

**PRESENTATION
OF THE PLATFORM
FOR THE
PREPARATION OF PPOP**



Pirot, March 2014.

INTRODUCTION

The aim of this Platform is primarily to present and provide guidance, determine the strategy and ways of solving the debt issue and other elements through filing the PPOP, if realized.

In further slides of the presentation are given the following basic information:

- So far activities
- Initiating of PPOP by creditors
- Work on the unfreezing of accounts – Stand-Still Arrangement with creditors
- Timetable Activities
- Strategy of negotiations with creditors
- Creditors' views
- Business projection

OVERVIEW OF THE SO FAR ACTIVITIES

- ✓ 24.12.2013 - there was held a meeting with business banks on which it was concluded to submit a letter to the Ministry of Economy, Ministry of Finance and to Development Fund of the Republic of Serbia, as a consensual proposal for unfreezing of accounts of Tigar, and a letter concerning the declaration on the status of guarantee of the Development Fund of RS.
- ✓ On 29.01.2014 were sent letters to the above-mentioned institutions, signed by Tigar and respective banks.
- ✓ 14.02.2014 - Development Fund of the RS has suggested in a letter to hold a meeting of all the creditors in the premises of the Development Fund and gave response to the guarantee status, with no explanatory note.
- ✓ On 18th February 2014 with the beginning at 11am was held a meeting of financial creditors of Tigar ad and its subsidiaries and of representatives of Tigar AD. The meeting was held in Belgrade, in the Development Fund of the Republic of Serbia, at the proposal of the Development Fund of the Republic of Serbia
- ✓ Immediately after the meeting (the next day) was forwarded a draft Stand Still Agreement, in order to obtain respective comments. Comments are given by the Development Fund, Hypo Bank, AIK Bank and EFG Bank, while the SG bank gave certain technical remarks. The process of harmonization of the draft has virtually lasted until the end of the signing of the agreement.
- ✓ After the said meeting, there were held individual meetings with all of the afore-mentioned creditors except for the Development Fund and AOFI - for which it was estimated that it would be better to make a direct appeal to the Ministry of Economy in terms of conditions of rescheduling and activities of the Government of RS, where were discussed options to solve the issue of their debts and objections to the standstill agreement, with those creditors who had such remarks.
- ✓ Beside those, as important meetings should be also sorted out a meeting with representatives of DEG - held on 03.03.2014 in Belgrade and meeting with legal representatives of commercial creditor Farima, as the largest single commercial creditor, whom submitted a request for execution and then postponed it due to the continuation of talks that are still in progress. On March 3rd 2014 was held a meeting with representatives of the Deposit Insurance Agency as bankruptcy trustee of 'Privredna banka' and 'Univerzal banka' in bankruptcy, who are also figuring as creditors so there were discussed options for resolving the debt issue and the signing of the Stand-Still.
- ✓ On March 3rd 2014, on the initiative of the Minister of Economy - Mr. Mirović, there was held the second meeting with creditors and representatives of the Ministry of Economy, where was also present Minister Mirovic in person. In addition to the above creditors whom were present at the previous meeting, on this occasion the meeting was also attended by representatives of DEG and Privredna Banka in bankruptcy.
- ✓ During the period from March 5th to 13th was accessed the signing of the Stand-Still Agreement. Last signed Banka Intesa on March 13th, on which were subsequently notified all the creditors.
- ✓ On March 12th, in line with the conclusions of the meeting with creditors and in accordance with the Stand Still Agreement, Supervisory Board of Tigar ad decided to convene the General Assembly to initiate bankruptcy reorganization proceedings by filing PPOP. The session of General Assembly is scheduled for April 14th 2013.
- ✓ At the same meeting, the Supervisory Board has also adopted the draft Platform for negotiations with creditors which include negotiation strategy and timetable of activities for the implementation of the PPOP and which will be proposed for adoption at the session of General Assembly.

INITIATING OF THE PPOP PROCEDURE

On February 18th 2014 with the beginning at 11am was held a meeting of financial creditors of Tigar ad and its subsidiaries and of representatives of Tigar AD. The meeting was held in Belgrade, in the premises of the Development Fund of the Republic of Serbia, at the proposal of the Development Fund. On the meeting were also adopted the following conclusions:

1. There was reached a principled agreement on a consensual unblocking of accounts, and in that sense it was agreed that Tigar ad sends a draft Stand-Still Agreement to all present creditors for review, no later than the day following the meeting, and to discuss possible objections to the text of the Agreement, and creditors to declare themselves no later than Friday, February 21st, and to approach the signing of the Agreement during the next week.
2. A number of present creditors, especially Societe Generale Bank, Hypo Alpe Adria Bank, Postal Savings Bank, Development Fund of the Republic of Serbia and AIK Bank has expressed its principled stance on the necessity of making the PPOP as a model for resolving the debt issue, i.e., their assumption that this way of resolving the debt issue would be optimal at this time, especially on the basis that there is no possibility of realization of the guarantee of the Development Fund.
3. In the sense of the previously stated, it is proposed that Tigar ad urgently commence the procedure of initiating process for filing PPOP before the General Assembly and to duly inform the creditors about that.
4. Tigar ad suggested to hold individual meetings with the current Creditors in the coming period in order to define the content of the PPOP.

INITIATING OF THE PPOP PROCEDURE

On March 3rd 2014 was held the second meeting with the creditors and representatives of the Ministry of Economy, where was present Minister Mirović. The conclusions of this meeting are as follows:

1. Tigar ad to provide the necessary data to the Ministry of Economy and Ministry of Finance for analysis in the shortest term possible.
2. The Ministry of Economy in cooperation with the Ministry of Finance over the next 7 - 10 will perform the necessary analysis and study options to help Tigar, especially related to aid in resolving the current liquidity.
3. By the end of the week to approach the decision-making of the creditors' competent authorities relating to the stand-still agreement and to access to its signing as well as to unfreeze accounts of Tigar ad and its subsidiaries.
4. To continue with activities on the elaboration of PPOP, in terms of the quality plan and the rapid and effective adoption.
5. To schedule a new meeting of all the creditors, if necessary.

Stand Still Arrangement

- During the period March 5th to 13th was accessed the signing of the Stand-Still Agreement. The last to sign was Banca Intesa on March 13th on which the creditors were duly informed.
- It is anticipated the unblocking of 90+90 days without further blockades, provided that the PPOP is filed.
- On March 14th begun a unblocking which was completed by March 19th according to the following schedule.

DATE	DESCRIPTION	AMOUNT	STATUS OF BLOCKADE
13.03.2014.	Initial state of blockade		1,387,200,648.66
14.03.2014.	Srpska Banka – trial brief	441,501,406.63	
14.03.2014.	AOFI	59,647,125.00	1,327,553,523.66
17.03.2014.	DEVELOPMENT FUND	40,998,496.69	1,286,555,026.97
17.03.2014.	EUROBANKA	58,214,856.70	1,228,340,170.27
17.03.2014.	WIENER	17,157,169.58	1,211,183,000.69
17.03.2014.	UNIVERZAL BANKA	39,447,879.63	1,171,735,121.06
17.03.2014.	DDOR	12,933,566.45	1,158,801,554.61
17.03.2014.	AIK	179,317,822.09	979,483,732.52
17.03.2014.	ON CLAIMS - SUPPLIERS	4,232,127.30	975,251,605.22
18.03.2014.	DUNAV OSIGURANJE	64,891,527.78	910,360,077.44
18.03.2014.	KOMERCIJALNA BANKA	66,641,737.85	843,718,339.59
18.03.2014.	BANCA INTESA	376,225,851.43	467,492,488.16
19.03.2014.	Srpska Banka - withdrawal	441,501,406.63	25,991,081.53

Hypo Alpe Adria Bank, which has blocked only the debtors - Tigar Rubber Footwear and Tigar Rubber Technical Goods has withdrawn its blockade on March 17th 2014.

Timetable of activities

1. Starting to work immediately on the defining of strategies
2. The first round of negotiations with creditors has ended
3. Preparation of the first draft in March
4. Signing of the Stand-Still Agreement in the first half of March
5. Unblock of accounts in the first half of March
6. Distribution of the first draft to creditors at the end of March
7. The second round of negotiations with all creditors in March and early April
8. The involvement of the auditor and assessor in March (bidding procedures and selection)
9. Engaging institution or entity that will prepare the PPOP in March.
10. Holding of the Extraordinary General Assembly is scheduled for April 14th 2014.
11. Making the second draft of PPOP in the first half of April
12. Discussions with state authorities' representatives in April.
13. Reaching agreement with Hypo Bank and DEG linked to Tigar Rubber Footwear.
14. Preparation of auditor's report in April with classes formed on the day of 31/03/2014
15. Making value assessments necessary for further work by the end of April
16. The third round of talks with creditors at the end of April, taking into account the holidays, with the possible transfer to May.

STRATEGIC OPTIONS

We believe that until the formation of the new government it is necessary to keep all the three possible refinancing options open – guarantee, reprogram with additional sources or reprogram without additional sources. Therefore, there would be applied the following three scenarios:

1. Activation of the guarantee that was signed with the DF.
2. Reprogram with additional 3-7 million of loan from the DF, which would be used to pay small creditors and for the purpose of the permanent working capital
3. Reprogram without additional loans from the DF.

In this sense would be prepared the PPOP as the worst case scenario, i.e., a scenario with no guarantee and no new loan from the DF or the state, while, if necessary, in case of activating one of options, there would be performed corrections and its finishing within the second and third round of negotiations. Talks with all creditors would go in all the three directions.

STRATEGIC OPTIONS

Below follows the framework strategy toward creditors with conditions that would be offered during negotiations, without limiting the achievement and any other agreements that are possible at this time

- Framework debt rescheduling in the most suitable option for the Company, in accordance with the cash flow projections, and according to the already prepared plans and capabilities, on long-time period if possible, or to achieve other quality agreement in terms of lowering the amount of debt.
- Other measures of PPOP should for the most part be harmonized with the Program of business and financial consolidation adopted on the previous session of General Assembly.
- By the means of the PPOP will not be impaired fundamental rights of shareholders.
- With suppliers and customers (to the extent they figure as creditors) that are necessary for further operations in terms of regular and continuous supply, there should be achieved agreements which will ensure continuity of production.



NEGOTIATIONS

Creditors significant for the preparation of the PPOP will follow below. In the former sense, it is necessary to negotiate with a large number of creditors, but with a different approach, namely:

1. DEG
2. MINISTRY OF FINANCES AND TAX ADMINISTRATION (based on debt and taxes separately)
3. DEVELOPMENT FUND OF THE REPUBLIC OF SERBIA, Belgrade,
4. DEPOSIT INSURANCE AGENCY, Belgrade,
5. AIK BANKA A.D. Nis,
6. SERBIAN EXPORT CREDIT AND INSURANCE AGENCY Belgrade,
7. BANCA INTESA A.D. Belgrade,
8. POSTAL SAVINGS BANK A.D. Belgrade
9. ERSTE BANK A.D. Belgrade,
10. EUROBANK A.D. Belgrade,
11. HYPO ALPE ADRIA BANK A.D. Belgrade,
12. KOMERCIJALNA BANK A.D. Belgrade,
13. SOCIETE GENERALE SERBIA BANK A.D. Belgrade,
14. SRPSKA BANK A.D. Belgrade,
15. WIENER STADISCHE ADO Belgrade, WIENER RE
16. COMPANY DUNAV INSURANCE ADO Belgrade
17. DDOR NOVI SAD
18. JUBMES BANK AD Belgrade
19. TAKOVO INSURANCE Kragujevac
20. NEW OCENAS AND FARIMA (Baldini)
21. Representative union of Tigar

PROJECTIONS OF OPERATING ACTIVITIES

Below are presented the basic business projections of the Company for a period until the end of 2020, i.e., over the next 7 years, which should demonstrate the ability to repay loans. Business projections are based on the following data and parameters:

- Baselines given in the earlier diagnosis of the condition and the Program of business and financial consolidation
- General projections related to movements in the Company's environment, including the macroeconomic environment
- Measures proposed in the Program

In addition to the foregoing, it should be noted that these are general projections based on our understanding of the future business of the Company, and in that sense they can undergo certain adjustments. We are also pointing out that they are based on the available data with all the limitations that we emphasized in the introduction.

The projections do not include amounts that are not certain at this time.

Projections by themselves, represent the effects of the implementation of consolidation measures. Plan abstracts the exchange rate changes due to the fact that it is expressed in euro, assuming that the Company is mainly export- and import-oriented, and that the most important liabilities are also expressed in euros, and significant intensity of inflationary changes. Guided by the principle of prudence, this plan takes those values that are less expected as possible. For example, in the case of sale of certain subsidiaries, these effects are not calculated due to the fact that such sales do not have sufficient dose of certainty. The same applies to property.

Projections are provided for the operative business as an expression of the possibility to repay the debts.

PROJECTIONS OF OPERATING ACTIVITIES

Income statement (in thousands of EUR)	2014	2015	2016	2017	2018	2019	2020
OPERATING INCOME	36,236	43,522	47,931	52,589	54,720	56,358	58,045
Sales of goods, products and services	36,891	44,627	48,747	53,016	54,606	56,244	57,931
Work performed by the company and capitalized	81						
Increase in inventories of finished products and work in progress							
Decrease in inventories of finished products and work in progress	849	1,219	930	540			
Other operating income	114	114	114	114	114	114	114
OPERATING EXPENSES	34,143	38,001	40,792	44,086	45,408	46,771	48,174
Cost of commercial goods sold	3,520	4,267	4,650	5,044	5,196	5,352	5,512
Material, fuel and energy consumed	16,407	18,762	20,009	21,892	22,548	23,225	23,922
Staff costs	9,635	10,102	10,939	11,635	11,984	12,343	12,714
Depreciation, amortization and provisions	2,128	2,310	2,518	2,718	2,800	2,884	2,970
Other operating expenses	2,453	2,559	2,677	2,797	2,881	2,967	3,056
PROFIT/LOSS FROM OPERATIONS	2,093	5,521	7,139	8,503	9,311	9,587	9,872
EBITDA	4,221	7,831	9,658	11,222	12,111	12,471	12,842

CASH FLOWS (in thousands of EUR)	2014	2015	2016	2017	2018	2019	2020
Cash and cash equivalents at beginning of year		317	3,869	11,786	21,682	32,052	42,887
Cash inflow from operating activities	37,005	44,741	48,861	53,129	54,720	56,358	58,045
Cash outflow from operating activities	32,015	35,691	38,274	41,368	42,609	43,887	45,203
Net cash inflow/outflow from operating activities	4,990	9,050	10,588	11,762	12,111	12,471	12,842
Inventory changes	300	250	200	100			
Receivables changes	-3,004	-464	-629	-647	-313	-319	-325
Liabilities changes	322	-1,183	-459	-362	-232	183	189
Working capital changes	-2,381	-1,398	-888	-910	-545	-136	-136
CASH FLOWS FROM OPERATING ACTIVITIES	2,609	7,652	9,699	10,852	11,566	12,336	12,706
CASH FLOWS FROM INVESTING ACTIVITIES	-800	-2,227	-1,265	-956	-1,196	-1,500	-1,500
Rescheduled tax liabilities	-1,491	-1,873	-517				
Free cash flow	317	3,551	7,917	9,896	10,370	10,836	11,206
CASH AND CASH EQUIVALENTS AT END OF YEAR	317	3,869	11,786	21,682	32,052	42,887	54,093