



TIGAR AD PIROT

## 2010 SEMI-ANNUAL BUSINESS REPORT

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## Overview of Semi-Annual Performance

During the first half of 2010, Tigar AD's income and expenses traced to its core business activities. Our Michelin transaction was concluded in December 2009, and unlike in previous years, in the first half of 2010, capital gains under «Other Income» had no impact on our bottom line. An unexpectedly long low season resulting from poor weather conditions, late commissioning of our new factory for the manufacture of finished products from recycled rubber - which lagged some two months behind schedule - and the commencement of sales to a group of major EU footwear customers in July, all negatively impacted our income from sales of products and goods (excluding the income earned by our subsidiaries and affiliates operating abroad) relative to plan and, even though we recorded a 41% improvement relative to a year ago. Net income from exports was 50% higher, from sales in the domestic market 34% higher, and from sales of services to non-Tigar users 33% higher, than a year ago.

Our consolidated income statement shows a positive operating result of 77 million, compared to an operating loss of 68 million reported at the end of the same period last year. This attests to the fact that despite the continuing impact of the economic crisis, the Tigar Group is beginning to see the benefits of infrastructure and development investments made over the past three years, as well as of additional projects currently under way.

The recorded growth in export sales during the period, and the introduction of more than 30 new footwear products for both existing and new customers, which will be industrialized and delivered to the market in the latter half of 2010, demonstrate that the footwear factory is becoming a European leader with respect to both product offerings and product quality. The vast majority of our exports continue to be premium products, and we continue to enjoy the advantage of our customer base being comprised largely of leading European distributors and retail chains.

Our new Tigar Technical Rubber Goods (TTRG) manufacturing facilities were commissioned recently, and market positioning of this business is currently under way.

Tigar Chemical Products' primary focus at this time is its imminent relocation.

Development activities completed to date, and those currently in progress, will ensure that our product offerings, particularly to international markets, will continue to expand.

The development activities we implemented, and other activities in progress, will result in broader product offerings, particularly with respect to the international marketplace. Our development activities have largely focused on custom-made product groups manufactured under customer brand names, but also groups of products manufactured under Tigar's proprietary brand names. Expansion of our higher-end product assortment, particularly under our own brand names, and building of our client base in both foreign and domestic markets, continue to be our key development priorities.

International certification of groups of products used in special environments and under specific working conditions offers us the opportunity to sell to all markets, with no limits, which is a significant competitive advantage.

In the human resources area, we are continuing to optimize our headcount and to institute ongoing training, in order to achieve the targeted growth in productivity.

During the period, we also prepared an issue of long-term bonds and a capital increase through an issue of new shares, to specific buyers. In August, we completed our first issue of long-term bonds. Plans through year-end call for another issue of long-term bonds and the sale of stock (25% of the total number of shares), aimed at securing funding for the implementation of investment activities outlined in our 2010-2012 Business Plan and at modifying the maturity dates of our liabilities, to ensure long-term business development and a stable financial position of the Company.

During the period, TTRG applied to EU funds for a grant whose proceeds would be used to implement environmental projects in Serbia.

Among our key investment activities during the period, the most important was the commissioning of our recycled-rubber products plant, which was delayed due to a temporary construction stoppage brought about by exceptionally low outdoor temperatures. Work on the development of the additional space at the Tigar 3 location, purchased in December 2009, will be our investment priority through year-end.

Dragan Nikolić  
Chairman of Tigar AD's Board of Directors



## 1. EXECUTIVE SUMMARY

### 1.1. BASIC FACTS

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

**Registered address:** Nikole Pašića 213, 18300 Pirot, 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:** 1,912 at 30/06/2010

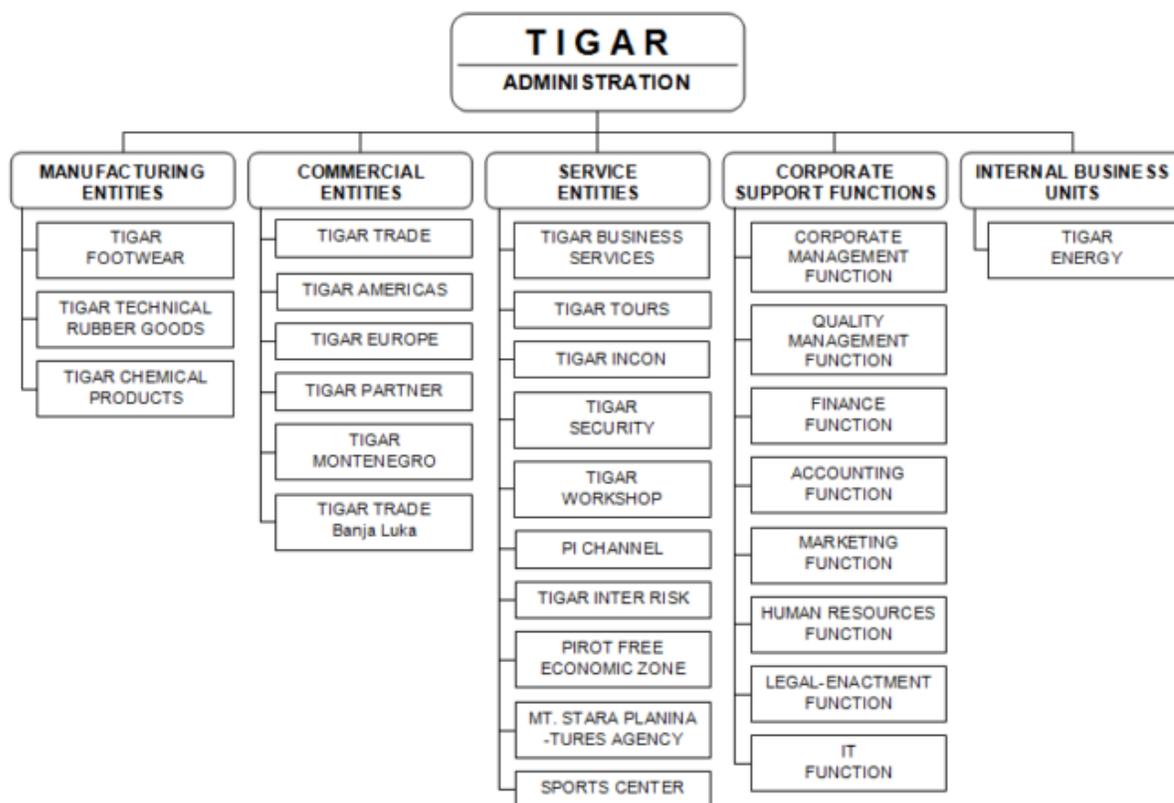
**Number of shareholders:** 4,801 at 30/06/2010

**Capital:** 2,812,495 (000 RSD) at 30/06/2010

**Assets:** 4,073,324 (000 RSD) at 30/06/2010

**Capitalization:** 1,235,572.74 (000 RSD) at 30/06/2010

### 1.2. CORPORATE STRUCTURE





### 1.3. PRODUCTION AND SALES PORTFOLIO

#### **FOOTWEAR**

- Safety rubber boots and work boots
- Stylish and safety footwear
- General-purpose footwear
- Hunting and fishing rubber boots

#### **TECHNICAL RUBBER GOODS**

- Molded rubber products for industries, infrastructure (e.g., speed decelerators), and automobiles (e.g., floor mats and gasoline bladders), and rubber-coated metal parts.
- Rubber profiles of all types, including those for the construction and automotive industries.
- Hoses. Tigar Technical Rubber Goods manufactures a broad assortment of rubber hoses, fabric-reinforced hoses, and metal-spring flexible hoses.
- Rubber compounds and semi-finished products, including rubber-coated cabling, rubber/metal products, automotive shock absorbers, rail shock-mounts, and products for a number of other applications.
- Sporting goods
- Products made from recycled rubber.

#### **CHEMICAL PRODUCTS**

- Conveyor belt adhesives
- Road paint
- Industrial and general-purpose adhesives
- Coatings, thinners, solvents, and chemicals

#### **COMPLEMENTARY PRODUCT LINES**

- Tires made by domestic and international manufacturers
- Oils, batteries, car care products and other automotive products
- Imported stylish and children's leather footwear

#### **SERVICES**

**Tigar's automotive service and retail network STOP & DRIVE offered the following types of services during the period:**

- Tire repair services, including wheel removal and installation, wheel 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.
- Car wash
- Tire monitoring and safe-keeping

The above services are offered at service centers and by mobile units, for cars and trucks.



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In addition to **STOP & DRIVE** services, Tigar offers the following in the area of services:

- All types of building and infrastructure construction and maintenance services, supported by our engineering group;
- Services provided by the Pirot Free Economic Zone, a specially designated area where businesses are exempted from duty, VAT, and a number of municipal taxes and fees.
- Overland transportation services, including domestic and international freight forwarding, outsourced inter-city transportation of goods, and vehicle maintenance.
- Hospitality services tracing to Tigar's resources on Mt. Stara Planina and Pirot as a tourist destination.
- A number of other services, largely provided internally to the Tigar Group.

### 1.4. INVESTMENT ACTIVITIES

During the period, given adverse weather conditions, there were no infrastructure or building activities, with the exception of work on the recycled-rubber products (RRP) building, which was essential to the commissioning of this plant, funded partially at the TTRG level and partially at the Tigar AD level, depending on the location of the work required.

In this quarter, Tigar Trade opened new Stop&Drive facilities in Kruševac and Čačak. Additional equipment was purchased for existing service centers to round out their offerings and increase their capabilities in the "light servicing" area. Tigar Footwear's capital expenditures were tied to regular overhauls and the fabrication of tooling needed for new groups of products. Additional investments were also made in the fixing up of warehouse space.

In thousands of RSD	Purchases of fixed assets January – June 2010
Tigar Technical Rubber Goods	86,624
Tigar Chemical Products	7,465
Tigar Footwear	50,379
Tigar Trade	35,499
Tigar Business Services	8,499
Holding Company	28,265
<b>Total</b>	<b>216,731</b>

### 1.5. DEVELOPMENT AND CERTIFICATION ACTIVITIES

In the footwear segment, during the first half of the year more than 50 new products were developed for 12 international customers, and some 60 products were refined based on customer requirements. More than 60 new or alternative types of raw materials were introduced in order to improve the functional and aesthetic characteristics of our products and to give us more of a competitive advantage over other manufacturers. A number of activities were implemented with respect to obtaining UK certification for safety footwear products manufactured under Tigar's Century, Century Safety, Century 4000 Super Safety, Forester, Fireman and Firefighter 4000 brand names. Thirty-four models of Maniera fashion footwear were put into production for the European market; this line was introduced at the Dusseldorf trade show earlier this year. In July and August, a new Maniera Sport collection was prepared for the Dusseldorf trade show in September 2010.

TTRG is in the process of implementing TS 16 949 certification, a precursor to the manufacturing of products for global automobile manufacturers. With our purchase of a RRP manufacturing business, TTRG will become the owner of a number of brands in the following product groups: playground tiles, sandboxes, bollards, buffers, and rubber flooring. Playground tiles have been tested and certified by Germany's TUV agency, based on EU Directive EN 1177, which is particularly an advantage given that this involves special surfaces required for children's safety. In addition to products obtained through acquisition, intense development activities have been initiated for new products for the construction industry and highway infrastructure, for both the domestic and export markets.

Tigar Chemical Products is focusing on widening its assortment of water-soluble products, based on existing standards.



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### 1.6 PRODUCTION LEVELS

Following is a summary of production levels by segment, expressed in tons:

#### TIGAR FOOTWEAR

Output in tons	1 <sup>st</sup> Semester		% change
	2009	2010	
Low footwear	207.35	198.00	-5%
Work footwear	497.43	462.96	-7%
Hunting footwear	124.65	182.47	46%
Fishing footwear	26.58	28.54	7%
Safety footwear	97.76	154.77	58%
Cardboard	7.03	8.31	18%
Fashion footwear	1.46	57.70	
Children's footwear	19.29	17.27	-10%
<b>TOTAL:</b>	<b>981.54</b>	<b>1,110.01</b>	<b>13%</b>

Even though production levels were below plan, the output of safety boots, hunting boots and fashion footwear was significantly higher and increased overall product value compared to last year. Volume and product mix during the period were based on sales levels and inventories, but also the fact that exports will dominate production by far during the latter half of the year. As such, required product inventories for the domestic market were produced during the period.

#### TECHNICAL RUBBER GOODS

Output in tons	1 <sup>st</sup> Semester		% change
	2009	2010	
External fubber compound mixing plant	112	517	361%
Molded products	13	75	453%
Rubber profiles and tubing	55	164	200%
Sporting goods	7	25	276%
Industrial rubber coating	7	52	690%
Recycled-rubber products		532	
<b>TOTAL</b>	<b>193</b>	<b>1,364</b>	<b>606%</b>

Failure to meet expectations in the rubber profiles segment was due to the delayed beginning of the building season, resulting in the first large orders placed as late as March. It is not realistic to expect significant production for the automotive industry until the two-component and thermoplastic rubber profile lines are activated in the last quarter. The industrial rubber-coating segment fell short of plan because of delayed orders from large-volume customers, including Bor. During the period, activities were initiated with regard to sales to Bulgarian and Macedonian mining companies, as well as exports of special-purpose products, which are expected to result in significant production growth, assuming that appropriate certification will be obtained so that TTRG can be placed on certified suppliers lists.



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### CHEMICAL PRODUCTS

Output in tons	1 <sup>st</sup> Semester		% change
	2009	2010	
Mining industry products	13	23	76%
Road paint	267	264	-1%
Railways/ACP	6	6	-12%
Metal industry products	42	53	26%
Construction industry products/flooring	3	4	35%
Consumer products	73	49	-32%
Internal production	55	60	10%
<b>TOTAL</b>	<b>459</b>	<b>460</b>	<b>0%</b>

TCP's output targeting the road industry remained constant during the period. Since this product line is the largest by weight, it had a significant impact on total output expressed in tons.

An increase in the output of mining industry products, polyurethane flooring, and products for the metal industry had a positive impact on TCP's product mix. Its product line targeting the railroad industry is highly dependent on overhauls which, during the period, were not conducted according to plan. Additionally, the consumer market slump affected sales to retail outlets.

### 1.7. SALES OF GOODS AND SERVICES

During the first half of 2010, net income from sales within and out of Serbia (excluding that earned by companies operating abroad), was 969 million RSD, a growth of 41% relative to a year ago, but was still below plan levels. Exports were up by 50%, wholesale levels by 45%, and sales to end-users by 14%. Exports to the EU were 53% higher compared to a year ago, while regional exports declined by 13%. Goods totaling some 200,000€ were exported to Canada, several months ahead of our April 2010 schedule, resulting in a cumulative sales level of 302% above plan. Exports to Russia were deferred until the 3<sup>rd</sup> quarter due to the re-scheduling of a tender for firefighter boots for the Moscow region. Overall exports were dominated by exports to the EU. Based on buyer orders, exports of footwear will meet expectations and record a growth of over 100%. Export levels during the period would have been even higher had footwear sales plans materialized with regard to new customers, such as Decathlon France, AJS France, Martinello Italy, and Ilse Jacobsen Denmark. Approval procedures and the industrialization of products for these customers took longer than planned because of extremely stringent requirements, since most of these products are made under premium brand names for leading European distributors. Domestic sales were off but were still ahead of a year ago, by 43%. Sales of TTRG products increased by 110% over a year ago but still fell below plan levels: first due to the delay in the beginning of the construction season, and second, due to the fact that the RRP plant was put into operation during the last week of March, some two months behind schedule, so that only one order for Scandinavian countries was fulfilled during the first quarter. Sales of tires remained unchanged from a year ago, except that sales through Stop&Drive were some 11% higher. An unexpectedly long winter negatively impacted sales since buyers delayed their shift from winter to summer tires into April. The best sales results were recorded by Stop&Drive centers in large cities. Among Tigar's companies operating abroad, the highest growth was reported by Tigar Europe and Tigar Americas, while companies in the Balkans reported a decline largely as a result of the overall distressed economic conditions in this region. Income from Stop&Drive services grew by 54% compared to a year ago, while overall services to non-Tigar parties were recorded at 33%.


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<i>Net sales income from goods and products in thousands of RSD</i>	<i>1<sup>st</sup> Semester 2009</i>	<i>1<sup>st</sup> Semester 2010</i>	<i>% Change</i>
<b>Sales by product group</b>			
Car and light truck tires	121,047	129,066	7%
Truck tires	23,105	26,115	13%
Agricultural and other tires	17,883	8,254	-54%
<b>Total tires sale</b>	<b>162,035</b>	<b>163,435</b>	<b>1%</b>
<b>Inner tubes</b>	8,436	7,405	<b>-12%</b>
<b>Tigar Rubber footwear</b>	<b>350,240</b>	<b>516,318</b>	<b>47%</b>
- Domestic market	70,546	100,729	43%
- Export	279,694	415,588	49%
<b>Non - Tigar footwear</b>	3,231	13,849	329%
<b>Technical Rubber goods</b>	<b>68,880</b>	<b>144,502</b>	<b>110%</b>
- Domestic market	52,123	96,248	85%
- Export	12,470	33,252	167%
- Sales via factory	4,287	15,001	250%
<b>Chemical products</b>	<b>81,412</b>	<b>112,145</b>	<b>38%</b>
- Sales via Tigar Trade	3,638	4,338	19%
- Domestic market, sales via factory	55,418	86,131	55%
- Exports, sales via factory	22,356	21,676	-3%
<b>Complementary goods</b>	11,386	11,106	-2%
<b>TOTAL</b>	<b>685,619</b>	<b>968,760</b>	<b>41%</b>

<i>Net sales income from goods and products in thousands of RSD</i>	<i>1<sup>st</sup> Semester 2009</i>	<i>1<sup>st</sup> Semester 2010</i>	<i>% Change</i>
<b>Sales by product lines</b>			
Tires	170,471	170,840	0%
Footwear	350,240	516,318	47%
Technical rubber goods	68,880	144,502	110%
Chemical products	81,412	112,145	38%
Other products	14,616	24,955	71%
<b>TOTAL SALES WITHIN AND OUT OF SERBIA</b>	<b>685,619</b>	<b>968,760</b>	<b>41%</b>

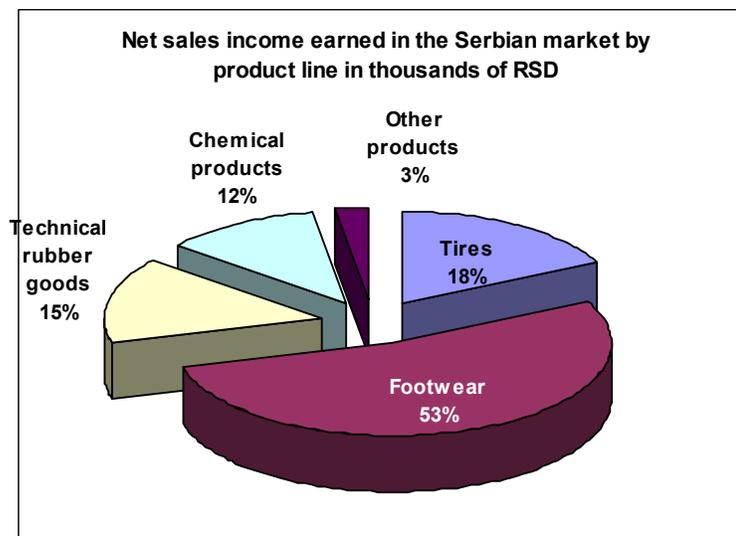


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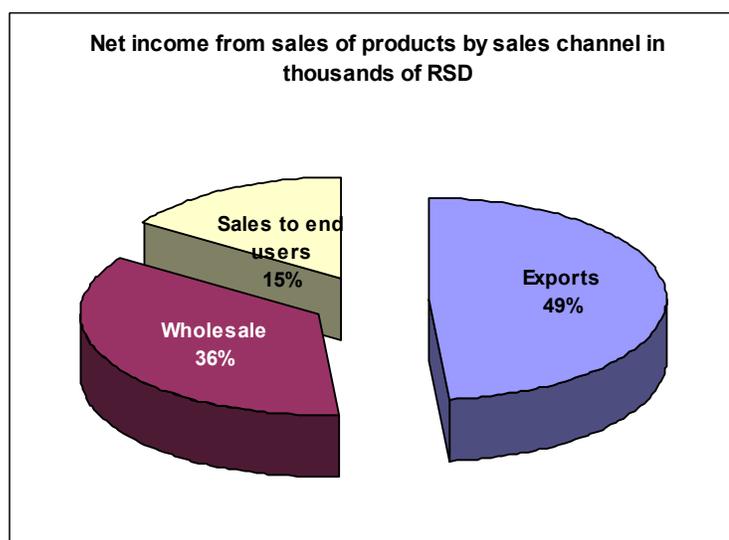
Following is a breakdown of revenues from sales in Serbia, by segment:



Following is a breakdown of domestic sales of products and goods by sales channel:

<i>Net sales income in thousands of RSD</i>	<i>1 st Semester 2009</i>	<i>1 st Semester 2010</i>	<i>% Change</i>
<b>Sales by sales channel</b>			
Exports	314,520	470,517	50%
Wholesale	240,274	348,624	45%
Sales to end users	130,825	149,620	14%
<b>TOTAL SALES WITHIN AND OUT OF SERBIA</b>	<b>685,619</b>	<b>968,760</b>	<b>41%</b>

The graph below shows the relative percentages of net external revenues earned in the Serbian market by sales channel:





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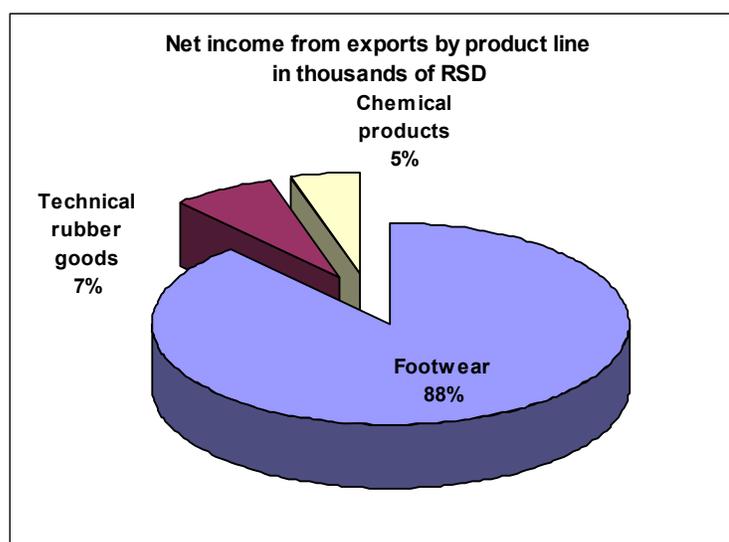
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### INTERNATIONAL SALES OUT OF SERBIA

Following is a breakdown of international sales of products out of Serbia by product line:

<i>Net sales income in thousands of RSD</i>	<i>1 st Semester 2009</i>	<i>1 st Semester 2010</i>	<i>% Change</i>
<b>Sales by product line</b>			
Footwear	279,694	415,588	49%
Technical rubber goods	12,470	33,252	167%
Chemical products	22,356	21,676	-3%
<b>TOTAL EXPORTS</b>	<b>314,520</b>	<b>470,517</b>	<b>50%</b>

The graph below shows the relative percentages of net external revenues from international sales out of Serbia by product line:



Following is a breakdown of exports by geographical area:

<i>Net income from exports by geographical area, in thousands of RSD</i>	<i>1 st Semester 2009</i>	<i>1 st Semester 2010</i>	<i>% Change</i>
<b>Sales by geographical area</b>			
EU	261,439	395,744	51%
US and Canada	5,753	20,059	249%
Russia and ex-Soviet republics	57	2,680	4569%
The Balkans	43,068	34,701	-19%
Other markets	4,203	17,333	312%
<b>TOTAL</b>	<b>314,520</b>	<b>470,517</b>	<b>50%</b>

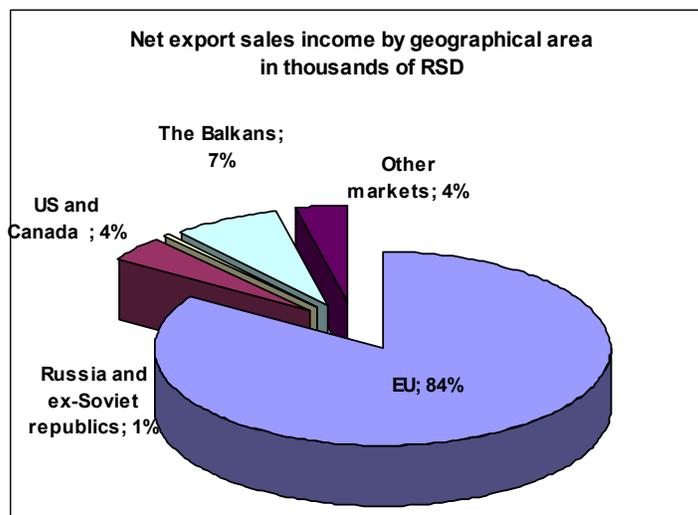


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The graph below shows the relative percentages of net revenues earned in the international market by geographical area:



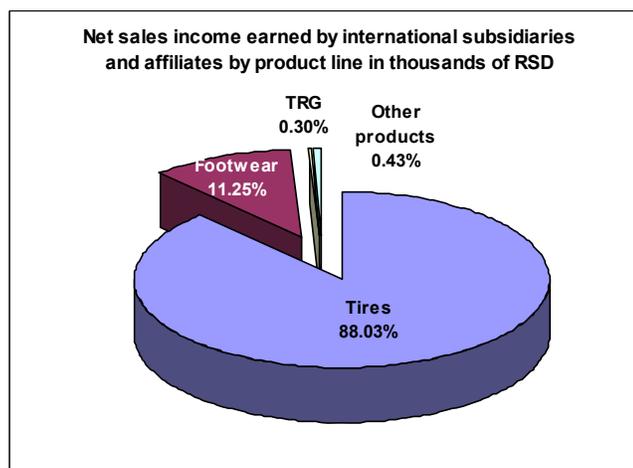
### COMPANIES OPERATING ABROAD

Following is a breakdown of sales of products and goods via subsidiaries and affiliates operating abroad, by product line:

<i>Net income from sales of products by subsidiaries and affiliates operating abroad, in thousands of RSD</i>	<i>1 st Semester 2009</i>	<i>1 st Semester 2010</i>	<i>% Change</i>
<b>Sales by product lines</b>			
Tires	410,974	486,571	18%
Footwear	33,578	62,182	85%
TRG	3,378	1,631	-52%
Other products	5,705	2,354	-59%
<b>TOTAL SALES ABROAD</b>	<b>453,636</b>	<b>552,738</b>	<b>22%</b>

\*Tigar Europe 50%

The graph below shows the relative percentages of net sales revenues earned by companies operating abroad:

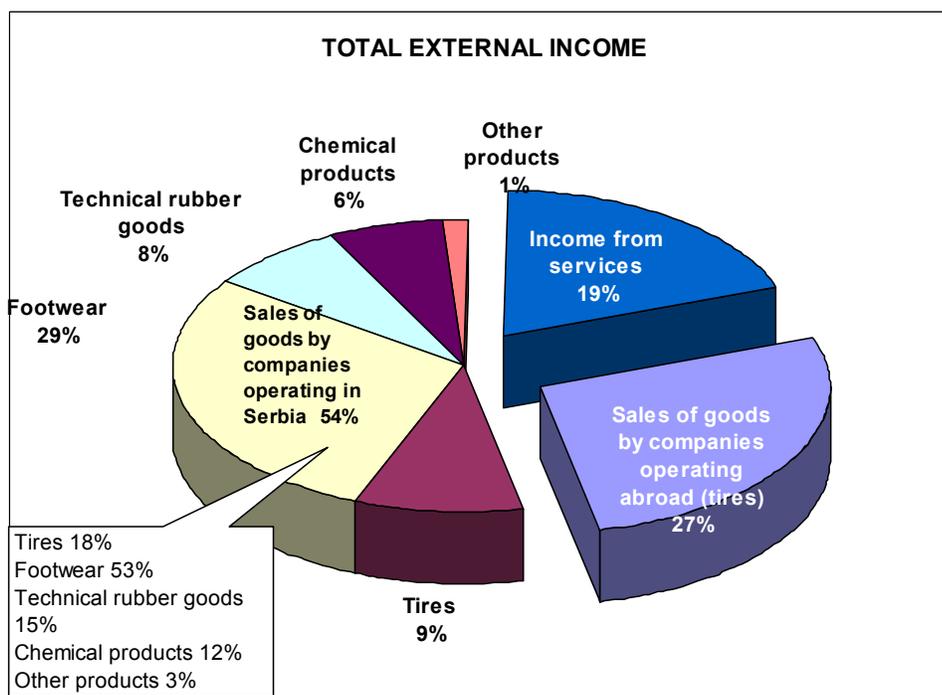



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**TOTAL EXTERNAL INCOME, INCLUDING INCOME FROM SALES OF GOODS VIA COMPANIES OPERATING ABROAD AND INCOME FROM EXTERNAL SERVICES**

<i>In thousands of RSD</i>	<i>1 st Semester 2009</i>	<i>1 st Semester 2010</i>	<i>% Change</i>
<b>Sales of goods by companies operating abroad (excluding goods of Tigar's entities in Serbia)</b>	<b>416,680</b>	<b>488,925</b>	<b>17%</b>
<i>* Figures include 50% of Tigar Europe</i>			
<b>TOTAL EXTERNAL SALES OF PRODUCTS IN THE COUNTRY AND ABROAD</b>	<b>1,102,299</b>	<b>1,457,685</b>	<b>32%</b>
<i>Stop &amp; Drive service revenues</i>	<b>8,054</b>	<b>12,436</b>	<b>54%</b>
<b>TOTAL INCOME FROM EXTERNAL SALES OF PRODUCTS</b>	<b>1,110,353</b>	<b>1,470,121</b>	<b>32%</b>
<b>External sales of other services rendered in Serbia</b>	<b>251,597</b>	<b>334,567</b>	<b>33%</b>
<b>TOTAL EXTERNAL INCOME</b>	<b>1,361,950</b>	<b>1,804,688</b>	<b>33%</b>





## 2. KEY FINANCIAL INDICATORS

No extraordinary income was recorded during the first half of 2010, given that the Michelin transaction was concluded in 2009. During the same period a year ago, other income of the Holding Company was recorded at 265 million RSD, while this year the same income line came in at only 9 million. The consolidated result for the first half of 2009 included Tigar Tyres, at about 96.28 million RSD, with a corresponding portion of profit which increased the consolidated result on that basis. Viewed at a subsidiary level, negative results were noted for TTRG and TCP, due to the late commissioning of the RRP plant at TTRG, and due to the extended winter season. The extended winter season negatively impacted tire sales as well, and the delayed spring season in Northern European countries resulted in a delay of orders by about one month. Consolidated income from sales increased by 33.6%, while total operating income increased by 33.8%. Higher inventories of footwear for the domestic market drove the growth in overall inventories. Based on export sales forecasts for the second half of 2010, it will not be possible to support any significant production for the domestic market, other than to close inventory gaps. As such, inventories for the domestic market were increased during the first half of the year (low season), and these products will largely be sold during the high season beginning in August. This was the only possible approach to take, but it unfortunately had a negative impact on cash flows.

Operating expenses grew by 24%. Within the operating expense structure, the cost of goods sold grew by 83%, the cost of raw materials increased by 13%, while employee expenses grew by 8%, largely as a result of adjustments for inflation. The largest increase was recorded under «Other Expenses» which include transportation and all other services.

The loan debt reported in Dinars was significantly impacted by exchange rates, so that the effects of reducing foreign currency debt, such as with the Paris Club, did not appear to impact the level of indebtedness expressed in Dinars. Current liabilities include long-term loan repayments coming due over the next twelve months.

Accounts receivable are collectable from both foreign and domestic markets, and there are no bad debts. Accounts receivable at the end of the period were 16% higher than a year ago; this is a substantially lower growth level than that reported for consolidated sales income (34%). Cash and cash equivalents declined from 702 million at the end of 2009 to 468 million at the end of June. Given that Tigar's remaining 10% stake in Tigar Tyres was sold in the latter half of December 2009, most of the cash proceeds were retained at the end of that year. A portion of these funds was spent in 2010 to finance investments and working capital.

The level of liabilities remained relatively unchanged compared to the opening balance, but changes were made to loan maturity dates so that the largest share of the loans were approved as long-term loans with a grace period ending during 2010. Loans with subsidized interest were taken out for one-year periods as dictated by loan provisions. This was unfavorable from a cash flow perspective, but significantly reduced finance expenses.



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# TIGAR

## TIGAR AD

Equity: 2,812,495  
 Total income: 377,922  
 EBITDA: 97,665  
 (000 RSD)

## PRODUCTION ENTITIES

### TIGAR FOOTWEAR

Equity: 857,873  
 Total income: 705,373  
 EBITDA: 53,016  
 (000 RSD)

### TIGAR TEHNICAL RUBBER GOODS

Equity: 317,916  
 Total income: 288,201  
 EBITDA: 5,561  
 (000 RSD)

### TIGAR CHEMICAL PRODUCTS

Equity: 61,231  
 Total income: 89,012  
 EBITDA: -26,979  
 (000 RSD)

## COMMERCIAL ENTITIES

### TIGAR TRADE

Equity: 226,477  
 Total income: 1,286,696  
 EBITDA: 66,363  
 (000 RSD)

### TIGAR MONTENEGRO

Equity: 101  
 Total income: 291  
 EBITDA: 8  
 (000 EUR)

### TIGAR PARTNER

Equity: 15,255  
 Total income: 7,981  
 EBITDA: -2,212  
 (000 DEN)

### TIGAR TRADE Banja Luka

Equity: 312  
 Total income: 561  
 EBITDA: -81  
 (000 KM)

### TIGAR EUROPE

Equity: 2,743  
 Total income: 7,981  
 EBITDA: 204  
 (000 GBP)

### TIGAR AMERICAS

Equity: 433  
 Total income: 569  
 EBITDA: 4  
 (000 USD)

## SERVICE ENTITIES

### PIROT FREE ZONE

Equity: 146,369  
 Total income: 97,835  
 EBITDA: 12,428  
 (000 RSD)

### TIGAR BUSINESS SERVICES

Equity: 159,880  
 Total income: 149,520  
 EBITDA: 3,131  
 (000 RSD)

### TIGAR TOURS

Equity: 9,712  
 Total income: 3,075  
 EBITDA: 561  
 (000 RSD)

### TIGAR INTER RISK

Equity: 1,608  
 Total income: 2,147  
 EBITDA: -29  
 (000 RSD)

### TIGAR SECURITY

Equity: 17,083  
 Total income: 39,836  
 EBITDA: 5,128  
 (000 RSD)

### TIGAR WORSHOP

Equity: 10,414  
 Total income: 30,115  
 EBITDA: 8,598  
 (000 RSD)

### TIGAR INCON

Kapital: 47,768  
 Ukupan prihod: 92,736  
 EBITDA: 10,575  
 (000 RSD)

### PI CHANNEL

Equity: 3,813  
 Total income: 6,228  
 EBITDA: 421  
 (000 RSD)

### SPORTS CENTER

Equity: 15,317  
 Total income: 640  
 EBITDA: 47  
 (000 RSD)


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**TIGAR AD – THE HOLDING COMPANY: UNCONSOLIDATED FINANCIALS**

Tigar AD's unconsolidated financials in thousands of dinars	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
Assets	3,956,127	4,073,324	3%
Equity	2,834,495	2,812,495	-1%
Total income	518,681	377,922	-27%
Operating income	143,400	301,721	110%
Other income	265,108	8,967	-97%
EBIT	240,661	84,653	-65%
EBITDA	249,842	97,665	-61%
Net income	154,702	38,984	-75%
<u>Significant ratios</u>			
Return on equity	5.46%	1.39%	-75%
Return on shareholders equity	7.50%	1.89%	-75%
Debt-to-assets ratio	0.28	0.31	9%
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.47	1.84	25%
Quick ratio	1.46	1.82	25%
Debt / Equity	0.39	0.44	13%
<u>Other ratios</u>			
ROE	5.46%	1.39%	-75%
ROA	3.91%	0.96%	-76%
Net profit/total income	29.83%	10.32%	-65%


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**TIGAR AD AND ITS SUBSIDIARIES AND AFFILIATES: INCOME STATEMENT**

Income Statement 1 <sup>st</sup> Semester 2010 (in thousands of RSD)	Tigar AD	Tigar Footwear	Tigar Technical Rubber Goods	Tigar Chemical Products	Tigar Trade	Tigar Monten.	Tigar Macedonia	Tigar BiH	Tigar Americas	Tigar Europe	Tigar Incon	Tigar Workshop	Tigar Business Services	Tigar Security	Pirot Free economic Zone	Tigar Tours	Tigar Inter Risk	Pi Channel	Sports Center
Total Income	377,922	705,373	288,201	89,012	1,286,696	29,089	12,866	28,685	42,924	458,814	92,736	30,115	149,520	39,836	97,836	3,075	2,147	6,228	640
Total expenses	328,825	700,155	300,699	119,511	1,255,217	28,265	16,676	34,816	42,590	446,982	84,140	22,372	155,979	35,559	86,899	2,576	2,127	6,362	589
Profit/loss before taxation	49,097	5,218	-12,498	-30,499	31,479	824	-3,809	-6,131	334	11,832	8,596	7,743	-6,459	4,277	10,937	499	20	-134	51
Current tax expense	10,113	772		867	535		13			2,529	599	192	170	61		9	10	87	
Deferred income tax expense																			
Deferred income tax benefit																			
Net profit/loss	38,984	4,446	-12,498	-31,366	30,944	824	-3,822	-6,131	334	9,302	7,997	7,551	-6,629	4,216	10,937	490	10	-221	51

**TIGAR AD AND ITS SUBSIDIARIES AND AFFILIATES: BALANCE SHEET**

Balance Sheet as of 30 June 2010 (in thousands of RSD)	Tigar AD	Tigar Footwear	Tigar Technical Rubber Goods	Tigar Chemical Products	Tigar Trade	Tigar Monten.	Tigar Maced.	Tigar BiH	Tigar Americas	Tigar Europe	Tigar Incon	Tigar Workshop	Tigar Business Services	Tigar Security	Pirot Free economic Zone	Tigar Tours	Tigar Inter Risk	Pi Channel	Sports Center
<b>Assets</b>																			
Non-current assets	2,795,632	1,254,432	708,861	14,687	374,242	414	780	12,392	114	371	25,833	19,167	206,704	7,693	126,563	6,623	41	8,248	15,804
Current assets	1,277,692	1,010,600	329,859	192,303	1,517,333	29,666	33,050	59,665	32,951	316,949	71,925	17,451	74,250	38,968	51,829	11,806	2,730	4,087	363
Deferred tax assets				787					21,726			85		164	12				
Total assets	4,073,324	2,265,032	1,038,720	207,777	1,891,575	30,081	33,830	72,057	54,791	317,320	97,758	36,703	280,954	46,825	178,403	18,429	2,771	12,335	16,167
Off balance sheet assets															25,500				
<b>Equity and Liabilities</b>																			
Equity	2,812,495	857,873	317,916	61,231	226,477	10,567	25,680	16,623	37,055	176,304	47,768	10,414	159,880	17,083	146,369	9,712	1,608	3,813	15,317
Non-current liabilities	565,518	748,655	346,888	3,043	82,213				0		5,883	2,061	30,925	1,883	2,634	181	257		
Current liabilities	694,517	653,836	373,009	143,503	1,581,542	19,514	8,150	55,434	17,735	141,016	43,488	24,228	90,003	27,859	29,399	8,511	904	8,482	850
Deferred tax liabilities	794	4,668	907		1,343						619		146			25	2	40	
Total equity and liabilities	4,073,324	2,265,032	1,038,720	207,777	1,891,575	30,081	33,830	72,057	54,791	317,320	97,758	36,703	280,954	46,825	178,403	18,429	2,771	12,335	16,167
Off balance sheet liabilities															25,500				



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### CONSOLIDATED FINANCIALS

Tigar AD's consolidated financials in thousands of dinars	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
Assets	6,872,358	7,753,135	13%
Equity	3,816,794	3,519,870	-8%
Operating revenue	1,643,795	2,199,353	34%
Result from operation	-67,819	77,533	gain vs.loss
Total revenue	2,039,804	2,304,483	13%
EBIT	233,956	148,766	-36%
EBITDA	295,039	224,497	-24%
Net income	113,442	38,827	-66%
<u>Significant ratios</u>			
Return on equity	2.97%	1.10%	-63%
Debt-to-assets ratio	0.42	0.52	25%
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.57	1.50	-4%
Quick ratio	0.74	0.71	-4%
Debt / Equity	0.75	1.15	53%
<u>Ratios</u>			
ROE	2.97%	1.10%	-63%
ROA	1.65%	0.50%	-70%
Net profit/total income	5.56%	1.68%	-70%

### Breakdown of consolidated income

Consolidated income in 000 RSD	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% Change
OPERATING INCOME	1,643,795	2,199,353	34%
FINACIAL INCOME	120,733	51,461	-57%
OTHERS INCOME	275,276	53,669	-81%
<b>TOTAL INCOME</b>	<b>2,039,804</b>	<b>2,304,483</b>	<b>13%</b>



### 3. BUSINESS ENVIRONMENT AND RISK ASSESSMENT

Business conditions in Serbia during the period were largely adverse, primarily because reforms were generally slow and relatively unsynchronized. The business climate continued to be negative, albeit with initial signs of a gradual recovery, particularly with respect to GDP growth, manufacturing growth, growth in exports, and increases in salaries relative to the same period of a year ago. Increases in transportation activity, particularly freight traffic, were encouraging because this is an important indicator of economic revival. Exports grew by 18%, while imports grew by only 3.2%, reducing the trade deficit. These export and import movements were affected by exchange rates, low final consumption, and low capital expenditures. The export structure matched the manufacturing structure and was dominated by metallurgy. On the other hand, domestic demand was rather low, financing of manufacturing quite difficult, and financing of investment activities extremely low. Manufacturing is not diversified and, as a result, both growth and decline generally reflect developments in the metal industry. Retail sales continued to slump during the period, exhibiting a 0.9% decline in current prices and a 7.2% decline in permanent prices. Direct foreign investments were slow, recorded at 393 million at the end of May. The greatest impact was seen in the labor market. In 2009, 100,000 jobs were lost, and this trend continued into 2010. At the end of May, 50,000 additional jobs were lost and the jobless count increased by 33,000. Labor market data suggest that despite the mild economic recovery, unemployment is growing and the number of jobs is declining, resulting in both economic and social problems. The labor structure is unfavorable, in view of the large number of jobs in the non-economy. The average net monthly income of some 320€ was among the lowest in the region. This, on the one hand, affected affordable demand and, on the other hand, put extreme pressure on performing businesses.

Restrictive monetary policies continued to weaken during the period. This was primarily demonstrated by a reduction in the reference interest rate from 9.5% in December 2009 to 9% in March 2010 and then to 8% in May 2010. Policies with regard to mandatory foreign exchange reserves were modified. However, despite the reduction in reference interest rates in 2010, the active interest charged by commercial banks, weighted against overall placements, was reduced from 11.78% at the end of 2009, to 11.58% in June 2010. During the same period, passive interest rates declined from 5.06% in December 2009 to 4.60% in June 2010. This had a highly adverse impact on companies such as Tigar, because it resulted in high interest expenses and extremely low revenues from deposits.

The ongoing privatization process was increasingly characterized by terminated agreements. Very few new privatizations were completed and privatization revenues were quite low. The state, which has a 1/3 interest in Tigar, has not yet revealed its strategy with regard to companies in which it holds a significant stake.

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

During the period, there was a significant increase in the prices of natural rubber. The prices of other raw materials either increased at a slower pace or stagnated. However, cotton prices on global commodity exchanges grew and a 10% increase in textile prices can be expected. These price increases have been incorporated into the business plan and there are no indications at this time that they will exceed expectations. Sales prices were adjusted based on raw material price increases.

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

Following an increase at the end of 2009, there were no large fluctuations in exchange rates during the first quarter. The higher exchange rates had a positive effect on exports and a negative effect on the price of raw material imports, and resulted in foreign exchange losses with respect to loans indexed in Euros. Based on developments noted this year, annual inflation should remain at the projected single-digit level. The Government of Serbia continued to subsidize short-term loans to support liquidity and working capital. Loan limits have been increased.

Nevertheless, to achieve a balance between short-term and long-term indebtedness at refinancing, some of the loans were taken out under subsidized terms and conditions, while others are commercial loans but with a grace period of up to one year and a longer maturity period. The cost of capital for commercial loans remains relatively unchanged compared to a year ago.

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**IZ.P.10/02*****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.



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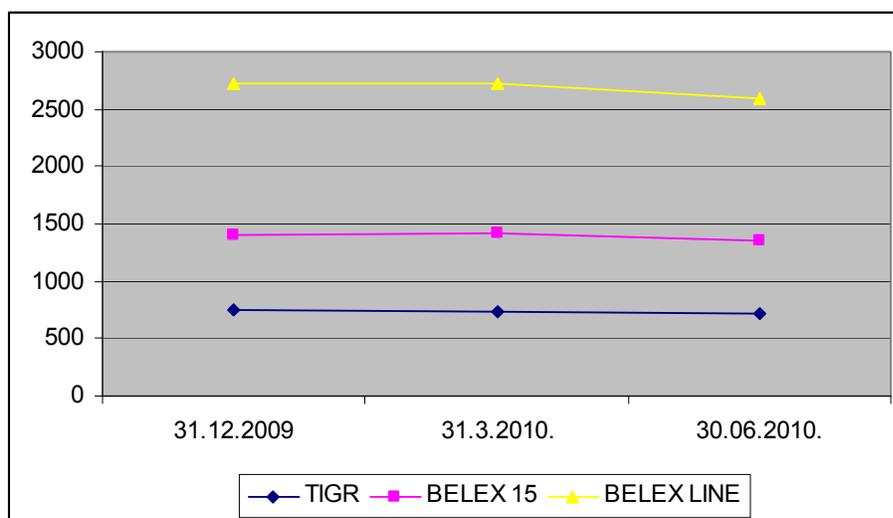
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### 4. CAPITAL MARKET POSITION

During the second quarter, Tigar stock lost 1.5% of its value and on 30<sup>th</sup> June, the price of its shares stood at 719 RSD. This was a 3.61% decline since the beginning of the year, from 746 RSD. At the end of the same period, the Belex 15 index was at 634.45 points, a 4.4% decline since the beginning of the year. During the second quarter this indicator recorded a 7.4% decline. Belgrade Stock Exchange liquidity indicators also demonstrate adverse movements.

The average daily trading volume of 800,000€ was indicative of extremely low liquidity and prompted several domestic brokerage firms to shut down. As such, the liquidity of Tigar's stock shows no departure from the general market trend, despite the fact that demand was greater than supply during the period.

The graph below is a parallel representation of Tigar's stock price relative to Belgrade Stock Exchange index movements during the first half of 2010:



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

	31 DECEMBER 2009	31 JUNE 2010	% CHANGE
<b>Number of shareholders</b>	4,830	4,801	0.22%-
<b>Number of shares outstanding</b>	1,718,460	1,718,460	-
<b>Book value of shares</b>	1,636	1,636	-
<b>Stock market value of shares</b>	746.00	719.00	-3.61%
<b>Lowest price during the period</b>	(25.05.2010.) – 700.00		
<b>Highest price during the period</b>	(12.05.2010.) - 835.00		
<b>Average for the period *</b>	764.00		
<b>Market capitalization, RSD</b>	1,281,971,160.00	1,235,572,740.00	-3.61%
<b>P/ BV **</b>	<b>0.47</b>		
<b>P/E ***</b>	<b>33.7</b>		
<b>EPS ****</b>	<b>22.7</b>		

\* 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.



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### Share price movement during the period

Date	31.12.2009.	31.01.2010.	28.02.2010.	31.03.2010.	30.04.2010.	31.05.2010.	30.06.2010.
Price	746.00	741.00	750.00	730.00	824.00	733.00	719.00

### Changes in shareholder structure during the period

Shareholders	31.03.2010	31.06.2010	% Change
Legal entities	53.41%	53.38%	-0.03%
Individuals	29.74%	29.40%	-0.34%
Custody accounts	16.84%	17.20%	0.37%

There were only minor shifts in the total number of shareholders during the period, a decline of 29 retail shareholders. This is standard for this time of the year, with retail shareholders wishing to cash in their stock, and was part of the reason for significant daily price fluctuations despite an extremely low trading volume.

### Top ten shareholders as of 30 June 2010

	Shareholder	Number of shares	%
1.	Equity Fund of the Republic of Serbia	429,429	24.98
2.	Pension and Disability Fund	149,981	8.72
3.	ARTIO EQUITE FUND	123,132	7.16
4.	SOCIETE GENERALE YUGOSLAV BANK	89,752	5.22
5.	ERSTE BANK CUSTODY 00001	83,391	4.85
6.	ERSTE&STEIERMARKISCHE BANK D.D.	36,258	2.10
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE YUGOSLAV BANK	23,583	1.37
9.	UNICREDIT BANK KASTODI RACUN	18,500	1.07
10.	DUNAV OSIGURANJE A.D.O.	17,120	0.99
	<b>Total, top ten shareholders</b>	<b>995,116</b>	<b>57.90</b>

During the second quarter, the top ten shareholders continued to increase their stake. Tigar's management team diligently pursued its IR activities during the period, as part of its preparations for the annual session of the General Assembly which was held on 18 June. General Assembly materials were forwarded to all shareholders and posted on the corporate website well ahead of the session. The session was attended by the proxies of all major shareholders.

All business information of significance to investors was released to the public via Tigar's website, the Belgrade Stock Exchange website, and media outlets.


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***Tigar stock held by corporate management***

Corporate management holds less than 1% of Tigar shares. The following table shows the number of shares held by members of the Board of Directors as of 30 June 2010.

Name	Shares held as of 31 May 2005	Shares held as of 30 June 2010	% of shares
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	-	-	-
Miodrag Tančić*	460	460	0.027
Aleksej Misailović*	-	-	-
Gordana Lazarević*	-	-	-

\* Directors appointed by the General Assembly on 18 June 2010.

\*\* Re-elected directors.

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 stock.



## 5. SUSTAINABLE DEVELOPMENT

### 5.1. EMPLOYEES

#### *Headcount and structure*

As of 30 June 2010, Tigar had 1,912 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 30 June 2010, the workforce structure was as follows:

Workforce as of 30 June 2010	
Company	Number of employees
Tigar AD	210
Tigar Footwear	647
Tigar Business Services	165
Tigar Technical Rubber Goods	223
Tigar Chemical Products	75
Tigar Trade	275
Others	317
Total	1,912

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.

#### *Employee expenses*

Total employee expenses incurred by Tigar AD and its subsidiaries during the period, including net earnings, taxes, pension fund and health insurance contributions, in-house meals and local transportation subsidies amounted to 644,537,000 RSD. The table below shows paid salaries as a percentage of sales income.

1 <sup>st</sup> Semester 2010 employee expenses			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
Tigar AD	51,023	87,296	28.93%
Tigar Footwear	125,664	216,078	42.98%
Tigar Business Services	29,311	50,338	33.93%
Tigar Technical Rubber Goods	42,791	73,545	35.85%
Tigar Chemical Products	16,671	28,572	35.30%
Tigar Trade	54,772	93,878	7.65%
Other	55,366	94,830	35.93%
Total	375,598	644,537	23.61%

Taxes, health insurance and pension fund contributions during the period amounted to 268,939,000 RSD.



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### Optimization of human resources

During the period, 40 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD		1	1	2
Tigar Footwear	2	4	4	10
Tigar Business Services	3	3	5	11
Tigar Technical Rubber Goods	1	2	1	4
Tigar Chemical Products				
Tigar Trade	1	6	1	8
Other	1	1	3	5
Total	8	17	15	40

\* Of these 15 employees, 1 left the Company of their own volition, 6 voluntarily moved to another entity within the Tigar Group, 2 passed away, and 6 were 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.

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

Workforce downsizing costs and percentage of gross salaries		
	In thousands of RSD	%
Tigar AD	262	0.30
Tigar Footwear	1,902	0.88
Tigar Business Services	1,647	3.27
Tigar Technical Rubber Goods	1,250	1.70
Tigar Chemical Products		
Tigar Trade	15,248	16.24
Other	688	0.72
Total	20,997	3.26

### Professional education

Our policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2010.

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

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
Total	28	8	10	13

Tuition and scholarship expenses paid during the period amounted to 1,960,000 RSD, or 0.30% of gross salaries.



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### **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	26	27	53
Tigar Footwear	156	14	170
Tigar Business Services	54	7	61
Tigar Technical Rubber Goods	244	11	255
Tigar Chemical Products	74	3	77
Tigar Trade	137	56	193
Other	266	73	339
Total	957	191	1,148

Employee training expenses incurred during the period amounted to 4,195,406 RSD, or 0.65% of gross salaries.

## **5.2. 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.

Supplemental action plans were implemented for the generation of documents for support functions (AP.IMS.FP.10.01), the outsourcing process (AP.IMS.OP.10.01); and the raw material management process (AP.IMS.SM.10.01).

Action plans addressing subsidiary management system upgrades, including: Tigar Footwear (AP.TOB.10.01) for QMS and EMS re-certification per ISO 9001 and ISO 14001, and OH&S MS certification per OHSAS 18001 were implemented during the period. A preliminary OHSAS 18001 audit was conducted at Tigar Footwear on 24 June 2010. YUQS auditors found no discrepancy and stated that Tigar Footwear's OH&S system is fully compliant. The final audit has been scheduled for the last week of July.

Supplemental action plans were implemented for the generation of documents for support functions (AP.IMS.FP.10.01), the outsourcing process (AP.IMS.OP.10.01); and the raw material management process (AP.IMS.SM.10.01).

Action plans for Tigar Technical Rubber Goods (AP.TTG.10.01) and Tigar Incon (AP.TINC.10.02), for IMS certification per ISO 9001, ISO 14001 and OHSAS 18001 are currently being implemented.

Certification audits of the above-mentioned subsidiaries have been scheduled and will take place during the course of 2010.

At Tigar Chemical Products, the second annual supervisory audit of its IMS was conducted on 16 February 2010, based in certificates issued for its QMS and EMS. No irregularities were found. The supervisory audit report states that Tigar Chemical Products manages all its processes as required by applicable documents, and points out a number of improvements.



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Audits by customers, or experts on their behalf, were conducted at Tigar Footwear.

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

### 5.3. 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 the corporate level, the overall responsibility for environmental protection resides with the Executive Director for Quality Management and all environment-related tasks and responsibilities are coordinated by Tigar's Quality Management Function. At 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.

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.

As of February 2010, new procedures were put in place, which are expected to improve waste management and handling of raw materials at Tigar.

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 the new Waste Management Law. Design documents were completed in June 2010 for a new facility where Tigar Workshop will temporarily store waste and thus enhance waste management at Tigar. This facility is currently being built at the Tigar 3b location. The capacity increase and superior storage conditions will contribute to the refinement of Tigar's waste management system.

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. Gas emissions were measured and tested



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in February 2010 by the certified laboratory of the 1<sup>st</sup> May Institute from Niš, and all parameters were found to be below limit values.

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. Q1 2010 wastewater tests were conducted at the beginning of March, and Q2 tests were completed at the end of May. All parameters were found to be well below permissible levels.

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, and Tigar Chemical Products, 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 via the Agency's website.

During the first quarter, a national environmental inspector conducted preventative inspections and pointed out several new requirements which will be put in place based on a set of secondary legislative acts published at the end of 2009, particularly with regard to special waste and packaging material flows. The inspector confirmed that Tigar has already initiated several activities aimed at implementing the recently-enacted regulations. Since Tigar Trade imports tires, it will be required to pay fees levied for products which enter special waste flows after use.

None of Tigar's subsidiaries are on the list of IPPC facilities.

Tigar Corporation marked the Environmental Protection Day by collecting electronic waste. Some 6.2 tons of e-waste was delivered to SET of Belgrade for recycling.

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. Tigar needs to implement new requirements as set out in the recently-enacted Law on Packaging Materials and Waste and the Law on Chemicals.



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### 5.4. INTELLECTUAL PROPERTY

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

#### Registered trademarks as of 30 June 2010

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Ž-247/80	30.04.80.	31499	Tigar	21.12.17.	Tigar AD
Ž-2606/06	14.11.06.	54763	Tigar	14.11.16.	Tigar AD
Ž-84/385	17.01.84.	29947	Tigar Tg 615	25.05.17.	Tigar AD
Ž-947/07	30.04.07.	55640	Tigar Planinarski Dom	30.04.17.	Tigar AD
Ž-918/07	27.04.07.	55822	Tigar Tours	27.04.17.	Tigar AD
Ž-842/07	18.04.07.	55612	Markol	18.04.17.	Tigar AD
Ž-1129/07	17.05.07.	55735	Tigar Incon	17.05.17.	Tigar AD
Ž-890/80	11.07.03.	49590	Tigar Sportski Program	11.07.13.	Tigar AD
Ž-152/07	29.01.07.	56018	Tigar	29.01.07.	Tigar AD
Ž-1703/07	26.07.07.	56315	Tigar Footwear	26.07.17.	Tigar AD
Ž-1704/07	26.07.07.	56315	Tigar 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



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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	StarA Hotel	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.	03.07.97.	675 773	Tigar	20.05.17.	Tigar AD
USA	24.10.78.	675 773A	Tigar	20.05.17.	Tigar Tyres
USA	02.11.07.	1174089	Tigar Logo	15.08.12.	Tigar Americas Corp.
USA	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 235877/1	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
USA 79075140	07.09.09.	-	Maniera	-	Tigar AD
USA 79075638	07.09.09.	-	Brolly	-	Tigar AD
Canada	25.05.90.	368832	Forester	25.05.15.	Tigar Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	Tigar Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	Tigar Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	Tigar Footwear
UK	23.06.95.	2025055	Century	23.06.15.	Tigar Footwear
UK	31.05.84.	1219898	Forester	31.05.15.	Tigar Footwear
UK	23.06.95.	2025057	Forester	23.06.15.	Tigar Footwear

The flagship trademark is «a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet» (Article 17 of the Articles of Association). The 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.



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In 2009, Tigar AD initiated domestic and international registration of its Maniera and Brolly trademarks.

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

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

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.

### 5.5 INFORMATION TECHNOLOGY

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

- Development of application software
- Installation of software
- Software and hardware user training
- Logistic support to users
- Database maintenance
- Data security
- Installation and maintenance of hardware and software
- Administration and user access management
- Local area network 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



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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 M25 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.

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 IBM M25 central server is protected by a 15KVA UPS, while the disaster recovery machine IBM POWER-6 M15 is protected by a 2KVA UPS and supplemental battery cabinet, ensuring stable and uninterrupted power supply of 90 minutes.

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 secure corporate L3VPN network has been set up to link branch offices, regional centers, and warehouses. 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.



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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 Pirof Free Economic Zone.

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

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



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### 5.6. REAL ESTATE AND LEGAL SECURITY

All of Tigar's manufacturing facilities are located in Pirot. In 2009 and 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 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 is 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.

#### **Land**

The total number of cadastral lots owned by Tigar and its subsidiaries is 125 as of 30 June 2010. Their total surface area is 413,322 m<sup>2</sup>, of which 319,853 m<sup>2</sup> is undeveloped land. The book value of the land is RSD 44,313,115.89.

#### **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 93,469 m<sup>2</sup>.

As of 30 June 2010, the book value of buildings owned by Tigar and its major subsidiaries was RSD 1,861,616,734.90.

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

#### **Book value of buildings**

BOOK VALUE OF BUILDINGS (RSD)		
ENTITY	31.03.2010.	30.06.2010.
Tigar AD	269,378,558.49	267,496,958.49
Tigar Trade	193,494,828.91	192,735,087.91
Tigar Technical Rubber Goods	354,739,551.92	392,876,955.98
Tigar Chemical Products	43,673.00	43,058.00
Tigar Footwear	805,312,188.41	802,917,720.41
Tigar Workshop	10,839,180.84	10,943,714.14
Tigar Business Services	143,069,807.18	143,004,495.68
Tigar Tours	6,412,874.10	6,383,032.10
Tigar Security	830,049.31	819,542.31
Free Economic Zone	44,632,148.29	44,396,169.88
<b>Total</b>	<b>1,828,752,860.45</b>	<b>1,861,616,734.90</b>



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### **Material encumbrances**

The Company's material encumbrances at the end of June 2010 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 329,564.71)
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,136,360.14)
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,105,251.16)

A mortgage statement certified by the Municipal Court of Pirot on 24 March 2009 under ref 2127/09 places a lien against real property – the StarA Hotel building – in favor of AIK Bank from Niš.

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

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.

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

A debt collateral agreement, ref. 1238/09 dated 29 December 2009, places a lien against the Occupational Health Service Building in favor of Hypo Alpe Adria Bank a.d. Beograd.

A mortgage statement, ref. 2350/10 dated 26 May 2010, places a lien against real property in Niš, the Tourism Building-StarA Hotel, and business premises of Tigar Tours and Tigar Incon, in favor of Societe Generale Bank a.d. Beograd.

A mortgage statement, ref. 1416/2010 dated 31 March 2010, places a lien against real estate in Pirot and the Tourism Building-StarA Hotel in favor of AIK Bank a.d. Niš.

A mortgage statement, ref.1587/2010 dated 13 April 2010, places a lien against real property in Kruševac and Užice in favor of Privredna Banka a.d. Beograd.

A debt collateral agreement, ref. 1402/2010 dated 16 April 2010, places a lien against the Occupational Health Service Building in favor of Hypo Alpe Adria Bank a.d. Beograd.

A mortgage statement, ref. 1707/2010 dated 26 April 2010, places a lien against the building for other industrial activities/administration building in favor of AIK Bank a.d. Niš.

A mortgage statement, ref. 1929/2010 dated 4 May 2010, places a lien against business premises in Novi Sad in favor of AIK Bank a.d. Niš.

A collateral agreement, ref. 19712 dated 17 June 2010, places a lien against movable property as specified in Recital 1, in favor of Banca Intesa a.d. Beograd.



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A mortgage statement, ref. 2794/2010 dated 23 June 2010, places a lien against real property: boiler facility, industrial water basin, mazut storage tank, and mazut transfer building in favor of Banca Intesa a.d. Beograd.

A mortgage statement, ref. 2713/2010 dated 17 June 2010, places a lien against the building for other industrial activities/administration building and business premises in Čačak, in favor of UniCredit Bank a.d. Beograd.

### **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
<b>TOTAL</b>	<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.

## **5.7. 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.

During the period, Tigar continued to work on maintaining and strengthening its reputation as the leader in corporate social responsibility, developing a balanced approach to all aspects of corporate social responsibility, without concentrating its efforts in any one area or targeting a single group. Business ethics integrated with environmental protection, clearly-defined policies with respect to employees and a collaborative approach to the local community and the society as a whole, with a high regard for shareholders, consumers and other stakeholders, continued to be the basic building blocks for our corporate social responsibility.

Aware of the fact that sustainable development is a precursor for corporate longevity and growth, Tigar has built this concept into the very core of its business activities. During the period, the Company continued to demonstrate



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its commitment to **sustainable development** through ongoing efforts of its manufacturing entities to develop new product lines and design its product mix in full conformity with this concept. During the month of March, Tigar Technical Rubber Goods commissioned a new plant for the manufacture of products made from recycled rubber and made new inroads into “green” manufacturing.

During the period, Tigar continued its preparations for the construction of a tire recycling plant, designed to be a key player in addressing Serbia’s major environmental concerns. The entire Corporation diligently implemented its energy saving program, reflecting its commitment to efficient use of natural resources.

**One of our major environmental drives** during the period involved the collection of electrical and electronic waste from businesses, institutions and individuals in the Pirot area. More than 6 tons of such waste was collected and delivered to a recycling center in Belgrade.

The Company demonstrates its **responsibility to consumers** 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** 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 protective equipment, handling of hazardous and toxic substances, and measures to be undertaken in the event of undesirable situations. Employees working in special environments underwent medical examinations, as required.. We also ensured that all newly acquired equipment was certified as required by applicable legislation.

We implemented an occupational health and safety management system per 18001 and conducted a number of respective training courses.

Employee injuries were monitored with respect to two indicators: frequency and severity. Both indicators showed downward trends during the period.

**Tigar has for decades been a reliable partner of the local community and society as a whole.** We are committed to the development of knowledge and talent. Our annual „Golden Pen“ award went to top high school students and we continued to offer scholarships.

A number o **Tigar’s CSR activities are dedicated to the handicapped.** At the end of June, we donated a playground to the Dragan Kovačević Elementary School for visually impaired children in Belgrade, sponsored the Belgrade Pantomime Group of the Stefan Dečanski Elementary School for hearing impaired children, and established collaboration with the Union of Handicapped Students.

Wishing to increase traffic safety and contribute to the implementation of the new Traffic Safety Law, Tigar’s Stop&Drive, in collaboration with Pirot’s Police Department, organized a **LET’S CHANGE OUR HABITS** drive.

Being a CSR leader in the country, Tigar strives to contribute to the enhancement of CSR and takes an active role in the **institutional aspect of CSR.** At the beginning of 2010 Tigar became a member of the CSR Council of the Serbian Chamber of Commerce, which is composed of representatives of companies of all sizes, who have demonstrated strong CSR commitment. The mission of this Council is to promote CSR among both businesses and the general public in Serbia.



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### 5.8. CORPORATE GOVERNANCE

During the period, Tigar duly adhered to its Corporate Governance Code – the Codex. We continued to work with the IFC and an independent consultant on the Tigar AD Corporate Governance Refinement Project.

### 5.9. MANAGEMENT

The management structure is unchanged. The General Assembly of Shareholders (GAS) elects the Board of Directors. The Board of Directors elects the Management Body. The Management Body 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 in June 2010, the GAS elected a new Board of Directors.

As of 30 June 2010, corporate governing bodies were as follows:

#### **Board of Directors**

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

Members of the Board of Directors can be reached at Tigar's business address: Nikole Pašića 213 18300 Pirot, Republic of Serbia. During the period, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 3,756,963.00. The Board of Directors held three meetings during the period.



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### **Management Body**

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

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

During the period, the Management Body held nine meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

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

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

### **Supervisory Board**

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 378,334.00 RSD during the period.



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## 6. FINANCIAL PERFORMANCE OF TIGAR AD AND ITS SUBSIDIARIES

### 6.1. TIGAR AD – THE HOLDING COMPANY

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009 (audited)	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2,780,230</b>	<b>2,795,632</b>
Intangible assets	20,769	31,386
<b>Property, plant and equipment</b>	<b>612,227</b>	<b>616,863</b>
Property, plant and equipment	612,227	616,863
<b>Long-term financial placements</b>	<b>2,147,234</b>	<b>2,147,383</b>
Equity investments	2,099,576	2,099,725
Other long-term financial placements	47,658	47,658
<b>CURRENT ASSETS</b>	<b>1,217,563</b>	<b>1,277,692</b>
Inventories	26,005	9,856
Assets held-for-sale	4,367	4,367
<b>Accounts receivable, placements and cash</b>	<b>1,187,191</b>	<b>1,263,469</b>
Accounts receivable	142,844	895,806
Receivables from over-paid taxes	8,520	662
Short-term financial placements	488,501	5,369
Cash and cash equivalents	530,588	276,805
Value added tax and prepayments	16,738	84,827
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>3,997,793</b>	<b>4,073,324</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>2,811,407</b>	<b>2,812,495</b>
Share and other capital	2,062,152	2,062,152
Share issuing premiums		
Reserves	206,215	206,215
Revaluation reserves		
Retained earnings	543,040	544,128
Loss		
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>1,185,593</b>	<b>1,260,035</b>
Long-term provisions	9,562	9,300
<b>Long-term liabilities</b>	<b>171,009</b>	<b>556,218</b>
Long-term debt	171,009	556,218
Other long-term liabilities		
<b>Current liabilities</b>	<b>1,005,022</b>	<b>694,517</b>
Short-term financial liabilities	862,551	528,605
Account payable	93,932	57,173
Other current liabilities	35,135	71,730
Value added tax and other taxes payable and accruals	3,868	37,009
Income taxes payable	9,536	
<b>Deferred tax liabilities</b>	<b>793</b>	<b>794</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,997,793</b>	<b>4,073,324</b>


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<b>INCOME STATEMENT</b> (in thousands of RSD)	<b>1<sup>st</sup> Semester</b> <b>2009</b>	<b>1<sup>st</sup> Semester</b> <b>2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>143,400</b>	<b>301,721</b>	<b>110%</b>
Sales of goods, products and services	122,107	279,926	129%
Work performed by the company and capitalized	9,361	10,467	12%
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	11,932	11,328	-5%
<b>OPERATING EXPENSES</b>	<b>234,166</b>	<b>280,251</b>	<b>20%</b>
Cost of commercial goods sold	38		
Material, fuel and energy consumed	34,429	54,357	58%
Staff costs	115,718	130,711	13%
Depreciation, amortization and provisions	9,181	13,012	42%
Other operating expenses	74,800	82,171	10%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-90,766</b>	<b>21,470</b>	<b>Gain vs.loss</b>
<b>FINANCE INCOME</b>	<b>110,173</b>	<b>67,234</b>	<b>-39%</b>
<b>FINANCE EXPENSES</b>	<b>95,972</b>	<b>48,557</b>	<b>-49%</b>
<b>OTHER INCOME</b>	<b>265,108</b>	<b>8,967</b>	<b>-97%</b>
<b>OTHER EXPENSES</b>	<b>10,961</b>	<b>17</b>	<b>-100%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>177,582</b>	<b>49,097</b>	<b>-72%</b>
<b>INCOME TAXES</b>			
Current tax expense	22,880	10,113	-56%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>154,702</b>	<b>38,984</b>	<b>-75%</b>


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<b>CASH FLOWS</b> (in thousands of RSD)	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	150,794	206,851
Cash receipts from customers	133,392	197,069
Interest received from operating activities	675	1,308
Other receipts from operating activities	16,727	8,474
Cash outflow from operating activities	584,656	372,031
Cash paid to suppliers for raw materials and other expenses	369,724	173,031
Gross salaries and other personnel costs paid	107,348	117,819
Interest paid	62,792	39,156
Income tax expense	43,856	12,806
Other levies paid	936	29,219
Net cash inflow from operating activities		
Net outflow from operating activities	433,862	165,180
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities	804,486	13,945
Sale shares and stakes (net inflow)	585,497	
Sales of fixed assets	1,581	
Other financial placements ( net inflow)		
Interest received		
Dividends received	217,408	13,945
Cash outflow from investing activities	48,572	8,137
Purchase of shares	300	149
Purchase of fixed assets	48,272	7,988
Other financial placements ( net outflow)		
Net cash inflow from investing activities	755,914	5,808
Net cash outflow from investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	139,546	
Increase in capital		
Long-term and short-term borrowings ( net inflow)	139,546	
Other long-term and short-term liabilities		
Cash outflow from financing activities	468,310	123,466
Buyback of own shares and stakes	292	
Long-term and short-term borrowings ( net outflow)	466,702	123,068
Financial lease	1,316	398
Dividends paid		
Net cash inflow from financing activities		
Net cash outflow from financing activities	328,764	123,466
<b>Total cash inflow</b>	<b>1,094,826</b>	<b>220,796</b>
<b>Total cash outflow</b>	<b>1,101,538</b>	<b>503,634</b>
<b>NET CASH INFLOW</b>		
<b>NET CASH OUTFLOW</b>	<b>6,712</b>	<b>282,838</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>52,935</b>	<b>530,588</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>360</b>	<b>29,055</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>46,583</b>	<b>276,805</b>



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## 6.2. TIGAR FOOTWEAR

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1,229,437</b>	<b>1,254,432</b>
Goodwill		
Intangible assets	45,226	70,399
<b>Property, plant and equipment</b>	<b>1,184,211</b>	<b>1,184,033</b>
Property, plant and equipment	1,184,211	1,184,033
<b>Long-term financial placements</b>		
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>814,964</b>	<b>1,010,600</b>
Inventories	491,572	650,944
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>323,392</b>	<b>359,656</b>
Accounts receivable	272,365	201,230
Receivables from over-paid taxes		
Short-term financial placements		
Cash and cash equivalents	190	130
Value added tax and prepayments	50,837	158,296
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>2,044,401</b>	<b>2,265,032</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>853,427</b>	<b>857,873</b>
Share and other capital	820,484	820,485
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	74,258	78,704
Loss	41,315	41,316
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>1,186,306</b>	<b>1,402,491</b>
Long-term provisions	30,728	18,062
<b>Long-term liabilities</b>	<b>671,222</b>	<b>730,593</b>
Long-term debt	671,222	730,593
Other long-term liabilities		
<b>Current liabilities</b>	<b>484,356</b>	<b>653,836</b>
Short-term financial liabilities	176,487	355,974
Account payable	266,919	243,191
Other current liabilities	37,593	37,802
Value added tax and other taxes payable and accruals	3,357	16,869
Income taxes payable		
<b>Deferred tax liabilities</b>	<b>4,668</b>	<b>4,668</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,044,401</b>	<b>2,265,032</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>634,427</b>	<b>693,766</b>	<b>9%</b>
Sales of goods, products and services	494,423	502,798	2%
Work performed by the company and capitalized	4,445	25,973	484%
Increase in inventories of finished products and work in progress	134,585	163,890	22%
Other operating income	974	1,105	13%
<b>OPERATING EXPENSES</b>	<b>592,262</b>	<b>672,678</b>	<b>14%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	304,436	324,298	7%
Staff costs	217,669	222,207	2%
Depreciation, amortization and provisions	19,153	24,692	29%
Other operating expenses	51,004	101,481	99%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>42,165</b>	<b>21,088</b>	<b>-50%</b>
<b>FINANCE INCOME</b>	9,715	911	<b>-91%</b>
<b>FINANCE EXPENSES</b>	41,979	27,381	<b>-35%</b>
<b>OTHER INCOME</b>	177	10,696	
<b>OTHER EXPENSES</b>	201	96	<b>-52%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>9,877</b>	<b>5,218</b>	<b>-47%</b>
<b>INCOME TAXES</b>	<b>425</b>	<b>772</b>	<b>82%</b>
<b>NET PROFIT/LOSS</b>	<b>9,452</b>	<b>4,446</b>	<b>-53%</b>


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CASH FLOWS in thousands of RSD	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	731,294	647,017
Cash receipts from customers	725,275	647,017
Interest received from operating activities		
Other receipts from operating activities	6,019	
Cash outflow from operating activities	834,327	801,453
Cash paid to suppliers for raw materials and other expenses	591,061	539,831
Gross salaries and other personnel costs paid	208,598	219,223
Interest paid	17,915	24,397
Income tax expense	352	1,690
Other levies paid	16,401	16,312
Net cash inflow from operating activities		
Net outflow from operating activities	103,033	154,436
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements ( net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	50,754	16,776
Purchase of shares		
Purchase of fixed assets	50,754	16,776
Other financial placements ( net outflow)		
Net cash inflow from investing activities		
Net cash outflow from investing activities	50,754	16,776
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	121,527	171,159
Increase in capital		
Long-term and short-term borrowings ( net inflow)	103,314	60,085
Other long-term and short-term liabilities	18,213	111,074
Cash outflow from financing activities		
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		
Financial lease		
Dividends paid		
Net cash inflow from financing activities	121,527	171,159
Net cash outflow from financing activities		
<b>Total cash inflow</b>	<b>852,821</b>	<b>818,176</b>
<b>Total cash outflow</b>	<b>885,081</b>	<b>818,229</b>
<b>NET CASH INFLOW</b>		
<b>NET CASH OUTFLOW</b>	<b>32,260</b>	<b>53</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>31,833</b>	<b>190</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>1,258</b>	<b>31</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>333</b>	<b>38</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>498</b>	<b>130</b>



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## 6.3. TIGAR TECHNICAL RUBBER GOODS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>636,132</b>	<b>708,861</b>
Intangible assets	44,287	65,194
<b>Property, plant and equipment</b>	<b>591,845</b>	<b>643,667</b>
Property, plant and equipment	591,845	643,667
<b>Long-term financial placements</b>		
<b>CURRENT ASSETS</b>	<b>235,127</b>	<b>329,859</b>
Inventories	140,277	188,191
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>94,850</b>	<b>141,668</b>
Accounts receivable	53,265	100,127
Receivables from over-paid taxes	334	334
Short-term financial placements	188	188
Cash and cash equivalents	24,207	1,011
Value added tax and prepayments	16,856	40,008
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>871,259</b>	<b>1,038,720</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>330,415</b>	<b>317,916</b>
Share and other capital	418,687	418,687
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	119	119
Loss	88,391	100,890
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>539,937</b>	<b>719,897</b>
Long-term provisions	13,009	12,859
<b>Long-term liabilities</b>	<b>257,358</b>	<b>334,029</b>
Long-term debt	257,016	333,661
Other long-term liabilities	342	368
<b>Current liabilities</b>	<b>269,570</b>	<b>373,009</b>
Short-term financial liabilities	22,241	60,543
Account payable	223,473	288,463
Other current liabilities	22,310	20,031
Value added tax and other taxes payable and accruals	1,546	3,972
Income taxes payable		
<b>Deferred tax liabilities</b>	<b>907</b>	<b>907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>871,259</b>	<b>1,038,720</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>65,874</b>	<b>276,802</b>	<b>320%</b>
Sales of goods, products and services	59,254	205,125	246%
Work performed by the company and capitalized	17,217	34,972	103%
Increase in inventories of finished products and work in progress		36,674	
Decrease in inventories of finished products and work in progress	10,597		-100%
Other operating income		31	
<b>OPERATING EXPENSES</b>	<b>123,543</b>	<b>288,983</b>	<b>134%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	31,911	136,009	326%
Staff costs	67,967	79,685	17%
Depreciation, amortization and provisions	4,678	9,307	99%
Other operating expenses	18,987	63,982	237%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-57,669</b>	<b>-12,181</b>	<b>79%</b>
<b>FINANCE INCOME</b>	<b>1,641</b>	<b>1,205</b>	<b>-27%</b>
<b>FINANCE EXPENSES</b>	<b>2,891</b>	<b>11,677</b>	<b>304%</b>
<b>OTHER INCOME</b>	<b>145</b>	<b>10,194</b>	<b>6930%</b>
<b>OTHER EXPENSES</b>	<b>58</b>	<b>39</b>	<b>-33%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-58,832</b>	<b>-12,498</b>	<b>79%</b>
<b>INCOME TAXES</b>			
Current tax expense	146		-100%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>-58,978</b>	<b>-12,498</b>	<b>79%</b>



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CASH FLOWS in thousands of RSD	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	155,512	214,070
Cash receipts from customers	152,902	204,141
Interest received from operating activities	3	1
Other receipts from operating activities	2,607	9,928
Cash outflow from operating activities	169,330	215,593
Cash paid to suppliers for raw materials and other expenses	98,974	131,389
Gross salaries and other personnel costs paid	66,968	73,268
Interest paid	2,333	10,936
Income tax expense		
Other levies paid	1,055	
Net cash inflow from operating activities		
Net outflow from operating activities	13,818	1,523
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements ( net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	10,088	109,233
Purchase of shares		
Purchase of fixed assets	10,088	109,233
Other financial placements ( net outflow)		
Net cash inflow from investing activities		
Net cash outflow from investing activities	10,088	109,233
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	25,683	87,611
Increase in capital		
Long-term and short-term borrowings ( net inflow)		51,091
Other long-term and short-term liabilities	25,683	36,520
Cash outflow from financing activities	5,467	
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		
Financial lease	190	
Dividends paid	5,277	
Net cash inflow from financing activities	20,216	87,611
Net cash outflow from financing activities	-	-
<b>Total cash inflow</b>	<b>181,195</b>	<b>301,681</b>
<b>Total cash outflow</b>	<b>184,885</b>	<b>324,826</b>
<b>NET CASH INFLOW</b>	<b>-</b>	<b>-</b>
<b>NET CASH OUTFLOW</b>	<b>3,690</b>	<b>23,145</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,156</b>	<b>24,207</b>
Foreign exchange gains on translation of cash and cash equivalents	7	38
Foreign exchange losses on translation of cash and cash equivalents	57	89
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>416</b>	<b>1,011</b>



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## 6.4. TIGAR CHEMICAL PRODUCTS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>9,446</b>	<b>14,687</b>
Intangible assets	9	7,417
<b>Property, plant and equipment</b>	<b>9,437</b>	<b>7,270</b>
Property, plant and equipment	9,437	7,270
<b>Long-term financial placements</b>		
<b>CURRENT ASSETS</b>	<b>183,572</b>	<b>192,303</b>
Inventories	52,902	66,611
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>130,670</b>	<b>125,692</b>
Accounts receivable	126,082	105,385
Receivables from over-paid taxes	2,984	561
Short-term financial placements		
Cash and cash equivalents	1,562	47
Value added tax and prepayments	42	19,699
<b>Deferred tax assets</b>	<b>787</b>	<b>787</b>
<b>TOTAL ASSETS</b>	<b>193,805</b>	<b>207,777</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>97,650</b>	<b>61,231</b>
Share and other capital	99,740	99,740
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	13,741	8,688
Loss	15,831	47,197
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>96,155</b>	<b>146,546</b>
Long-term provisions	3,043	3,043
<b>Long-term liabilities</b>		
Long-term debt		
Other long-term liabilities		
<b>Current liabilities</b>	<b>93,112</b>	<b>143,503</b>
Short-term financial liabilities		31,311
Account payable	32,839	53,252
Other current liabilities	52,258	57,541
Value added tax and other taxes payable and accruals	3,900	1,399
Income taxes payable	4,115	
<b>Deferred tax liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>193,805</b>	<b>207,777</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>91,943</b>	<b>85,988</b>	<b>-6%</b>
Sales of goods, products and services	92,763	80,940	-13%
Work performed by the company and capitalized		7,408	
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress	820	2,360	188%
Other operating income			
<b>OPERATING EXPENSES</b>	<b>100,335</b>	<b>117,283</b>	<b>17%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	57,214	58,916	3%
Staff costs	28,078	30,162	7%
Depreciation, amortization and provisions	2,533	2,224	-12%
Other operating expenses	12,510	25,981	108%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-8,392</b>	<b>-31,295</b>	<b>-273%</b>
<b>FINANCE INCOME</b>	<b>1,282</b>	<b>2,012</b>	<b>57%</b>
<b>FINANCE EXPENSES</b>	<b>8,225</b>	<b>2,135</b>	<b>-74%</b>
<b>OTHER INCOME</b>	<b>1,551</b>	<b>1,012</b>	<b>-35%</b>
<b>OTHER EXPENSES</b>		<b>93</b>	
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-13,784</b>	<b>-30,499</b>	<b>-121%</b>
<b>INCOME TAXES</b>			
Current tax expense	4,578	867	-81%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>-18,362</b>	<b>-31,366</b>	<b>-71%</b>


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<b>CASH FLOWS (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	255,546	106,713
Cash receipts from customers	252,834	103,382
Interest received from operating activities		
Other receipts from operating activities	2,712	3,331
Cash outflow from operating activities	132,799	138,220
Cash paid to suppliers for raw materials and other expenses	79,227	101,310
Gross salaries and other personnel costs paid	25,591	28,307
Interest paid		771
Income tax expense	16,925	2,888
Other levies paid	11,056	4,944
Net cash inflow from operating activities	122,747	
Net outflow from operating activities		31,507
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflow from investing activities		
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements ( net inflow)		
Interest received		
Dividends received		
Cash outflow from investing activities	275	56
Purchase of shares		
Purchase of fixed assets	275	56
Other financial placements ( net outflow)		
Net cash inflow from investing activities		
Net cash outflow from investing activities	275	56
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflow from financing activities	16,612	41,121
Increase in capital		
Long-term and short-term borrowings ( net inflow)		29,705
Other long-term and short-term liabilities	16,612	11,416
Cash outflow from financing activities	140,400	11,017
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		11,017
Financial lease		
Dividends paid	140,400	
Net cash inflow from financing activities		30,104
Net cash outflow from financing activities	123,788	
<b>Total cash inflow</b>	<b>272,158</b>	<b>147,834</b>
<b>Total cash outflow</b>	<b>273,474</b>	<b>149,293</b>
<b>NET CASH INFLOW</b>		
<b>NET CASH OUTFLOW</b>	<b>1,316</b>	<b>1,459</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,451</b>	<b>1,562</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>58</b>	<b>25</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>110</b>	<b>81</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>83</b>	<b>47</b>



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## 6.5. TIGAR TRADE (DOMESTIC SALES NETWORK)

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>350,577</b>	<b>374,242</b>
Intangible assets	664	25,962
<b>Property, plant and equipment</b>	<b>349,913</b>	<b>348,280</b>
Property, plant and equipment	349,913	348,280
<b>Long-term financial placements</b>		
<b>CURRENT ASSETS</b>	<b>1,377,654</b>	<b>1,517,333</b>
Inventories	652,219	801,189
Assets held-for-sale	15,517	15,672
<b>Accounts receivable, placements and cash</b>	<b>709,918</b>	<b>700,472</b>
Accounts receivable	660,279	617,350
Receivables from over-paid taxes	1,345	1,010
Short-term financial placements		
Cash and cash equivalents	28,788	21,753
Value added tax and prepayments	19,506	60,359
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>1,728,231</b>	<b>1,891,575</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>209,850</b>	<b>226,477</b>
Share and other capital	230,718	230,718
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	28,635	45,262
Loss	49,503	49,503
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>1,517,038</b>	<b>1,663,755</b>
Long-term provisions	1,699	889
<b>Long-term liabilities</b>	<b>26,804</b>	<b>81,324</b>
Long-term debt	23,972	78,278
Other long-term liabilities	2,832	3,046
<b>Current liabilities</b>	<b>1,488,535</b>	<b>1,581,542</b>
Short-term financial liabilities	786,908	857,005
Account payable	673,324	684,308
Other current liabilities	24,958	34,456
Value added tax and other taxes payable and accruals	3,145	5,773
Income taxes payable	200	
<b>Deferred tax liabilities</b>	<b>1,343</b>	<b>1,343</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,728,231</b>	<b>1,891,575</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>851,567</b>	<b>1,270,067</b>	<b>49%</b>
Sales of goods, products and services	806,722	1,226,936	52%
Work performed by the company and capitalized	24,278	25,617	6%
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	20,567	17,514	-15%
<b>OPERATING EXPENSES</b>	<b>838,502</b>	<b>1,221,240</b>	<b>46%</b>
Cost of commercial goods sold	646,253	963,273	49%
Material, fuel and energy consumed	26,112	28,254	8%
Staff costs	91,267	105,267	15%
Depreciation, amortization and provisions	10,271	11,825	15%
Other operating expenses	64,599	112,621	74%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>13,065</b>	<b>48,827</b>	<b>274%</b>
<b>FINANCE INCOME</b>	<b>4,541</b>	<b>15,966</b>	<b>252%</b>
<b>FINANCE EXPENSES</b>	<b>20,195</b>	<b>31,617</b>	<b>57%</b>
<b>OTHER INCOME</b>	<b>6,839</b>	<b>663</b>	<b>-90%</b>
<b>OTHER EXPENSES</b>	<b>1,919</b>	<b>2,360</b>	<b>23%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>2,331</b>	<b>31,479</b>	<b>1250%</b>
<b>INCOME TAXES</b>			
Current tax expense	1,014	535	-47%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>1,317</b>	<b>30,944</b>	<b>2250%</b>



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CASH FLOWS (in thousands of RSD)	1 <sup>st</sup> Semester 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash inflow from operating activities	1,486,470
Cash receipts from customers	1,397,080
Interest received from operating activities	24
Other receipts from operating activities	89,366
Cash outflow from operating activities	1,587,425
Cash paid to suppliers for raw materials and other expenses	1,457,371
Gross salaries and other personnel costs paid	102,039
Interest paid	22,574
Income tax expense	400
Other levies paid	5,041
Net cash inflow from operating activities	
Net outflow from operating activities	100,955
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash inflow from investing activities	
Sale shares and stakes (net inflow)	
Sales of fixed assets	
Other financial placements ( net inflow)	
Interest received	
Dividends received	
Cash outflow from investing activities	4,009
Purchase of shares	
Purchase of fixed assets	4,009
Other financial placements ( net outflow)	
Net cash inflow from investing activities	
Net cash outflow from investing activities	4,009
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash inflow from financing activities	101,957
Increase in capital	
Long-term and short-term borrowings ( net inflow)	99,707
Other long-term and short-term liabilities	2,250
Cash outflow from financing activities	4,033
Buyback of own shares and stakes	
Long-term and short-term borrowings ( net outflow)	
Financial lease	943
Dividends paid	3,090
Net cash inflow from financing activities	97,924
Net cash outflow from financing activities	
<b>Total cash inflow</b>	<b>1,588,427</b>
<b>Total cash outflow</b>	<b>1,595,467</b>
<b>NET CASH INFLOW</b>	
<b>NET CASH OUTFLOW</b>	<b>7,040</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>28,788</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>5</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>21,753</b>


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**6.6. TIGAR EUROPE, UK**

Balance Sheet in thousands of GBP		As of 31 December 2009	As of 30 June 2009
<b>Assets</b>			
	Non-current assets	7	6
	Current assets	3,921	4,931
	Deferred tax assets		
	<b>Total assets</b>	<b>3,928</b>	<b>4,937</b>
<b>Equity and liabilities</b>			
	Equity	2,582	2,743
	Non-current liabilities		
	Current liabilities	1,346	2,194
	<b>Total equity and liabilities</b>	<b>3,928</b>	<b>4,937</b>

INCOM (in thousands of GBP)	STATEMENT	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
<b>Turnover</b>		<b>6,537</b>	<b>7,979</b>	<b>22%</b>
Cost of sales		6,122	7,467	22%
<b>Gross Profit</b>		<b>414</b>	<b>511</b>	<b>23%</b>
Administrative expenses		287	308	7%
<b>Operating Profit</b>		<b>127</b>	<b>203</b>	<b>61%</b>
Interest receivable		8	2	-68%
Commission		13		
<b>Profit on Ordinary Activities Before Taxation</b>		<b>147</b>	<b>206</b>	<b>40%</b>
Tax on profit on ordinary activities		41	44	7%
<b>Retained Profit for the Financial Year</b>		<b>106</b>	<b>162</b>	<b>52%</b>


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**6.7.TIGAR AMERICAS**

Balance Sheet in thousands of USD		As of 31 December 2009	As of 30 June 2010
<b>Assets</b>			
	Non-current assets	1	1
	Current assets	261	385
	Deferred tax assets	254	254
	<b>Total assets</b>	<b>517</b>	<b>641</b>
<b>Equity and liabilities</b>			
	Equity	429	433
	Non-current liabilities		
	Current liabilities	88	207
	<b>Total equity and liabilities</b>	<b>517</b>	<b>641</b>

INCOME STATEMENT (in thousands of USD)	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
<b>Sales and marketing income</b>	<b>341</b>	<b>569</b>	<b>67%</b>
Cost of goods sold	255	489	91%
<b>Gross profit</b>	<b>85</b>	<b>80</b>	<b>-6%</b>
Selling, general and administrative expenses	88	71	-20%
<b>Result from operations</b>	<b>-3</b>	<b>9</b>	<b>gain vs.loss</b>
Other income (expense)	-32	-5	85%
<b>Net result before corporation taxes</b>	<b>-34</b>	<b>4</b>	<b>gain vs.loss</b>
Income tax			
<b>Net profit (loss)</b>	<b>-34</b>	<b>4</b>	<b>gain vs.loss</b>


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**6.8.TIGAR MONTENEGRO**

Balance Sheet in thousands of EUR		As of 31 December 2010	As of 30 June 2010
<b>Assets</b>			
	Non-current assets	4	4
	Current assets	218	284
	Deferred tax assets		
	<b>Total assets</b>	<b>222</b>	<b>288</b>
<b>Equity and liabilities</b>			
	Equity	93	101
	Non-current liabilities		
	Current liabilities	129	187
	Deferred tax liabilities		
	<b>Total equity and liabilities</b>	<b>222</b>	<b>288</b>

INCOME STATEMENT ( in thousands of EUR )	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
<b>Total income</b>	<b>292</b>	<b>291</b>	<b>0%</b>
<b>Total expenses</b>	<b>286</b>	<b>283</b>	<b>-1%</b>
<b>Profit/Loss from operations</b>	<b>6</b>	<b>8</b>	<b>30%</b>
<b>Curent tax expence</b>			
<b>Deferred Income tax expense</b>			
<b>Deferred Income tax benefit</b>			
<b>Net profit/Loss</b>	<b>6</b>	<b>8</b>	<b>30%</b>


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**6.9. TIGAR TRADE, Banja Luka, Republika Srpska**

Balance Sheet in thousands of KM		As of 31 December 2010	As of 30 June 2010
<b>Assets</b>			
	Non-current assets	243	232
	Current assets	1,254	1,118
	Deferred tax assets	0	0
	<b>Total assets</b>	<b>1,498</b>	<b>1,350</b>
<b>Equity and liabilities</b>			
	Equity	485	312
	Non-current liabilities	0	0
	Current liabilities	1,012	1,039
	Deferred tax liabilities	0	0
	<b>Total equity and liabilities</b>	<b>1,498</b>	<b>1,350</b>

INCOME STATEMENT ( in thousands of KM )	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
<b>Total income</b>	<b>1,035</b>	<b>561</b>	<b>-46%</b>
<b>Total expenses</b>	<b>1,033</b>	<b>681</b>	<b>-34%</b>
<b>Profit/Loss from operations</b>	<b>2</b>	<b>-120</b>	
<b>Curent tax expence</b>			
<b>Deferred Income tax expense</b>			
<b>Deferred Income tax benefit</b>			
<b>Net profit/Loss</b>	<b>2</b>	<b>-120</b>	


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**6.10. TIGAR PARTNER, Macedonia**

Balance Sheet in thousands of Denars		As of 31 December 2010	As of 30 June 2010
<b>Assets</b>			
	Non-current assets	615	463
	Current assets	27,061	19,633
	Deferred tax assets	0	0
	<b>Total assets</b>	<b>27,676</b>	<b>20,096</b>
<b>Equity and liabilities</b>			
	Equity	17,626	15,255
	Non-current liabilities	0	0
	Current liabilities	10,050	4,841
	Deferred tax liabilities	0	0
	<b>Total equity and liabilities</b>	<b>27,676</b>	<b>20,096</b>

INCOME STATEMENT ( in thousands of Denara )	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% change
<b>Total income</b>	<b>21,810</b>	<b>7,981</b>	<b>-63%</b>
<b>Total expenses</b>	<b>21,629</b>	<b>10,344</b>	<b>-52%</b>
<b>Profit/Loss from operations</b>	<b>181</b>	<b>-2,363</b>	
<b>Curent tax expence</b>	<b>26</b>	<b>8</b>	<b>-68%</b>
<b>Deferred Income tax expense</b>			
<b>Deferred Income tax benefit</b>			
<b>Net profit/Loss</b>	<b>155</b>	<b>-2,371</b>	



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## 6.11. TIGAR BUSINESS SERVICES

BALANCE SHEET (in thousands of RSD)	As of 01 January 2010	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>212,212</b>	<b>206,704</b>
Intangible assets		
<b>Property, plant and equipment</b>	<b>212,212</b>	<b>206,704</b>
Property, plant and equipment	212,212	206,704
<b>Long-term financial placements</b>		
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>68,208</b>	<b>74,250</b>
Inventories	10,043	11,125
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>58,165</b>	<b>63,125</b>
Accounts receivable	51,956	52,654
Receivables from over-paid taxes	898	727
Short-term financial placements	35	35
Cash and cash equivalents	1,908	3,557
Value added tax and prepayments	3,370	6,152
<b>Deferred tax assets</b>	<b>29</b>	
<b>TOTAL ASSETS</b>	<b>280,448</b>	<b>280,954</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>166,670</b>	<b>159,880</b>
Share and other capital	187,937	187,937
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	2,075	1,914
Loss	23,342	29,971
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>113,604</b>	<b>120,928</b>
Long-term provisions	7,995	6,408
<b>Long-term liabilities</b>	<b>22,685</b>	<b>24,517</b>
Long-term debt		
Other long-term liabilities	22,685	24,517
<b>Current liabilities</b>	<b>82,924</b>	<b>90,003</b>
Short-term financial liabilities	16,783	7,494
Account payable	50,294	68,554
Other current liabilities	13,141	9,644
Value added tax and other taxes payable and accruals	2,705	4,311
Income taxes payable		
<b>Deferred tax liabilities</b>	<b>175</b>	<b>146</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>280,448</b>	<b>280,954</b>


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<b>INCOME STATEMENT (in thousands of Dinars)</b>	<b>1<sup>st</sup> Semester 2010</b>
<b>OPERATING INCOME</b>	<b>148,360</b>
Sales of goods, products and services	144,257
Work performed by the company and capitalized	4,103
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>154,698</b>
Cost of commercial goods sold	8,651
Material, fuel and energy consumed	58,193
Staff costs	54,435
Depreciation, amortization and provisions	8,481
Other operating expenses	24,938
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-6,338</b>
<b>FINANCE INCOME</b>	<b>34</b>
<b>FINANCE EXPENSES</b>	<b>1,205</b>
<b>OTHER INCOME</b>	<b>1,126</b>
<b>OTHER EXPENSES</b>	<b>76</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>-6,459</b>
<b>INCOME TAXES</b>	
Current tax expense	170
Deferred income tax expense	
Deferred income tax benefit	
<b>NET PROFIT/LOSS</b>	<b>-6,629</b>


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<b>CASH FLOWS</b> (in thousands of RSD)	<b>1<sup>st</sup> Semester 2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash inflow from operating activities	166,327
Cash receipts from customers	165,255
Interest received from operating activities	1
Other receipts from operating activities	1,071
Cash outflow from operating activities	150,883
Cash paid to suppliers for raw materials and other expenses	89,557
Gross salaries and other personnel costs paid	50,573
Interest paid	37
Income tax expense	
Other levies paid	10,716
Net cash inflow from operating activities	15,444
Net outflow from operating activities	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash inflow from investing activities	1
Sale shares and stakes (net inflow)	
Sales of fixed assets	1
Other financial placements ( net inflow)	
Interest received	
Dividends received	
Cash outflow from investing activities	9,153
Purchase of shares	
Purchase of fixed assets	1,193
Other financial placements ( net outflow)	7,960
Net cash inflow from investing activities	-
Net cash outflow from investing activities	9,152
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Cash inflow from financing activities	
Increase in capital	
Long-term and short-term borrowings ( net inflow)	
Other long-term and short-term liabilities	
Cash outflow from financing activities	4,567
Buyback of own shares and stakes	
Long-term and short-term borrowings ( net outflow)	
Financial lease	2,105
Dividends paid	2,462
Net cash inflow from financing activities	-
Net cash outflow from financing activities	4,567
<b>Total cash inflow</b>	<b>166,328</b>
<b>Total cash outflow</b>	<b>164,603</b>
<b>NET CASH INFLOW</b>	<b>1,725</b>
<b>NET CASH OUTFLOW</b>	<b>0</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,908</b>
<b>Foreign exchange gains on translation of cash and cash equivalents</b>	<b>4</b>
<b>Foreign exchange losses on translation of cash and cash equivalents</b>	<b>80</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,557</b>



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## 6.12. TIGAR INCON

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>26,351</b>	<b>25,833</b>
Intangible assets	113	97
<b>Property, plant and equipment</b>	<b>26,238</b>	<b>25,736</b>
Property, plant and equipment	26,238	25,736
<b>Long-term financial placements</b>	<b>-</b>	<b>-</b>
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>74,682</b>	<b>71,925</b>
Inventories	9,059	12,001
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>65,623</b>	<b>59,924</b>
Accounts receivable	55,165	57,649
Receivables from over-paid taxes		
Short-term financial placements		
Cash and cash equivalents	4,493	741
Value added tax and prepayments	5,965	1,534
<b>Deferred tax assets</b>		
<b>TOTAL ASSETS</b>	<b>101,033</b>	<b>97,758</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>50,080</b>	<b>47,768</b>
Share and other capital	35,282	35,282
Share issuing premiums		
Reserves		
Revaluation reserves		
Retained earnings	20,619	18,307
Loss	5,821	5,821
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>50,334</b>	<b>49,371</b>
Long-term provisions	5,883	5,883
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term debt		
Other long-term liabilities		
<b>Current liabilities</b>	<b>44,451</b>	<b>43,488</b>
Short-term financial liabilities	1,449	
Account payable	28,457	21,912
Other current liabilities	10,010	17,234
Value added tax and other taxes payable and accruals	3,744	4,242
Income taxes payable	791	100
<b>Deferred tax liabilities</b>	<b>619</b>	<b>619</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>101,033</b>	<b>97,758</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% change</b>
<b>OPERATING INCOME</b>	<b>122,423</b>	<b>92,207</b>	<b>-25%</b>
Sales of goods, products and services	122,423	91,752	-25%
Work performed by the company and capitalized		455	
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>105,144</b>	<b>83,702</b>	<b>-20%</b>
Cost of commercial goods sold			
Material, fuel and energy consumed	42,433	27,196	-36%
Staff costs	49,593	45,115	-9%
Depreciation, amortization and provisions	1,688	1,813	7%
Other operating expenses	11,430	9,578	-16%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>17,279</b>	<b>8,505</b>	<b>-51%</b>
<b>FINANCE INCOME</b>	<b>52</b>	<b>134</b>	<b>158%</b>
<b>FINANCE EXPENSES</b>	<b>455</b>	<b>213</b>	<b>-53%</b>
<b>OTHER INCOME</b>	<b>11</b>	<b>395</b>	
<b>OTHER EXPENSES</b>		<b>225</b>	
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>16,887</b>	<b>8,596</b>	<b>-49%</b>
<b>INCOME TAXES</b>			
Current tax expense	185	599	224%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>16,702</b>	<b>7,997</b>	<b>-52%</b>



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CASH FLOWS ( in thousands of RSD )	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash inflow from operating activities	130,413	108,545
Cash receipts from customers	130,266	108,470
Interest received from operating activities	5	
Other receipts from operating activities	142	75
Cash outflow from operating activities	127,099	108,863
Cash paid to suppliers for raw materials and other expenses	68,844	51,254
Gross salaries and other personnel costs paid	43,944	45,606
Interest paid	7	132
Income tax expense	481	1,290
Other levies paid	13,823	10,581
Net cash inflow from operating activities	3,314	0
Net outflow from operating activities	0	318
<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	204	1,979
Purchase of shares		
Purchase of fixed assets	204	1,979
Other financial placements ( net outflow)		
Net cash inflow from investing activities	0	0
Net cash outflow from investing activities	204	1,979
<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	3,328	1,513
Buyback of own shares and stakes		
Long-term and short-term borrowings ( net outflow)		
Financial lease	2,005	1,513
Dividends paid	1,323	
Net cash inflow from financing activities	0	0
Net cash outflow from financing activities	3,328	1,513
<b>Total cash inflow</b>	<b>130,413</b>	<b>108,545</b>
<b>Total cash outflow</b>	<b>130,631</b>	<b>112,355</b>
<b>NET CASH INFLOW</b>	<b>0</b>	<b>0</b>
<b>NET CASH OUTFLOW</b>	<b>218</b>	<b>3,810</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>824</b>	<b>4,493</b>
Foreign exchange gains on translation of cash and cash equivalents	47	61
Foreign exchange losses on translation of cash and cash equivalents	14	3
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>639</b>	<b>741</b>



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## 6.13. PIROT FREE ECONOMIC ZONE

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>125,799</b>	<b>126,563</b>
Intangible assets	373	260
<b>Property, plant and equipment</b>	<b>125,426</b>	<b>126,302</b>
Property, plant and equipment	125,426	126,302
<b>Long-term financial placements</b>		
Equity investments		
Other long-term financial placements		
<b>CURRENT ASSETS</b>	<b>31,434</b>	<b>51,829</b>
Inventories	1,903	1,649
Assets held-for-sale		
<b>Accounts receivable, placements and cash</b>	<b>29,531</b>	<b>50,179</b>
Accounts receivable	15,702	31,076
Receivables from over-paid taxes	106	221
Short-term financial placements		
Cash and cash equivalents	13,148	18,718
Value added tax and prepayments	575	165
<b>Deferred tax assets</b>	<b>12</b>	<b>12</b>
<b>TOTAL ASSETS</b>	<b>157,245</b>	<b>178,403</b>
<b>Off balance sheet assets</b>	<b>25,500</b>	<b>25,500</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>138,156</b>	<b>146,369</b>
Share and other capital	118,439	118,439
Share issuing premiums		
Reserves	380	380
Revaluation reserves	11,168	11,168
Retained earnings	8,170	16,383
Loss		
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>19,089</b>	<b>32,034</b>
Long-term provisions	2,634	2,634
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term debt		
Other long-term liabilities		
<b>Current liabilities</b>	<b>16,455</b>	<b>29,399</b>
Short-term financial liabilities		
Account payable	9,458	18,579
Other current liabilities	6,586	10,013
Value added tax and other taxes payable and accruals	410	807
Income taxes payable		
<b>Deferred tax liabilities</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>157,245</b>	<b>178,403</b>
<b>Off balance sheet liabilities</b>	<b>25,500</b>	<b>25,500</b>


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<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% change</b>
<b>OPERATING INCOME</b>	<b>27,933</b>	<b>97,460</b>	<b>249%</b>
Sales of goods, products and services	27,933	97,460	249%
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>24,193</b>	<b>86,407</b>	<b>257%</b>
Cost of commercial goods sold		86	
Material, fuel and energy consumed	971	1,232	27%
Staff costs	15,803	18,278	16%
Depreciation, amortization and provisions	1,077	1,591	48%
Other operating expenses	6,342	65,221	928%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>3,740</b>	<b>11,053</b>	<b>196%</b>
<b>FINANCE INCOME</b>	<b>696</b>	<b>292</b>	<b>-58%</b>
<b>FINANCE EXPENSES</b>	<b>246</b>	<b>491</b>	<b>99%</b>
<b>OTHER INCOME</b>	<b>32</b>	<b>84</b>	<b>160%</b>
<b>OTHER EXPENSES</b>	<b>0</b>	<b>1</b>	
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>4,222</b>	<b>10,937</b>	<b>159%</b>
<b>INCOME TAXES</b>			
Current tax expense			
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>4,222</b>	<b>10,937</b>	<b>159%</b>


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**6.14. AGGREGATE FINANCIALS OF OTHER SERVICE SUBSIDIARIES**

<b>INCOME STATEMENT (in thousands of RSD)</b>	<b>1<sup>st</sup> Semester 2009</b>	<b>1<sup>st</sup> Semester 2010</b>	<b>% Change</b>
<b>OPERATING INCOME</b>	<b>84,762</b>	<b>81,528</b>	<b>-4%</b>
Sales of goods, products and services	84,529	81,490	-4%
Work performed by the company and capitalized	15		
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	218	38	-83%
<b>OPERATING EXPENSES</b>	<b>80,062</b>	<b>69,443</b>	<b>-13%</b>
Cost of commercial goods sold	3,855	1,845	-52%
Material, fuel and energy consumed	5,069	1,649	-67%
Staff costs	59,814	57,403	-4%
Depreciation, amortization and provisions	3,448	2,342	-32%
Other operating expenses	7,877	6,204	-21%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>4,700</b>	<b>12,085</b>	<b>157%</b>
<b>FINANCE INCOME</b>	<b>361</b>	<b>227</b>	<b>-37%</b>
<b>FINANCE EXPENSES</b>	<b>82</b>	<b>142</b>	<b>73%</b>
<b>OTHER INCOME</b>	<b>189</b>	<b>286</b>	<b>51%</b>
<b>OTHER EXPENSES</b>	<b>25</b>		<b>-100%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>5,143</b>	<b>12,456</b>	<b>142%</b>
<b>INCOME TAXES</b>			
Current tax expense	193	359	86%
Deferred income tax expense			
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>4,950</b>	<b>12,097</b>	<b>144%</b>



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## 6.15. CONSOLIDATED PERFORMANCE

Tigar ad Consolidated Balance Sheet (in thousands of RSD)	As of 31 December 2009 (audeted)	As of 30 June 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>4,110,708</b>	<b>4,249,857</b>
Intangible assets	111,442	200,715
<b>Property, plant and equipment</b>	<b>3,939,938</b>	<b>3,989,666</b>
Property, plant and equipment	3,939,938	3,989,666
<b>Long-term financial placements</b>	<b>59,328</b>	<b>59,477</b>
Equity investments	11,670	11,819
Other long-term financial placements	47,658	47,658
<b>Current assets</b>	<b>3,026,465</b>	<b>3,480,504</b>
Inventories	1,442,628	1,823,160
Assets held-for-sale	19,884	20,039
<b>Accounts receivable, placements and cash</b>	<b>1,563,953</b>	<b>1,637,305</b>
Accounts receivable	727,066	794,059
Receivables from over-paid taxes	14,303	2,679
Short-term financial placements	5,736	202
Cash and cash equivalents	702,009	468,637
Value added tax and prepayments	114,839	371,728
<b>Deferred tax assets</b>	<b>18,036</b>	<b>22,773</b>
<b>TOTAL ASSETS</b>	<b>7,155,209</b>	<b>7,753,135</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>3,514,083</b>	<b>3,519,870</b>
Share and other capital	2,146,009	2,154,003
Share issuing premiums		
Reserves	207,925	207,678
Revaluation reserves	1,074,215	1,074,215
Retained earnings	85,934	83,974
Loss		
Shares buyback		
<b>Long-term liabilities and provisions</b>	<b>3,513,163</b>	<b>4,105,329</b>
Long-term provisions	79,861	63,461
<b>Long-term liabilities</b>	<b>1,149,078</b>	<b>1,726,681</b>
Long-term debt	1,132,408	1,698,750
Other long-term liabilities	16,670	27,932
<b>Current liabilities</b>	<b>2,284,224</b>	<b>2,315,187</b>
Short-term financial liabilities	1,432,181	1,309,006
Account payable	639,111	726,635
Other current liabilities	151,136	188,425
Value added tax and other taxes payable and accruals	43,134	90,986
Income taxes payable	18,663	135
<b>Deferred tax liabilities</b>	<b>127,963</b>	<b>127,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,155,209</b>	<b>7,753,135</b>


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Tigar ad Consolidated Income statement (in thousands of RSD)	1 <sup>st</sup> Semester 2009	1 <sup>st</sup> Semester 2010	% Change
<b>OPERATING INCOME</b>	<b>1,643,795</b>	<b>2,199,353</b>	<b>34%</b>
Sales of goods, products and services	1,347,595	1,800,013	34%
Work performed by the company and capitalized	159,551	172,194	8%
Increase in inventories of finished products and work in progress	119,932	198,205	65%
Decrease in inventories of finished products and work in progress			
Other operating income	16,717	28,942	73%
<b>OPERATING EXPENSES</b>	<b>1,711,614</b>	<b>2,121,820</b>	<b>24%</b>
Cost of commercial goods sold	212,877	388,854	83%
Material, fuel and energy consumed	556,506	630,694	13%
Staff costs	710,837	765,400	8%
Depreciation, amortization and provisions	61,083	75,732	24%
Other operating expenses	170,311	261,140	53%
<b>PROFIT/LOSS FROM OPERATIONS</b>	<b>-67,819</b>	<b>77,533</b>	<b>gain vs loss</b>
<b>FINANCE INCOME</b>	<b>120,733</b>	<b>51,461</b>	<b>-57%</b>
<b>FINANCE EXPENSES</b>	<b>176,672</b>	<b>124,605</b>	<b>-29%</b>
<b>OTHER INCOME</b>	<b>275,276</b>	<b>53,669</b>	<b>-81%</b>
<b>OTHER EXPENSES</b>	<b>6,363</b>	<b>3,362</b>	<b>-47%</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>145,155</b>	<b>54,696</b>	<b>-62%</b>
<b>INCOME TAXES</b>			
Current tax expense	31,477	15,869	-50%
Deferred income tax expense	237		-100%
Deferred income tax benefit			
<b>NET PROFIT/LOSS</b>	<b>113,442</b>	<b>38,827</b>	<b>-66%</b>
Minority interest	1,303	2,892	122%
Tigar ad	112,139	35,934	-68%

**TIGAR AD**
**TIGAR AD**

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

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