

BUSINESS REPORT FOR THE PERIOD JANUARY – DECEMBER 2012.

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GENERAL ASSESSMENT OF 2012 PERFORMANCE

The overall macroeconomic environment has greatly affected the business operations of Tigar ad in 2012, primarily due to the nature of production and export orientation. Serbian economy had an adverse trend in 2012, which reflected in decline of the gross domestic product. The slowdown in the growth started in the second half of 2011 with the second wave of the global economic crisis, and continued in 2012. Taking into account the strong commercial ties of Serbia with the European Union and with CEFTA countries, and the fact that majority owners of the banks on the domestic market are the banks from the euro-zone, especially those which were themselves affected by deep recession, the slowing and reduction of economic growth in neighboring countries and those of EU currently represent the main limiting factor of risk. The status of the economy has affected both an increase in the market risk as well as other types of risks, including exchange rate risk and financial risk, and the possibility of quality borrowing.

The sales realized at the consolidated level was RSD 3.9 billion, while Tigar ad has achieved the sales revenue totaling RSD 3.7 billion. Footwear exports declined by 16%, while domestic sales were higher by 36% in relation to previous financial year. Tigar Rubber Technical Goods achieved the sales growth of 24%, while sales of chemical products was at the level from 2011. Tires sales revenues in the domestic market were lower when compared to previous year due to financial problems related to their procurement. Revenues from services rendered by the service network had an upward trend. The lack of complementary products, particularly of tires, contributed to the decrease in sales in companies abroad. Such situation has especially affected the business of Tigar Europe, whose sales revenues dropped from 14.6 million pounds in 2011 to 9.3 million pounds in 2012.

Sales plan for 2012 was mainly based on the existing base of customers. Due to problems with liquidity and expressed demand on the international market, product sales (calculated without taking into account the sales revenues of the companies abroad) was on the level of the last year. On the other hand, there was realized only the half of confirmed orders of customers from abroad, due to which were canceled orders worth around € 6 million, of which about 1.8 million were transferred to 2013.

The trend of growth in demand on the international market has continued, especially in EU countries, as evidenced through deliveries realized in 2012. Of the overall actual exports of Tigar AD, 81% was realized in the EU countries. Global evaluation of the sales-related status in 2012 is the continuation of the growth in demand on market abroad. Ratio between large orders from customers and generated sales revenues show that the company has a promising market position, productional capacities and the potential for significant growth of sales, provided it secures necessary working capital.

Total manufacturing capacities were used by an average of 30%. Total production in tons was lower by about 600 tons in relation to the previous year, and nearly two times lower than in 2010. The low level of production caused not only the inability to realize deliveries in compliance with the customers' orders but also led to the sale of stock which had a great impact on the overall business result. In 2011, based on increased inventory was realized the revenue of RSD 264 million, while their reduction in 2012 decreased such score to RSD 181 million.

The average number of employees in 2012 totaled 1,984, which shows a decrease of 310 employees compared to 2011, when there was employed in the average 2,294 people.



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Financing costs on a consolidated basis in 2012 amounted to RSD 867 million, although the indebtedness had slower trend of growth when compared to previous financial years.

Starting from financial statements for 2012, the parent company Tigar ad has achieved an operating income of RSD 3,814 million, business result of about RSD 3 million, profit before taxation of RSD 50 million and a net profit of 11.5 million dinars. At the level of dependent entities, the following showed the operating loss – rubber footwear plant RSD 342 million, rubber technical goods plant RSD 194 million, service entities RSD 85 million, Tigar Trade Banja Luka KM 186 thousand and Tigar Americas \$ 109 thousand.

Based on financial statements at the consolidated level, there was recorded total operating revenue of RSD 4.4 billion, sales income of 3.9 billion and a negative operating result of RSD 275 million. It was achieved a total gross loss at the end of the year up to RSD 969 million. On the consolidated level, total assets value amounted to RSD 9.1 billion, of which fixed assets RSD 6.1 billion and current assets about RSD 3 billion.

On the basis of growing illiquidity in the second half of 2012, the company with the help of the Ministry of Economy and Finance and the largest creditor – DEG entered into the process of financial consolidation.

On the basis of the so far implemented activities, which were initiated in the second half of 2012 and continued in 2013, it is expected that based on the conclusion of the Government of the Republic of Serbia as of March 28th 2013, will be issued a guarantee by the Development Fund of the Republic of Serbia in favor of Tigar AD in the amount of EUR 20 million on a period of 5 years with a grace period of 24 months. In accordance with the placed demand, banks have submitted their offer for long-term financing (with the guarantee of the Development Fund) at the amount of EUR 20.8 million. In this manner, the Government of the Republic of Serbia, when having in mind the fact that the state or its institutions are collectively the largest shareholder of Tigar ad, expressed a clear intention to directly participate in the financial consolidation.

In September 2012, DEG - Deutsche Investitions - und Entwicklungsgesellschaftmbh, which is the largest single creditor at the corporate level, financed the elaboration of the study on the long-term financial stabilization by the Economics Institute. The document is titled "Project of long-term financial stabilization." The entire project consists of three parts: Strategic development plan, Implementation plan and Implementation support. Among other things, market analysis and internal analysis, and reviewing the strategy and defining the measures of business and financial consolidation, show that observed at the level of the world market, Tigar's products have the ability to further increase their market share - as demand grows, while capacities, especially in Europe are for the time being reduced. A good indicator is the fact that the group of products with the highest margins have the best market prospects.

Chairman of Supervisory
Board of Tigar a.d.
Gordana Lazarević



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1. INTRODUCTION

1.1. GENERAL

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

Corporate ID: 07187769

Web site: www.tigar.com

Core activity: Holdings

Number of shareholders: 31/12/2012 4,482

Assets: 31/12/2012 ('000 RSD) 8,026,038

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Tax ID: 100358298

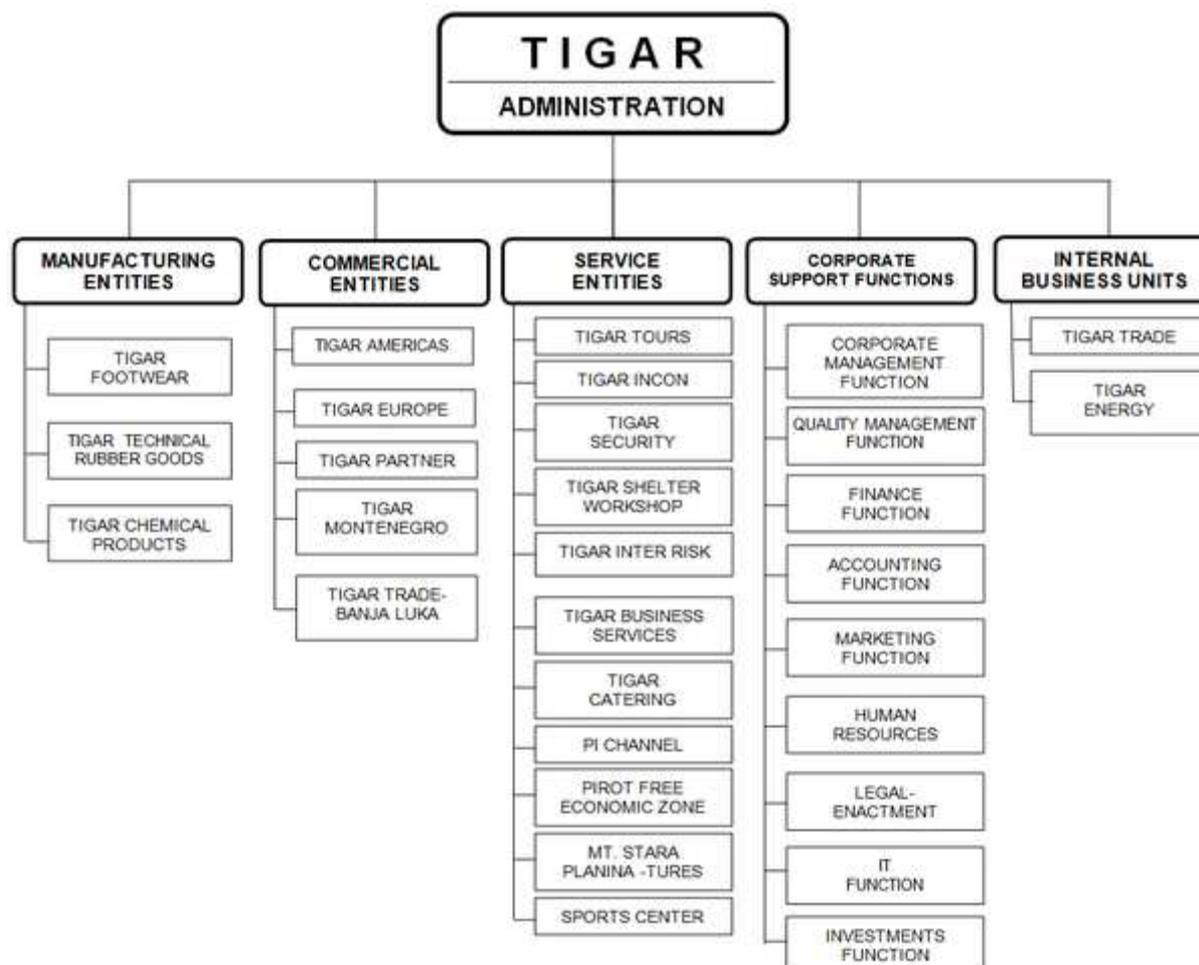
Certificate of incorporation: Registry File 1-1087

Number of employees: 1,818 as of 31/12/2012

Capital: 31/12/2012 (000 din) 2,895,521

Capitalization: 31/12/2012 (000 din) 369,469

1.2. CORPORATE STRUCTURE



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1.3. INVESTMENTS

During the reporting period (2012), the investment status was as follows:

In '000 RSD	Purchases of fixed assets and intangible investments	
	January-December 2012.	
Tigar Technical Rubber Goods		47,458
Tigar Chemical products		10,683
Tigar Rubber Footwear		161,127
Service entities		34,800
Holding company		66,265
Total		320,333

The level of investment in 2012 was reduced mainly on product development, including new tools and molds, some improvements in the production process, as well as on the updating of existing stores, opening new stores and unavoidable spending on logistics. Due to the lack of adequate funding all major infrastructure projects were postponed.



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2. PRODUCTION LEVELS AND SALES OF GOODS AND SERVICES

2.1. BREAKDOWN OF PRODUCTION AND SALES

Structure of production and sales program in 2012 was as given below:

Rubber Footwear Program

Tigar Footwear's product lines currently include the following product groups:

- 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.

The quality and characteristics of raw materials and the quality of the final product are defined by stringent technical&technological 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 safety rubber footwear under its proprietary brand names, such as Tigar and Century, Maniera stylish footwear, Brolly children's footwear, and other types of footwear made under the Tigar brand name.

Rubber Technical Goods Program

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

Rubber profiles. Depending on the application and customer requirements, these products are made with various cross-sections and from different grades of rubber. The manufacturing technology enables the production of practically all-purpose profiles.

Hoses. TRTG produces a line of rubber hoses, fabric-reinforced hoses, and steel-spring flexible hoses.

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.

Recycled-rubber products. Products made from recycled (crumb) rubber of different particle sizes (0.5 – 5mm) and binding agents, with or without a surface finish, of different colors and shapes, are used to overlay and protect outdoor and indoor surfaces (squares, sidewalks, promenades, parking lots, school and daycare center yards, corridors in public institutions, sports arenas, areas surrounding



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swimming pools, and so on). The list of industrial rubber products based on recycled rubber and made by extruding and molding is quite long and 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 Program

Tigar Chemical Products manufactures more than 300 products classified into:

Horizontal road signage materials. These products include road paint, applied in thin layers, and the method of the so-called '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 (can) coatings. These coatings are used to protect outer steel-sheet and aluminum surfaces of buildings, such as production halls, warehouses, pre-fabricated structures, and the like, as well as the inner and outer surfaces of cans. The coatings are hard, flexible and, if required, resistant to sterilization. If the product is used to coat cans for food or beverages, certification by appropriate institutions is obtained.

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

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

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



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splicing and restarting of a loaded conveyor belt within one hour after joining. In recent years this product has also been used for rubber coating of conveyor belt drums.

Complementary goods

In addition to products made by Tigar's manufacturing subsidiaries, Tigar's commercial entities offer a wide range of complementary products among which as the most important figure the following product groups.

- Tyres and other products for vehicles

The sale of vehicle tires, spare parts and after parts for vehicles is carried out through the sales network of commercial subsidiaries.

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 the company Tigar Tyres.

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

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

During the reporting period (2012), Tigar's Stop & Drive chain offered the following services:

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

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

Car wash.

Tire monitoring and safe-keeping.

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

Other services

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



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- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;
- Pirot Free Economic Zone, which is a specially-designated area where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Economic Zone (PFEZ) is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The PFEZ is located within the Industrial Zone of Pirot and covers 5ha 09a i 41 m² of infrastructure-enabled land.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted inter-city transportation of goods, and maintenance of vehicles.
- Food production for internal needs of Tigar AD and Tigar Tyres, but also for the external market, as well as hospitality services offered to tourists, business men and women, delegations, and sports teams
- Protective workshop, which was set up as a shelter for disabled employees; its activities include solid waste collection and recycling and several other types of support services.
- Services in the areas of radio and TV broadcasting, telecommunications, market research, public opinion polling, advertising, public relations, and publishing.

2.2. STRATEGY OF THE APPROACH ON THE MARKET OF GOODS AND SERVICES

During the reporting period, Tigar's sales strategy has remained unchanged and was focused on:

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



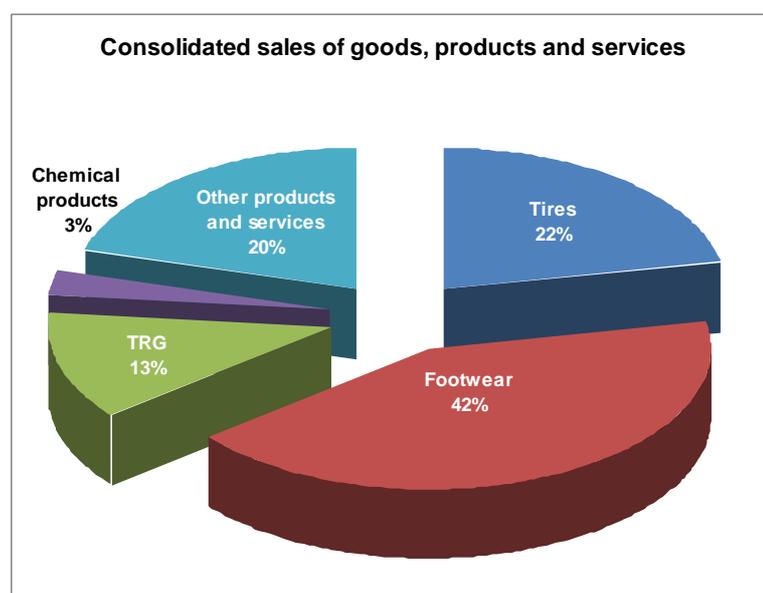
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IZ.P. 12/04**2.3. SALES IN 2012****TOTAL EXTERNAL REVENUES**

In 2012, consolidated external revenues from sales of goods and services amounted to 3.9 billion RSD.

Following is a breakdown of external sales revenues by programs:

**INCOME FROM SALES OF GOODS AND PRODUCTS IN SERBIA AND FROM SERBIA:**

<i>Net income from sales of goods and products in Serbia In ' 000 RSD</i>	2010.	2011.	2012.
<i>Sales by product groups</i>			
Rubber Footwear	1,634,536	1,711,713	1,626,496
- Domestic market	387,399	358,684	486,647
- Export	1,247,137	1,353,029	1,139,849
Rubber Technical Goods	334,986	394,426	491,022
- Domestic market	264,604	287,721	369,693
- Export	70,382	106,705	121,328
Chemical products	192,561	110,902	108,132
- Domestic market	144,128	67,580	70,801
- Export	48,433	43,322	37,331
Income from sale of tires	322,394	170,455	150,012
Other programs	61,593	49,794	39,096
TOTAL, SALE OF GOODS AND PRODUCTS IN SERBIA AND FROM SERBIA	2,546,069	2,437,292	2,414,758



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ASSESSMENT OF THE MARKET POSITION OF RUBBER FOOTWEAR PROGRAM IN 2012

The targets set for year 2012 reflect the real situation achieved in the previous period, as well as the tendency, primarily to create conditions in 2012 for the stabilization of won positions on domestic and foreign markets, as well as a good basis for new markets, bringing the capacity of production units at optimal levels.

In the part of the footwear sales, that meant keeping of the main off-take customers from abroad, with projections to increase production and sales of their brands. As for our brands, with a planned redesign and intensive marketing activities, the objectives were primarily aimed at increasing the volume in the markets and areas where the company has not been present so far, primarily Russia and the countries of Central and Eastern Europe.

In the part of domestic sales, given the specific capacity of the market and the purchasing power, besides the constant goal of increasing the market share (especially in competition with substitutes), there was planned a further development, primarily in the area of fashion footwear.

Generally, there are several reasons for lower achievement in exports compared to the previous year and the set plan and the main is the impossibility of continuous production in the pre-season and season. Despite the fact that the factory did not lack orders and that the situation on the market of rubber footwear developed quite well in both production and demand (reduction of production capacity and increasing demand), and that there has been achieved a remarkable quality in case of some off-take customers, and that during previous years were created opportunities and capacities for relatively rapid development; the failure to meet the needs of customers in the segment of off-take production as well as customers in the manufacturing of its own brands due to lack of liquid assets, has had a negative impact not only on the result, but has also disturbed the market position, both in relation to existing customers, and generally disabled the further expansion of the market share.

The set sales organization in the EU market, where the entire sales organization with major off-take customers went through the sales manager for the territory of EU has created more problems after his departure in the second half of the year. This situation, along with delays in production due to the inability to procure materials, caused a shift in the development area and hard work to attract new customers in the off-take production.

It should be noted that none of the major customers was not lost. With all these facts, and given that the quality, price and logistics are standing on Company's side, it is important to point out the fact that this program has caused considerable problems to its largest customers in time for the season. The crucial reason for large customers to stay with Tigar is the fact that the competition also has problems. In Romania, problems are reflected in the lack of capacity and quality, and in the Czech Republic in all quality and development opportunities.

ASSESSMENT OF THE MARKET POSITION OF RUBBER TECHNICAL GOODS PROGRAM IN 2012

The market technical rubber goods is very competitive in general, with a large number of participants. Both plants – rubber technical goods plant and the one for the production of recycled rubber products - in the final process of defining their market orientation in terms of reduction of horizontal diversification of the product range, in order to get focused on the range of products covered by a small number of market segments, with an emphasis on those who are identified as the most promising in terms of growth of potential competitiveness.

The sale of rubber technical goods was based on several key facts, actually created by the end of 2011.



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First of all, there was increased the sale in several segments:

- Membranes – closed deals with the Austrian company Eder.
- Flexy tubes – contracted deals with the two new customers from Italy.
- Profiles – completion of started investments, introduction of new customers up to capacity of 500-600 t.
- Foils – beginning of the cooperation with Martinelo.
- Ship bumpers – increase of the production for Fip Particoli.
- The envisaged growth of sales is defined by a contract with Blinkfire – from the scope of recycling.
- Higher number of sports grounds is in the course of negotiations, in the preseason.

Technical Rubber Goods plant has recorded better results than in 2011. Despite the fact that production was lower, the results in particular segments are better than last year, but it is still far from the planned volume. The main reasons for the failure of envisaged values are the following:

1. Investment in relation to the UHF line and the introduction of TP into regular production has not yet been realized. It's one of the reasons for the poor result in the part of rubber profiles. The other reason is the irregular supply with blends and it is far more important because almost the entire construction season passed without having required blends. The potential that exists - new customers, new markets, new construction, has yet to manifest themselves.
2. In the part of products made of recycled rubber, the lack of PU caused that the entire season of construction works has ended without a significant participation in the making of sports grounds. Big delays in case of the most important customers because of the shortage in PU has caused the cancellation of some orders, which is extremely dangerous.

These are the reasons for the failure of the plan and they were mainly caused by the lack of materials, but there are some that occurred but not as consequence of the material shortage.

1. The long development period in the part of membranes caused that even after nearly one year, there is no quality export to Austria.
2. Inadequate ratio between the price and quality in the part of foils for Italian market.
3. Changed structure of the Russian market, in the part of tubes for refrigerators, etc..

There is a third group of reasons which is related primarily to planned and unrealized jobs, because these jobs were deferred (tenders related to ship bumpers in Italy, rubber coating of the pipeline in Bor, etc.).

In 2012, Tigar Rubber Technical Goods has managed, due to problems with raw materials, but only partially to meet orders from its customers. Given such a situation, the activities aimed at expanding the customer base, especially in the second half of the year, were reduced to a minimum, as well as the activities of finding strategic partners. Unlike the footwear, where there is no need – neither in market-, development- nor in industry-related sense to search for strategic partnership, such need exists in Tigar Rubber Technical Goods plant, particularly in the part that is related to the auto industry. There are high-quality initial offers that should be developed in the future.

ASSESSMENT OF THE MARKET POSITION OF CHEMICAL PRODUCTS PROGRAM IN 2012

Chemical products program is primarily oriented to the domestic market. For exports are intended certain specific groups of products, where the adhesive for conveyor belt used in mining and other industries is particularly noted.



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This program has its important internal component, since it manufactures the semi-products for the rubber footwear plant just as well as for the rubber technical goods plant, while one part of the program is related to the Michelin tire factory.

Just like other entities, the Chemical Products plant has functioned in 2012 in accordance with available cash, far below the needs of customers. In 2013, the factory will work on a rented site of the former chemical factory Suko which is in bankruptcy, and during 2014 and 2015, there should be implemented the relocation of the factory to Tigar 3, in newly constructed buildings.

DISTRIBUTION OF TIRES, OTHER COMPLEMENTARY PRODUCTS AND SERVICES OFFERED BY THE SERVICE NETWORK

Tire distribution, as in the past period, had a significant share in the total consolidated revenues of Tigar AD. The percentage of its share started to decline 2009, when it stood at 38%. In 2012, the percentage in share of tires within the total consolidated revenue was 22%, mainly as a result of a decline in sales volume in case of Tigar Europe and a negative trend in domestic service network. With regard to the primary orientation of Tigar Europe toward the sale of Tigar brand sales, it is not realistic to expect the upward trend in sale; but on the domestic market, with the normalization of the financing system, it is entirely possible. Therefore, the goal in the next three years is to bring back the sales to the level it had in 2009. Due to lack of tires, in 2012 domestic sales was focused solely on the physical entities and fleet customers, for whom tires are kept in Tigar's warehouses, as an additional type of service. Supply of other fleet buyers and those with whom Tigar has had a contract, as well as of the new ones, was impossible due to low supply, as in 2012 was sold 40% more tires than purchased, and the stocks have been reduced to a level that prevented the normal operation of the network.

Service network that was set as the first national network had the potential to occupy a significant place in the overall realization if supply proceeded on regular basis.

2.4. PRICE FLUCTUATIONS OF KEY RAW MATERIALS

During 2012 there was enough raw material supply to lower prices, in contrast to 2011, characterized by a very high growth rate of prices, but the problems related to liquidity have limited the procurement volume and caused more expensive purchase through an intermediary. During the year, there was significant variation in prices, in relatively short periods of time, which directly affected the price of basic products. The lack of working capital had an impact on the ability to obtain the optimal conditions for the supply, which eventually resulted in the reduction of profit margins. The advantage of proximity to the sales market was a compensation for the sensitivity of production costs and profit margins to changes in the price of raw materials. The rise in prices of raw materials mainly affects the whole sector and results in increase in price of the final product on the market of rubber products, so that the general negative trend in raw material prices still can be compensated.

In the part of natural rubbers, the purchase costs were significantly lower, but yet the purchase on spot was extremely unfavorable.

The offer of other raw materials was mainly stable, although the majority of other inputs was characterized by the price growth in the previous two years, cost pressure was significantly lower, when considering their much lower share in the total structure of material costs. The purchase of textile was mainly conducted within the domestic market, so that there is a possibility of substitute by cheaper materials than those from abroad.



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Purchase of auxiliary materials and packaging materials takes place mainly in the domestic market. Aiming to provide the necessary stability and quality of raw material procurement, Tigar Corporation is focused on the development of a stable network of local suppliers and subcontractors, as well as on maintaining the desired level of stocks.

Regarding the supply of tires as a key complementary product, companies abroad, especially Tigar Europe had a problem due to reduced tire deliveries by Tigar Tyres, which caused a significant decrease in sales revenues, due to the fact that these companies only perform the distribution of tires produced in Tigar Tyres. Unlike companies abroad, domestic sales network, which applies multi-brand/multi-product strategy had supply-related problems due to the lack of liquid funds, but regardless of that, due to the high quality of service offered, services revenue was higher, although the sale of tires was reduced for about one-third of units.

2.5. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The tables below show breakdowns by manufacturing segment, in tons.

Production (tons)	January-December 2011.	January-December 2012.	%
Rubber Footwear	2,047	1,517	-26%
Rubber Technical Goods	1,343	1,246	-7%
Chemical Products	276	276	0%
TOTAL	3,666	3,039	-17%



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3. 2012 FINANCIALS

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

Tigar AD's unconsolidated financials in thousands of Dinars	January - December 2011.	January - December 2012.	% change
Assets	7,421,327	8,026,038	8%
Equity	2,884,851	2,895,521	0%
Operating income	4,113,622	3,814,182	-7%
EBIT	10,967	2,638	-76%
EBITDA	60,944	56,438	-7%
Financial income	304,273	97,084	-68%
Other income	310,830	647,855	108%
Total income	4,728,725	4,559,121	-4%
Net income	121,996	11,520	-91%
Significant ratios			
Return on equity (ROE)	4.23%	0.40%	-91%
Return on total assets (ROA)	1.64%	0.14%	-91%
Current Ratio	0.94	0.80	-15%
Debt-to-assets ratio	0.61	0.64	5%
Debt / Equity	1.57	1.77	13%
Net profit/total income	2.58%	0.25%	-90%

3.2. KEY CONSOLIDATED INDICATORS

Tigar AD's consolidated financials in thousands of dinars	Actual January-December 2011	Actual January-December 2012	% change
Assets	8,903,643	9,197,370	3%
Equity	3,096,122	2,317,098	-25%
Operating income	5,298,485	4,389,593	-17%
EBIT	12,934	-275,199	-2228%
EBITDA	176,920	-61,110	-135%
Financial income	108,672	68,546	-37%
Other income	237,660	161,910	-32%
Total income	5,644,817	4,620,049	-18%
Net income	-309,133	-1,009,852	-227%

In 2012, the corporation remained horizontally diversified system in the domain of basic ("core") business activities and operations. Primary connective thread of the system were common and / or complementary material inputs for the production of the basic production programs of Corporation - various rubber products for different markets. In addition to the fact that it performs the functions of support and administration for its entities; carries out the corporate and market identity of the system; Tigar also appears in the function of the primary supplier with necessary inputs and as the main seller of finished products. Dominant part of total sales of the basic production program as well as the procurement of basic material inputs for its production is achieved through the parent company.



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Business and financial connections among Tigar AD, the parent holding company, with productional entities dealing with core activity is very strong. Material and financial flows of Tigar AD from one side and from Tigar Rubber Footwear and Tigar Rubber Technical Goods from the other are strongly interdependent. The primary point of entry and exit of the basic material flow and cash flow is the parent company. Energy to carry out the production process is ensured on the internal market.

Productional entities essentially operate as manufacturing divisions of the holding company. Commercial entities are enterprises abroad and are primarily engaged in commercial activity. Most of the commercial activities of the company abroad, except for Tigar Americas which is not engaged in the distribution of tires, refer to the tire shop in the export market. Service entities were focused on the external market, both in terms of obtaining the necessary inputs and in terms of sales and service delivery. At individual level, there are dependent service entities whose dependence on the internal market is more pronounced: Tigar Tours, Tigar Security and Tigar Catering.

The majority of cash flow from operations generated via sales of products and services, enters into the system through the parent company, and is distributed between the parent company and core manufacturing entities. Cash flows from borrowed external sources dominantly input to the parent company, and are allocated to other parts of the system, in accordance with the needs for working capital, investment policy and plans. There are some exceptions, such as Tigar Rubber Footwear I.l.c. (DEG long-term debt). Internal cash flows are related to the flow from business based on payments for rendered services and purchased / sold goods and products, flow out of funds for - long-term loans directed by the parent company toward dependent entities; and short-term loans between entities the flows based on withdrawn earnings from dependent entities.

In 2012, the current business and market environment, Tigar was trying to better integrate in the vertical supply chain, to optimize its production and market portfolio, following the demands of customers for new (and innovative) products, and to extend the service life of existing products.

In this context, the main economic objectives of Tigar Corporation were: 1) the growth of production and sales, 2) diversification of risk, and 3) to ensure flexibility, which included:

- a) Continuous optimization of the existing product range of offer and the structure of target markets - according to the considered profitability of individual programs and effects on the profitability of the program by the increase of the degree of capacity utilization and economies of scale.
- b) Optimization of the level of diversification of business - both in the domain of basic (core) activities, as well as of the part of additional activities, to the extent reasonable in the circumstances possible, because diversification of activities, products and markets, reduces the overall business risk, but that does not mean diversification at all price, because it is limited by available material, human and financial resources of the corporation.
- c) Maintaining of the existing flexibility and willingness to respond quickly to specific customer requirements - one of the main competitive advantages of Tigar corporation – in 2012, this implied continued investment in product research and development and ensurance of adequate capitalization of these investments.



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The results achieved in the 2012 were significantly below plan and below the break-even point, especially for rubber footwear and rubber technical goods plants, due to the extremely low level of capacity utilization. Sales were over the production of goods and supply of goods, resulting in a decrease in inventories. This reflected on business results of productional entities, and therefore on the consolidated result of the parent company. The decrease in revenue from sales and decrease of inventory caused that the achieved levels of production and sales were not sufficient to cover costs, although there occurred a significant reduction in the cost of materials, cost of goods sold and wages. During the year 2012, there has been no significant increase in debt due to high financing costs, including interest and penalties. Financing costs on a consolidated basis amounted to RSD 867 million, thus making impossible any normal proceeding of business processes. Starting with the third quarter begun temporary blocking of accounts. The situation with the blockade imposed the necessity of signing the debt standstill arrangement, which was signed in November 2011, with a duration of up to 27 December 2012. year. The arrangement itself had several exceptions, so that it did not include liabilities for revolving loans, based on suppliers' invoices, pledge assets and credentials. The agreement also provided an exception in relation to Srpska Banka amounting to RSD 85 million, due to internal problems of the bank itself. As a result, within the period October-December, in favor of financial obligations was paid RSD 443 764 935. During the Stand Still Arrangement, there was no possibility of further borrowing, except for the loan from the Development Fund of RSD 300 million, which was approved in November, so that financial obligations paid in the last quarter were higher for 143 million than the total indebtedness of the period. This trend continued in 2013. After the expiry of the Stand Still arrangement, the creditors were offered an Annex to agreement which provided for the extension of validity until 31 March 2013, which was signed by one group of banks, while the other group didn't, which has continued to cause problems in terms of liquidity, due to blockage of some banks. Such a worsened situation in the area of liquidity led to a significant deterioration in business conditions in the fourth quarter, leading to a significant deterioration of the result.

Total revenues from sales of products and services on a consolidated basis in 2012 amounted to 3,911,854 in '000 RSD. Within consolidated sales revenue, revenues from the sale of footwear make 42%. Revenue from the sale of tires participate with 22% and those from the sale of rubber technical goods with 13%; sales of chemical products with 3%, while revenue from services and other programs, participate with 20% of total revenues on a consolidated basis.



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IZ.P. 12/04**3.3. TIGAR AD (HOLDING COMPANY)**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
ASSETS			
Non-current assets	3,226,938	3,867,687	4,499,866
Intangible assets	24,030	23,913	75,111
Property, plant and equipment	1,042,031	1,453,626	1,671,567
Property, plant and equipment	1,042,031	1,226,615	1,152,377
Investment property		227,011	519,190
Long-term financial placements	2,160,877	2,390,148	2,753,188
Equity investments	2,115,409	2,348,428	2,714,443
Other long-term financial placements	45,468	41,720	38,745
Current assets	2,944,421	3,553,640	3,526,172
Inventories	880,900	986,031	762,234
Assets held-for-sale	20,039	6,846	6,337
Accounts receivable, placements and cash	2,043,482	2,560,763	2,757,601
Accounts receivable	1,627,244	2,071,781	2,223,332
Receivables from over-paid taxes	908		122
Short-term financial placements	51,042	89,169	120,752
Cash and cash equivalents	227,195	155,262	7,571
Value added tax and prepayments	137,093	244,551	405,824
Deferred tax assets			
TOTAL ASSETS	6,171,359	7,421,327	8,026,038
EQUITY AND LIABILITIES			
Equity	2,800,750	2,884,851	2,895,521
Share and other capital	2,062,152	2,062,152	2,062,152
Share issuing premiums			
Reserves	206,215	206,215	206,215
Revaluation reserves			
Retained earnings	581,886	665,987	676,657
Loss	49,503	49,503	49,503
Shares buyback			
Long-term provisions and liabilities	3,367,236	4,531,862	5,123,130
Long-term provisions	12,842	12,577	11,062
Long-term liabilities	639,769	754,450	697,613
Long-term debt	436,914	152,601	532,961
Other long-term liabilities	202,855	601,849	164,652
Current liabilities	2,714,625	3,764,835	4,414,455
Short-term financial liabilities	1,410,182	2,500,849	2,502,941
Account payable	1,166,539	1,025,128	1,537,718
Other current liabilities	68,116	138,597	214,325
Value added tax and other taxes payable and accruals	57,178	73,989	119,795
Income taxes payable	12,610	26,272	39,676
Deferred tax liabilities	3,373	4,614	7,387
TOTAL EQUITY AND LIABILITIES	6,171,359	7,421,327	8,026,038



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Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	3,817,469	4,113,622	3,814,182
Sales of goods, products and services	3,664,473	3,967,657	3,745,673
Work performed by the company and capitalized	118,190	118,160	38,666
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	34,806	27,805	29,843
OPERATING EXPENSES	3,679,302	4,102,655	3,811,544
Cost of commercial goods sold	2,300,257	3,022,823	2,805,063
Material, fuel and energy consumed	281,648	192,715	160,739
Staff costs	489,045	519,952	524,868
Depreciation, amortization and provisions	53,764	51,908	57,127
Other operating expenses	554,588	315,257	263,747
PROFIT/LOSS FROM OPERATIONS	138,167	10,967	2,638
FINANCE INCOME	125,476	304,273	97,084
FINANCE EXPENSES	273,347	439,446	655,101
OTHER INCOME	239,769	310,830	647,855
OTHER EXPENSES	156,701	34,361	42,028
PROFIT/LOSS BEFORE TAXATION	73,364	152,263	50,448
INCOME TAXES			
Current tax expense	24,023	29,026	36,155
Deferred income tax expense	1,236	1,241	2,773
Deferred income tax benefit			
NET PROFIT/LOSS	48,105	121,996	11,520



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CASH FLOWS (in thousands of RSD)	January-December 2011	January-December 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	3,145,640	2,904,220
Cash receipts from customers	2,915,050	2,763,047
Interest received from operating activities	1,943	2,170
Other receipts from operating activities	228,647	139,003
Cash outflow from operating activities	3,928,919	3,077,248
Cash paid to suppliers for raw materials and other expenses	3,118,536	2,221,172
Gross salaries and other personnel costs paid	483,278	410,616
Interest paid	277,318	412,993
Income tax expense	13,948	23,703
Other levies paid	35,839	8,764
Net cash inflow from operating activities		
Net outflow from operating activities	783,279	173,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	183,178	75,969
Sale shares and stakes (net inflow)		
Sales of fixed assets	114,029	10,724
Other financial placements (net inflow)		
Interest received		
Dividends received	69,149	65,245
Cash outflow from investing activities	24,985	10,561
Purchase of shares		
Purchase of fixed assets	24,985	10,561
Other financial placements (net outflow)		
Net cash inflow from investing activities	158,193	65,408
Net cash outflow from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	567,622	34,408
Increase in capital		
Long-term and short-term borrowings (net inflow)	518,645	34,408
Other long-term and short-term liabilities	48,977	
Cash outflow from financing activities	6,133	76,999
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)		72,725
Financial lease	6,021	4,274
Dividends paid	112	
Net cash inflow from financing activities	561,489	
Net cash outflow from financing activities		42,591
Total cash inflow	3,896,440	3,014,597
Total cash outflow	3,960,037	3,164,808
NET CASH INFLOW		
NET CASH OUTFLOW	63,597	150,211
Cash and cash equivalents at beginning of year	227,195	155,262
Foreign exchange gains on translation of cash and cash equivalents		2,520
Foreign exchange losses on translation of cash and cash equivalents	8,336	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	155,262	7,571



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I.Z.P. 12/04**3.4. CONSOLIDATED FINANCIALS**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
ASSETS			
Non-current assets	4,743,526	5,349,185	6,119,726
Intangible assets	398,125	547,151	751,876
Property, plant and equipment	4,288,114	4,748,495	5,317,278
Property, plant and equipment	4,288,114	4,521,484	4,383,580
Investment property		227,011	933,698
Long-term financial placements	57,287	53,539	50,572
Equity investments	11,819	11,819	11,827
Other long-term financial placements	45,468	41,720	38,745
Current assets	3,455,721	3,532,298	3,052,219
Inventories	1,823,646	2,073,287	1,691,675
Assets held-for-sale	20,039	6,846	6,337
Accounts receivable, placements and cash	1,612,036	1,452,165	1,354,207
Accounts receivable	903,162	892,958	815,562
Receivables from over-paid taxes	7,097	2,171	4,552
Short-term financial placements	4,986	4,765	5,223
Cash and cash equivalents	369,524	251,093	198,767
Value added tax and prepayments	327,267	301,178	330,103
Deferred tax assets	21,305	22,160	25,425
TOTAL ASSETS	8,220,552	8,903,643	9,197,370
EQUITY AND LIABILITIES			
Equity	3,393,665	3,096,122	2,317,098
Share and other capital	2,144,189	2,179,038	2,200,119
Reserves	941	5,418	5,453
Revaluation reserves	1,051,401	1,079,077	1,298,466
Retained earnings	197,134		
Loss		167,411	1,186,940
Shares buyback			
Long-term provisions and liabilities	4,692,191	5,664,555	6,727,031
Long-term provisions	83,087	84,127	79,984
Long-term liabilities	1,729,282	1,270,109	1,419,234
Long-term debt	1,512,668	1,032,473	1,254,581
Other long-term liabilities	216,614	237,636	164,653
Current liabilities	2,879,822	4,310,319	5,227,813
Short-term financial liabilities	1,716,210	2,684,202	3,108,518
Account payable	851,145	1,164,507	1,062,094
Other current liabilities	183,926	296,432	806,593
Value added tax and other taxes payable and accruals	110,455	114,852	196,217
Income taxes payable	18,086	50,326	54,391
Deferred tax liabilities	134,696	142,966	153,241
TOTAL EQUITY AND LIABILITIES	8,220,552	8,903,643	9,197,370



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Income statement (in thousands of RSD)	January- December 2010	January- December 2011	January- December 2012
OPERATING INCOME	5,160,882	5,298,485	4,389,593
Sales of goods, products and services	4,288,191	4,296,923	3,911,854
Work performed by the company and capitalized	743,239	710,666	636,094
Increase in inventories of finished products and work in progress	89,828	264,350	
Decrease in inventories of finished products and work in progress			181,271
Other operating income	39,624	26,546	22,916
OPERATING EXPENSES	4,889,597	5,285,551	4,664,792
Cost of commercial goods sold	902,193	836,916	835,974
Material, fuel and energy consumed	1,563,187	1,862,687	1,406,630
Staff costs	1,611,720	1,770,138	1,664,497
Depreciation, amortization and provisions	187,982	177,188	226,506
Other operating expenses	624,515	638,622	531,185
PROFIT/LOSS FROM OPERATIONS	271,285	12,934	-275,199
FINANCE INCOME	72,209	108,672	68,546
FINANCE EXPENSES	391,035	537,175	867,123
OTHER INCOME	74,505	237,660	161,910
OTHER EXPENSES	46,648	57,822	56,802
PROFIT/LOSS BEFORE TAXATION	-19,684	-235,731	-968,668
INCOME TAXES			
Current tax expense	31,088	65,456	42,009
Deferred income tax expense	6,349	7,946	
Deferred income tax benefit			825
NET PROFIT/LOSS	-57,121	-309,133	-1,009,852



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IZ.P. 12/04**3.5. SUMMARY OF KEY FINANCIAL RESULTS BY ENTITY****TIGAR****TIGAR AD**

Equity: 2,895,521
Total income: 4,559,121
EBITDA: 56,438

*(000 RSD)***PRODUCTION ENTITIES****TIGAR FOOTWEAR**

Equity: 803,317
Total income: 1,403,541
EBITDA: -253,649

*(000 RSD)***TIGAR TECHNICAL RUBBER**

Equity: 169,698
Total income: 432,329
EBITDA: -167,040

*(000 RSD)***TIGAR CHEMICAL PRODUCTS**

Equity: 199,072
Total income: 152,386
EBITDA: -29,992

*(000 RSD)***COMMERCIAL ENTITIES****TIGAR MONTENEGRO**

Equity: 106
Total income: 647
EBITDA: 7

*(000 EUR)***TIGAR PARTNER**

Equity: 17,803
Total income: 31,071
EBITDA: 142

*(000 DEN)***TIGAR TRADE Banja Luka**

Equity: 0
Total income: 865
EBITDA: -142

*(000 KM)***TIGAR EUROPE**

Equity: 2,609
Total income: 9,330
EBITDA: 195

*(000 GBP)***TIGAR AMERICAS**

Equity: 326
Total income: 597
EBITDA: -96

*(000 USD)***SERVICE ENTITIES****FREE ZONE PIROT**

Equity: 181,020
Total income: 288,605
EBITDA: 11,178

*(000 RSD)***TIGAR BUSINESS SEVRVICES**

Equity: 20,804
Ukupan prihod: 112,545
EBITDA: 9,209

*(000 RSD)***TIGAR CATERING**

Equity: 127,624
Total income: 169,763
EBITDA: -19,853

*(000 RSD)***TIGAR INCON**

Equity: 132,440
Total income: 163,236
EBITDA: -30,542

*(000 RSD)***TIGAR INTER RISK**

Equity: 3,011
Total income: 3,717
EBITDA: 493

*(000 RSD)***TIGAR PROTECTIVE WORKSHOP**

Equity: 0
Total income: 18,461
EBITDA: -10,224

TIGAR SECURITY

Equity: 42,398
Total income: 107,115
EBITDA: 23,744

*(000 RSD)***TIGAR TOURS**

Equity: 9,830
Total income: 6,089
EBITDA: 218

*(000 RSD)***PI CHANNEL**

Equity: 8,780
Total income: 21,103
EBITDA: 5,926

(000 RSD)



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IZ.P. 12/04**3.6. TIGAR RUBBER FOOTWEAR**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	1,420,256	1,990,058	2,032,415
Current assets	1,137,422	962,942	1,286,493
Deferred tax assets			224
TOTAL ASSETS	2,557,678	2,953,000	3,319,132
Equity	857,475	870,449	803,317
Long-term liabilities and provisions	772,345	673,676	589,226
Current liabilities	920,603	1,397,623	1,926,589
Deferred tax liabilities	7,255	11,252	
TOTAL EQUITY AND LIABILITIES	2,557,678	2,953,000	3,319,132

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	1,508,921	2,008,517	1,340,145
Sales of goods, products and services	1,242,882	1,543,404	1,275,763
Work performed by the company and capitalized	230,522	270,775	159,367
Increase in inventories of finished products and work in progress	33,244	192,106	
Decrease in inventories of finished products and work in progress			95,013
Other operating income	2,273	2,232	28
OPERATING EXPENSES	1,553,008	2,129,305	1,693,400
Cost of commercial goods sold			
Material, fuel and energy consumed	754,835	1,226,159	853,392
Staff costs	492,622	621,830	511,722
Depreciation, amortization and provisions	71,879	56,188	103,786
Other operating expenses	233,672	225,128	224,500
PROFIT/LOSS FROM OPERATIONS	-44,087	-120,788	-353,255
FINANCE INCOME	1,147	12,886	970
FINANCE EXPENSES	67,491	40,788	62,725
OTHER INCOME	144,231	343,945	62,426
OTHER EXPENSES	26,910	21,357	1,665
PROFIT/LOSS BEFORE TAXATION	6,890	173,898	-354,249
INCOME TAXES			
Current tax expense	257	16,926	
Deferred income tax expense	2,587	3,997	
Deferred income tax benefit			11,475
NET PROFIT/LOSS	4,046	152,975	-342,774



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CASH FLOWS (in thousands of RSD)	January-December 2011.	January-December 2012.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	1,236,414	702,462
Cash outflow from operating activities	1,016,409	965,010
Net cash inflow from operating activities	220,005	
Net outflow from operating activities		262,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	14,446	4,584
Net cash inflow from investing activities		
Net cash outflow from investing activities	14,446	4,584
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		267,258
Cash outflow from financing activities	205,532	
Net cash inflow from financing activities		267,258
Net cash outflow from financing activities	205,532	
NET CASH INFLOW	27	126
NET CASH OUTFLOW		
Cash and cash equivalents at beginning of year	187	138
Foreign exchange gains on translation of cash and cash equivalents	16	4
Foreign exchange losses on translation of cash and cash equivalents	92	140
CASH AND CASH EQUIVALENTS AT END OF YEAR	138	128



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IZ.P. 12/04**3.7. TIGAR RUBBER TECHNICAL GOODS**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	741,043	1,015,037	1,079,201
Current assets	379,575	292,885	350,483
Deferred tax assets			
TOTAL ASSETS	1,120,618	1,307,922	1,429,684
Equity	296,544	363,891	169,698
Long-term liabilities and provisions	350,698	253,980	171,222
Current liabilities	469,550	683,280	1,073,149
Deferred tax liabilities	3,826	6,771	15,615
TOTAL EQUITY AND LIABILITIES	1,120,618	1,307,922	1,429,684

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	581,761	424,959	361,155
Sales of goods, products and services	466,580	339,447	342,371
Work performed by the company and capitalized	74,810	87,375	44,113
Increase in inventories of finished products and work in progress	40,340		
Decrease in inventories of finished products and work in progress		1,863	25,329
Other operating income	31		
OPERATING EXPENSES	617,183	525,974	555,961
Cost of commercial goods sold			
Material, fuel and energy consumed	296,613	225,491	237,930
Staff costs	163,599	160,509	168,270
Depreciation, amortization and provisions	23,180	29,610	30,113
Other operating expenses	133,791	110,364	119,648
PROFIT/LOSS FROM OPERATIONS	-35,422	-101,015	-194,806
FINANCE INCOME	1,414	2,682	13,666
FINANCE EXPENSES	35,112	32,279	54,083
OTHER INCOME	38,801	1,227	57,508
OTHER EXPENSES	632	7,685	7,634
PROFIT/LOSS BEFORE TAXATION	-30,951	-137,070	-185,349
INCOME TAXES			
Current tax expense			
Deferred income tax expense	2,920	2,944	8,844
Deferred income tax benefit			
NET PROFIT/LOSS	-33,871	-140,014	-194,193



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CASH FLOWS (in thousands of RSD)	January-December 2011.	January-December 2012.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	417,644	326,716
Cash outflow from operating activities	376,097	222,792
Net cash inflow from operating activities	41,547	103,924
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	26,764	10,063
Net cash inflow from investing activities		
Net cash outflow from investing activities	26,764	10,063
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	9,143	11,473
Cash outflow from financing activities	24,127	105,292
Net cash inflow from financing activities		
Net cash outflow from financing activities	14,984	93,819
NET CASH INFLOW		42
NET CASH OUTFLOW	201	
Cash and cash equivalents at beginning of year	230	3
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents	26	21
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	24



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IZ.P. 12/04**3.8. TIGAR CHEMICAL PRODUCTS**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	124,800	143,443	256,095
Current assets	145,528	129,426	81,167
Deferred tax assets	973	947	1,278
TOTAL ASSETS	271,301	273,816	338,540
Equity	131,031	131,401	199,072
Long-term liabilities and provisions	2,806	2,039	1,874
Current liabilities	137,464	140,376	137,594
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	271,301	273,816	338,540

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	199,256	163,006	100,203
Sales of goods, products and services	168,042	134,117	112,666
Work performed by the company and capitalized	14,969	16,940	8,470
Increase in inventories of finished products and work in progress	16,245	11,949	
Decrease in inventories of finished products and work in progress			21,541
Other operating income			608
OPERATING EXPENSES	256,565	162,657	131,785
Cost of commercial goods sold			
Material, fuel and energy consumed	134,314	75,678	61,567
Staff costs	61,861	44,279	35,122
Depreciation, amortization and provisions	4,694	1,950	1,860
Other operating expenses	55,696	40,750	33,236
PROFIT/LOSS FROM OPERATIONS	-57,309	349	-31,582
FINANCE INCOME	2,269	1,958	2,450
FINANCE EXPENSES	6,258	3,274	6,172
OTHER INCOME	4,036	4,552	49,733
OTHER EXPENSES	774	3,189	1,367
PROFIT/LOSS BEFORE TAXATION	-58,036	396	13,062
INCOME TAXES			
Current tax expense			
Deferred income tax expense		26	
Deferred income tax benefit	186		331
NET PROFIT/LOSS	-57,850	370	13,393



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CASH FLOWS (in thousands of RSD)	January-December 2011.	January-December 2012.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	153,923	126,455
Cash outflow from operating activities	163,926	99,766
Net cash inflow from operating activities		26,689
Net outflow from operating activities	10,003	
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	322	6,830
Net cash inflow from investing activities		
Net cash outflow from investing activities	322	6,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	47,610	5,897
Cash outflow from financing activities	38,198	25,837
Net cash inflow from financing activities	9,412	
Net cash outflow from financing activities		19,940
NET CASH INFLOW		
NET CASH OUTFLOW	913	81
Cash and cash equivalents at beginning of year	1,086	114
Foreign exchange gains on translation of cash and cash equivalents	138	126
Foreign exchange losses on translation of cash and cash equivalents	197	144
CASH FLOWS FROM OPERATING ACTIVITIES	114	15

3.9. TIGAR EUROPE UK

Balance Sheet in thousands of GBP	As of 31 December 2010.	As of 31 December 2011. (audited)	As of 31 December 2012.
Assets			
Non-current assets	5	3	2
Current assets	4,217	4,267	3,390
Deferred tax assets	0	0	0
Total assets	4,222	4,270	3,392
Equity and liabilities			
Equity	2,668	2,826	2,609
Non-current liabilities	0	0	0
Current liabilities	1,554	1,444	783
Deferred tax liabilities			
Total equity and liabilities	4,222	4,270	3,392

INCOME STATEMENT (in thousands of GBP)	January-December 2010.	January-December 2011.	January-December 2012.
Turnover	14,698	14,607	9,319
Cost of sales	13,737	13,379	8,513
Gross Profit	961	1,228	806
Administrative expenses	616	628	613
Operating Profit	345	600	193
Interest receivable	7	6	8
Other income	0	0	2
Profit on Ordinary Activities Before Taxation	352	606	204
Tax on profit on ordinary activities	79	148	41
Retained Profit for the Financial Year	273	459	163



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3.10. TIGAR AMERICAS - USA

Balance Sheet in thousands of USD		As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
Assets				
	Non-current assets	6	5	5
	Current assets	282	475	395
	Deferred tax assets	250	250	250
	Total assets	538	730	650
Equity and liabilities				
	Equity	436	437	326
	Long-term liabilities and provisions	0	0	0
	Current liabilities	102	293	325
	Deferred tax liabilities			
	Total Equity and liabilities	538	730	650

INCOME STATEMENT (in thousands of USD)	January-December 2010	January-December 2011	January-December 2012
Sales and marketing income	985	1,171	596
Cost of goods sold	808	923	462
Gross profit	178	249	134
Selling, general and administrative expenses	163	243	230
Result from operations	14	5	-96
Other income (expense) result	-3	-2	-12
Net result before corporation taxes	11	3	-109
Income tax	0	2	0
Net profit (loss)	11	1	-109

3.11. TIGAR MONTENEGRO – MONTENEGRO

BALANCE SHEET (in thousands of EUR)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	4	4	4
Current assets	271	281	261
Deferred tax assets			
Total assets	275	284	265
Equity	108	112	106
Non-current liabilities			
Current liabilities	166	172	159
Deferred tax liabilities			
Total equity and liabilities	275	284	265

INCOME STATEMENT (in thousands of EUR)	January-December 2010.	January-December 2011.	January-December 2012.
Total income	774	666	647
Total expenses	750	650	645
PROFIT/LOSS BEFORE TAXATION	24	16	1
Income taxes	2	1	0
Deferred income tax expense			
Deferred income tax benefit			
NET PROFIT/LOSS	21	14	1



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IZ.P. 12/04**3.12. TIGAR TRADE – REPUBLIKA SRPSKA**

BALANCE SHEET (in thousands of KM)	As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
Non-current assets	244	248	234
Current assets	1,446	960	771
Deferred tax assets			
Loss above equity			41
TOTAL ASSETS	1,691	1,209	1,046
Equity	435	145	0
Long-term liabilities and provisions	0	0	
Current liabilities	1,256	1,063	1,046
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	1,691	1,209	1,046

Income statement (in thousands of KM)	Actual January-December 2010	Actual January-December 2011	Actual January-December 2012
Total income	2,455	1,362	865
Total expenses	2,451	1,651	1,051
PROFIT/LOSS BEFORE TAXATION	4	-290	-186
Income taxes	1		
Deferred income tax expense			
Deferred income tax benefit			
NET PROFIT/LOSS	3	-290	-186

3.13. TIGAR PARTNER – MACEDONIA

BALANCE SHEET (in thousands of Denars)	As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
Non-current assets	334	50	29
Current assets	23,772	22,862	23,393
Deferred tax assets			
TOTAL ASSETS	24,106	22,912	23,422
Equity	17,722	17,744	17,803
Long-term liabilities and provisions			
Current liabilities	6,384	5,168	5,618
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	24,106	22,912	23,422

Income statement (in thousands of Denars)	Actual January-December 2010	Actual January-December 2011	Actual January-December 2012
Total income	31,092	28,674	31,071
Total expenses	30,978	28,639	31,004
PROFIT/LOSS BEFORE TAXATION	114	35	67
Income taxes	19	12	8
Deferred Income Tax expense			
Deferred Income Tax benefit			
NET PROFIT/LOSS	95	22	59



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IZ.P. 12/04**3.14. TIGAR BUSINESS SERVICE**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 December 2012
Non-current assets	218,217	50,301	39,751
Current assets	84,664	37,275	35,834
Deferred tax assets	79	546	1,644
TOTAL ASSETS	302,960	88,122	77,229
Equity	169,308	27,836	20,804
Long-term liabilities and provisions	20,025	6,610	1,941
Current liabilities	113,627	53,676	54,484
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	302,960	88,122	77,229

Income statement (in thousands of RSD)	Actual January-December 2010	Actual January-December 2011	Actual January-December 2012
OPERATING INCOME	311,757	136,213	111,654
Sales of goods, products and services	303,590	136,095	111,654
Work performed by the company and capitalized	8,013	65	
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	154	53	
OPERATING EXPENSES	321,654	133,915	114,593
Cost of commercial goods sold	18,403	1,040	
Material, fuel and energy consumed	124,452	50,386	39,025
Staff costs	110,098	41,035	37,154
Depreciation, amortization and provisions	18,168	13,934	12,838
Other operating expenses	50,533	27,520	25,576
PROFIT/LOSS FROM OPERATIONS	-9,897	2,298	-2,939
FINANCE INCOME	82	2,897	576
FINANCE EXPENSES	4,736	6,873	5,853
OTHER INCOME	1,732	2,182	315
OTHER EXPENSES	991	420	229
PROFIT/LOSS BEFORE TAXATION	-13,810	84	-8,130
INCOME TAXES			
Current tax expense		267	
Deferred income tax expense			
Deferred income tax benefit	225	467	1,098
NET PROFIT/LOSS	-13,585	284	-7,032



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IZ.P. 12/04**3.15. TIGAR CATERING**

BALANCE SHEET (in thousands of RSD)	Initial status – as of February 1st 2011	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	157,308	153,093	170,948
Current assets	48,822	55,051	53,058
Deferred tax assets			
TOTAL ASSETS	206,130	208,144	224,006
Equity	141,755	132,398	127,624
Long-term liabilities and provisions	5,841	5,470	4,963
Current liabilities	58,534	70,125	91,136
Deferred tax liabilities		151	283
TOTAL EQUITY AND LIABILITIES	206,130	208,144	224,006

Income statement (in thousands of RSD)	February-December 2011.	January-December 2012.
OPERATING INCOME	188,658	169,131
Sales of goods, products and services	188,413	168,647
Work performed by the company and capitalized	148	300
Increase in inventories of finished products and work in progress		
Decrease in inventories of finished products and work in progress		
Other operating income	97	184
OPERATING EXPENSES	197,151	194,442
Cost of commercial goods sold	11,676	7,846
Material, fuel and energy consumed	96,097	90,928
Staff costs	69,401	73,945
Depreciation, amortization and provisions	6,365	6,066
Other operating expenses	13,612	15,657
PROFIT/LOSS FROM OPERATIONS	-8,493	-25,311
FINANCE INCOME	135	139
FINANCE EXPENSES	1,669	2,378
OTHER INCOME	1,122	493
OTHER EXPENSES	355	423
PROFIT/LOSS BEFORE TAXATION	-9,260	-27,480
INCOME TAXES		
Current tax expense		
Deferred income tax expense	151	132
Deferred income tax benefit		
NET PROFIT/LOSS	-9,411	-27,612



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CASH FLOWS (in thousands of RSD)	February-December 2011.	January-December 2012.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	155,511	152,242
Cash outflow from operating activities	154,425	150,210
Net cash inflow from operating activities	1,086	2,032
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	53	130
Cash outflow from investing activities	248	94
Net cash inflow from investing activities		36
Net cash outflow from investing activities	195	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	850	2,071
Net cash inflow from financing activities		
Net cash outflow from financing activities	850	2,071
NET CASH INFLOW	41	
NET CASH OUTFLOW		3
Cash and cash equivalents at beginning of year		41
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT END OF YEAR	41	38



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IZ.P. 12/04**3.16. TIGAR INCON**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	161,407	168,571	162,842
Current assets	114,201	56,494	98,525
Deferred tax assets			
TOTAL ASSETS	275,608	225,065	261,367
Equity	169,561	169,796	132,440
Long-term liabilities and provisions	5,860	6,471	5,829
Current liabilities	99,404	47,893	121,661
Deferred tax liabilities	783	905	1,437
TOTAL EQUITY AND LIABILITIES	275,608	225,065	261,367

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	233,516	269,264	158,727
Sales of goods, products and services	226,584	255,043	157,205
Work performed by the company and capitalized	6,932	14,221	1,522
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income			
OPERATING EXPENSES	223,194	268,099	195,455
Cost of commercial goods sold			
Material, fuel and energy consumed	81,372	108,190	71,023
Staff costs	97,590	109,639	95,839
Depreciation, amortization and provisions	4,321	7,241	6,848
Other operating expenses	39,911	43,029	21,745
PROFIT/LOSS FROM OPERATIONS	10,322	1,165	-36,728
FINANCE INCOME	870	17	4,439
FINANCE EXPENSES	230	403	3,795
OTHER INCOME	1,408	126	70
OTHER EXPENSES	661	435	810
PROFIT/LOSS BEFORE TAXATION	11,709	470	-36,824
INCOME TAXES			
Current tax expense	614	113	
Deferred income tax expense	165	122	532
Deferred income tax benefit			
NET PROFIT/LOSS	10,930	235	-37,356



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CASH FLOWS (in thousands of RSD)	January-December 2011.	January-December 2012.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	256,260	142,026
Cash outflow from operating activities	251,309	142,980
Net cash inflow from operating activities	4,951	
Net outflow from operating activities		954
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	4,966	
Cash outflow from investing activities	2,539	440
Net cash inflow from investing activities	2,427	
Net cash outflow from investing activities		440
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		43,589
Cash outflow from financing activities	7,603	42,099
Net cash inflow from financing activities		1,490
Net cash outflow from financing activities	7,603	
NET CASH INFLOW		96
NET CASH OUTFLOW	225	
Cash and cash equivalents at beginning of year	266	41
Foreign exchange gains on translation of cash and cash equivalents		
Foreign exchange losses on translation of cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT END OF YEAR	41	137



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IZ.P. 12/04**3.17. FREE ZONE PIROT**

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010.	As of 31 December 2011.	As of 31 December 2012.
Non-current assets	131,986	66,028	79,758
Current assets	68,879	150,707	148,311
Deferred tax assets	110	129	214
TOTAL ASSETS	200,975	216,864	228,283
Off-balance sheet assets	25,500	28,500	23,000
Equity	140,069	145,104	181,020
Long-term liabilities and provisions	3,555	3,089	2,900
Current liabilities	57,351	68,671	44,363
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	200,975	216,864	228,283
Off-balance sheet liabilities	25,500	28,500	23,000

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	214,364	282,617	252,047
Sales of goods, products and services	214,364	282,617	252,047
Work performed by the company and capitalized			
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income			
OPERATING EXPENSES	194,755	262,916	243,242
Cost of commercial goods sold	197	12	16
Material, fuel and energy consumed	2,910	3,728	3,809
Staff costs	38,515	46,094	49,837
Depreciation, amortization and provisions	3,865	3,050	2,617
Other operating expenses	149,268	210,032	186,963
PROFIT/LOSS FROM OPERATIONS	19,609	19,701	8,805
FINANCE INCOME	2,358	2,599	12,403
FINANCE EXPENSES	1,048	2,640	2,225
OTHER INCOME	740	62,299	24,155
OTHER EXPENSES	1,377	3,803	2,376
PROFIT/LOSS BEFORE TAXATION	20,282	78,156	40,762
INCOME TAXES			
Current tax expense	678	9,140	2,282
Deferred income tax expense			
Deferred income tax benefit	98	19	85
NET PROFIT/LOSS	19,702	69,035	38,565



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IZ.P. 12/04**3.18. OTHER SERVICE ENTITIES – COLLECTIVELY**

Income statement (in thousands of RSD)	January-December 2010.	January-December 2011.	January-December 2012.
OPERATING INCOME	153,123	153,485	155,212
Sales of goods, products and services	151,339	152,737	154,329
Work performed by the company and capitalized			
Increase in inventories of finished products and work in progress			
Decrease in inventories of finished products and work in progress			
Other operating income	1,784	748	883
OPERATING EXPENSES	143,842	139,739	139,680
Cost of commercial goods sold	4,500	5,222	3,109
Material, fuel and energy consumed	4,150	4,644	3,600
Staff costs	112,928	109,051	115,752
Depreciation, amortization and provisions	7,104	5,838	4,716
Other operating expenses	15,160	14,984	12,503
PROFIT/LOSS FROM OPERATIONS	9,281	13,746	15,532
FINANCE INCOME	309	304	404
FINANCE EXPENSES	207	134	1,882
OTHER INCOME	3,332	735	869
OTHER EXPENSES	213	191	263
PROFIT/LOSS BEFORE TAXATION	12,502	14,460	14,660
INCOME TAXES			
Current tax expense	488	710	904
Deferred income tax expense		1	15
Deferred income tax benefit	103	70	218
NET PROFIT/LOSS	12,117	13,819	13,959



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4. REAL ESTATE AND LEGAL MATTERS

4.1. REAL ESTATE

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

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

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

Land

The total number of cadastral lots owned by Tigar and its dependent entities, without Free Zone, as of 31.12.2012 is 115, of which 310,232 m² is undeveloped land, while the useful area is 94,357 m². The total carrying value of the land is RSD 674,752,574.97.

The carrying value of the land of the Free Economic Zone was RSD 23,047,490.56 on 31 December 2012.

Buildings

Tigar and its main subsidiaries own a total of 162 buildings.

The aggregate useful surface area owned by Tigar and its main subsidiaries is 94,357 m².

As of 31 December 2012, the carrying value of the buildings owned by Tigar and its major subsidiaries was RSD 2,186,376,305.755.

In addition to the value of buildings owned by the nine largest subsidiaries, this part also covers the data on the Free Economic Zone. The carrying value of the buildings owned by individual entities is given in the table below.

Book value of buildings

BOOK VALUE OF BUILDINGS (in RSD)		
Entity	30.09.2012.	31.12.2012.
Tigar AD	522,692,976.84	660,656,673.33
Tigar Rubber Technical Goods	429,012,852.45	446,190,888.57
Tigar Chemical Products	37,521.00	36,905.00
Tigar Rubber Footwear	768,601,654.57	695,367,672.62
Tigar Protective Workshop	30,262,543.18	30,113,468.18
Tigar Business Service	16,773,800.65	16,709,255.65
Tigar Tours	6,114,447.10	6,084,604.10
Tigar Security	26,100,987.49	25,994,237.49
Free Zone	23,401,955.91	23,242,690.20
Tigar Incon	142,288,866.26	143,605,019.55
Tigar Catering	137,845,424.19	138,374,891.06
Total:	2,103,133,029.64	2,186,376,305.75



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Real estate transactions

In 2012, there were no major real estate transactions. Starting from the assumption supported by DEG and other investors, property of Tigar AD that is not in the commission of activity / or partially or completely leased / or is intended to be disposed of - has the status of an investment property. During the 2012, Tigar ad has increased its share in dependent legal entities (Tigar Rubber Footwear Pirot, Tigar Catering Pirot and Tigar Chemical Products Pirot) by the transfer of the land at the appraised value. All that has been estimated that can be used for manufacturing or logistical purposes or fully used, does not have this status.

According to the records, Tigar has the following immovable property abroad:

- Storage in Banja Luka, Republika Srpska, used by joint company Tigar Trade, 800m²
- Business premises in Skopje, FYROM, used by the joint company Tigar Partner, 72 m².
- Business premises in Zagreb, Republic of Croatia, 161 m² and a plot in Sesvete, Municipality of Zagreb 13,424 m², user unknown.

These real properties have been erased from the books of the issuer, on the basis of the Regulations from 1991 and 1992., which are still formally in force. However, due to the fact that the solutions they contain are contrary to provisions of Appendix G of the Agreement on succession issues, they can not be considered as valid. Such a view is fully accepted in the practice of our courts and other authorities with regard to the return of property to legal and physical entities from other successor states of the former Yugoslavia, Appendix G on succession is a relatively short document (Private property and acquired rights), defining that private property and acquired rights of citizens and other legal persons of the SFRY will be protected by the successor State in accordance with the provisions of this Appendix. During the time, the most problematic status has the property in Croatia, which has the highest value, but it is certain that the entry of Croatia into the EU means the addressing of ownership of legal entities from former republics, such as the Tigar, which can have a significant impact on both the result and the cash when achieved.

STATUS AS OF 31.12.2012.

Liens

At the end of December 2012, the property of the Company was burdened by the following liens, according to the below stated court orders:

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

According to the agreement in favor of Jubanka Beograd was agreed a lien on immovable property (cardboard and footwear facilities) as collateral under the following agreements between Jubanka and Tigar:

- Agreement 3617/04 dated 6 October 2004; outstanding amount EUR 126.932,82
- Agreement 3618/04 dated 6 October 2004; outstanding amount EUR 436.903,48
- Agreement 3619/04 dated 6 October 2004; outstanding amount USD 425.690,74

Collateral agreement I 622/09 dated 25 June 2009 places a lien on the Occupational Health Building in favor of Hypo Alpe Adria Banka a.d., Belgrade.

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



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Mortgage statement 1587/2010 dated 13 April 2010 places liens on immovable property in Kruševac and Užice in favor of Privredna Banka a.d. Belgrade.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mortgage Statement I 428/2012 dated 14 February 2012 places a lien on real estate in Pirot, Novi Sad and Cacak in favor of AIK Bank a.d., Niš.



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Mortgage Statement I 472/2012 dated 22 February 2012 places a lien on real estate in Pirot (Administration Building) in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 734/2012 places a lien on real estate in Pirot (Administration Building) in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 1849/2012 dated 21 May 2012 places a lien on real estate in Pirot in favor of AIK Bank a.d., Niš.

Mortgage Statement I 2382/2012 dated 26 June 2012 places a lien on real estate in Pirot and Vračar in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 2612/2012 dated 10 July 2012 places a lien on real estate in Pirot in favor of AIK Bank a.d., Niš.

Mortgage Statement I 3165/2012 dated 30 August 2012 places a lien on real estate in Pirot in favor of Erste Banka a.d., Niš.

Mortgage Statement I 3512/2012 dated 26 September 2012 places a lien on real estate in Pirot in favor of AIK Bank a.d., Niš.

Mortgage Statement I 3510/2012 dated 26 September 2012 places a lien on real estate in Pirot and Belgrade in favor of Hypo Alpe-Adria Bank a.d. Belgrade.

Mortgage Statement I 4169/2012 dated 9 November 2012 places a lien on real estate in Pirot in favor of Development Fund of the RS, Niš.

4.2. LEGAL PROCEEDINGS

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

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

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

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



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5. CAPITAL MARKET POSITION AND DIVIDEND POLICY

Trading on the BSE during the year 2012 was still characterized by a low level of investment activity and low liquidity. Total trading turnover of EUR 219.7 million is for 21.5 per cent lower compared to the the year 2011, when it amounted EUR 280.1 million. The average share of foreign investors in trading within the reporting period was 55.8 percent higher than the share in 2011, when it was at a level of 45.3 percent, but it is still not enough for a serious increase in turnover or a significant increase of index indicators. On an annual basis, Belex15 increased by 4.98 percent, and Belex line for 2.90 percent.

Shares of the company are traded at a premium market of the Belgrade Stock Exchange and are part of index baskets of both indices of the Serbian capital market - Belex Line-general index and the index of the most liquid securities-Belex 15. During 2012, Tigar's shares haven't fully followed the trend index of the Serbian capital market and since the mid-year the negative trend is evident in the movement of stock prices. Trading in 2012 was completed at a level of 215 dinars, which is significantly below the book value, but was also in a very low volume.

During the year, many investors have shown interest in buying shares, but there occurred no significant turnover of shares and therefore there were no significant changes in the ownership structure and the number of shareholders. By the end of the year, the state has announced the sale of its stake in companies in which it possesses the ownership stake - including Tigar - but specific activities related to the exit from the property by the end of the year were not taken.

The following table contains a summary of key data from trading of Company's shares during 2012.

	31ST DECEMBER 2011.	31ST DECEMBER 2012.	% CHANGES
Number of shareholders	4,530	4,482	-1.1%
Total number of shares	1,718,460	1,718, 460	
Book value of shares	1,678.74	1,684.95	
Market price of shares	514.00	215.00	-58.17%
Lowest price during the period	167,00 - 3. decembar		
Highest price during the period	515,00 - 2.februar		
Average price in 2012*	345.00		
Market capitalization in RSD	883,288,440	369, 468, 900	-58.17%
P/ BV *	0.12		

During 2012, a total of 128,688 shares were traded, i.e. slightly more than 7.5% of the total share capital. Realized turnover in 2012 was 22,109.61 RSD.

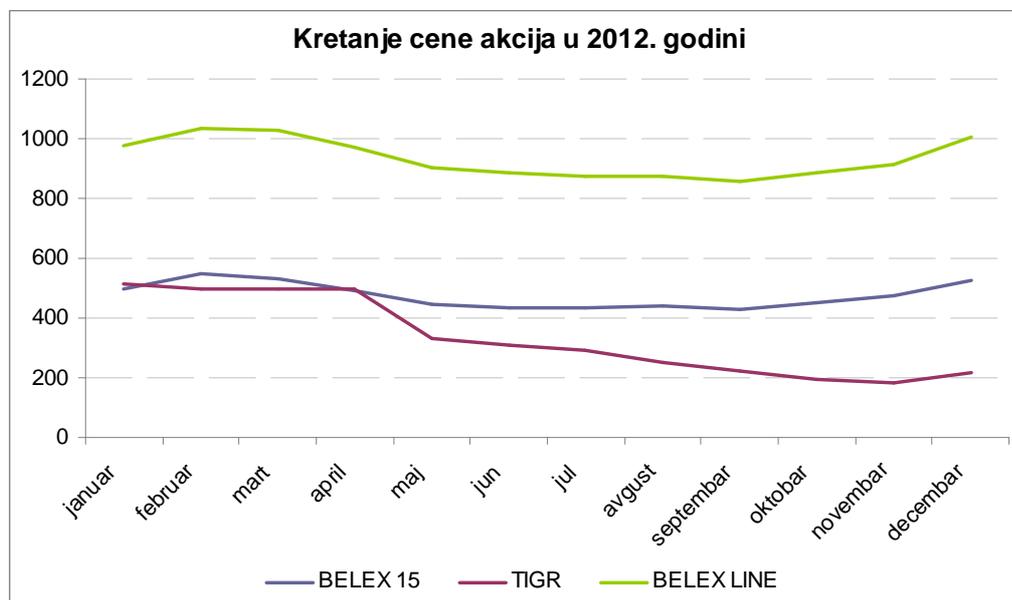


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The graph below shows Tigar stock price and index movements in 2012.



During the reporting period, Tigar continued to actively report the shareholders and investor relations on its business results. Periodic reports on the business operations have been published in accordance with the terms of a listed company, and there were held several IR presentations and meetings with existing shareholders and investors. In addition to regular communication with the investment community within the reporting period, the company was present at the capital market by issuing short-term bonds, which was preceded by a number of meetings with local professional investors.

Changes in shareholders structure in 2012

Shareholders	31.12.2011.	31.12.2012.	% change
Legal entities	44.36%	42.99%	-1.37%
Individuals	26.31%	27.561%	1.25%
Custody accounts	29.32%	29.4%	0.28%

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.

In accordance with the Law on Companies, on the occasion of the regular meeting of General Assembly on 20 June, where in addition to the annual financial statements were adopted new Incorporation Act and By-Laws as fundamental corporate acts, in Tigar was applied bicameral governance model which includes the General Assembly as a body of the owner, the Executive Board as a business executive body and a Supervisory Board. After the constitution of the Supervisory and Executive Board and the appointing of the Managing Director, there was formally completed the process of Company's alignment with the new Company Law.

According to the new corporate legislation, on the occasion of the General Assembly, shareholders have decided for professional members of the Supervisory Board, so that none of shareholders' representatives has not entered into its composition.



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During 2012, the Company had not paid a dividend for the year 2010 - according to the decision of the General Assembly, noting that the default interest should be calculated up to the moment of payment.

The Supervisory Board members own less than 1% of the total shares. The following table shows that in the possession of members of the Supervisory Board on 31.12.2012, there was less than 1 percent of the shares.

Name	Shares held as of 31 May 2005	Shares held as of 31 December 2012	% of Existing Shares
Dragan Nikolić	880	898	0.052
Vladimir Nikolić	803	803	0.050
Gordana Lazarević	-	-	-
Tihomir Nenadić	-	-	-
Jose Alexandre F. da Costa	-	-	-

Top ten shareholders as of 31 December 2012

	Shareholder – Name/Business name	Number of shares	% Stake
1	NATIONAL SHARE FUND, BELGRADE	429,429	24.98
2	UNICREDIT BANK SERBIA	152,831	8.89
3	NATIONAL PENSION AND DISABILITY FUND OF THE REPUBLIC OF SERBIA	149,981	8.72
4	ERSTE BANK AD NOVI SAD– Custody account	136,548	7.94
5	ERSTE BANK AD NOVI SAD – Custody account	87,387	5.08
6	RAIFFEISEN BANK AD BELGRADE – Custody account	55,057	3.2
7	KOMERCIJALNA BANKA, Custody account	2,1005	1.22
8	HERMA INVESTMENTS CO, LTD	20,000	1.16
9	UNICREDIT BANK SERBIA AD, Custody account	18,500	1.07
10	COMPANY DUNAV INSURANCE A.D.O	17,120	0.99

Source: Central Registry of Securities, Depository and Clearing House, 31 December 2012, www.crhov.rs



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6. SUSTAINABLE DEVELOPMENT

6.1. EMPLOYEES

Headcount and structure

At the end of the reporting period – 31.12.2012, Tigar had 1,818 employees. In addition, the number of employees in Tigar's dependent entities in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina was 17. on 31.12.2012, the structure of employees was as it follows below:

Workforce as of		
Company	31.12.2011.	31.12.2012.
Tigar AD	485	445
T.R.Footwear	692*	691
T.R.T.G.	220	209
T.C.Products	37	35
Other	470	438
TOTAL	1,904	1,818

*In addition, due to the seasonal nature of its production, Tigar Rubber Footwear has hired in 2011 about 220 temporary workers.

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.

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 average monthly salary. Currently, 34 retired employees 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 2012 employee expenses incurred by Tigar AD and its subsidiaries, including apart the net earnings and the taxes, pension fund and health insurance contributions, in-house meals, and local transportation subsidies amounted to 1,555,647.00 RSD. The table below shows salaries and wages as a percentage of sales income.

Total employee expenses in I-XII 2012.			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
Tigar AD	292,267	495,809	13.20%
Tigar Rubber Footwear	293,248	502,574	39.39%
Tigar Technical Rubber Goods	96,813	166,076	48.51%
Tigar Chemical Products	20,270	34,699	30.80%
Others	208,363	356,489	42.24%
Total	910,961	1,555,647	24.57%



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Optimization of human resources

In 2012, 63 employees left Tigar on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD	5	3	6	14
T.R.Footwear	13	3	4	20
T.R.T.G.	4	2	2	8
T.C.Products			2	2
Other	8	3	8	19
TOTAL	30	11	22	63

*Of these 22 employees, 7 left the Company of their own volition, 3 were dismissed based on unpaid leave, 8 were excluded due to disciplinary responsibility and 4 passed away.

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

Optimization and reduction of the permanently employed is the integral part of the restructuring process. This process proceeded during 2012. Solving the problem of employee redundancy on a voluntary basis was a major component of Tigar's contribution to social stability.

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

Workforce downsizing costs and percentage of gross salaries		
	AMOUNT ('000 RSD)	%
Tigar AD	2,059	0.41
T.R.Footwear	3,379	0.67
T.R.T.G.	916	0.55
T.C.Products		
Other	2,450	0.69
TOTAL	8,804	0.57

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 2012.

Scholarships were paid for students at the following colleges/universities during the year 2012:

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
TOTAL NUMBER	22	6	3	7

Tuition and scholarship expenses paid in 2012 amounted to 1,919,800.00 RSD, or 0.12% of gross salaries.



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Employee training

The following numbers of employees were trained in 2012 through internal and external training programs:

Employee training – internal and external			
	Internal	External	Total
Tigar AD	97	55	152
Tigar Rubber Footwear	510	26	536
Tigar Technical Rubber Goods	301	50	351
Tigar Chemical Products	8		8
Others	699	28	727
Total	1,615	159	1,774

Employee training expenses in 2012 amounted to 2,213,695.00 RSD, or 0.14% of gross salaries.

6.2. INTEGRATED MANAGEMENT SYSTEMS

Tigar's quality management system (ISO 9001) was initially certified in 1995 by the then Federal Standardization Bureau. Following the introduction of environmental management standards (ISO 14001) in 2003, and occupational health and safety standards (OHSAS 18001) in 2010, Tigar's system was upgraded accordingly so that today Tigar has a well-established integrated management system which ensures that all risks associated with quality, the environment, and employee health and safety are monitored and addressed.

Annual inspections and audits corroborate Tigar's compliance with certification attest to the Company's ongoing commitment to customer and stakeholder satisfaction. These inspections and audits are conducted by YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC. In addition to the certification test, test facilities and performance evaluation of Tigar's productional and service entities also perform customers or service users, or experts in their name. Checking the compliance of established management system in the corporation, as well as checking the effectiveness and efficiency of the process and the system as a whole is done through regular internal audits.

During 2012, in Tigar Rubber Footwear and Tigar Rubber Technical Goods plants were conducted regular – second supervising checkings of integrated management systems (QMS, EMS and OHSAS) by the JUQS. The new cycle of checkings of integrated management systems begins in 2013, with recertification checkings that should be conducted before the expiration of applicable certificates in both plants.

In May 2012, in Tigar Incon was conducted the certified checking of integrated management systems per ISO 9001, ISO 14001 and OHSAS 18001 requirements by the certification body 'Kvalitet a.d.' from Nis, and that way, Tigar Incon which provides design and engineering services, joined Tigar's already certified entities.

The Free Economic Zone Pirot, joint stock company for the management over the free zone has also been certified. Certification audit of integrated management system of this company - which in addition to providing conditions for the normal functioning of Zone users also provide them with customs brokerage services and the organization of international and domestic transportation – was conducted by the certification body YUQS in December 2012.



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6.3. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

During the reporting 2012, there were no significant changes in the relevant legislation that could adversely affect the company's operations. Environmental aspects and risks identified in the workplace and work environment were controlled and without significant failure in the harsh conditions. Arrears have partly reflected on the regular health checks of employees, working conditions and work control systems for fire alarm systems.

Due to reduced volume and longer downtime during the year, broadcast pollutants and waste generated had improving trend, while the effects of achieving energy efficiency have been declining.

The concentrations of emitted pollutants are given in tables. Having reviewed the test results and the emission limit values, i.e., maximum allowable concentrations for water, it was evident, and so concluded by authorized institutions, that production activities of the company did not lead to environmental pollution.

Emission test results on the energy broadcaster				
<i>Tests conducted by the Institute 1 May Nis</i>				
<i>The laboratory is accredited according to ISO 17025</i>				
<i>Parameter</i>	<i>Measuring unit</i>	<i>measured concentration of the oxygen content of 12.9%</i>	<i>Corrected concentration. the oxygen content of 3%</i>	<i>GVE</i>
<i>The concentration of carbon monoxide</i>	<i>mg/m3</i>	<i>12,6</i>	28.3	<i>80</i>
<i>The concentration of sulfur dioxide</i>	<i>mg/m3</i>	<i>343,7</i>	774.3	<i>1300</i>
<i>The concentration of nitrogen oxides</i>	<i>mg/m3</i>	<i>129,0</i>	290.0	<i>350</i>
<i>The concentration of particulate matters</i>	<i>mg/m3</i>	<i>14,8</i>	33.3	<i>50</i>
<i>Inorganic compounds of fluorine and chlorine were not detected</i>				

Tigar has submitted to the Environmental Agency of the Republic of Serbia the annual reports of the waste generated in the manufacturing entities, Annual Reports on imported packaging and packaging placed in the domestic market, the material balance of emitted pollutants, Report on the products that after use become special waste streams due to the import of tires and there was carried out the registration of chemicals in the Chemicals Agency. All obligations have been completed within the legally defined term.

In accordance with the Law on Chemicals, in May 2012, in Tigar was employed an advisor for the work and treatment of chemicals.

For raw materials with hazardous properties that have entered into a production process of the company were requested confirmations from their suppliers on their compliance with the requirements of the REACH directive, as well as on additional requirements in the field of ecotoxicology that customers request from Tigar. There have also been prepared the Safety data sheets in accordance with the law.

Authorized operators for the management of packaging-related waste - Ekostar pak and Sekopak - companies with which Tigar has contracts, achieved the set national objectives and provided the recycling of packaging of Tigar's products, based on which was passed a resolutions by the Fund for Environmental Protection, by which Tigar's subsidiaries are exempted from payment of the compensation intended for packaging waste.

All non-hazardous waste generated in the manufacturing subsidiaries of the company was internally handed over to Tigar Protective Workshop, an authorized service provider for the management of non-hazardous waste, which then forwarded the waste through operators Ekostar pak from Belgrade, Piroteks triko from Pirot, Papir servis - FHB Belgrade, Pexim Pirot, Maxi-co Aleksinac, Eco-recycling



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Novi Sad, PROVEL metal Pirot and Jugo-impex Nis, depending on the type of waste. The amount of waste is dominated by vulcanized rubber. In 2012 was generated 250 tons of waste rubber. Tigar has handed over for recycling a 100% of generated waste to operator 'Ecorecycling'. Waste generated in Tigar was not sent to incineration in cement plants, but only for recycling. Amounts of other types of waste - paper, plastic, wood, metal ... are negligible.

During 2012, the submission of hazardous waste on further disposal was not performed because of the small quantities that were generated. Waste is safely stored at the factory.

By monitoring of heat, electricity and water in relation to production, by the means of the Energy and water saving program, during 2012 was realized the saving of 22% of water (total for all productional entities) compared to the one in 2011, while the energy consumption increased by 5%. Tiger Rubber Footwear has the largest increase in energy consumption per kilogram of product - by 24% as a direct result of capacity engagement for reduced production volume.

On the occasion of regular surveillance audits of the system of environmental management (ISO 14001) by certification firms during 2012, no irregularities were found.

Results of quarterly testing of waste water quality							
<i>Tests are conducted by the Institute 1 May, Nis Laboratory is accredited in accordance with ISO 17025</i>							
N ^o	Requested laboratory checkings	J.M.	MDK	Obtained values			
1	Water temperature °C	°C	do 40	13,6	29	31,1	22,7
2	pH	mg/l	6.0-9.5	8,3	8,5	9,4	9,2
4	Ammonium ion - NH ₄ ⁺	mg/l	15	3,36	4,25	5,33	<0,05
5	Nitrate - NO ₃ ⁻	mg/l	30	0,1	0,09	0,12	0,96
6	Nitrites - NO ₂ ²⁻	mg/l	50	0,056	0,053	0,045	<0,03
7	Chlorides - Cl	mg/l	500	39,7	36,87	39,41	7,3
8	Sulphates - SO ₄ ²⁻	mg/l	350	84,8	78,45	74,32	10
9	Used KMnO ₄	mg/l	-	>30	>30	>30	>30
10	Detergents	mg/l	10	0,15	0,25	0,32	<1
11	Particulate matters	mg/l	1	0,4	0,6	0,7	<1
12	Suspended substances	mg/l	500	236	283	295	209
13	BPK	mg/l	300	61,3	60,8	61,1	13
14	HPK	mg/l	450	356	347	366	51
15	Oils and fats	mg/l	40	3,85	3,55	3,75	<1
16	Chrome - Cr ⁶⁺	mg/l	0,1	0	0	0	0
17	Chrome - Cr ³⁺	mg/l	0,5	0	0	0	0
18	Lead - Pb	mg/l	2	0	0	0	0
19	Cadmium - Cd	mg/l	2	0	0	0	0
20	Zinc - Zn	mg/l	5	0,45	0,35	0,12	0
21	Copper - Cu	mg/l	2	0	0	0	0
22	Nickel - Ni	mg/l	3	0	0	0	0
23	Manganese - Mn	mg/l	-	0	0	0	0
24	Iron - Fe	mg/l	5	0,28	0,35	0,27	0

Tigar Corporation has celebrated the World Environment Day by opening the first environmental classroom in the courtyard of the kindergarten 'Little Red Riding Hood' within the preschool institution 'Cika Jova Zmaj', along with the 'NGO Stara Planina' (Old Mountain). All the materials used for the construction of the classroom are made of recycled material, as a practical example and a first lesson about recycling. On the same occasion was supported the action of the 'NGO Stara Planina' - collecting of electronic waste.



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Tigar is one of ten companies-partners in the project 'Establishment of the Centre for Environmental Management in Serbia', which is funded by the Norwegian bilateral assistance for the effective monitoring of emissions and reporting on environmental parameters.

During the reporting 2012, Tigar was, in addition to regular controls by competent inspections and certification bodies, the subject of the assessment of compatibility of corporate operations with the European and national regulations on environmental protection, health and safety at work and the application of the CE mark in the international project PACE (Partners for acquis Compliance and Energy Efficiency). The Company was awarded a certificate for the participation in the project, and the Certificate of Business Conformity, in which Tigar is rated as a company with a high level of knowledge and application of relevant national and European legislation.

Within the system of protection of health and safety at work are noted problems arising as a result of unpaid debts to the companies authorized to examine the working conditions and to institutes to verify the fire alarm system.

External control of the system for occupational health management and safety at work (OHSAS 18001) by the certification body, there was established a non-compliance and were initiated corrective measures due to the lack of Report on periodic medical examinations for jobs at risk at Tigar Technical Rubber Goods factory. The workers were sent to medical examinations and they were carried out in the relevant medical institution, but the reports were not submitted to Tigar by the date of the control for the reason of debt, which was then stated as a conflict.

In 2012, five injuries occurred at work, and they were all classified as minor injuries - four injuries at Tigar Footwear plant and one in Tigar Incon.

Training provided by the Act on the assessment of risks in the workplace and working environment, in order to prevent injuries, were conducted regularly in all entities of the company.

By its nature, productional entities are at risk of fire. The facilities are under video surveillance and better and constant control of Tigar Security, in order to prevent potential accidents. The removal of measures ordered by the Ministry of Internal Affairs, Department of Emergency Management is in progress, in order to complete the implementation of the Law on fire protection.

6.4. INTELLECTUAL PROPERTY

Tigar's full registered name is *Joint-Stock Company Tigar – Pirot* in English, and *Akcionarsko društvo Tigar – Pirot*, in Serbian. Its short name is Tigar AD – Pirot, and JSC Tigar in English. The registered name and its use are regulated by the provisions of Articles 10 and 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 2012:

Request No.	Date of request	Reg.no.	Trademark	Valid until	Owner
Z-247/80	30.04.80.	31499	Tigar	21.12.17.	Tigar AD
Z-2606/06	14.11.06.	54763	Tigar	14.11.16.	Tigar AD
Z-84/385	17.01.84.	29947	Tigar Tg 615	25.05.17.	Tigar AD
Z-947/07	30.04.07.	55640	Tigar Mountain House	30.04.17.	Tigar AD
Z-918/07	27.04.07.	55822	Tigar Tours	27.04.17.	Tigar AD
Z-842/07	18.04.07.	55612	Markol	18.04.17.	Tigar AD
Z-1129/07	17.05.07.	55735	Tigar Incon	17.05.17.	Tigar AD
Z-890/80	11.07.03.	49590	Tigar Sports Program	11.07.13.	Tigar AD
Z-152/07	29.01.07.	56018	Tigar	29.01.07.	Tigar AD
Z-1703/07	26.07.07	56315	Tigar Footwear	26.07.17.	Tigar AD
Z-1704/07	26.07.07.	56315	Tigar R.Footwear	26.07.17.	Tigar AD
Z-2440/07	17.10.07.	56731	Tigar Chemical Products	17.10.17.	Tigar AD
Z-212/08	05.02.08	57737	Tigrostik	05.02.18.	Tigar AD



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Z-211/08	05.02.08.	57738	Tigrolux	05.02.18.	Tigar AD
Z-214/08	05.02.08.	57650	Tigropren	05.02.18.	Tigar AD
Z-213/08	05.02.08.	57649	Tigrokol	05.02.18.	Tigar AD
Z-768/08	31.03.08.	57538	Hotel Stara Planina	31.03.18.	Tigar AD
Z-1433/08	06.06.08.	58815	Overload	06.06.18.	Tigar AD
Z-1475/08	11.06.08.	58462	Waterpolo Senior	11.06.18.	Tigar AD
Z-1473/08	11.06.08.	58427	Waterpolo Mini Mini	11.06.18.	Tigar AD
Z-1431/08	06.06.08.	58813	Waterpolo Junior	06.06.18.	Tigar AD
Z-1472/08	11.06.08.	58428	Specijal	11.06.18.	Tigar AD
Z-1432/08	06.06.08.	59305	Basketball Tg21 Official	06.06.18.	Tigar AD
Z-1474/08	11.06.08.	58424	Neos	06.06.18.	Tigar AD
Z-1469/08	11.06.08.	58426	Tricker Ball Basket Ball	11.06.18.	Tigar AD
Z-1471/08	11.06.08.	59401	Bistro	11.06.18.	Tigar AD
Z-1468/08	11.06.08.	58423	Overload Handball	11.06.18.	Tigar AD
Z-1470/08	11.06.08.	58425	Dynamic Overload	11.06.18.	Tigar AD
Z-1429/08	06.06.08.	58464	Overload Waterpolo Junior	06.06.18.	Tigar AD
Z-1467/08	11.06.08.	58430	Overload Waterpolo Mini Mini	11.06.18.	Tigar AD
Z-1476/08	11.06.08.	58463	Overload Waterpolo Senior	11.06.18.	Tigar AD
Z-1430/08	06.06.08.	59304	Basketball TG21 Overload	06.06.18.	Tigar AD
Z-2441/07	17.10.07.	56730	Tigar R.T.Goods	17.10.17.	Tigar AD
Z-2681/08	03.11.08.	59486	Trapper	03.11.18.	Tigar AD
Z-2682/08	03.11.08.	59485	Pesca	03.11.18.	Tigar AD
Z-2679/08	03.11.08.	59327	Rainydays	03.11.18.	Tigar AD
Z-2680/08	03.11.08.	59334	Nency	03.11.18.	Tigar AD
Z-2678/08	03.11.08.	59333	Ladybird	03.11.18.	Tigar AD
Z-2677/08	03.11.08.	59336	Ratar	03.11.18.	Tigar AD
Z-2676/08	03.11.08.	59451	Balerina	03.11.18.	Tigar AD
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-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Z-551/09	27.03.09.	60789	Bottega	27.03.19.	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
Z-795/11	30.05.11	-	Serbia on the Palm of Your Hand	-	Tigar AD
Internat. Trademark	03.07.97.	675 773 1174089	Tigar Tigar Logo	20.05.17. 15.08.12.	Tigar AD Tigar Americas Corp.
USA	02.11.07.	77320619	Tigar	-	Tigar Americas Corp.
Internat. Trademark 237003/1	07.09.09.	1020263	Brolly	07.09.19.	Tigar AD
Internat. Trademark 235877/1	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
USA 79075140	07.09.09.	3870299	Maniera	07.09.19	Tigar AD
USA 79075638	07.09.09.	3906894	Brolly	07.09.19	Tigar AD
Canada	25.05.90.	368832	Forester	25.05.15.	T.R. Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	T.R. Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	T.R. Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	T.R. Footwear
Great Britain	23.06.95.	2025055	Century	23.06.15.	T.R. Footwear
Great Britain	31.05.84.	1219898	Forester	31.05.15.	T.R. Footwear
Great Britain	23.06.95.	2025057	Forester	23.06.15.	T.R. Footwear



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The flagship trademark is “a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet” (Article 1 of the Articles of Association). The design and contents of the flagship trademark fall within the jurisdiction of the Supervisory Board. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

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

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

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

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

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

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

6.5. INFORMATION TECHNOLOGY

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

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

Main features of Tigar's Information System include:

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.
- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.



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

6.6. SOCIAL RESPONSIBILITY

The concept of corporate social responsibility of Tigar implies a high level of responsibility toward its employees and toward the community in which it makes profits, with socially responsible and ethical approach to all social actors.

Activities on the constant improvement of corporate social responsibility have resulted in classifying Tigar among the five companies that have been certified on the occasion of the first **National certification program of socially responsible companies in Serbia**. The certification process is a step forward in the regulation of this area of the company.

Within the program, the Company has, among other, adopted the **Guidelines in the field of philanthropy and other financial donations** which further defines the concept of corporate social responsibility and priority areas in which it will more actively participate. The document envisions the criteria based on which are made decision on supporting specific project or initiative; it is also given the manner of the decision-making process, and how will be recorded individual requests, how will be monitored their implementation and conducted measurement and evaluation of actual effects. It



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specifies the reporting on philanthropic activities and in general, the reporting on social responsibility of the company.

The company has defined as its philanthropic policy key principle that specific projects and actions must contribute to the general development and welfare of many people. Key areas of philanthropic activities of Tigar support the building of an inclusive society and strengthen the environmental awareness, which includes projects that show the importance of recycling and usage of recycled products. As for the forthcoming period, the Company has made clear its commitment to the further development of employee volunteering, giving support to the development of knowledge and talent, promoting positive entrepreneurial climate and encouraging the development of leadership skills and knowledge.

During the reporting period was **innovated the version of the Code of Ethics and Business Conduct for Employees** from 2005, with the aim to continuously improve the level of corporate culture in the company, through highlighting the goals of professional conduct and work, and to indicate desirable procedures in addressing important ethical issues.

Within the frame of its philanthropic activities in a very difficult business year 2012, in addition to the internal systemic regulation of this area, the Company was mainly focused on local community projects and on establishing cooperation and partnerships with civil sector.

In collaboration with NGOs Stara Planina and the involvement of other organizations and institutions Tigar has helped the opening of the first environmental outdoor classroom, and donated another playground from recycled rubber to the nursery 'Neven'.

The company is a partner of the NGO 'Stara Planina' in the project '**Play, Recycle, Remember**', part of the wider program of 'Zelena Lista' – 'Zelena Inicijativa (Green initiative)', and supported the arranging of the spring 'Bele Vode' as part of the project '*Urban pockets of Belgrade*'.

With the pallet of product from the sports program, there were traditionally supported students Belgrade International Games (BIG).

During 2012 was initiated and designed the Tv series 'To live with us, not by us' on Pi TV channel; there was also supported the project '*Help in the house*' of the NGO Pyrgos, which involves the work patronage nurse with the with children with disabilities. The Company has also supported with its products the actions of the NGO 'SUN', '*United in trouble*' and of the 'Kolo srpskih sestara'.

AWARDS AND RECOGNITIONS

NALED'S CERTIFICATE FOR CORPORATE SOCIAL RESPONSIBILITY

Tigar ad is among the top five companies that have been certified in 2013 under the first **National Certification Program of socially responsible companies in Serbia**. The certification process was initiated by the National Alliance for Local Economic Development (NALED) and the Balkan Fund for Local Development Initiatives (BCIF) as a step forward in improving the social responsibility of the corporate sector. The main goal is to set standards of corporate responsibility in Serbia, identifying and promoting best practices and encourage other companies on responsible conduct of business. Through the project of certification, the company presented how it takes care of its work, social and natural environment, creating a positive impact through its business conduct, which was considered on a long term basis in the interest of the business environment, local and wider community, as well as in terms of sustainable development.



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6.7. CORPORATE GOVERNANCE

On the occasion of the annual General Assembly of Tigar ad held on June 20th 2012, as for the Supervisory Board members were elected Dragan Nikolić, Gordana Lazarević, Tihomir Nenadić, Vladimir Nikolić, Jose Alexandre F. da Costa.

The Supervisory Board held its constitutive session on June 29th 2012, at which Dragan Nikolic was elected for its respective Chairman. As for the Company Secretary, there was appointed Slavoljub Stanković.

For the members of the Audit Committee were elected Gordana Lazarevic - Chairman, Jose Alexandre F. da Costa - member and Nada Tosic - member.

For the members of the Appointing Committee were elected Milivoje Nikolić – Chairman, Dragan Nikolić – member and Vladimir Nikolić – member.

For the members of the Remuneration Committee were elected Tihomir Nenadić-Chairman, Gordana Lazarević-member and Jelena Petković-member.

The following individuals were elected to act as executive directors:

- Đorđe Džunić, ED for Finances
- Slobodan Sotirov, ED for Quality
- Milivoje Nikolic, ED for HR
- Đorđe Džunić, ED for Complementary Programs
- Miodrag Tančić, ED for Manufacturing Processes and Programs
- Branislav Mitrović, ED for Investments and IT
- Goran Jovanović, ED for Commerce and Marketing
- Jelena Petković, ED for Corporate Management Support and Business System Development

Jelena Petković was elected for Managing Director.

By the Decision of the Supervisory Board of the Company as of 28.11.2012, Gorica Stanković was appointed for the Executive Director for Finances, thus becoming a member of Executive Board, the remained composition of which stayed unchanged.



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7. MAJOR 2012 TRANSACTIONS WITH RELATED PARTIES

Tigar's operating system functions as a mixed holding company made of the parent company - Tigar ad and 17 dependent entities of which 12 are 100% owned by the parent company; while remaining dependent entities are in its majority ownership. The parent company, Tigar AD, deals with: a) holding operations - management, financing and development of dependent entities in which it holds 100% or majority ownership, b) commercial activities, and c) the generation of energy and fluids (for productional entities). Dependent entities are grouped into divisions according to the basic type of activities they perform: 1) productional entities, 2) a commercial entities, and 3) service entities. None of the dependent productional and service entities that is 100% owned by the parent company is not in a functional sense rounded and holistic enterprise. To some degree or on an overall basis, the basic functions and support functions were transferred to the parent company. The parent company is functionally organized and in its composition there are two profit centers (trade and energetics).

During 2012 was conducted a feasibility evaluation of the existing level of business diversification and were made suggestions for further course of development in the field of businesses in which the corporation is engaged in - it was made taking into account the following criteria: i) Compatibility of non-core activities to the basic ("core") activities, ii) the importance of non-core business activities in the field basic ("core") activities, iii) the profitability of dependent service entities. Through analysis was reviewed the importance of the non-core activities on businesses in the area of "core" activity, with consideration of the following parameters: a) the importance of the internal market on the business volume and income of the parent company and its dependent entities b) cash flow that the parent company exercises based on its ownership in dependent entities and c) the impact of dependent entities on the engagement of working capital through short-term financing.

Taking into account the set criteria, in the period to come should be considered, through detailed analysis, the need and modalities of eventual reduction of the level of diversification of the system.



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8. RESEARCH AND DEVELOPMENT

One of the main goals of development is to maintain the current flexibility and willingness to meet the specific requirements of customers. Costs of product research and development are regular component of the off-take production. There are significant opportunities related to capitalization of these costs through the development and improvement of production and characteristics of own-brand products.

Considering the importance of increasing the production and sales volumes in the footwear segment, product development plans give priority to off-take customers, both existing and new. In 2012, this segment actively developed proprietary brands of firefighting and other safety footwear, farmers' footwear and general-purpose footwear, applying a special dipping technology. In parallel with the introduction of new product groups, a large number of alternative materials were introduced.

The technical rubber goods segment continued to develop new products, largely custom-made. It also continued preparations for the introduction of new products to be made on the newly-acquired or reconstructed dual-component and thermoplastic profiles lines, which have created industrial conditions for TTRG to respond to large international and domestic orders, particularly from the automotive and construction industries.

Tigar's chemical products segment defined its product development processes based on market information, contacts with raw material manufacturers and applicable legislation, particularly the REACH Regulation 2006/1907 as of 2007, Directives 1999/13/EC as of 1999 and 2004/42/EC as of April 21, 2004, as well as forthcoming legislation. In view of these regulations, as well as general trends in the coatings and adhesives market segments, in 2012 TCP continued to develop alternatives to its major products.



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9. ADVANTAGES AND RISKS

9.1. ADVANTAGES

Leading producer of rubber products in the region

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

Convenient location

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

Brands

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



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IZ.P. 12/04**Geographical diversification of sales**

January-December 2012,in thousands of RSD	Footwear	Technical rubber goods	Chemical products	Total	Percentage
European Union	949,016	95,273	12,606	1,056,896	81%
The Balkans	174,631	13,877	1,902	190,410	15%
Russia and ex-Soviet republics	0	6,370	4,548	10,919	1%
USA and Canada	4,460	0	0	4,460	0%
Other countries	11,742	5,808	18,275	35,824	3%
Total	1,139,849	121,328	37,331	1,298,509	100%
Western Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical products	Total	Percentage
Finland	405,745	1,362	0	407,107	40%
Denmark	195,619	5,738	0	201,357	20%
Italy	156,801	25,282	0	182,083	18%
Sweden	58,300	47,858	0	106,158	11%
UK	49,911	0	0	49,911	5%
France	38,164	4,980	0	43,144	4%
Ireland	8,873	0	0	8,873	1%
Austria	0	8,657	0	8,657	1%
German	1,558	0	0	1,558	0%
Swiss	0	683	0	683	0%
Spain	13	0	0	13	0%
Total	914,984	94,560	0	1,009,544	78%
Eastern Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical products	Total	Percentage
Bosnia and Herzegovina	106,579	801	0	107,379	45%
Macedonia	24,906	8,712	1,902	35,519	15%
Kosovo	22,406	874	0	23,280	10%
Montenegro	16,364	3,328	0	19,691	8%
Slovenia	16,742	0	0	16,742	7%
Bulgaria	3,705	1,363	6,629	11,696	5%
Poland	2,626	33	5,978	8,637	4%
Greece	5,197	0	0	5,197	2%
Croatia	4,377	163	0	4,540	2%
Czech Republic	4,095	0	0	4,095	2%
Hungary	1,637	0	0	1,637	1%
Lithuania	32	0	0	32	0%
Total	208,664	15,273	14,508	238,445	18%
Other countries, in thousands of RSD	Footwear	Technical rubber goods	Chemical products	Total	Percentage
South Africa	159	0	18,275	18,434	36%
China and Japan	11,264	0	0	11,264	22%
Russia and ex-Soviet republics	0	6,370	4,548	10,919	22%
Egypt	0	5,002	0	5,002	10%
USA	4,460	0	0	4,460	9%
Other countries	319	123	0	442	1%
Total	16,202	11,495	22,823	50,520	4%



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A combination of low-cost and high-performance production

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

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

First national automotive service network

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

Long-term experience in international strategic partners

Tigar had partnered with the American BF Goodrich for more than 30 years. After Michelin acquired this company, Tigar became and remained its strategic partner in the tire segment for nearly twenty years, from the early 1990's to the year 2010. Given that Tigar is the European leader in the footwear market, it does not seek strategic alliances in this segment as there are opportunities for Tigar to acquire one or more of the remaining European manufacturers, or to independently organize, or with some other partners, a production outside of Serbia. However, there are opportunities for strategic partnerships in the technical rubber goods segment.

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



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9.2. RISKS

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

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

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

Market- and Industry-related risks

Tigar Marketing Strategy is defined in terms of opportunities and threats of the market and business environment and is consistent with the fundamental competitive advantages of Tigar in the production of rubber footwear. Its main elements are: 1) the differentiation of production based on the high quality of production and products, continued development of programs and products and high-quality service related to product development for the off-take production, 2) off-take production as the main form of the market expansion, and 3) development and profiling of own brand.

Technical rubber goods segment is based on the following elements: 1) Brand Strategy (purchased Bilgutex brand and Tigar brand), 2) continued development of new materials and products, and 3) differentiation on the basis of product quality, and adaptability to specific customer needs.

Production and market access of Tigar Chemical Products is based on differentiation from the competition, through development of its own proprietary products and ensuring stable product quality confirmed by relevant certificates.

In the process of providing services - selling passenger tires, tourist activities and so on are being followed eventual possibilities of further development of such activities given that they belong to the group of non-core businesses within the system.

Risks related to capacity utilization

Current footwear factory capacities are sufficient for the planned level of growth. 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 rubber technical goods – there will be carried out the mounting of the two production lines for EPDM and thermoplastic profiles. At present, the plant which produces finished products from recycled rubber has capacities which exceed by far its planned level of production. In 2012, Tigar plans to invest in facilities for the production of semi-finished products, in the event Tigar Tyres is unable to provide black rubber compound mixing services if its own production grows appreciably. These new facilities will be built within the Tigar 3 compound and will be used to produce both black and colored rubber compounds, to respond to both the needs of Tigar's factories operating at full capacity and for external sale. Investments in Tigar Chemical Products reconstruction and updating will depend on decisions made



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regarding its product mix and output volume, after it relocates to Tigar 3. On the one hand, high availability in capabilities and a stable customer base provide security to a system. On the other hand, the frequent inability to timely provide the working capital to run production of higher volume and greater overdependence on existing customers, are also being discussed from the aspect of risk. This would bring along the danger from the insufficient utilization of capacities and higher costs per unit of output, which would further increase the product prices. On the contrary, higher production in accordance with the available capacities of the company would allow the use of the effects of economies of scale and therefore provide better employment and greater market competitiveness

Risk related to currency and inflation

The official financial statements are expressed in dinars. A significant part of the business is related to foreign currencies in the area of sales, procurement, ownership over assets of enterprises abroad and loans indexed to foreign currency, so that a large number of items in the balance sheet is de facto dinar equivalent of their income, expenses and liabilities denominated in foreign currencies. During the year, revenues and expenses in foreign currencies are translated into dinars at the exchange rate on the day of transaction, so that they significantly depend on exchange rate movements. At the end of the year, all claims and liabilities indexed to foreign currency are translated and reported to the dinar exchange rate, which has a significant impact on the balance sheet. Realistically, there is no effective protection against currency risk, especially between RSD - EUR.

As an export-oriented company, an inflation with relatively low and stable value does not correspond to Tigar.

On the other hand, a lower rate corresponds to the company in terms of foreign exchange losses on borrowings.

Credit risk and the cost of borrowed capital

In 2012, Tigar has improved the maturity structure of funding sources through one single tranche of EIB loan - subsidized export credit provided through HYPO Bank and credit of the Development Fund. The fact is that in spite of that, maturity, volume and terms of borrowing make the key area of the policy of risk. The real effect of financial restructuring is expected to come through the overall process of financial consolidation that should result in better structure and terms of credit sources, without new borrowings.

Risks related to shareholder and corporate structure

In 2012, 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.

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 completion of the consolidation process and full stabilization inside the system. At this moment, there are no indication implying that such process could begin in 2013.

Reputation risk

Series of activities in the Company and those related to it, initiated the need to pay greater attention on monitoring the level of reputational risk in the future.



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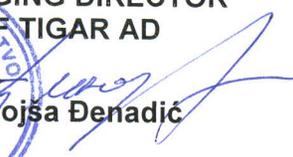
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10. SIGNIFICANT BUSINESS EVENTS THAT HAVE OCCURRED AFTER THE FISCAL YEAR 2012

After completion of the business year 2012, there has occurred a change in the composition of the Executive Board of Directors and of Managing Director of the Company, so that starting with March 19th 2013, the Supervisory Board has appointed the new Managing Director, Mr. Nebojsa Djenadić. Due to regulations, Nebojsa Đenadić was firstly appointed as the Executive Director for Corporate Management and business system development, and then to a position of Managing Director. On March 22nd 2013 has expired the legal limit of 30 days in which the previous Managing Director, after her resignation, had an obligation to perform the duties of the Managing Director that can not be delayed.

The Government of the Republic of Serbia has adopted a conclusion on March 23rd 2013 to approve the guarantee to the Development Fund at the amount of EUR 20 million (15 million for the purposes of refinancing and 5 million for permanent working capital) for loans to be used by Tigar AD. 6 banks have submitted their bids in the total amount of EUR 20.8 million. After the issuance of the guarantee will follow a process of negotiation with the banks on the approval of these funds, but in the process will also be involved the bondholders and DEG as the largest creditor.

The Financial Statement for the business year 2012 (individual and consolidated) will be corrected in accordance with the observations of auditors and the Decision of the Supervisory Board.

**MANAGING DIRECTOR
OF TIGAR AD**

Nebojsa Đenadić



**CHAIRMAN
OF TIGAR AD SUPERVISORY BOARD**

Gordana Lazarević





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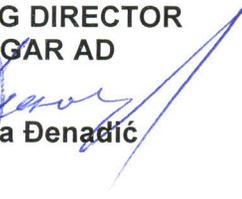
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DECLARATION

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

In 2012, the signatories of this Business Report, were not on positions they currently hold.

The Supervisory Board of the Company has reviewed and approved this Annual Report at its meeting held on 29 April 2013. The General Assembly of Shareholders, as the competent body for the adoption of annual reports, will review and resolve on the adoption of Tigar's financial statements at its ordinary annual session convened for 14 June 2013. Following this session, the Company will fully disclose the resolution adopting the annual financial statements of the Holding Company Tigar AD and the consolidated financial statements, as well as the resolution on any distributions to be made based on the adopted financial statements.


**MANAGING DIRECTOR
OF TIGAR AD**

Nebojša Đenadić


**CHAIRMAN
OF TIGAR AD SUPERVISORY BOARD**

Gordana Lazarević