422	-
Net cash outflow from investing activities	-	275
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	36,148	16,612
Increase in capital	36,148	
Long-term and short-term borrowings (net inflow)		
Other long-term and short-term liabilities		16,612
Cash outflow from financing activities	101,062	140,400
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)	101,062	
Financial lease		
Dividends paid		140,400
Net cash inflow from financing activities	-	-
Net cash outflow from financing activities	64,914	123,788
Total cash inflow	414,624	272,158
Total cash outflow	414,760	273,474
NET CASH INFLOW	-	-
NET CASH OUTFLOW	136	1,316
Cash and cash equivalents at beginning of year	1,795	1,451
Foreign exchange gains on translation of cash and cash equivalents	168	58
Foreign exchange losses on translation of cash and cash equivalents	376	110
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,451	83

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6.4. TIGAR TRADE

Tigar Trade was incorporated in December 2008 and began its operations on 1 January 2009. It is the exclusive distributor of Tigar's footwear and technical rubber goods, and it also sells tires, automotive afterparts, and a range of products made by non-Tigar manufacturers, including footwear.

Tigar Trade was registered as a limited liability company with minimal capital. It is the legal successor of Tigar Trgovine (Domestic Sales Network) and Tigar Export-Import, both of which ceased to operate on 1 January 2009. Tigar Trade's opening balance sheet was prepared as of the same date.

Tigar Trade has assumed all the accounts receivable and stocks of the two previous companies. It is the exclusive vendor of footwear and technical rubber goods manufactured by Tigar, for both international and domestic markets. It also sells automotive tires and afterparts made by various manufacturers, as well as imported footwear.

Tigar Trade performs the following functions as of 2009:

- Organization and coordination of all purchasing activities of the Tigar Group;
- Organization of all logistical activities of the Tigar Group (including manufacturing units, Tigar Retail, and raw material purchasing units);
- Generation of production plans based on commercial demand (ordering of products from manufacturing units);
- Purchasing of complementary products for its outlets;
- Taking over of finished products from manufacturing units;
- Management of finished product stocks;
- Management of raw material stocks;
- Wholesale activities in domestic and international markets;
- Sales to Tigar Retail;
- Marketing, advertising and merchandizing (initially in Serbia, and later in international markets as well).

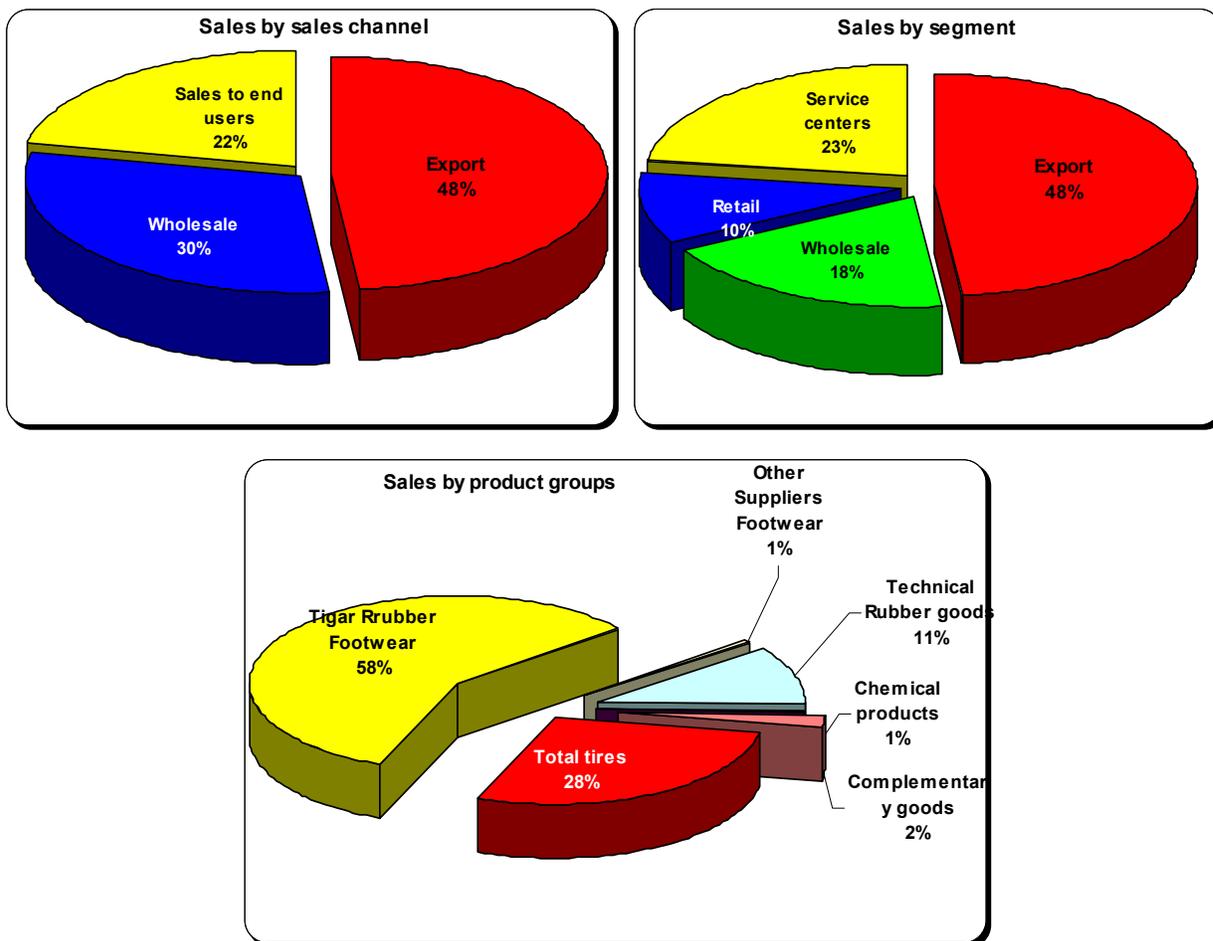
Tigar Trade's business units include:

- The Stop & Drive automotive service network (23 service centers and 4 mobile units);
- A network of retail outlets (24 outlets offering all of Tigar's products, tires, and complementary products);
- The Bottega Chain (currently comprised of three specialty footwear stores);
- Three regional offices (Belgrade, Novi Sad, and Niš); and
- Two warehouses (Belgrade and Novi Sad).

Tigar Trade's investment activities are proceeding according to its investment plan which currently addresses the Serbian market and calls for further expansion of the automotive service network and the Bottega Chain in 2009.

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Tigar Trade conducts sales through exports, wholesale, and domestic retail sales.



During the reporting period, exports were higher compared to the same period a year ago, despite the significant negative impact of the global economic crisis. TTRG exports declined significantly due to the business's relocation. At Tigar Footwear, exports sales were targeted toward customary buyers, who, to avoid inventory and warehousing cost, placed orders for only those quantities which they could immediately place on the market, and this reduced the business's ability to accurately project manufacturing demand. In the first half of the year, this subsidiary devoted significant time, development activities and investment in new equipment, as part of its plan to expand its client base to include well-known international brand owners and large global sales chains. These efforts are expected to yield significant new orders during the last quarter of the fiscal year.

Domestic wholesale performance was significantly below plan. This was due to the more stringent payment security requirements adopted by the Corporation, which resulted in large buyers choosing to purchase smaller quantities during the low season in order to be able to service their debts. As such, a large increase in sales is expected during the high season as direct buyer demand increases and drives a higher level of wholesale orders.

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Sales of rubber footwear at the retail level and during the off-season were rather low. The new “Maniera” and “Brolly” collections will be featured in September, at Tigar’s specialty retail outlets in Serbia, which should contribute significant sales growth with respect to the previous period when fashion and children’s footwear were marketed as an add-on range.

Tigar’s automotive service network underwent a complete sales re-alignment, which resulted in wholesale sales declining from 22% of total tire sales (during the January-June 2008 period) to 4% during the reporting period, and a significant drop in sales income but increased margins and cash inflows. Sales of Michelin Group products were dominant, followed by Cooper and Continental brand products, in keeping with the Company’s multi-brand sales strategy. In addition to „light servicing“, all service centers now offer a number of complementary services, such as storage of off-season tires.

The opening of new stores within the Bottega Chain will ensure not only additional income but also significantly bring the Corporation closer to the retail market with fashion and children’s footwear manufactured by Tigar.

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2009 Semi-annual financials

BALANCE SHEET (in thousands of Dinars)	Opening balance sheet as of 1 January 09	As of 30 June 2009
ASSETS		
Non-current assets	274,417	311,645
Subscribed capital unpaid	44	
Intangible assets	1,284	25,180
Property, plant and equipment	273,089	286,465
Property, plant and equipment	273,089	286,465
Long-term financial placements	-	-
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	1,228,310	1,282,804
Inventories	386,598	688,539
Assets held-for-sale	4,116	4,116
Accounts receivable, placements and cash	837,596	590,149
Accounts receivable	818,963	523,201
Receivables from over-paid taxes		
Short-term financial placements		
Cash and cash equivalents	15,358	16,298
Value added tax and prepayments	3,275	50,650
Deferred tax assets		
TOTAL ASSETS	1,502,727	1,594,449
EQUITY AND LIABILITIES		
Equity	184,395	185,713
Share and other capital	230,674	230,718
Share issuing premiums	44	
Retained earnings	3,181	4,498
Loss	49,504	49,503
Long-term liabilities and provisions	1,317,501	1,407,905
Long-term provisions	5,101	3,658
Long-term liabilities	4,037	74,263
Long-term debt		70,081
Other long-term liabilities	4,037	4,182
Current liabilities	1,308,363	1,329,984
Short-term financial liabilities	537,322	791,883
Account payable	734,922	517,349
Other current liabilities	12,022	19,537
Value added tax and other taxes payable and accruals	5,461	1,215
Income taxes payable	18,636	-
Deferred tax liabilities	831	831
TOTAL EQUITY AND LIABILITIES	1,502,727	1,594,449

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INCOME STATEMENT (in thousands of Dinars)	January-June 2009
OPERATING INCOME	851,567
Sales of goods, products and services	806,722
Work performed by the company and capitalized	24,278
Increase in inventories of finished products and work in progress	
Decrease in inventories of finished products and work in progress	
Other operating income	20,567
OPERATING EXPENSES	838,502
Cost of commercial goods sold	646,253
Material, fuel and energy consumed	26,112
Staff costs	91,267
Depreciation, amortization and provisions	10,271
Other operating expenses	64,599
PROFIT/LOSS FROM OPERATIONS	13,065
FINANCE INCOME	4,541
FINANCE EXPENSES	20,195
OTHER INCOME	6,839
OTHER EXPENSES	1,919
PROFIT/LOSS BEFORE TAXATION	2,331
INCOME TAXES	
Current tax expence	1,014
Deferred Income tax expense	
Deferred Income tax benefit	
NET PROFIT/LOSS	1,317

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CASH FLOW STATEMENT (in thousands of Dinars)	January-June 2009
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash inflow from operating activities	1,226,924
Cash receipts from customers	1,169,020
Interest received from operating activities	
Other receipts from operating activities	57,904
Cash outflow from operating activities	1,521,303
Cash paid to suppliers for raw materials and other expenses	1,409,027
Gross salaries and other personnel costs paid	84,742
Interest paid	6,779
Income tax expense	19,651
Other levies paid	1,104
Net cash inflow from operating activities	
Net outflow from operating activities	294,379
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash inflow from investing activities	
Sale shares and stakes (net inflow)	
Sales of fixed assets	
Other financial placements (net inflow)	
Interest received	
Dividends received	
Cash outflow from investing activities	20,963
Purchase of shares	
Purchase of fixed assets	20,963
Other financial placements (net outflow)	
Net cash inflow from investing activities	
Net cash outflow from investing activities	20,963
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash inflow from financing activities	318,039
Increase in capital	44
Long-term and short-term borrowings (net inflow)	317,995
Other long-term and short-term liabilities	
Cash outflow from financing activities	1,733
Buyback of own shares and stakes	
Long-term and short-term borrowings (net outflow)	
Financial lease	1,532
Dividends paid	201
Net cash inflow from financing activities	316,306
Net cash outflow from financing activities	
Total cash inflow	316,306
Total cash outflow	315,342
NET CASH INFLOW	964
NET CASH OUTFLOW	0
Cash and cash equivalents at beginning of year	15,358
Foreign exchange gains on translation of cash and cash equivalents	
Foreign exchange losses on translation of cash and cash equivalents	24
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16,298

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6.5. TIGAR EUROPE, UK

Tigar has been active in the UK market for more than 15 years via Tigar Europe Ltd., in which Tigar AD holds a 50% interest. Tigar Europe has an excellent knowledge of the UK market and a well-established client base, and it provides superior services. In collaboration with its partners, Tigar plans to expand Tigar Europe's sales network in order to increase its sales of tires and other products (primarily rubber footwear and rubber goods). This company will also continue to provide purchasing services and support potential corporate projects in the UK, as well as play a more active role in other EU markets. The global financial crisis impacted its sales performance during the reporting period.

2009 Semi-annual financials

Balance Sheet in thousands of GBP		As of 31 December 2008	As of 30 June 2009
Assets			
	Non-current assets	9	8
	Current assets	5,193	4,414
	Deferred tax assets		
	Total assets	5,201	4,422
Equity and liabilities			
	Equity	3,124	3,230
	Non-current liabilities		
	Current liabilities	2,077	1,191
	Total equity and liabilities	5,201	4,422

Income statement in thousands of GBP	January- June 2008	January- June 2009	% change relative to 2008
Turnover	7,029	6,539	-7%
Cost of sales	6,436	6,125	-5%
Gross Profit	593	414	-30%
Administrative expenses	250	287	15%
Operating Profit	344	127	-63%
Interest receivable	57	8	-87%
Commission	4	13	
Profit on Ordinary Activities Before Taxation	405	147	-64%
Tax on profit on ordinary activities	113	41	-64%
Retained Profit for the Financial Year	291	106	-64%

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6.6. TIGAR AMERICAS, USA

2009 Semi-annual financials

Balance Sheet in thousands of USD		As of 31 December 2008	As of 30 June 2009
Assets			
	Non-current assets	2	2
	Current assets	237	346
	Deferred tax assets	254	254
	Total assets	493	602
Equity and liabilities			
	Equity	459	424
	Non-current liabilities		
	Current liabilities	34	178
	Total equity and liabilities	493	602

Income statement in thousands of USD	January- June 2008	January- June 2009	% change relative to 2008
Sales and marketing income	307	341	11%
Cost of goods sold	213	255	20%
Gross profit	94	85	-9%
Selling, general and administrative expenses	91	88	-3%
Result from operations	3	-3	-190%
Other income (expense)	0	-32	
Net result before corporation taxes	3	-34	-1187%
Income tax		0	
Net profit (loss)	3	-34	-1187%

Tigar Americas played an active role in Tigar's contract negotiations with the Canadian company STC. As a result, current annual sales totaling 0.5 million should reach a level of some 5 million Dollars in two years. Based on this contract, joint development activities are currently under way, particularly with regard to safety footwear, both for the Canadian and several other markets. A new product, the Geo Boot, is an excellent performer and the first successfully completed development project in this market. Tigar Americas is also involved in raw material purchases and potential projects with US manufacturers of environmentally-friendly materials.

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6.8. THE BALKANS: Tigar Montenegro, Tigar Trade (Banja Luka), and Tigar Partner

All the companies in the Balkans operated as conventional wholesale companies and mostly sold products made by Tigar Tyres. Footwear was also sold, but to a much lesser extent. Over the past several years, these companies have reported basically the same levels of income and operating results. The company in Montenegro was the top performer. Future development of these companies will depend on the level of investment which will, in turn, depend on the outcome of a study to be prepared in 2009. The studies will address marketing approaches, the required level of investment, potential effects of modernization, and liquidity.

TIGAR MONTENEGRO

Balance Sheet in thousands of EUR		As of 31 December 2008	As of 30 June 2009
Assets			
	Non-current assets	4	4
	Current assets	255	238
	Deferred tax assets	0	0
	Total assets	259	242
Equity and liabilities			
	Equity	100	107
	Non-current liabilities	0	0
	Current liabilities	159	135
	Deferred tax liabilities	0	
	Total equity and liabilities	259	242

Income statement in thousands of EUR	Actual I-VI 2008.	Actual I-VI 2009.	% change relative to 2008.
Total income	386	292	-24%
Total expenses	354	286	-19%
Profit/ (loss) before taxation	31	6	-80%
Income taxes	0	0	
Deferred Income tax expense	0	0	
Deferred Income tax benefit	0	0	
Net profit/Loss	31	6	-80%

Free cash flow in 000 EUR	As of 31 December 2008	As of 30 June 2009
Net profit	56	6
+ Depreciation	1	0
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	58	7
Capital expenditures	1	0
Inventory increase (decrease)	43	7
+Receivables increase (decrease)	-71	-11
-Liabilities increase (decrease)	-58	-24
Working capital increase (decrease)	31	20
Free cash flow	26	-14

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TIGAR TRADE, Banja Luka

Balance Sheet in thousands of KM		As of 31 December 2008	As of 30 June 2009
Assets			
	Non-current assets	272	256
	Current assets	2,216	1,696
	Deferred tax assets	0	0
	Total assets	2,488	1,953
Equity and liabilities			
	Equity	466	468
	Non-current liabilities	15	0
	Current liabilities	2,008	1,470
	Deferred tax liabilities	0	15
	Total equity and liabilities	2,488	1,953

Income statement in thousands of KM	Actual I-VI 2008.	Actual I-VI 2008.	% change relative to 2008.
Total income	1,194	1,035	-13%
Total expenses	1,187	1,033	-13%
Profit/ (loss) before taxation	7	2	-72%
Income taxes	0	0	
Deferred Income tax expense	0	0	
Deferred Income tax benefit	0	0	
Net profit/Loss	7	2	-72%

Free cash flow in 000 KM	As of 31 December 2008	As of 30 June 2009
Net profit	108	2
+ Depreciation	32	15
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	140	18
Capital expenditures	0	0
Inventory increase (decrease)	285	-41
+Receivables increase (decrease)	697	-423
-Liabilities increase (decrease)	364	-626
Working capital increase (decrease)	618	162
Free cash flow	-478	-144

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TIGAR PARTNER, Macedonia

Balance Sheet in thousands of Denars		As of 31 December 2008	As of 30 June 2009
Assets			
	Non-current assets	1,162	900
	Current assets	43,004	28,704
	Deferred tax assets	0	0
	Total assets	44,165	29,604
Equity and liabilities			
	Equity	17,922	18,919
	Non-current liabilities	0	0
	Current liabilities	26,243	10,685
	Deferred tax liabilities	0	0
	Total equity and liabilities	44,165	29,604

Income statement in thousands of Denars	Actual I-VI 2008.	Actual I-VI 2009.	% change relative to 2008.
Total income	23,885	21,810	-9%
Total expenses	22,638	21,629	-4%
Profit/ (loss) before taxation	1,248	181	-85%
Income taxes	139	26	-81%
Deferred Income tax expense	0	0	
Deferred Income tax benefit	0	0	
Net profit/Loss	1,109	155	-86%

Free cash flow in 000 Denars	As of 31 December 2008	As of 30 June 2009
Net profit	1,684	155
+ Depreciation	536	268
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	2,220	423
Capital expenditures	1,477	6
Inventory increase (decrease)	6,448	-6,404
+Receivables increase (decrease)	1,312	-3,465
-Liabilities increase (decrease)	8,769	-15,558
Working capital increase (decrease)	-1,009	5,689
Free cash flow	1,752	-5,273

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6.8. SERVICE ENTITIES

In addition to the three manufacturing entities and the Tigar Trade network of domestic retail outlets and automotive service centers, Tigar operates a number of service subsidiaries that it developed, for the most part, during the trade embargo against Yugoslavia because it was unable to outsource these services. Although the service subsidiaries are “complementary” businesses, Tigar AD believes that they greatly contribute to the operations of Tigar’s “core” businesses and provide high-quality services to both the Company and the local community.

Tigar’s major service businesses include:

Construction, which offers all types of services relating to construction and maintenance of buildings and infrastructures. This unit is supported by an engineering group. During the reporting period, most of this unit’s activities focused on the Tigar III location. However, it also won tenders for three significant projects, one of which involves Tigar Tyres.

Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles. Due to a slow-down at Tigar Tyres, this unit reported a lower income due to a lower demand for soot transportation.

Tourist Agency, which provides domestic and international tourist-related services, including vacation, travel, conference, and trade exhibition planning.

StarA Hotel, which offers a broad range of accommodations and restaurant/catering services for tourists, business travelers, delegations, sports teams, and cultural groups visiting southern Serbia.

Food production for internal needs of Tigar AD and Tigar Tyres. Plans call for this business to expand and offer services to non-Tigar customers, especially since Tigar’s needs have been reduced.

RTV PI Channel, which performs radio/television, telecommunication, market research, and public opinion-poll activities, and provides services in the areas of advertising, public relations and publishing. This unit was temporarily shut down due to relocation and this impacted its bottom line.

Pirot Free Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The Free Zone is within the Industrial Zone of Pirot and covers 17 ha, 46 a, and 29 m² of infrastructure-enabled land. The total surface area controlled by the PFZ is 65 ha, 2 a and 26 m², including its own railroad track and 150 telephone lines. 49 companies currently operate in the Free Zone, including 33 foreign companies. In addition to tax and other advantages, companies in 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 Pirot Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.

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

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Tigar Business Services financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	145,023	137,103
Intangible assets	22	
Property, plant and equipment	145,001	137,103
Property, plant and equipment	145,001	137,103
Long-term financial placements		
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	87,360	80,184
Inventories	17,264	12,213
Assets held-for-sale		
Accounts receivable, placements and cash	70,096	67,971
Accounts receivable	65,940	65,296
Receivables from over-paid taxes	1,012	35
Short-term financial placements	35	
Cash and cash equivalents	1,467	179
Value added tax and prepayments	1,642	2,461
Deferred tax assets		
TOTAL ASSETS	232,383	217,287
EQUITY AND LIABILITIES		
Equity	100,718	88,894
Share and other capital	102,774	102,774
Share issuing premiums		
Reserves	-	
Revaluation reserves		
Retained earnings	6,454	1,641
Loss	8,510	15,521
Shares buyback		
Long-term liabilities and provisions	131,296	128,024
Long-term provisions	7,435	7,184
Long-term liabilities	30,840	31,870
Long-term debt	10,998	11,598
Other long-term liabilities	19,842	20,272
Current liabilities	93,021	88,970
Short-term financial liabilities	22,330	32,305
Account payable	42,337	39,787
Other current liabilities	25,513	14,629
Value added tax and other taxes payable and accruals	2,841	2,249
Income taxes payable		
Deferred tax liabilities	369	369
TOTAL EQUITY AND LIABILITIES	232,383	217,287

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INCOME STATEMENT (in thousands of Dinars)	January-June 2008	January-June 2009	% change
OPERATING INCOME	185,673	140,251	-24%
Sales of goods, products and services	175,200	131,670	-25%
Work performed by the company and capitalized		11,815	
Increase in inventories of finished products and work in progress	14		
Decrease in inventories of finished products and work in progress		3,236	
Other operating income	10,459	2	
OPERATING EXPENSES	175,535	143,344	-18%
Cost of commercial goods sold	8,957	8,372	-7%
Material, fuel and energy consumed	78,512	55,310	-30%
Staff costs	61,309	50,186	-18%
Depreciation, amortization and provisions	6,254	8,256	32%
Other operating expenses	20,503	21,220	3%
PROFIT/LOSS FROM OPERATIONS	10,138	-3,093	-131%
FINANCE INCOME	2,511	786	-69%
FINANCE EXPENSES	4,786	5,117	7%
OTHER INCOME	547	519	-5%
OTHER EXPENSES	273	10	-96%
PROFIT/LOSS BEFORE TAXATION	8,137	-6,915	-185%
INCOME TAXES			
Current tax expense	565	96	-83%
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	7,572	-7,011	-193%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	553,551	189,346
Cash receipts from customers	552,168	96,678
Interest received from operating activities	86	8
Other receipts from operating activities	1,297	92,660
Cash outflow from operating activities	566,091	181,118
Cash paid to suppliers for raw materials and other expenses	354,463	124,285
Gross salaries and other personnel costs paid	119,316	43,890
Interest paid	3,794	1,960
Income tax expense	539	
Other levies paid	87,979	10,983
Net cash inflow from operating activities	-	8,228
Net outflow from operating activities	12,540	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	16,010	23,139
Sale shares and stakes (net inflow)		
Sales of fixed assets	16,010	100
Other financial placements (net inflow)		23,039
Interest received		
Dividends received		
Cash outflow from investing activities	16,195	4,320
Purchase of shares		
Purchase of fixed assets	16,195	253
Other financial placements (net outflow)		4,067
Net cash inflow from investing activities	-	18,819
Net cash outflow from investing activities	185	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	37,987	0
Increase in capital		
Long-term and short-term borrowings (net inflow)	13,135	
Other long-term and short-term liabilities	24,852	
Cash outflow from financing activities	30,431	28,261
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)	11,791	6,141
Financial lease	3,596	4,894
Dividends paid	15,044	17,226
Net cash inflow from financing activities	7,556	0
Net cash outflow from financing activities	-	28,261
Total cash inflow	607,548	212,485
Total cash outflow	612,717	213,699
NET CASH INFLOW	-	0
NET CASH OUTFLOW	5,169	1,214
Cash and cash equivalents at beginning of year	6,738	1,467
Foreign exchange gains on translation of cash and cash equivalents	5	5
Foreign exchange losses on translation of cash and cash equivalents	107	79
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,467	179

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Tigar Incon financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	26,352	24,841
Intangible assets	147	130
Property, plant and equipment	26,205	24,711
Property, plant and equipment	26,205	24,711
Long-term financial placements	-	
Equity investments	-	
Other long-term financial placements	-	-
CURRENT ASSETS	86,702	96,118
Inventories	11,351	6,904
Assets held-for-sale	-	-
Accounts receivable, placements and cash	75,351	89,214
Accounts receivable	73,813	88,369
Receivables from over-paid taxes		
Short-term financial placements	-	
Cash and cash equivalents	824	639
Value added tax and prepayments	713	206
Deferred tax assets		
TOTAL ASSETS	113,054	120,959
EQUITY AND LIABILITIES		
Equity	39,718	46,163
Share and other capital	35,282	35,282
Share issuing premiums		
Reserves	-	
Revaluation reserves		
Retained earnings	10,256	16,702
Loss	5,821	5,821
Shares buyback		-
Long-term liabilities and provisions	72,867	74,326
Long-term provisions	5,898	5,737
Long-term liabilities	1,338	1,388
Long-term debt	-	
Other long-term liabilities	1,338	1,388
Current liabilities	65,630	67,201
Short-term financial liabilities	3,467	1,840
Account payable	49,644	38,856
Other current liabilities	8,763	22,764
Value added tax and other taxes payable and accruals	3,458	3,741
Income taxes payable	297	
Deferred tax liabilities	470	470
TOTAL EQUITY AND LIABILITIES	113,054	120,959

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INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	157,946	122,423	-22%
Sales of goods, products and services	157,946	122,423	-22%
Work performed by the company and capitalized			
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income			
OPERATING EXPENSES	152,262	105,144	-31%
Cost of commercial goods sold			
Material, fuel and energy consumed	62,312	42,433	-32%
Staff costs	75,236	49,593	-34%
Depreciation, amortization and provisions	1,252	1,688	35%
Other operating expenses	13,462	11,430	-15%
PROFIT/LOSS FROM OPERATIONS	5,684	17,279	204%
FINANCE INCOME	518	52	-90%
FINANCE EXPENSES	341	455	33%
OTHER INCOME	42	11	-74%
OTHER EXPENSES	249		
PROFIT/LOSS BEFORE TAXATION	5,654	16,887	199%
INCOME TAXES			
Current tax expense	67	185	176%
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	5,587	16,702	199%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	401,246	130,413
Cash receipts from customers	400,388	130,266
Interest received from operating activities	34	5
Other receipts from operating activities	824	142
Cash outflow from operating activities	400,835	127,099
Cash paid to suppliers for raw materials and other expenses	228,247	68,844
Gross salaries and other personnel costs paid	142,439	43,944
Interest paid	1,292	7
Income tax expense	302	481
Other levies paid	28,555	13,823
Net cash inflow from operating activities	411	3,314
Net outflow from operating activities	0	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	17,331	0
Sale shares and stakes (net inflow)		
Sales of fixed assets	17,331	
Other financial placements (net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	9,850	204
Purchase of shares		
Purchase of fixed assets	9,850	204
Other financial placements (net outflow)		
Net cash inflow from investing activities	7,481	0
Net cash outflow from investing activities	0	204
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	0	0
Increase in capital		
Long-term and short-term borrowings (net inflow)		
Other long-term and short-term liabilities		
Cash outflow from financing activities	8,882	3,328
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)	132	
Financial lease	3,750	2,005
Dividends paid	5,000	1,323
Net cash inflow from financing activities	0	0
Net cash outflow from financing activities	8,882	3,328
Total cash inflow	418,577	130,413
Total cash outflow	419,567	130,631
NET CASH INFLOW	0	0
NET CASH OUTFLOW	990	218
Cash and cash equivalents at beginning of year	1,731	824
Foreign exchange gains on translation of cash and cash equivalents	142	47
Foreign exchange losses on translation of cash and cash equivalents	59	14
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	824	639

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Other service subsidiaries: Aggregate financials

INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	88,932	84,762	-5%
Sales of goods, products and services	87,727	84,529	-4%
Work performed by the company and capitalized	79	15	-81%
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	1,126	218	-81%
OPERATING EXPENSES	80,605	80,062	-1%
Cost of commercial goods sold	3,078	3,855	25%
Material, fuel and energy consumed	5,157	5,069	-2%
Staff costs	59,670	59,814	0%
Depreciation, amortization and provisions	3,100	3,448	11%
Other operating expenses	9,599	7,877	-18%
PROFIT/LOSS FROM OPERATIONS	8,327	4,700	-44%
FINANCE INCOME	166	361	117%
FINANCE EXPENSES	244	82	-66%
OTHER INCOME	1,483	189	-87%
OTHER EXPENSES	41	25	-39%
PROFIT/LOSS BEFORE TAXATION	9,691	5,143	-47%
INCOME TAXES			
Current tax expence	258	193	-25%
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	9,433	4,950	-48%

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Free Zone financials

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	119,913	121,798
Intangible assets	546	476
Property, plant and equipment	119,367	121,323
Property, plant and equipment	119,367	121,323
Long-term financial placements		
Equity investments		
Other long-term financial placements		
CURRENT ASSETS	30,665	32,332
Inventories	397	292
Assets held-for-sale		
Accounts receivable, placements and cash	30,268	32,040
Accounts receivable	13,128	14,798
Receivables from over-paid taxes	165	175
Short-term financial placements		
Cash and cash equivalents	16,869	16,894
Value added tax and prepayments	106	173
Deferred tax assets	23	23
TOTAL ASSETS	150,601	154,153
Off balance sheet assets	23,000	25,500
EQUITY AND LIABILITIES		
Equity	134,045	134,208
Share and other capital	114,408	118,439
Share issuing premiums		
Reserves	353	380
Revaluation reserves	11,168	11,168
Retained earnings	8,116	4,222
Loss		
Shares buyback		
Long-term liabilities and provisions	16,556	19,945
Long-term provisions	2,160	2,160
Long-term liabilities	-	-
Long-term debt		
Other long-term liabilities		
Current liabilities	14,396	17,785
Short-term financial liabilities		
Account payable	11,175	10,078
Other current liabilities	2,747	6,998
Value added tax and other taxes payable and accruals	474	709
Income taxes payable		
Deferred tax liabilities		
TOTAL EQUITY AND LIABILITIES	150,601	154,153
Off balance sheet liabilities	23,000	25,500
* after changes in Non-current liabilities in 2008		

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INCOME STATEMENT (in thousands of Dinars)	January-June	January-June	% change
	2008	2009	
OPERATING INCOME	32,705	27,933	-15%
Sales of goods, products and services	32,705	27,933	-15%
Work performed by the company and capitalized			
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income			
OPERATING EXPENSES	26,048	24,193	-7%
Cost of commercial goods sold			
Material, fuel and energy consumed	982	971	-1%
Staff costs	14,727	15,803	7%
Depreciation, amortization and provisions	940	1,077	15%
Other operating expenses	9,399	6,342	-33%
PROFIT/LOSS FROM OPERATIONS	6,657	3,740	-44%
FINANCE INCOME	428	696	63%
FINANCE EXPENSES	138	246	79%
OTHER INCOME	123	32	-74%
OTHER EXPENSES	68	0	
PROFIT/LOSS BEFORE TAXATION	7,002	4,222	-40%
INCOME TAXES			
Current tax expence			
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	7,002	4,222	-40%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	94,211	46,498
Cash receipts from customers	93,383	46,173
Interest received from operating activities	828	325
Other receipts from operating activities		
Cash outflow from operating activities	91,492	42,996
Cash paid to suppliers for raw materials and other expenses	48,493	22,263
Gross salaries and other personnel costs paid	29,115	14,960
Interest paid	2,370	5
Income tax expense	81	10
Other levies paid	11,433	5,758
Net cash inflow from operating activities	2,719	3,502
Net outflow from operating activities	0	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	0	0
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements (net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	7,787	3,508
Purchase of shares		
Purchase of fixed assets	7,787	3,508
Other financial placements (net outflow)		
Net cash inflow from investing activities	0	0
Net cash outflow from investing activities	7,787	3,508
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	0	0
Increase in capital		
Long-term and short-term borrowings (net inflow)		
Other long-term and short-term liabilities		
Cash outflow from financing activities	2,309	0
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)		
Financial lease		
Dividends paid	2,309	
Net cash inflow from financing activities	0	0
Net cash outflow from financing activities	2,309	0
Total cash inflow	94,211	46,498
Total cash outflow	101,588	46,504
NET CASH INFLOW	0	0
NET CASH OUTFLOW	7,377	6
Cash and cash equivalents at beginning of year	21,834	16,781
Foreign exchange gains on translation of cash and cash equivalents	2,500	365
Foreign exchange losses on translation of cash and cash equivalents	88	247
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16,869	16,894

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7. HOLDING COMPANY PERFORMANCE

7.1. FINANCIAL RESULT

Tigar AD did not make changes to its accounting policies during the reporting period. Internal audit activities proceeded according to plan.

The first quarter of 2009 was mainly characterized by continued investments in the outfitting of new industrial facilities, financing of these investments from cash flow and occasional short-term loans (to bridge gaps until proceeds of long-term loans become available), and capital gain associated with the sale of Tigar's 10% stake in Tigar Tyres to Michelin.

Although extraordinary income is a considerable portion of total income, reported results are realistic because this extraordinary income is covered by a cash infusion, meaning that this was not a paper transaction but a highly successful business transaction. The allocation of most of the cash received to new industrial facilities and development shows that the funds were used to increase the worth of the Company and create a solid basis for its further growth and its sound performance in the coming years.

The negative bottom line is largely the outcome of the business results reported by the Holding Company which is, in turn, the result of the income and expense reporting method. Tigar AD, whose main activity is holdings, earns income from sales of services and from rentals. On the other hand, all of its expenses, except finance expenses, are reported as operating expenses. All other types of income, including dividends from subsidiaries, other finance income, and extraordinary income from asset-related transactions, are not reported as operating income even though this income was earned as a result of the core activity of the Holding Company (i.e., the management of its subsidiaries). This disparity in Holding Company financials is a result of the method applied in reporting operating income and is the largest contributor to the negative consolidated result.

Initial consequences of the global financial crisis were felt in the area of procurement of loans and increasing capital cost, will not have a significant impact on the Company's bottom line at the end of the year. The 4th quarter is dominated by sales of products required for the winter season, whose value is not such that it must be financed from loans.

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7.2. TIGAR AD'S CONSOLIDATED FINANCIAL RESULT

Consolidated Balance Sheet in thousands of Dinars		Opening balance sheet as of 1 January 09	30 June 2009
Assets			
	Non-current assets	3,931,668	3,627,549
	Current assets	3,017,447	3,225,945
	Deferred tax assets	18,015	18,865
	Total assets	6,967,130	6,872,359
Equity and liabilities			
	Equity	3,745,192	3,816,794
	Non-current liabilities	760,909	881,572
	Current liabilities	2,338,456	2,052,250
	Deferred tax liabilities	122,573	121,743
	Total equity and liabilities	6,967,130	6,872,359

Consolidate Income statement in thousands of Dinars	Actual I-VI 2009.
Total income	2,039,804
Total expenses	1,894,649
Profit/ (Loss) before taxation	145,155
Income taxes	31,477
Deferred Income Tax expense	237
Deferred Income Tax benefit	
Net result for the period	113,441
Minority interest	1,303
Tigar ad	112,138

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7.3. TIGAR AD'S UNCONSOLIDATED FINANCIALS

BALANCE SHEET (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
ASSETS		
Non-current assets	2,859,685	2,622,660
Intangible assets	19,216	20,773
Property, plant and equipment	613,771	700,996
Property, plant and equipment	613,771	700,996
Long-term financial placements	2,226,698	1,900,891
Equity investments	2,175,560	1,849,503
Other long-term financial placements	51,138	51,388
CURRENT ASSETS	1,219,416	1,332,812
Inventories	29,011	3,754
Assets held-for-sale	6,675	6,372
Accounts receivable, placements and cash	1,183,730	1,322,686
Accounts receivable	315,162	232,397
Receivables from over-paid taxes		
Short-term financial placements	790,996	1,035,092
Cash and cash equivalents	52,935	46,583
Value added tax and prepayments	24,637	8,614
Deferred tax assets	655	655
TOTAL ASSETS	4,079,756	3,956,127
EQUITY AND LIABILITIES		
Equity	2,736,793	2,834,495
Share and other capital	2,062,152	2,062,152
Share issuing premiums	13,781	14,390
Reserves	574,953	574,953
Revaluation reserves		
Retained earnings	111,926	209,918
Loss		
Shares buyback	26,019	26,918
Long-term liabilities and provisions	1,342,963	1,121,632
Long-term provisions	7,624	6,889
Long-term liabilities	198,503	209,243
Long-term debt	198,135	208,861
Other long-term liabilities	368	382
Current liabilities	1,136,836	905,500
Short-term financial liabilities	893,682	688,843
Account payable	164,553	75,170
Other current liabilities	32,116	90,480
Value added tax and other taxes payable and accruals	5,352	30,471
Income taxes payable	41,133	20,536
Deferred tax liabilities		
TOTAL EQUITY AND LIABILITIES	4,079,756	3,956,127

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INCOME STATEMENT (in thousands of Dinars)	January- June	January-June	% change
	2008	2009	
OPERATING INCOME	93,917	143,400	53%
Sales of goods, products and services	80,115	122,107	52%
Work performed by the company and capitalized		9,361	
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	13,802	11,932	-14%
OPERATING EXPENSES	209,083	234,166	12%
Cost of commercial goods sold	277	38	-86%
Material, fuel and energy consumed	10,547	34,429	226%
Staff costs	106,703	115,718	8%
Depreciation, amortization and provisions	7,778	9,181	18%
Other operating expenses	83,778	74,800	-11%
PROFIT/LOSS FROM OPERATIONS	-115,166	-90,766	21%
FINANCE INCOME	61,786	110,173	78%
FINANCE EXPENSES	64,133	95,972	50%
OTHER INCOME	640,746	265,108	-59%
OTHER EXPENSES	264,066	10,961	-96%
PROFIT/LOSS BEFORE TAXATION	259,167	177,582	-31%
INCOME TAXES			
Current tax expence		22,880	
Deferred Income tax expense			
Deferred Income tax benefit			
NET PROFIT/LOSS	259,167	154,702	-40%

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CASH FLOW STATEMENT (in thousands of Dinars)	As of 31 December 2008	As of 30 June 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	176,296	150,794
Cash receipts from customers	143,747	133,392
Interest received from operating activities		675
Other receipts from operating activities	32,549	16,727
Cash outflow from operating activities	569,030	584,656
Cash paid to suppliers for raw materials and other expenses	185,422	369,724
Gross salaries and other personnel costs paid	222,181	107,348
Interest paid	120,675	62,792
Income tax expense	17	43,856
Other levies paid	40,735	936
Net cash inflow from operating activities	-	-
Net outflow from operating activities	392,734	433,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	917,126	804,486
Sale shares and stakes (net inflow)	82,512	585,497
Sales of fixed assets	567,475	1,581
Other financial placements (net inflow)		
Interest received	8,043	
Dividends received	259,096	217,408
Cash outflow from investing activities	766,233	48,572
Purchase of shares		300
Purchase of fixed assets	567,130	48,272
Other financial placements (net outflow)	199,103	
Net cash inflow from investing activities	150,893	755,914
Net cash outflow from investing activities	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	292,141	139,546
Increase in capital		
Long-term and short-term borrowings (net inflow)	292,141	139,546
Other long-term and short-term liabilities		
Cash outflow from financing activities	113,877	468,310
Buyback of own shares and stakes	12,238	292
Long-term and short-term borrowings (net outflow)		466,702
Financial lease	1,047	1,316
Dividends paid	100,592	
Net cash inflow from financing activities	178,264	-
Net cash outflow from financing activities	-	328,764
Total cash inflow	1,385,563	1,094,826
Total cash outflow	1,449,140	1,101,538
NET CASH INFLOW	-	-
NET CASH OUTFLOW	63,577	6,712
Cash and cash equivalents at beginning of year	113,277	52,935
Foreign exchange gains on translation of cash and cash equivalents	3,235	360
Foreign exchange losses on translation of cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	52,935	46,583

TIGAR AD

Jelena Petković
Executive Director for Corporate Management Support

TIGAR AD

Dragan Nikolić
Board of Directors Chairman