



**Tigar**®

TIGAR AD PIROT

# 2009 ANNUAL REPORT

Distribution:

e: [www.tigar.com](http://www.tigar.com)  
p: Board of Directors  
Supervisory Board  
File

Key words: TIGAR, REPORT, ANNUAL, 2009		Document reference
		<b>IZ.P. 09/04</b>
Date: 29 April 2010	Author: Jelena Petković	Approved by: Dragan Nikolić



## TABLE OF CONTENTS

<b>GENERAL ASSESSMENT OF 2009 PERFORMANCE .....</b>	<b>4</b>
<b>1. INTRODUCTION.....</b>	<b>6</b>
1.1. BASIC FACTS .....	6
1.2. CORPORATE STRUCTURE.....	6
1.3. KEY BUSINESS ACTIVITIES COMPLETED IN 2009.....	7
1.4. TIGAR'S BASIC BUSINESS POLICIES IN 2009.....	8
1.5. KEY INVESTMENT ACTIVITIES.....	10
1.6. BUSINESS ENVIRONMENT .....	12
<b>2. PRODUCT PORTFOLIO, SALES OF GOODS AND SERVICES, AND PRODUCTION LEVELS.....</b>	<b>14</b>
2.1. PRODUCTION AND SALES PORTFOLIO .....	14
2.2. SALES OF GOODS AND SERVICES.....	18
2.3. PRODUCTION VOLUME .....	26
<b>3. KEY FINANCIAL INDICATORS OF 2009 PERFORMANCE .....</b>	<b>27</b>
3.1. HOLDING COMPANY - TIGAR AD.....	27
3.2. KEY SUBSIDIARY PERFORMANCE INDICATORS .....	28
3.3. SEGMENTED RESULTS .....	29
<b>4. CAPITAL MARKET POSITION .....</b>	<b>32</b>
<b>5. RISKS.....</b>	<b>36</b>



<b>6. SUSTAINABLE DEVELOPMENT .....</b>	<b>37</b>
6.1 EMPLOYEES .....	37
6.2. QUALITY MANAGEMENT .....	40
6.3. ENVIRONMENTAL PROTECTION .....	40
6.4. INTELLECTUAL PROPERTY .....	42
6.5. INFORMATION TECHNOLOGIES .....	45
6.6. CORPORATE SOCIAL RESPONSIBILITY .....	48
6.7. CORPORATE GOVERNANCE .....	50
<b>7. MANAGEMENT .....</b>	<b>51</b>
<b>8. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY .....</b>	<b>53</b>
8.1. REAL ESTATE.....	53
8.2. LEGAL PROCEEDINGS .....	55
<b>9. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES .....</b>	<b>56</b>
9.1. TIGAR FOOTWEAR.....	56
9.2. TIGAR TECHNICAL RUBBER GOODS .....	59
9.3. TIGAR CHEMICAL PRODUCTS.....	62
9.4. TIGAR TRADE (DOMESTIC SALES NETWORK).....	65
9.5. TIGAR AMERICAS, USA.....	67
9.6. TIGAR EUROPE, UK .....	68
9.7. TIGAR MONTENEGRO .....	69
9.8. TIGAR TRADE, Banja Luka, Republika Srpska .....	70
9.9. TIGAR PARTNER, Macedonia.....	71
9.10. TIGAR'S SERVICE SUBSIDIARIES .....	72
<b>10. FINANCIAL RESULTS OF TIGAR AD .....</b>	<b>82</b>
10.1. TIGAR AD – THE HOLDING COMPANY.....	82
10.2. CONSOLIDATED RESULT .....	86



## GENERAL ASSESSMENT OF 2009 PERFORMANCE

In 2009, the business climate was largely influenced by the global and domestic economic crisis. Adverse developments in the real sector and Serbia's financial markets, reduced domestic and foreign demand, depressed bank loan activities, exchange rate fluctuations during the year, and the depreciation of the dinar at the end of the year, all brought about unfavorable business conditions.

Tigar AD completed its exit from the tire manufacturing business during 2009, and continued to restructure and upgrade the industrial and sales businesses it controls.

Physical restructuring and upgrading of the footwear business was completed according to plan using the second disbursement under the DEG capital loan; however, the financial crisis affected full implementation of planned sales. From time to time, regular buyers reduced or delayed orders with the goal of balancing their sales to consumers, while large new international customer accounts could not be initiated for similar reasons. During the year, more than one hundred footwear development projects were implemented for existing and new buyers, whose industrialization will, for the most part, be put into effect in the year 2010, based on confirmed orders which are to be delivered in 2010. Domestic sales fell as a result of risks associated with the collections on invoices, and sales consisted largely of purchases made by buyers who were able to provide financial guarantees. Due to the development of new groups of off-take products for existing and new international customers, activities associated with the development and manufacturing of our own brand names lagged behind, including brands obtained through international acquisitions. Sales and manufacturing plans, which were initially developed for 2009, are realistically achievable in 2010.

Since it was not possible to secure full funding in a timely manner for the Technical Rubber Goods (TTRG) project, which included the commissioning of new production plants at the Tigar 3 location for TTRG's basic product lines and products made of recycled rubber, as well as a tire recycling plant, this project, even though it represents a whole, had to be divided into two phases. In the first phase, which was implemented in 2009, a new plant was commissioned at the Tigar 3 location for the standard product lines (in November), and equipment was purchased for recycled-rubber products (in December). Furthermore, implementation of the first phase was six months behind schedule, and as a result, this subsidiary ended the year with a 78 million dinar loss, which significantly impacted the overall financial performance of the Corporation. The recycled-rubber products plant, whose commissioning was originally scheduled for October 2009, was put into operation in March 2010, while the tire recycling plant, whose commissioning was originally scheduled for December 2009, will be put into operation by the end of 2010, according to the 2010 Investment Plan.

Tigar Chemical Products was focused in 2009 on the development of new products, based on international standards and directives, and on increasing sales, particularly to international markets. Investment activities related to the upgrading of the sales network were largely on schedule, and depended on the securing of appropriate locations for sales outlets.

Due to lagging investment activities, instead of the planned four industrial segments that were to be operational during 2009, only two were in fact operational – the footwear and the chemical products segments. The technical rubber goods segment, including the new recycled-rubber product line, was basically not in production mode during the year.

In 2009, the economic downturn compelled us to minimize our activities associated with key new projects: the Renewable Sources of Energy Project, involving investigations of optimal utilization of the Nišava River Basin, with some 30 potential construction sites, and development of feasibility



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

studies for a number of small hydro power plants, and the Environmentally-Friendly Construction Materials Project, addressing manufacturing of “green” materials which ensure high energy savings compared to conventional building materials. These projects will be intensified in 2010 if we manage to secure funding.

During 2009, external revenues from domestic sales and sales to foreign markets were recorded at 1,902 billion, or 6% more than a year ago, while sales tracing to foreign subsidiaries and affiliates, which largely sell tires, recorded a sales decline of 9%. Total external sales revenue matched that earned in 2008. Total operating income, at a consolidated level, was roughly equal to that in 2008, at 3.88 billion, while consolidated operating expenses fell by 7%, or 300 million dinars, which resulted in a significant improvement to our bottom line. Nevertheless, our overall performance lagged despite the positive trend. Finance and other income declined by 897 million dinars relative to a year ago, when the effects of the Michelin transaction were significantly higher, which reduced our consolidated result for the current year; additionally, changes in the recognition of the value of the sold Tigar Tyres shares negatively affected our overall recorded performance by some 288 million dinars. Within our operating expense structure, the cost of raw materials and cost of goods sold were lower than a year ago. Employee expenses were comparable to last year, due to workforce downsizing, while depreciation expenses raised due to increased capital expenditure levels.

Overall, 2009 was an exceptionally difficult year due to the global crisis, which created challenging business conditions, and resulted in the Corporation having to postpone some of its 2009 plans into 2010; nevertheless, we were able to realize the major components of our investment plans and to make significant inroads in the development area and in the industrialization of new products. Additionally, as demand improved, particularly from international markets and highly reputed buyers, we are poised to continue the positive business trend into 2010. While it is assumed that 2010 will be a difficult business year as well, due to market and business conditions, we do expect to see significant sales growth, increased production, and improvement to our bottom line, which should form a springboard for a significant growth of our financial result in the year 2011, when global and domestic economies are projected to recover from the effects of the current economic downturn.

Dragan Nikolić  
Chairman of Tigar AD's Board of Directors



## 1. INTRODUCTION

### 1.1. BASIC FACTS

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

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

**Corporate ID number:** 07187769

**Fiscal ID number:** 100358298

**Web site address:** www.tigar.com

**Incorporation certificate:** Registry file no. 1-  
1087

**Core activity:** Holdings

**Number of employees:** 2,045 at 31/12/2009

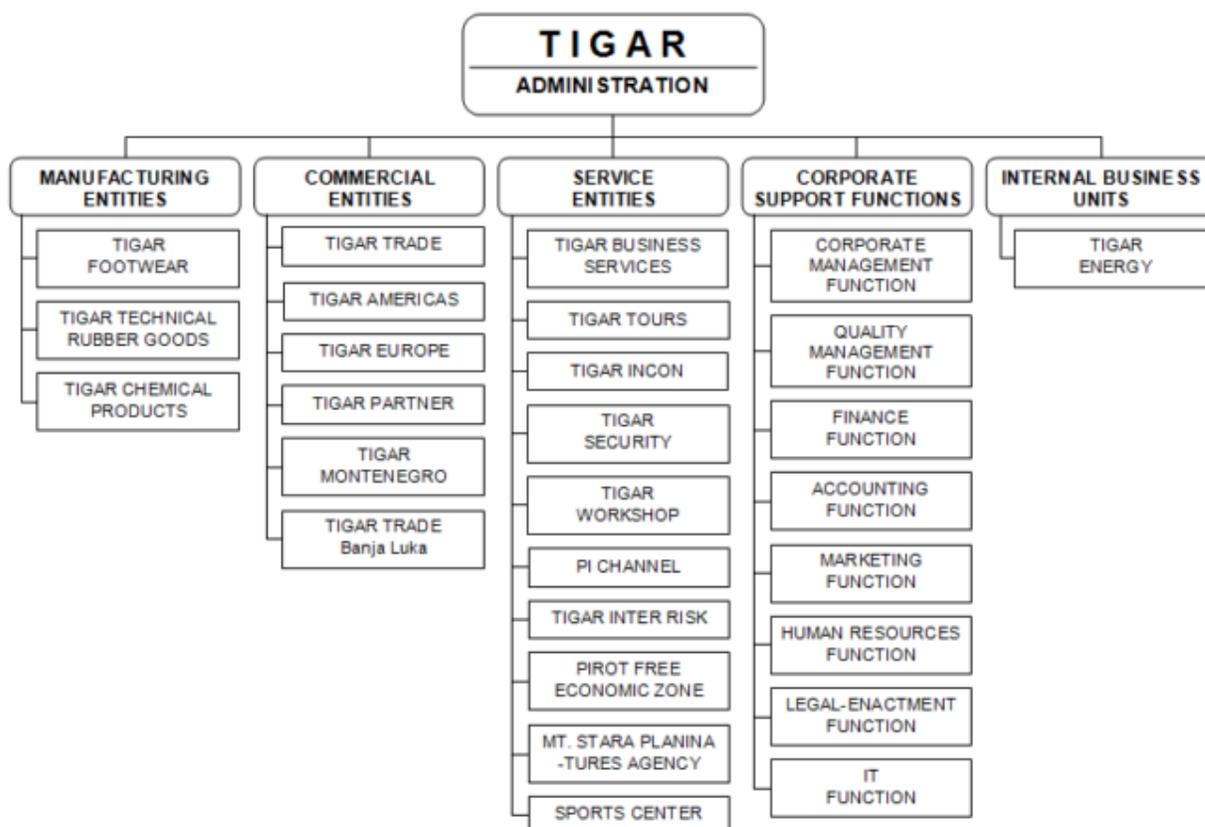
**Number of shareholders:** 4,829 at 31/12/2009

**Capital:** 2,811,407 (000 RSD) at 31/12/2009

**Assets:** 3,997,793 (000 RSD) at 31/12/2009

**Capitalization:** 1,281,971 (000 RSD) at  
31/12/2009

### 1.2. CORPORATE STRUCTURE





## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 1.3. KEY BUSINESS ACTIVITIES COMPLETED IN 2009

Tigar Trade, the newly-formed company and legal successor to Tigar Trgovine and Tigar Export-Import, began operations in January 2009. The new company now encompasses all commercial activities within Serbia, with the exception of some tied to chemical products.

In February, production of technical rubber goods at the Tigar 2 location was shut down.

In the first part of the year, work began on the construction of the new Tigar Technical Rubber Goods (TTRG) factory, along with a phased reconstruction of existing equipment and the ordering of new equipment for this factory.

In May, negotiations with Hypo Alpe Adria Bank were initiated with respect to financing of the TTRG project, including the segment for the manufacture of finished products from recycled rubber, since it became apparent that the project could not be implemented in 2009 with the European Bank for Reconstruction and Development (EBRD). The project covers TTRG's standard product lines, recycled-rubber products, and tire recycling. A 2.5 million € loan agreement was signed in August for the standard product lines, while a 0.9 million € loan agreement was signed in December for the recycled-rubber product segment.

The annual session of the General Assembly of Shareholders was held in June.

During 2009, we worked with the TAM-BAS organization, a division of the EBRD, on the restructuring of the StarA Hotel business.

Tigar's new Maniera line of stylish women's footwear and Brolly line of children's footwear were launched in September.

The new TTRG factory (standard product lines) was commissioned in November at the Tigar 3 location.

In December, we concluded an agreement with regard to the purchase of equipment, technology, brands and certified recycled-rubber product groups from the Danish company Bilgutex.

During the same month, we purchased land and buildings of the Dragoš Company in receivership, which enabled us to expand the Tigar 3 location with an added 6.8 hectares and some 28,000 square meters of industrial space.

Over the course of the year, we commissioned new automotive service centers in Novi Sad and Indjija, and completed the reconstruction of the service center in Pirot, as part of our National Automotive Service Network STOP&DRIVE. We also opened four Bottega chain specialty footwear stores.



## 1.4. TIGAR'S BASIC BUSINESS POLICIES IN 2009

### **Ensuring sustainable long-term development**

In 2009, Tigar AD finalized its exit from the tire business, a decision based on the assessment that starting with the 1990's, a high level of globalization in tire manufacturing would lead to the concentration of global production at leading manufacturing companies, and that further successful development in not only Tigar's tire segment, but other segments as well, largely depends on the implementation of the exit strategy.

The funds received through this transaction over the 2007-2009 periods were utilized for intense investment and the stabilization of working capital, but were also a guarantee of sorts for potential creditors, such as banks and international financial organizations. In this manner, we ensured not only complete restructuring and updating of our system, but also the overcoming of the effects of the economic downturn. Without the successful realization of this transaction, the continued existence of the entire group would not have been ensured.

### **Implementation of investment plans**

Unlike the vast majority of other companies, which dramatically reduced or altogether cut all capital expenditure, Tigar continued to implement its investment strategy, since it was not possible to bring to a halt the entire investment package, which involved the shutting down old of operations and initiating of new operations at the Tigar 3 location, without a major blow to the respective businesses and Tigar as a whole.

The second disbursement under the DEG long-term capital loan enabled us to proceed with full physical implementation of the footwear investment program, as planned.

However, unlike the footwear project, Tigar Technical Rubber Goods (TTRG) experienced an overall financing problem resulting from the economic downturn. Its project included not only restructuring and upgrading of the existing product lines, but also the commissioning of a tire recycling plant and a plant for the manufacture of finished products from recycled rubber. Since we gauged that it was not possible to realistically secure funding for this type of investment package during the year with the EBRD, the project was, based on our business policy, and divided into three phases. The first phase covered the commissioning of the standard-products factory at the Tigar 3 location. The second phase addressed the commissioning of the plant for recycled- rubber products, and the third phase covers the construction of the tire recycling plant. Financing of the first two phases was implemented through Hypo Alpe Adria Bank in 2009, while the third phase has been moved into 2010 and will depend on our ability to secure appropriate sources of funding. Due to these changes in financing, the first two phases lagged some six months behind schedule and negatively impacted this subsidiary.

Development of our retail network was financed from cash flow, and given the significance of location; our plans were implemented based on available locations.

Our investment policy did not envisage any further investment in our service businesses.

### **Investment in research and development**

Keeping in mind the importance of increasing footwear output and sales, priority in development was given to off-take buyers, both existing and new, while development of our own products were given second priority and moved to 2010, the exception being the stylish and children's footwear lines.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

During the restructuring of the basic TTRG product lines, a manufacturing segment was removed which made a group of products including such items as tire re-treading flaps, because demand clearly centered on higher development activities, while the market did not necessarily guarantee a return on investment. Within TTRG, we continued to primarily develop custom-made products. We also continued to prepare for the introduction of new products for TTRG's new or reconstructed production lines, such as for two-component or thermoplastic rubber profiles. This has created a sound industrial base which will be able to support large-volume orders from the domestic and international markets, and to service industries, especially the automotive and construction industries, including potential mass production for Fiat as well as other global manufacturers. Such orders were not included in sales and production plans for the upcoming period because no concrete arrangements have been made as of the date of release of the plans. However, they will be incorporated into progress plans as they are negotiated.

With the purchase of the Bilgutex brands, we are now ready to produce the following groups of recycled-rubber products: Bilgusafe – playground tiles, Bilgusand – sandboxes, Bilgusign – traffic sign supports, Bilgubollards – bollards, Bilgulane – rubber flooring, and Bilguwell – products for miscellaneous uses. These products have all been certified based on EU requirements, which has enabled us to create a solid base for further development in line with customer requirements or our own assessment of market needs.

In the chemical products segment, development processes are defined based on market information, contact with raw materials manufacturers and applicable regulations, the most important being the REACH Regulation 2006/1907 (2007), the 1999/13/EC Directive and the 2004/42/EC Directive, as well as regulations under development. Keeping these in mind, as well as general development trends in coatings and adhesives, the factory has developed a set of alternatives for its most critical products.

### **Sales of goods and services**

With the goal of achieving the needed volume, the footwear segment was focused on international off-take buyers and the existing network of large and mid-sized domestic buyers. The new Maniera collection was sold in our Bottega chain of retail outlets. This fashion collection was also offered to consumers through other buyers with their own network of retail outlets in Serbia. Given that the line is new to the market, it has not yet been offered to many buyers in the country and the region, and plans are to present the collection to EU markets in 2010.

In the technical rubber goods segment, significant market activities were fairly limited due to this segment's manufacturing situation.

The chemical products segment was focused on large, well-known buyers, and on increasing exports to nearby countries, including Greece.

In the Automotive Service Network, we made inroads to get closer to our end-users by developing and promoting our network of service centers.

### **Human resources**

In the human resources area, our policy was to limit new hires, regardless of envisaged changes in employment structure, selective hiring, and ongoing training.

### **Financing**

In the financial area, as a result of altered business and financing conditions brought about by the economic downturn, the Company turned to commercial banks to secure funding for its investment



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

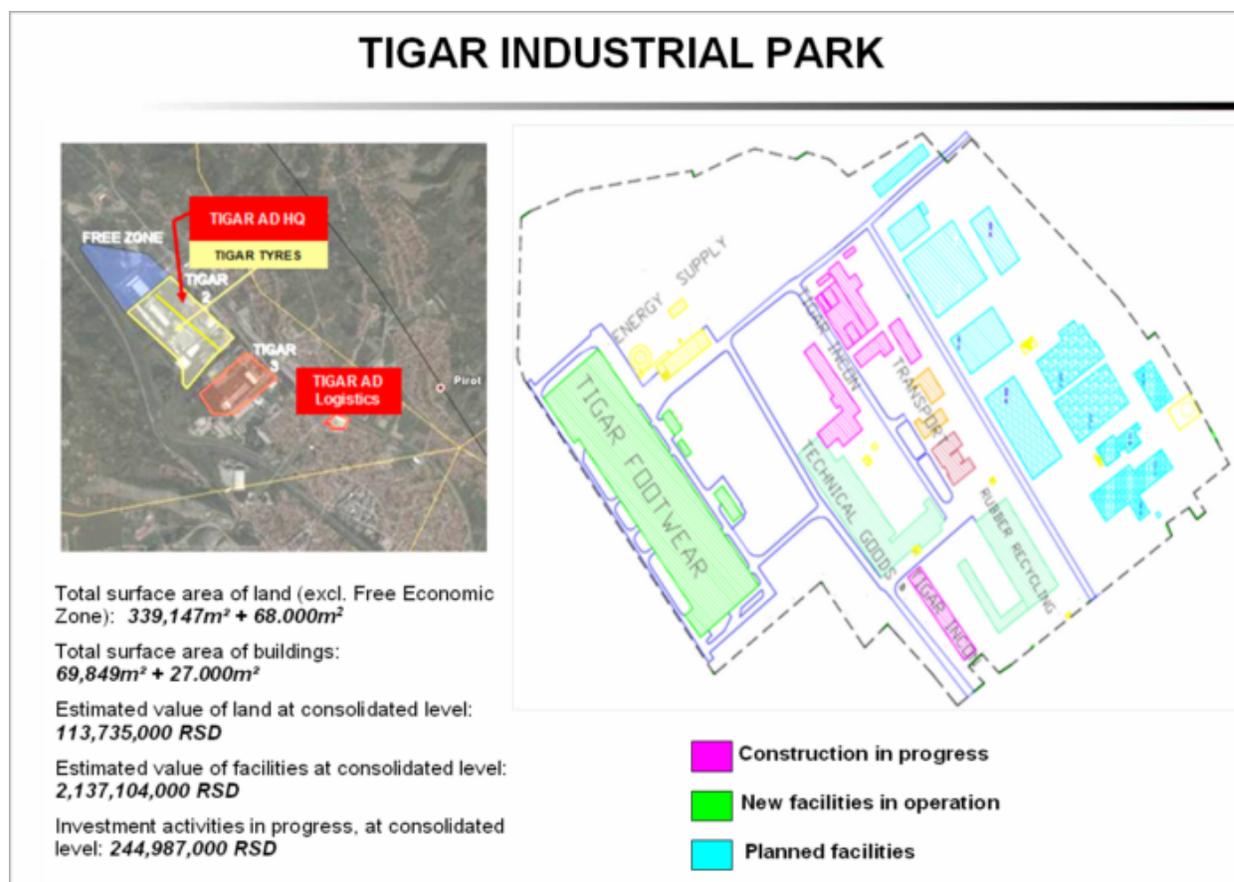
activities. In the area of liquidity and financing of non-current assets, our primary approach was to look for short-term subsidized loans, wherever possible. The Company was able to continue to re-finance short-term loans, which resulted in higher finance expenses and significant spending to service financial obligations.

### Capital market

Over the entire course of the year, the Company was faced with a significant decline in the value of its stock, as well as with reduced liquidity, tied to general and regional downturns in the capital markets, which affected the Serbian market and acted to depress the stock values of Serbian companies. The Board of Directors took what steps they could to improve liquidity, acquiring treasury shares, without jeopardizing the outstanding investment activities and the normal operation of the system, this being the primary goal of Tigar and our shareholders. Given existing conditions, the Company had no mechanisms at its disposal to protect the declining value of its stock, since this was a general trend in the marketplace.

### 1.5. KEY INVESTMENT ACTIVITIES

In keeping with our investment policy, we continued restructuring of Tigar Technical Rubber Goods' standard product lines, completed construction of industrial premises at the Tigar 3 location, and continued to develop our domestic retail sales network, while we postponed all other investment activities into the subsequent year.



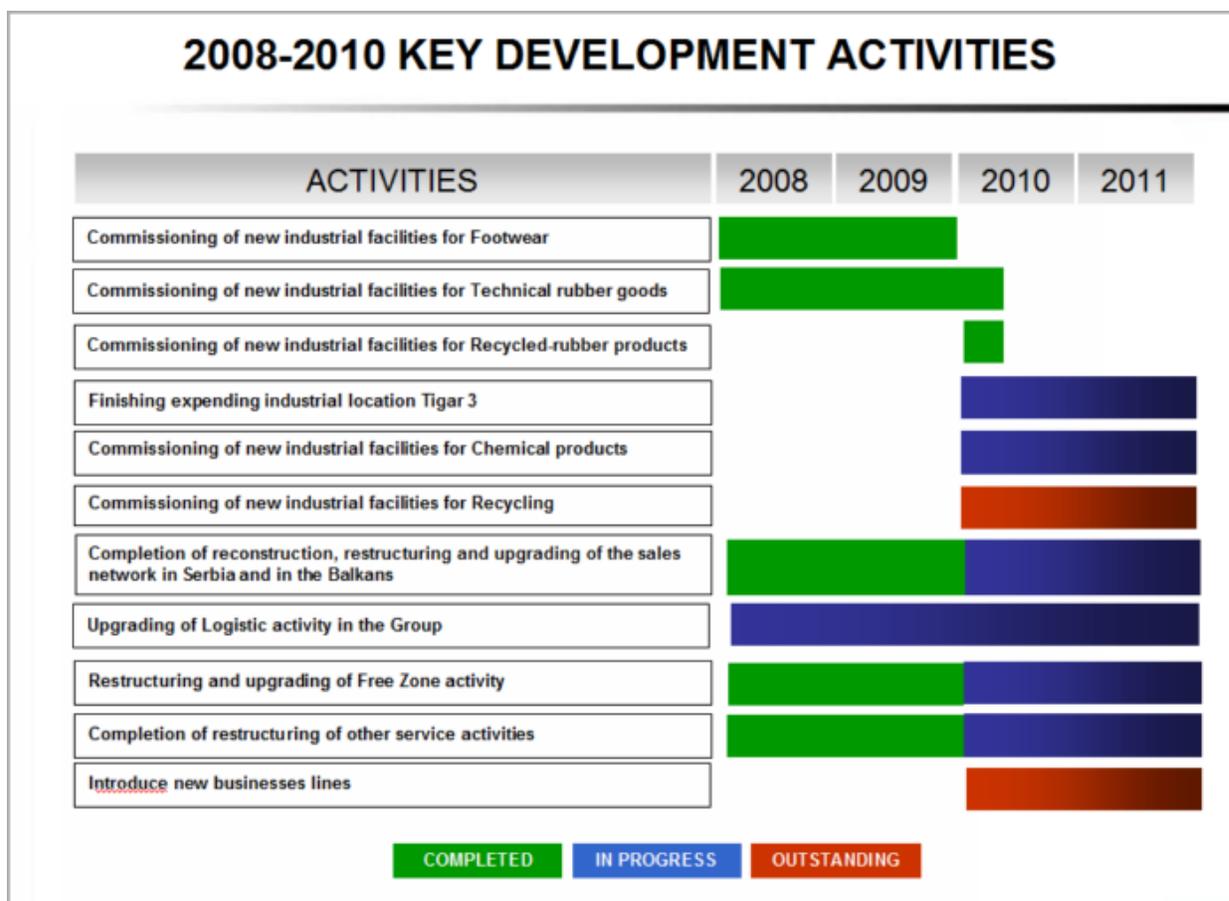


## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

Status of investment activities:



During the year, the following amounts were invested in infrastructure:

in thousands of RSD	Purchases of fixed assets
	2009
Tigar Technical Rubber Goods	308,958
Tigar Chemical Products	743
Tigar Rubber Footwear	99,408
Tigar Trade	97,425
Business Services	21,199
Holding company	130,513
<b>Total</b>	<b>658,246</b>



## 1.6. BUSINESS ENVIRONMENT

The 2009 business environment was largely characterized by the global financial crisis, which had a dramatic impact on the economy. The impact of the global financial crisis was felt first with the weakening of the dinar vis-à-vis the euro, then with a decline in business activities, a general slowdown in the influx of capital from abroad, a decrease in GDP, a reduction in industrial production and construction activities, and lower investment and turnover of goods. The financial sector remained stable while changes in the real sector were followed by exceptionally negative trends. Industrial production fell by 12.1%, largely as a result of unfavorable developments in the processing industry where production activities declined by 15.8%. Retail sales were off by a nominal 5.4%, while the real decline was significantly greater as a result of a decline in purchasing power. Construction activity fell by some 19%. Physical traffic volume decreased by 14.9%, with a significantly higher 22.9% decrease in freight traffic. Reacting to an overall slowdown in business activity, exports declined by 24%, while imports fell by some 31.9%. Serbia's major export markets were Bosnia and Herzegovina, Germany and Montenegro. Highest exports were of iron and steel, grains and grain products, fruit and vegetables, non-ferrous metals and textiles intended for military uses. Imports included crude oil and petroleum products, road vehicles, natural gas, electrical machinery and equipment, as well as general purpose industrial machinery. Prices were relatively stable during the period, with a growth in the price of consumer products of 6.6%, while the average annual growth with respect to 2008 was recorded at 8.4%, even though the recorded rate of inflation was the highest in the region. Based on the ILO methodology, the level of unemployment jumped to 17.4% in comparison to 2008 when it was recorded at 14.4%. 110,000 jobs were lost. Average earnings during 2009 increased by 8.8% with respect to 2008. In early December, some 1,889,000 individuals were employed. The average monthly net salary during 2009 was 31,733 RSD, while gross salary (including taxes and benefits) was 44,147 RSD. Viewed by segment, the highest incomes were reported in financial mediation, at 138,291 RSD, and the lowest in the apparel industry, at 19,044 RSD. In December, there was a customary increase in earnings, to an average of 36,789 on a net monthly basis, and 51,115 on a gross basis; however, due to the dinar's continued decline relative to the euro, this represented a total of 384 euros compared to 435 euros in the same period of a year ago.

The monetary policy was less restrictive. The reference interest rate of 18% in December 2008 fell to 9.5% in December 2009. The primary dinar money at the end of December 2009 totaled 254 billion while the cash in circulation was some 95.5 billion. Bank reserves fell as a result of amended monetary policies by the National Bank of Serbia with respect to mandatory reserves. Total bank investments at the end of December were 1,299 billion, with 849 billion backing the economy and 418 million backing retail borrowers. This represented a nominal increase compared to December 2008, but the growth was significantly lower when viewed in euros. In 2009, banks, despite a reduction in reference interest rates due to reduced risks, invested mostly in National Bank of Serbia securities.

Active interest rates fell from 18.11% in December 2008 to 11.25% in December 2009, while passive interest rates on deposits declined from 7.23% to 5.05% during the same period. High interest rates, particularly during the economic crisis, negatively impacted business development and day-to-day operations. The value of the dinar declined the most relative to the British pound, off by 15.3%, and the Swiss franc, off by 7.8%, while the dinar also slid compared to the euro, by 7.6%. These changes, along with a domestic inflation rate of 6.6%, compared to a Euro Zone inflation rate of 0.9% and a U.S. inflation rate of 2.6%, led to a 2.3% depression in the effective exchange rate of the dinar. At the end of 2009, total foreign exchange reserves were recorded at 10,602 million euros, an increase of 29.4% compared to a year ago, with 782 million euros tracing to IMF loans. Foreign exchange reserves cover some nine months of imports and about 41.5% of the money supply. The National Bank of Serbia intervened with 551 million euros during the first two months of 2009, when the exchange rate increased from 89.5 to 96.3 dinars to the euro. Once the exchange rate stabilized during the year, and fell to a more acceptable level of 92.5 to 95.4, the National Bank of Serbia

**2009 ANNUAL REPORT**

Document reference

**IZ.P. 09/04**

stepped aside. In the fourth quarter, and particularly during the month of December, the dinar weakened again significantly, such that even the National Bank could not prevent its depreciation. A positive trend was noted in foreign exchange savings, with increases to a record high of 6.133 billion euros in November 2009.

In 2009, there was a budget deficit of 93.8 billion dinars, which is roughly twice that noted for 2008.

Proceeds from privatization were relatively modest, with 95 state-owned companies undergoing privatization, yielding an income of 80.6 million euros, with negotiated investments of 42.8 million. The net influx of direct foreign investments totaled 1,112.5 million but was considerably lower than the 1,812.8 million euros recorded in 2009, and the highest influx was derived from the sale of a 51% stake in the Petroleum Industry of Serbia. In addition to the global crisis, the level of investment was impacted by negative assessments of the quality of the Serbian economic environment. Based on assessments by the World Bank, Serbia now finds itself in 94<sup>th</sup> place, of 181 countries, with respect to positive business conditions.



## 2. PRODUCT PORTFOLIO, SALES OF GOODS AND SERVICES, AND PRODUCTION LEVELS

### 2.1. PRODUCTION AND SALES PORTFOLIO

#### Footwear

Tigar Footwear's product lines currently include:

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

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

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

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

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

#### Technical rubber goods

*Molded rubber products.* These products are very strong, durable, and flexible. TTRG produces pressed molded goods for a variety of industrial, construction, and civil engineering applications, re-treading shops, road infrastructure (e.g., rubber speed bumps), and automotive rubber parts (e.g., mats and gasoline tanks). It also produces "rubberized" metal goods (rubber-coated pipes, valves, etc.), by applying a layer of rubber to metal parts manufactured by customers.

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



## 2009 ANNUAL REPORT

Document reference

I.Z.P. 09/04

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

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

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

*Recycled-rubber products.* Products made from rubber granulates of different sizes (0.5 – 5mm) and binders, finished or unfinished, of different colors and shapes, are used to overlay and protect outdoor and indoor surfaces (squares, sidewalks, promenades, parking lots, school and daycare center yards, corridors in public institutions, sports arenas, areas surrounding swimming pools, and so on). The list of industrial rubber products based on recycled rubber and made by extruding and pressing is very long. It includes rubber doormats, carpeting, various kinds of bumpers (e.g., for docking facilities), rubber components for the automotive industry, rubber belts, rubber tubing, and many others. This group also includes rubber sheeting for soundproofing in the construction industry, rubber tiles, rubber flooring, roofing sheets, sheeting for landfills, etc. The appearance and functional characteristics of these products can easily be changed by adding pigment and other additives to the mixture of rubber granulate and liquid polyurethane binder. Sports court flooring is basically comprised of a rubber mat whose thickness depends on the type of court. Also, depending on the sport, different grades of granulate and surface finish are used. The formula is adjusted to the required quality of the flooring (e.g., for recreational sports, children’s courts, school playgrounds, professional sports, tennis courts, sports arenas, athletic tracks...) to provide the required characteristics (elasticity, impact absorption, resistance to weather conditions...). Sports surfaces with this type of overlay exhibit numerous advantages over concrete or asphalt surfaces; they are softer and more elastic, they absorb jump, impact and fall energy, their surface is uniform and conducive to better results in sports, and they ensure fewer and lesser injuries. Since these are the latest-generation surfaces, they are far more durable and resistant to all kinds of influences, and their repair is much simpler and inexpensive.

### **Chemical products**

Tigar Chemical Products manufactures more than 300 products classified into:

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

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

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



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

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

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

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

### **Complementary product range**

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

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

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

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

### **Tigar's automotive service and retail sales network STOP&DRIVE offers the following services:**

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

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



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### *Car wash*

### *Tire monitoring and safe-keeping*

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

### **Other services**

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 business includes:

- Construction, which offers all types of services relating to construction and maintenance of buildings and infrastructures. This unit is supported by an engineering group.
- Pirot Tax 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 Tax Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The TFZ is within the Industrial Zone of Pirot and covers 17 ha, 46 a, and 29 m<sup>2</sup> of infrastructure-enabled land. The total surface area controlled by the TFZ is 65 ha, 21a and 26 m<sup>2</sup>, including its own railroad track and 150 telephone lines. 66 companies currently operate in the Tax Free Zone, including 46 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 Tax Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles.
- Food production for internal needs of Tigar AD and Tigar Tyres, but also for the external market, as well as hospitality services provided to tourists, business men and women, delegations, and sports teams.
- 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.
- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

### 2.2. SALES OF GOODS AND SERVICES

In 2009, the following income was earned from sales of goods and services by market:

Serbia

<i>Net sales income In thousands RSD</i>	<i>2008</i>	<i>2009</i>	<i>% Change relative to 2008</i>
<b>Sales by product group</b>			
Car and light truck tires	331,098	346,232	5%
Truck tires	70,461	59,839	-15%
Agricultural and other tires	42,349	27,844	-34%
<b>Total tires sale</b>	<b>443,907</b>	<b>433,915</b>	<b>-2%</b>
<b>Inner tubes</b>	<b>18,215</b>	<b>15,847</b>	<b>-13%</b>
<b>Tigar rubber footwear</b>	<b>801,730</b>	<b>1,039,679</b>	<b>30%</b>
- Domestic market	263,627	301,538	14%
- International markets	538,103	738,141	37%
<b>Other suppliers footwear</b>	4,537	13,176	190%
<b>Technical rubber goods</b>	<b>329,626</b>	<b>185,073</b>	<b>-44%</b>
- Domestic market	277,508	132,515	
- International markets	52,118	29,993	
<b>Chemical products</b>		22,564	
- Tigar Trade	<b>167,446</b>	<b>187,237</b>	<b>12%</b>
- Domestic market	8,290	8,537	3%
- International markets	130,282	127,641	-2%
<b>Complementary products</b>	28,874	51,059	77%
<b>Other suppliers footwear</b>	28,201	27,415	-3%
<b>TOTAL</b>	<b>1,793,661</b>	<b>1,902,342</b>	<b>6%</b>

Financial data show that revenues from footwear sales had the highest growth trends, which is a logical outcome of our commissioning of new production capacities. The growth in sales is somewhat less than projected, generally due to the following:

Domestic volume was reduced due to the risk of defaults, and sales were made only to those buyers who could provide payment security instruments, which turned out to be a good decision, given that a lot of commercial firms went into foreclosure. In the export market, the situation was quite different. Since the footwear factory began normal production at the end of 2008, regular buyers, not knowing if the factory would begin operations as planned, secured alternate supply streams, while ordering smaller quantities from us that they believed would be delivered. Generally, orders for the following year are planned between August and October, a time when our factory did not have a steady production stream in 2008. As the global crisis got worse, buyers started to reduce orders and Tigar Trade took over the burden of financing inventory. Instead of ordering on a quarterly basis, buyers began placing orders month-by-month, and given that with off-take production it is not possible to maintain large inventories, problems developed with respect to order fulfillment. When, during the first quarter, large buyers got wind of the quality capacities of the factory, they made plans to relocate production from other areas, but because of the equipment quality, in 90% of cases, they requested modifications for products which they planned to relocate, in order to get new, much higher quality



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

products than they were receiving. This significantly took away from our time and resources. The factory commercialized some 100 new products in 2009.

Because the economic downturn reduced volume, and buyers had a contracted production level, the transfer of production from other manufacturers in 2009 was slower than planned. This was the case with both regular and new buyers. In 2009, a whole group of new buyers, for whom we planned production starting in August 2009, had no orders, and their production was moved to the first and second quarters of 2010. This significantly impacted both production and sales volumes, and therefore financial performance. Due to extensive development activities for off-take buyers which had to be financed, the development and industrialization of Tigar's proprietary brands lagged and had a pronounced additional negative impact. The positive side of the whole process is that in the negotiating and development activities that took place, a good foundation was set for manufacturing growth in 2010, through the addition of volume for existing off-take buyers, the addition of new off-take customers, and the promotion of proprietary brands.

With respect to Tigar Technical Rubber Goods (TTRG), given that the factory did not operate a regular manufacturing process during the January-November 2009 period, performance was considerably lower compared to 2008, mainly because sales did not have adequate inventory backing - the result of the inability to build inventory through new production. The postponement of the commissioning of the new TTRG factory for standard product lines, by a period of four months, and the factory for finished products from recycled rubber by a period of six months, resulted in poor performance relative to plan. In fact, in 2009, two product lines recorded no sales – standard products for a period of ten months and recycled-rubber products for the entire twelve-month period, which had an exceptionally negative effect on the bottom line. If sales of TTRG products had been identical to those in 2008, total revenue from sales would in fact have been higher not by just 6%, but by a full 15%.

Tigar Chemical Products recorded a 12% growth. The main reason for not performing to plan was a lack of working capital for the financing of manufacturing for both the domestic and foreign markets, given the longer payment terms, particularly in the road industry.

Complementary products were largely sold through retail outlets, which reduced volume but produced higher margins. The highest percentage of revenue from sales, excluding products made by Tigar's manufacturing subsidiaries, was derived from tires. In this area, revenue from sales was equal to that of a year ago, first due to reduced truck tire sales, which in turn were the result of reduced freight traffic, and then declines recorded in the agricultural segment, resulting from a shortfall in supply.

The shortfall in the supply of all types of tires, particularly during the months of November and December, affected revenue from sales, reducing it to lower than achievable levels based on demand. A positive sales trend was noted in this segment with respect to sales to end-users; an increase to 97% in 2009 from 74% during 2008.



## 2009 ANNUAL REPORT

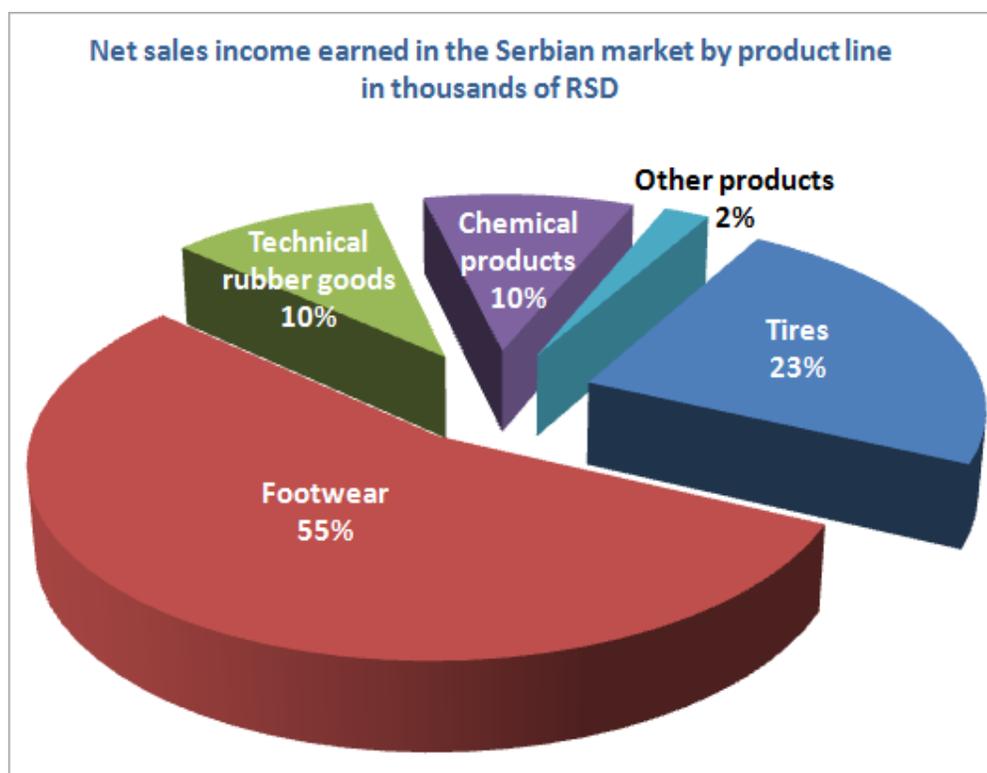
Document reference

IZ.P. 09/04

### Sales to the Serbian market by product line

<i>Net sales income in thousands of RSD</i>	<i>2008</i>	<i>2009</i>	<i>% Change</i>
<b>Sales by product lines</b>			
Tires	462,122	449,762	-3%
Footwear	801,730	1,039,679	30%
Technical rubber goods	329,626	185,073	-44%
Chemical products	167,446	187,237	12%
Other products	32,738	40,591	24%
<b>TOTAL</b>	<b>1,793,661</b>	<b>1,902,342</b>	<b>6%</b>

### Proportions relative to net external sales income earned in Serbia:



Financial data show that in 2009, the highest revenue in domestic sales and exports was earned from footwear sales, but since a large percentage of the growth of this segment was impacted by the TRG segment, which turned in a poor performance in 2009, the ratio will no doubt change significantly in subsequent years.



## 2009 ANNUAL REPORT

Document reference

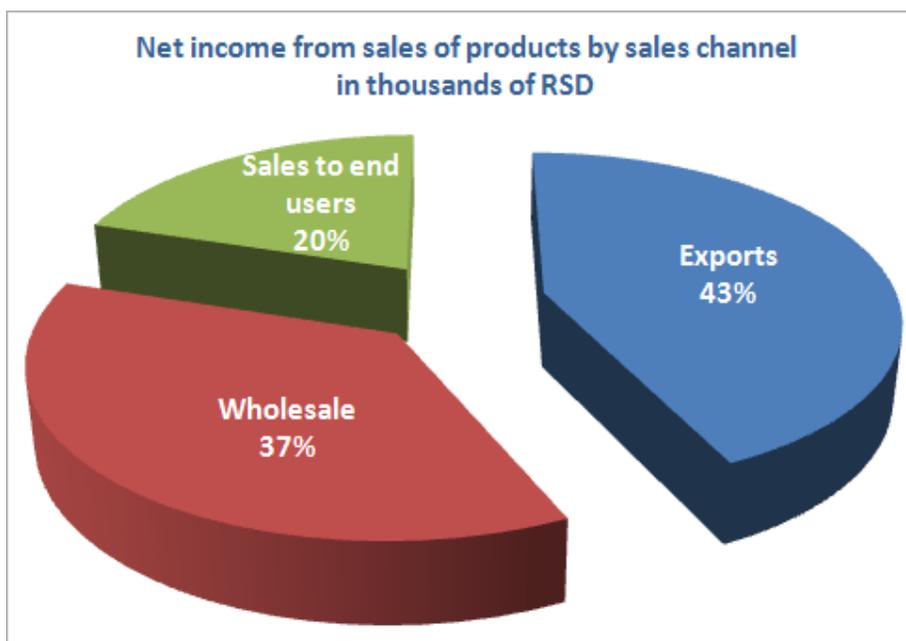
IZ.P. 09/04

### Net income from sales of products by sales channel:

<i>Net sales income in thousands of RSD</i>	<i>2008</i>	<i>2009</i>	<i>% Change</i>
<b>Sales by sales channel</b>			
Exports	619,094	819,193	32%
Wholesale	840,540	699,931	-17%
Sales to end users	334,027	383,217	15%
<b>TOTAL</b>	<b>1,793,661</b>	<b>1,902,342</b>	<b>6%</b>

The growth in sales to end-users had a significant positive effect on margins, and shows a growth in the number of medium and small buyers, who acted to stabilize overall sales. However, the client base needs to expand further, along with product offerings, in order to achieve a good revenue level.

Sales by sales channel – proportions relative to net external sales income :





## 2009 ANNUAL REPORT

Document reference

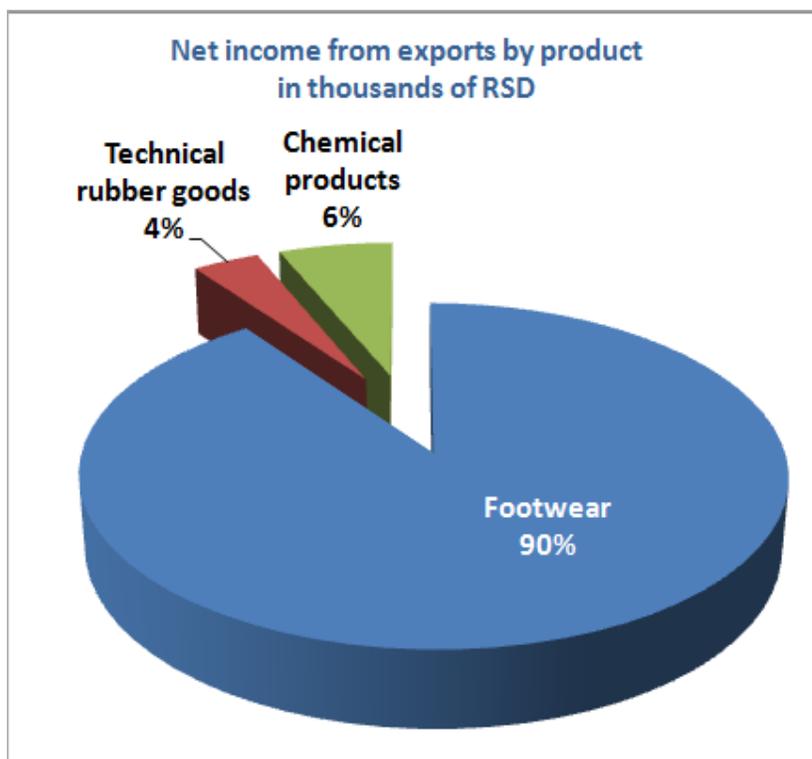
IZ.P. 09/04

### Exports by product line:

Net sales income in thousands of RSD	2008	2009	% Change
<b>Sales by product line</b>			
Footwear	538,103	738,141	37%
Technical rubber goods	52,118	29,993	-42%
Chemical products	28,874	51,059	77%
<b>TOTAL</b>	<b>619,094</b>	<b>819,193</b>	<b>32%</b>

The footwear range consists predominantly of exports, which is a consequence of this segment having been export-oriented in previous years, while other segments tended to be more oriented to the domestic market or to other ex-Yugoslav markets.

### Exports by product line proportions





## 2009 ANNUAL REPORT

Document reference

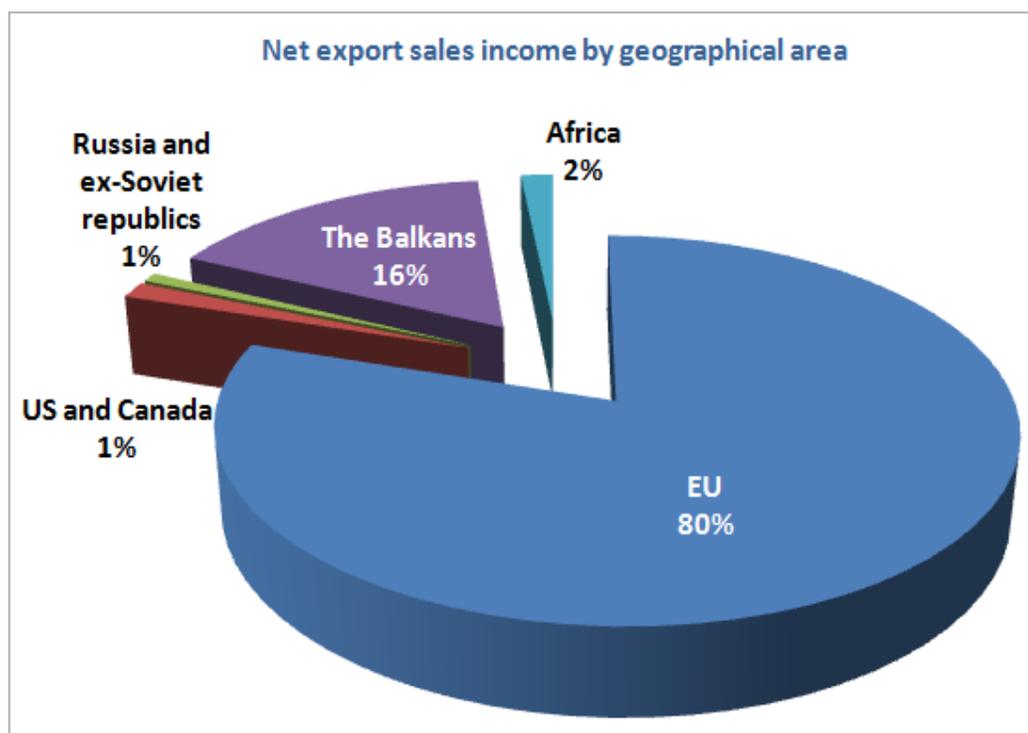
IZ.P. 09/04

### Exports by geographical area:

<i>Net income from exports by geographical area, in thousands of RSD</i>	<b>2008</b>	<b>2009</b>	<b>% Change</b>
<b>Sales by geographical area</b>			
EU	461,898	655,186	42%
US and Canada	0	11,649	
Russia and ex-Soviet republics	9,851	6,594	-33%
The Balkans	133,457	132,724	-1%
Africa	13,889	13,040	-6%
<b>TOTAL</b>	<b>619,094</b>	<b>819,193</b>	<b>32%</b>

The EU was our primary export market, as in all previous years. The Canadian and US markets will be developed in the subsequent period, initially through a long-term development project with the STC. In 2009, we received factory and safety footwear certification for exports to Russia, starting in 2010. During the reporting period, we were set to begin exports of firefighter boots to Russia; however, due to the cancelling and repetition of a tender, these exports were also moved to 2010. The highest exports to the Balkans were achieved through Tigar's commercial subsidiaries and affiliates, where the list of buyers was significantly added to, particularly in Slovenia, and largely in the stylish footwear segment.

### Proportions by net export sales income by geographical area





## 2009 ANNUAL REPORT

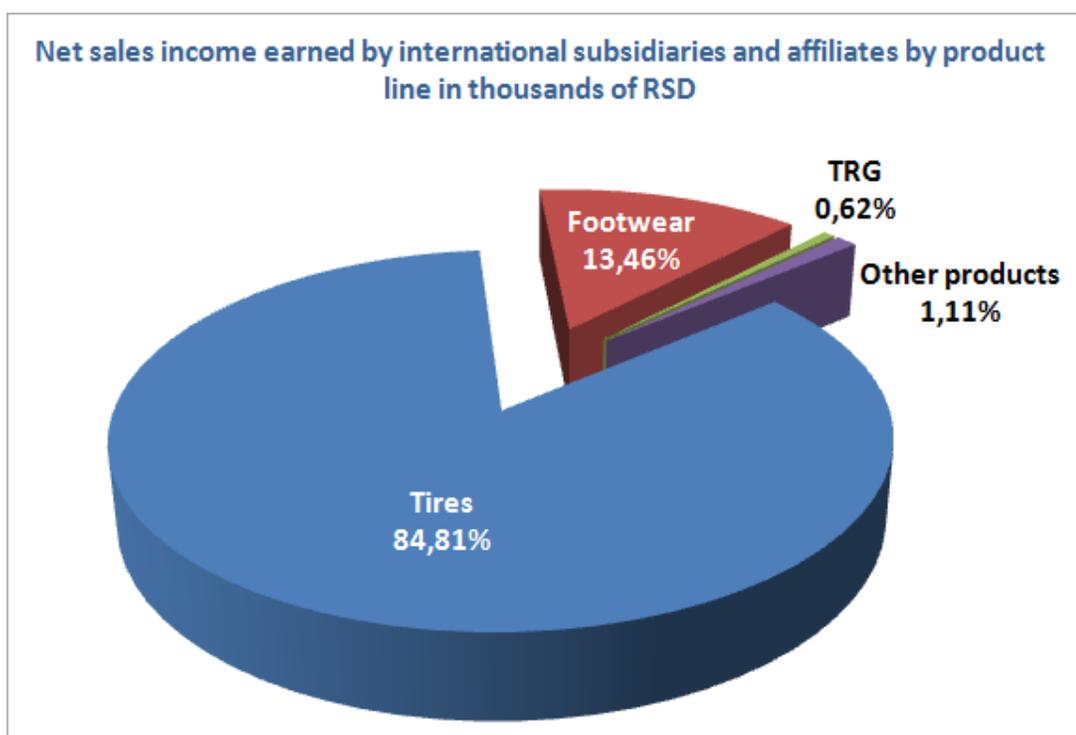
Document reference

IZ.P. 09/04

**SUBSIDIARIES AND AFFILIATES OPERATING ABROAD**

<i>Net income from sales of products by subsidiaries and affiliates operating abroad, in thousands of RSD</i>	<b>2008</b>	<b>2009</b>	<b>% change relative to 2008</b>
<b>Sales by product line</b>			
Tires	923,843	809,410	-12%
Footwear	98,467	128,419	30%
TRG	4,483	5,937	32%
Other products	15,319	10,579	-31%
<b>TOTAL</b>	<b>1,042,111</b>	<b>954,346</b>	<b>-8%</b>
* Tigar Europe 50%			

Tigar's subsidiaries and affiliates operating abroad, with the exception of Tigar Americas, largely marketed Tigar-brand tires, which is a long-term practice. All companies also offer footwear, while the marketing of other products, including those made by TTRG, is minimal. Highest sales were noted through Tigar Europe, where the sales performance of this company could have been even higher, had deliveries by Tigar Tyres been consistent with orders.

**Proportions by net sales income earned by international subsidiaries**



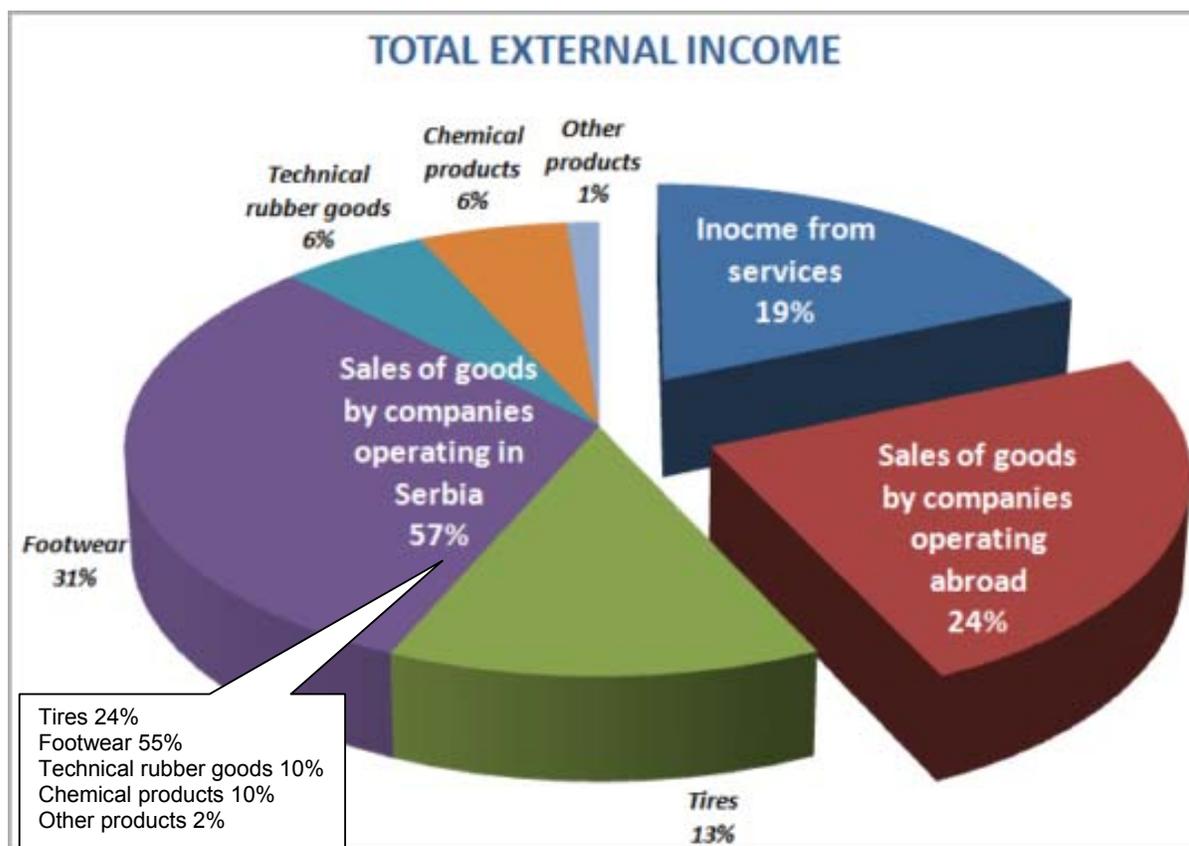
## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

**TOTAL EXTERNAL REVENUES, INCLUDING REVENUES FROM SALES OF GOODS VIA SUBSIDIARIES AND AFFILIATES LOCATED ABROAD AND REVENUES FROM SERVICES RENDERED TO EXTERNAL CUSTOMERS**

<i>In thousands of RSD</i>	2008	2009	% change relative to 2008
Sales of goods by companies operating abroad	939,162	819,990	-13%
<i>Without goods sales of Tigar's entities in Serbia</i>			
<i>* Figures include 50% of Tigar Europe sales</i>			
<b>TOTAL EXTERNAL SALES OF PRODUCTS IN THE COUNTRY AND ABROAD</b>	<b>2,732,823</b>	<b>2,722,331</b>	<b>0%</b>
Stop & Drive service revenues	14,717	23,779	62%
<b>TOTAL INCOME FROM EXTERNAL SALES OF PRODUCTS</b>	<b>2,747,540</b>	<b>2,746,110</b>	<b>0%</b>
<i>External income from other services rendered in Serbia</i>	579,331	598,797	3%
<b>TOTAL EXTERNAL INCOME</b>	<b>3,326,872</b>	<b>3,344,907</b>	<b>1%</b>



In 2009, the highest revenues came from tires, contributed by high sales levels through the domestic sales network, Tigar Europe, and our companies in various Balkan countries. Tigar Technical Rubber Goods did not contribute substantially to revenue due to its manufacturing situation in 2009, while our service businesses contributed about the levels expected.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 2.3. PRODUCTION VOLUME

Footwear production levels were governed by the market, and those of technical rubber goods by available capacity.

The following tables show output by manufacturing subsidiary.

#### TIGAR FOOTWEAR

Output in tons	2008	2009	% change relative to 2008
General-purpose (low) footwear	330	366	11%
Hunting and fishing boots	382	332	-13%
Safety boots	208	211	1%
Work boots	848	851	0%
Carboard	22	14	
Stylish footwear		44	
Children's footwear		51	
<b>TOTAL</b>	<b>1,790</b>	<b>1,870</b>	<b>4%</b>

#### TIGAR TECHNICAL RUBBER GOODS

Output in tons	2008	2009	% change relative to 2008
External rubber compound mixing plant	1,406	210	-85%
Molded products	284	62	-78%
Rubber profiles and tubing	319	179	-44%
Sporting goods	77	17	-78%
Industrial rubber coating	68	21	-68%
Tire recycling	0	0	
Recycled-rubber products	0	0	
<b>TOTAL</b>	<b>2,153</b>	<b>489</b>	<b>-77%</b>

#### TIGAR CHEMICAL PRODUCTS

Output in tons	2008	2009	% change relative to 2008
Mining industry products	50	41	-19%
Road paint	525	921	76%
Railway products	25	13	-47%
Metal industry products	60	74	24%
Construction industry products/flooring	22	13	-42%
Consumer products	195	144	-26%
Internal production	123	110	-10%
<b>TOTAL</b>	<b>999</b>	<b>1,315</b>	<b>32%</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### 3. KEY FINANCIAL INDICATORS OF 2009 PERFORMANCE

#### 3.1. HOLDING COMPANY - TIGAR AD

Changes in equity (in thousands of RSD), unconsolidated	31 December 2008 (audited)	31 December 2009
Balance, beginning of the year/period	2,685,839	2,736,793
Profit for the year/period	168,103	113,682
Dividends	-104,911	-56,709
Other	-12,238	17,641
Balance at the end of the year/period	2,736,793	2,811,407

Equity investments (in thousands of RSD) unconsolidated	31 December 2008 ( audited)	31 December 2009
Related parties	2,189,976	2,113,995
Banks	137	89
Other legal entities	19	64
Adjustments	14,572	14,572
<b>Total:</b>	<b>2,175,560</b>	<b>2,099,576</b>

Tigar AD's unconsolidated financials in thousands of RSD	2008 (audited)	2009	% Change
Assets	4,079,756	3,997,793	-2%
Equity	2,736,793	2,811,407	3%
Total income	1,619,929	1,116,252	-31%
EBIT	297,450	249,797	-16%
EBITDA	312,081	268,188	-14%
Net income	168,103	113,682	-32%
<u>Significant ratios</u>			
Return on equity	6.14%	4.04%	-34%
Return on shareholders equity	8.15%	5.51%	-32%
Debt-to-assets ratio	0.33	0.29	-10%
-			
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.07	1.21	13%
Quick ratio	1.04	1.18	13%
<u>Other ratios</u>			
ROE	6.14%	4.04%	-34%
ROA	4.12%	2.84%	-31%
Net profit/ total income	10.38%	10.18%	-2%



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 3.2. KEY SUBSIDIARY PERFORMANCE INDICATORS

<b>TIGAR</b>		
<b>TIGAR AD</b> Equity: 2.811.407 Total revenues: 1.116.252 EBITDA: 268.188 (000 RSD)		
<b>PRODUCTION ENTITIES</b>	<b>COMMERCIAL ENTITIES</b>	<b>SERVICE ENTITIES</b>
<b>TIGAR FOOTWEAR</b> Equity: 853.427 Total revenues: 1.277.392 EBITDA: 91.691 (000 RSD)	<b>TIGAR TRADE</b> Equity: 209.850 Total revenues: 2.345.519 EBITDA: 75.452 (000 RSD)	<b>PIROT FREE ZONE</b> Equity: 138.156 Total revenues: 62.185 EBITDA: 11.541 (000 RSD)
<b>TIGAR TECHNICAL RUBBER GOODS</b> Equity: 330.415 Total revenues: 252.313 EBITDA: -60.112 (000 RSD)	<b>TIGAR MONTENEGRO</b> Equity: 93 Total revenues: 718 EBITDA: 23 (000 EUR)	<b>TIGAR BUSINESS SERVICES</b> Equity: 96.228 Total revenues: 298.861 EBITDA: 20.043 (000 RSD)
<b>TIGAR CHEMICAL PRODUCTS</b> Equity: 97.650 Total revenues: 278.976 EBITDA: 32.187 (000 RSD)	<b>TIGAR PARTNER</b> Equity: 17.626 Total revenues: 45.032 EBITDA: -372 (000 DEN)	<b>HOTEL STARA</b> Equity: 70.442 Total revenues: 21.089 EBITDA: 715 (000 RSD)
	<b>TIGAR TRADE Banja Luka</b> Equity: 485 Total revenues: 2.603 EBITDA: 27 (000 KM)	<b>TIGAR TOURS</b> Equity: 9.518 Total revenues: 5.840 EBITDA: 702 (000 RSD)
	<b>TIGAR EUROPE</b> Equity: 2.582 Total revenues: 13.035 EBITDA: 322 (000 GBP)	<b>TIGAR INTER RISK</b> Equity: 1.639 Total revenues: 4.075 EBITDA: -107 (000 RSD)
	<b>TIGAR AMERICAS</b> Equity: 429 Total revenues: 566 EBITDA: -37 (000 USD)	<b>TIGAR SECURITY</b> Equity: 13.764 Total revenues: 73.134 EBITDA: 3.691 (000 RSD)
		<b>TIGAR WORKSHOP</b> Equity: 8.567 Total revenues: 54.615 EBITDA: 13.458 (000 RSD)
		<b>TIGAR INCON</b> Equity: 50.080 Total revenues: 300.368 EBITDA: 25.780 (000 RSD)
		<b>PI CHANNEL</b> Equity: 4.514 Total revenues: 17.392 EBITDA: 2.242 (000 RSD)
		<b>SPORTS CENTER</b> Equity: 14.802 Total revenues: 1.273 EBITDA: 15 (000 RSD)

**2009 ANNUAL REPORT**

Document reference

**IZ.P. 09/04****3.3. SEGMENTED RESULTS**

Tigar has 18 subsidiaries which it controls, is party to three joint ventures, and has a stake in one agency. Of the 22 companies, 17 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 financial results by segment (controlled subsidiaries, and JV from period I-XII 2009)**

\* Service subsidiaries include the Pi Channel and the Sports Center whose results are not consolidated. The aggregate result of manufacturing subsidiaries is negative (-77,117 thousand RSD) because Tigar Technical Rubber Goods was out of commission from January to November 2009, due to delayed investment activities. If TTRG had not reported a loss, the end result would have been +44,460 thousand RSD.



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

Income Statement (in thousands of RSD)	Tigar AD	Tigar Rubber Footwear	Tigar Technical Goods	Tigar Chemical Products	Tigar Trade	Tigar Montenegro	Tigar Macedonia	Tigar BiH	Tigar Americas	Tigar Europe	Tigar Incon	Tigar Protective Workshop	Tigar Business Service	Tigar Security	Tigar Tax Free Zone	Hotel StarA	Tigar Tours	Tigar Inter Risk	Sports Center	Pi Channel
Total income	1,116,253	1,277,392	252,314	278,975	2,345,518	67,493	68,234	124,756	38,282	687,319	300,368	54,615	298,861	73,133	62,186	21,089	5,840	4,075	1,273	17,392
Total expenses	970,974	1,236,503	329,431	267,469	2,315,303	65,338	69,876	123,687	40,808	669,937	278,402	42,879	298,392	71,260	53,744	22,678	5,227	3,976	1,273	16,417
Profit / loss before taxation	145,279	40,889	-77,117	11,507	30,216	2,154	-1,642	1,068	-2,526	17,382	21,966	11,736	469	1,873	8,442	-1,589	614	99	0	975
Current tax expense	30,148	1,853	0	1,594	1,069	226	82	114	0	3,807	1,197	384	341	122	261	0	19	19	0	53
Deferred income tax expense	1,449	3,218	1,462	0	512	0	0	0	0	0	149	0	0	0	11	24	4	0	0	0
Deferred income tax benefit	0	0	0	192	0	0	0	0	0	0	0	59	194	43	0	0	0	1	0	3
Net profit / loss	113,682	35,817	-78,579	10,104	28,634	1,928	-1,723	954	-2,526	13,575	20,619	11,411	323	1,794	8,170	-1,613	591	81	0	925

Balance Sheet as of 31 December 2009 (in thousands of RSD)	Tigar AD	Tigar Rubber Footwear	Tigar Technical Goods	Tigar Chemical Products	Tigar Trade	Tigar Montenegro	Tigar Macedonia	Tigar BiH	Tigar Americas	Tigar Europe	Tigar Incon	Tigar Protective Workshop	Tigar Business Service	Tigar Security	Tigar Tax Free Zone	Hotel StarA	Tigar Tours	Tigar Inter Risk	Sports Center	Pi Channel
<b>Assets</b>																				
Non-current assets	2,780,230	1,229,437	636,132	9,446	350,576	388	951	12,008	89	367	26,352	16,171	130,543	8,484	125,799	81,669	6,709	47	15,454	8,472
Current assets	1,217,562	814,964	235,128	183,572	1,377,654	20,886	41,852	61,420	17,443	210,265	74,683	19,264	70,396	35,467	31,434	1,705	3,921	2,822	230	4,296
Deferred tax assets	-	-	-	787	-	-	-	-	16,960	-	-	84	-	164	12	29	-	-	-	-
<b>Total assets</b>	<b>3,997,792</b>	<b>2,044,401</b>	<b>871,259</b>	<b>193,806</b>	<b>1,728,231</b>	<b>21,274</b>	<b>42,803</b>	<b>73,428</b>	<b>34,492</b>	<b>210,632</b>	<b>101,034</b>	<b>35,520</b>	<b>200,938</b>	<b>44,115</b>	<b>157,245</b>	<b>83,403</b>	<b>10,630</b>	<b>2,869</b>	<b>15,684</b>	<b>12,768</b>
Off balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,500	-	-	-	-	-
<b>Equity and liabilities</b>																				
Equity	2,811,406	853,428	330,415	97,650	209,850	8,917	27,261	23,799	28,638	138,448	50,081	8,567	96,227	13,764	138,156	70,443	9,518	1,639	14,802	4,514
Non-current liabilities	180,571	701,950	270,366	3,043	28,503	-	-	(0)	-	-	5,883	2,061	30,313	2,809	2,634	367	181	257	-	-
Current liabilities	1,005,021	484,356	269,572	93,113	1,488,535	12,357	15,543	49,629	5,854	72,184	44,451	24,892	74,224	27,542	16,455	12,593	906	971	882	8,214
Deferred tax liabilities	794	4,668	907	-	1,343	-	-	-	-	-	619	-	175	-	-	-	25	2	-	40
<b>Total equity and liabilities</b>	<b>3,997,792</b>	<b>2,044,401</b>	<b>871,259</b>	<b>193,806</b>	<b>1,728,231</b>	<b>21,274</b>	<b>42,803</b>	<b>73,429</b>	<b>34,492</b>	<b>210,632</b>	<b>101,034</b>	<b>35,520</b>	<b>200,938</b>	<b>44,115</b>	<b>157,245</b>	<b>83,403</b>	<b>10,630</b>	<b>2,869</b>	<b>15,684</b>	<b>12,768</b>
Off balance sheet liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,500	-	-	-	-	-



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### Financial results by geographical area (proportionate share in equity)

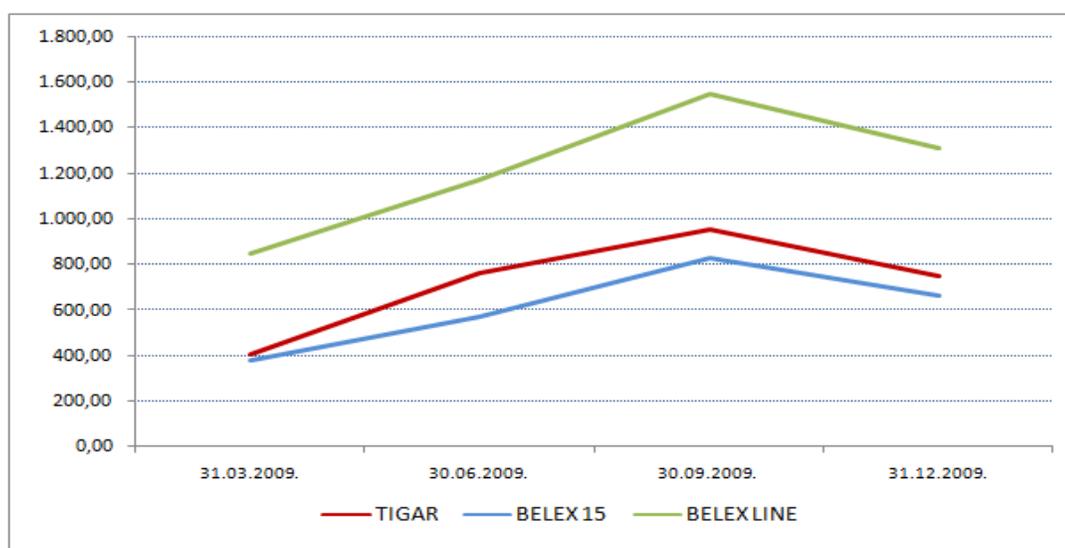
Income Statement in thousands of RSD (unaudited)	Serbia	The Balkans	EU + USA	Total
Total income	6,088,791	189,264	725,601	7,003,656
Total expenses	5,895,782	187,942	710,746	6,794,470
Profit (loss) before taxation	193,008	1,322	14,856	209,186
Income taxes	36,981	318	3,807	41,106
Deferred income tax expense	6,828			6,828
Deferred income tax benefit	491			491
Net result for the period	149,691	1,004	11,049	161,744



#### 4. CAPITAL MARKET POSITION

The value of Tigar's stock declined by 48.9% during the period. On 12 March 2009, when the share price reached its historic minimum, the Company's market capitalization on the Stock Exchange was 584.3 million RSD. However, after the first quarter there was a gradual increase in share prices on the Stock Exchange, even though the capital market was strongly influenced by the global economic downturn throughout the period and largely depended on the presence of foreign investors. Trading liquidity was very low, except during certain periods in the 2nd and 4th quarters. The average trading value during the year was roughly 7,000 €.

The graph below shows the movement of both Belgrade Stock Exchange indices in parallel with the movement of Tigar's share price during the period.



In 2009, the Company intervened only once and acquired treasury shares. The total number of treasury shares, including those acquired during the last quarter of 2008, was 22,432. The Company began disposing of these shares after it submitted a report to the General Assembly of Shareholders.

The Company disposed of 9,198 shares on a pro-rated basis at 650 RSD each, while the remaining 13,234 shares were sold in the market at an average price of 903 RSD. The Company disposed of the shares acquired on the Stock Exchange within the timeframe stipulated by law and did not hold any treasury shares at 31 December 2009.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

The table below shows major stock trading indicators and ratios based on market prices of shares during the period.

	31. DECEMBER 2008.	31. DECEMBER 2009.	% CHANGE
Number of shareholders	4,830	4,829	-
Number of shares outstanding	1,718,460	1,718,460	-
Book value of shares	1,592.58	1,636	2.73%
Stock market value of shares	501.00	746.00	48.90%
Lowest price during the period	(12.03.2009.) – 340.00		
Highest price during the period	(18.09.2009.) - 1,058.00		
Average for the period *	680.00		
Market capitalization, RSD	860,948,460.00	1,281,971,160.00	48.90%
P/ BV **	0.42		
P/E ***	10.27		
EPS ****	66.15		

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

\*\* Average market price to book value ratio.

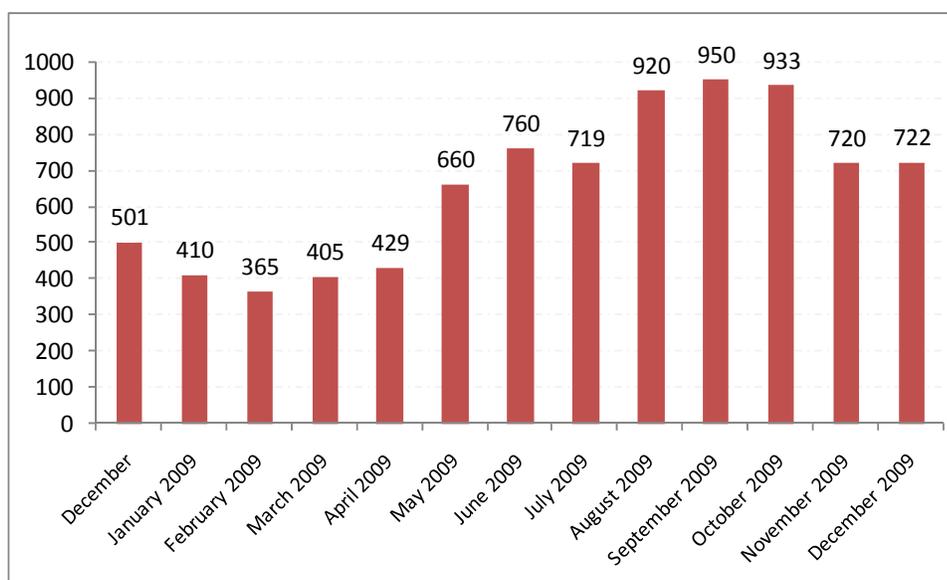
\*\*\* Price-to-earnings ratio.

\*\*\*\* Earnings per share during the period.

### Dividends paid in 2009

In implementing the corporate dividend policy, the management team strives to maximize yield for shareholders in the long term, while giving priority to corporate development. Gross dividends paid out in 2009 totaled 56.7 million RSD (or 27.72 RSD net per share). The ex-dividend day was 18 June (the date of the annual General Assembly session).

### 2009 Share price movement by month





## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 2009 Changes in shareholder structure

In 2009, the number of shareholders was reduced from 4,830 to 4,829. This is generally the number of shareholders since 2007.

Shareholders	31.12.2008	31.12.2009	% change
Legal entities	55.24%	53.14%	-2.1%
Individuals	28.57%	29.74%	1.17%
Custody accounts	16.18%	17.12%	0.94%

The previously-mentioned stock market developments did not have a major effect on the shareholder structure in general, or on the top ten shareholders. The two government funds did not change their stake in the Company and made no announcements during the period with respect to any intended action through the end of the year. The largest transactions during the year resulted in partial concentration within the largest shareholder group.

### Top ten shareholders as of 31 December 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 Int. Equite Fund	123,132	7.16
4.	Societe Generale Bank	86,463	5.03
5.	Erste Bank, Custody 00001	83,788	4.87
6.	Raiffeisen Zentralbank	45,073	2.62
7.	Stichting Shell Pensionenfonds	23,970	1.39
8.	Societe Generale Bank	23,583	1.37
9.	UniCredit Bank, Custody	18,500	1.07
10.	Dunav Insurance A.D.O	17,120	0.99
	<b>Total, Top ten shareholders</b>	<b>1,001,039</b>	<b>58.2</b>

A certain degree of consolidation results from the fact that, apart from government funds, all of the top ten shareholders hold from about 1% to 7.16% (Artio Equite Fund), with Societe Generale and Erste Bank custody accounts holding 5.03% and 4.87%, respectively.

The Company's management team attended several investment conferences during the year and diligently pursued its IR activities. A visit by the largest shareholders to the Company was arranged as part of preparations for the annual General Assembly. Around the middle of the year, Tigar added an IR web page to its current website showing stock values in real time, along with key financial indicators.

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. During the period, these communications included regular quarterly reporting, releases of significant event bulletins, participation in investor conferences, and direct contacts with shareholders, investors, brokerages and investment funds. Communications were intensified during the first semester of the year and two shareholders' meetings



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

were held. The Company regularly updates its web site [www.tigar.com](http://www.tigar.com), on which it posts reports and information of interest to shareholders in both Serbian and English. The web site page which contains shareholder updates is among the four most frequently visited pages.

### 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 31 December 2009.

Name	Shares held as of 31 May 2005	Shares held as of 31 December 2009	% of shares outstanding
Dragan Nikolić	880	898	0.052
Jelena Petković	275	281	0.016
Slobodan Sotirov	539	550	0.032
Milivoje Nikolić	462	472	0.027
Vladimir Nikolić	803	803	0.050
Ljubiša Nikolovski	396	396	0.026
Jose Alexandre F. da Costa	-	-	-
Dr Živko Mitrović	-	-	-
Tihomir Nenadić	-	-	-

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

Members of the Supervisory Board hold no Tigar shares.



## 5. RISKS

### **Risks related to Tigar's business**

In 2009, our main business risks included ensuring the availability of financing needed to complete our investment activities and maintain our supply chain. Globally and domestically, the economic crisis reduced industrial production, construction activities, retail sales and investments, and led to a general decrease in demand resulting from reduced economic activity and reduced consumer purchasing power. The drop off in demand called for caution in the placement of products and services due to the risk of non-payment which additionally led to lower sales. In times of crisis, it was essential to maintain our supply chain, or our links with suppliers and buyers. Buyers' reduced ability to settle invoices resulted in the need for additional borrowing to maintain the supply chain, which, due to high capital costs, had a negative impact on earnings. Extra caution exercised in the capital loan granting process resulted in the implementation of fewer investment activities than planned, and those that could not be re-scheduled were delayed and negatively impacted our market presence, production volume, fixed costs, and ultimately overall revenue due to insufficient output.

### **Risks related to raw material, fuel and energy prices**

During the reporting period, there was no significant increase in raw material costs, largely because lower levels of economic activity reduced material orders, which then led to relative price stagnation during most of the year. Crude oil and petroleum product market developments and the appreciation of the dollar toward the end of the year, as well as Western economies showing signs of recovery, resulted in growing demand, leading to increased raw material prices, particularly in the commodities market.

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

In 2009, relative price stability was achieved as a result of low aggregate demand and restrictive monetary policies. While the growth in consumer prices during 2009, at 6.6%, can be seen as quite healthy, the rate of inflation was the highest recorded in the region. It reduced demand which had a negative impact on economic activity. Large fluctuations in the exchange rate during the year, and the value of the dinar in December vis-à-vis all leading currencies, showed exchange-rate instability to be one of our highest risk factors. Even though the reference interest rate fell during the year, the cost of capital remained high, and banks, to be on the safe side, increased their investments in National Bank securities, which in turn negatively impacted the real sector, both in terms of longer loan approval periods and in terms of still high capital costs.

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

During the period, 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. The risk associated with the capital market also results from a very low trading volume which might substantially depress share prices and, consequently, the Company's capitalization. This might be discouraging to the Company's shareholders because the Company is unable to augment adverse market developments through increased dividends due to both the impact of the global economic downturn and the Company's current restructuring process.



## 6. SUSTAINABLE DEVELOPMENT

### 6.1 EMPLOYEES

#### Number and structure

As of 31 December 2009, Tigar had 2,045 employees in Serbia. In addition, Tigar's subsidiaries in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 81 local employees.

As of 31 December 2009, the employment structure was as follows:

<b>Workforce as of 31 december 2009</b>	
<b>Company</b>	<b>Number of employees</b>
Tigar AD	219
Tigar Rubber Footwear	746
Tigar Business Service	156
Tigar Technical Rubber Goods	234
Tigar Chemical Products	75
Tigar Trade	299
Others	316
<b>Total</b>	<b>2.045</b>

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 46 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.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### Employee expenses

Total 2009 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals and local transportation subsidies amounted to 1,097,951,000 RSD. The table below shows paid salaries as a percentage of sales income.

January-December 2009 employee expenses			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of Sales income
Tigar Ad	83.701	117.198	44.42%
Tigar Rubber Footwear	252.932	351.841	35.69%
Tigar Business Service	55.422	76.985	28.17%
Tigar Technical Rubber Goods	115.025	159.797	95.50%
Tigar Chemical Products	28.845	40.325	15.32%
Tigar Trade	99.290	138.612	6.33%
Other	152.732	213.193	42.14%
Total	787.947	1.097.951	23.62%

Taxes, health insurance and pension fund contributions during the period amounted to 310,004,000 RSD.

### Optimization of human resources

In 2009, 110 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar Ad	1	3		4
Tigar Rubber Footwear	27	30	4	61
Tigar Business Service	3	8	6	17
Tigar Technical Rubber Goods	1	6	3	10
Tigar Chemical Products		2		2
Tigar Trade		5	3	8
Other	3	4	1	8
Total	35	58	17	110

\* Of these 17 employees, 5 left the Company of their own volition, 8 voluntarily moved to another entity within the Tigar Group, 3 passed away, and 1 was dismissed.

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 2010. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

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

<b>Workforce downsizing costs and percentage of gross salaries</b>		
	In thousands RSD	%
Tigar Ad	1.798	1,53
Tigar Rubber Footwear	17.175	4,88
Tigar Business Service	2.288	2,97
Tigar Technical Rubber Goods	2.785	1,74
Tigar Chemical Products	688	1,71
Tigar Trade	1.891	1,36
Other	2.384	1,12
<b>Total</b>	<b>29.009</b>	<b>2,64</b>

### 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 period:

<b>Professional education</b>				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
<b>Total</b>	<b>30</b>	<b>8</b>	<b>11</b>	<b>13</b>

Tuition and scholarship expenses paid during the period amounted to 5,277,600 RSD, or 0.48% of gross salaries.

### Employee training

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

<b>Employee training</b>			
	Internal	External	Total
Tigar Ad	185	207	392
Tigar Rubber Footwear	414	33	447
Tigar Business Service		9	9
Tigar Technical Rubber Goods	523	38	561
Tigar Chemical Products	96	7	103
Tigar Trade	170	33	203
Other	1.093	73	1.166
<b>Total</b>	<b>2.481</b>	<b>400</b>	<b>2.881</b>

2009 employee training expenses amounted to 10,588,695 RSD (or 0.96% of gross salaries).



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 6.2. QUALITY MANAGEMENT

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

Annual inspections and audits corroborate Tigar's compliance with ISO 9001 and ISO 14001 and attest to the Corporation's ongoing commitment to customer and stakeholder satisfaction. These inspections and audits are conducted by YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC. Initial certification of Tigar's occupational health and safety management system is currently pending.

Significant improvements were made to Tigar's integrated management system during the reporting period. Comprehensive re-engineering was implemented to address the Company's recent investment activities.

At Tigar Technical Rubber Goods, in addition to quality, environmental and occupational health and safety management, preparations are under way for the implementation of ISO/TS 16949:2009 technical standards, specifically designed for car and spare part manufacturers.

Tigar Incon, a Tigar subsidiary which provides engineering, design, consulting, construction, and structural and infrastructure maintenance services, will be joining Tigar's other, already certified companies. The development of the required documents is currently under way.

Following its relocation, Tigar Footwear underwent a regular audit by the certification body, as well as audits by customers or experts hired by customers. No irregularities were found and this attests to the fact that the relocation of production processes did not negatively affect performance. On the contrary, significant improvements were noted compared to the previous system.

Tigar Business Services, which provides hospitality and catering services, is currently conducting preparations for implementation of the HACCP (food safety) management system.

At Tigar Technical Rubber Goods, in addition to quality, environmental and occupational health and safety managements, preparations are under way for the implementation of ISO/TS 16949:2009 technical standards specifically imposed on car and spare parts manufacturers.

### 6.3. ENVIRONMENTAL PROTECTION

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

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

Tigar received its initial environmental management (ISO 14001) certification in 2003. Since then, the system has been upgraded on an ongoing basis and improvements are evident.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

Any environmental impact resulting from activities in the rubber industry primarily originate from:

- Generation of solid waste;
- Utilization of natural resources;
- Emissions into the atmosphere; and
- Discharge of wastewater.

Potential environmental impact traces to the use of raw materials classified as hazardous substances. These substances are purchased, stored, and used in accordance with applicable regulations aimed at preventing accidents. Records of hazardous substances are kept and annual reports submitted to the ministry responsible for environmental protection, in accordance with the regulated 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 do not belong to the group of so-called SAVECO facilities in which hazardous substances, in quantities that can cause chemical accidents, are manufactured, stored or used. The quantities of hazardous substances stored by Tigar are far below the critical levels outlined, which may create chemical accident situations.

None of Tigar's subsidiaries use or store radioactive substances.

Tigar's waste is classified based on the Handbook of Rules and Regulations on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). The nature and categories of all solid waste have been identified and appropriate procedures have been put in place. 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 contract with Pirot's solid waste utility. Internal waste management procedures are in place for all waste flows. Tigar Workshop has been certified by the ministry responsible for waste management, to collect, temporarily store, and dispose of waste. Based on recent amendments to legislation, Tigar is currently implementing additional required changes and has already registered these activities and submitted an application, along with required documents, to the local administration; the local administration has now been tasked with issuing new licenses for storage, treatment, and disposal of waste.

Tigar operates a leading-edge automated power station designed to fire either oil or gas. The old boiler facility, which fired solid fuel, was shut down in August 2008. In addition to improved efficiency and the elimination of slag, the new facility is expected to also improve the quality of gas emissions.

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

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



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

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

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

Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products, and Tigar Workshop have all 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). This obligation also includes reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste, types and quantities of hazardous waste), and submission of information about major raw materials, manufactured products, and the like. All such information is available to the public.

Regular inspections conducted have revealed no departures from standing environmental regulations.

Tigar had requested that the Ministry of Environment and Physical Planning re-assess the validity of its classification of Tigar Footwear and Tigar Technical Rubber Goods as IPPC facilities. As a result, a special working group has conducted an extraordinary audit. Tigar's objections were found to be legitimate, and these subsidiaries have been removed from the list of IPPC facilities. At present, none of Tigar's subsidiaries are IPPC-listed.

The following environmental laws apply to the Company:

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

In addition to these laws, environmental impact is regulated by a number of secondary legislative instruments (e.g., codes and decrees), which are not mentioned here because the list is rather long. Tigar monitors and assesses its compliance with applicable legislation on an ongoing basis. Whenever new requirements need to be implemented, a timetable and action plan are prepared, which designate required activities, resources, and individuals in charge.

#### 6.4. INTELLECTUAL PROPERTY

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

##### Registered trademarks as of 31 December 2009

Appl. No.	Appl. Date	Reg. No.	Trademark	Valid until	Holder	Appl. No.
	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



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

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	11.0703.07	49590	Tigar Sporting Goods	11.0713.07	Tigar AD
Ž-152/07	29.01.07	56018	Tigar	29.01.07	Tigar AD
Ž-1703/07	26.07.07	56315	Tigar Footwear	26.07.17	Tigar AD
Ž-1704/07	26.07.07	56315	Tigar Obuca	26.07.17	Tigar AD
Z-2440/07	17.10.07	56731	Tigar Hemijski Proizvodi	17.10.17	Tigar AD
Ž-212/08	05.02.08	57737	Tigrostik	05.02.18	Tigar AD
Ž-211/08	05.02.08	57738	Tigrolux	05.02.18	Tigar AD
Ž-214/08	05.02.08	57650	Tigropren	05.02.18	Tigar AD
Ž-213/08	05.02.08	57649	Tigrokol	05.02.18	Tigar AD
Ž-768/08	31.03.08	57538	Hotel Stara Planina	31.03.18	Tigar AD
Ž-1433/08	06.06.08	58815	Overload	06.06.18	Tigar AD
Ž-1475/08	11.06.08	58462	Waterpolo Senior	11.06.18	Tigar AD
Ž-1473/08	11.06.08	58427	Waterpolo Mini Mini	11.06.18	Tigar AD
Ž-1431/08	06.06.08	58813	Waterpolo Junior	06.06.18	Tigar AD
Ž-1472/08	11.06.08	58428	Specijal	11.06.18	Tigar AD
Ž-1432/08	06.06.08	59305	Basketball Tg21 Official	06.06.18	Tigar AD
Ž-1474/08	11.06.08	58424	Neos	06.06.18	Tigar AD
Ž-1469/08	11.06.08	58426	Tricker Ball Basket Ball	11.06.18	Tigar AD
Ž-1471/08	11.06.08	59401	Bistro	11.06.18	Tigar AD
Ž-1468/08	11.06.08	58423	Overload Handball	11.06.18	Tigar AD
Ž-1470/08	11.06.08	58425	Dynamic Overload	11.06.18	Tigar AD
Ž-1429/08	06.06.08	58464	Overload Waterpolo Junior	06.06.18	Tigar AD
Ž-1467/08	11.06.08	58430	Overload Waterpolo Mini Mini	11.06.18	Tigar AD
Ž-1476/08	11.06.08	58463	Overload Waterpolo Senior	11.06.18	Tigar AD
Ž-1430/08	06.06.08	59304	Basketball TG21 Overload	06.06.18	Tigar AD
Z-2441/07	17.10.07	56730	Tigar Tehnicka Guma	17.10.17	Tigar AD
Ž-2681/08	03.11.08	59486	Trapper	03.11.18	Tigar AD
Ž-2682/08	03.11.08	59485	Pesca	03.11.18	Tigar AD
Ž-2679/08	03.11.08	59327	Rainydays	03.11.18	Tigar AD
Ž-2680/08	03.11.08	59334	Nency	03.11.18	Tigar AD
Ž-2678/08	03.11.08	59333	Ladybird	03.11.18	Tigar AD
Ž-2677/08	03.11.08	59336	Ratar	03.11.18	Tigar AD
Ž-2676/08	03.11.08	59451	Balerina	03.11.18	Tigar AD
Ž-2675/08	03.11.08	59335	Work	03.11.18	Tigar AD
Ž-2904/08	02.12.08	59458	Polar	03.11.18	Tigar AD
Ž-2674/08	03.11.08	59337	Protecta	03.11.18	Tigar AD
Ž-2673/08	03.11.08	59390	Forestry Line	03.11.18	Tigar AD
Ž-2672/08	03.11.08	60043	Fireproof	03.11.18	Tigar AD
Ž-2671/08	03.11.08	59326	Cryo	03.11.18	Tigar AD
Ž-2670/08	03.11.08	59387	Sparclesafety	03.11.18	Tigar AD
Ž-2661/08	31.10.08	59341	Firefighter Super Safety	31.10.18	Tigar AD
Ž-2662/08	31.10.08	59452	Century Super Safety	31.10.18	Tigar AD
Ž-2659/08	31.10.08	59334	Century 4000 Safety	31.10.18	Tigar AD
Ž-2660/08	31.10.08	59345	Forester 3000	31.10.18	Tigar AD
Ž-2903/08	02.12.08	60464	Trendy	02.12.18	Tigar AD
Ž-247R/80	30.04.80	49044	Tigar	30.09.15	Tigar Tyres
Ž-1369/05	17.10.05	49768	Tigar Tyres	17.10.15	Tigar Tyres
Ž-1373/05	17.10.05	49792	Hitris Logo	17.10.15	Tigar Tyres
Ž-1371/05	17.10.05	49819	Cargo Speed Logo	17.10.15	Tigar Tyres
Ž-1372/05	17.10.05	49912	Wintera Logo	17.10.15	Tigar Tyres
Ž-1468/05	31.10.05	53797	Tigar Trgovine	31.10.15	Tigar AD
Ž-551/09	27.03.09	-	Bottega	-	Tigar AD
Ž-639/09	13.04.09	59942	Hotel StarA	13.04.19	Tigar AD
Ž-1011/09	30.06.09	59367	Brolly	30.06.19	Tigar AD
Ž-1012/09	30.06.09	59366	Maniera	30.06.19	Tigar AD
Ž-1685/09	03.11.09	60513	Stop&Drive	03.11.19	Tigar AD
Ž-1686/09	03.11.09	60514	S&D	03.11.19	Tigar AD
Int'l trademark. US	03.07.97	675 773	Tigar	20.05.17	Tigar AD
		675 773A	Tigar	20.05.17	Tigar Tyres
	24.10.78	1174089	Tigar Logo	15.08.12	Tigar Americas Corp.
US	02.11.07	77320619	Tigar	-	Tigar Americas Corp.
Int'l trademark 237003/1	07.09.09	1020263	Brolly	07.09.19	Tigar AD
Int'l trademark	07.09.09	1019318	Maniera	07.09.19	Tigar AD



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

235877/1					
US	07.09.09	-	Maniera	-	Tigar AD
79075140					
US	07.09.09	-	Brolly	-	Tigar AD
79075638					
Canada	25.05.90	368832	Forester	25.05.15	Tigar Footwear
Finland	20.11.85	94345	Forester	20.11.15	Tigar Footwear
Norway	14.11.85	123042	Forester	14.11.15	Tigar Footwear
Sweden	26.07.85	0197287	Forester	26.07.15	Tigar Footwear
UK	23.06.95	2025055	Century	23.06.15	Tigar Footwear
UK	31.05.84	1219898	Forester	31.05.15	Tigar Footwear
UK	23.06.95	2025057	Forester	23.06.15	Tigar Footwear

The flagship trademark is «a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet» (Article 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.

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

Tigar holds no 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.



## 6.5. INFORMATION TECHNOLOGIES

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

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

The IT Function employs 15 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 seven engineers who develop and generate application software and provide logistic support to users.

The Installations Department employs five engineers, one data-entry operator and one system console operator. 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 all of its functions and become the main production server until the M25 server is back on line. This ensures continuous operation of the entire IT system and uninterrupted access by users.

Data bases are simultaneously maintained on two servers, which are kept at physically separate locations. Additional security is provided by tape backups, using the system's tape library.

Data base access requires a user name and password at sign-in. Each user is provided with a description of accessible data.



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

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 2003 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 computer network is segmented and 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 firewall hardware and software components, which allow for the definition of virtual private LANs toward external networks based on stringent rules, and ensure appropriate control of overall Internet traffic, 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.

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 Pirov Tax Free Zone.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 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.



## 6.6. CORPORATE SOCIAL RESPONSIBILITY

In keeping with its corporate 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 and mission clearly define its relationships with employees, customers, the local community and society, and its attitude toward the environment, which 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 period, the Company developed a number of highly sophisticated and attractive products and provided unique services to the Serbian market. Following its responsible approach, Tigar offered various incentives and opportunities to customers, suppliers and the community. 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 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.

Employee injuries were monitored with respect to two indicators: frequency and severity. Both indicators showed downward trends during the period. Employees working in special environments underwent medical examinations, as required.

### **Active communication with shareholders and investors:**

During the period, Tigar AD duly adhered to its Corporate Governance Code, the responsibilities it assumed when it was admitted to the prime market of 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;
- Posting of resolutions of the General Assembly of Shareholders on our web site;
- Direct communication with shareholders and investors via respective corporate services, and participation in investor conferences;



## 2009 ANNUAL REPORT

Document reference

I.Z.P. 09/04

- The issue of bi-lingual reports and information releases; and
- A new IR web page on our website since mid-2009, showing real-time stock prices and financial information.

### **Tigar AD and the immediate and wider community:**

Tigar's manufacturing plants have been striving to develop product lines which are focused on environmental protection and sustainable development. During the period, Tigar continued to manufacture products from recycled rubber.

The Company is also committed to sustainable development and demonstrates this commitment through responsible utilization of natural resources. During the year, Tigar intensified its activities on a joint renewable energy project with the local administration and the consulting firm S.E.E.C. The title of the project is „Optimal Use of the Nišava River Basin within the Territory of the Pirot Municipality“ and its objective is to conduct a comprehensive study of available resources and of the feasibility of constructing small hydro power plants in the Pirot region, which would be extremely important sources of power supply to the local community.

Tigar demonstrated its commitment to the local community by continuing to support talented Pirot students through a special project designed to recognize, select and support university students. During 2009, Tigar celebrated its 50-year anniversary of this commitment, whose major goals are to keep young potential employees dedicated to their local community and to encourage them to devote their professional career to Pirot, contributing to the development of this area. During the reporting period, 66 students benefitted from this program and received scholarships to universities throughout Serbia.

### **Philanthropy:**

During the period, the Company was engaged in a number of philanthropic activities, in line with its policy of providing assistance and support to projects that contribute to the welfare of large groups of citizens. Many donations were made and humanitarian campaigns conducted in key areas of social life, such as education, culture, science, health, and sports.

During the course of the year, the Company participated in the national breast cancer campaign. A special style of boots was designed for the Maniera footwear line with a characteristic pink ribbon, and sales proceeds were contributed to the fight against this disease. With the goal of increasing public awareness of the significance of prevention and early diagnosis of this disease, the Company, in cooperation with the Karadjordjevic royal family, held a fund-raiser fashion show, “The Art of Permanence”, along with an auction of a number of authentic rubber boots designed specifically for this occasion, with all proceeds being donated to the fight against breast cancer.

### **CSR pioneer:**

During 2009, Tigar continued to work on establishing and strengthening its reputation as the leader in corporate social responsibility in Serbia, a distinction it received as winner of first place in the “Establishing Corporate Social Responsibility in Southeastern Europe” project in 2008, organized by the Serbian Chamber of Commerce and the German organization Invent. Tigar's model of corporate social responsibility was further showcased at the “Corporate Social Responsibility in Times of Crisis” conference, held at the StarA hotel at the beginning of April. The conference was attended by some of the key domestic players in this area, along with a large number of businesses, representatives from local communities, the non-governmental area, and members of the media. Tigar's goal as a leader in this field, was to encourage and lead other organizations in socially-responsible ways of conducting business, and in the incorporation of social responsibility in their corporate business models.

**2009 ANNUAL REPORT**

Document reference

**IZ.P. 09/04**

A balanced approach to all aspects of corporate social responsibility in everyday business - without concentrating such efforts in any one area or targeting a single group, business ethics integrated with environmental protection, clearly-defined policies with respect to employees and the local community, and a high regard for shareholders, consumers and other stakeholders continued to be the basic building blocks for our corporate social responsibility.

**6.7. CORPORATE GOVERNANCE**

During the period, Tigar duly adhered to all applicable legislation, regulations of the Securities Commission and the Stock Exchange, its Articles of Association and Corporate Governance Code—the Codex, as well as other corporate regulatory documents. Meetings of the General Assembly of Shareholders, Board of Directors, and Supervisory Board were held as required by law. The General Assembly of Shareholders held an ordinary session in 2009. Meetings of the Board of Directors were held as needed. The Company complied with all of its public reporting obligations and published performance reports, business plan statements and significant event reports in both Serbian and English, and posted them on the corporate website. Tigar continued to work with the IFC and an independent consultant on the Tigar AD Corporate Governance Refinement Project.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

### 7. 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 31 December 2009, the corporate governing bodies are as follows:

#### Board of Directors

Name	Responsibility at Tigar/Position outside Tigar
Executive members:	
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
Non-executive members:	
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
Independent members:	
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 period, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 17,986,655. The Board of Directors held eight meetings during the period.

#### Executive Board

The structure and composition of the Executive Board has 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.



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

In 2009, the Executive Board held 13 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 Cvetanović	Chairman	Independent Accounting Consultant
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration
Dragan Milosavljević	Member	Ministry of Finance, Treasury Administration, Belgrade

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

Members of the Supervisory Board received an aggregate gross compensation of 2,150,620 RSD during the period.



## 8. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY

### 8.1. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. During the period, four manufacturing plants operated at two separate locations. The larger location holds tire and chemicals products manufacturing facilities. Tigar Footwear and Tigar Technical Rubber Goods have been relocated to another site. The new Tigar 3 location purchased in 2006 was refurbished and prepared for re-location in 2008. It was booked as a „capital project in progress“. Tigar owns several buildings in Belgrade, and Tigar Trade - Domestic Sales Network 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 manufacturing subsidiaries are owned by them. Building used by some service subsidiaries are owned by them, while the remainder are owned 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 m<sup>2</sup> of additional industrial land (and the surface area of un-built 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.

The new Planning and Construction Law (Official Gazette of the Republic of Serbia 72/09) allows for conversion of land usage rights to land ownership rights. Tigar will procure the latter per this law, as soon as the ministry responsible for planning and construction releases secondary legislative instruments and procedures.

#### Land

The total number of cadastral lots owned by Tigar and its subsidiaries is 125 as of 31 December 2009. Their total surface area is 405,957 m<sup>2</sup>, of which 320,066 m<sup>2</sup> is undeveloped land. The book value of the land is RSD 45,005,000.



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

### Buildings

Tigar and its main subsidiaries own a total of 178 buildings.

The total surface area of the buildings owned by Tigar and its subsidiaries is 85,891 m<sup>2</sup>.

As of 31 December 2009, the book value of buildings owned by Tigar and its major subsidiaries was RSD 1,835,819,821.45.

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

BOOK VALUE OF BUILDINGS (RSD)		
ENTITY	30 September 2009	31 December 2009
Tigar AD	187.803.523,52	271.260.157,05
Tigar Trade	141.468.133,78	194.254.569,94
Tigar Technical Goods	730.557,00	356.086.006,92
Tigar Chemical Products	44.904,00	44.288,00
Tigar Footwear	806.383.494,74	807.706.657,41
Tigar Protective Workshop	10.984.071,84	10.911.625,84
Tigar Business Service	63.859.110,78	63.587.673,78
Tigar Tours	6.472.560,10	6.442.717,10
Hotel StarA	80.187.592,40	79.817.442,40
Tigar Security	851.063,31	840.556,31
Tax Free Zone	29.124.148,51	44.868.126,70
<b>Total</b>	<b>1.327.909.159,98</b>	<b>1.835.819.821,45</b>

### Material encumbrances

The Company's material encumbrances at the end of 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 368,601.98)
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,271,286.09)
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,236,169.28)

A mortgage statement certified by the Municipal Court of Pirot on 24 March 2009 places a lean against real property – the StarA Hotel – in favor of AIK Bank from Niš.

A debt collateral agreement, ref. 622/09 dated 25 June 2009, places a lien against the Occupation Health Service Building in favor of Hypo Alpe Adria Bank from Belgrade.



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

An agreement, ref. I.VII 11645/09 dated 27 July 2009, places a lien against an apartment on Resavska Street in Belgrade in favor of Hypo Alpe Adria Bank from Belgrade.

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

A mortgage statement, ref. 6224/2009, places a lien against business premises in Belgrade.  
A mortgage statement, ref. 6225/2009 dated 3 November 2009, places a lien against business premises in Čačak in favor of Moscow Bank from Belgrade.

A mortgage statement, ref. 3136/09 dated 8 May 2009, places a lien against business premises in Pirot (cadastral lot 3390/3) in favor of UniCredit Bank from Belgrade.

### 8.2. 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:	<b>30,048,356</b>

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.



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 9. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES

### 9.1. TIGAR FOOTWEAR

BALANCE SHEET (in thousands of RSD)	As of	As of
	31 December 08	31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,171,806</b>	<b>1,229,437</b>
Intangible assets	45,988	45,226
<b>Property, plant and equipment</b>	<b>1,125,818</b>	<b>1,184,211</b>
Property, plant and equipment	1,125,818	1,184,211
<b>CURRENT ASSETS</b>	<b>922,422</b>	<b>814,964</b>
Inventories	471,730	491,572
<b>Accounts receivable, placements and cash</b>	<b>450,692</b>	<b>323,392</b>
Accounts receivable	379,600	272,365
Receivables from over-paid taxes	74	
Cash and cash equivalents	31,833	190
Value added tax and prepayments	39,185	50,837
<b>TOTAL ASSETS</b>	<b>2,094,228</b>	<b>2,044,401</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>817,610</b>	<b>853,427</b>
Share and other capital	820,484	820,484
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	38,441	74,258
Loss	41,315	41,315
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>1,275,169</b>	<b>1,186,306</b>
Long-term provisions	34,777	30,728
<b>Long-term liabilities</b>	<b>443,005</b>	<b>671,222</b>
Long-term debt	443,005	671,222
Other long-term liabilities		
<b>Current liabilities</b>	<b>797,387</b>	<b>484,356</b>
Short-term financial liabilities	157,902	176,487
Account payable	583,168	266,919
Other current liabilities	48,239	37,593
Value added tax and other taxes payable and accruals	8,078	3,357
Income taxes payable		
<b>Deferred tax liabilities</b>	<b>1,449</b>	<b>4,668</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,094,228</b>	<b>2,044,401</b>



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>852,663</b>	<b>1,094,733</b>	<b>28%</b>
Sales of goods, products and services	893,736	985,914	
Work performed by the company and capitalized	29,225	16,132	-45%
Increase in inventories of finished products and work in progress		90,711	
Decrease in inventories of finished products and work in progress	70,298		-100%
Other operating income		1,976	
<b>OPERATING EXPENSES</b>	<b>1,177,593</b>	<b>1,207,367</b>	<b>3%</b>
Cost of commercial goods sold	14,571		
Material, fuel and energy consumed	558,423	602,124	8%
Staff costs	473,267	447,742	-5%
Depreciation, amortization and provisions	16,706	51,104	206%
Other operating expenses	114,626	106,397	-7%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-324,930</b>	<b>-112,634</b>	<b>65%</b>
<b>FINANCE INCOME</b>	<b>19,710</b>	<b>11,141</b>	<b>-43%</b>
<b>FINANCE EXPENSES</b>	<b>76,354</b>	<b>26,216</b>	<b>-66%</b>
<b>OTHER INCOME</b>	<b>424,577</b>	<b>171,518</b>	<b>-60%</b>
<b>OTHER EXPENSES</b>	<b>5,012</b>	<b>2,921</b>	<b>-42%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>37,991</b>	<b>40,888</b>	<b>8%</b>
<b>INCOME TAXES</b>			
Current tax expense	1,020	1,853	82%
Deferred Income tax expense	2,316	3,218	39%
Deferred Income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>34,655</b>	<b>35,817</b>	<b>3%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW (In thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	913,467	1,274,167
Cash receipts from customers	825,496	1,273,587
Interest received from operating activities	319	580
Other receipts from operating activities	87,652	
Cash outflow from operating activities	1,064,161	1,477,597
Cash paid to suppliers for raw materials and other expenses	573,182	932,281
Gross salaries and other personnel costs paid	472,416	451,023
Interest paid	17,457	36,838
Income tax expense		862
Other levies paid	1,106	56,593
Net cash inflow from operating activities	-	-
Net outflow from operating activities	150,694	203,430
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	0	0
Cash outflow from investing activities	435,492	107,827
Purchase of shares		
Purchase of fixed assets	435,492	107,827
Other financial placements ( net outflow)		
Net cash inflow from investing activities	-	-
Net cash outflow from investing activities	435,492	107,827
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	593,777	279,370
Increase in capital		
Long-term and short-term borrowings ( net inflow)	452,933	194,495
Other long-term and short-term liabilities	140,844	84,875
Cash outflow from financing activities	0	0
Net cash inflow from financing activities	593,777	279,370
Net cash outflow from financing activities	-	-
<b>Total cash inflow</b>	<b>1,507,244</b>	<b>1,553,537</b>
<b>Total cash outflow</b>	<b>1,499,653</b>	<b>1,585,424</b>
<b>NET CASH INFLOW</b>	<b>7,591</b>	<b>-</b>
<b>NET CASH OUTFLOW</b>	<b>0</b>	<b>31,887</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>24,248</b>	<b>31,833</b>
Foreign exchange gains on translation of cash and cash equivalents	5,632	1,855
Foreign exchange losses on translation of cash and cash equivalents	5,638	1,611
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>31,833</b>	<b>190</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 9.2. TIGAR TECHNICAL RUBBER GOODS

BALANCE SHEET (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>96,364</b>	<b>636,132</b>
Intangible assets	7,427	44,287
<b>Property, plant and equipment</b>	<b>88,937</b>	<b>591,845</b>
Property, plant and equipment	88,937	591,845
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>327,351</b>	<b>235,127</b>
Inventories	179,986	140,277
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>147,365</b>	<b>94,850</b>
Accounts receivable	128,489	53,265
Receivables from over-paid taxes	9,269	334
Short-term financial placements	188	188
Cash and cash equivalents	4,156	24,207
Value added tax and prepayments	5,263	16,856
<b>Deferred tax assets</b>	<b>556</b>	
<b>TOTAL ASSETS</b>	<b>424,271</b>	<b>871,259</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>174,416</b>	<b>330,415</b>
Share and other capital	179,523	418,687
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	4,705	119
Loss	9,812	88,391
<b>Long-term liabilities and provisions</b>	<b>249,855</b>	<b>539,937</b>
Long-term provisions	11,777	13,009
<b>Long-term liabilities</b>	<b>628</b>	<b>257,358</b>
Long-term debt		257,016
Other long-term liabilities	628	342
<b>Current liabilities</b>	<b>237,450</b>	<b>269,570</b>
Short-term financial liabilities	49,991	22,241
Account payable	162,379	223,473
Other current liabilities	23,829	22,310
Value added tax and other taxes payable and accruals	1,209	1,546
Income taxes payable	42	
<b>Deferred tax liabilities</b>		<b>907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>424,271</b>	<b>871,259</b>



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>412,974</b>	<b>212,354</b>	<b>-49%</b>
Sales of goods, products and services	337,148	167,322	-50%
Work performed by the company and capitalized	7,991	64,459	707%
Increase in inventories of finished products and work in progress	66,064		-100%
Decrease in inventories of finished products and work in progress		19,427	
Other operating income	1,771		-100%
<b>OPERATING EXPENSES</b>	<b>420,026</b>	<b>309,092</b>	<b>-26%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	200,693	118,561	-41%
Staff costs	158,506	143,562	-9%
Depreciation, amortization and provisions	9,244	11,428	24%
Other operating expenses	51,583	35,541	-31%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-7,052</b>	<b>-96,738</b>	<b>-</b>
<b>FINANCE INCOME</b>	<b>3,212</b>	<b>2,764</b>	<b>-14%</b>
<b>FINANCE EXPENSES</b>	<b>17,907</b>	<b>14,376</b>	<b>-20%</b>
<b>OTHER INCOME</b>	<b>32,169</b>	<b>37,195</b>	<b>16%</b>
<b>OTHER EXPENSES</b>	<b>5,335</b>	<b>5,962</b>	<b>12%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>5,087</b>	<b>-77,117</b>	
<b>INCOME TAXES</b>			
Current tax expense	292		-100%
Deferred income tax expense	209	1,462	600%
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>4,586</b>	<b>-78,579</b>	



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW (In thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	520,134	304,748
Cash receipts from customers	514,478	285,240
Interest received from operating activities	78	7
Other receipts from operating activities	5,578	19,501
Cash outflow from operating activities	544,428	323,190
Cash paid to suppliers for raw materials and other expenses	339,399	173,625
Gross salaries and other personnel costs paid	156,058	141,815
Interest paid	14,522	5,822
Income tax expense	22,864	93
Other levies paid	11,585	1,835
Net cash inflow from operating activities	-	-
Net outflow from operating activities	24,294	18,442
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	206,792
Purchase of shares		
Purchase of fixed assets	81,308	206,792
Other financial placements ( net outflow)		
Net cash inflow from investing activities	-	-
Net cash outflow from investing activities	81,308	206,792
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	202,355	255,915
Increase in capital	152,604	
Long-term and short-term borrowings ( net inflow)	49,751	218,781
Other long-term and short-term liabilities		37,134
Cash outflow from financing activities	109,248	10,243
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		
Financial lease	248	380
Dividends paid	109,000	9,863
Net cash inflow from financing activities	93,107	245,672
Net cash outflow from financing activities	-	-
<b>Total cash inflow</b>	<b>722,489</b>	<b>560,663</b>
<b>Total cash outflow</b>	<b>734,984</b>	<b>540,225</b>
<b>NET CASH INFLOW</b>	<b>-</b>	<b>20,438</b>
<b>NET CASH OUTFLOW</b>	<b>12,495</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>16,783</b>	<b>4,156</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>		<b>13</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>132</b>	<b>400</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4,156</b>	<b>24,207</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 9.3. TIGAR CHEMICAL PRODUCTS

BALANCE SHEET (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>13,568</b>	<b>9,446</b>
Intangible assets	37	9
<b>Property, plant and equipment</b>	<b>13,531</b>	<b>9,437</b>
Property, plant and equipment	13,531	9,437
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>362,156</b>	<b>183,572</b>
Inventories	80,808	52,902
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>281,348</b>	<b>130,670</b>
Accounts receivable	279,668	126,082
Receivables from over-paid taxes		2,984
Short-term financial placements		
Cash and cash equivalents	1,451	1,562
Value added tax and prepayments	229	42
<b>Deferred tax assets</b>	<b>595</b>	<b>787</b>
<b>TOTAL ASSETS</b>	<b>376,319</b>	<b>193,805</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>110,263</b>	<b>97,650</b>
Share and other capital	99,740	99,740
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	26,354	13,741
Loss	15,831	15,831
<b>Long-term liabilities and provisions</b>	<b>266,056</b>	<b>96,155</b>
Long-term provisions	2,101	3,043
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term debt		
Other long-term liabilities		
<b>Current liabilities</b>	<b>263,955</b>	<b>93,112</b>
Short-term financial liabilities	1,600	
Account payable	41,731	32,839
Other current liabilities	186,438	52,258
Value added tax and other taxes payable and accruals	9,493	3,900
Income taxes payable	24,694	4,115
<b>Deferred tax liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>376,319</b>	<b>193,805</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>176,236</b>	<b>252,603</b>	<b>43%</b>
Sales of goods, products and services	199,578	263,187	32%
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	23,342	10,584	-55%
Other operating income			
<b>OPERATING EXPENSES</b>	<b>228,014</b>	<b>247,080</b>	<b>8%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	123,754	151,636	23%
Staff costs	59,049	59,122	0%
Depreciation, amortization and provisions	6,727	6,546	-3%
Other operating expenses	38,484	29,776	-23%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-51,778</b>	<b>5,523</b>	<b>gain vs. loss</b>
<b>FINANCE INCOME</b>	<b>3,833</b>	<b>2,170</b>	<b>-43%</b>
<b>FINANCE EXPENSES</b>	<b>20,213</b>	<b>18,346</b>	<b>-9%</b>
<b>OTHER INCOME</b>	<b>300,722</b>	<b>24,203</b>	<b>-92%</b>
<b>OTHER EXPENSES</b>	<b>3,575</b>	<b>2,043</b>	<b>-43%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>228,989</b>	<b>11,507</b>	<b>-95%</b>
<b>INCOME TAXES</b>			
Current tax expense	24,694	1,594	-94%
Deferred income tax expense	160		-100%
Deferred income tax benefit		192	
<b>NET PROFIT/LOSS</b>	<b>204,135</b>	<b>10,105</b>	<b>-95%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW STATEMENT (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	232,969	424,160
Cash receipts from customers	232,835	418,648
Interest received from operating activities	21	13
Other receipts from operating activities	113	5,499
Cash outflow from operating activities	342,127	312,242
Cash paid to suppliers for raw materials and other expenses	283,689	213,236
Gross salaries and other personnel costs paid	53,645	56,459
Interest paid		1,254
Income tax expense		25,157
Other levies paid	4,793	16,136
Net cash inflow from operating activities	-	111,918
Net outflow from operating activities	109,158	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	145,507	0
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	2,085	825
Purchase of shares		
Purchase of fixed assets	2,085	825
Other financial placements ( net outflow)		
Net cash inflow from investing activities	143,422	-
Net cash outflow from investing activities	0	825
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	1,600	47,624
Increase in capital		
Long-term and short-term borrowings ( net inflow)		
Other long-term and short-term liabilities	1,600	47,624
Cash outflow from financing activities	36,000	157,860
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)	36,000	
Financial lease		
Dividends paid		157,860
Net cash inflow from financing activities	-	-
Net cash outflow from financing activities	34,400	110,236
<b>Total cash inflow</b>	<b>380,076</b>	<b>471,784</b>
<b>Total cash outflow</b>	<b>380,212</b>	<b>470,927</b>
<b>NET CASH INFLOW</b>	<b>-</b>	<b>857</b>
<b>NET CASH OUTFLOW</b>	<b>136</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,795</b>	<b>1,451</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>168</b>	<b>65</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>376</b>	<b>811</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,451</b>	<b>1,562</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 9.4. TIGAR TRADE (DOMESTIC SALES NETWORK)

BALANCE SHEET (in thousands of RSD)	As of 1 January 2009	As of 31 December 2009
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>274,417</b>	<b>350,577</b>
Subscribed capital unpaid	44	
Intangible assets	1,284	664
<b>Property, plant and equipment</b>	<b>273,089</b>	<b>349,913</b>
Property, plant and equipment	273,089	349,913
<b>CURRENT ASSETS</b>	<b>1,228,310</b>	<b>1,377,654</b>
Inventories	386,598	652,219
Assets held-for-sale	4,116	15,517
<b>Accounts receivable, placements and cash</b>	<b>837,596</b>	<b>709,918</b>
Accounts receivable	818,963	660,279
Receivables from over-paid taxes		1,345
Cash and cash equivalents	15,358	28,788
Value added tax and prepayments	3,275	19,506
<b>TOTAL ASSETS</b>	<b>1,502,727</b>	<b>1,728,231</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>184,395</b>	<b>209,850</b>
Share and other capital	230,674	230,718
Subscribed capital unpaid	44	
Retained earnings	3,181	28,635
Loss	49,504	49,503
<b>Long-term liabilities and provisions</b>	<b>1,317,501</b>	<b>1,517,038</b>
Long-term provisions	5,101	1,699
<b>Long-term liabilities</b>	<b>4,037</b>	<b>26,804</b>
Long-term debt		23,972
Other long-term liabilities	4,037	2,832
<b>Current liabilities</b>	<b>1,308,363</b>	<b>1,488,535</b>
Short-term financial liabilities	537,322	786,908
Account payable	734,922	673,324
Other current liabilities	12,022	24,958
Value added tax and other taxes payable and accruals	5,461	3,145
Income taxes payable	18,636	200
<b>Deferred tax liabilities</b>	<b>831</b>	<b>1,343</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,502,727</b>	<b>1,728,231</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2009
<b>OPERATING INCOME</b>	<b>2,268,196</b>
Sales of goods, products and services	2,188,722
Work performed by the company and capitalized	53,970
Increase in inventories of finished products and work in progress	
Decrease in inventories of finished products and work in progress	
Other operating income	25,504
<b>OPERATING EXPENSES</b>	<b>2,257,572</b>
Cost of commercial goods sold	1,827,990
Material, fuel and energy consumed	60,484
Staff costs	198,926
Depreciation, amortization and provisions	19,745
Other operating expenses	150,427
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>10,624</b>
<b>FINANCE INCOME</b>	<b>10,842</b>
<b>FINANCE EXPENSES</b>	<b>51,979</b>
<b>OTHER INCOME</b>	<b>66,481</b>
<b>OTHER EXPENSES</b>	<b>5,752</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>30,216</b>
<b>INCOME TAXES</b>	
Current tax expense	1,069
Deferred income tax expense	512
Deferred income tax benefit	
<b>NET PROFIT/LOSS</b>	<b>28,635</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### 9.5. TIGAR AMERICAS, USA

Balance Sheet in thousands of USD		As of 31 December 2008	As of 31 December 2009
<b>Assets</b>			
	Non-current assets	2	1
	Current assets	237	261
	Deferred tax assets	254	254
	<b>Total assets</b>	<b>493</b>	<b>517</b>
<b>Equity and liabilities</b>			
	Equity	459	429
	Non-current liabilities		
	Current liabilities	34	88
	<b>Total equity and liabilities</b>	<b>493</b>	<b>517</b>

INCOME STATEMENT (in thousands of USD)	2008	2009	% change relative to 2008
<b>Sales and marketing income</b>	<b>628</b>	<b>566</b>	<b>-10%</b>
Cost of goods sold	446	381	-15%
<b>Gross profit</b>	<b>182</b>	<b>185</b>	<b>2%</b>
Selling, general and administrative expenses	170	192	13%
<b>Result from operations</b>	<b>12</b>	<b>-7</b>	<b>-157%</b>
Other income (expense)	9	-31	
<b>Net result before corporation taxes</b>	<b>21</b>	<b>-37</b>	<b>-282%</b>
Income tax			
<b>Net profit (loss)</b>	<b>21</b>	<b>-37</b>	<b>-282%</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### 9.6. TIGAR EUROPE, UK

Balance Sheet in thousands of GBP		As of 31 December 2008	As of 31 December 2009
<b>Assets</b>			
	Non-current assets	9	7
	Current assets	5,193	3,921
	Deferred tax assets		
	<b>Total assets</b>	<b>5,201</b>	<b>3,928</b>
<b>Equity and liabilities</b>			
	Equity	3,124	2,582
	Non-current liabilities		
	Current liabilities	2,077	1,346
	<b>Total equity and liabilities</b>	<b>5,201</b>	<b>3,928</b>

INCOME STATEMENT (in thousands of GBP)	2008	2009	% change relative to 2008
<b>Turnover</b>	<b>13,995</b>	<b>12,993</b>	<b>-7%</b>
Cost of sales	12,793	12,137	-5%
<b>Gross Profit</b>	<b>1,202</b>	<b>856</b>	<b>-29%</b>
Administrative expenses	612	569	-7%
<b>Operating Profit</b>	<b>590</b>	<b>287</b>	<b>-51%</b>
Interest receivable	109	10	
Commission	23	33	
<b>Profit on Ordinary Activities Before Taxation</b>	<b>722</b>	<b>330</b>	<b>-54%</b>
Tax on profit on ordinary activities	222	72	-68%
<b>Retained Profit for the Financial Year</b>	<b>499</b>	<b>257</b>	<b>-48%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## THE BALKANS: Tigar Trade, Tigar Montenegro, Tigar Partner

### 9.7. TIGAR MONTENEGRO

Balance Sheet in thousands of EUR		As of 31 December 2008	As of 31 December 2009
<b>Assets</b>			
	Non-current assets	4	4
	Current assets	255	218
	Deferred tax assets	0	0
	<b>Total assets</b>	<b>259</b>	<b>222</b>
<b>Equity and liabilities</b>			
	Equity	100	93
	Non-current liabilities	0	0
	Current liabilities	159	129
	Deferred tax liabilities	0	0
	<b>Total equity and liabilities</b>	<b>259</b>	<b>222</b>

INCOME STATEMENT (in thousands of EUR )	2008	2009	% change relative to 2008
Total income	948	718	-24%
Total expenses	886	696	-21%
<b>Profit/ (loss) before taxation</b>	<b>62</b>	<b>23</b>	<b>-63%</b>
Income taxes	6	2	-57%
Deferred Income tax expense	0	0	
Deferred Income tax benefit	0	0	
<b>Net result for the period</b>	<b>56</b>	<b>21</b>	<b>-63%</b>

Free cash flow in thousands of EUR	As of 1 January 2009	As of 31 December 2009
Net profit	56	21
+ Depreciation	1	1
+Reserved costs for benefits		
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>58</b>	<b>21</b>
<b>Capital expenditures</b>	<b>1</b>	<b>0</b>
Inventory increase (decrease)	43	-52
+Receivables increase (decrease)	-71	3
-Liabilities increase (decrease)	-58	-30
<b>Working capital increase (decrease)</b>	<b>31</b>	<b>-19</b>
<b>Free cash flow</b>	<b>26</b>	<b>39</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### 9.8. TIGAR TRADE, Banja Luka, Republika Srpska

Balance Sheet in thousands of KM		As of 1 January 2009	As o 31 December 2009
<b>Assets</b>			
	Non-current assets	272	243
	Current assets	2,216	1,254
	Deferred tax assets		
	<b>Total assets</b>	<b>2,488</b>	<b>1,498</b>
<b>Equity and liabilities</b>			
	Equity	466	485
	Non-current liabilities	15	0
	Current liabilities	2,008	1,012
	Deferred tax liabilities	0	0
	<b>Total equity and liabilities</b>	<b>2,488</b>	<b>1,498</b>

Income statement in thousands of KM	2008	2009	% change relative to 2008
<b>Total income</b>	<b>4,115</b>	<b>2,603</b>	<b>-37%</b>
<b>Total expenses</b>	<b>3,995</b>	<b>2,580</b>	<b>-35%</b>
<b>Profit/loss from operations</b>	<b>120</b>	<b>22</b>	<b>-81%</b>
<b>Current tax expense</b>	<b>12</b>	<b>2</b>	<b>-80%</b>
<b>Deferred income tax expense</b>			
<b>Deferred income tax benefit</b>			
<b>Net profit/loss for the period</b>	<b>108</b>	<b>20</b>	<b>-82%</b>

Free cash flow in thousands KM	As of 1 January 2009	As of 31 December 2009
Net profit	108	20
+ Depreciation	32	29
+Reserved costs for benefits		
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>140</b>	<b>49</b>
<b>Capital expenditures</b>	<b>0</b>	<b>0</b>
Inventory increase (decrease)	285	-383
+Receivables increase (decrease)	697	-516
-Liabilities increase (decrease)	364	-1,021
<b>Working capital increase (decrease)</b>	<b>618</b>	<b>122</b>
<b>Free cash flow</b>	<b>-478</b>	<b>-73</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

### 9.9. TIGAR PARTNER, Macedonia

Balance Sheet in thousands of Denars		As of 1 January 2009	As of 31 December 2009
<b>Assets</b>			
	Non-current assets	1,162	615
	Current assets	43,004	27,061
	Deferred tax assets	0	0
	<b>Total assets</b>	<b>44,165</b>	<b>27,676</b>
<b>Equity and liabilities</b>			
	Equity	17,922	17,626
	Non-current liabilities	0	0
	Current liabilities	26,243	10,050
	Deferred tax liabilities	0	0
	<b>Total equity and liabilities</b>	<b>44,165</b>	<b>27,676</b>

Income statement in thousands of Denars	2008	2009	% change relative to 2008
<b>Total income</b>	<b>58,883</b>	<b>45,032</b>	<b>-24%</b>
<b>Total expenses</b>	<b>56,938</b>	<b>46,116</b>	<b>-19%</b>
<b>Profit/loss from operations</b>	<b>1,945</b>	<b>-1,084</b>	<b>-156%</b>
<b>Current tax expense</b>	<b>261</b>	<b>54</b>	<b>-79%</b>
<b>Deferred income tax expense</b>			
<b>Deferred income tax benefit</b>			
<b>Net profit/loss for the period</b>	<b>1,684</b>	<b>-1,137</b>	<b>-168%</b>

Free cash flow in thousands of Denars	As of 1 January 2009	As of 31 December 2009
Net profit	1,684	-1,137
+ Depreciation	536	553
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>2,220</b>	<b>-584</b>
<b>Capital expenditures</b>	<b>1,477</b>	<b>6</b>
Inventory increase (decrease)	6,448	-6,826
+Receivables increase (decrease)	1,312	-5,655
-Liabilities increase (decrease)	8,769	-16,194
<b>Working capital increase (decrease)</b>	<b>-1,009</b>	<b>3,713</b>
<b>Free cash flow</b>	<b>1,752</b>	<b>-4,304</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 9.10. TIGAR'S SERVICE SUBSIDIARIES

## Tigar Business Service

BALANCE SHEET (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>145,023</b>	<b>130,543</b>
Intangible assets	22	
<b>Property, plant and equipment</b>	<b>145,001</b>	<b>130,543</b>
Property, plant and equipment	145,001	130,543
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>87,360</b>	<b>70,396</b>
Inventories	17,264	10,598
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>70,096</b>	<b>59,798</b>
Accounts receivable	65,940	53,896
Receivables from over-paid taxes	1,012	898
Short-term financial placements	35	35
Cash and cash equivalents	1,467	1,771
Value added tax and prepayments	1,642	3,198
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>232,383</b>	<b>200,939</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>100,718</b>	<b>96,228</b>
Share and other capital	102,774	102,774
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	6,454	1,964
Loss	8,510	8,510
<b>Long-term liabilities and provisions</b>	<b>131,296</b>	<b>104,536</b>
Long-term provisions	7,435	7,628
<b>Long-term liabilities</b>	<b>30,840</b>	<b>22,685</b>
Long-term debt	10,998	9,189
Other long-term liabilities	19,842	13,496
<b>Current liabilities</b>	<b>93,021</b>	<b>74,223</b>
Short-term financial liabilities	22,330	16,783
Account payable	42,337	42,712
Other current liabilities	25,513	12,207
Value added tax and other taxes payable and accruals	2,841	2,521
Income taxes payable		
<b>Deferred tax liabilities</b>	<b>369</b>	<b>175</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>232,383</b>	<b>200,939</b>



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>362,823</b>	<b>286,700</b>	<b>-21%</b>
Sales of goods, products and services	334,866	273,289	-18%
Work performed by the company and capitalized	26,782	16,632	-38%
Increase in inventories of finished products and work in progress	1,175		-100%
Decrease in inventories of finished products and work in progress		3,236	
Other operating income		15	
<b>OPERATING EXPENSES</b>	<b>352,054</b>	<b>290,230</b>	<b>-18%</b>
Cost of commercial goods sold	20,668	17,189	-17%
Material, fuel and energy consumed	149,146	112,356	-25%
Staff costs	125,034	97,634	-22%
Depreciation, amortization and provisions	12,913	17,927	39%
Other operating expenses	44,293	45,124	2%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>10,769</b>	<b>-3,530</b>	<b>-133%</b>
<b>FINANCE INCOME</b>	<b>4,500</b>	<b>982</b>	<b>-78%</b>
<b>FINANCE EXPENSES</b>	<b>13,803</b>	<b>6,910</b>	<b>-50%</b>
<b>OTHER INCOME</b>	<b>4,394</b>	<b>11,179</b>	<b>154%</b>
<b>OTHER EXPENSES</b>	<b>640</b>	<b>1,252</b>	<b>96%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>5,220</b>	<b>469</b>	<b>-91%</b>
<b>INCOME TAXES</b>			
Current tax expense	230	340	48%
Deferred Income tax expense	177		-100%
Deferred Income tax benefit		194	
<b>NET PROFIT/LOSS</b>	<b>4,813</b>	<b>323</b>	<b>-93%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW STATEMENT (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	553,551	323,051
Cash receipts from customers	552,168	322,364
Interest received from operating activities	86	10
Other receipts from operating activities	1,297	677
Cash outflow from operating activities	566,091	299,408
Cash paid to suppliers for raw materials and other expenses	354,463	177,801
Gross salaries and other personnel costs paid	119,316	93,508
Interest paid	3,794	1,759
Income tax expense	539	226
Other levies paid	87,979	26,114
Net cash inflow from operating activities	12,540	23,643
Net outflow from operating activities	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	16,010	16,101
Sale shares and stakes (net inflow)		
Sales of fixed assets	16,010	100
Other financial placements ( net inflow)		16,001
Interest received		
Dividends received		
Cash outflow from investing activities	16,195	1,860
Purchase of shares		
Purchase of fixed assets	16,195	1,860
Other financial placements ( net outflow)		
Net cash inflow from investing activities	-	14,241
Net cash outflow from investing activities	185	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	37,419
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)	11,791	11,642
Financial lease	3,596	8,551
Dividends paid	15,044	17,226
Net cash inflow from financing activities	7,556	-
Net cash outflow from financing activities		37,419
<b>Total cash inflow</b>	<b>607,548</b>	<b>339,152</b>
<b>Total cash outflow</b>	<b>612,717</b>	<b>338,687</b>
<b>NET CASH INFLOW</b>	<b>-</b>	<b>465</b>
<b>NET CASH OUTFLOW</b>	<b>5,169</b>	<b>0</b>
Cash and cash equivalents at beginning of year	6,738	1,467
Foreign exchange gains on translation of cash and cash equivalents	5	7
Foreign exchange losses on translation of cash and cash equivalents	107	168
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,467</b>	<b>1,771</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## Tigar Incon

BALANCE SHEET (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>26,352</b>	<b>26,351</b>
Intangible assets	147	113
<b>Property, plant and equipment</b>	<b>26,205</b>	<b>26,238</b>
Property, plant and equipment	26,205	26,238
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>86,701</b>	<b>74,682</b>
Inventories	11,351	9,059
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>75,350</b>	<b>65,623</b>
Accounts receivable	73,813	55,165
Receivables from over-paid taxes		
Short-term financial placements		
Cash and cash equivalents	824	4,493
Value added tax and prepayments	713	5,965
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>113,053</b>	<b>101,033</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>39,717</b>	<b>50,080</b>
Share and other capital	35,282	35,282
Reserves		
Revaluation reserves		
Retained earnings	10,256	20,619
Loss	5,821	5,821
<b>Long-term liabilities and provisions</b>	<b>72,866</b>	<b>50,334</b>
Long-term provisions	5,898	5,883
<b>Long-term liabilities</b>	<b>1,339</b>	<b>-</b>
Long-term debt		
Other long-term liabilities	1,339	
<b>Current liabilities</b>	<b>65,629</b>	<b>44,451</b>
Short-term financial liabilities	3,467	1,449
Account payable	49,644	28,457
Other current liabilities	8,763	10,010
Value added tax and other taxes payable and accruals	3,458	3,744
Income taxes payable	297	791
<b>Deferred tax liabilities</b>	<b>470</b>	<b>619</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113,053</b>	<b>101,033</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>2008</b>	<b>2009</b>	<b>% change relative to 2008</b>
<b>OPERATING INCOME</b>	<b>367,705</b>	<b>300,236</b>	<b>-18%</b>
Sales of goods, products and services	367,631	300,179	-18%
Work performed by the company and capitalized	74	57	-23%
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income			
<b>OPERATING EXPENSES</b>	<b>354,603</b>	<b>277,173</b>	<b>-22%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	166,753	125,795	-25%
Staff costs	142,439	114,577	-20%
Depreciation, amortization and provisions	2,951	5,725	94%
Other operating expenses	42,460	31,076	-27%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>13,102</b>	<b>23,063</b>	<b>76%</b>
<b>FINANCE INCOME</b>	<b>413</b>	<b>95</b>	<b>-77%</b>
<b>FINANCE EXPENSES</b>	<b>1,868</b>	<b>795</b>	<b>-57%</b>
<b>OTHER INCOME</b>	<b>73</b>	<b>37</b>	<b>-49%</b>
<b>OTHER EXPENSES</b>	<b>741</b>	<b>434</b>	<b>-41%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>10,979</b>	<b>21,966</b>	<b>100%</b>
<b>INCOME TAXES</b>			
Current tax expense	443	1,197	170%
Deferred income tax expense	280	150	-46%
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>10,256</b>	<b>20,619</b>	<b>101%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

<b>CASH FLOW STATEMENT (in thousands of RSD)</b>	<b>As of 31 December 08</b>	<b>As of 31 December 09</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	401,246	373,376
Cash receipts from customers	400,388	373,324
Interest received from operating activities	34	13
Other receipts from operating activities	824	39
Cash outflow from operating activities	400,835	346,927
Cash paid to suppliers for raw materials and other expenses	228,247	206,035
Gross salaries and other personnel costs paid	142,439	110,295
Interest paid	1,292	103
Income tax expense	302	703
Other levies paid	28,555	29,791
Net cash inflow from operating activities	411	26,449
Net outflow from operating activities	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	7,240
Purchase of shares		
Purchase of fixed assets	9,850	3,636
Other financial placements ( net outflow)		3,604
Net cash inflow from investing activities	7,481	-
Net cash outflow from investing activities	0	7,240
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	15,564
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)	132	
Financial lease	3,750	3,986
Dividends paid	5,000	11,578
Net cash inflow from financing activities	0	-
Net cash outflow from financing activities	8,882	15,564
<b>Total cash inflow</b>	<b>418,577</b>	<b>373,376</b>
<b>Total cash outflow</b>	<b>419,567</b>	<b>369,731</b>
<b>NET CASH INFLOW</b>	<b>0</b>	<b>3,645</b>
<b>NET CASH OUTFLOW</b>	<b>990</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,731</b>	<b>824</b>
Foreign exchange gains on translation of cash and cash equivalents	142	67
Foreign exchange losses on translation of cash and cash equivalents	59	43
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>824</b>	<b>4,493</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## Pilot Tax Free Zone

Tax Free Zone BALANCE SHEET (in thousands of RSD)	As of 31 December 08	As of 31 December 09
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>119,913</b>	<b>125,799</b>
Intangible assets	546	373
<b>Property, plant and equipment</b>	<b>119,367</b>	<b>125,426</b>
Property, plant and equipment	119,367	125,426
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>30,665</b>	<b>31,434</b>
Inventories	397	1,903
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>30,268</b>	<b>29,531</b>
Accounts receivable	13,128	15,702
Receivables from over-paid taxes	165	106
Short-term financial placements		
Cash and cash equivalents	16,869	13,148
Value added tax and prepayments	106	575
<b>Deferred tax assets</b>	<b>23</b>	<b>12</b>
<b>TOTAL ASSETS</b>	<b>150,601</b>	<b>157,245</b>
<b>Off balance sheet assets</b>	<b>23,000</b>	<b>25,500</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>134,045</b>	<b>138,156</b>
Share and other capital	114,408	118,439
Share issuing premiums		
Reserves	353	380
Revaluation reserves	11,168	11,168
Retained earnings	8,116	8,170
Loss		
<b>Long-term liabilities and provisions</b>	<b>16,556</b>	<b>19,089</b>
Long-term provisions	2,160	2,634
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term debt		
Other long-term liabilities		
<b>Current liabilities</b>	<b>14,396</b>	<b>16,455</b>
Short-term financial liabilities		
Account payable	11,175	9,458
Other current liabilities	2,747	6,586
Value added tax and other taxes payable and accruals	474	410
Income taxes payable		
<b>Deferred tax liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>150,601</b>	<b>157,245</b>
<b>Off balance sheet liabilities</b>	<b>23,000</b>	<b>25,500</b>



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>63,419</b>	<b>58,078</b>	<b>-8%</b>
Sales of goods, products and services	63,419	58,078	-8%
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			
<b>OPERATING EXPENSES</b>	<b>56,700</b>	<b>51,980</b>	<b>-8%</b>
Cost of commercial goods sold	849	1	-100%
Material, fuel and energy consumed	2,218	2,183	-2%
Staff costs	30,514	32,463	6%
Depreciation, amortization and provisions	2,583	3,658	42%
Other operating expenses	20,536	13,675	-33%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>6,719</b>	<b>6,098</b>	<b>-9%</b>
<b>FINANCE INCOME</b>	<b>4,206</b>	<b>2,286</b>	<b>-46%</b>
<b>FINANCE EXPENSES</b>	<b>591</b>	<b>434</b>	<b>-27%</b>
<b>OTHER INCOME</b>	<b>511</b>	<b>1,821</b>	<b>256%</b>
<b>OTHER EXPENSES</b>	<b>2,307</b>	<b>1,330</b>	<b>-42%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>8,538</b>	<b>8,441</b>	<b>-1%</b>
<b>INCOME TAXES</b>			
Current tax expense	367	261	-29%
Deferred income tax expense	55	11	-80%
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>8,116</b>	<b>8,169</b>	<b>1%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW STATEMENT (in thousands of RSD)	As of 31 December 2008	As of 31 December 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	94,211	94,999
Cash receipts from customers	93,383	92,999
Interest received from operating activities	828	565
Other receipts from operating activities		1,435
Cash outflow from operating activities	91,492	88,734
Cash paid to suppliers for raw materials and other expenses	48,493	45,962
Gross salaries and other personnel costs paid	29,115	31,774
Interest paid	2,370	15
Income tax expense	81	202
Other levies paid	11,433	10,781
Net cash inflow from operating activities	2,719	6,265
Net outflow from operating activities	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	10,755
Purchase of shares		
Purchase of fixed assets	7,787	10,755
Other financial placements ( net outflow)		
Net cash inflow from investing activities	0	-
Net cash outflow from investing activities	7,787	10,755
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	320
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		
Financial lease		
Dividends paid	2,309	320
Net cash inflow from financing activities	0	-
Net cash outflow from financing activities	2,309	320
<b>Total cash inflow</b>	<b>94,211</b>	<b>94,999</b>
<b>Total cash outflow</b>	<b>101,588</b>	<b>99,809</b>
<b>NET CASH INFLOW</b>	<b>0</b>	<b>-</b>
<b>NET CASH OUTFLOW</b>	<b>7,377</b>	<b>4,810</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>21,834</b>	<b>16,869</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>2,500</b>	<b>1,238</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>88</b>	<b>149</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>16,869</b>	<b>13,148</b>



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

### Aggregate financials of other service subsidiaries

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>167,819</b>	<b>165,115</b>	<b>-2%</b>
Sales of goods, products and services	166,378	164,448	-1%
Work performed by the company and capitalized		19	
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	1,441	648	-55%
<b>OPERATING EXPENSES</b>	<b>167,433</b>	<b>162,016</b>	<b>-3%</b>
Cost of commercial goods sold	7,040	8,980	28%
Material, fuel and energy consumed	10,647	9,166	-14%
Staff costs	123,771	119,133	-4%
Depreciation, amortization and provisions	6,289	9,023	43%
Other operating expenses	19,686	15,714	-20%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>386</b>	<b>3,099</b>	<b>703%</b>
<b>FINANCE INCOME</b>	<b>506</b>	<b>754</b>	<b>49%</b>
<b>FINANCE EXPENSES</b>	<b>355</b>	<b>192</b>	<b>-46%</b>
<b>OTHER INCOME</b>	<b>4,981</b>	<b>11,549</b>	<b>132%</b>
<b>OTHER EXPENSES</b>	<b>1,606</b>	<b>1,502</b>	<b>-6%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>3,912</b>	<b>13,708</b>	<b>250%</b>
<b>INCOME TAXES</b>			
Current tax expense	464	597	29%
Deferred income tax expense	1	28	
Deferred income tax benefit	58	106	83%
<b>NET PROFIT/LOSS</b>	<b>3,505</b>	<b>13,189</b>	<b>276%</b>



## 10. FINANCIAL RESULTS OF TIGAR AD

### 10.1. TIGAR AD – THE HOLDING COMPANY

Tigar AD did not modify its accounting policies during the period. Internal auditing proceeded as planned.

FY2009 was mainly characterized by continued investments in new industrial capacity, investment financing from cash flow with occasional use of short-term loans until long-term capital loans were secured, the impact of the exchange rates on reporting of sales income earned in foreign currencies, and a significant reduction in capital gains associated with the Michelin transaction.

The allocation of the large majority of the collected cash to the development of new capacities indicates that funds were utilized to increase the value of the Corporation and to create quality conditions for future development and the achievement of superior business results in subsequent fiscal years.

The negative operating result is in large part the consequence of poor performance by the Holding Company, whose core business is the management and financing of its subsidiaries, and whose income derives from the sale of services and from rent. On the other hand, all expenses, except finance expenses, are recognized as operating expenses. Although Tigar AD is a holding company, all other types of income, including revenue from subsidiaries, other finance income and extraordinary income, which derive from transactions with assets owned by the Holding Company, are not recognized as operating income even though they are in fact the result of the core business of the Holding Company, related to management of its subsidiaries. While operating income in 2009 grew by 8%, and operating expenses grew by 4%, the operating result was negative for the above-mentioned reasons.

By the end of 2009, long-term financial placements, which were in large part the product of the stakes the Company holds in its subsidiaries, were reduced only slightly compared to a year ago, even though Tigar AD no longer held a stake in Tigar Tyres.

The value of current assets at the end of 2009 was unchanged from a year ago. Completion of the sale of Tigar's interest in Tigar Tyres to the Michelin Group resulted in a balance sheet reduction in short-term financial placements and long-term financial placements, but at the same time led to an increase in cash and cash equivalents, which, by the end of 2009, were in the range of 530 million. The accounts receivable structure is made up of receivables from subsidiaries, mostly from Tigar Trade, and are in large part the product of inter-company loans, which these companies will be repaying successively to the Holding Company.

Internal receivables of the Holding Company from its subsidiaries with non-Tigar sales enable the repayment of loans from previous periods taken out by the Holding Company to finance the subsidiaries during their restructuring, which the Holding Company was able to procure based on expected proceeds from the Michelin transaction.

Non-current liabilities of the Holding Company are related to a long-term loan for repayment of pre-embargo Paris Club loans. Tigar AD annually repays these Paris Club loans in installments totaling roughly 550,000 €. The effect of a reduction in long-term liabilities denominated in foreign currencies is significantly more pronounced than when converted into dinars, due to increases in the exchange rate. These loans will be fully repaid in 2013.

Tigar AD has reduced its current liabilities by 131 million RSD - its finance liabilities by 30 million and its operating liabilities by 101 million. Current liabilities include long-term loan installments which are



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

coming due within the next twelve months. Regular payments to suppliers have enabled the Corporation to continue seamless business operations.

The 2009 operating result was roughly equivalent to that of 2008. However, since earnings declined by some 524 million RSD, and finance and other expenses by 456 million RSD, there was a negative effect on the bottom line of 67,6 million RSD, which resulted in lower profit in 2009 compared to 2008.

<b>BALANCE SHEET</b> (in thousands of RSD))	<b>As of</b> <b>31 December 2008</b>	<b>As of</b> <b>31 December 2009</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2,859,685</b>	<b>2,780,230</b>
Intangible assets	19,216	20,769
<b>Property, plant and equipment</b>	<b>613,771</b>	<b>612,227</b>
Property, plant and equipment	613,771	612,227
<b>Long-term financial placements</b>	<b>2,226,698</b>	<b>2,147,234</b>
Equity investments	2,175,560	2,099,576
Other long-term financial placements	51,138	47,658
<b>CURRENT ASSETS</b>	<b>1,219,416</b>	<b>1,217,563</b>
Inventories	29,011	26,005
Assets held-for-sale	6,675	4,367
<b>Accounts receivable, placements and cash</b>	<b>1,183,730</b>	<b>1,187,191</b>
Accounts receivable	315,162	625,976
Receivables from over-paid taxes		8,520
Short-term financial placements	790,996	5,369
Cash and cash equivalents	52,935	530,588
Value added tax and prepayments	24,637	16,738
<b>Deferred tax assets</b>	<b>655</b>	
<b>TOTAL ASSETS</b>	<b>4,079,756</b>	<b>3,997,793</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>2,736,793</b>	<b>2,811,407</b>
Share and other capital	2,062,152	2,062,152
Share issuing premiums	13,781	
Reserves	574,953	206,216
Revaluation reserves		
Retained earnings	111,926	543,039
Loss		
Shares buyback	26,019	
<b>Long-term liabilities and provisions</b>	<b>1,342,963</b>	<b>1,185,593</b>
Long-term provisions	7,624	9,562
<b>Long-term liabilities</b>	<b>198,503</b>	<b>171,009</b>
Long-term debt	198,135	171,009
Other long-term liabilities	368	
<b>Current liabilities</b>	<b>1,136,836</b>	<b>1,005,022</b>
Short-term financial liabilities	893,682	862,551
Account payable	164,553	62,368
Other current liabilities	32,116	34,736
Value added tax and other taxes payable and accruals	5,352	35,831
Income taxes payable	41,133	9,536
<b>Deferred tax liabilities</b>		<b>793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,079,756</b>	<b>3,997,793</b>



## 2009 ANNUAL REPORT

Document reference

**I.Z.P. 09/04**

INCOME STATEMENT (in thousands of RSD)	2008	2009	% change relative to 2008
<b>OPERATING INCOME</b>	<b>252,793</b>	<b>273,211</b>	<b>8%</b>
Sales of goods, products and services	182,411	242,016	33%
Work performed by the company and capitalized	37,833	9,361	-75%
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	32,549	21,834	-33%
<b>OPERATING EXPENSES</b>	<b>516,981</b>	<b>535,534</b>	<b>4%</b>
Cost of commercial goods sold	2,479	38	-98%
Material, fuel and energy consumed	40,373	80,494	99%
Staff costs	224,056	245,379	10%
Depreciation, amortization and provisions	14,631	22,235	52%
Other operating expenses	235,442	187,388	-20%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-264,188</b>	<b>-262,323</b>	<b>1%</b>
<b>FINANCE INCOME</b>	<b>262,757</b>	<b>154,698</b>	<b>-41%</b>
<b>FINANCE EXPENSES</b>	<b>198,143</b>	<b>140,161</b>	<b>-29%</b>
<b>OTHER INCOME</b>	<b>1,104,379</b>	<b>688,343</b>	<b>-38%</b>
<b>OTHER EXPENSES</b>	<b>693,768</b>	<b>295,278</b>	<b>-57%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>211,037</b>	<b>145,279</b>	<b>-31%</b>
<b>INCOME TAXES</b>			
Current tax expense	41,133	30,148	-27%
Deferred income tax expense	1,801	1,449	-20%
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>168,103</b>	<b>113,682</b>	<b>-32%</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

CASH FLOW STATEMENT (in thousands of RSD)	As of 31 December 2008	As of 31 December 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	176,296	342,361
Cash receipts from customers	143,747	315,133
Interest received from operating activities		1,314
Other receipts from operating activities	32,549	25,914
Cash outflow from operating activities	569,030	757,549
Cash paid to suppliers for raw materials and other expenses	185,422	331,808
Gross salaries and other personnel costs paid	222,181	234,301
Interest paid	120,675	106,197
Income tax expense	17	72,723
Other levies paid	40,735	12,520
Net cash inflow from operating activities	-	-
Net outflow from operating activities	392,734	415,188
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	917,126	1,513,488
Sale shares and stakes (net inflow)	82,512	1,216,599
Sales of fixed assets	567,475	1,432
Other financial placements ( net inflow)		
Interest received	8,043	
Dividends received	259,096	295,457
Cash outflow from investing activities	766,233	196,954
Purchase of shares		1,761
Purchase of fixed assets	567,130	195,193
Other financial placements ( net outflow)	199,103	
Net cash inflow from investing activities	150,893	1,316,534
Net cash outflow from investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	292,141	
Increase in capital		
Long-term and short-term borrowings ( net inflow)	292,141	
Other long-term and short-term liabilities		
Cash outflow from financing activities	113,877	424,602
Buyback of own shares and stakes	12,238	
Long-term and short-term borrowings ( net outflow)		369,793
Financial lease	1,047	2,629
Dividends paid	100,592	52,180
Net cash inflow from financing activities	178,264	-
Net cash outflow from financing activities	-	424,602
<b>Total cash inflow</b>	<b>1,385,563</b>	<b>1,855,849</b>
<b>Total cash outflow</b>	<b>1,449,140</b>	<b>1,379,105</b>
<b>NET CASH INFLOW</b>	<b>-</b>	<b>476,744</b>
<b>NET CASH OUTFLOW</b>	<b>63,577</b>	
<b>Cash and cash equivalents at beginning of year</b>	<b>113,277</b>	<b>52,935</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>3,235</b>	<b>909</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>52,935</b>	<b>530,588</b>



## 2009 ANNUAL REPORT

Document reference

IZ.P. 09/04

## 10.2. CONSOLIDATED RESULT

BALANCE SHEET Tigar ad Consolidated (in thousands of RSD)	As of 31 December 2008	As of 31 December 2009 (Preliminary*)
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>3,931,668</b>	<b>4,110,707</b>
Intangible assets	74,702	111,442
<b>Property, plant and equipment</b>	<b>3,323,718</b>	<b>3,939,937</b>
Property, plant and equipment	3,323,718	3,939,937
<b>Long-term financial placements</b>	<b>533,248</b>	<b>59,328</b>
Equity investments	481,447	11,670
Other long-term financial placements	51,801	47,658
<b>CURRENT ASSETS</b>	<b>3,017,447</b>	<b>3,026,466</b>
Inventories	1,289,581	1,442,629
Assets held-for-sale	10,791	19,884
<b>Accounts receivable, placements and cash</b>	<b>1,717,075</b>	<b>1,563,953</b>
Accounts receivable	918,538	727,066
Receivables from over-paid taxes	10,568	14,303
Short-term financial placements	469,686	5,736
Cash and cash equivalents	242,410	702,009
Value added tax and prepayments	75,873	114,839
<b>Deferred tax assets</b>	<b>18,015</b>	<b>18,036</b>
<b>TOTAL ASSETS</b>	<b>6,967,130</b>	<b>7,155,209</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>3,745,192</b>	<b>3,514,083</b>
Share and other capital	2,109,209	2,146,009
Share issuing premiums		
Reserves	582,138	207,925
Revaluation reserves	1,086,061	1,074,215
Retained earnings	-6,198	85,934
Loss		
Shares buyback	26,018	
<b>Long-term liabilities and provisions</b>	<b>3,099,366</b>	<b>3,513,163</b>
Long-term provisions	81,891	79,861
<b>Long-term liabilities</b>	<b>679,018</b>	<b>1,149,078</b>
Long-term debt	679,018	1,132,408
Other long-term liabilities		16,670
<b>Current liabilities</b>	<b>2,338,457</b>	<b>2,284,224</b>
Short-term financial liabilities	1,184,001	1,432,181
Account payable	879,547	615,132
Other current liabilities	139,819	151,136
Value added tax and other taxes payable and accruals	50,178	67,113
Income taxes payable	84,912	18,663
<b>Deferred tax liabilities</b>	<b>122,572</b>	<b>127,963</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,967,130</b>	<b>7,155,209</b>

\* the legal deadline for submission of consolidated financial statements is 30/04/2010



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

INCOME STATEMENT Tigar ad consolidated (in thousands of RSD)	2008	2009 (Preliminary*)
<b>OPERATING INCOME</b>	<b>3,751,613</b>	<b>3,880,745</b>
Sales of goods, products and services	3,315,792	3,349,344
Work performed by the company and capitalized	392,524	441,254
Increase in inventories of finished products and work in progress		57,464
Decrease in inventories of finished products and work in progress	26,402	
Other operating income	69,699	32,683
<b>OPERATING EXPENSES</b>	<b>4,466,831</b>	<b>4,163,473</b>
Cost of commercial goods sold	1,177,607	914,975
Material, fuel and energy consumed	1,245,092	1,174,529
Staff costs	1,501,211	1,500,700
Depreciation, amortization and provisions	88,801	148,471
Other operating expenses	454,120	424,798
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-715,218</b>	<b>-282,729</b>
<b>FINANCE INCOME</b>	<b>202,587</b>	<b>74,609</b>
<b>FINANCE EXPENSES</b>	<b>353,424</b>	<b>262,493</b>
<b>OTHER INCOME</b>	<b>1,096,598</b>	<b>327,820</b>
<b>OTHER EXPENSES</b>	<b>35,223</b>	<b>29,528</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>195,320</b>	<b>-172,320</b>
<b>INCOME TAXES</b>		
Current tax expense	99,318	41,236
Deferred income tax expense	6,049	6,831
Deferred income tax benefit		489
<b>NET PROFIT/LOSS CURRENT YEAR</b>	<b>89,953</b>	<b>68,483</b>
<b>NET PROFIT/ LOSS FROM YEARS BEFORE</b>		<b>-288,381</b>

\* the legal deadline for submission of consolidated financial statements is 30/04/2010

Accounting policies pertaining to consolidation remained unchanged and internal auditing was conducted per plan. As required by law, negative exchange rates under long-term loans were deferred and income from the sale of fixed assets was included.

In 2009, our key business challenges at the consolidated level included the continuation of investments in new industrial capacities, the financing of investment activities from cash flow (with occasional use of short-term loans until long-term capital loans were secured), the effect of the exchange rates on reporting of income from sales in foreign currencies, and significantly lower income from capital gains, tied to our Michelin transaction, which, at a consolidated level, were higher than at the Holding Company level due to the mandatory reporting of the sold stake in Tigar Tyres at purchasing value, which resulted in a negative effect of 288 million.

Our overall finance and other income declined by 897 million in 2009 relative to a year ago, which resulted in a hit to our bottom line relative to 2008 at a time when the entire system was undergoing reconstruction and was exposed to the impact of the economic downturn.



## 2009 ANNUAL REPORT

Document reference

**IZ.P. 09/04**

The negative operating result is largely attributed to the Holding Company, for reasons stated earlier in the Report.

At the end of 2009, external consolidated income was similar to that in 2008, while expenses declined by some 300 million. Within our operating expense structure, raw material costs and costs of goods sold declined relative to a year ago, employee expenses were unchanged due to reductions in head count, and depreciation costs increased due to large capital expenditures.

The value of non-current assets increased in 2009 relative to 2008, by some 616 million RSD. The value of current assets was unchanged, inventories grew by some 153 million, while accounts receivable shrank by 191million. The overall increase in inventory consisted of increases in domestic footwear inventories, so that based on buyer orders, Tigar Footwear capacities will be focused on exports as of the second quarter of 2010, and also resulted from the commissioning of the new Tigar Technical Rubber Goods factory, which after ten months of being down needed to build up inventories for its customers. Collection of payments was conducted according to plan in 2009, regardless of the economic crisis, and there were no bad debts. Completion of the process of selling our stake in Tigar Tyres to the Michelin Group resulted in a decline in short-term financial placements in the balance sheet, but also effected a growth in cash and cash equivalents which, at the end of 2009, constituted 702 million on a consolidated basis.

Long-term liabilities increased by 470 million, based on the second disbursement of the DEG loan and the loan granted by Hypo Alpe Adria Bank to Tigar Technical Rubber Goods. The growth in negotiated liabilities is offset by investment in fixed assets.

Short-term liabilities mirrored those of 2008. Short-term finance liabilities increased by 248 million while short-term operating liabilities declined by 264 million, which clearly demonstrates our pre-disposition to short-term loans in order to settle supplier debts and maintain the viability of our supply chain

Our overall reserves remain at 1.3 billion RSD.

**TIGAR AD**

**Jelena Petković**  
**Executive Director for Corporate**  
**Management Support**

**TIGAR AD**

**Dragan Nikolić**  
**Board of Directors Chairman**