



FIRST QUARTER 2012 INTERIM REPORT

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GENERAL ASSESSMENT OF Q1 2012 PERFORMANCE

In 2012, international demand continued to grow and attested to a gradual economic recovery of developed countries in particular. However, adverse developments in the Serbian real sector and financial markets continued, including a decline in domestic demand. Banks focused their credit activities on short-term financing with monthly or quarterly repayments, or on a revolving basis, secured either by domestic and international accounts receivable (including letters of credit) or mortgages. Given a lack of long-term sources to finance permanent working capital, during the reporting period the Company continued to resort to financial bridging through the issuance of short-term corporate bonds. This method of financing led to high finance expenses and a larger proportion of raw material purchases from European distributors as opposed to direct purchases from overseas manufacturers, resulting in increased costs.

Tigar's footwear segment was the top sales performer, contributing 47% to the consolidated sales income. Footwear exports grew by 11% and recorded 18% higher sales that at the end of the same period a year ago. The technical rubber goods segment recorded 42% higher sales that at the end of the same period a year ago, and the chemical products segment reported a 12% increase. A lack of supply of complementary goods, particularly tires, reduced distribution revenues in that particular segment both in the country and abroad. Sales during the reporting period were based on the existing customer base, leaving considerable room for growth, depending on conditions.

The previous upward trend of key raw material prices came to a stop during the reporting period; prices of certain groups of raw materials were reduced but still continued to fluctuate. During the period Tigar continued to invest heavily in the development of new groups of products, to maintain a leadership position in the market segments in which it operates, as well as in the development of new and alternative materials, primarily to improve product performance, while cost optimization was related to productivity growth.

The Holding Company (Tigar AD) reported an operating income of 1,06 million RSD, an operating result of about 30 million RSD, a profit before taxes of 12,6 million RSD and a net profit of about 7 million RSD.

At the consolidated level, the operating income was 1,2 billion RSD, the sales income was 1,02 billion, and the operating result was 5 million RSD

Constraints related to long-term sources for financing growth were the key limiting factor of revenue growth. Given that Tigar's manufacturing segment is the core of its operations, expenses other than the cost of materials are largely fixed in nature, such that the planned sales growth needs to be achieved in order to report a notable increase in the result. The Company has appropriate and up-to-date capacities, is present in both premium and medium-high segments of international and domestic markets, and has a robust customer base, but growth requires a different structure of its sources of financing, such that a change in this regard is our top priority.

An overall assessment of the first quarter shows that market demand continued to grow, especially the international market demand. Customer orders in excess of achieved sales revenues show that the Company held a stable and prospective market position, but also that the utilization of this potential requires adequate permanent working capital to finance growth, without which an industrial business cannot produce expected results.

Dragan Nikolić

Chairman of the Board of Directors



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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, Tigar AD, the Company, and the Holding Company)

Corporate ID: 07187769

Web site: www.tigar.com

Core activity: Holdings

Number of shareholders: 4,512 at 31/03/2012

Assets: 8,081,929 (000 RSD) at 31/03/2012

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Tax ID: 100358298

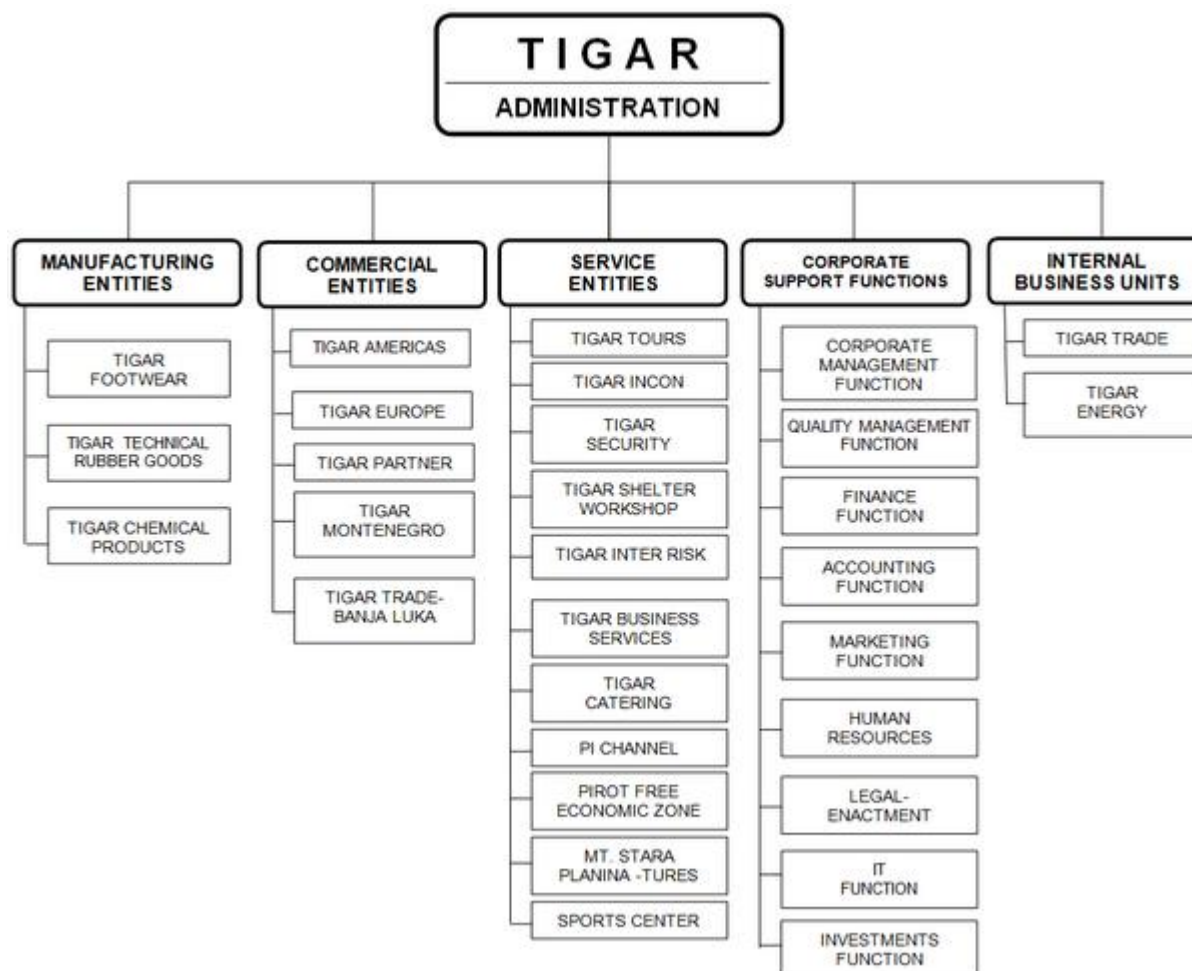
Certificate of incorporation: Registry File 1-1087

Number of employees: 2,085 at 31/03/2012

Capital: 2,890,980 (000 RSD) at 31/03/2012

Capitalization: 850,638 (000 RSD) at 31/03/2012

1.2. CORPORATE STRUCTURE



During the reporting period there were no organizational changes relative to the end of 2011. Based on a letter of intent, a joint venture with a foreign partner will be implemented over the next six months in the molded rubber products segment, which will result in vertical expansion of the Holding Company, through the organization of a JV company of Tigar Technical Rubber Goods (a Tigar AD subsidiary) and the foreign partner.



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1.3 ACHIEVEMENT OF CAPITAL EXPENDITURE PLAN OBJECTIVES

During the reporting period, the Company's capital expenditures were as follows:

in thousands of RSD	Purchases of fixed assets and intangible investments
	January-March 2012
Tigar Technical Rubber Goods	10,806
Tigar Chemical products	6,401
Tigar Rubber Footwear	52,696
Servise entities	11,387
Holding company	22,410
Total	103,700

Following a period of high capital spending from 2007 to 2010, capex levels were reduced and largely targeted product development (including new tooling), production process enhancements, updating of several sales outlets, opening of new retail outlets, and unavoidable spending on logistics. During the reporting period there were no major investments in market development, resulting in a relatively small market share outside the EU.



2. PRODUCTION LEVELS AND SALES OF GOODS AND SERVICES

2.1. BREAKDOWN OF PRODUCTION AND SALES

Our product range did not change during the reporting period.

Footwear

Tigar Footwear's product lines currently include:

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

Technical rubber goods

- *Molded rubber products.*
- *Rubber profiles.*
- *Compounds and semi-finished rubber products.*
- *Sporting goods.*
- *Recycled-rubber products.*

Chemical products

Tigar Chemical Products manufactures more than 300 products classified into:

- *Horizontal road signage materials.*
- *Self-spreading flooring.*
- *Sheet-metal coatings.*
- *Anti-corrosion coatings.*
- *Coatings for the consumer market and the construction industry.*
- *Adhesives* (These products include adhesives for the consumer market, adhesives for the construction industry, various industrial adhesives, and special-purpose adhesives).

Complementary goods

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

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



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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 Traya. Other complementary products include motor oils, batteries, car care products, exhausts, etc., made by both domestic and international manufacturers.

During the reporting period, 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.

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.

Other services

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

- Construction, including all types of services related to the construction and maintenance of buildings and infrastructure, supported by an engineering group;
- Pirot Free Economic Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free 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 7 ha, 65 a, and 45 m² of infrastructure-enabled land. The total surface area controlled by the PFEZ is 65 ha, 21a and 26 m², including its own railroad track and 50 telephone lines. Fifty-one companies currently operate within the PFEZ, including 27 foreign companies. In addition to tax and other advantages, companies operating within the zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the PFEZ, and they can reduce operating costs by 25% compared to other locations in Serbia.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted inter-city transportation of goods, and maintenance of vehicles.

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- 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
- Shelter 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. SALES STRATEGY

During the reporting period, Tigar's sales strategy focused on:

- Volume growth, through increased sales to both existing and new customers and markets;
- Ongoing product mix changes, focusing on highly sophisticated products;
- Exports, as the main source of 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 Stop & Drive, construction and Free Economic Zone services;
- Maintenance of internal services at the level required by the Tigar Group and Tigar Tyres.



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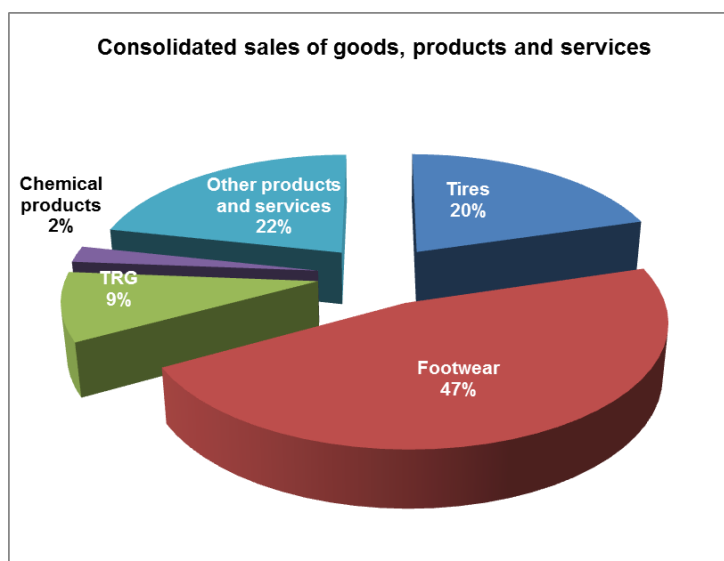
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2.3. SALES

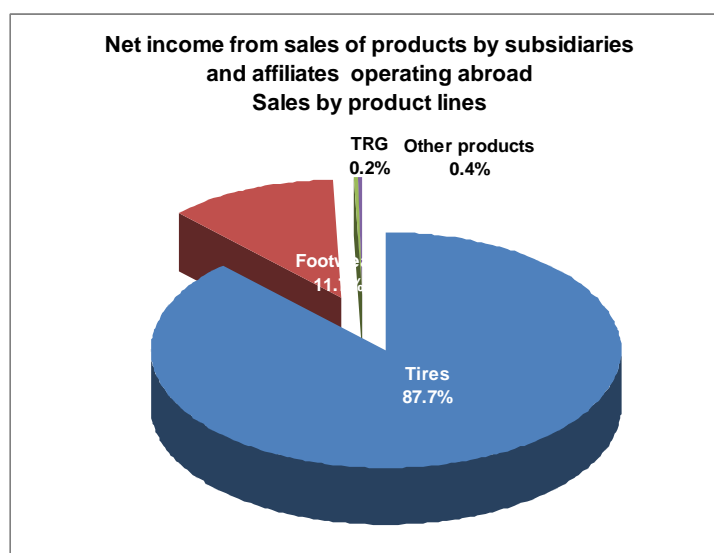
EXTERNAL REVENUES

During the reporting period, consolidated external revenues from sales of goods and services amounted to slightly more than 1 billion RSD.

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



SALES REVENUES EARNED BY ENTITIES OPERATING ABROAD



Tigar's entities operating abroad recorded a decline in sales, particularly of tires which continue to be their largest sales segment. Tigar Europe was particularly affected by a lack of supply of tires in the required quantities and product mix from Tigar Tyres. Contrary to the distribution network in Serbia, which follows a multi-brand sales strategy, the companies operating abroad sell Tigar brand tires. The role of Tigar's international entities, especially Tigar Europe and Tigar Americas, has steadily been expanding based on activities initiated in 2010, including more aggressive marketing, web presentations, participation at international trade shows, opening of show rooms, and rental of



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warehouses from where products will generally be sold to medium- and small-volume buyers. A framework agreement with Michelin, which was signed last year and is valid until the year 2016, will help maintain the tire sales levels of Tigar's entities operating abroad, given that tire sales constitute a significant portion of their business (but they will also be focusing on increasing sales of other products, primarily those made by Tigar Footwear and TTRG).

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

The tables and graphs show that the highest increase in sales revenues was attributed to footwear sales in the country and abroad, followed by sales of technical rubber goods and chemical products. Tire sales recorded the greatest decline.

The reduction in revenues from tire sales was particularly affected by reduced tire sales in the domestic market, largely as a result of supply issues. Tigar's footwear segment was the largest contributor to consolidated sales revenues, including sales revenues earned in and out of Serbia, which was as expected in view of the level of investment in infrastructure, equipment, and development of new products and markets. Tigar's footwear sales strategy reflects three superior features: (1) the creation of a group of large buyers which channel production for their supply chains to Tigar Footwear and guarantee both volume and high market visibility; (2) increase in sales of products made under Tigar's own brand names, such as Century, Forester, Firefighter, Maniera and Brolly (in addition to the Tigar brand); and (3) entry into new markets, particularly Central and Eastern Europe, the US, Russia and Australia, where Tigar has already obtained mandatory local product certification.

Industrial products made by Tigar Technical Rubber Goods (TTRG) recorded a 42% growth. Given its product offering (targeting the road industry, construction industry, sports facilities...) and particularly in view of inclement weather conditions during the first quarter, it was not reasonable to expect a better sales performance either in the country or abroad. Delayed national budget approval led to performance below plan of the segments which target the defense industry and public agencies. As a result, supply under existing contracts will begin in May. During the reporting period, TTRG started making large-volume deliveries to international clients and exports are expected to have the largest effect on sales growth of this segment in the coming months.

Our chemical products segment recorded increased exports. Tigar Chemical Products (TCP) won a number of road paint tenders in the country, which will increase sales particularly from June to September, when there is a high demand for this product. After nearly two years, TCP is manufacturing road paint again as it was able to establish a balance between marketable price and product quality which TCP is required to produce given the quality certification it holds and must comply with. Sales of other products were as expected, keeping in mind that the first quarter is a period of low season for anti-corrosion coatings, industrial adhesives for outdoor application, and self-spreading flooring whose installation requires a certain temperature range at site.

Sales of other products, especially tires and complementary goods, were lower than a year ago. However, the reduction in tire sales did not have a major impact on Stop & Drive revenues because customers purchased services even when they did not purchase tires.



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<i>Net sales income from goods and products in thousands of RSD</i>	<i>January- March 2011</i>	<i>January- March 2012</i>	<i>%</i>
Sales by product group			
Car and light truck tires	27,425	23,334	-15%
Truck tires	10,021	8,051	-20%
Agricultural and other tires	3,584	2,532	-29%
Total tires sale	41,030	33,916	-17%
Inner tubes	1,989	355	-82%
Tigar Rubber footwear	409,102	483,337	18%
- Domestic market	75,268	113,841	51%
- Export	333,835	369,497	11%
Non - Tigar footwear	4,536	4,704	4%
Technical Rubber goods	67,223	95,271	42%
- Domestic market	56,691	57,339	1%
- Export	10,532	37,932	260%
Chemical products	19,801	22,124	12%
- Domestic market	13,191	11,959	-9%
- Export	6,610	10,165	54%
Complementary goods	7,915	6,191	-22%
TOTAL	551,596	645,899	17%

2.4. PRICE FLUCTUATIONS OF KEY RAW MATERIALS

Apart from synthetic rubber, there were no price increases of key raw materials on commodity exchanges. As a matter of fact, prices either fell or stagnated. As in previous years, Tigar largely purchased raw materials from European distributors, allowing short lead times but at considerably higher prices than those charged by manufacturers. Most of the raw and intermediate materials for our type of production come from the Far East. In mid-2011, via Tigar Americas, we established a direct working relationship with Far East manufacturers of important raw materials, which reduced raw material costs by 20 to 40%. On the other hand, given that we did not have a track record with these manufacturers, payment largely had not be made in advance and created cash flow issues. Tigar Americas did not have the potential to borrow from its bank, due to Tigar AD's inability to increase the capital of this company in 2010. In anticipation of long-term sources of financing, utmost efforts were made to expedite accounts receivable and maximize purchasing of raw materials from manufacturers, through direct arrangements with buyers and suppliers.



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2.5. PRODUCTION OUTPUT

Monthly production plans were based on sales requirements.

The tables below show breakdowns by manufacturing segment.

FOOTWEAR

Production (tons)	January - March		% change
	2011	2012	
Low footwear	74	129	74%
Work footwear	211	192	-9%
Hunting footwear	180	109	-40%
Fishing footwear	12	9	-21%
Safety footwear	64	20	-70%
Fashion footwear	48	53	10%
Children`s footwear	12	20	61%
Cardboard, soles, heels	4	2	-50%
TOTAL:	606	533	-12%

TECHNICAL RUBBER GOODS

Production (tons)	January - March		% change
	2011	2012	
External rubber compound mixing plant	105	118	13%
Molded products	21	21	-1%
Rubber profiles and tubing	58	31	-47%
Sporting goods	10	6	-38%
Industrial rubber coating	60	31	-48%
Recycled-rubber products	431	77	-82%
TOTAL:	684	285	-58%

CHEMICAL PRODUCTS

Production (tons)	January-March		% change
	2011	2012	
Mining industry products	9	14	54%
Road paint	0	1	
Railways/ACP	2	1	-29%
Metal industry products	6	3	-41%
Construction industry products/flooring	3	1	-63%
Consumer products	29	20	-33%
Internal production	1	2	161%
TOTAL:	50	42	-16%

Production proceeded in accordance with pre-defined monthly plans, inventory levels of finished products and available raw materials, with the goal of optimizing the utilization of materials and keeping inventories at necessary levels. Production during the first quarter targeted the domestic market, given that the focus from May to October will be on international demand.



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3. Q1 2012 FINANCIALS

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

Tigar AD's unconsolidated financials in thousands of RSD	1 ST Quarter 2011	1 ST Quarter 2012	% Change
Assets	6,446,542	8,081,929	25%
Equity	2,804,641	2,890,980	3%
Operating income	1,009,925	1,060,683	5%
EBIT	38,365	29,915	-22%
EBITDA	50,719	42,606	-16%
Financial income	40,804	69,988	72%
Other income	1,558	17,330	1012%
Total income	1,052,287	1,148,001	9%
Net income	3,891	6,979	79%
Significant Ratios			
Return on equity (ROE)	0.14%	0.24%	74%
Return on total assets (ROA)	0.06%	0.09%	43%
Current ratio	1.09	1.01	-7%
Debt-to-assets ratio	0.56	0.64	14%
Debt /Equity	1.29	1.79	38%
Net profit/total income	0.37%	0.61%	64%

3.2. KEY CONSOLIDATED INDICATORS

Tigar AD's consolidated financials in thousands of RSD	1 ST Quarter 2011	1 ST Quarter 2012	% Change
Assets	8,314,550	9,341,375	12%
Equity	3,402,239	3,073,588	-10%
Operating income	1,238,818	1,179,509	-5%
EBIT	49,131	5,026	-90%
EBITDA	89,876	51,569	-43%
Financial income	66,425	77,589	17%
Other income	3,935	23,089	487%
Total income	1,309,179	1,280,187	-2%
Net income	18,875	-27,310	-245%

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The main challenge during the reporting period was financing, given that no long-term sources were procured to finance growth. Financing continued to be supported by short-term sources, including loans based on letters of credit or accounts receivable and short-term bonds. There were no new long-term sources for either investments or permanent working capital. A special liquidity problem was created by the fact that Tigar began in 2011 and continued during the first quarter to repay long-term loans at most of its foreign banks, resulting in a cash outflow of 750,000 € per month on average, for principal repayments. A decline in exposure to foreign banks led to an increase in exposure to domestic banks, as well as to new issues of bonds, especially those with short maturities and high interest rates.

Although our performance was below plan, given all the activities we have undertaken and especially considering the demand, conditions exist for further growth, with stagnation of fixed costs.

Securing long-term sources in 2012, including 6.7 million € from the EIB credit line, up to 10 million through the issuance of long-term bonds and 5 million from a transaction with an international financial organization, will allow us to meet plan objectives, reduce our loan debt, and make repayments by short-term borrowing based on either short-term loans or short-term bonds, all of which will considerably improve our financial stability due to the modified structure of our sources of financing.



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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 March 2012
ASSETS			
Non-current assets	3,226,938	3,640,676	3,650,941
Intangible assets	95,264	101,536	121,195
Property, plant and equipment	970,797	1,148,992	1,139,051
Property, plant and equipment	970,797	1,148,992	1,139,051
Long-term financial placements	2,160,877	2,390,148	2,390,695
Equity investments	2,115,409	2,348,428	2,348,975
Other long-term financial placements	45,468	41,720	41,720
Current assets	2,944,421	3,780,651	4,430,988
Inventories	880,900	986,031	996,568
Assets held-for-sale	20,039	233,857	233,857
Accounts receivable, placements and cash	2,043,482	2,560,763	3,200,563
Accounts receivable	1,627,244	2,071,781	2,579,880
Receivables from over-paid taxes	908		122
Short-term financial placements	51,042	89,169	101,300
Cash and cash equivalents	227,195	155,262	151,184
Value added tax and prepayments	137,093	244,551	368,077
Deferred tax assets			
TOTAL ASSETS	6,171,359	7,421,327	8,081,929
EQUITY AND LIABILITIES			
Equity	2,800,749	2,884,851	2,890,980
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	581,885	665,987	672,116
Loss	49,503	49,503	49,503
Shares buyback			
Long-term liabilities and provisions	3,367,237	4,531,862	5,186,335
Long-term provisions	12,842	12,577	11,685
Long-term liabilities	639,769	754,450	777,046
Long-term debt	436,914	152,601	160,309
Other long-term liabilities	202,855	601,849	616,737
Current liabilities	2,714,626	3,764,835	4,397,604
Short-term financial liabilities	1,410,182	2,500,849	2,768,742
Account payable	1,166,539	1,025,128	1,425,530
Other current liabilities	68,116	138,597	114,052
Value added tax and other taxes payable and accruals	57,178	73,989	62,016
Income taxes payable	12,611	26,272	27,264
Deferred tax liabilities	3,373	4,614	4,614
TOTAL EQUITY AND LIABILITIES	6,171,359	7,421,327	8,081,929



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Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
OPERATING INCOME	3,826,909	4,142,791	1,009,925	1,060,683
Sales of goods, products and services	3,664,471	3,967,657	973,261	1,027,529
Work performed by the company and capitalized	118,190	118,160	25,509	19,666
Increase in inventories of finished products and work in progress				
Decrease in inventories of finished products and work in progress				
Other operating income	44,248	56,974	11,155	13,488
OPERATING EXPENSES	3,688,742	4,131,824	971,560	1,030,768
Cost of commercial goods sold	2,309,697	3,051,992	711,283	778,588
Material, fuel and energy consumed	281,648	192,715	53,349	50,746
Staff costs	489,045	519,952	122,142	130,901
Depreciation, amortization and provisions	53,764	51,908	12,354	12,691
Other operating expenses	554,588	315,257	72,432	57,842
PROFIT/LOSS FROM OPERATIONS	138,167	10,967	38,365	29,915
FINANCE INCOME	125,476	304,273	40,804	69,988
FINANCE EXPENSES	273,347	439,446	58,683	99,173
OTHER INCOME	239,769	310,830	1,558	17,330
OTHER EXPENSES	156,701	34,361	13,768	5,467
PROFIT/LOSS BEFORE TAXATION	73,364	152,263	8,276	12,593
INCOME TAXES				
Current tax expense	24,023	29,026	4,385	5,614
Deferred income tax expense	1,236	1,241		
Deferred income tax benefit				
NET PROFIT/LOSS	48,105	121,996	3,891	6,979



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CASH FLOWS (in thousands of RSD)	January-March 2011	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	951,198	601,921
Cash receipts from customers	850,293	539,209
Interest received from operating activities	495	706
Other receipts from operating activities	100,410	62,006
Cash outflow from operating activities	1,189,930	702,042
Cash paid to suppliers for raw materials and other expenses	1,013,613	475,258
Gross salaries and other personnel costs paid	116,549	125,344
Interest paid	39,595	95,582
Income tax expense	40	5,593
Other levies paid	20,133	265
Net cash inflow from operating activities		
Net outflow from operating activities	238,732	100,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	2,991	14,400
Sale shares and stakes (net inflow)		
Sales of fixed assets		
Other financial placements (net inflow)		
Interest received		
Dividends received	2,991	14,400
Cash outflow from investing activities	6,597	1,913
Purchase of shares		
Purchase of fixed assets	6,597	1,913
Other financial placements (net outflow)		
Net cash inflow from investing activities		12,487
Net cash outflow from investing activities	3,606	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	253,933	181,288
Increase in capital		
Long-term and short-term borrowings (net inflow)	252,763	181,288
Other long-term and short-term liabilities	1,170	
Cash outflow from financing activities	19,750	101,734
Buyback of own shares and stakes		
Long-term and short-term borrowings (net outflow)	17,932	100,572
Financial lease	1,795	1,162
Dividends paid	23	
Net cash inflow from financing activities	234,183	79,554
Net cash outflow from financing activities		
Total cash inflow	1,208,122	797,609
Total cash outflow	1,216,277	805,689
NET CASH INFLOW		
NET CASH OUTFLOW	8,155	8,080
Cash and cash equivalents at beginning of year	227,195	155,262
Foreign exchange gains on translation of cash and cash equivalents		4,002
Foreign exchange losses on translation of cash and cash equivalents	4,715	
CASH AND CASH EQUIVALENTS AT END OF YEAR	214,325	151,184



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3.4. CONSOLIDATED FINANCIALS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
ASSETS			
Non-current assets	4,743,526	5,122,174	5,181,675
Intangible assets	398,125	709,363	789,265
Property, plant and equipment	4,288,114	4,359,272	4,338,863
Property, plant and equipment	4,288,114	4,359,272	4,335,361
Investment property			3,502
Long-term financial placements	57,287	53,539	53,547
Equity investments	11,819	11,819	11,827
Other long-term financial placements	45,468	41,720	41,720
Current assets	3,455,721	3,759,309	4,139,401
Inventories	1,823,646	2,073,287	2,153,431
Assets held-for-sale	20,039	233,857	233,857
Accounts receivable, placements and cash	1,612,036	1,452,165	1,752,113
Accounts receivable	903,162	892,958	941,037
Receivables from over-paid taxes	7,097	2,171	3,603
Short-term financial placements	4,986	4,765	5,059
Cash and cash equivalents	369,524	251,093	261,166
Value added tax and prepayments	327,267	301,178	541,248
Deferred tax assets	21,305	22,160	20,299
TOTAL ASSETS	8,220,552	8,903,643	9,341,375
EQUITY AND LIABILITIES			
Equity	3,393,665	3,096,122	3,073,588
Share and other capital	2,144,190	2,179,038	2,187,774
Share issuing premiums			
Reserves	940	5,418	5,444
Revaluation reserves	1,051,401	1,079,077	1,077,054
Retained earnings	197,134		
Loss		167,411	196,684
Shares buyback			
Long-term liabilities and provisions	4,692,191	5,664,555	6,124,820
Long-term provisions	83,087	84,127	82,286
Long-term liabilities	1,729,282	1,270,109	1,357,513
Long-term debt	1,512,668	1,032,473	1,104,716
Other long-term liabilities	216,614	237,636	252,797
Current liabilities	2,879,822	4,310,319	4,685,021
Short-term financial liabilities	1,716,210	2,684,202	2,943,667
Account payable	851,145	1,164,507	1,202,607
Other current liabilities	183,926	296,432	348,761
Value added tax and other taxes payable and accruals	110,455	114,852	144,551
Income taxes payable	18,086	50,326	45,435
Deferred tax liabilities	134,696	142,966	142,967
TOTAL EQUITY AND LIABILITIES	8,220,552	8,903,643	9,341,375



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Tigar ad Consolidated Income statement (in thousands of RSD)	Actual 2010	Actual 2011	Actual January-March 2011	Actual January-March 2012
OPERATING INCOME	5,160,882	5,236,328	1,238,818	1,179,509
Sales of goods, products and services	4,288,191	4,296,924	1,026,192	1,016,743
Work performed by the company and capitalized	743,239	710,666	98,076	94,578
Increase in inventories of finished products and work in progress	89,828	204,055	108,650	56,671
Decrease in inventories of finished products and work in progress		1,863		
Other operating income	39,624	26,546	5,901	11,517
OPERATING EXPENSES	4,889,597	5,223,394	1,189,687	1,174,483
Cost of commercial goods sold	902,193	774,759	83,332	133,041
Material, fuel and energy consumed	1,563,187	1,862,687	476,406	433,918
Staff costs	1,611,720	1,770,138	431,866	416,536
Depreciation, amortization and provisions	187,982	177,188	40,745	46,543
Other operating expenses	624,515	638,622	157,339	144,445
PROFIT/LOSS FROM OPERATIONS	271,285	12,934	49,131	5,026
FINANCE INCOME	72,209	108,672	66,425	77,589
FINANCE EXPENSES	391,035	537,175	80,412	113,797
OTHER INCOME	74,505	237,660	3,935	23,089
OTHER EXPENSES	46,648	57,822	12,662	8,926
PROFIT/LOSS BEFORE TAXATION	-19,684	-235,731	26,417	-17,019
INCOME TAXES				
Current tax expense	31,088	65,456	7,542	10,291
Deferred income tax expense	6,349	7,946		
Deferred income tax benefit				
NET PROFIT/LOSS	-57,121	-309,133	18,875	-27,310



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3.5. SUMMARY OF KEY FINANCIAL RESULTS BY ENTITY

TIGAR

TIGAR AD

Equity: 2,890,980
 Total income: 1,148,001
 EBITDA: 42,606
(000 RSD)

PRODUCTION ENTITIES

TIGAR FOOTWEAR

Equity: 878,814
 Total income: 498,260
 EBITDA: 39,831
(000 RSD)

TIGAR TECHNICAL RUBBER GOODS

Equity: 323,185
 Total income: 91,012
 EBITDA: -32,265
(000 RSD)

TIGAR CHEMICAL PRODUCTS

Equity: 133,177
 Total income: 33,923
 EBITDA: 854
(000 RSD)

COMMERCIAL ENTITIES

TIGAR MONTENEGRO

Equity: 110
 Total income: 99
 EBITDA: -2
(000 EUR)

TIGAR PARTNER

Equity: 17,752
 Total income: 6,766
 EBITDA: -96
(000 DEN)

TIGAR TRADE Banja Luka

Equity: 84
 Total income: 122
 EBITDA: -48
(000 KM)

TIGAR EUROPE

Equity: 2,880
 Total income: 2,605
 EBITDA: 66
(000 GBP)

SERVICE ENTITIES

PIROT TAX FREE ZONE

Equity: 152,952
 Total income: 93,586
 EBITDA: 5,007
(000 RSD)

TIGAR BUSINESS SERVICES

Equity: 28,432
 Total income: 29,673
 EBITDA: 5,211
(000 RSD)

TIGAR HOSPITALITY

Equity: 127,859
 Total income: 46,742
 EBITDA: -2,996
(000 RSD)

TIGAR INCON

Equity: 160,365
 Total income: 30,223
 EBITDA: -7,863
(000 RSD)

TIGAR INTER RISK

Equity: 2,750
 Total income: 1,001
 EBITDA: 189
(000 RSD)

TIGAR WORKSHOP

Equity: 910
 Total income: 6,998
 EBITDA: -2,839
(000 RSD)

TIGAR SECURITY

Equity: 44,355
 Total income: 25,135
 EBITDA: 4,789
(000 RSD)

TIGAR TOURS

Equity: 9,756
 Total income: 1,364
 EBITDA: 37
(000 RSD)

PI CHANNEL

Equity: 4,596
 Total income: 4,045
 EBITDA: 757
(000 RSD)



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3.6. TIGAR FOOTWEAR

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	1,420,256	1,990,058	2,024,120
Current assets	1,137,422	962,942	1,338,811
Deferred tax assets			
TOTAL ASSETS	2,557,678	2,953,000	3,362,931
Equity	857,475	870,449	878,814
Long-term liabilities and provisions	772,345	673,676	714,856
Current liabilities	920,603	1,397,623	1,758,009
Deferred tax liabilities	7,255	11,252	11,252
TOTAL EQUITY AND LIABILITIES	2,557,678	2,953,000	3,362,931

Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	1,508,921	2,008,517	537,931	497,514
Operating expenses	1,553,008	2,129,305	525,445	476,316
PROFIT/LOSS FROM OPERATIONS	-44,087	-120,788	12,486	21,198
Finance income	1,147	12,886	17,452	179
Finance expenses	67,491	40,788	10,456	10,000
Other income	144,231	343,945	31	567
Other expenses	26,910	21,357	26	647
PROFIT/LOSS BEFORE TAXATION	6,890	173,898	19,487	11,297
INCOME TAXES				
Current tax expense	257	16,926	64	2,932
Deferred income tax expense	2,587	3,997	0	0
Deferred income tax benefit	0	0	0	0
NET PROFIT/LOSS	4,046	152,975	19,423	8,365

CASH FLOWS (in thousands of RSD)	January-March 2011	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	396,488	172,691
Cash outflow from operating activities	285,296	172,058
Net cash inflow from operating activities	111,192	633
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	7,746	556
Net cash inflow from investing activities		
Net cash outflow from investing activities	7,746	556
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	103,491	
Net cash inflow from financing activities		
Net cash outflow from financing activities	103,491	
NET CASH INFLOW		77
NET CASH OUTFLOW	45	
Cash and cash equivalents at beginning of year	187	138
Foreign exchange gains on translation of cash and cash equivalents	3	2
Foreign exchange losses on translation of cash and cash equivalents	40	77
CASH AND CASH EQUIVALENTS AT END OF YEAR	105	140



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3.7. TIGAR TECHNICAL RUBBER GOODS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	741,043	1,015,037	1,018,904
Current assets	379,575	292,885	348,153
Deferred tax assets			
TOTAL ASSETS	1,120,618	1,307,922	1,367,057
Equity	296,544	363,891	323,185
Long-term liabilities and provisions	350,698	253,980	269,172
Current liabilities	469,550	683,280	767,929
Deferred tax liabilities	3,826	6,771	6,771
TOTAL EQUITY AND LIABILITIES	1,120,618	1,307,922	1,367,057

Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	581,761	424,959	126,761	87,572
Operating expenses	617,183	525,974	145,302	126,775
PROFIT/LOSS FROM OPERATIONS	-35,422	-101,015	-18,541	-39,203
Finance income	1,414	2,682	6,650	1,648
Finance expenses	35,112	32,279	7,705	1,459
Other income	38,801	1,227	27	1,792
Other expenses	632	7,685	126	3,483
PROFIT/LOSS BEFORE TAXATION	-30,951	-137,070	-19,695	-40,705
INCOME TAXES				
Current tax expense				
Deferred income tax expense	2,920	2,944		
Deferred income tax benefit				
NET PROFIT/LOSS	-33,871	-140,014	-19,695	-40,705

CASH FLOWS (in thousands of RSD)	January-March 2011	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	148,061	63,419
Cash outflow from operating activities	112,330	60,173
Net cash inflow from operating activities	35,731	3,246
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	11,846	437
Net cash inflow from investing activities		
Net cash outflow from investing activities	11,846	437
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	23,858	2,779
Net cash inflow from financing activities		
Net cash outflow from financing activities	23,858	2,779
NET CASH INFLOW	27	30
NET CASH OUTFLOW		
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		6
CASH AND CASH EQUIVALENTS AT END OF YEAR	257	27



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3.8. TIGAR CHEMICAL PRODUCTS

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	124,800	143,443	149,456
Current assets	145,528	129,426	132,938
Deferred tax assets	973	947	947
TOTAL ASSETS	271,301	273,816	283,341
Equity	131,031	131,401	133,177
Long-term liabilities and provisions	2,806	2,039	1,611
Current liabilities	137,464	140,376	148,553
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	271,301	273,816	283,341

Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	199,256	163,006	41,737	32,262
Operating expenses	256,565	162,657	39,350	31,796
PROFIT/LOSS FROM OPERATIONS	-57,309	349	2,387	466
Finance income	2,269	1,958	742	1,552
Finance expenses	6,258	3,274	1,302	252
Other income	4,036	4,552	382	109
Other expenses	774	3,189	0	98
PROFIT/LOSS BEFORE TAXATION	-58,036	396	2,209	1,777
INCOME TAXES				
Current tax expense	0	0	0	0
Deferred income tax expense	0	26	0	0
Deferred income tax benefit	186	0	0	0
NET PROFIT/LOSS	-57,850	370	2,209	1,777

CASH FLOWS (in thousands of RSD)	January-March 2011	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	38,967	32,271
Cash outflow from operating activities	35,628	31,308
Net cash inflow from operating activities	3,339	963
Net outflow from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities		
Cash outflow from investing activities	228	
Net cash inflow from investing activities		
Net cash outflow from investing activities	228	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	19,142	5,232
Cash outflow from financing activities	21,595	6,252
Net cash inflow from financing activities		
Net cash outflow from financing activities	2,453	1,020
NET CASH INFLOW	658	
NET CASH OUTFLOW		57
Cash and cash equivalents at beginning of year	1,086	114
Foreign exchange gains on translation of cash and cash equivalents	12	71
Foreign exchange losses on translation of cash and cash equivalents	62	38
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,694	90



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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 March 2012
Assets			
Non-current assets	5	3	3
Current assets	4,217	4,267	3,938
Deferred tax assets			
Total assets	4,222	4,270	3,941
Equity and liabilities			
Equity	2,668	2,826	2,880
Non-current liabilities			
Current liabilities	1,554	1,444	1,061
Total equity and liabilities	4,222	4,270	3,941

INCOME STATEMENT (in thousands of GBP)	2010	2011 Audited	Actual January-March 2011	Actual January-March 2012
Turnover	14,698	14,607	3,725	2,603
Cost of sales	13,737	13,379	3,399	2,381
Gross Profit	961	1,228	325	222
Administrative expenses	616	628	158	156
Operating Profit	345	600	167	66
Interest receivable	7	6	1	2
Commission	0	0	0	0
Profit on Ordinary Activities Before Taxation	352	606	168	67
Tax on profit on ordinary activities	79	148	46	14
Retained Profit for the Financial Year	273	459	122	53



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3.10. TIGAR MONTENEGRO, MONTENEGRO

BALANCE SHEET (in thousands of EUR)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	4	4	3
Current assets	271	281	258
Deferred tax assets			
TOTAL ASSETS	275	284	261
Equity	108	112	110
Long-term liabilities and provisions			
Current liabilities	166	172	151
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	275	284	261

Income statement (in thousands of EUR)	Actual January - December 2010	Actual January - December 2011	Actual January - March 2011	Actual January - March 2012
Total income	774	666	125	99
Total expenses	750	650	122	101
PROFIT/LOSS BEFORE TAXATION	24	16	3	-2
Income taxes	2	1		
Deferred income tax expense				
Deferred income tax benefit				
NET PROFIT/LOSS	21	14	3	-2

3.11. TIGAR TRADE, REPUBLIKA SRPSKA

BALANCE SHEET (in thousands of KM)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	244	248	248
Current assets	1,446	960	891
Deferred tax assets			
TOTAL ASSETS	1,691	1,209	1,138
Equity	435	145	84
Long-term liabilities and provisions	0	0	
Current liabilities	1,256	1,063	1,054
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	1,691	1,209	1,138

Income statement (in thousands of KM)	Actual January - December 2010	Actual January - December 2011	Actual January - March 2011	Actual January - March 2012
Total income	2,455	1,362	239	122
Total expenses	2,451	1,651	280	183
PROFIT/LOSS BEFORE TAXATION	4	-290	-41	-61
Income taxes	1	0	0	0
Deferred income tax expense	0	0	0	0
Deferred income tax benefit	0	0	0	0
NET PROFIT/LOSS	3	-290	-41	-61



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3.12. TIGAR PARTNER, MACEDONIA

BALANCE SHEET (in thousands of Denars)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	334	50	45
Current assets	23,772	22,862	27,804
Deferred tax assets			
TOTAL ASSETS	24,106	22,912	27,849
Equity	17,722	17,744	17,752
Long-term liabilities and provisions			
Current liabilities	6,384	5,168	10,097
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	24,106	22,912	27,849

Income statement (in thousands of Denars)	Actual January - December 2010	Actual January - December 2011	Actual January - March 2011	Actual January - March 2012
Total income	31,092	28,674	5,430	6,766
Total expenses	30,978	28,639	5,644	6,756
PROFIT/LOSS BEFORE TAXATION	114	35	-214	10
Income taxes	19	12		2
Deferred income tax expense				
Deferred income tax benefit				
NET PROFIT/LOSS	95	22	-214	8

3.13. TIGAR BUSINESS SERVICES

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	218,217	50,301	48,935
Current assets	84,664	37,275	30,341
Deferred tax assets	79	546	546
TOTAL ASSETS	302,960	88,122	79,822
Equity	169,308	27,836	28,432
Long-term liabilities and provisions	20,025	6,610	6,861
Current liabilities	113,627	53,676	44,529
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	302,960	88,122	79,822

Income statement (in thousands of RSD)	Actual January-December 2010	Actual January-December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	311,757	136,213	45,405	29,570
Operating expenses	321,654	133,915	46,599	27,324
PROFIT/LOSS FROM OPERATIONS	-9,897	2,298	-1,194	2,246
Finance income	82	2,897	411	27
Finance expenses	4,736	6,873	1,061	1,615
Other income	1,732	2,182	762	76
Other expenses	991	420	220	71
PROFIT/LOSS BEFORE TAXATION	-13,810	84	-1,302	663
INCOME TAXES				
Current tax expense		267		67
Deferred income tax expense				
Deferred income tax benefit	225	467		
NET PROFIT/LOSS	-13,585	284	-1,302	596



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3.14 TIGAR HOSPITALITY

BALANCE SHEET (in thousands of RSD)	As of 31 December 2011	As of 31 March 2012
Non-current assets	153,093	151,870
Current assets	55,051	55,928
Deferred tax assets		
TOTAL ASSETS	208,144	207,798
Equity	132,398	127,859
Long-term liabilities and provisions	5,470	5,292
Current liabilities	70,125	74,496
Deferred tax liabilities	151	151
TOTAL EQUITY AND LIABILITIES	208,144	207,798

Income statement (in thousands of RSD)	Actual February-December 2011	Actual February-March 2011	Actual January-March 2012
Operating income	188,658	31,973	46,627
Operating expenses	197,151	32,613	51,009
PROFIT/LOSS FROM OPERATIONS	-8,493	-640	-4,382
Finance income	135	14	9
Finance expenses	1,669	46	214
Other income	1,122	479	106
Other expenses	355	9	58
PROFIT/LOSS BEFORE TAXATION	-9,260	-202	-4,539
INCOME TAXES			
Current tax expense		21	
Deferred income tax expense	151		
Deferred income tax benefit			
NET PROFIT/LOSS	-9,411	-223	-4,539

CASH FLOWS (in thousands of RSD)	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash inflow from operating activities	38,830
Cash outflow from operating activities	37,059
Net cash inflow from operating activities	1,771
Net outflow from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash inflow from investing activities	
Cash outflow from investing activities	1,210
Net cash inflow from investing activities	
Net cash outflow from investing activities	1,210
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash inflow from financing activities	
Cash outflow from financing activities	348
Net cash inflow from financing activities	
Net cash outflow from financing activities	348
NET CASH INFLOW	213
NET CASH OUTFLOW	
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	254



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3.15 TIGAR INCON

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	161,407	168,571	167,216
Current assets	114,201	56,494	51,318
Deferred tax assets			
TOTAL ASSETS	275,608	225,065	218,534
Equity	169,561	169,796	160,365
Long-term liabilities and provisions	5,860	6,471	6,311
Current liabilities	99,404	47,893	50,953
Deferred tax liabilities	783	905	905
TOTAL EQUITY AND LIABILITIES	275,608	225,065	218,534

Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	233,516	269,264	74,387	30,210
Operating expenses	223,194	268,099	77,046	39,620
PROFIT/LOSS FROM OPERATIONS	10,322	1,165	-2,659	-9,410
Finance income	870	17		
Finance expenses	230	403		3
Other income	1,408	126	6	13
Other expenses	661	435		3
PROFIT/LOSS BEFORE TAXATION	11,709	470	-2,653	-9,403
INCOME TAXES				
Current tax expense	614	113	154	28
Deferred income tax expense	165	122		
Deferred income tax benefit				
NET PROFIT/LOSS	10,930	235	-2,807	-9,431

CASH FLOWS (in thousands of RSD)	January-March 2011	January-March 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	73,807	23,218
Cash outflow from operating activities	78,038	30,026
Net cash inflow from operating activities		
Net outflow from operating activities	4,231	6,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	5,585	7,001
Cash outflow from investing activities	83	228
Net cash inflow from investing activities	5,502	6,773
Net cash outflow from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities		
Cash outflow from financing activities	1,294	
Net cash inflow from financing activities		
Net cash outflow from financing activities	1,294	
NET CASH INFLOW		
NET CASH OUTFLOW	23	35
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	243	6



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3.16 TAX FREE ECONOMIC ZONE PIROT

BALANCE SHEET (in thousands of RSD)	As of 31 December 2010	As of 31 December 2011	As of 31 March 2012
Non-current assets	131,986	66,028	74,658
Current assets	68,879	150,707	148,145
Deferred tax assets	110	129	129
TOTAL ASSETS	200,975	216,864	222,932
Off balance sheet assets	25,500	28,500	28,500
Equity	140,069	145,104	152,952
Long-term liabilities and provisions	3,555	3,089	3,089
Current liabilities	57,351	68,671	66,891
Deferred tax liabilities			
TOTAL EQUITY AND LIABILITIES	200,975	216,864	222,932
Off balance sheet liabilities	25,500	28,500	28,500

Income statement (in thousands of RSD)	Actual January-December 2010	Actual January-December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	214,364	282,617	75,645	88,765
Operating expenses	194,755	262,916	67,913	84,349
PROFIT/LOSS FROM OPERATIONS	19,609	19,701	7,732	4,416
Finance income	2,358	2,599	220	4,691
Finance expenses	1,048	2,640	633	786
Other income	740	62,299	597	130
Other expenses	1,377	3,803	576	33
PROFIT/LOSS BEFORE TAXATION	20,282	78,156	7,340	8,418
INCOME TAXES				
Current tax expense	678	9,140		570
Deferred income tax expense				
Deferred income tax benefit	98	19		
NET PROFIT/LOSS	19,702	69,035	7,340	7,848

3.17 AGGREGATE FINANCIALS OF OTHER SERVICE SUBSIDIARIES

Income statement (in thousands of RSD)	Actual January- December 2010	Actual January- December 2011	Actual January-March 2011	Actual January-March 2012
Operating income	153,123	153,485	39,096	35,085
Operating expenses	143,842	139,739	32,996	33,362
PROFIT/LOSS FROM OPERATIONS	9,281	13,746	6,100	1,723
Finance income	309	304	23	70
Finance expenses	207	134	12	95
Other income	3,332	735	100	3,388
Other expenses	213	191		13
PROFIT/LOSS BEFORE TAXATION	12,502	14,460	6,211	5,073
INCOME TAXES				
Current tax expense	488	710	121	178
Deferred income tax expense		1		
Deferred income tax benefit	103	70		
NET PROFIT/LOSS	12,117	13,819	6,090	4,895



4. REAL ESTATE AND LEGAL MATTERS

4.1 REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. Tigar Footwear and Tigar Technical Rubber have relocated to the Tigar 3 compound, which was purchased in 2006 and 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 the Tigar 2, Tigar 3 and Tigar 3B compounds and the cardboard plant (where Tigar's production facilities and warehouses are located), as well as that of the Vrelo and Planinarski Dom tourist facilities, has been converted and they now constitute private property.

Land

Tigar and its subsidiaries (excluding the Free Economic Zone) own 127 parcels of land as of 31 March 2012. The total surface area of the land is 398,276 m², of which 297,326 m² is undeveloped land. The total carrying value of the land is RSD 51,109,591.

The carrying value of the land of the Free Economic Zone was RSD 38,310,826 on 31 March 2012.

Buildings

Tigar and its main subsidiaries own a total of 192 buildings, whose aggregate surface area is 100,950 m².

As of 31 March 2012, the carrying value of the buildings owned by Tigar and its major subsidiaries was RSD 2,105,513,518.

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



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Carrying value of buildings

BOOK VALUE OF BUILDINGS (RSD)		
Entity	31.12.2011.	31.03.2012.
Holding company	516,048,831.84	514,180,122.10
Tigar Technical Rubber Goods	423,366,706.45	432,382,089.45
Tigar Chemical Products	39,366.00	38,751.00
Tigar Rubber Footwear	774,913,486.93	772,947,581.83
Tigar Workshop	30,709,766.18	30,560,692.18
Tigar Business Service	16,138,351.73	16,902,892.65
Tigar Tours	6,203,975.10	6,174,132.10
Tigar Security	26,421,236.49	26,314,486.49
Tax Free Economic Zone Pirot	23,673,873.36	23,583,234.21
Tigar Incon	143,930,620.26	143,383,368.26
Tigar Hospitality	139,654,191.19	139,046,168.19
Total	2,101,100,405.53	2,105,513,518.46

Real estate transactions

In 2011 Tigar AD sold to Tigar Tyres a portion of a parcel of land within the Tigar 2 compound (reducing the area between the tire factory and Tigar AD's administration building), as well as land in Babušnica around Tigar Tyres' factory there and buildings owned by Tigar AD within the Free Economic Zone in Pirot. Being the majority shareholder of the Free Economic Zone Management Company, Tigar AD, along with the other shareholders, decided to also sell two parcels of land within the Zone.

In 2011, Tigar AD transferred a portion of the land and buildings within the Tigar 3B compound to Tigar Technical Rubber Goods (TTRG) for its expansion, particularly in view of the potential joint ventures and the construction of a plant for the fabrication of semi-finished products. Tigar AD purchased from Tigar Footwear its old locations, which Tigar Footwear has not been using since it relocated in 2008. Tigar AD intends to change the designated uses of the buildings and to dispose of them. Additional real-estate transactions might take place in 2012, depending on the outcome of negotiations with potential buyers.

Material encumbrances

The Company's material encumbrances at the end of the reporting period were as follows:

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

places a mutually agreed lien in favor of Jubanka Belgrade on immovable property (cardboard and footwear facilities) as collateral under the following agreements between Jubanka and Tigar:

- Agreement 3617/04 dated 6 October 2004; total amount EUR 704,494.39; outstanding amount EUR 178,644.44.
- Agreement 3618/04 dated 6 October 2004; total amount EUR 2,439,711.58; outstanding amount EUR 614,895.16.
- Agreement 3619/04 dated 6 October 2004; total amount USD 2,362,641.42; outstanding amount USD 599,114.42.

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.



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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.

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.

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 309/2011 dated 8 February 2011 and I 562/2011 dated 4 March 2011 place liens on the Administration Building in Pirot in favor of Srpska 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 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 I 1863/2011 dated 1 July 2011 places a lien on real estate in Pirot in favor of Banca Intesa 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 2636/2011 dated 9 September 2011 places a lien on real estate in Pirot in favor of Srpska Banka a.d., Belgrade.

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.



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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 Čačak in favor of AIK Bank a.d., Niš.

Mortgage Statement I 472/12 dated 22 February 2012 places a lean on real estate in Pirot in favor of Srpska Banka a.d., Belgrade.

Mortgage Statement I 734/12 dated 12 March 2012 places a lien on real estate in Pirot, in favor of Srpska Banka a.d., Belgrade.

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-Zvecan 9,637,376; Union Banka 6,194,000; Lola Corporation 8,210,350; and Tigar Prom Nova Varos 3,636,676; totaling 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).

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

At the beginning of the reporting period there was considerable trading among the group of our largest shareholders. Through only a few transactions in February, 80,237 shares (or roughly 4.7% of the share capital) changed owners. Apart from this spike, trading was characterized by low liquidity and price fluctuations based on several shares.

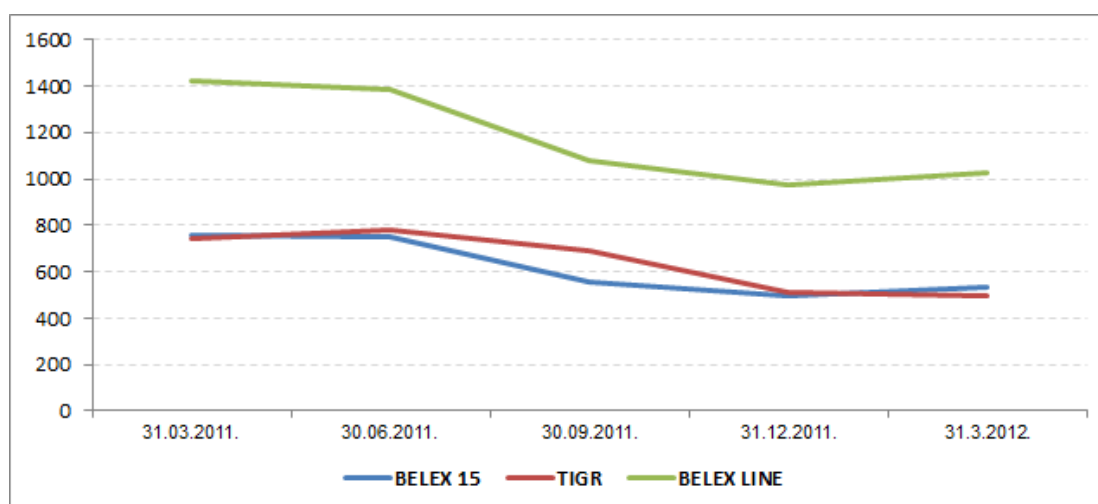
The table below contains a summary of Tigar stock trading during the reporting period.

	31. DECEMBER 2011.	31. MARCH 2012.	% CHANGE
Number of shareholders	4,530	4,512	-0.42%
Total number of shares	1,718,460	1,718,460	
Book value of shares	1,678.74	1,678.74	
Market price of shares	514.00	495.00	-3.7%
Lowest price during the period	471.00 - 7.3.2012.		
Highest price during the period	515.00 - 2.2.2012.		
Average price in Q1	494.00		
Market capitalization in RSD	883,288,440	850.637.700	-3.7%
P/ BV *	0.30		

Tigar stock is traded on the BSE Premium Market and included in both indices; the Belex Line (general index) and the Belex 15 (most liquid securities).

Since the beginning of the year, the Company continued to issue short-term bonds; there were nine such issues during the first quarter.

The graph below shows Tigar stock price and index movements January-March 2012.





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Changes in shareholder structure during the reporting period

Shareholder	31.12.2011.	31.03.2012.	% change
Legal entities	44.36%	43.50%	-0.86%
Individuals	26.31%	26.40%	0.09%
Custody accounts	29.32%	30.10%	0.77%

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.

Top ten shareholders as of 31 March 2012

	Shareholder	Number of shares	% Stake
1	NATIONAL SHARE FUND, BELGRADE	429,429	24.98
2	NATIONAL PENSION AND DISABILITY FUND OF THE REPUBLIC OF SERBIA	149,981	8.72
3	UNICREDIT BANK SRBIJA AD, Custody account	147,321	8.57
4	ERSTE BANK AD, Custody account	136,266	7.93
5	ERSTE BANK AD, Custody account	92,897	5.40
6	RAIFFEISEN BANK AD BEOGRAD, Custody account	52,505	3.06
7	KOMERCIJALNA BANKA, Custody account	26,062	1.51
8	HERMA INVESTMENTS CO. LTD.	20,000	1.16
9	UNICREDIT BANK SRBIJA AD, Custody account	18,500	1.77
10	DUNAV OSIGURANJE A.D.O.	17,120	0.99

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

Corporate management holds less than 1% of Tigar stock. The table below shows the number of shares held by members of the Board of Directors as of 31 March 2012

Name	Shares held as of 31 May 2005	Shares held as of 31 March 2012	% of Existing shares
Dragan Nikolić	880	898	0.052
Jelena Petković	275	281	0.016
Slobodan Sotirov	539	550	0.032
Miodrag Tančić	460	460	0.027
Vladimir Nikolić	803	803	0.050
Jose Alexandre F. da Costa	-	-	-
Tihomir Nenadić	-	-	-
Gordana Lazarević	-	-	-
Aleksej Misailović	-	-	-

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

Members of the Supervisory Board hold no Tigar stock.



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6. SUSTAINABLE DEVELOPMENT

6.1. EMPLOYEES

Headcount and structure

At the end of the reporting period Tigar had 2085 employees. In addition, Tigar's entities in the United States, United Kingdom, Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 24 local employees.

At the end of the reporting period the employee structure was as follows:

Workforce as of 31 March 2012	
Company	Number of employees
Tigar ad	483
Tigar Rubber Footwear	889
Tigar Technical Goods	212
Tigar Chemical Products	35
Other	466
Total	2,085

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, in case of death of its retired employee, Tigar pays to the family one monthly salary. Currently, 34 employees and retirees are repaying housing loans obtained from Tigar. Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

Employee expenses

Total Q1 2012 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals, and local transportation subsidies amounted to 387,720,000 RSD. The table below shows paid salaries and wages as a percentage of sales income.

Q1 2012 Employee expenses			
	Net salaries and wages in 000 RSD	Gross salaries and wages in 000 RSD	% of sales income
Tigar Ad	72,079	122,145	11.85%
Tigar Rubber Footwear	78,266	134,847	34.21%
Tigar Technical Goods	21,798	37,475	49.10%
Tigar Chemical Products	4,965	8,499	35.92%
Others	49,511	84,753	36.90%
Total	226,620	387,720	22.10%

During the reporting period, taxes and health insurance and pension fund contributions amounted to 161,100,000 RSD.



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Optimization of human resources

During the reporting period, 10 employees left Tigar on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar Ad		2		2
Tigar Rubber Footwear			1	1
Tigar Technical Goods			1	1
Tigar Chemical Products			2	2
Others	2	1	1	4
Total	2	3	5	10

*These five employees left the Company of their own volition.

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

Retrenchment is inherent in the restructuring process. This process will continue during 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		
	In thousands of RSD	%
Tigar ad	492	0.40
Tigar Rubber Footwear		
Tigar Technical Goods		
Tigar Chemical Products		
Other	525	0.62
Total	1,017	0.26

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 period:

Professional education				
	Tehcnical sciences	Manufacturing process engineering	Economics and business administration	Other
TOTAL	23	6	4	8

Tuition and scholarship expenses paid during the reporting period amounted to 552,000 RSD, or 0.14% of gross salaries.



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Employee training

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

Employee training			
	Internal	External	Total
Tigar ad	14	9	23
Tigar Rubber Footwear	309	2	311
Tigar Technical Goods	136	7	143
Tigar Chemical Products	5		5
Other	470	4	474
Total	934	22	956

Employee training expenses during the reporting period amounted to 1,061,116 RSD, or 0.27% of gross salaries.

6.2. QUALITY ASSURANCE

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

Annual inspections and audits corroborate Tigar's compliance with 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.

A Tigar Footwear audit was conducted in July 2010, at which time an occupational health and safety management system per OHSAS 18001 was added to the existing quality and environmental management components of the integrated management system at this company. In 2011, Tigar Footwear underwent an annual compliance inspection of its integrated management system.

The Tigar Technical Rubber Goods integrated management system was audited at the end of December 2010, per ISO 9001, ISO 14001, and OHSAS 18001, with all three management component being certified. JUQS conducted its annual inspection of the integrated management system in December 2011.

In 2011, Tigar Incon continued its activities aimed at certifying an integrated management system per ISO 9001, ISO 14001 and OHSAS 18001 requirements at this company. Tigar Incon, which provides design and engineering services, will join Tigar's already certified entities in 2012.

In 2011, the Free Economic Zone, where Tigar AD is the majority shareholder, initiated activities aimed at certifying an integrated management system per ISO 9001, ISO 14001 and OHSAS 18001. Plans call for this company to be certified as well by the end of 2012.



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

Tigar Hospitality, which offers hotel accommodation, restaurant and catering services, is currently implementing the HACCP (food safety) management system.

6.3. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

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

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

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

Potential occupational health and safety risks and environmental impacts trace to the use of raw materials classified as hazardous substances. These substances are purchased, stored, and used in accordance with applicable regulations aimed at preventing accidents. All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet is provided for each raw material. Each safety data sheet is comprised of 16 sections which clearly describe the nature of the substance, its possible affect on health and the environment, procedures to be implemented in the event of an accident, procedures to be undertaken related to packaging and packaging waste, etc. Accordingly, all employees who come in contact with the substance receive regular training and re-training. All corporate documents are consistent with the new Chemicals Law (Official Gazette of the Republic of Serbia 36/2009) and related implementing legislation. In accordance with recent legislation, 128 chemicals imported by Tigar Trade were registered with the Chemicals Agency (Ministry of Environment, Mining and Spatial Planning) in March 2011. . Tigar



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Chemical Products, which both imports and produces chemicals, registered 165 substances. Chemical files and material safety data sheets were submitted to the Agency and relevant fees were paid, as stipulated by applicable legislation.

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

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

Tigar waste is classified based on the Waste Categorization, Testing and Classification Handbook (Official Gazette 56/10). Lab analyses of all kinds of waste have been conducted (i.e. characterization and classification of waste) and a waste management plan consistent with the Waste Management Law (Official Gazette of the Republic of Serbia 135/09) prepared. The plan is being implemented by Tigar Shelter Workshop, which holds a special permit for waste collection, transportation, and storage, issued by the Ministry of Environment and Spatial Planning.

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

In March 2011, Annual Waste Management Reports were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products, as required by applicable legislation (Official Gazette of the RoS 96/2010).

Packaging waste management has been delegated to operators certified by the Ministry of Environment and Spatial Planning. This was one of the options offered by the Law on Packaging and Packaging Waste (Official Gazette of the Republic of Serbia 135/09), which has been adopted by Tigar. Such arrangements allow Tigar to use the Green Dot on its packaging. Tigar Footwear, Tigar Technical Rubber Goods and Tigar Chemical Products have delegated their obligations to Sekopak, while Tigar Trade has a contract with Ekostarpak, with whom Tigar Shelter Workshop has a contract as a collector of packaging waste. Reports are submitted and fees paid on a monthly basis. In March 2011, 2010 Annual Reports on Packaging Material Management were submitted to the Environmental Protection Agency (Ministry of Environment, Mining and Spatial Planning) for Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products and Tigar Trade in accordance with applicable legislation. On behalf of Tigar, our waste management operators met national objectives and ensured recycling of Tigar's packaging waste such that our subsidiaries are among the 9% of Serbian companies which are complying with waste management legislation. As a result, the Environmental



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Protection Fund issued certificates to Tigar's subsidiaries which exempt them from packaging waste fees.

Tigar operates a cutting-edge automated power station designed to fire either oil or gas. Gas emissions are checked at source once a year but a certified institution. Additionally, air quality within the industrial zone is continually monitored by Pirot's Public Health Institute.

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

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

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

There are no pending proceedings against Tigar or its subsidiaries with respect to environmental issues and no proceedings initiated by employees involving occupational health and safety matters. There are no litigation proceedings involving Tigar arising out of environmental or social concerns. Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products have submitted a series of reports to the local administration for the compilation of a Register of Polluters per applicable legislation (Official Gazette of the RoS 91/2010). This obligation also includes reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste, types and quantities of hazardous waste), and submission of information about major raw materials, manufactured products, and the like. All such information is available to the public.

The following environmental and occupational health and safety legislation applies to the Company:

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



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

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

6.4. INTELLECTUAL PROPERTY

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

Registered trademarks as of 31 March 2012

Appl. No.	Appl. date	Reg. No.	Trademark	Valid until	Holder
Ž-247/80	30.04.80.	31499	Tigar	21.12.17.	Tigar AD
Ž-2606/06	14.11.06.	54763	Tigar	14.11.16.	Tigar AD
Ž-84/385	17.01.84.	29947	Tigar Tg 615	25.05.17.	Tigar AD
Ž-947/07	30.04.07.	55640	Tigar Planinarski Dom	30.04.17.	Tigar AD
Ž-918/07	27.04.07.	55822	Tigar Tours	27.04.17.	Tigar AD
Ž-842/07	18.04.07.	55612	Markol	18.04.17.	Tigar AD
Ž-1129/07	17.05.07.	55735	Tigar Incon	17.05.17.	Tigar AD
Ž-890/80	11.07.03.	49590	Tigar Sportski Program	11.07.13.	Tigar AD
Ž-152/07	29.01.07.	56018	Tigar	29.01.07.	Tigar AD
Ž-1703/07	26.07.07.	56315	Tigar Footwear	26.07.17.	Tigar AD
Ž-1704/07	26.07.07.	56315	Tigar Obuća	26.07.17.	Tigar AD
Z-2440/07	17.10.07.	56731	Tigar Hemijski Proizvodi	17.10.17.	Tigar AD
Ž-212/08	05.02.08.	57737	Tigrostik	05.02.18.	Tigar AD
Ž-211/08	05.02.08.	57738	Tigrolux	05.02.18.	Tigar AD
Ž-214/08	05.02.08.	57650	Tigropren	05.02.18.	Tigar AD
Ž-213/08	05.02.08.	57649	Tigrokol	05.02.18.	Tigar AD
Ž-768/08	31.03.08.	57538	Hotel Stara Planina	31.03.18.	Tigar AD
Ž-1433/08	06.06.08.	58815	Overload	06.06.18.	Tigar AD
Ž-1475/08	11.06.08.	58462	Waterpolo Senior	11.06.18.	Tigar AD
Ž-1473/08	11.06.08.	58427	Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1431/08	06.06.08.	58813	Waterpolo Junior	06.06.18.	Tigar AD
Ž-1472/08	11.06.08.	58428	Specijal	11.06.18.	Tigar AD
Ž-1432/08	06.06.08.	59305	Basketball Tg21 Official	06.06.18.	Tigar AD
Ž-1474/08	11.06.08.	58424	Neos	06.06.18.	Tigar AD
Ž-1469/08	11.06.08.	58426	Tricker Ball Basket Ball	11.06.18.	Tigar AD
Ž-1471/08	11.06.08.	59401	Bistro	11.06.18.	Tigar AD
Ž-1468/08	11.06.08.	58423	Overload Handball	11.06.18.	Tigar AD
Ž-1470/08	11.06.08.	58425	Dynamic Overload	11.06.18.	Tigar AD
Ž-1429/08	06.06.08.	58464	Overload Waterpolo Junior	06.06.18.	Tigar AD
Ž-1467/08	11.06.08.	58430	Overload Waterpolo Mini Mini	11.06.18.	Tigar AD
Ž-1476/08	11.06.08.	58463	Overload Waterpolo Senior	11.06.18.	Tigar AD
Ž-1430/08	06.06.08.	59304	Basketball TG21 Overload	06.06.18.	Tigar AD
Z-2441/07	17.10.07.	56730	Tigar Tehnička Guma	17.10.17.	Tigar AD
Ž-2681/08	03.11.08.	59486	Trapper	03.11.18.	Tigar AD
Ž-2682/08	03.11.08.	59485	Pesca	03.11.18.	Tigar AD
Ž-2679/08	03.11.08.	59327	Rainydays	03.11.18.	Tigar AD
Ž-2680/08	03.11.08.	59334	Nency	03.11.18.	Tigar AD
Ž-2678/08	03.11.08.	59333	Ladybird	03.11.18.	Tigar AD



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Ž-2677/08	03.11.08.	59336	Ratar	03.11.18.	Tigar AD
Ž-2676/08	03.11.08.	59451	Balerina	03.11.18.	Tigar AD
Ž-2675/08	03.11.08.	59335	Work	03.11.18.	Tigar AD
Ž-2904/08	02.12.08.	59458	Polar	03.11.18.	Tigar AD
Ž-2674/08	03.11.08.	59337	Protecta	03.11.18.	Tigar AD
Ž-2673/08	03.11.08.	59390	Forestry Line	03.11.18.	Tigar AD
Ž-2672/08	03.11.08.	60043	Fireproof	03.11.18.	Tigar AD
Ž-2671/08	03.11.08.	59326	Cryo	03.11.18.	Tigar AD
Ž-2670/08	03.11.08.	59387	Sparclesafety	03.11.18.	Tigar AD
Ž-2661/08	31.10.08.	59341	Firefighter Super Safety	31.10.18.	Tigar AD
Ž-2662/08	31.10.08.	59452	Century Super Safety	31.10.18.	Tigar AD
Ž-2659/08	31.10.08.	59334	Century 4000 Safety	31.10.18.	Tigar AD
Ž-2660/08	31.10.08.	59345	Forester 3000	31.10.18.	Tigar AD
Ž-2903/08	02.12.08.	60464	Trendy	02.12.18.	Tigar AD
Ž-247R/80	30.04.80.	49044	Tigar	30.09.15.	Tigar Tyres
Ž-1369/05	17.10.05.	49768	Tigar Tyres	17.10.15.	Tigar Tyres
Ž-1373/05	17.10.05.	49792	Hitris Logo	17.10.15.	Tigar Tyres
Ž-1371/05	17.10.05.	49819	Cargo Speed Logo	17.10.15.	Tigar Tyres
Ž-1372/05	17.10.05.	49912	Wintera Logo	17.10.15.	Tigar Tyres
Ž-1468/05	31.10.05.	53797	Tigar Trgovine	31.10.15.	Tigar AD
Ž-551/09	27.03.09.	60789	Bottega	27.03.19.	Tigar AD
Ž-639/09	13.04.09.	59942	Hotel StarA	13.04.19.	Tigar AD
Ž-1011/09	30.06.09.	59367	Brolly	30.06.19.	Tigar AD
Ž-1012/09	30.06.09.	59366	Maniera	30.06.19.	Tigar AD
Ž-1685/09	03.11.09.	60513	Stop&Drive	03.11.19.	Tigar AD
Ž-1686/09	03.11.09.	60514	S&D	03.11.19.	Tigar AD
Ž-795/11	30.05.11	-	Srbija na dlanu	-	Tigar AD
International US	03.07.97.	675 773	Tigar	20.05.17.	Tigar AD
		675 773A	Tigar	20.05.17.	Tigar Tyres
US	24.10.78.	1174089	Tigar Logo	15.08.12.	Tigar Americas Corp.
	02.11.07.	77320619	Tigar	-	Tigar Americas Corp.
International 237003/1	07.09.09.	1020263	Brolly	07.09.19.	Tigar AD
International 235877/1	07.09.09.	1019318	Maniera	07.09.19.	Tigar AD
US 79075140	07.09.09.	3870299	Maniera	07.09.19	Tigar AD
US 79075638	07.09.09.	3906894	Brolly	07.09.19	Tigar AD
Canada	25.05.90.	368832	Forester	25.05.15.	Tigar Footwear
Finland	20.11.85.	94345	Forester	20.11.15.	Tigar Footwear
Norway	14.11.85.	123042	Forester	14.11.15.	Tigar Footwear
Sweden	26.07.85.	0197287	Forester	26.07.15.	Tigar Footwear
UK	23.06.95.	2025055	Century	23.06.15.	Tigar Footwear
UK	31.05.84.	1219898	Forester	31.05.15.	Tigar Footwear
UK	23.06.95.	2025057	Forester	23.06.15.	Tigar Footwear

The flagship trademark is “a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet” (Article 17 of the Articles of Association). The design and contents of the flagship trademark fall within the jurisdiction of the Board of Directors. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

In 2006, the flagship trademark was protected as a registered trademark within the territory of the Republic of Serbia for goods in international Classes 1, 7, 17, 20, 25 and 28, as a separate trademark only for tires in Class 12, and as an international trademark in 43 countries for the same classes previously listed and for Class 12 (vehicle tires); all are in the name of Tigar AD. A variation of the flagship trademark, “Tigar MH”, is protected in Serbia for tires and processing of materials (Classes



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12 and 40) in the name of Tigar Tyres. Under a Trademark Assignment Agreement, signed by Tigar AD and MHPB in 2002, Tigar AD is obligated to assign its flagship trademark for tires and inner tubes (Class 12) only to Tigar Tyres. The proceedings for recording of the assignment have been completed for Serbia and the member states of the Madrid Agreement. Transfer to the US is pending.

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

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

In 2011, Tigar AD initiated the registration of a domestic trademark "Serbia on the Palm of Your Hand" at the Serbian Intellectual Property Office (application Ž-795/11 dated 30 May 2011).

Tigar Technical Rubber Goods was granted patent rights by the Serbian Intellectual Property Office for an invention entitled *Flexible 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 neighboring rights. Tigar uses standard software under licenses duly acquired from software manufacturers or distributors.

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

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

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.
- **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.

6.6. CORPORATE SOCIAL RESPONSIBILITY

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

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

During the reporting period Tigar continued to make efforts to maintain and upgrade its CSR reputation by, among other things, taking part in a national CSR certification program. Certification is a step further in CSR advancement, with the goal of establishing CSR standards in Serbia, recognizing and promoting best practices, and prompting companies to follow CSR guidelines.

Tigar adopted its *Guidelines for Philanthropic and Other Giving*, which set out the areas and types of giving, and the extent of spending.

Respect for our employees is one of the most important aspects of Tigar's CSR policy. In line with the principle that employee health and safety are Tigar's number one priority, Tigar conducted training courses for all new employees in potential workplace risks. The Company also provided regular medical examinations of employees working in special environments and ensured training of all operators of newly-acquired equipment.

To support a breast cancer prevention campaign, Tigar partnered with the Pirot branch of the Serbian Breast Cancer Society and organized **medical checkups and lectures** on the significance of self-examination and prevention, which included more than 100 of our female employees.

Again this year Tigar sponsored the participation of athletes in sports competitions and preparations for HEMINS (sports meetings of Serbia's chemical and non-metal industry workers). Our employees were able to **use sports and recreation facilities in Pirot free of charge** and, following a long-standing tradition, health boost weekends were offered at rehabilitation centers and health spas. On the occasion of the International Women's Day, 150 of our female employees spent a weekend at Prolom Banja (a health spa).



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During the reporting period **Tigar amended its Code of Ethics and Business Conduct**, originally adopted in 1995, with the goal of updating the definitions of business conduct objectives and setting forth preferred approaches to resolving important ethical issues. The updated Code establishes regulatory mechanisms for relationships among employees and with key interested publics.

Tigar has been a reliable partner to its local and wider community for decades. Committed to increasing knowledge and developing talent, the Company continued to offer scholarships and support education projects. One of the examples of good practice was our support to the international exchange student program “The Boat of Friendship”, which Tigar has been supporting for 10 years. This year’s activities included an Open House organized by Tigar for Pirot High School guests from French, Russian and Bulgarian schools.

Aiming to contribute to an increased **awareness of the environment and the importance of recycling**, including the use of products made from recycled rubber, the Company organized a series of lectures at the University of Belgrade/Faculty of Forestry, for some 50 students of the Landscaping and Material Processing Departments. Similar activities are planned at other faculties of this university.

During the reporting period the Company supported the **Green Transformer** project, which is a multi-dimensional networking platform for young professionals, associations of students and professionals, and non-governmental organizations, aimed at involving young people in the creation, reconstruction and development of open urban areas in a sustainable way. Supported by the Company, young people from some 20 organizations tidied up several neglected green surfaces in Belgrade.

Another aspect of Tigar’s corporate social responsibility has to do with **supporting disabled and handicapped individuals, especially children.** Aiming to contribute to the enhancement of social inclusion, the Company initiated and sponsored a TV documentary series „Living With Us, Not Next To Us“ on the Pi TV Channel, dedicated to children with special needs who attend the Sunce Daycare Center and the Mladost School.

Demonstrating its **solidarity** and wishing to assist during inclement winter weather conditions, the Company donated rubber boots to those who needed them the most, especially rescue and help teams on the ground. Also, to assist potential buyers to acquire boots in an easy and safe manner in harsh weather conditions, Tigar launched **telephone sales** of these products.

During the reporting period, Tigar continued to actively participated in the work of the CSR Council of the Serbian Chamber of Commerce, which aims to promote and develop CSR through the implementation of ISO 26000 standards and to familiarize both corporations and the Serbian public with this concept.

6.7 CORPORATE GOVERNANCE

The reporting period saw significant changes in this area, given that a set of new laws applicable to the Company were enacted, in particular a new Companies Law, a Capital Market Law, a Takeover Law, and a series of implementing legislation and rulebooks. In accordance with these changes, the Company drafted its new Bylaws, which address all key matters related to its operations, ownership, governing bodies and management. Following adoption of the new Bylaws at the June session of the General Assembly of Shareholders, other corporate documents (including the Corporate Governance Code) will be amended accordingly. Reporting will reflect new legislation in all respects.



7. MANAGEMENT

The management structure remained unchanged: the General Assembly of Shareholders (GAS) elects the Board of Directors and the BoD elects the Management Body. In addition, there is a three-member Supervisory Board which reviews Tigar's corporate documents and the status of its assets, and reports its findings in these and other specific areas to shareholders. At its annual session held on 24 June 2011, the GAS re-elected the Board of Directors. In June of this year, the GAS will elect new governing bodies in conformity with the new legislation. The Board of Directors will be replaced by a Supervisory Board composed solely of individuals who are not Tigar employees. The present Supervisory Board will be dissolved and replaced by an Audit Committee of the new Supervisory Board. The newly-elected Supervisory Board will appoint an Executive Committee and the Chief Executive Officer.

8. MAJOR TRANSACTIONS WITH RELATED PARTIES

There were no changes in relationships with Tigar's subsidiaries during the reporting period. After Tigar Trade was merged with Tigar AD, Tigar AD assumed the supply of international and domestic purchasing, sales, logistical and marketing services to its subsidiaries. The margins applied by Tigar AD were equivalent to standard wholesale margins, a fact which was particularly important from a transfer price perspective. Tigar AD also supplied accounting, financial, business plan development, budgeting, legal, human resources and other administrative services to its subsidiaries, based on annual contracts. As an exclusive supplier, Tigar AD purchased and supplied raw and intermediate materials. It took out loans from banks and borrowed from the financial market to finance working capital. Given that the centralized energy supply facilities within the Tigar 3 compound are owned by Tigar AD, it supplied energy to its subsidiaries. In 2011, Tigar Footwear's old location within a residential area of Pirot was transferred to Tigar AD, given that Tigar Footwear has had no use for it since it relocated to new premises within the Tigar 3 compound. As this location is not suitable for production or logistical purposes, Tigar AD intends to dispose of it. In 2011, Tigar conducted negotiations with Tigar Tyres and its founder on behalf of the Free Economic Zone Management Company and reported a capital gain equal to the book value. Tigar consolidated the financial statements of all its subsidiaries, and consolidated the Tigar Europe joint venture at 50%, proportional to its stake.



9. RESEARCH AND DEVELOPMENT

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 2011, this segment actively developed proprietary brands of firefighting and other safety footwear, farmers' footwear and general-purpose footwear, applying a special dipping technology. A new brand of sports footwear - Caccia, new Maniera Sports styles and new children's footwear styles were also developed. In parallel, a large number of alternative materials were introduced. During the reporting period Tigar Footwear commercialized 18 new products, another 31 were being approved by customers, and 9 were undergoing certification. Twenty-five new and 22 alternative materials were introduced or undergoing laboratory testing.

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. During the period TTRG commercialized 17 new products, 14 were undergoing approval and 16 were being developed. Sixteen new and 29 alternative materials were developed and introduced. Following the acquisition of Bilgutex brands, TTRG was able to offer the following groups of products made from recycled rubber: Bilgusafe – playground tiles; Bilgusand – sandboxes; Bilgusign Bases – traffic sign supports, Bilgubollards – bollards; Bilgulane – rubber matting; and Bilguwell Goods – general purpose products. All these products have been certified to EU standards, creating conditions for the development of both custom-made products and products aimed at meeting market demands.

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 and Directives 1999/13/EC and 2004/42/EC, as well as forthcoming legislation. In view of these regulations, as well as general trends in the coatings and adhesives market segments, in 2011 TCP continued to develop alternatives to its major products.



10. COMPETITIVE STRENGTHS AND RISKS

10.1 STRENGTHS

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, technical rubber goods and chemical products. Its production facilities are located within a single industrial compound, 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. TCP 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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Geographical diversification of sales

Maintaining its leadership position, in 2011 Tigar reported a consolidated foreign currency income of 2,446 billion, 84% of which traced to Western Europe, 13% to the Balkans, Central Europe and Eastern Europe, and 3% to overseas and other markets. As shown in the table below, Tigar Footwear was the top performer in the export segment, with most of its exports going to the EU.

in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
European Union	327,849	25,443	10,165	363,457	87%
The Balkans	38,737	6,866	0	45,603	11%
Russia and ex-Soviet republics	0	5,623	0	5,623	1%
Other countries	2,911	0	0	2,911	1%
Total	369,497	37,932	10,165	417,593	100%
Western Europe, in thousands of RSD					
Western Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
Finland	127,972	10		127,982	37%
Denmark	85,943	2,906		88,849	25%
Italy	38,068	6,991		45,059	13%
Sweden	22,756	13,318		36,074	10%
France	24,493	1,693		26,186	7%
UK	18,878			18,878	5%
Ireland	6,251			6,251	2%
Total	324,361	24,917	0	349,279	84%
Eastern Europe, in thousands of RSD					
Eastern Europe, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
Macedonia	11,314	5,221		16,535	28%
Bosnia and Herzegovina	15,845	129		15,973	27%
Kosovo	6,710	257		6,967	12%
Poland	491		5,978	6,469	11%
Montenegro	4,868	1,259		6,127	10%
Bulgaria		525	4,187	4,712	8%
Slovenia	1,585			1,585	3%
Greece	1,412			1,412	2%
Total	42,225	7,391	10,165	59,780	14%
Other countries, in thousands of RSD					
Other countries, in thousands of RSD	Footwear	Technical rubber goods	Chemical Products	Total	Percent share
Russia and ex-Soviet republics		5,623		5,623	66%
Hong Kong	2,911			2,911	34%
Total	2,911	5,623	0	8,534	2%



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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. Profit is taxed at a rate of 10% and there are a number of other incentives. 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 alliances with internationally visible 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.

Leading 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 17 service centers which sell vehicle tires and afterparts, and offer light vehicle servicing; 4 mobile service units; and 26 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 alliances

Tigar had partnered with 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 independently, or to partner with others and organize production outside Serbia. However, there are opportunities for strategic alliances in the technical rubber goods segment, one of which is a potential partnership with the Spanish company Kaufil targeting the production of automotive rubber parts. Strategic alliances are also possible in connection with Tigar's new ecological projects, especially if this is the main line of business of potential partners.

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 footwear factory to become the leading European manufacturer, within two years of commissioning of its new facilities.

In 2010 Tigar pursued a number of strategic alliances, primarily targeting rubber parts for automobiles and molded rubber products within the scope of TTRG.



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10.2. 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. Additionally, major shareholders may be willing to modify corporate policies and strategies.

Currency fluctuation risks

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

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

Risks related to inflation, capital procurement, and capital cost

The inflation rate in 2011 was 7%. The National Bank of Serbia (NBS) chose to target low inflation and governing exchange rates. The projected inflation rate was largely threatened by excessive public and private spending and sudden and uncontrolled price increases. Serbia follows a policy of managing exchange rates, which is a trade-off between fixed and flexible exchange rates. The monetary authority influences the Dinar exchange rate by intervening and establishes the margins of possible fluctuations based on foreign currency supply and demand, the status of the balance of payments, and the difference between domestic and foreign exchange rates. The NBS has not declared the exchange rate level it is prepared to defend (or the "projected" exchange rate), but has stated that it only prevents daily fluctuations (2-3% during a day). The basic question is what is gained when the NBS intervenes? Foreign currency reserves are still relatively high, but one must keep in mind the liabilities stemming from pre-Balkan conflict foreign currency savings, international obligations, and the like. The country spent 4 billion on defending exchange rates from October 2008 to October 2010. Once the NBS sells foreign currency, Dinars are withdrawn from circulation and this is one of the restrictive measures of the monetary policy. Due to large fluctuations, there are in fact no efficient measures against foreign currency risks.

Tigar will continue to replace short-term sources with long-term sources of financing because of more favorable repayment terms, but it will also need short-term sources. High production and sales growth increases the need for permanent working capital considerably, as it cannot be financed from cash flow and requires additional loans. Tigar's plans call for long-term borrowing for refinancing and production financing purposes, up to a level of 22.6 million, allowing us to repay short-term loans and



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discontinue issuing short-term bonds. Advantages include long repayment periods, long grace periods, favorable interest rates, and a better position in terms of collateral.

Tigar will continue to apply for EU funds and will seek a long-term capital loan for its recycling project. The financing policy set out in the current business plan stipulates that no capital project will be launched unless appropriate sources of funding have been procured, which might result in the deferral or possibly abandonment of certain projects. The latter would definitely have a negative impact on operations. To finance capital projects, Tigar plans additional long-term borrowing of 5 million €, through either a loan or long-term bonds. Given the recent changes in legislation, it is not reasonable to expect that that additional funding for capital projects and development can be procured through the issuance of new stock.

Business risks inherent in the rubber industry

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

Risks related to capacity utilization

Current footwear factory capacities are sufficient for the planned level of growth. Therefore, further large investments in Tigar Footwear's capacity will not be required in the subsequent five-year period. However, some investment in equipment reconstruction may be needed to increase productivity and quality, and in the fabrication of tools and lasts for new footwear models. With regard to technical rubber goods, two production lines for EPDM and thermoplastic profiles has been deferred to 2012, while planned production levels do not require any major investment. If Tigar, through its venture with a German partner, obtains the status of a rubber parts suppliers for the automotive industry, additional investments in the amount of 1.5 million € will be needed. At present, the plant which produces finished products from recycled rubber has capacities which exceed by far its planned level of production. To fully utilize these capacities, Tigar needs to build its own supply of recycled rubber.

The energy supply capacities within the Tigar 3 compound are sufficient to support the factories operating at full capacity. A small boiler will need to be purchased to allow for significant savings during the summer months, when energy consumption is much lower. This boiler will also serve as a backup unit in the event of failure of the main boiler.

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 color rubber compounds, to respond to both the needs of Tigar's factories operating at full capacity and some non-Tigar buyers.

Investments in TCP's reconstruction and updating will depend on decisions made regarding its product mix and output volume, after it relocates to Tigar 3.

In summary, the capacities of Tigar's factories are sufficient for the projected level of growth, with some investment required in facilities for the fabrication of semi-finished products and the energy

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supply plant. A scrap tire recycling plant is needed to substantially increase the current output of final products made from recycled rubber, commensurate with existing capacities.

Risks related to shareholder and corporate structure

In 2010, there were no major changes in shareholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be facing this type of risk in the near future. Since the position of the government related to its stake in the capital is that it will not take any action that might lead to unexpected or uncontrolled ownership changes, which could negatively influence business operations, it is reasonable to expect that no such moves will be made given that the Company is among the largest employers, exporters and taxpayers.

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



11. MAJOR EVENTS AFTER FY2011

Although the disbursement of Apex IV was to have taken place at the very beginning of 2012, as of the date of this report the Company has not been notified when it can expect this disbursement. Given these circumstances, in order to finance production and sales, repay loans and redeem bonds, the Company continued to use short-term loans and to issue short-term bonds for financial bridging purposes. As a result of this financial situation, the Company was forced to defer the distribution of outstanding dividends until May/June 2012. However, in view of the importance of replacing most of its short-term bonds with long-term bonds, the Company is currently pursuing the issuance of long-term bonds in the aggregate amount of up to 10 million €, with a minimum five-year term, a six-month to one-year grace period and an interest rate not higher than 7%.

The company has engaged a financial consultant for this transaction, who will receive a commission only if the issue is successful. The proceeds will be used as follows: 85% to refinance current liabilities and 15% to finance permanent working capital. Discussions were resumed in February with one of the leading international financial organizations concerning long-term financing of working capital, in the amount of 5 million € for the footwear segment. By the middle of the year all three sources should secure a total of 22.7 million of long-term funds. Plans call for another 5 million of long-term funds to be procured in the latter half of the year, to finance investments. The Company has applied to Alpha Bank to cancel the remaining three installments under a Paris Club loan in the amount of 1.2 million €, based on a write-off the member states have approved for Serbia. Tigar has already repaid 33% of the loan, commensurate to the amount the Serbian government is required to repay to the Paris Club member states.

During the first quarter the Company drafted its amended Articles of Association and Bylaws, to reflect new legislation. They will be presented to the General Assembly of Shareholders for approval at its next ordinary session.

A letter of intent was signed on 30 March 2012 with a German partner, concerning the incorporation of a joint-venture company by the German partner and Tigar Technical Rubber Goods. The new company will produce molded rubber products. The parties have agreed to register the company by June 2012 and to commence operations on 30 September 2012. Additionally, if appropriate conditions are created, this company will also operate the rubber compound mixing plant and might also include several other TTRG segments.

All other activities fell within the scope of business as usual.

**EXECUTIVE DIRECTOR FOR CORPORATE
MANAGEMENT SUPPORT**

TIGAR AD

Jelena Petković

BOARD OF DIRECTORS CHAIRMAN

TIGAR AD

Dragan Nikolić