



Tigar®

TIGAR AD

2010 ANNUAL REPORT

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TABLE OF CONTENTS

GENERAL ASSESSMENT OF 2010 PERFORMANCE.....	4
1. INTRODUCTION.....	6
1.1. GENERAL.....	6
1.2. CORPORATE STRUCTURE	6
1.3. KEY BUSINESS ACTIVITIES COMPLETED IN 2010.....	7
2. COMPETITIVE STRENGTHS AND RISK FACTORS	10
2.1. COMPETITIVE STRENGTHS.....	10
2.2. RISK FACTORS	13
3. MARKET POSITION AND PRODUCTION LEVELS.....	16
3.1. 2010 OUTPUT AND SALES BY SEGMENT	16
3.2. 2010 SALES OF GOODS AND SERVICES	20
3.3. PRODUCTION OUTPUT	24
4. 2010 FINANCIALS	25
4.1. KEY INDICATORS OF THE HOLDING COMPANY – TIGAR AD	25
4.2. KEY CONSOLIDATED INDICATORS.....	25
4.3. TIGAR AD (HOLDING COMPANY).....	27
4.4. CONSOLIDATED FINANCIAL RESULT.....	28
4.5. SUMMARY OF KEY FINANCIAL RESULTS	30
4.6. TIGAR TRADE SERBIA	31
4.7. TIGAR FOOTWEAR.....	32
4.8. TIGAR TECHNICAL RUBBER GOODS.....	33



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.9. TIGAR CHEMICAL PRODUCTS	34
4.10. TIGAR EUROPE UK.....	35
4.11. TIGAR AMERICAS, USA	36
4.12. TIGAR MONTENEGRO, MONTENEGRO.....	36
4.13. TIGAR TRADE, REPUBLIKA SRPSKA.....	37
4.14. TIGAR PARTNER, MACEDONIA.....	37
4.15. TIGAR BUSINESS SERVICES.....	38
4.16. TIGAR INCON	39
4.17. PIROT FREE ECONOMIC ZONE	40
4.18. OTHER SERVICE SUBSIDIARIES, AGGREGATE FINANCIALS	41
5. SUSTAINABLE DEVELOPMENT	42
5.1. EMPLOYEES.....	42
5.2. QUALITY ASSURANCE.....	44
5.3. ENVIRONMENTAL AND REGULATORY MATTERS.....	45
5.4. INTELLECTUAL PROPERTY	48
5.5. INFORMATION TECHNOLOGY.....	50
5.6. CORPORATE SOCIAL RESPONSIBILITY.....	54
5.7. CORPORATE GOVERNANCE.....	56
6. MANAGEMENT	57
7. REAL ESTATE AND LEGAL MATTERS	59
7.1. REAL ESTATE AND COLLATERALS.....	59
7.2. LEGAL PROCEEDINGS	62
8. CAPITAL MARKET POSITION AND DIVIDEND POLICY	63



GENERAL ASSESSMENT OF 2010 PERFORMANCE

In 2010, growing international demand was indicative of a gradual recovery from the global economic crisis, primarily in developed countries. In Serbia, however, negative developments in the real sector and financial markets continued. Domestic demand declined. Banks continued to offer credit facilities, albeit compounded by lengthy and cumbersome loan approval procedures. The national currency weakened during the year, while inflation exceeded projected levels, all of which had an adverse impact on business operations.

Tigar exited the tire business in 2009, and in 2010 focused on footwear product and market product development, market repositioning of its technical rubber goods business following commissioning of new industrial facilities at the Tigar 3A location, and market development for products made from recycled rubber. The Company also prepared a comprehensive study which addressed its chemical products segment, with the goal of assessing and defining the product mix and production output associated with the relocation of Tigar Chemical Products.

In March 2010, following the acquisition of the Danish company Bilgutex, Tigar Technical Rubber Goods commissioned a plant for recycled-rubber products. However, it was unable to physically implement its entire industrial project due to a lack of investment funding. Project activities related to rubber profiles and tubing, have been deferred until 2011. The scrap tire recycling plant project was also postponed until 2011 for the same reason. The Company's 2010 overall investment policy was not to initiate any investment activity unless long-term sources of funding had been secured. In line with this policy, capital expenditures largely targeted the new recycled-rubber products plant and the fabrication of tools and molds for new products.

Investment activities related to the upgrading of Tigar's sales network were largely completed according to plan and were governed by the ability to obtain adequate locations for sales outlets.

In 2010, Tigar spent some 2.5 million € on the development of more than one hundred new groups of products for specific buyers and specific markets. It expects to recover this investment through increased sales in the coming years. Based on contracts and confirmed orders, Tigar will likely double sales in 2011 at a consolidated level.

The Holding Company, Tigar AD, earned an operating income of 651 million Dinars and reported an operating result of 48 million Dinars, a profit before taxation of 78 million Dinars, and a net profit of 54 million Dinars. In 2010, Tigar AD reported lower finance income because it did not book dividends from some of its subsidiaries and because its other income was lower by 450 million compared to the financial year 2009 in which it completed a major transaction with Michelin, resulting in a lower net profit.

Based on consolidated performance indicators (the deadline for submission of consolidated financial statements is 30 April 2011), Tigar earned an income of 5.2 billion Dinars and a sales income of 4.3 billion Dinars, and is expected to report a positive operating result of 271 million Dinars. Sales income grew by 28%, or roughly 10 million €. Tigar exports segment reported the highest growth, 67%, and in 2010 Tigar became a predominantly export-oriented company. Due to significantly lower finance and other income in 2010 compared to 2009, by some 259 million Dinars, Tigar will report a consolidated gross loss of roughly 23 million Dinars at the end of the year. Tigar's consolidated assets amount to 8.2 billion Dinars (non-current assets 4.7 billion, and current assets 3.5 billion). Consolidated capital assets amount to 3.4 billion Dinars.

In summary, international market demand grew in 2010, while domestic market demand stagnated. The sales growth of nearly one-third relative to the previous year shows that the Company has a stable and prospective position in the marketplace. Having invested 30 million € over the past three years in infrastructure and international acquisitions, and some 2.5 million € in product development, the Company is poised for rapid sales growth in 2011. The EU market will be the largest contributor to this growth, where only the footwear segment is expected to report a growth of 12 million € based on confirmed orders.

**2010 ANNUAL REPORT**

Document Reference

IZ.P. 10/04

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

Dragan Nikolić
Chairman of Tigar AD's Board of Directors



1. INTRODUCTION

1.1. GENERAL

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

Corporate ID: 07187769

Web site: www.tigar.com

Core activity: Holdings

Number of shareholders: 4,753 at 31/12/2010

Assets : 4,278,197 (000 RSD) at 31/12/2010

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Tax ID: 100358298

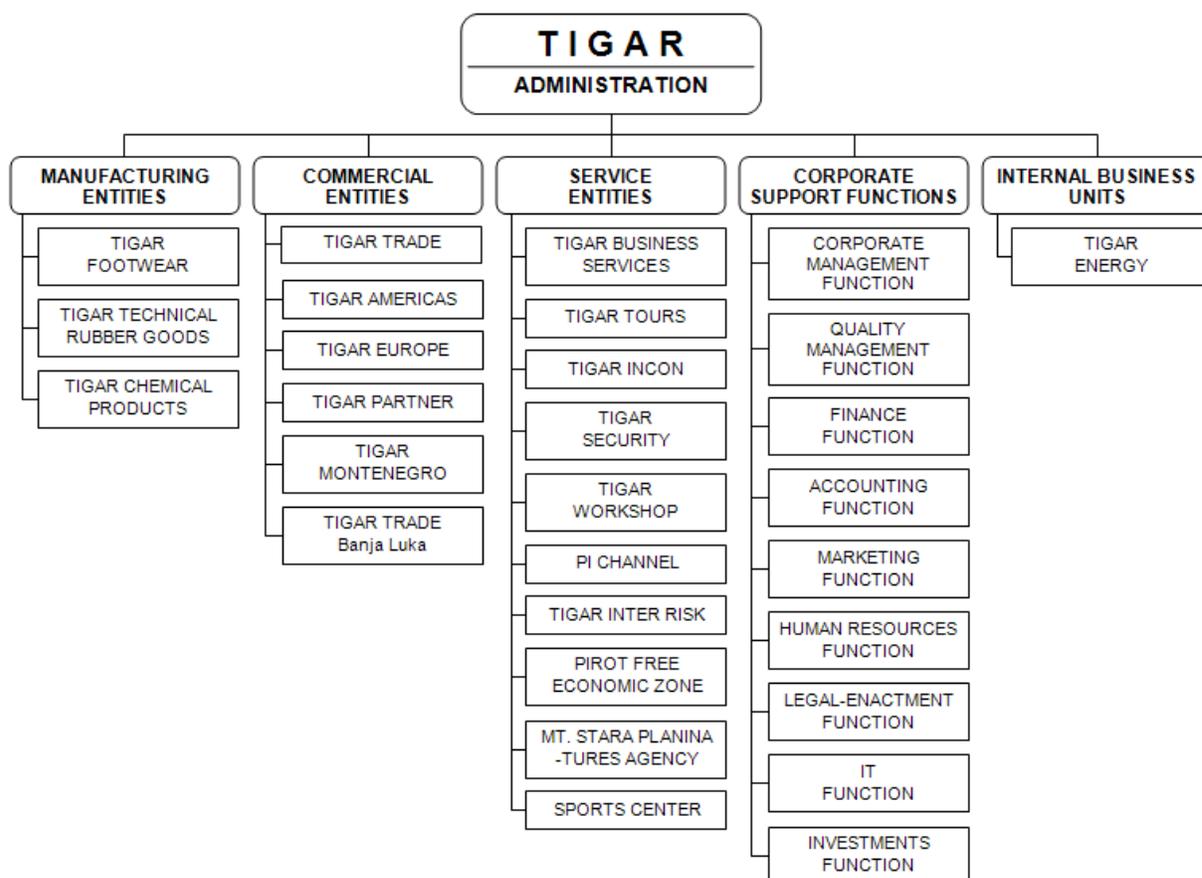
Certificate of Incorporation: Registry File 1-1087

Number of employees: 2,252 at 31/12/2010

Capital: 2,827,796 (000 RSD) AT 31/12/2010

Capitalization: 1,202,922 (000 RSD) at 31/12/2010

1.2. CORPORATE STRUCTURE





1.3. KEY BUSINESS ACTIVITIES COMPLETED IN 2010

A plant for the manufacture of products made from recycled rubber was commissioned in March

The first order of recycled-rubber (RR) products was delivered to a buyer in Sweden at the end of March.

Tigar's Maniera line of fashion footwear was launched internationally at the Düsseldorf Trade Show in March.

Tigar applied for an EU grant in June.

The annual session of Tigar's General Assembly of Shareholders was held in June.

Production for four new, large buyers was launched in July; these buyers purchased products worth 2 million € between August and December, and confirmed 2011 orders worth 7.8 million €.

Tigar issued long-term corporate bonds in August and October.

Tigar Americas introduced Tigar's products for various industries to the Australian market at a trade show in Perth.

In September, Tigar introduced its Maniera fashion footwear to the domestic market at a fashion show organized by a famous Serbian designer, Dragana Ognjenovic. A new Maniera collection was showcased at the fall trade show in Düsseldorf.

Three new Stop&Drive facilities were opened during the year and the process of expanding the scope of services and investing in new equipment continued at all Stop&Drive outlets. In August, a new Bottega Chain outlet was opened in Belgrade, as were two „retail islands“ at the Delta City and Usce malls.

Throughout 2010, Tigar teams worked on a large number of projects in the following areas: recapitalization, issuance of bonds, sale of real estate, tire recycling, and tire collection.

A project aimed at business restructuring of the StarA Hotel was completed, and a tire collection project was initiated the TAM BAS organization (part of the EBRD).

In December, Tigar celebrated its 75th anniversary.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Achievement of Investment Plan Objectives

Unlike most companies that either halt or minimize investments at a time of economic crisis, Tigar continued to implement its Investment Plan. It could not have put on hold the entire investment package, involving the shutting down of industrial facilities at their previous locations and the move to the Tigar 3 industrial location, without a major impact on corporate operations and Tigar as a whole.

Tigar's largest 2010 investment targeted the plant for the manufacture of products from recycled rubber. At the Holding Company level, most of the spending was associated with the clearing and outfitting of the Tigar 3 location. Investments related to the tire recycling project and the tire collection scheme were deferred due to Tigar's inability to secure sources of funding in a timely fashion. Investments in new molds were largely financed by buyers. At Tigar Technical Rubber Goods (TTRG), final investments in a thermoplastic profiles line and completion of an EPDM profiles line have been scheduled for the 4th quarter with an equipment manufacturer from Spain. These lines will be installed at the factory in 2011, to avoid any production disruption through the year end. During the period, Tigar Trade opened new Stop&Drive facilities in Kruševac, Čačak and Belgrade, launched a new Bottega Chain outlet in Belgrade, opened two "retail islands" in the Delta City and Usce malls in Belgrade, purchased additional equipment to expand the "light servicing" offering of Stop&Drive, and invested in the outfitting of warehouses.

Tigar's investment policy for the period did not call for any major investment in its service businesses.

Following its investment policy, Tigar did not interrupt any of its activities pertaining to the re-engineering of TTRG's basic product lines, the completion of industrial premises at Tigar 3, and the development of the domestic retail network. All other activities have been postponed until next year.

The following table shows Tigar's capital expenditures in 2010.

In thousands of RSD	Purchases of fixed assets and intangible investments January-December 2010
Tigar Technical Rubber Goods	130,230
Tigar Chemical Products	16,948
Tigar Footwear	257,624
Tigar Trade	83,848
Tigar Business Services	49,526
Holding Company	93,213
Total	631,389

Investment in Research and Development

In view of the importance of boosting production and sales for successful growth of Tigar's footwear segment, R&D priority was given to product development for off-take buyers, both existing and new. In the latter half of 2010, Tigar Footwear intensively developed its proprietary brands for firefighter and other safety footwear, as well as agricultural and special-purpose footwear, using a special dipping technology. This resulted in a new brand – Caccia - for sports footwear, as well as new models of children's footwear and the Maniera Sport line. In addition to the introduction of more than one hundred new groups of products, Tigar Footwear also introduced a large number of new alternative materials.

TTRG continued to develop, for the most part, custom-made products, and to prepare for the introduction of new products which will be manufactured on newly-purchased and reconstructed lines for dual-component and thermoplastic profiles. This has created conditions for TTRG to accept large-volume orders, both internationally and domestically, including in particular the automotive and construction industries. In the automotive industry, TTRG has the potential to mass-produce for Fiat and other global manufacturers. This potential has not been



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

included in Tigar's current production and sales plans, since no firm contracts have been entered into as of the time of this writing. However, as orders are placed, they will be entered into separate progress plans.

The acquisition of Bilgutex brands has led to the manufacture of the following groups of products made from recycled rubber: Bilgusafe (playground tiles), Bilgusand (sandbox edging) Bilgusign (traffic sign bases), Bilgubollards (bollards), Bilgulane (rubber matting), and Bilguwell (a range of products for diverse uses). All of these products are certified per EU standards and TTRG is poised to develop products per buyer requirements and per its own assessment of market demand.

Tigar Chemical Products' R&D processes were based on market feedback, interaction with raw material suppliers, and the regulatory environment, in particular the 2007 REACH Regulation, the 1999/13/EC Directive, the 2004/42/EC Directive, and legislation currently in preparation. In view of these regulations and general trends in the adhesives and coatings segment, TCP has developed substitutes for all its major products.

Human Resources

The number of employees increased in 2010, mostly at Tigar Footwear which hired additional temporary workers, necessitated by an increase in output as of July 2010 and the launching of a large number of new products. TTRG, even though it commissioned a new plant for recycled-rubber products, downsized its workforce, as did Tigar Trade, while TCP's head count remained at the same level. Intensive internal and external training courses continued during the period, such that the total number of training courses was greater than the number of employees. Tigar also continued to offer scholarships to its future professional staff (currently 55 university students).

Finance Policy

Tigar's loan debt at the end of the period amounted to 30 million € (16 million short-term and 14 million long-term). Long-term liabilities will mature through the year 2016. In 2010, Tigar increased its overall borrowing by 3.5 million €. At the end of the year, the Company held 2 million € in long-term bank deposits. Based on preliminary consolidated results, the indebtedness ratio was 0.57. During the period, the Company repaid 17 million € through refinancing. Most of the long-term debt of 14 million € is made up of a long-term DEG loan of 7 million (repayments over three years starting in the second half of 2012), a Hypo Alpe Adria Bank loan of 3.4 million (repayments over four years starting in 2011), Paris Club loans in the aggregate amount of 1.8 million (to be repaid by 2014), and long-term corporate bonds in the aggregate amount of 2.3 million (to be redeemed over the next four years). The Company's policy with respect to banks was to achieve a balance between short-term loans with subsidized interest rates and long-term commercial loans.



2. COMPETITIVE STRENGTHS AND RISK FACTORS

2.1. COMPETITIVE STRENGTHS

A leading integrated rubber goods producer in the region

Tigar is a leading integrated rubber goods manufacturer in the region of the former Yugoslavia. Tigar's manufacturing activities comprise the production of rubber footwear, technical rubber goods, and chemical products. Tigar's production facilities are located in close proximity to each other, allowing the Company to profit from synergies between the different business segments and production facilities. The production process and the product slate of the different segments allow for the use of semi-finished products in one segment as input material in another segment, thereby maximizing the utilization of raw materials and ensuring the largest possible economies of scale in the production process. In addition to its production facilities, Tigar owns and operates a large retail network in Serbia, which offers both Tigar and non-Tigar products, including vehicle tires and afterparts.

Competitively positioned facilities

Tigar's production facilities are strategically located in Pirot, in the South-East of Serbia. This geographic location offers a strategic advantage as it provides Tigar with a wide range of distribution alternatives for its products. Adding to the benefits of short distances and good road transportation conditions to neighboring countries, Pirot is some 600 km away from the port of Bar in Montenegro, some 380 km from the Port of Thessaloniki in Greece, and 380 km from the Port of Varna in Bulgaria, offering marine transportation opportunities via the Adriatic Sea, the Aegean Sea, and the Black Sea.

This strategic location is gaining further importance from the recent association of Balkan countries into a customs and tax union, which has created a common market of some 55 million consumers.

Brand recognition

The Tigar brand has a dominant position in the Serbian and regional markets. Through international acquisitions, Tigar became the owner of Century and Bilgutex brands for safety footwear and finished products made of recycled rubber. In 2009 and 2010, two new product brands were developed: Maniera fashion footwear and Brolly children's footwear. New private label brands for sports rubber footwear are in the process of development. Tigar Chemical Products has developed additional private label brands owned by Tigar. Two domestic sales chains, Stop&Drive and Bottega, have been developed in the domestic market and are now highly visible brands. Tigar's strategy over the next five years calls for continued strengthening of Tigar brands in the domestic and international markets, with the ultimate goal of equating revenues derived from Tigar-brand products with those earned by selling products made under buyers' proprietary brand names.

Geographic diversification of sales

While maintaining its position as the market leader in Serbia, Tigar sold 54% of its products outside Serbia in 2010. West European markets played a dominant role, accounting for 78% of total exports. Within EU countries, Italy (36%), Finland (28%), and the UK (12%) were the most important export markets. The Company also exported to countries in Southeast Europe, such as countries of the former Yugoslavia, Bulgaria, Turkey and Greece, which made up 17% of total exports in 2010. While the Company had been forced to halt its exports to the United States, which constituted a significant portion of Tigar's business, due to the trade embargo levied on Serbia in the 1990's, it began exporting rubber footwear to Canada in 2006 as a first step to resuming sales to North America.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

2010, in thousands of RSD	Footwear	Technical rubber goods	Chemical products	Total	Percentage
EU	1,046,939	40,144	12,202	1,099,285	80%
US and Canada	25,266	30	0	25,296	2%
Russia and ex-Soviet republics	0	6,506	0	6,506	0%
The Balkans	170,780	13,999	1,218	185,997	14%
Other markets	4,152	9,703	35,013	48,868	4%
Total	1,247,137	70,382	48,433	1,365,953	100%

Western Europe	Footwear	Technical rubber goods	Chemical products	Total	Percentage
Denmark	79,004	5,478	0	84,482	8%
Finland	299,352	0	0	299,352	28%
France	73,150	7,501	0	80,651	8%
Italy	383,504	120	0	383,624	36%
Latvia	0	0	0	0	0%
Malta	0	109	0	109	0%
Germany	6,046	564	0	6,610	1%
Norway	2,372	3,454	0	5,826	1%
Spain	0	0	0	0	0%
Sweden	47,099	24,075	0	71,174	7%
United Kingdom	124,619	0	0	124,619	12%
Belgium	5,717	0	0	5,717	1%
Total	1,020,862	41,301	0	1,062,164	78%

Eastern Europe	Footwear	Technical rubber goods	Chemical products	Total	Percentage
Bosnia and Herzegovina	104,449	1,943	295	106,687	47%
Bulgaria	2,580	695	2,793	6,067	3%
Greece	6,481	1,602	6,245	14,328	6%
Croatia	5,989	3,278	0	9,267	4%
Kosovo	17,729	5,153	0	22,882	10%
Macedonia	22,184	1,250	923	24,358	11%
Montenegro	20,429	2,375	0	22,804	10%
Slovenia	17,563	0	0	17,563	8%
Hungary	1,824	0	0	1,824	1%
Poland	0	0	3,165	3,165	1%
Total	199,229	16,296	13,420	228,945	17%

Other countries	Footwear	Technical rubber goods	Chemical products	Total	Percentage
Japan	1,379	0	0	1,379	2%
Egypt	0	6,249	0	6,249	8%
Russia and Belarus	0	6,506	0	6,506	9%
US and Canada	25,266	30	0	25,296	34%
Africa	401	0	35,013	35,414	47%
Total	27,046	12,785	35,013	74,844	5%



Combining a low-cost production environment and a high level of know-how

Tigar's production facilities are based in Pirot, Serbia, which offers a very attractive environment for conducting and developing business. The corporate tax rate is 10% and several incentives exist which Tigar is utilizing to the highest extent possible. Additionally, Tigar owns a majority stake in the Pirot Free Economic Zone, which offers special duty and tax advantages to companies within the zone. A Tigar Tyres production facility is located within the zone and, therefore, also benefits from the aforementioned tax advantages. In addition to the attractive duty and tax environment, energy costs in the region are relatively low, helping the Company produce and market its products at competitive prices.

In addition to the attractive cost environment, Tigar recognizes the importance of its highly-skilled employees, state-of-the-art technology and quality management required to maintain and develop its strong market position and its attractiveness for partnerships with internationally visible companies. Tigar has been investing continually in the education and training of its more than two thousand employees. In order to increase production efficiency and capacity, the Company has been investing and will continue to invest in upgrading of its production facilities. Tigar has been awarded ISO certification across all business segments. The Company owns many top-level technologies including a dipping technology for the production of safety and other rubber footwear, which guarantees the highest possible quality.

Leading national automotive service network

Tigar started to develop and invest in its own retail network in the early 1980s. As a result, Tigar now owns and operates the most extensive automotive service network in Serbia, offering automotive tires and afterparts. In 2004, Tigar began the implementation of a restructuring project aimed at reshaping the existing sales network to raise its efficiency by abandoning unfavorable locations and transforming existing outlets to include high-margin automotive service centers. The original retail network was comprised of 80 stores. The network currently operates 24 service centers, 4 mobile units, 23 retail outlets across Serbia, and a line of Bottega specialty shops featuring footwear. While the Company has been using its retail network to distribute its own products, it also follows a multi-product multi-brand strategy, selling products made by other manufacturers as well..

Long-term experience in international strategic partnerships

Tigar had a partnership with the US company BF Goodrich for more than 30 years. After this company was acquired by Michelin in the early 1990's, Michelin continued to be Tigar's strategic partner in the tire segment for almost twenty years.

Since Tigar has become the European leader in the manufacture of footwear, it is not pursuing strategic partnerships in this segment but certainly has the opportunity to acquire some of the remaining European producers, or to organize, independently or in cooperation with other partners, footwear production outside of Serbia.

However, Tigar is open to strategic partnerships in the technical rubber goods segment, including the production of rubber auto parts with the Spanish company Kaufil, a leading European producer in this field.

Other possibilities include strategic partnerships in new environmental projects, particularly where this area is the main business activity of would-be partners.

Since 2001, Tigar has made many important arrangements with international financial organizations. The first such arrangements were made with the EBRD in 2001, and they addressed working capital. In 2002, the IFC granted a capital loan to the joint venture with Michelin, Tigar MH, where the IFC held a 10% stake until 2006. In 2008, through arrangements with DEG, conditions were created for Tigar Footwear to become the leading European manufacturer in this segment, within two years of commissioning of its new factory.

In 2010, Tigar completed a number of activities aimed at establishing strategic partnerships, primarily in the technical rubber goods segment (automotive rubber parts and molded rubber products).



2.2. RISK FACTORS

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

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

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

Currency fluctuation risks

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

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

In 2010, the Dinar depreciated significantly relative to the Euro. This, on the one hand, increased revenues from exports, but on the other hand increased costs of raw-material imports and all liabilities indexed in foreign currencies.

Risks related to inflation, capital procurement, and capital cost

Based on forecasts, inflation in 2010 should have been 6% but was significantly higher than projected. In the forthcoming period, Tigar will continue to replace its short-term sources of funding with long-term ones, because of more favorable repayment terms, but will still need short-term sources. Rapid production and sales growth increases the need for permanent working capital, which cannot be financed from cash flow. Tigar will apply for subsidized short-term loans, whose interest rates are attractive but which require constant refinancing, as well as for long-term loans offered at better-than-market terms.

The Company will also apply for EIB funds granted to export-oriented companies, to a maximum amount of 12 million. The special benefits associated with such loans include a long repayment period, long grace period, favorable interest rate, and government guarantees. It will continue to apply for EU funds and will seek a suitable long-term capital loan for its tire recycling project. The Company's financing policy requires that none of its investment projects during a planning period be started until the appropriate sources of funding are defined; as such, this may result in a delay or the cancellation of certain planned investment projects and have an adverse impact on business operations.

The provision of business development and financial restructuring funds through recapitalization would facilitate working-capital loan approval procedures, as bank policies are becoming increasingly restrictive, requiring higher levels of collateral. However, the increase in cash available to the Company, regardless of allocation, facilitates loan approval. At its current level of indebtedness, the Company holds some 2 million Euros in mandatory deposits at various banks.



Business risks inherent in the rubber industry

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

Risks related to capacity utilization

Current footwear factory capacities are sufficient for the planned increase in output, to three million pairs per year. Therefore, further large investments in Tigar Footwear's capacity will not be required in the subsequent five-year period. However, some investment in equipment reconstruction may be needed to increase productivity and quality, and in the fabrication of tools and lasts for new footwear models. With regard to technical rubber goods, two production lines for EPDM and thermoplastic profiles will be completed in 2011, after which no further large investments are anticipated. If Tigar, through its strategic partnership with Kaufil, obtains the status of a rubber parts suppliers for new vehicle models to be manufactured at Fiat Serbia, additional investments in the amount of 1.5 million Euros will be needed to upgrade existing capacities to required levels for this type of production. At present, the plant which produces finished products from recycled rubber has capacities which exceed by far its planned level of production. To fully utilize these capacities, Tigar needs to build its own supply of recycled rubber.

Energy supply capacities at Tigar 3 are currently sufficient for supplying Tigar factories operating at full capacity. Nevertheless, the purchase of a small boiler would be useful as it would allow for substantial savings during the summer, when consumption is low, and this boiler could also act as a backup for any main boiler failures in the future.

In 2012, Tigar plans to invest further in capacities for the production of semi-finished products, to offset its dependence on Tigar Tyres, who may not always be able to provide services related to the mixing of black rubber compounds if its own production levels increase. The new capacities will be located at Tigar 3, and will comprise the preparation of white, color and black rubber compounds, which would support full factory capacity for externally sold products.

At Tigar Chemical Products, investments in reconstruction and updating will depend on the product mix and targeted output levels following its relocation to Tigar 3.

In summary, current capacities of the factories operated by Tigar AD are able to accommodate projected growth, while investments in production capacities for semi-finished products and energy supplies are required. One exception is investment in additional equipment for the product line for Fiat, which is dependent on Tigar, along with Kaufil, becoming Fiat's supplier. Finally, a tire recycling plant will be needed if Tigar aims to boost sales of recycled-rubber products.

**2010 ANNUAL REPORT**

Document Reference

IZ.P. 10/04**Risks related to shareholder and corporate structure**

In 2010, there were no major changes in shareholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be facing this type of risk in the near future, even if Tigar proceeds with recapitalization in 2001. Since the strategy of the government related to its share in the capital has not yet been clearly defined, unexpected actions which could negatively influence business operations are not expected, as the Company is among the largest employers, exporters and taxpayers.

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



3. MARKET POSITION AND PRODUCTION LEVELS

3.1. 2010 OUTPUT AND SALES BY SEGMENT

Footwear

Tigar Footwear's product lines currently include:

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

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

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

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

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

Technical Rubber Goods

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

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

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

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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

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

Chemical Products

Tigar Chemical Products manufactures more than 300 products classified into:

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

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

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

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

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

Adhesives. These products include adhesives for the consumer market, adhesives for the construction industry, various industrial adhesives, and special-purpose adhesives. Industrial adhesives include adhesives for the footwear, printing, furniture and timber industries. A special product belonging to this group is conveyor belt



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

adhesive intended for the mining industry. It ensures splicing and restarting of a loaded conveyor belt within one hour after joining. In recent years this product has also been used in coating of conveyor drums with rubber.

Complementary Goods

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

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

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

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

In 2010, Tigar's automotive service and retail sales network Stop&Drive offered the following services:

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

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

Car wash.

Tire monitoring and safe-keeping.

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

Other Services

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

- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;
- Pirot Tax Free Zone, which is a specially-designated area within Serbia where business, may be carried out free from duty or VAT and certain municipal charges. The Pirot Tax Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The TFZ is within the Industrial Zone of Pirot and covers 17 ha, 46 a, and 29 m2 of infrastructure-enabled land. The total surface area controlled by the TFZ is 65 ha, 21a and 26 m2, including its own railroad track and 50 telephone lines. 65 companies currently operate in the Tax Free Zone, including 41 foreign companies. In addition to tax and other advantages, companies in the Zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only

**2010 ANNUAL REPORT**

Document Reference

IZ.P. 10/04

in the Pirot Tax Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.

- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles.
- Food production for internal needs of Tigar AD and Tigar Tyres, but also for the external market, as well as hospitality services provided to tourists, business men and women, delegations, and sports teams.
- Workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling, laundry services, and several other types of support services.
- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.

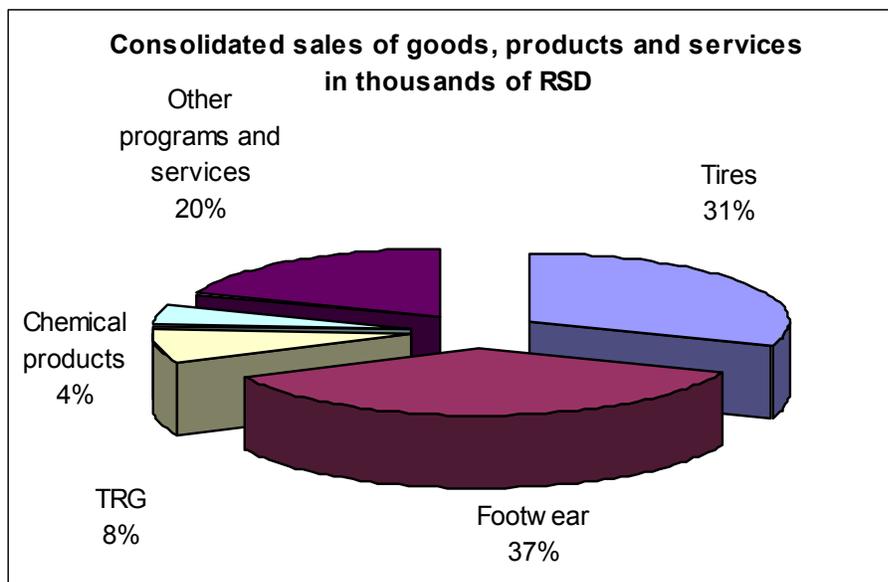


3.2. 2010 SALES OF GOODS AND SERVICES

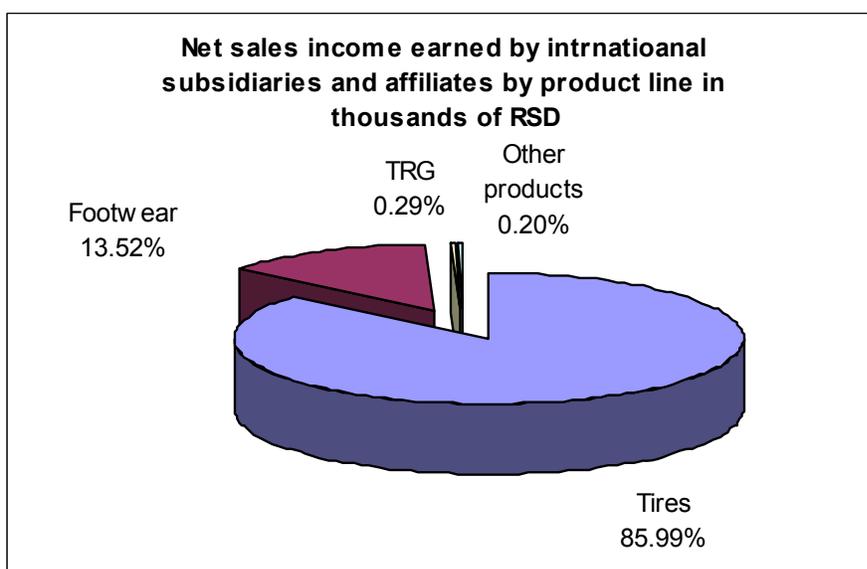
EXTERNAL REVENUES

In 2010, external revenues from sales of goods and services amounted to 4.3 billion RSD.

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



SALES REVENUES EARNED BY INTERNATIONAL SUBSIDIARIES AND AFFILIATES





2010 ANNUAL REPORT

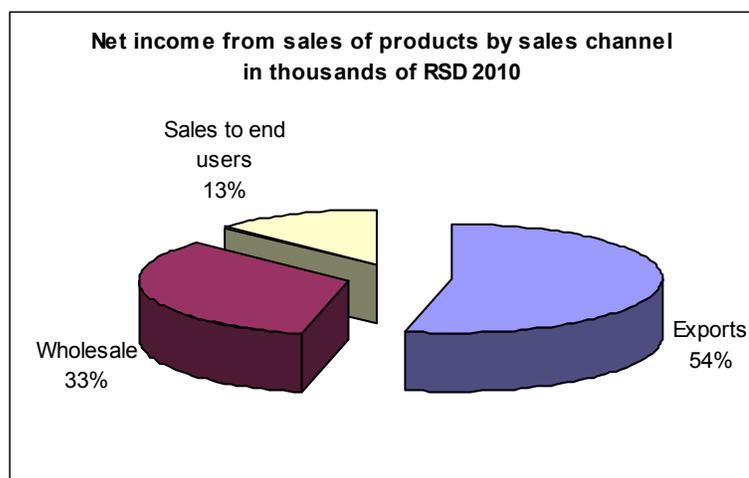
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IZ.P. 10/04

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

<i>Net sales income from goods and products in thousands of RSD</i>	<i>2009</i>	<i>2010</i>	<i>%</i>
Sales by product group			
Car and light truck tires	346,232	250,993	-28%
Truck tires	59,839	42,855	-28%
Agricultural and other tires	27,844	17,475	-37%
Total tires sale	433,915	311,323	-28%
Inner tubes	15,847	11,071	-30%
Tigar Rubber footwear	1,039,679	1,634,536	57%
- Domestic market	301,538	387,399	28%
- Export	738,141	1,247,137	69%
Non - Tigar footwear	13,176	28,210	114%
Technical Rubber goods	185,073	334,986	81%
- Domestic market	155,079	264,604	71%
- Export	29,993	70,382	135%
Chemical products	187,237	192,561	3%
- Domestic market	136,178	144,128	6%
- Export	51,059	48,433	-5%
Complementary goods	27,415	33,382	22%
TOTAL	1,902,342	2,546,069	34%

Breakdown of sales of products and goods

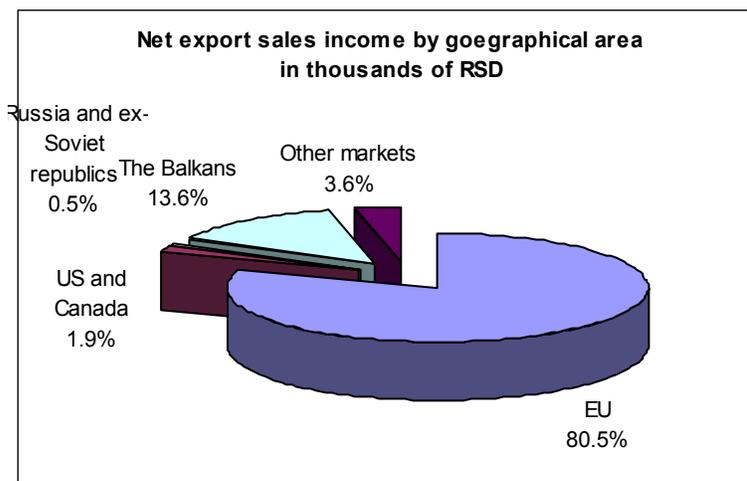




2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04



The above tables and charts show that the revenue growth largely traced to domestic and international sales of footwear and to the distribution of tires. Compared to 2009, the contribution of footwear sales revenues to total revenues increased to 37%, while that of tires fell from 38% to 31%. This decline was largely due to a 28% reduction in sales in the domestic market, caused by tire supply problems throughout the year and low sales levels during the last quarter. After an announcement was made in October 2010 that winter tires will become mandatory, there was a sudden increase in the number of inquiries. However, this was later modified and the winter tire requirement deferred by one year. As a result, demand slumped, especially in the retail segment. The enforcement of the new regulation in 2011 and a regular supply stream are expected to produce the planned growth level in 2011.

Based on reports from Tigar's subsidiaries operating abroad, tire sales are expected to remain more-or-less constant. A transaction currently contemplated with Michelin will help support tire sales via these companies, since tires are an important segment of their operations, although the focus will be on a significant increase in sales of other products (primarily footwear and technical rubber goods). The role of Tigar's subsidiaries operating abroad, especially Tigar Europe and Tigar Americas, in footwear sales under Tigar's proprietary brands will be upgraded following a number of activities initiated in 2010, including intensified marketing, a new web page, participation in international trade shows, setting up of show rooms, and leasing of warehouses from which sales will be made to medium and small buyers.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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

Industrial products made by Tigar Technical Rubber Goods (TTRG) recorded an 81% growth relative to 2009 but met expectations only half way. The main reasons for this were a six-month delay in commissioning of new plants, TTRG's inability to complete the physical implementation of its project in 2010 due to a lack of investment funds, insufficient time to attract new large buyers and enter new markets, and occasional supply problems related to raw materials used only by this factory. Following commissioning, TTRG's plant for the manufacture of recycled-rubber products focused on former Bilgutex buyers from Denmark and other North European countries. These buyers needed some time to gain confidence in their new supplier and its product quality, and started placing larger orders at the end of the year for delivery in 2011. The recycled-rubber products made by this plant were relatively or totally new in the Serbian and regional markets, particularly traffic supplies and products for public surfaces. Marketing and sales teams worked hard on promoting the new products to both retail customers and potential large-volume buyers, such as government agencies, local administrations, and public institutions. Since the plant was put into operation at the end of March 2010, three quarters were not enough to develop a market for the new range of products.

In the chemical products segment, the global economic crisis stood in the way of substantial deliveries to the Greek market. Exports were relatively low and the collection of accounts receivable protracted. The demand of public agencies, particularly for road paint, as well as that of other large-volume buyers, was greater than the ultimate output. Many of these buyers were unable to place firm orders in time while Tigar Chemical Products could not pre-order raw materials. This resulted in lower sales but reduced the risk of stockpiling. Production for the consumer market was reduced for the same reason and generally affected by a decreased demand during the period. Inter-company production matched the needs of the tire, footwear and technical rubber goods factories. In view of all these problems, a study was initiated to show the output level and product mix Tigar Chemical Products should pursue after it relocates.

Sales of other products, especially footwear and complementary goods, exceeded previous year levels and are expected to continue to grow. The reduction in tire sales did not have a major impact on Stop&Drive revenues, such that servicing accounted for 40% of its margin. The decline in the purchasing power of the population had an adverse impact on sales performance and also necessitated deferred payments from customers, which affected cash flow. Based on current developments, this segment is expected to report a significant growth once the mandatory winter tire legislation is enforced.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

3.3. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The following tables show breakdowns by manufacturing segment.

TIGAR FOOTWEAR

Output (tons)	January - December		% change
	2009	2010	
Low footwear	366	260	-29%
Work footwear	851	828	-3%
Hunting footwear	286	471	65%
Fishing footwear	47	57	21%
Safety footwear	211	237	12%
Fashion footwear	44	136	206%
Children's footwear	51	40	-21%
Cardboard, soles, heels	15	25	72%
TOTAL:	1,870	2,054	10%

TIGAR TECHNICAL RUBBER GOODS

Output (tons)	January - December		% change
	2009	2010	
External rubber compound mixing plant	210	935	345%
Molded products	62	121	97%
Rubber profiles and tubing	179	308	72%
Sporting goods	17	51	210%
Industrial rubber coating	21	102	375%
Recycled-rubber products	0	1,157	
TOTAL:	489	2,674	447%

TIGAR CHEMICAL PRODUCTS

Output (tons)	January - December		% change
	2009	2010	
Mining industry products	41	67	66%
Road paint	921	524	-43%
Railways/ACP	13	13	-1%
Metal industry products	74	70	-5%
Construction industry products/flooring	13	64	407%
Consumer products	144	108	-25%
Internal production	110	118	7%
TOTAL:	1,315	964	-27%



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4. 2010 FINANCIALS

4.1. KEY INDICATORS OF THE HOLDING COMPANY – TIGAR AD

Tigar AD's unconsolidated financials in thousands of dinars	January-December 2009	January-December 2010	% change
Assets	3,997,793	4,278,197	7%
Equity	2,811,407	2,827,796	1%
Operating income	273,211	651,666	139%
EBIT	-262,323	48,374	gain vs. loss
EBITDA	-243,932	73,683	gain vs. loss
Financial income	154,698	114,725	-26%
Other income	688,343	232,243	-66%
Total income	1,116,252	998,634	-11%
Net income	113,682	54,284	-52%

4.2. KEY CONSOLIDATED INDICATORS

Tigar AD's consolidated financials in thousands of Dinars	Actual	Actual
	January - December 2009	January - December 2010
Assets	7,155,209	8,221,149
Equity	3,514,083	3,394,261
Operating income	3,880,745	5,160,951
EBIT	-282,729	271,356
EBITDA	-163,822	424,393
Financial income	74,609	72,136
Other income	327,820	71,228
Total income	4,283,174	5,304,315
Net income	-219,898	-60,401

A significant increase in income, especially sales income, was recorded in 2010 relative to 2009. The Holding Company earned its income from services rendered to its subsidiaries, services rendered to Tigar Tyres, the leasing of premises, and the supply of energy (since it owns the central energy capacities). Operating expenses were comprised of employee expenses, auditors' fees, consultants' fees (particularly those of tax advisors), expenses associated with the activities of corporate governing bodies, and miscellaneous costs and expenses. Finance income included dividends and foreign exchange gains on participations in companies operating abroad and bank deposits in foreign currencies. Other income largely traced to adjustments. The Holding Company reported a positive operating result in 2010, mainly due to an increase in its service fees. This impacted the expenses incurred by its subsidiaries but did not affect the consolidated result.

Tigar Trade handled all activities related to sales, purchasing and logistics for Tigar Footwear and Tigar Technical Rubber Goods, as well as in connection with the distribution of tires and automotive afterparts and the services of Stop&Drive in Serbia. Owing to higher sales revenues and margins, and stringent cost control, Tigar Trade reported a significant growth relative to 2009. However, in line with the general corporate financing policy and based on working capital needs at the corporate level, Tigar Trade took out working capital loans to ensure timely payments to (primarily) Tigar Footwear, TTRG and the Holding Company, to support their unhindered operations. This resulted in high finance expenses, which largely contributed to a lower net result than a year ago.

**2010 ANNUAL REPORT**

Document Reference

IZ.P. 10/04

All factories, except Tigar Chemical Products, reported a revenue growth tracing to increased sales revenues, volume growth, and product mix modifications. Tigar Footwear recorded high R&D costs, a portion of which has been capitalized. Costs of materials were affected by increased raw-material prices in the domestic and international markets and the shift to more sophisticated products which require costly materials.

Salaries and wages were adjusted for inflation.

Overall debt increased and led to higher finance expenses, but this was necessitated by sales growth.

Based on 2010 indicators, conditions have been created for further growth, with fixed costs remaining at a more-or-less constant level. This will increase the operating and net results over the next two years, especially since investments through the year 2013 will largely target productivity, capacity, quality, and product and market development. Infrastructure investments have either been deferred until after 2013 or will be supported by special credit arrangements.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.3. TIGAR AD (HOLDING COMPANY)

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010
Non-current assets	2,780,230	3,051,534
Current assets	1,217,563	1,226,663
Deferred tax assets		
TOTAL ASSETS	3,997,793	4,278,197
Equity	2,811,407	2,827,796
Long-term liabilities and provisions	180,571	451,032
Current liabilities	1,005,022	997,904
Deferred tax liabilities	793	1,465
TOTAL EQUITY AND LIABILITIES	3,997,793	4,278,197

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	273,211	651,666	139%
Operating expenses	535,534	603,292	13%
PROFIT/LOSS FROM OPERATIONS	-262,323	48,374	gain vs. loss
Finance income	154,698	114,725	-26%
Finance expenses	140,161	160,894	15%
Other income	688,343	232,243	-66%
Other expenses	295,278	156,167	-47%
PROFIT/LOSS BEFORE TAXATION	145,279	78,281	-46%
INCOME TAXES			
Current tax expense	30,148	23,326	-23%
Deferred income tax expense	1,449	671	-54%
Deferred income tax benefit			
NET PROFIT/LOSS	113,682	54,284	-52%

CASH FLOWS (in thousands of RSD)	January-December 2009	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	223,943	350,788
Cash outflow from operating activities	767,235	785,124
Net cash inflow from operating activities		
Net outflow from operating activities	543,292	434,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	1,519,336	35,982
Cash outflow from investing activities	360,214	24,423
Net cash inflow from investing activities	1,159,122	11,559
Net cash outflow from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		131,688
Cash outflow from financing activities	139,086	57,993
Net cash inflow from financing activities		73,695
Net cash outflow from financing activities	139,086	
NET CASH INFLOW	476,744	
NET CASH OUTFLOW		349,082
Cash and cash equivalents at beginning of year	52,935	530,588
Foreign exchange gains on translation of cash and cash equivalents	909	31,898
Foreign exchange losses on translation of cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT END OF YEAR	530,588	213,404



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.4. CONSOLIDATED FINANCIAL RESULT

Tigar AD Consolidated Balance Sheet (in thousands of RSD)	As of 31 December 2008	As of 31 December 2009	As of 31 December 2010
ASSETS			
Non-current assets	3,931,668	4,110,708	4,744,123
Intangible assets	74,702	111,442	398,125
Property, plant and equipment	3,323,718	3,939,938	4,288,710
Property, plant and equipment	3,323,718	3,939,938	4,288,710
Long-term financial placements	533,248	59,328	57,287
Equity investments	481,447	11,670	11,819
Other long-term financial placements	51,801	47,658	45,468
Current assets	3,017,447	3,026,465	3,455,722
Inventories	1,289,581	1,442,628	1,823,646
Assets held-for-sale	10,791	19,884	20,039
Accounts receivable, placements and cash	1,717,075	1,563,953	1,612,037
Accounts receivable	918,538	727,066	903,162
Receivables from over-paid taxes	10,568	14,303	7,097
Short-term financial placements	469,686	5,736	4,986
Cash and cash equivalents	242,410	702,009	369,524
Value added tax and prepayments	75,873	114,839	327,267
Deferred tax assets	18,015	18,036	21,305
TOTAL ASSETS	6,967,130	7,155,209	8,221,149
EQUITY AND LIABILITIES			
Equity	3,745,192	3,514,083	3,394,261
Share and other capital	2,109,209	2,146,009	2,144,468
Share issuing premiums			
Reserves	582,138	207,925	940
Revaluation reserves	1,086,061	1,074,215	1,055,000
Retained earnings	-6,198	85,934	193,853
Loss			
Shares buyback	26,018		
Long-term liabilities and provisions	3,099,366	3,513,163	4,692,192
Long-term provisions	81,891	79,861	83,087
Long-term liabilities	679,018	1,149,078	1,729,281
Long-term debt	679,018	1,132,408	1,512,668
Other long-term liabilities		16,670	216,614
Current liabilities	2,338,457	2,284,224	2,879,824
Short-term financial liabilities	1,184,001	1,432,181	1,716,210
Account payable	879,547	639,111	851,146
Other current liabilities	139,819	151,136	183,927
Value added tax and other taxes payable and accruals	50,178	43,134	110,455
Income taxes payable	84,912	18,662	18,086
Deferred tax liabilities	122,572	127,963	134,696
TOTAL EQUITY AND LIABILITIES	6,967,130	7,155,209	8,221,149

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Tigar AD Consolidated Income statement (in thousands of RSD)	January- December 2008	January- December 2009	January- December 2010
OPERATING INCOME	3,751,613	3,880,745	5,160,951
Sales of goods, products and services	3,315,792	3,349,344	4,288,191
Work performed by the company and capitalized	392,524	441,254	743,308
Increase in inventories of finished products and work in progress		57,463	89,828
Decrease in inventories of finished products and work in progress	26,402		
Other operating income	69,699	32,684	39,624
OPERATING EXPENSES	4,466,831	4,163,474	4,889,595
Cost of commercial goods sold	1,177,607	914,976	835,533
Material, fuel and energy consumed	1,245,092	1,174,529	1,628,076
Staff costs	1,501,211	1,500,700	1,613,490
Depreciation, amortization and provisions	88,801	148,471	187,982
Other operating expenses	454,120	424,798	624,515
PROFIT/LOSS FROM OPERATIONS	-715,218	-282,729	271,356
FINANCE INCOME	202,587	74,609	72,136
FINANCE EXPENSES	353,424	262,493	391,035
OTHER INCOME	1,096,598	327,820	71,228
OTHER EXPENSES	35,223	29,528	46,648
PROFIT/LOSS BEFORE TAXATION	195,320	-172,320	-22,964
INCOME TAXES			
Current tax expense	99,318	41,236	31,088
Deferred income tax expense	6,049	6,831	6,907
Deferred income tax benefit		489	558
NET PROFIT/LOSS	89,953	-219,898	-60,401

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.5. SUMMARY OF KEY FINANCIAL RESULTS

TIGAR

TIGAR AD

Equity: 2,827,796
 Total income: 998,634
 EBITDA: 73,683
(000 RSD)

PRODUCTION ENTITIES

TIGAR FOOTWEAR

Equity: 857,475
 Total income: 1,654,299
 EBITDA: 5,450
(000 RSD)

TIGAR TECHNICAL RUBBER GOODS

Equity: 296,544
 Total income: 621,976
 EBITDA: -14,930
(000 RSD)

TIGAR CHEMICAL PRODUCTS

Equity: 131,031
 Total income: 205,561
 EBITDA: -52,893
(000 RSD)

COMMERCIAL ENTITIES

TIGAR TRADE

Equity: 249,516
 Total income: 3,342,504
 EBITDA: 113,477
(000 RSD)

TIGAR MONTENEGRO

Equity: 108
 Total income: 774
 EBITDA: 25
(000 EUR)

TIGAR PARTNER

Equity: 17,722
 Total income: 31,092
 EBITDA: 657
(000 DEN)

TIGAR TRADE Banja Luka

Equity: 435
 Total income: 2,455
 EBITDA: 6
(000 KM)

TIGAR EUROPE

Equity: 2,668
 Total income: 14,705
 EBITDA: 347
(000 GBP)

TIGAR AMERICAS

Equity: 436
 Total income: 985
 EBITDA: 15
(000 USD)

SERVICE ENTITIES

PIROT FREE ZONE

Equity: 140,069
 Total income: 217,462
 EBITDA: 22,784
(000 RSD)

TIGAR BUSINESS SERVICES

Equity: 169,308
 Total income: 313,571
 EBITDA: 7,320
(000 RSD)

TIGAR TOURS

Equity: 9,646
 Total income: 6,061
 EBITDA: 527
(000 RSD)

TIGAR INTER RISK

Equity: 1,859
 Total income: 4,371
 EBITDA: 284
(000 RSD)

TIGAR SECURITY

Equity: 14,068
 Total income: 78,266
 EBITDA: 5,707
(000 RSD)

TIGAR WORKSHOP

Equity: 3,678
 Total income: 52,043
 EBITDA: 6,007
(000 RSD)

TIGAR INCON

Equity: 169,561
 Total income: 235,794
 EBITDA: 14,007
(000 RSD)

PI CHANNEL

Equity: 4,086
 Total income: 14,747
 EBITDA: 1,259
(000 RSD)

SPORTS CENTER

Equity: 15,931
 Total income: 1,276
 EBITDA: 11
(000 RSD)



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.6. TIGAR TRADE SERBIA

BALANCE SHEET (in thousands of RSD)	As of 31 December 2009	As of 31 December 2010
Non-current assets	350,577	451,967
Current assets	1,377,654	2,059,292
Deferred tax assets		
TOTAL ASSETS	1,728,231	2,511,259
Equity	209,850	249,516
Long-term liabilities and provisions	28,503	201,579
Current liabilities	1,488,535	2,058,256
Deferred tax liabilities	1,343	1,908
TOTAL EQUITY AND LIABILITIES	1,728,231	2,511,259

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	2,268,196	3,300,293	46%
Operating expenses	2,257,572	3,210,500	42%
PROFIT/LOSS FROM OPERATIONS	10,624	89,793	745%
Finance income	10,842	25,085	131%
Finance expenses	51,979	112,470	116%
Other income	66,481	17,126	-74%
Other expenses	5,752	10,134	76%
PROFIT/LOSS BEFORE TAXATION	30,216	9,400	-69%
INCOME TAXES			
Current tax expense	1,069	697	-35%
Deferred income tax expense	512	565	10%
Deferred income tax benefit			
NET PROFIT/LOSS	28,635	8,138	-72%

CASH FLOWS (in thousands of RSD)	January-December 2009	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	2,736,094	3,316,676
Cash outflow from operating activities	3,038,226	3,598,662
Net cash inflow from operating activities		
Net outflow from operating activities	302,132	281,986
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		1,881
Cash outflow from investing activities		12,293
Net cash inflow from investing activities		
Net cash outflow from investing activities		10,412
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	318,925	285,037
Cash outflow from financing activities	2,833	5,031
Net cash inflow from financing activities	316,092	280,006
Net cash outflow from financing activities		
NET CASH INFLOW	13,960	
NET CASH OUTFLOW		12,392
Cash and cash equivalents at beginning of year	15,358	28,788
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents	530	2,605
CASH AND CASH EQUIVALENTS AT END OF YEAR	28,788	13,791



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.7. TIGAR FOOTWEAR

	As of 31 December 2009.	As of 31 December 2010.
Non-current assets	1,229,437	1,420,256
Current assets	814,964	1,137,422
Deferred tax assets		
TOTAL ASSETS	2,044,401	2,557,678
Equity	853,427	857,475
Long-term liabilities and provisions	701,950	772,345
Current liabilities	484,356	920,603
Deferred tax liabilities	4,668	7,255
TOTAL EQUITY AND LIABILITIES	2,044,401	2,557,678

INCOME STATEMENT (in thousands of RSD)	January-December 2009	January-December 2010	% Change relative to 2009
Operating income	1,094,733	1,508,921	38%
Operating expenses	1,207,366	1,553,008	29%
PROFIT/LOSS FROM OPERATIONS	-112,633	-44,087	61%
Finance income	11,141	1,147	-90%
Finance expenses	26,216	67,491	157%
Other income	171,518	144,231	-16%
Other expenses	2,921	26,910	821%
PROFIT/LOSS BEFORE TAXATION	40,889	6,890	-83%
INCOME TAXES			
Current tax expense	1,853	257	-86%
Deferred income tax expense	3,218	2,587	-20%
Deferred income tax benefit			
NET PROFIT	35,818	4,046	-89%

CASH FLOWS (in thousands of RSD)	January-December 2009.	January-December 2010.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	1,274,167	1,268,652
Cash outflow from operating activities	1,477,597	1,411,624
Net cash inflow from operating activities		
Net outflow from operating activities	203,430	142,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	107,827	9,747
Net cash inflow from investing activities		
Net cash outflow from investing activities	107,827	9,747
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	279,370	152,749
Cash outflow from financing activities		
Net cash inflow from financing activities	279,370	152,749
Net cash outflow from financing activities		
Total cash inflow	1,553,537	1,421,401
Total cash outflow	1,585,424	1,421,371
NET CASH INFLOW		30
NET CASH OUTFLOW	31,887	
Cash and cash equivalents at beginning of year	31,833	190
Foreign exchange gains on translation of cash and cash equivalents	1,855	48
Foreign exchange losses on translation of cash and cash equivalents	1,611	81
CASH AND CASH EQUIVALENTS AT END OF YEAR	190	187



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.8. TIGAR TECHNICAL RUBBER GOODS

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

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	212,354	581,761	174%
Operating expenses	309,092	617,183	100%
PROFIT/LOSS FROM OPERATIONS	-96,738	-35,422	63%
Finance income	2,764	1,414	-49%
Finance expenses	14,376	35,112	144%
Other income	37,195	38,801	4%
Other expenses	5,962	632	-89%
PROFIT/LOSS BEFORE TAXATION	-77,117	-30,951	60%
INCOME TAXES			
Current tax expense			
Deferred income tax expense	1,462	2,920	100%
Deferred income tax benefit			
NET PROFIT/LOSS	-78,579	-33,871	57%

CASH FLOWS (in thousands of RSD)	January-December 2009	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	304,748	478,549
Cash outflow from operating activities	323,190	426,769
Net cash inflow from operating activities		51,780
Net outflow from operating activities	18,442	
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		8,418
Cash outflow from investing activities	206,792	178,248
Net cash inflow from investing activities		
Net cash outflow from investing activities	206,792	169,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	255,915	94,130
Cash outflow from financing activities	10,243	
Net cash inflow from financing activities	245,672	94,130
Net cash outflow from financing activities		
NET CASH INFLOW	20,438	
NET CASH OUTFLOW		23,920
Cash and cash equivalents at beginning of year	4,156	24,207
Foreign exchange gains on translation of cash and cash equivalents	13	48
Foreign exchange losses on translation of cash and cash equivalents	400	105
CASH AND CASH EQUIVALENTS AT END OF YEAR	24,207	230



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.9. TIGAR CHEMICAL PRODUCTS

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

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	252,603	199,256	-21%
Operating expenses	247,080	256,565	4%
PROFIT/LOSS FROM OPERATIONS	5,523	-57,309	-1138%
Finance income	2,170	2,269	5%
Finance expenses	20,394	6,258	-69%
Other income	24,203	4,036	-83%
Other expenses	6,533	774	-88%
PROFIT/LOSS BEFORE TAXATION	4,969	-58,036	-1268%
INCOME TAXES			
Current tax expense	1,594		-100%
Deferred income tax expense			
Deferred income tax benefit	192	186	-3%
NET PROFIT/LOSS	3,567	-57,850	-1722%

CASH FLOWS (in thousands of RSD)	January-December 2009	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	424,160	261,271
Cash outflow from operating activities	312,242	281,560
Net cash inflow from operating activities	111,918	
Net outflow from operating activities		20,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	825	2,113
Net cash inflow from investing activities		
Net cash outflow from investing activities	825	2,113
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	47,624	51,968
Cash outflow from financing activities	157,860	29,973
Net cash inflow from financing activities		21,995
Net cash outflow from financing activities	110,236	
NET CASH INFLOW	857	
NET CASH OUTFLOW		407
Cash and cash equivalents at beginning of year	1,451	1,562
Foreign exchange gains on translation of cash and cash equivalents	65	59
Foreign exchange losses on translation of cash and cash equivalents	811	128
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,562	1,086



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.10. TIGAR EUROPE UK

Balance Sheet in thousands of GBP		As of 31 December 2009	As of 31 December 2010
Assets			
	Non-current assets	7	5
	Current assets	3,921	4,217
	Deferred tax assets		
	Total assets	3,928	4,222
Equity and liabilities			
	Equity	2,582	2,668
	Non-current liabilities		
	Current liabilities	1,346	1,554
	Total equity and liabilities	3,928	4,222

INCOME STATEMENT (in thousands of GBP)	Actual January - December 2009.	Actual January - December 2010.	% change relative to 2009
Turnover	12,993	14,698	13%
Cost of sales	12,137	13,737	13%
Gross Profit	856	961	12%
Administrative expenses	569	616	8%
Operating Profit	287	345	20%
Interest receivable	10	7	-29%
Commission	33		
Profit on Ordinary Activities Before Taxation	330	352	7%
Tax on profit on ordinary activities	72	79	9%
Retained Profit for the Financial Year	257	273	6%



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.11. TIGAR AMERICAS, USA

Balance Sheet in thousands of USD		As of 31 December 2009	As of 31 December 2010
Assets			
	Non-current assets	1	6
	Current assets	261	282
	Deferred tax assets	254	250
	Total assets	517	538
Equity and liabilities			
	Equity	429	436
	Non-current liabilities		
	Current liabilities	88	102
	Total equity and liabilities	517	538

INCOME STATEMENT (in thousands of USD)	Actual January - December 2009.	Actual January - December 2010.	% change relative to 2009
Sales and marketing income	566	985	74%
Cost of goods sold	381	808	112%
Gross profit	185	178	-4%
Selling, general and administrative expenses	192	163	-15%
Result from operations	-7	14	gain vs. loss
Other income (expense)	-31	-3	
Net result before corporation taxes	-37	11	gain vs. loss
Income tax			
Net profit (loss)	-37	11	gain vs. loss

4.12. TIGAR MONTENEGRO, MONTENEGRO

Balance Sheet (in thousands of EUR)		As of 31. December 2009.	As of 31. December 2010
Assets			
	Non-current assets	4	4
	Current assets	218	271
	Deferred tax assets		
	Total assets	222	275
Equity and liabilities			
	Equity	93	108
	Non-current liabilities		
	Current liabilities	129	166
	Deferred tax liabilities		
	Total equity and liabilities	222	275

INCOME STATEMENT (in thousands of EUR)	January-December 2009	January-December 2010	% change relative to 2009
Total income	718	774	8%
Total expenses	696	750	8%
Profit/Loss from operations	23	24	4%
Current tax expense	2	2	-3%
Deferred Income tax expense			
Deferred Income tax benefit			
Net profit/Loss	21	21	5%



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.13. TIGAR TRADE, REPUBLIKA SRPSKA

Balance Sheet (in thousands of KM)		As of 31 December 2009.	As of 31 December 2010
Assets			
Non-current assets		243	244
Current assets		1,254	1,446
Deferred tax assets			
Total assets		1,498	1,691
Equity and liabilities			
Equity		485	435
Non-current liabilities		0	0
Current liabilities		1,012	1,256
Deferred tax liabilities			
Total equity and liabilities		1,498	1,691

INCOME STATEMENT (in thousands of KM)	January-December 2009	January-December 2010	% change relative to 2009
Total income	2,603	2,455	-6%
Total expenses	2,580	2,451	-5%
Profit/Loss from operations	22	4	-82%
Current tax expense	2	1	-66%
Deferred Income tax expense			
Deferred Income tax benefit			
Net profit/Loss	20	3	-83%

4.14. TIGAR PARTNER, MACEDONIA

Balance Sheet (in thousands of Denars)		As of 31. December 2009.	As of 31. December 2010
Assets			
Non-current assets		615	334
Current assets		27,061	23,772
Deferred tax assets			
Total assets		27,676	24,106
Equity and liabilities			
Equity		17,626	17,722
Non-current liabilities			
Current liabilities		10,050	6,384
Deferred tax liabilities			
Total equity and liabilities		27,676	24,106

INCOME STATEMENT (in thousands of Denars)	January-December 2009	January-December 2010	% change relative to 2009
Total income	45,032	31,092	-31%
Total expenses	46,116	30,978	-33%
Profit/Loss from operations	-1,084	114	
Current tax expense	54	19	-65%
Deferred Income tax expense			
Deferred Income tax benefit			
Net profit/Loss	-1,137	95	gain vs. loss



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.15. TIGAR BUSINESS SERVICES

BALANCE SHEET (in thousands of RSD)	Opening balance As of 01 January 2010	As of 31 December 2010
Non-current assets	212,212	218,217
Current assets	68,208	84,664
Deferred tax assets	29	79
TOTAL ASSETS	280,448	302,960
Equity	166,670	169,308
Long-term liabilities and provisions	30,680	20,025
Current liabilities	83,098	113,627
Deferred tax liabilities		
TOTAL EQUITY AND LIABILITIES	280,448	302,960

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2010
Operating income	311,757
Operating expenses	321,654
PROFIT/LOSS FROM OPERATIONS	-9,897
Finance income	82
Finance expenses	4,736
Other income	1,732
Other expenses	991
PROFIT/LOSS BEFORE TAXATION	-13,810
INCOME TAXES	
Current tax expense	
Deferred income tax expense	
Deferred income tax benefit	225
NET PROFIT/LOSS	-13,585

CASH FLOWS (in thousands of RSD)	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash inflow from operating activities	337,520
Cash outflow from operating activities	314,984
Net cash inflow from operating activities	22,536
Net outflow from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash inflow from investing activities	210
Cash outflow from investing activities	10,608
Net cash inflow from investing activities	
Net cash outflow from investing activities	10,398
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash inflow from financing activities	
Cash outflow from financing activities	13,487
Net cash inflow from financing activities	
Net cash outflow from financing activities	13,487
NET CASH INFLOW	
NET CASH OUTFLOW	1,349
Cash and cash equivalents at beginning of year	1,771
Foreign exchange gains on translation of cash and cash equivalents	5
Foreign exchange losses on translation of cash and cash equivalents	153
CASH AND CASH EQUIVALENTS AT END OF YEAR	274



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.16. TIGAR INCON

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

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	300,236	233,516	-22%
Operating expenses	277,173	223,194	-19%
PROFIT/LOSS FROM OPERATIONS	23,063	10,322	-55%
Finance income	95	870	816%
Finance expenses	795	230	-71%
Other income	37	1,408	3705%
Other expenses	434	661	52%
PROFIT/LOSS BEFORE TAXATION	21,966	11,709	-47%
INCOME TAXES			
Current tax expense	1,197	614	-49%
Deferred income tax expense	150	165	10%
Deferred income tax benefit			
NET PROFIT/LOSS	20,619	10,930	-47%

CASH FLOWS (in thousands of RSD)	January-December 2009	January-December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	373,376	316,210
Cash outflow from operating activities	346,927	305,137
Net cash inflow from operating activities	26,449	11,073
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	7,240	13,849
Net cash inflow from investing activities		
Net cash outflow from investing activities	7,240	13,849
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	15,564	1,514
Net cash inflow from financing activities		
Net cash outflow from financing activities	15,564	1,514
NET CASH INFLOW	3,645	
NET CASH OUTFLOW		4,290
Cash and cash equivalents at beginning of year	824	4,493
Foreign exchange gains on translation of cash and cash equivalents	67	66
Foreign exchange losses on translation of cash and cash equivalents	43	3
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,493	266



2010 ANNUAL REPORT

Document Reference

I.Z.P. 10/04

4.17. PIROT FREE ECONOMIC ZONE

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

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	58,078	214,364	269%
Operating expenses	51,980	194,755	275%
PROFIT/LOSS FROM OPERATIONS	6,098	19,609	222%
Finance income	2,286	2,358	3%
Finance expenses	434	1,048	141%
Other income	1,821	740	-59%
Other expenses	1,330	1,377	4%
PROFIT/LOSS BEFORE TAXATION	8,441	20,282	140%
INCOME TAXES			
Current tax expense	261	678	160%
Deferred income tax expense	11		-100%
Deferred income tax benefit		98	
NET PROFIT/LOSS	8,169	19,702	141%



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

4.18. OTHER SERVICE SUBSIDIARIES, AGGREGATE FINANCIALS

INCOME STATEMENT (in thousands of RSD)	Actual January-December 2009	Actual January-December 2010	% Change relative to 2009
Operating income	165,115	153,123	-7%
Operating expenses	162,329	143,842	-11%
PROFIT/LOSS FROM OPERATIONS	2,786	9,281	233%
Finance income	754	309	-59%
Finance expenses	192	207	8%
Other income	11,549	3,332	-71%
Other expenses	1,502	213	-86%
PROFIT/LOSS BEFORE TAXATION	13,395	12,502	-7%
INCOME TAXES			
Current tax expense	597	488	-18%
Deferred income tax expense	28		
Deferred income tax benefit	106	103	-3%
NET PROFIT/LOSS	12,876	12,117	-6%



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

5. SUSTAINABLE DEVELOPMENT

5.1. EMPLOYEES

Headcount and Structure

As of 31 December 2010, Tigar had 2,252 employees in Serbia. In addition, Tigar's entities in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 24 local employees.

On 31 December 2010, the employee structure was as follows:

Workforce as of 31 December 2010	
Company	Number of employees
Tigar AD	209
Tigar Footwear	978
Tigar Business Services	159
Tigar Technical Rubber Goods	220
Tigar Chemical Products	73
Tigar Trade	270
Other	343
Total	2,252

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, in case of death of its retired employee, Tigar pays to the family one monthly salary. Currently, 16 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 2010 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals, and local transportation subsidies amounted to 1,455,890,767 RSD. The table below shows paid salaries and wages as a percentage of sales income.

Total employee expenses in 2010			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
Tigar AD	142,998	238,320	39.82%
Tigar Footwear	281,763	484,897	39.01%
Tigar Business Services	60,851	104,545	33.55%
Tigar Technical Rubber Goods	89,214	155,685	33.37%
Tigar Chemical Products	34,795	60,388	35.94%
Tigar Trade	125,672	215,046	6.70%
Other	114,908	197,010	34.08%
Total	850,201	1,455,891	22.13%

In 2010, taxes and health insurance and pension fund contributions amounted to 605,689,627 RSD.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Optimization of Human Resources

In 2010, 84 employees left Tigar on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD	1	3	1	5
Tigar Footwear	4	9	10	23
Tigar Business Services	3	10	5	18
Tigar Technical Rubber Goods	2	6	1	9
Tigar Chemical Products	1		1	2
Tigar Trade	2	8	2	12
Other	3	7	5	15
Total	16	43	25	84

*Of these 25 employees, 4 left the Company of their own volition, 9 voluntarily moved to another entity within the Tigar Group, 3 passed away, and 9 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 2011. Solving the problem of employee redundancy on a voluntary basis was a major component of Tigar's contribution to social stability.

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

Workforce downsizing costs and percentage of gross salaries		
	In thousands of RSD	%
Tigar AD	1,410	0.59
Tigar Footwear	3,719	0.77
Tigar Business Services	1,647	1.57
Tigar Technical Rubber Goods	3,326	2.13
Tigar Chemical Products	307	0.50
Tigar Trade	16,238	7.55
Other	3,052	1.55
Total	29,699	2.03



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Professional Education

Tigar's policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 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	26	8	9	12

Tuition and scholarship expenses paid in 2010 amounted to 3,790,400 RSD, or 0.26% of gross salaries.

Employee Training

The following numbers of employees were trained through internal and external training programs in 2010:

Employee training			
	Internal	External	Total
Tigar AD	228	92	320
Tigar Footwear	1,074	25	1,099
Tigar Business Services	88	7	95
Tigar Technical Rubber Goods	698	15	713
Tigar Chemical Products	78	4	82
Tigar Trade	267	60	327
Other	515	104	619
Total	2,948	307	3,255

Employee training expenses in 2010 amounted to, 7,435,296 RSD, or 0.51% of gross salaries.

5.2. QUALITY ASSURANCE

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

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

The second annual inspection of the integrated management system at Tigar Chemical Products was conducted on 16 February 2010, to ensure compliance with quality management and environmental management certificates.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

A Tigar Footwear audit followed in July 2010, at which time the occupational health and safety management system of OHSAS 18001 was added to the existing quality and environmental management components of the integrated management system at this company.

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

In 2010, Tigar Incon initiated an action plan aimed at certifying an integrated management systems per ISO 9001, ISO 14001 and OHSAS 18001 requirements at this company. By mid-2011, Tigar Incon, which provides design and engineering services, will be certified as well.

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

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

5.3. ENVIRONMENTAL AND REGULATORY MATTERS

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

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

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

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

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

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

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Potential environmental impacts trace to the use of raw materials classified as hazardous substances. These substances are purchased, stored, and used in accordance with applicable regulations aimed at preventing accidents. All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet is provided for each raw material. Each safety data sheet is comprised of 16 sections which clearly describe the nature of the substance, its possible affect on health and the environment, procedures to be implemented in the event of an accident, procedures to be undertaken related to packaging and packaging waste, etc. All employees who come in contact with the substance receive regular training and re-training. All corporate documents are consistent with the new Chemicals Law (Official Gazette of the Republic of Serbia 36/2009) and related secondary legislation.

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

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

Tigar waste is classified based on the Handbook of Rules and Regulations on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). Lab analyses of all kinds of waste have been conducted (i.e., characterization and classification of waste) and a waste management plan consistent with the Waste Management Law (Official Gazette of the Republic of Serbia 135/09) prepared. The plan is being implemented by Tigar Shelter Workshop, which holds a special permit for waste collection, transportation, and storage, issued by the Ministry of Environment and Spatial Planning.

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

Packaging waste management has been delegated to an operator certified by the Ministry of Environment and Spatial Planning. This is one of the options offered by the Law on Packaging and Packaging Waste (Official Gazette of the Republic of Serbia 135/09), which has been adopted by Tigar. These arrangements allow Tigar to use the Green Dot on its packaging.

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 also improved the quality of gas emissions. Gas emissions were checked in 2010 and all parameters found to be below permissible levels.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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 permissible levels of pollutants has been recorded and Tigar's discharges, therefore, are not seen to present a threat to the environment.

Quarterly water quality tests were performed in 2010 and 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 no litigation proceedings involving Tigar arising out of environmental or social concerns.

Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products regularly submit information to the Environmental Protection Agency, as required for the Integrated Register of Polluters pursuant to the Environmental Protection Law (Article 75) and Regulations Governing 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.

Tigar observed the 2010 World Environment Day by collecting electronic waste; 6.2 tons of waste was collected and handed over to the S.E.T. Company in Belgrade for recycling.

The following environmental laws apply to the Company:

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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

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

5.4. INTELLECTUAL PROPERTY

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

Registered trademarks as of 31 December 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 Obuća	26.07.17.	Tigar AD
Z-2440/07	17.10.07.	56731	Tigar Hemijski Proizvodi	17.10.17.	Tigar AD
Ž-212/08	05.02.08.	57737	Tigrostik	05.02.18.	Tigar AD
Ž-211/08	05.02.08.	57738	Tigrolux	05.02.18.	Tigar AD
Ž-214/08	05.02.08.	57650	Tigropren	05.02.18.	Tigar AD
Ž-213/08	05.02.08.	57649	Tigrokol	05.02.18.	Tigar AD
Ž-768/08	31.03.08.	57538	Hotel Stara Planina	31.03.18.	Tigar AD
Ž-1433/08	06.06.08.	58815	Overload	06.06.18.	Tigar AD
Ž-1475/08	11.06.08.	58462	Waterpolo Senior	11.06.18.	Tigar AD
Ž-1473/08	11.06.08.	58427	Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1431/08	06.06.08.	58813	Waterpolo Junior	06.06.18.	Tigar AD
Ž-1472/08	11.06.08.	58428	Specijal	11.06.18.	Tigar AD
Ž-1432/08	06.06.08.	59305	Basketball Tg21 Official	06.06.18.	Tigar AD
Ž-1474/08	11.06.08.	58424	Neos	06.06.18.	Tigar AD
Ž-1469/08	11.06.08.	58426	Tricker Ball Basket Ball	11.06.18.	Tigar AD
Ž-1471/08	11.06.08.	59401	Bistro	11.06.18.	Tigar AD
Ž-1468/08	11.06.08.	58423	Overload Handball	11.06.18.	Tigar AD
Ž-1470/08	11.06.08.	58425	Dynamic Overload	11.06.18.	Tigar AD
Ž-1429/08	06.06.08.	58464	Overload Waterpolo Junior	06.06.18.	Tigar AD
Ž-1467/08	11.06.08.	58430	Overload Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1476/08	11.06.08.	58463	Overload Waterpolo Senior	11.06.18.	Tigar AD
Ž-1430/08	06.06.08.	59304	Basketball Overload TG21	06.06.18.	Tigar AD
Z-2441/07	17.10.07.	56730	Tigar Tehnička Guma	17.10.17.	Tigar AD
Ž-2681/08	03.11.08.	59486	Trapper	03.11.18.	Tigar AD
Ž-2682/08	03.11.08.	59485	Pesca	03.11.18.	Tigar AD
Ž-2679/08	03.11.08.	59327	Rainydays	03.11.18.	Tigar AD
Ž-2680/08	03.11.08.	59334	Nency	03.11.18.	Tigar AD
Ž-2678/08	03.11.08.	59333	Ladybird	03.11.18.	Tigar AD
Ž-2677/08	03.11.08.	59336	Ratar	03.11.18.	Tigar AD
Ž-2676/08	03.11.08.	59451	Balerina	03.11.18.	Tigar AD



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Z-2675/08	03.11.08.	59335	Work	03.11.18.	Tigar AD
Z-2904/08	02.12.08.	59458	Polar	03.11.18.	Tigar AD
Z-2674/08	03.11.08.	59337	Protecta	03.11.18.	Tigar AD
Z-2673/08	03.11.08.	59390	Forestry Line	03.11.18.	Tigar AD
Z-2672/08	03.11.08.	60043	Fireproof	03.11.18.	Tigar AD
Z-2671/08	03.11.08.	59326	Cryo	03.11.18.	Tigar AD
Z-2670/08	03.11.08.	59387	Sparclesafety	03.11.18.	Tigar AD
Z-2661/08	31.10.08.	59341	Firefigher Super Safety	31.10.18.	Tigar AD
Z-2662/08	31.10.08.	59452	Century Super Safety	31.10.18.	Tigar AD
Z-2659/08	31.10.08.	59334	Century 4000 Safety	31.10.18.	Tigar AD
Z-2660/08	31.10.08.	59345	Forester 3000	31.10.18.	Tigar AD
Z-2903/08	02.12.08.	60464	Trendy	02.12.18.	Tigar AD
Z-247R/80	30.04.80.	49044	Tigar	30.09.15.	Tigar Tyres
Z-1369/05	17.10.05.	49768	Tigar Tyres	17.10.15.	Tigar Tyres
Z-1373/05	17.10.05.	49792	Hitris Logo	17.10.15.	Tigar Tyres
Z-1371/05	17.10.05.	49819	Cargo Speed Logo	17.10.15.	Tigar Tyres
Z-1372/05	17.10.05.	49912	Wintera Logo	17.10.15.	Tigar Tyres
Z-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Z-551/09	27.03.09.	-	Bottega	-	Tigar AD
Z-639/09	13.04.09.	59942	Hotel StarA	13.04.19.	Tigar AD
Z-1011/09	30.06.09.	59367	Brolly	30.06.19.	Tigar AD
Z-1012/09	30.06.09.	59366	Maniera	30.06.19.	Tigar AD
Z-1685/09	03.11.09.	60513	Stop&Drive	03.11.19.	Tigar AD
Z-1686/09	03.11.09.	60514	S&D	03.11.19.	Tigar AD
Int'l trademark. US	03.07.97	675 773	Tigar	20.05.17	Tigar AD
	24.10.78	675 773A	Tigar	20.05.17	Tigar Tyres
US	02.11.07	1174089	Tigar Logo	15.08.12	Tigar Americas Corp.
		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
US 79075140	07.09.09	-	Maniera	-	Tigar AD
US 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 design and contents of the flagship trademark fall within the jurisdiction of the Board of Directors. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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

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

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

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

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

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

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

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

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 management and anti-virus protection
- Maintenance of internet and internet access
- Standardization of corporate hardware and software



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

The IT Function employs 15 individuals, 13 of whom are university graduates. It is comprised of two departments:

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

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

The Installations Department employs five engineers, one data-entry operator and one system console operator. This department installs and maintains hardware and operating system software at workstations, monitors the operation of the host computer, installs user applications, defines users, and grants access privileges.

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

In the Central Computer Room there is a production server - IBM POWER-6 M25 with the IBM operating system I5 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 online and in real time such that, in the event of failure of the production server, the M15 machine can assume all of its functions and become the main production server until the M25 server is back online. 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.

Database 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.

The central IBM M25 machine is protected by a 15 KVA UPS, while the disaster recovery machine and IBM POWER-6 M15 are protected by a 2 KVA UPS, ensuring a minimum of 90 minutes of uninterrupted operation.

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.



2010 ANNUAL REPORT

Document Reference

I.Z.P. 10/04

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 Company.

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 high-speed data transmission systems supported by Telecom: FR (frame relay) link to the internet provider, and primary ISDN and FTP internet services for communication with branch offices, retail outlets, regional centers, and the like. Branch offices, regional centers and regional warehouses are supported by an L3VPN network. 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 (AWAYA 6700). Communication with Telecom is established via two primary ISDNs and 60 incoming lines. The switchboard currently services 450 extensions (expandable to 900), 34 wireless base units (DECT phones), and 24 analog channels. Three "conference rooms" are currently active. They are accessed via authorization codes. Each phone of the AWAYA 1608 system can be used to set up an internal conference with five other participants from Tigar, without using the "conference room". The old OMNI switchboard was fully integrated with the new IP AWAYA system and both function as a single communication system. Internal software allows for easy administration and maintenance of the corporate telephone system, controlled access and use, as well as cost monitoring and management by user, group of users, or business unit.

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

Appropriate software support has been provided for all organizational changes in the interim. A new environment and all the necessary software are in place for the new subsidiary – Tigar Trade. Maintenance and continual software enhancements constitute an ongoing activity. Purchases of raw materials and supplies, exports and imports via the Free Economic Zone, and warehouse operations are all supported by a central application on an M25 production server. Retail outlet transactions are supported by an Agens software application.

Full application support has been provided for comprehensive use of the IBM POWER-6 M25 server by Tigar Footwear, Tigar Chemical Products, Tigar Incon, and the Free Economic Zone.



2010 ANNUAL REPORT

Document Reference

I.Z.P. 10/04

Main features of Tigar's Information System include:

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



5.6. CORPORATE SOCIAL RESPONSIBILITY

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

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

The Tigar Corporation, which was elected the most socially-responsible company in Serbia in 2008 by the Serbian Chamber of Commerce within the "Promotion of Corporate Social Responsibility in Southeast Europe" campaign, continued to make efforts to maintain and upgrade its reputation in this area during 2010 by: developing a balanced approach to all aspects of CSR in everyday business, without concentrating such efforts in any one area or targeting a single group, integrating business ethics with environmental protection, defining clear policies with respect to employees and the local community, and demonstrating a high regard for shareholders, consumers and other stakeholders, all of which continue to be the basic building blocks for Tigar's CSR.

Respect for its employees is one of the most important aspects of Tigar's CSR policy. In line with the principle that employee health and safety are Tigar's number one priority, Tigar conducts training courses for all new employees in fire protection, use of personal safety aids, handling of hazardous and toxic substances, and procedures to be followed in emergency situations. The Company also provides regular medical examinations of employees working in special environments and ensures that all newly-acquired equipment is certified as per applicable legislation.

The Company has completed preparations and conducted training in connection with the implementation of its Occupational Health and Safety Management System per OHSAS 18001.

Employee injuries are monitored with respect to two indicators: frequency and severity. Both indicators showed downward trends in 2010.

Tigar has been a reliable partner to its local and wider community for decades. The Company is committed to securing knowledge and developing talent; in 2010, it continued to support high school students based on merit, awarding 55 students scholarships to universities throughout Serbia.

As part of one of its **environmental projects targeting the local community**, in 2010 Tigar organized the collection of electrical and electronic waste in Pirot and shipped six tons of such waste to Belgrade for recycling. The waste was collected from the Company, various institutions and individuals in the area, with a large number of Tigar employees taking part in this environmental effort as volunteers.

Another aspect of Tigar's corporate social responsibility has to do with **supporting disabled and handicapped individuals**. Within this area, in 2010 Tigar donated a primary school playground for visually-impaired children in Belgrade and continued to sponsor the „Belgrade Mime Artists“ program directed at hearing-impaired school children.

The Company also continued to support a safe house for homeless children in concert with HRH Crown Princess Katherine's Humanitarian Foundation, and participated in a fund-raiser held in London, to which it donated 200 pairs of boots. Funds generated from this campaign will be used for the reconstruction of the University Children's Clinic in Belgrade.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Celebrating its 75th anniversary, Tigar hosted an open house (**Synergy of Good People**) for the families of its employees and retirees, promoting a healthy lifestyle. The *Cika Jova Zmaj* pre-school was awarded sports equipment, and sports balls were given to primary school children to promote physical and health education in Pirot schools as part of the *75 Balls to Children of our Town* program.

Tigar continued to strengthen its reputation as CSR leader in Serbia by actively participating in a number of projects aimed at **promoting the institutional aspect of CSR**. At the beginning of the year, Tigar AD became a member of the CSR Council of the Serbian Chamber of Commerce, comprised of leading companies in the country in the area of CSR. The goal of the Council is to promote and further the development of CSR in Serbia through the introduction of ISO 26000 standards and the presentation of this concept to a wider cross-section of corporations and communities.

AWARDS AND CERTIFICATIONS

AWARD FOR BEST CORPORATE BRAND in 2005

Within the action '*Best brands of Serbia*', which was jointly organized for the second time in 2005 by the Ministry of Trade, Tourism and Services, the Serbian Chamber of Commerce and the daily newspaper 'Overview', **Tigar was awarded a grand prize for the best corporate brand** in all product groups in our country. In the opinion of the jury was stated that Tigar is one of the 4 most successful companies in Serbia, with a clear strategy and prospects of development, whose products and services in a highly competitive market and transition successfully cope with foreign competitors.

NATIONAL AWARD FOR THE BUSINESS EXCELLENCE – OSCAR FOR QUALITY FOR THE YEAR 2005

In the Serbian Chamber of Commerce, Tigar was declared the absolute winner for the year 2005 in the category of large enterprises within the National Award for Business Excellence OSCAR QUALITY. Oscar Quality is a national quality award for business excellence and is being awarded to profit-oriented and non-profit organizations as an independent and neutral award for outstanding results achieved in promoting and developing the quality in the country. The prize was awarded by a jury consisting of representatives of government, academic and professional institutions, based on the evaluation of the assessment team elected from the list of registered assessors for business excellence per FQCE model.

BUSINESSMAN OF THE YEAR 2005.

The jury of the Club of Economic Journalists from 12 editors decided to grant the traditional '**Businessman of the year**' (2005) award to CEO of Tigar a.d. – Mr. Dragan Nikolic, for the area of production. In the opinion of the jury was stated that the recognition of Dragan Nikolic was awarded for above-average production results of Tigar achieved in 2005.

TIGAR LEADER IN CORPORATE SOCIAL RESPONSIBILITY IN 2008

Tigar was declared the most responsible corporate company in Serbia for 2008, within the project of the Serbian Chamber of Commerce 'Establishment of corporate social responsibility in South East Europe'. Tigar's concept of social responsibility is defined by its vision and mission, and core corporate values, guaranteed by the Code of Corporate Governance and is an integral part of the company's business policy. Selection of the most responsible corporate company included the 400 most successful enterprises in Serbia. The action was supported by the Ministry for Economic Cooperation and Development, Federal Republic of Germany and the German organization InWEnt from Coln.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

PLAQUE FOR 'CENTURY' - 2009

On the occasion of choosing the best national brands in 2009 within the action 'Best from Serbia', the brand 'Century' was awarded a **plaque in the category best brand/consumer durable goods.**

Safety rubber footwear Century has become a part of Tigar's product portfolio after the company took over in 2008 the Century Division from the British manufacturer Hunter, along with brands Century, Forester and Firefighter.

BUSINESS PARTNER AWARD FOR THE YEAR 2009

Tigar Corporation was declared in 2009 as the **Business Partner** within the campaign which aims to promote the best companies and institutions which are conducted in their businesses by high professional and ethical standards. In 1999, Tigar became for the first time a laureate of this prestigious, business, professional and public recognition.

FIRST NATIONAL AWARD FOR TRANSPARENCY - 2010

Tigar Company was awarded **the first National Award for the development of relations with investors** of the Belgrade Stock Exchange. The Commission which decided on the award had in mind criteria such as transparency and communication of information relevant to decision making by investors, communication strategy and transparency for investors. The basis for obtaining the first national award for developing relationships with investors were the quality, timeliness and comprehensiveness of business and financial statements, business plans and business presentations.

AWARD FOR THE RELEASE OF THE BRAND MANIERA

Fashion rubber boots Maniera received the plaque in the category 'Most successful introduction of new brand', within the action *Best of Serbia*. In this way, once again was confirmed that the company Tigar, which is a leading European manufacturer of the safety program, has become a national fashion trend-setter by launching the fashion collection Maniera.

FREE ZONE PIROT, OWNER OF THE FIRST PRIZE

Free Zone Pirot, which operates within the company's Tigar, is the **first prize winner of Best Serbia** within the category of service sector - small and medium enterprises in the business year 2010. The main criterion, apart of the market-and financial indicators was satisfaction of customers and business partners.

ANNIVERSARY PLAQUE OF THE SERBIAN CHAMBER OF COMMERCE

For results in the production and overall contribution to the development and promotion of the Serbian economy in 2010 year, Mr. Dragan Nikolic, President of Tigar Corporation was the **winner of the jubilee plaque granted by the Serbian Chamber of Commerce.**

5.7. CORPORATE GOVERNANCE

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

6. 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 31 December, 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 2010, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 7,316,084.00. The Board of Directors held 7 meetings during the period.

Management Body

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

The Executive Board consists of the following 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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

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

During the 2010, the Management Body held 17 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 RSD 1,563,639.00 during the 2010.



7. REAL ESTATE AND LEGAL MATTERS

7.1. REAL ESTATE AND COLLATERALS

All of Tigar's manufacturing facilities are located in Pirot. Four manufacturing plants operated at two separate locations in 2009 and 2010. The larger location holds tire and chemical 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).

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

Land

The total number of cadastral lots owned by Tigar and its subsidiaries (excluding the Free Economic Zone) is 124 as of 31 December 2010. Their total surface area is 412,815 m², of which 308,695 m² is undeveloped land. The book value of the land is RSD 45,252,986,331.

The book value of the land of the Free Economic Zone is RSD 72,017,295 at 31 December 2010.

Buildings

Tigar and its main subsidiaries own a total of 175 buildings, with a surface area of 104,120 m².

As of 31 December 2010, the book value of the buildings owned by Tigar and its major subsidiaries was RSD 2,061,236,593.41

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



2010 ANNUAL REPORT

Document Reference

I.Z.P. 10/04

Book value of buildings

BOOK VALUE OF BUILDINGS (RSD)		
ENTITY	30.09.2010.	31.12.2010.
Tigar AD	265,615,357.49	253,538,204.06
Tigar Trade	191,975,347.91	220,707,302.83
Tigar Technical Rubber Goods	391,382,250.98	420,074,092.79
Tigar Chemical Products	42,443.00	41,827.00
Tigar Footwear	800,523,254.41	811,145,229.58
Tigar Workshop	10,870,411.14	10,797,109.14
Tigar Business Services	142,397,426.68	158,174,475.41
Tigar Tours	6,353,189.10	6,323,346.10
Tigar Security	809,035.31	798,528.31
Free Economic Zone	44,238,850.94	47,338,709.26
Tigar Incon		132,297,768.93
Total	1,854,207,566.96	2,061,236,593.41

Material Encumbrances

The Company's material encumbrances at the end of December 2010 were as follows:

Municipal Court of Pirot Ruling 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 286,583.12)
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 988,830.13)
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 962,010.60)

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 Resava 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.

Debt Collateral Agreement ref. 1238/2009 dated 29 December 2009, places a lien against the Occupational Health Service Building in favor of Hypo Alpe Adria Bank AD, Belgrade.

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 AD, Niš.

Mortgage Statement ref.1587/2010 dated 13 April 2010, places a lien against real property in Kruševac and Užice in favor of Privredna Banka AD, Belgrade.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Debt Collateral Agreement ref. 1402/2010 dated 16 April 2009, places a lien against the Occupational Health Service Building in favor of Hypo Alpe Adria Bank AD, Belgrade.

Mortgage Statement ref. 1707/2010 dated 26 April 2010, places a lien against a building for other industrial activities/administration building in favor of AIK Bank AD, Niš.

Mortgage Statement ref. 1929/2010 dated 4 May 2010, places a lien against business premises in Novi Sad in favor of AIK Bank AD, Niš.

Mortgage Statement ref. 2350/10 dated 26 May 2010, places a lien against real property in Niš and business premises of Tigar Tours and Tigar Incon, in favor of Societe Generale Bank AD, Belgrade.

Debt Collateral Agreement ref. 19712 dated 17 June 2010, places a lien against movable property as specified in Recital 1, in favor of Banca Intesa AD, Belgrade.

Mortgage Statement ref. 2794/2010 dated 23 June 2010, places a lien against real property: boiler facility, industrial water tank, fuel oil storage tank, and fuel oil transfer building in favor of Banca Intesa AD, Belgrade.

Mortgage Statement ref. 2713/2010 dated 17 June 2010, places a lien against a building for other industrial activities/administration building and business premises in Čačak, in favor of UniCredit Bank AD, Belgrade.

Mortgage Statements, ref. 2898/2010, 2899/10 and 2900/10 dated 2 July 2010, place a line against real property – business premises in Pirot, Knjaževac and Subotica in favor of Privredna Banka AD, Belgrade.

Belgrade 1st General Court Ruling ref. 8-I-55362/2010 dated 27 August 2010, places a lien against an apartment in Belgrade in favor of Hypo Alpe Adria Bank AD, Belgrade.

Mortgage Statement ref. 4400/2010 and 4401/2010 dated 23 November 2010, places a lien against real property in Niš and business premises of Tigar Tours in favor of Societe Generale Bank AD, Belgrade.



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

7.2. LEGAL PROCEEDINGS

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

The largest disputes at the corporate level occurred prior to 2000. They include the following (amounts shown do not include interest): TrepcaZvecan 9.637.376, Union Banka 6.194.000, Lola Korporacija 7.179.000, 2M Pirot 2.247.300, 9 Tigar Prom Nova Varos 3.636.676, sto je ukupno 28.873.676

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

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



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

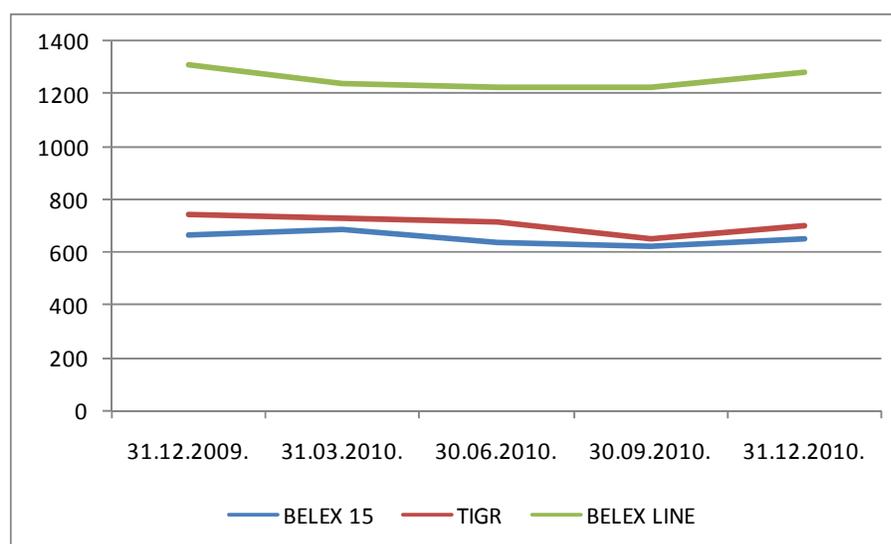
8. CAPITAL MARKET POSITION AND DIVIDEND POLICY

The table below contains a summary of Tigar stock trading in 2010.

	31 DECEMBER 2009	31 DECEMBER 2010	% CHANGE
Number of shareholders	4,830	4,753	-1.59%
Total number of shares	1,718,460	1,718,460	-
Book value of shares	1,636	1,636	-
Market price of shares	746.00	700.00	-6.17%
Lowest price during the period	524.00 (15.10.2010)		
Highest price during the period	853.00 (30.04.2010)		
Average price in 2010*	659.00		
Market capitalization in RSD	1,281,971,160.00	1,202,922,000.00	-6.17%
P/ BV *	0.40		

During 2010, a total of 181,836 shares were traded (i.e., 10.5% of the total share capital), and a turnover of 1.2 million Euros was realized.

Tigar stock is traded on the BSE Premium Market and included in both indices; the Belex Line (general index) and the Belex 15 (most liquid securities). The graph below shows Tigar stock price and index movements in 2010.



The historic high of RSD 3,199 was reached on 17 April 2007, while the historic low of RSD 340 was recorded on 12 March 2009. The table below shows share price movement over the past year.

Share price movement in 2010

Date	31.1.2010	28.2.2010	31.03.2010	30.04.2010	31.5.2010	30.6.2010	30.07.2010
Price	741.00	750.00	730.00	824.00	733.00	719.00	645.00

31.8.2010	30.09.2010	31.10.2010	30.11.2010	31.12.2010
639.00	584.00	627.00	700.00	700.00



2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Changes in shareholder structure in 2010

Shareholders	31.12.2009	31.12.2010	% Change
Legal entities	53.14%	52.30%	-0.84%
Individuals	29.74%	28.98%	-0.76%
Custody accounts	17.12%	18.71%	1.6%

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

During the year 2010, Tigar continued to maintain investor relations with all shareholders, and received an award from the BSE for its exemplary investor relations in the domestic market.

Annual sessions of the General Assembly of Shareholders are generally held in June and attract 70-75% of voting shareholders (the National Equity Fund (Share Fund) can vote only on certain matters defined by law, while the National Pension and Disability Fund has no voting rights).

Top ten shareholders as of 31 December 2010

	Shareholders	Number of shares	% Stake
1	NATIONAL EQUITY FUND, BELGRADE	429,429	24.98918
2	SERBIAN NATIONAL PENSION AND DISABILITY FUND	149,981	8.72764
3	ARTIO INT. EQUITY FUND	123,132	7.16525
4	ERSTE BANK CUSTODY 00001	87,728	5.10504
5	SG SERBIA CUSTODY	55,654	3.23860
6	RAIFFEISEN BANK INTERNATIONAL	42,164	2.45359
7	ERSTE&STEIERMARKISCHE BANK D.D	37,637	2.19016
8	KOMERCIJALNA BANKA-CUSTODY	26,062	1.51659
9	SWEDBANK AS	24,851	1.44612
10	UNICREDIT BANK CUSTODY	18,500	1.07655

Corporate management holds less than 1% of Tigar stock. The following table shows the number of shares held by members of the Board of Directors as of 31 December 2010.

Name	Shares held as of 31 May 2005	Shares held as of 31 December 2010	% of Existing Shares
Dragan Nikolić	880	898	0.052
Jelena Petković	275	281	0.016
Slobodan Sotirov	539	550	0.032
Miodrag Tančić	460	460	0.027
Vladimir Nikolić	803	803	0.050
Jose Alexandre F. da Costa	-	-	-
Tihomir Nenadić	-	-	-
Gordana Lazarević	-	-	-
Aleksej Misailović	-	-	-

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

Members of the Supervisory Board hold no Tigar stock.

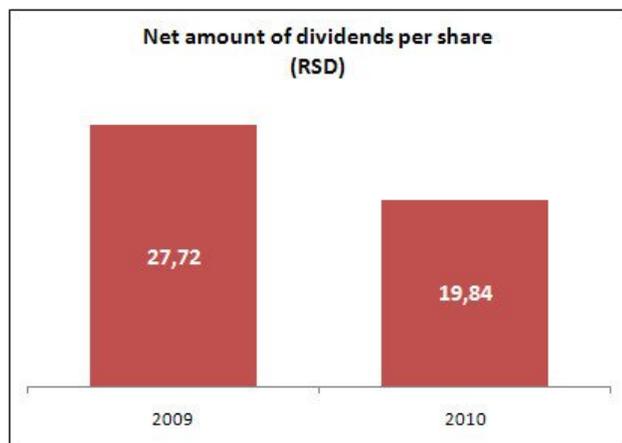
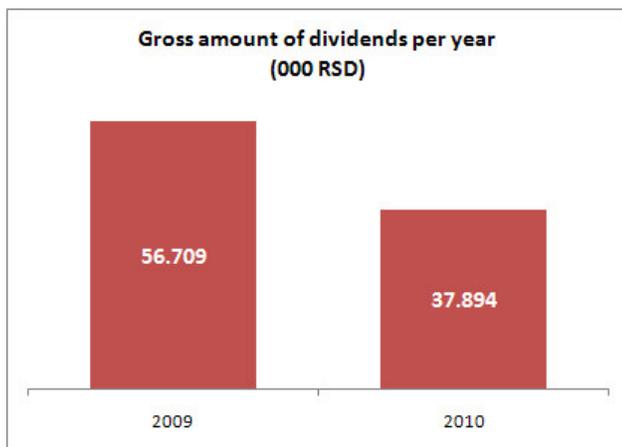


2010 ANNUAL REPORT

Document Reference

IZ.P. 10/04

Tigar has exhibited continuity in its dividend policy, making distributions to shareholders in the amount of one-third of its profit for the financial year, and allocating the balance to reserves. As a rule, the Dividend Day is the date of the General Assembly session. In 2008, aggregate dividends amounted to 3.7%, and in 2009 to 2.8%.



If planned high-value transactions materialize in 2011, management will propose a distribution of dividends matching 2010 profit.

**IZVRŠNI DIREKTOR
ZA PODRŠKU KORPORATIVNOM UPRAVLJANJU**

TIGAR AD

Jelena Petković

**PREDSEDNIK
UPRAVNOG ODBORA DIREKTORA**

TIGAR AD

Dragan Nikolić