Tigar®	TIGAR AD PIROT

JANUARY-SEPTEMBER 2007
REPORT

Key words: TIGAR, REPORT, 2007		Document reference: IZ.P.07/03
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I. INTRODUCTION

1. GENERAL

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

Registered address: Nikole Pašića 213, 18300 Pirot, Serbia

Corporate ID number: 07187769

Fiscal ID number: 100358298

Web site address: www.tigar.com

Incorporation certificate: Registry file no. 1-1087

Core activity: 74150, Holdings

Number of employees: 2309 at 30/9/2007

Number of shareholders: 4965 at 30/9/2007

Capital: 2,683,909,000 RSD at 30/9/2007

Assets: 3,541,081,000 RSD at 30/9/2007

Capitalization: 3,845,913,480 at 30/9/2006

2. REPORT FORMAT

The format of this Report is predetermined by the Regulations on Public Company Reporting and Disclosure of Voting Shareholders. Corporate performance information has been segmented by line of business and geographical area, in accordance with IAS 14.

CAPITAL MARKET

- Tigar AD was the first Serbian company whose stock was officially listed on the Belgrade Stock Exchange (Listing A), in April of 2007.
- The Board of Directors decided to issue 15% of new shares which are to be sold during the 4th quarter. The proceeds of this capital increase are intended solely for financing of capital projects, including completion of reconstruction of the new Tigar III industrial location, financing of Tigar's contribution to the recycling project, and continuation of upgrading of the sales network in the Balkans. The sale of shares began on 25 October 2007 and will last for a total of 35 days. Existing shareholders have 21 days to exercise their pre-emptive rights of purchase. 257,760 ordinary shares were issued at an issue price of 2,222 RSD. Shareholders with pre-emptive rights can purchase respective shares at a special price of 2,000 RSD. The issue price is based on the average price for the past three months.

KEY OPERATING RESULTS

- The total net profit, including the profits of all companies which operate in the country and abroad (proportional to Tigar AD's interest in each of these companies), amounts to 199.1 million RSD.
- Non-tire exports during the first nine months totaled 7.5 mn €; this is 72% more than during the same period of the previous year or 15% more than for the entire year 2006.
- Revenues of non-tire manufacturing entities totaled net 13.5 mn € for the first nine months, which is roughly equal to 2006 revenues.

INVESTMENT ACTIVITIES

- During the first nine months, the Holding Company and the subsidiaries it controls invested a total of 194 million RSD.
- Reconstruction of the new Tigar III industrial location proceeded according to the project. As of 30 September, construction of the new heavy fuel oil/gas boiler facility and rehabilitation of existing industrial buildings have been completed. The supply of equipment for the new boiler facility has been negotiated and a portion of the down payment was made. The current level of completion of this capital project allows for the relocation of the footwear and technical rubber goods plants by mid next year, according to plan. Tigar III reconstruction costs during the first nine months amounted to roughly 100 mn RSD and the total cost will be approximately 200 mn RSD.
- The Domestic Sales Network Reconstruction Program proceeded according to plan. During the first nine months 14 outlets, which have been reporting losses, were shut down. New sales teams were formed at regional centers to operate in the field. A new sales strategy was adopted, which targets end users and medium/small dealers in non-tire and complementary automotive product segments. Investments in facilities and equipment, and the formation of new sales teams at Tigar Trade, will relieve the manufacturing plants from financing of these processes and result in financial, time and HR savings, except in the case of purely industrial sales made by the chemical products and technical rubber goods plants. The following was achieved through to the end of the 3rd quarter: service centers for cars and light trucks were opened in Belgrade, Niš and Apatin; a truck service center was opened in Belgrade; preparations were made for the opening of a new service center in Novi Sad; three vehicles were purchased for field sales of agricultural footwear; and two mobile truck service units for Belgrade and Novi Sad were purchased and activated. The opening of new sales centers in large cities with great purchasing power guarantees a good result in the future. Since most of the investments are being made during the latter half of the year, they are expected to start producing results in 2008.
- Tigar Footwear continued its intensive product mix restructuring and introduction of new groups of safety, fashion and sports footwear. In addition to sales of standard products, such as road paint, conveyor belt adhesives and consumer products, Tigar Chemical Products introduced new products which target food, chemical and metalworking industries. These products include coatings for metal packaging material, can coatings, aluminium and galvanized sheet coatings for the construction industry, and household appliance coatings. Tigar Technical Rubber Goods focused on increasing its product mix and boosting volume. There were no major direct investments in these businesses; however, plans call for major investments in 2008, in connection with the relocation of these businesses.

RESTRUCTURING ACTIVITIES

- Tigar Footwear achieved extraordinary results in product line restructuring and export growth. Forthcoming cost cuts are expected to considerably improve the bottom line. However, the full effect of development activities and product line modifications is expected only after this plant moves to its new location. In addition to introducing new groups of products, major achievements were made at Tigar footwear with regard to scrap reductions, better organization of production, and manufacturing process improvements. Due to increased orders stemming from negotiated contracts, the safety footwear segment had to switch to seven-day-week production.
- The project for scrap tire recycling and manufacture of finished products from recycled rubber was updated and it serves as a basis for discussions and negotiations with foreign partners.
- Tigar Technical Rubber Goods (TTRG) was experiencing the greatest problems over the past few years. However, although it reported a loss, TTRG performed much better than during the same period of the previous year and all plant activities were subject to stringent control. Major objectives for the 4th quarter include performance according to plan and preparation for restructuring under a joint venture project with international partners. TTRG is reducing the number of its employees and introducing new products to increase productivity, which has been rather low during the previous years, through higher volumes and fewer jobs.

- Tigar Chemical Products (TCP) performed much better than during the first nine months of the previous year. It is reasonable to assume that it will meet expectations at the end of the year. Although not directly included in the above-mentioned project, TCP will have to be upgraded to adequately support the new industrial unit.
- In general, following Michelin Group's acquisition of control over Tigar Tyres, the process of balancing the development of the Tigar Group is proceeding according to plan. It is expected that the development of the footwear business, the integrated recycling/technical rubber goods project, the development of the sales network, and the activities of the international and service subsidiaries will lead to an equitable development of all of Tigar's entities.
- Strategic alliances in the tire, technical rubber goods, recycling, recycled-rubber products, and footwear segments are described in detail in a separate section of this Report. In general, the strategy of our strategic partner in the tire segment, the Michelin Group, calls for full integration of Tigar Tyres into the Michelin Group over a period of several years. Discussions are under way with two groups of potential strategic partners with regard to the technical rubber goods and recycling segments; one group includes partners who can contribute to both the capital and product/market development, while the other includes only financial partners. Discussions with a strategic partner in the footwear segment are primarily based on participation in financing. Regardless of signed documents concerning a potential strategic partnership, the development of the sales network in the country and in the region is for the time being supported solely by Tigar AD. There were no activities in other segments aimed at establishing strategic partnerships.
- The corporate purchasing policy was changed as of April 2007; all domestic and international purchasing has been integrated under Tigar Export-Import, one of Tigar's subsidiaries. The objectives of this integration include better prices, terms and conditions based on volume purchases for the various manufacturing plants and other entities.
- Activities aimed at further refinement of Tigar's corporate governance continued on the basis of a memorandum signed with the IFC. A special training program for members of governing bodies and the management team covered the following key areas: corporate governance developments, structuring and evaluation of management performance, risk management, internal control, HR development, shareholder support, and group management.

RELATIONSHIPS WITH STRATEGIC PARTNERS

- During the first nine months, a non-binding letter of intent was signed with the equity investment firm GHI concerning the implementation of a project which involves recycling and upgrading of the technical rubber goods plant. Parallel discussions were held with other potential partners for this program. Discussions were also held during the year with international financial institutions concerning a potential partnership in the footwear business. Binding documents for all these programs are expected to be drafted before the end of 2007, and some of them also signed.

- In April, MHPB exercised its call option and acquired 19.4% of Tigar AD's interest in Tigar Tyres, pursuant to the Second Amendment to the Framework Agreement between Tigar AD, MHPB (a member of the Michelin Group), and the IFC (a member of the World Bank), dated 20 January 2005. Following the exercise of the call option, the stockholdings in Tigar Tyres are as follows: Tigar AD 30%, MHPB 60.2%, and the IFC 9.8%. MHPB has no further options with regard to Tigar AD, and it is entirely up to Tigar AD to decide if and to what extent it will continue to hold interest in Tigar Tyres. MHPB has formally stated that it is prepared to purchase the remaining interest. The call option was exercised at the price defined by the Second Amendment to the Framework Agreement, i.e. 9.4 mn €.

3. ASSESSMENT OF GLOBAL IMPACTS OF THE BUSINESS ENVIRONMENT ON TIGAR'S OPERATIONS

Major internal factors, which impacted Tigar's results, performance and achievements during the January-September 2007 period, have not changed significantly; they include:

- A high level of investment in the Tigar III location and domestic market positioning;
- Complete restructuring of the footwear business;
- Increased costs of development and introduction of new groups of products; and
- Investment funding from cash flow and short-term loans, since any long-term investment requires approval by the General Assembly of Shareholders, based on the Articles of Association.

An accelerated inflation rate forced the National Bank of Serbia (NBS) to apply stricter monetary policy measures. Inflation was 8% at the end of the 3rd quarter and it is not likely to remain in the single digits through to the year end. The appreciation of the Dinar with respect to the Euro, and the high rate of inflation, had an extremely negative impact on business operations. An inflation rate of as much as 1.2% in August, and the expected further growth of inflation, led the NBS to increase the reference interest rate. In order to curb inflation, the government introduced several special measures, such as a temporary freeze of electricity tariffs and the introduction of import quotas. The NBS attempted to battle inflation by limiting the term of cash loans but this measure was not very effective because banks have substituted such loans with special-purpose loans with long re-payment periods. If inflation is not held within the target range during the last quarter, it is very likely that the NBS will introduce additional measures, such as another reference rate increase, an increased interest in repo operations, and further increases in mandatory bank reserves for foreign loans. A greater interest in repo operations is to be expected because of investment security and very low costs. With regard to mandatory bank reserves, banks have, for the most part, surmounted this problem because companies are able to borrow abroad. All of these measures directly affected business operations due to bank loan policy changes.

Industrial production grew relative to the same period of the previous year. Rubber and plastic production is among the segments which reported the highest percent growth, with a significant contribution made by Tigar Tyres and Tigar. Export growth was considerable and about half of the foreign trade was with the EU. Tigar Group exports followed these growth trends.

The salary increase trend ended in July; however, during the January-July period salaries increased by 29.11% relative to the same period of 2006, a trend which companies operating in the industrial sector were unable to follow.

II. SUMMARY OF JANUARY-SEPTEMBER 2007 FINANCIAL INFORMATION

1. TIGAR AD'S UNCONSOLIDATED FINANCIAL RESULT

The following table contains an extract from January-September 2007 unconsolidated financial statements, along with the same information for the January-September 2006 period.

Balance sheet in 000 RSD		Period ended 30 Sept. 2006	Opening balance as of 1 January 2007	Period ended 30 Sept. 2007
Assets				
	Non-current assets	2,906,061	2,979,513	2,433,526
	Current assets	272,604	449,757	1,012,706
	Deferred tax assets	0	3,450	3,450
	Total assets	**3,178,665**	**3,432,719**	**3,449,681**
Equity and liabilities				
	Equity	2,614,278	2,683,587	2,655,241
	Non-current liabilities	271,493	237,648	234,647
	Current liabilities	292,894	511,485	559,792
	Total equity and liabilities	**3,178,665**	**3,432,719**	**3,449,681**

Equity investments

Equity investments (000 RSD)	31 December 2006	30 September 2007
Related legal entities	2,621,474	1,999,431
Banks	182	181
Other legal entities	24	19
Less: Allowance for impairment	-99,376	-99,376
Total	2,522,304	1,900,255

Statement of cash flows in 000 RSD	31 Dec. 2006	30 Sept. 2007
Cash flows from operating activities		
Cash inflow from operating activities	413,116	214,634
Cash outflow from operating activities	521,043	452,845
Net cash used in operating activities	**-107,927**	**-238,211**
Cash flows from investment activities		
Cash inflow from investment activities	168,395	826,292
Cash outflow from investment activities	330,956	597,501
Net cash used in investment activities	**-162,561**	**228,791**
Cash flows from financing activities		
Cash inflow from financing activities	303,887	165,964
Cash outflow from financing activities	44,995	43,523
Net cash provided from financing activities	**258,892**	**122,441**
Net increase in cash and cash equivalents	**-11,596**	**113,021**
Cash and cash equivalents at the beginning of the year	15,809	3,892
Foreign exchange gains		16,854
Foreign exchange loss	321	16,876
Cash and cash equivalents at the end of the period	**3,892**	**116,891**

Changes in equity

000 RSD	**31.12.2006**	**30.09.2007**
Opening balance	2,700,207	2,683,587
IFRS adjustments		
New investments		
Profit	73,925	15,131
Dividends distributed to shareholders	-43,409	-43,477
Other changes	-47,136	
Balance	**2,683,587**	**2,655,241**

Comparison of unconsolidated results

Tigar AD's unconsolidated financials in thousands of RSD	**Jan. – Sept. 2006**	**Jan. – Sept. 2007**	**Percent change**
Assets	3,178,665	3,449,681	9%
Equity	2,614,278	2,655,241	2%
Total revenues	318,808	388,583	22%
Operating income	253,431	178,492	-30%
Sales of services	249,194	135,628	-46%
Sales of goods and products	3,288	4,311	31%
Other operating income	949	38,553	3962%
Total operating expenses	289,486	293,948	2%
Operating expenses	286,198	293,910	3%
Cost of commercial goods sold	3,288	38	-99%
EBIT	24,294	62,907	159%
EBITDA	37,532	75,652	102%
Net financial result	23,740	13,234	-44%
Extraordinary result	18,198	117,485	546%
Net income	5,883	15,131	157%
Significant ratios			
Return on equity	0.23%	0.57%	153%
Return on shareholders equity	0.29%	0.73%	157%
Operating result	-36,055	-115,456	-220%
Debt-to-assets ratio	0.17	0.23	31%
Current Ratio	0.93	1.81	94%
Quick ratio	0.92	1.76	91%
Liquidity and solvency ratios			
Current Ratio	0.93	1.81	94%
Quick ratio	0.92	1.76	91%
Debt / Equity	0.21	0.30	40%
Other ratios			
ROE	0.2%	0.6%	153%
ROA	0.2%	0.4%	137%
ROS	2.3%	10.8%	364%

Management's commentary

The unconsolidated financial result reflects the performance of the Holding Company, which earns revenues from the following sources:

- Provision of services;
- Leasing/rental;
- Subsidiary results;
- Finance income; and
- Extraordinary income

During the first three quarters of the year, revenues from services declined, mainly as a result of reduced revenues from services provided to Tigar Tyres. Namely, some services previously performed by Tigar AD were transferred to Tigar Tyres. Earnings from leasing and rental did not meet expectations because after relocating to its new leased business premises in New Belgrade, Tigar AD did not immediately rent out the old premises which it owns. Since the Holding Company can only book dividends or interim dividends, subsidiary results are not included in current statements. Finance income included interest and foreign exchange gains relating to Tigar's interest in subsidiaries located abroad, and extraordinary income included capital gain from the exercise of the previously-mentioned call option.

Expenses reflect employee expenses, management expenses and costs associated with Holding Company activities. An increase in „other costs" results from auditors' fees incurred during the preparation of a public offering (which were not invoiced in 2006), retirement/redundancy benefits, various costs associated with the beginning of the year (such as membership fees and the like), and leasing and outfitting of the new office building in Belgrade. Since the premises from which employees moved to the new office building are owned by Tigar AD but were not rented out during the period, there is a disparity between rental/maintenance costs and rental income in Belgrade. However, this is expected to be offset, for the most part, during the forthcoming period. Expenses also reflect a capital loss resulting from the sale of a building in Vranje, whose book value, following after-sale revaluation, was lower than the market price.

2. TIGAR AD'S RESULT BY SEGMENT

Tigar has 18 subsidiaries which it controls, is party to three joint ventures, and has a stake in one agency. Of the 22 companies, 17 are incorporated and operate in Serbia and five are incorporated and operate abroad.

Companies within the Tigar Group operate in the following areas:
- Manufacturing
- Commerce
- Services.

Companies which operated within the Tigar Group in 2007 include the following:

	Manufacture	
1	Tigar Tyres d.o.o., Pirot	Manufacture of tires and inner tubes
2	Tigar Obuca d.o.o., Pirot (Tigar Footwear)	Manufacture of rubber footwear
3	Tigar Tehnicka guma d.o.o., Pirot (Tigar Technical Rubber Goods)	Manufacture of various rubber goods, generally for industrial applications
4	Tigar Hemijski proizvodi d.o.o., Pirot (Tigar Chemical Products)	Manufacture of paints, varnishes, and coatings
	Domestic commerce	
5	Tigar Trgovine d.o.o., Pirot (Tigar Trade)	Domestic Sales Network
6	Tigar Export-Import d.o.o., Pirot	Import, export, and purchasing
	International commerce	
7	Tigar Europe, UK	Sales and purchasing in the UK
8	Tigar Americas, USA	Sales and purchasing in the US and Canada

9	Tigar Trade, Banja Luka	Sales and purchasing in Bosnia and Herzegovina
10	Tigar Partner	Sales and purchasing in Macedonia
11	Tigar Montenegro	Sales and purchasing in Montenegro
	Services	
12	Tigar Zastitna radionica d.o.o., Pirot (Tigar Workshop)	Manufacture of carpentry and packing materials
13	Tigar Planinarski dom d.o.o., Pirot (Tigar Mountain Lodge)	Hotel
14	Tigar Poslovni servis d.o.o., Pirot (Tigar Business Services)	Transportation, construction, food production
15	Tigar Obezbedjenje d.o.o., Pirot (Tigar Security)	Safeguarding of people and property
16	Tigar Inter Risk d.o.o., Pirot	Insurance
17	Tigar Icon d.o.o., Pirot	Engineering and consulting
18	Tigar Tours d.o.o., Pirot	Tourist agency
19	Slobodna Zona d.o.o., Pirot (Pirot Free Zone)	Tax and duty free zone
20	PI kanal (Pi Channel)	Local TV station
21	Dom sportova (Sports Center)	Sports center project
22	Agencija "Stara planina " (Mt. Stara Planina Agency)	Development of the Stara Planina National Park

Exchange rates applied to translate financials:

	Jan. – Sept. 2007 average	28 September 2007	End of year 2006
British pound (GBP)	118.8008	112.5937	117.8577
Euro (EUR)	80.3655	78.8606	79.0000
Swiss franc (CHF)	49.0794	47.5092	49.1569
US dollar (USD)	59.8055	55.6768	59.9757

Financial results of domestic and international entities (proportional to the interest in their respective capital)

Gross result (000 RSD)	**Jan. – Sept. 2006**	**Jan. – Sept. 2007**
Tigar Technical Rubber Goods	-51,353	-28,613
Tigar Chemical Products	-13,047	2,972
Tigar Footwear	-25,640	-27,538
Tigar Trade (DSN)	-18,610	-69,899
Tigar Export-Import	2,208	3,675
Service entities	19,693	54,445
Holding Company	5,883	15,264
Tigar Tyres	149,411	198,711
Sub-total, domestic segments	**43,768**	**50,085**
Tigar Europe	41,768	44,748
Tigar Americas	-3,827	1,062
Tigar Montenegro	1,250	2,189
Tigar Partner	2,454	1,852
Tigar Trade, Banja Luka	2,122	234
Sub-total, international segments	**43,768**	**50,085**
TOTAL	**112,313**	**199,102**

Assets and liabilities

000 RSD	Assets		Liabilities	
	30 Sept.	31 Dec.	30 Sept.	31 Dec.
	2007	2006	2007	2006
Tigar Technical Rubber Goods	267.342	250.076	267.342	223.038
Tigar Chemical Products	280.038	210.865	207.878	141.676
Tigar Footwear	818.395	639.893	706.103	500.063
Tigar Trade, DSN	600.052	598.465	493.307	421.821
Tigar Export-Import	386.694	3.167	381.428	1.459
Service Subsidiaries	304.618	366.327	174.024	150.199
Holding Company	3,449.682	3,432.720	794.441	744.800
Total	**6,106.821**	**5,501.513**	**3,024.523**	**2,183.056**

Purchasing of fixed assets and depreciation

000 RSD	Purchasing of fixed assets		Depreciation	
	30 Sept. 2007	30 Sept. 2006	30 Sept. 2007	30 Sept. 2006
Tigar Technical Rubber Goods	1,529	5,407	8,306	12,287
Tigar Chemical Products	3,893	2,851	4,579	4,217
Tigar Footwear	6,419	6,253	13,770	10,960
Tigar Trade, Domestic Sales Network	32,467	22,722	9,625	8,041
Tigar Export-Import	1,685	411	43	-
Service Subsidiaries	42,482	7,400	10,897	9,042
Holding Company	105,628	92,446	12,744	13,237
Total	**194,103**	**137,490**	**59,964**	**57,784**

January-September 2007 financials

Income statement in thousands of RSD	Tigar AD	Manufact. entities	Commercial entities	Service entities	Tigar Tyres	TOTAL
Operating income						
Sales of goods, products and services	139,939	1,094,089	2,353,818	534,626		4,122,472
Work performed by the company and capitalized				39		39
Changes in inventories of finished products and work in progress		161,783		382		162,165
Other operating income	38,553	3,542	35,569	3,411		81,075
Total operating income	**178,492**	**1,259,414**	**2,389,388**	**538,458**		**4,365,751**
Operating expenses						
Cost of commercial goods sold	38		2,137,056	16,163		2,153,256
Other materials, fuel and energy	11,402	629,042	11,892	143,235		795,571
Staff costs	131,170	472,822	134,364	240,188		978,544
Depreciation, amortization and provisions	12,744	26,655	11,284	13,187		63,870
Other operating expenses	138,594	164,228	70,059	67,826		440,707
Total operating expenses	**293,948**	**1,292,747**	**2,364,655**	**480,600**		**4,431,949**

Profit/loss from operations	**-115,456**	**-33,333**	**24,733**	**57,858**		**-66,198**
Finance income	**78,372**	**5,457**	**12,070**	**3,200**		**99,099**
Finance expenses	**65,137**	**29,629**	**9,471**	**4,430**		**108,667**
Other income	**131,719**	**5,479**	**4,518**	**1,875**		**143,591**
Other expenses	**14,234**	**1,153**	**1,450**	**549**		**17,386**
Profit/loss before taxation	**15,264**	**-53,179**	**30,400**	**57,954**		**50,438**
Income taxes	133		26,495			26,628
Deferred income tax expense				876		876
Deferred income tax benefit						
Tigar Tyres profit					**186,842**	**186,842**
Net profit/loss for the period	**15,131**	**-53,179**	**3,904**	**57,078**	**186,842**	**209,776**

* Net result includes proportionate part of Tigar Tyres' result. Other results are given in its totality.

Management's commentary

A detailed performance assessment is included after the presentation of financial results for each company or group of companies.

In general terms, the overall segmented result has been assessed as follows:

- Reported manufacturing and sales results do not significantly depart from plan.
- The level of investment was significantly higher than in the previous year. During the first nine months, the Holding Company and the subsidiaries it controls invested a total of 194 million RSD.
- Export-oriented businesses reported export growth relative to the same period of the previous year.
- Restructuring of the product mix, especially in the footwear segment, incurred higher 2007 expenses, primarily as a result of the large number of employees and high scrap/waste levels. However, it allowed for a re-orientation toward more sophisticated, higher-margin products which have fewer competitors in the domestic and international markets and are less vulnerable to seasonality. Measures implemented in manufacturing allowed for a production growth since July, without increasing the number of employees and at the same time reducing scrap levels.
- Several Tigar Technical Rubber Goods segments, which suffered from a lack of market during the previous years (such as the mining and military industries), are entering a gradual recovery stage. In the domestic market, growth is expected to result from privatization of mines and large industrial systems and is tied with the expediency of introducing finished products made from recycled rubber for the construction industry, road infrastructure, sports facilities, and playgrounds.
- The change in the sales policy of Tigar Tyres, which is the leading supplier of Tigar Trade/Domestic Sales Network (DSN), impacted sales levels. Several wholesale companies continued to better position themselves in the market through Tigar-brand tire price cuts, which Tigar Trade could not follow and thus became less price competitive in the marketplace. Since Tigar Trade, by its very nature, is unable to forge its market position through price wars, it will continue to focus on upgrading of its service infrastructure in the tire and automotive product segments. This will allow for significant sales volume increases, but also for increases in the range and quality of services and sales of complementary products. Through appropriate investments and strengthening of sales teams, other non-tire segments are expected to perform better during the forthcoming period.
- Sales via subsidiaries located abroad proceeded according to plan.

- During the first nine months, service businesses exceeded expectations. The Construction Unit, the Transportation Unit and the Free Zone performed particularly well.
- Due to the integration of purchasing at Tigar Export-Import and the fact that this company has, in fact, become the sole supplier, as well as due to the granting of inter-company loans, accounts receivable/payable increased between the Holding Company and its subsidiaries, as well as among the subsidiaries.

III. CAPITAL MARKET POSITION

Tigar's stock has been listed for trading on the Belgrade Stock Exchange since 31 May 2005.

Under a General Assembly of Shareholders (GAS) resolution dated 8 June 2006, regarding the distribution of shares due to a change in their par value, **1,718,460** Class D ordinary voting shares were issued and registered with the Central Registry in Belgrade.

a) The original stock was split; each share was divided into ten shares and its par value reduced accordingly.

The original 171,846 shares at a par value of RSD 12,000.00 were exchanged for 1,718,460 shares at a par value of RSD 1,200.00.

1) 429,429 Class D shares are held by the Equity Fund;
2) 149,981 Class D shares are held by the Pension and Disability Fund; and
3) 1,141,219 Class D shares are held by shareholders.

CFI Code: ESVUFR

ISIN Number: RSTIGRE55421

(b) After Tigar met all the criteria identified in the Listing Regulations of the Belgrade Stock Exchange, its Listing and Quotation Commission approved Tigar AD's transfer to the official, A-listing of the Belgrade Stock Exchange. In effect, Tigar became the first domestic company whose stock was officially listed, as opposed to securities which are traded in the open market by the force of law. As of 30 September 2007, Energoprojekt has joined Tigar in this segment of the Belgrade Stock Exchange. These are currently the only two A-listed companies.

Tigar's shares were issued on the basis of Certificate no. 4/0–29-2979/4-06 of the Securities Commission, which approves the issue of shares without a public offering (stock split).

The following rights are attached to the shares:

1) Each shareholder is entitled to manage the Company proportionally to the par value of shares held;
2) Each shareholder is entitled to participate in the profit at a par value of RSD 1,200 (right to dividends); and
3) All shares are ranked equally and *per se* with regard to pre-emptive rights of purchase or refusal.

Non-voting shares:

1) Shares held by the Equity Fund participate in the management and in GAS resolutions only within the scope defined by law, primarily relating to changes in capital and amendments to the Company's Articles of Association.
2) No management rights are attached to the shares held by the Pension and Disability Fund.

The period witnessed a significant increase in the total number of shareholders, an increase in the number of non-resident shareholders, the departure of several equity investors who held relatively large packages of stock, and purchases of stock by new equity investors.

Market capitalization declined by 3.04% relative to the end of the 1st quarter. Corporate analysts believe that this decline is mostly the result of overall negative developments on the Stock Exchange and value transactions aimed at maximizing yield during the forthcoming period.

The state retained its interest. Changes in the stockholding structure during the period had no effect on corporate management or decision making.

Stockholding changes relative to 30 June 2007

	30-09-2007	31-06-2007	% Change
Equity Fund	429,429	429,429	0.00%
Pension and Disability Fund	149,981	149,981	0.00%
Legal entities	865,107	845,124	2.36%
Individuals	509,028	500,813	1.64%
Custody accounts	344,325	372,523	-7.57%
Individuals, residents	4,871	4,773	2.05%
Individuals, non-residents	94	93	1.08%
Total number of shareholders	4,965	4,866	2.03%
Share price	2,170	2,238	-3.04%
Capitalization	**3,729,058,200**	**3,845,913,480**	**-3.04%**

Top ten shareholders as of 30 September 2007

	Name of shareholder	Number of shares	%
1.	Equity Fund of the Republic of Serbia	429,429	24.98
2.	Pension and Disability Fund	149,981	8.72
3.	IBT	130,820	7.61
4.	Raiffeisen Zentralbank	87,686	5.10
5.	Hypo Alpe Adria Bank	67,784	3.94
6.	SG Custody 3	28,351	1.64
7.	Bank Austria Creditanstalt Global Security Master Fund	28,058	1.63
8.	Global Security Master Fund	17,664	1.03
9.	Telekomunikacija DOO	16,308	0.95
10.	VIT-BEL AD, Nis	16,204	0.94

The table below sets forth (quarterly) high and low closing prices of existing shares on the Belgrade Stock Exchange since the initial listing, and shows a share price increase following A-listing.

Share price movement since the initial listing

	Closing price per share in RSD	
	High	**Low**
Period from 31 May to 30 June 2005	16,727	13,000
Quarter ended 30 September 2005	19,278	15,500
Quarter ended 31 December 2005	24,000	19,020
Quarter ended 31 March 2006	21,500	19,702
Quarter ended 30 June 2006	20,600	14,500
Quarter ended 30 September 2006	18,700	14,200
Quarter ended 31 December 2006 **	1,863	1,647
Quarter ended 31 March 2007	2,149	1,649
Quarter ended 30 June 2007***	3,138	2,210
Quarter ended 30 September 2007	2,400	2,048

** A 1:10 stock-split was implemented on 18 Oct. 2006.
*** The first trading session following A-listing on the Belgrade Stock Exchange was on 10 April 2007.

Shares held by corporate management

Corporate management holds less than 1% of the shares. The following table shows the number of shares held by members of the Board of Directors as of 30 September 2007.

Name	Shares held	% of shares outstanding
Dragan Nikolić	880	0.05121
Jelena Petković	275	0.01600
Slobodan Sotirov	539	0.03136
Milivoje Nikolić	462	0.02689
Vladimir Nikolić	803	0.04673
Ljubiša Nikolovski	396	0.02304
Jose Alexandre F. da Costa	-	-
Dr Živko Mitrović	-	-
Tihomir Nenadić	-	-

Members of the Supervisory Board hold no shares.

The Board of Directors (BoD) decided to issue new shares (Issue V), in order to procure additional investment capital. A total of 257,769 shares were issued. The par value of the shares is 1,200 RSD and the issue price is 2,222 RSD. The issue price is the average price of Tigar AD's shares on the Belgrade Stock Exchange for the past three months (8 July to 8 October 2007). Respective shares will be sold to holders of pre-emptive rights at a special price of 2,000 RSD (or 10% lower than the issue price). Existing shareholders are entitled to pre-emptive rights of subscription proportional to the par value of shares held as of the date of the BoD decision.

1. RISK FACTORS

Risks relating to Tigar's business

Raw material prices stagnated and there were no significant disturbances in the finished product market. However, inflation and the appreciation of the Dinar had a negative impact on operations.

Risks relating to shareholding and corporate structure

In 2007, there were no major movements toward stock concentration and no takeover bid was made, which could have affected the adopted corporate strategy and development programs. Overall developments do not suggest that the Company will be faced with this type of risk in the near future, although the capital increase might result in increases of existing stakes. However, the management team believes that any such increase will not have a major impact on operations and development/investment policies.

Risks relating to regulatory and legal matters

The major risk in this regard continues to be the lack of scrap tire recycling legislation and regulation of the sale of stock via a public offering (i.e., the public offering process as implemented internationally).

The Waste Management Law is expected to be enacted before the end of the year, as well as a complementary by-law which will govern the disposal of scrap tires. The new legislation will likely require manufacturers and importers to finance waste collection, sorting, re-use and recycling, through membership in a company which will perform these services on their behalf. If the financial burden in connection with collection remains with public utilities and minor collectors, no significant progress can be expected in this area. The new approach will allow for adequate material support for both collectors and recyclers.

Current legislation does not provide for the sale of stock via a public offering. For such a transaction to be conducted in accordance with international standards, the following will have to be amended: the Law on

Business Companies, the Law on Securities, and the Equity Fund Law. In addition, Public Offering Regulations will have to be enacted and several by-laws amended. It is not reasonable to expect all of these changes to take place in 2007. It is estimated that conditions for such a transaction, in accordance with international standards, will be created during the first quarter of 2008 at the earliest.

2. ENVIRONMENTAL PROTECTION

Tigar's environmental management system and quality management system are integrated. To streamline and ensure efficiency of these management systems, all parameters common to both systems have been identified and are monitored jointly, while fully focusing on specific requirements of each system. Activities relating to environmental protection primarily involve training and preparations for re-certification, as well as regular monitoring of major environmental aspects. The Quality School conducted training courses to further knowledge in the area of process approaches and models, with special reference to the re-definition of major process performance indicators and document management. Strategic documents (vision, mission, basic values, strategic objectives, organizational framework, quality policy statements, and environmental policy statements) have also been re-defined, to reflect statutory and internal organizational changes.

Since the previous report, Tigar Footwear's integrated management systems have been successfully re-certified, including low and high rubber footwear, safety footwear and hunting/fishing footwear. Re-certification encompassed quality management according to ISO 9001 and environmental management according to ISO 14001. The introduction of an environmental management system and its integration with the existing quality management system at Tigar Chemical Products are nearing completion and are proceeding according to the respective Action Plan under full corporate control. Re-certification, scheduled for the end of the 3rd quarter, has been postponed until the end of the year for reasons beyond Tigar's control.

Environmental monitoring (including solid waste, wastewater, emissions, and energy/water consumption) is conducted on a regular basis and in accordance with appropriate documents and relevant legislation, in order to ensure immediate response in the event of departure from target or specified threshold values of various parameters, as well as, more importantly, to monitor trends and re-define general and specific objectives and ongoing improvement programs. During the January-September period, wastewater discharges from all sewage outlets were analyzed at a certified laboratory and boiler facility emissions were tested.

No environmental complaint was registered during the period. Tigar's representatives were active participants in all activities of governmental and non-governmental organizations relating to the drafting of laws and by-laws which will govern environmental issues based on European Union standards (e.g. the Solid Waste Management Law, Regulations Governing Scrap Tire Management, the Law on Packaging and Packaging Waste, and the like).

Occupational health and safety are issues closely related to quality control and environmental protection, from an integrated management approach perspective. Pursuant to the Law on Occupational Health and Safety, and Regulations Governing Work Place and Work Environment Risk Assessment, Tigar AD is proceeding with the preparation of occupational risk assessment guidelines for all of its legal entities and the introduction of OHSAS standards, which will produce an efficient occupational health and safety management system. The preparation of risk assessment documents and the incorporation of these aspects into the existing integrated management systems will be based on special action plans.

3. STRATEGIC PARTNERSHIPS AND ALLIANCES IN 2007

Tires

In the tire line of business, the most important change was the exercise of a call option through which MHPB became the controlling stockholder of Tigar Tyres. Following the exercise of the call option, the Tigar Tyres stockholdings are as follows: MHPB 60.2%,Tigar AD 30%, and the IFC 9.8%. The mutual relationships of the partners are defined in the 2002 Framework Agreement and its 2005, 2006 and 2007 amendments, as well as in the Incorporation Agreement. During the first nine months, negotiations between Tigar AD and MHPB were initiated to address mutual relationships in various areas, including the expressed intent of the Michelin Group to fully integrate Tigar Tyres and become its sole owner by purchasing the interest held by the other two partners.

Rubber footwear

Tigar continued to follow its multi-partner policy based on off-take and business cooperation agreements. Such alliances are significant primarily with regard to development of new groups of products and market development. Plans do not call for any strategic alliances in manufacturing but negotiations are currently under way with a view to a potential financial alliance with a partner prepared to make a minority contribution to the capital and grant a long-term loan for equipment and production process upgrades.

Technical rubber goods

During the course of the year, negotiations were conducted with Greenhouse Investments, an equity investment firm, concerning a joint project which would include the production of rubber granulate (recycling), the manufacture of finished products from the rubber granulate, and the existing product lines of Tigar Technical Rubber Goods. The intent is to set up an integrated industrial unit in Pirot for the above lines of products; the products would be sold locally through Tigar’s sales network, and to the international market with the partner’s financial and business development support. Since no binding documents have been signed, negotiations with other potential partners were activated. These potential partners are in the same line of business and the final decision will depend on which combination will be the most effective in the future and on an assessment of the partner’s ability to jointly develop the market for these products. Tigar will retain majority stockholder status in domestic subsidiaries. Regardless of the progress of the transaction with the foreign partner, the recycling program will proceed as planned and its implementation will begin on 1 March 2008.

Domestic Sales Network

Following the signing of a letter of intent, an agreement was drafted with a foreign partner concerning further development of the automotive service network and a potential minority interest starting in 2008. In the meantime, other partners have expressed their interest in working with Tigar. In view of the high level of investment, the formation of a joint venture will depend on the assessment of the value which such a partnership would add to the development of Tigar Trade.

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 30 September 2007

Appl. no.	Appl. date	Reg. no.	Trademark	Valid until	Holder
Ž-247/80	30.04.80	31499	Tigar	21.12.07	Tigar AD
Ž-84/385	17.01.84	29947	Tigar Tg 615	25.05.17	Tigar AD
Ž-947/07	30.04.07	-	Tigar Planinarski Dom	-	Tigar AD
Ž-918/07	27.04.07	-	Tigar Tours	-	Tigar AD
Ž-842/07	18.04.07	-	Markol	-	Tigar AD
Ž-1129/07	17.05.07	-	Tigar Incon	-	Tigar AD
Ž-890/80	11.07.03	49590	Tigar Sporting Goods	11.07.13	Tigar AD
Ž-152/07	29.01.07	-	Tigar	-	Tigar AD
Ž-1703/07	26.07.07	-	Tigar Footwear	-	Tigar Ad
Ž-1704/07	26.07.07.	-	Tigar Obuca	-	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	-	Tigar Trgovine	-	Tigar Trgovine
Int'l trademark,	03.07.97	675 773	Tigar	20.05.07	Tigar AD
		675 773A	Tigar	20.05.07	Tigar Tyres
USA	24.10.78	1174089	Tigar Logo	15.08.12	Tigar Americas Corp.

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

In 2006, the flagship trademark was protected as a registered trademark within the territory of the Republic of Serbia for goods in international Classes 1, 7, 17, 20, 25 and 28, as a separate trademark only for tires in Class 12, and as an international trademark in 43 countries for the same classes previously listed and for Class 12 (vehicle tires); all are in the name of Tigar AD. A variation of the flagship trademark, «Tigar MH», is protected in Serbia for tires and processing of materials (Classes 12 and 40) in the name of Tigar Tyres. Under a Trademark Assignment Agreement, signed by Tigar AD and MHPB in 2002, Tigar AD is obligated to assign its flagship trademark for tires and inner tubes (Class 12) only to Tigar Tyres. The transfer has been registered in Serbia and member states of the Madrid Agreement. Registration of the transfer in the U.S. will be finalized in 2007. In 2007, Tigar AD applied for a territorial expansion for trademark 675773 Tigar, which will include eight additional member states of the Madrid Agreement (Application No. EX-I/397708101/CB).

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

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

Tigar holds no 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 the right to be remunerated for copyrights, technical innovations, and improvements in production processes. The amount of remuneration is regulated by a separate contract between the employee and Tigar AD, in the form of an increase of the employee’s salary. This contract represents an annex to the individual employment contract; its contents are confidential and it is valid for one year.

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

5. 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 are as follows (amounts shown do not include interest):

DEFENDANT	CLAIM		% Change relative to 31 December 2006	
TREPČA-Zvečan	9,637,376		0%	
UNION BANKA	9,283,000		0%	
LOLA KORPORACIJA	6,000,000		0%	
AMIGA-Kragujevac	1,848,016		0%	
AS KOMERC-Belgrade	2,366,719		-49%	
JIP-Belgrade	1,641,377		0%	
MADRIS-Belgrade, MADREC-Niš, CPORECSS-Novi Sad	3,319,240		0%	
LEKSUS GROUP-Novi Sad	1,217,996		0%	

2M-Pirot	2,247,300		0%	
MEDVET-Belgrade	1,491,696		0%	
TIGAR PROM-Nova Varoš	3,636,000		0%	
PROTEKT-Prijedor		€ 2,530		-94%
BADAG PROTEKT-Kuzmica, Croatia		€ 5,202		0%
BAN GUMA Glina, Croatia	1,248,120		0%	
MICHEL COMP-Ruma	4,567,985		-16%	
AMG OIL-Knjaževac	1,107,674		0%	
PRIMA TREJD-Kučevo	1,174,680		0%	
SIMPO-Vranje	0		-100%	
TOTAL	**50,787,179 Din.**	**€ 7,732.00**	**-8%**	**-84%**

For all of these disputes, effective court rulings exist, but payout has not been realized due to political problems (e.g. Trepca), multiple-year liquidation proceedings which for unexplainable reasons have not been completed, long-term restructuring processes (e.g. the Lola Corporation), criminal proceedings (Amiga Kragujevac and Lexus Group Novi Sad), deregistration (JIP-Belgrade, Medvet–Belgrade, Madris-Belgrade, Madrec-Niš, Cporecss-Novi Sad), or lack of assets to settle the debt (Prima Trejd –Kučevo).

Regardless of the delay in the execution of the court decisions, it is realistic to expect partial or complete payout during the forthcoming period. 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.

6. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. Currently, there are four manufacturing plants at two separate locations. The larger location holds tire, technical rubber goods, and chemicals products manufacturing facilities. Tigar Footwear is located on a separate site. The new Tigar III location purchased in 2006 is currently being refurbished and prepared for re-location. It has been booked as a „capital investment in progress". Tigar owns several buildings in Belgrade, and Tigar Trade (DSN) owns buildings across Serbia (office space, warehouses, and retail outlets).

New business premises in Belgrade were purchased during the period. A portion of the purchase price was paid using Tigar AD's receivables from previous periods, which were collected in the interim.

Tigar Tyres owns the buildings in which it operates, and holds the right to use the land on which these buildings are located. Tigar holds the right to use all the remaining land. The buildings on this land are owned by Tigar and/or the subsidiaries it controls. The buildings used by the other manufacturing subsidiaries are owned by them, while Tigar owns the buildings used by service subsidiaries.

Per Serbian laws, the land is owned by the state, and Tigar has acquired the right to use the land.

Land

According to the land registry, 205 cadastral lots (total surface area 682,646 m^2, total book value RSD 89,244,043) have been entered in the name of Tigar AD.

Buildings

Tigar and its major subsidiaries (except Tigar Trade) own a total of 120 buildings.
As of 31 December 2006, the book value of buildings owned by Tigar and its major subsidiaries is RSD 1,232,731,680.
The following table shows the book value of buildings owned by Tigar AD, its five major subsidiaries, and the Pirot Free Zone.

Book value of buildings

Entity	Book Value in RSD 31-12-06	Book Value in RSD 31-09-07
Tigar AD	233.377.185	323.759.967
Tigar Trade, DSN	110.559.302	102.606.910
Tigar Technical Rubber Goods	83.219.296	81.465.289
Tigar Chemical Products	49.285.149	48.258.422
Tigar Footwear	30.749.557	30.108.158
Pirot Free Zone	25.329.300	24.721.409
Total	**532.519.789**	**610.920.155**

Material encumbrances

The Company's material encumbrances at the end of the 3rd Quarter of 2007 were as follows:

Municipal Court of Pirot ruling I no. 1562/04 dated 21 December 2004, under agreement in favor of Yu Banka Belgrade, places a lien against real property (cardboard, footwear and rubber goods plant buildings) serving as a security for the following agreements between Yu Banka and Tigar:

1. Agreement no. 3617/04 dated 6 October 2004, EUR 704,494.39 (outstanding balance EUR 539,260.23);
2. Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,863,030.77); and
3. Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,808,500.63).

7. MANAGEMENT

Management procedures remained unchanged.

The General Assembly of Shareholders (GAS) elects the Board of Directors. The Board of Directors elects the Executive Board. The Executive Board is in charge of day-to-day operations. There is also a three-member Supervisory Board, which reviews all of Tigar's major documents and the status of its assets. It reports findings in these and other specific areas to the GAS.

The annual session of the GAS was held in June. The GAS resolved not to change the composition of the Board of Directors and the Supervisory Board.

Board of Directors

Current members of the Board of Directors are:

Name	Responsibility at Tigar/Position outside Tigar
Executive members:	
Dragan Nikolić	Executive Board Chairman / Director General of Tigar AD
Jelena Petković	Executive Director for Corporate Management Support
Slobodan Sotirov	Executive Director for Quality Control
Milivoje Nikolić	Executive Director for Human Resources
Non-executive members:	
Vladimir Nikolić.	Director General of Tigar Tyres
Ljubiša Nikolovski	HR Director at Tigar Tyres
Jose Alexandre F. da Costa	Legal Counsel to Tigar AD Director General
Independent members:	
Dr. Živko Mitrović	Full Professor, Belgrade University School of Business Administration
Tihomir Nenadić	Director of Mayfield Management d.o.o., member of the Fordgate Group, UK

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

During the first nine months of 2007, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 7,195,098 RSD.

During this period the Board of Directors held seven meetings.

Executive Board

The structure and composition of the Executive Board remained unchanged.

The Executive Board consists of eight members:

Name	Responsibility at Tigar
Dragan Nikolić	Director General of Tigar AD
Jelena Petković	Executive Director for Corporate Management Support
Djordje Džunić	Executive Director for Financial Affairs
Miodrag Tančić	Executive Director for Production Processes
Slobodan Sotirov	Executive Director for Quality Control
Branislav Mitrović	Executive Director for IT and Investments
Milivoje Nikolić	Executive Director for Human Resources
Božidar Petrović	Executive Director for Development of Complementary Programs

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

During the first nine months, the Executive Board held twelve meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

Members of the Executive Board receive no special compensation for their services as members of the Executive Board.

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

Supervisory Board

Current members of the Supervisory Board are:

Full name	SB position	Principal activities outside Tigar	Appointment expires on
Marko Steljić	Chairman	Chief Executive Officer emeritus, Jugobanka (now Alfa Banka)	27 October 2008
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration	27 October 2008
Dragan Milosavljević	Member	Ministry of Finance, Treasury Administration, Belgrade	27 October 2008

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

There were no Supervisory Board activities during the first nine months of this year.

During the period, members of the Supervisory Board received an aggregate compensation of RSD 2,116,198.

8. CORPORATE GOVERNANCE

During the first nine months of 2007, Tigar duly adhered to its adopted corporate governance code—the Codex. Activities continued with the IFC on a Tigar AD corporate governance refinement project. Based on a review of Tigar AD's documents and interviews with members of the Board of Directors, Supervisory Board and Executive Board, as well as with internal and independent auditors, the IFC proposed improvements which were subsequently reviewed, revised as necessary, and approved by corporate management. Activities under this project continued through management training programs. Training was conducted by a consultant selected by the IFC (Socius from Slovenia) and it included a presentation of the latest developments in corporate governance, structuring and evaluation of BoD performance (BoD structuring trends, time limits, BoD committees, special meetings, BoD member performance evaluation, management performance evaluation, BoD member succession, shareholder access to BoD members, BoD/auditor interactions, corporate risk management, internal control/audit organization and work methods, HRM strategies (including design and implementation), HR development, HR evaluation, talent management, interaction with shareholders and investors, contemporary trends in the conduct of shareholders' meetings, and corporate group management. Additionally, activities were initiated with the goal of amending Tigar AD's Articles of Association; these amendments address decision-making by the Board of Directors, and do not affect shareholders' rights. Amendments will provide for the separation of the Board of Directors/Executive Board Chairman function from the Director General function, the transfer of decision-making competence from the General Assembly of Shareholders to the Board of Directors in matters concerning long-term borrowings whose levels do not fall under the category of high-value transactions (in order to allow for a portion of current short-term loans to be replaced with more favorable long-term international loans), the cessation of the Supervisory Board in view of the role and development of the internal auditing system, and several minor adjustments to reflect current regulations in this area.

9. EMPLOYEES

Number and structure

As of 30 September 2007, Tigar AD and its domestic subsidiaries had 2,309 employees. In addition, Tigar's subsidiaries in the United States, United Kingdom, FRY of Macedonia, Montenegro, and Bosnia and Herzegovina had a total of 24 local employees.

As of 30 September 2007, the employment structure was as follows:

30 September 2007	
Company	**Number of Employees**
Tigar AD	205 (7*)
Tigar Footwear	1,025 (10*)
Tigar Business Services	183 (2*)
Tigar Technical Rubber Goods	228 (12*)
Tigar Chemical Products	82
Domestic Sales Network	187
Others	399 (1*)
Total	2,309 (36*)

(*x**) – of which *x* are temporary employees hired via the Student Employment Association.

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 Article 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 68 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 January-September 2007 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension and health fund contributions, in-house meals and local transportation subsidies, amounted to 860,724,000 RSD. The table below shows paid salaries as a percentage of sales revenues.

Employee expenses, January-September 2007			
	Net salaries in 000 RSD	**Total employee expenses in 000 RSD**	**% of sales revenues**
Tigar AD	62,675	105,141	58.91%
Tigar Footwear	201,732	339,205	46.77%
Tigar Business Services	44,594	75,070	31.09%
Tigar Technical Rubber Goods	53,014	89,165	48.51%
Tigar Chemical Products	20,593	34,650	18.73%
Domestic Sales Network	42,269	71,197	16.60%
Others	86,876	146,296	20.88%
Total	511,752	860,782	32.56%

Taxes, health insurance and pension fund contributions during the January-September 2007 period amounted to RSD 332,569,000.

Optimization of human resources

During the January-September 2007 period, 130 employees left Tigar AD and its subsidiaries (excluding Tigar Tyres), on the following grounds:

	Retirement	Redundancy	Other	Total
Tigar AD	3	12	28	43
Tigar Footwear	22		6	28
Tigar Business Services	3	3	1	7
Tigar Technical Rubber Goods		19	6	25
Tigar Chemical Products				0
Domestic Sales Network		8	8	16
Others	3	4	4	11
Total	**31**	**46**	**53**	**130**

All of the 130 terminated employees were full-time employees.

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

Reductions in the number of employees are inherent in the restructuring process. This process will continue throughout 2007. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy. Most of the employees who left Tigar AD on “other” grounds were originally taken over from Tigar Tyres’ accounting and controlling departments.

All-inclusive expenses associated with the optimization of human resources and their percent share in gross salaries are shown below:

HR optimization expenses and percentage of gross salaries		
	000 RSD	%
Tigar AD	4,981	4.74%
Tigar Footwear	4,043	1.19%
Tigar Business Services	1,329	1.77%
Tigar Technical Rubber Goods	5,600	6.28%
Tigar Chemical Products		
Domestic Sales Network	1,386	1.95%
Others	1,882	1.29%
Total	**19,221**	**2.23%**

Changes in qualification and age structures of employees are indicative of two parallel processes: constant optimization of our human resource pool in terms of qualification improvements and hiring of new employees.

Professional education

Our policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students continued to be followed in 2007.

During the January-September 2007 period, scholarships were paid for students at the following colleges/universities:

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
Total	40	23	13	18

Tuition and scholarship expenses for the period amounted to RSD 3,989,386.

Employee training

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

Internal and external employee training			
	INTERNAL TRAINING	EXTERNAL TRAINING	TOTAL
Tigar AD	21	186	207
Tigar Footwear	594	133	727
Tigar Business Services	2	102	104
Tigar Technical Rubber Goods	44	116	160
Tigar Chemical Products	93	51	144
Domestic Sales Network	5	1	6
Others	229	102	331
Total	**988**	**691**	**1,679**

IV. JANUARY-SEPTEMBER 2007 PERFORMANCE OF SUBSIDIARIES AND AFFILIATES

1. TIGAR TYRES

Tigar Tyres manufactures tires for cars, light utility vehicles (LUVs), scooters, and motorcycles, as well as all types of inner tubes. Two-wheel tires belong to the first line of tire products, while all other types of tires are classified as upper third-line segment. Tigar Tyres manufactures tires for the replacement market.

The market for Tigar Tyres products is increasingly focused on high performance, reflecting the development of modern vehicles. Tigar Tyres meets customer demands with regard to both performance and safety.

Following the exercise of MHPB's call option, Tigar's stake in Tigar Tyres was reduced to 30%. Since MHPB is now the majority stockholder and Tigar AD a minority stockholder, MHPB will fully consolidate Tigar Tyres financial statements in 2007. Tigar AD'S consolidated statements will include a portion of the profit which belongs to Tigar AD on the basis of its minority interest, and dividend yield will be included in unconsolidated statements of the Holding Company, based on which profit distribution decisions are made.

In 2007, Tigar Tyres continued to make planned investments in business performance improvements. Nine-month sales were 5% below plan, while exports exceeded expectations. Based on Tigar AD's minority interest, roughly 200 mn RSD will be consolidated. Tigar Tyres' policy calls for the allocation of 50% of its profits to dividends and re-investment of the remaining 50% in development.

Balance Sheet in thousands of RSD		30. Sept. 2007
Assets		
	Non-current assets	3,576,448
	Current assets	4,329,173
	Deferred tax assets	40,424
	Total assets	**7,946,046**
Equity and liabilities		
	Equity	4,218,289
	Non-current liabilities	1,754,342
	Current liabilities	1,973,415
	Total equity and liabilities	**7,946,046**

Tigar Tyres performance in 000 RSD	January-September 2007
	Achievement
Margin on CRV	**1,433,691**
Gross margin	**1,239,402**
Management result	**1,130,994**
Operating result	**737,200**
Net profit before taxes	**662,370**
Net profit	**622,807**

2. TIGAR FOOTWEAR

Products

Tigar Footwear, a Tigar AD subsidiary, produces a variety of rubber footwear products which target different segments of the market. Its main footwear lines include:

- *General-purpose footwear.* Tigar's general-purpose men's and women's footwear includes low rubber shoes, used principally by farmers; a wide range of rubber boots, used for farming and other general purposes; women's fashion rubber footwear; and children's rubber footwear.
- *Rubber boots for hunting and fishing.* Tigar's specialized rubber boots for hunting and fishing are sold primarily to the international market. These boots include high rubber wading boots for fishing, as well as a wide range of knee-high boots for hunting and fishing. Domestically and in the Balkan countries, the boots are sold under the Tigar brand name. For international markets, Tigar brands the boots with the name of its customer.
- *Safety rubber boots and work boots.* Tigar's safety rubber boots and work boots are manufactured for use by firemen, forestry workers and other workers who require specialized boots with metal toe inserts and special heat properties. These boots are made from specialized materials designed to withstand high temperatures and extreme conditions. Such boots are currently manufactured solely for export.

The following table shows comparative footwear output:

Output (000 pairs)	Jan. – Sept. 2006	Jan. – Sept. 2007	% of total output	% Change relative to Jan. – Sept. 2006
General-purpose footwear (low footwear)	475,852	377,697	34%	-21%
Hunting and fishing rubber boots	86,589	188,634	17%	118%
Safety boots	53,141	127,408	12%	140%
Work boots	562,800	412,577	37%	-27%
TOTAL	**1,178,382**	**1,106,316**	**100%**	**-6%**

The following table shows comparative total revenues

Revenues (000 EUR)	Jan. – Sept. 2006	Jan. – Sept. 2007	% of total	% Change relative to Jan. – Sept. 2006
General-purpose footwear (low footwear)	1,403	1,394	16%	-1%
Hunting and fishing rubber boots	1,062	2,533	28%	138%
Safety boots	758	2,245	25%	196%
Work boots	3,100	2,812	31%	-9%
TOTAL	**6,322**	**8,984**	**100%**	**42%**

Reported sales revenues do not reflect any growth of low agricultural footwear and work boot sales. However, sales of new lines of sports and safety boots experienced a rapid growth, as a result in product mix changes. Initial sales of women's fashion rubber boots will be made during the Fall/Winter 2007/2008 season, and the full collection will be introduced to the market during the following season. Both domestic and international fashion designers will be involved in the preparation of the collection for the following season. The same fashion trends will apply to children's footwear. Revenues from sales of fashion footwear and children's footwear are expected to increase during the last quarter, in view of the high season.

Markets and competition

The following tables show comparative international/local sales levels in pairs and in thousands of Euros

Sales (pairs)	**Exports Jan. - Sept 2007**	**Exports Jan. – Sept. 2006**	**% Change**	**Local market Jan. – Sept. 2007**	**Local market Jan. – Sept. 2006**	**% Change**
General-purpose footwear (low footwear)	49,704	47,112	6%	396,343	463,996	-15%
Hunting and fishing rubber boots	125,144	60,376	107%	22,505	19,655	15%
Safety boots	110,214	43,994	151%	2,183	232	841%
Work boots	272,176	361,817	-25%	81,629	149,375	-45%
TOTAL	557,238	513,299	9%	502,660	633,258	-21%

Sales (000 EUR)	**Exports Jan. - Sept 2007**	**Exports Jan. – Sept. 2006**	**% Change**	**Local market Jan. – Sept. 2007**	**Local market Jan. – Sept. 2006**	**% Change**
General-purpose footwear (low footwear)	132	106	24%	1,262	1,296	-3%
Hunting and fishing rubber boots	2,108	794	166%	425	268	58%
Safety boots	2,191	752	191%	54	5	957%
Work boots	2,077	2,106	-1%	735	994	-26%
TOTAL	**6,508**	**3,759**	**73%**	**2,476**	**2,563**	**-3%**

Export growth is mostly the result of sales of products manufactured under private brand names of Tigar Footwear's international customers. Export products have been certified by accredited international bodies. Exports will also be boosted by the development of Tigar-brand products intended for international markets. Major growth in safety and sports footwear segments can only be planned following relocation to the new industrial site, in view of the currently limited capacity. However, this will not affect ongoing development activities.

Sales and distribution

Tigar Footwear distributes its products in domestic and international markets through Tigar's domestic and international sales subsidiaries and through a number of wholesale companies. Tigar Trade (DSN) has completed a number of activities aimed at boosting domestic sales. These activities are expected to expand domestic sales (which have previously focused on agricultural footwear and will from now on include sports, children's and women's fashion footwear), through sales methods which will allow for a much closer contact with end users, both individuals and companies. Current inventories and planned production levels through to the year end will ensure the required market supply during the high season.

Customers

Tigar Footwear's customers in its domestic market are primarily shoe wholesalers and retailers. A significant portion of Tigar's rubber footwear sales in the domestic market is channeled through Tigar Trade's retail outlets.

International customers include: Hunter, Berner-Nokian, Battistini, Biacchi Ettore, Patrizia, and L&N.

January-September 2007 financials

Balance sheet, in thousands of RSD		Opening balance as of 1 Jan. 07	Period ended 30 Sept. 2007
Assets			
	Non-current assets	113,430	105,658
	Current assets	526,463	712,737
	Deferred tax assets	0	0
	Total assets	**639,893**	**818,395**
Equity and liabilities			
	Equity	177,045	177,046
	Non-current liabilities	0	0
	Current liabilities	462,848	641,349
	Total equity and liabilities	**639,893**	**818,395**

Free cash flow in 000 RSD	As of 1 Jan. 07	30 Sept. 07
Net profit	-58,181	-27,538
+ Depreciation	14,619	13,769
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operations	**-43,562**	**-13,769**
Capital expenditures	**30,181**	**5,997**
Inventory increase (decrease)	148,543	157,176
+Receivables increase (decrease)	1,086	51,087
-Liabilities increase (decrease)	157,647	206,803
Working capital increase (decrease)	**-8,018**	**1,460**
Free cash flow	**-65,724**	**-21,226**

Income statement in thousands of RSD	January-Sept. 2007	% Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	725,272	31%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress	180,825	180%
Other operating income	2,554	64%
Total operating income	**908,651**	**47%**
Operating expenses		
Cost of commercial goods sold		
Materials, fuel and energy	444,020	28%
Staff costs	342,595	55%
Depreciation, amortization and provisions	13,770	26%

Other operating expenses	113,617	74%
Total operating expenses	**914,002**	**42%**
Profit/loss from operations	**-5,351**	**80%**
Finance income	**4,400**	**-67%**
Finance expenses	**27,265**	**118%**
Other income	**1,128**	**33%**
Other expenses	**450**	**-6%**
Profit/loss before taxation	**-27,538**	**-7%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**-27,538**	**-4%**

Management's commentary

Due to exchange rate fluctuations, the results expressed in Dinars and Euros differ in that Euro figures reflect the appreciation of the Dinar. The total income, especially from exports, grew significantly, even though sales revenues from standard products (low agricultural footwear and work boots) were lower than during the same period of last year. Namely, increased sales of sports and safety footwear have completely offset this decline. Sales levels of standard products since October suggest that the late season in the domestic market will increase sales. Additionally, modified sales methods (whereby sales to first-line dealers are replaced with sales made much closer to end users) will affect pricing and the duration of the sales season. Sales will now be made throughout the season and will not end in August or September, as was previously the case. Furthermore, the introduction of urban fashion footwear and children's footwear is expected to increase overall sales through to the year end. The physical unit/sales revenue ratio is very favorable since all product segments reported better performance when expressed in Dinars than in physical units; safety footwear is an exception primarily because the contracted product mix was not exported in September due to manufacturing problems. The top performer was the hunting boots segment.

It is noteworthy that the reported results were achieved with virtually no investment in the manufacturing processes themselves, only a symbolic overall investment of four million Dinars. Since plans call for production facilities to move to the Tigar III location in 2008, investments in the existing location until then will be very low and will result in increased manufacturing costs due to inappropriate conditions, which require more manpower, and inadequately outfitted processes which result in a higher consumption of materials. Effective cost reduction will only be possible after relocation but since the aim is to increase domestic and international market share, no delays in new product development have been planned for the interim period.

3. TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods (TTRG) manufactures:

- Pressed rubber products,
- Molded rubber products,
- Sporting goods,
- Rubber hoses,
- Rubber/metal products, and
- Semi-finished rubber products.

Products

Pressed rubber products. These products are very strong, durable, and flexible. TTRG produces pressed rubber goods for a variety of industrial, construction, and civil engineering applications, re-treading shops, road infrastructure (e.g. rubber speed bumps) and automotive rubber parts (e.g., mats and gasoline tanks). It also produces “rubberized” metal goods (rubberized pipes, valves, etc.) by applying a layer of rubber to metal parts manufactured by customers.

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

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

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

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

Each of the product segments is operated as a stand-alone business unit, whose future status will depend on market developments and performance.

TTRG has begun manufacturing pressed products from recycled rubber using existing equipment. However, it will start volume production only after the planned recycling plant becomes operational, so that it will have a ready supply of raw materials. A wide variety of products can be manufactured by combining recycled rubber with bonding and coloring agents, including rubber playground surfaces, floor coverings for sports arenas, bumpers, various items for roads and railroads, and general-purpose products.

The implementation of a joint project with a foreign partner will allow for a complete restructuring of this business through integration with the recycling project.

The following table shows comparative TTRG production output:

Output in tons	**Jan. - Sept 2007**	**% of total output**	**% Change relative to Jan. – Sept. 2006**
Compounds for non-Tigar users	767	68%	N/A
Pressed products	89	8%	N/A
Shaped pieces and tubing	134	12%	N/A
Sporting goods	33	3%	N/A
Industrial rubberizing	109	10%	N/A
TOTAL	**1,131**	**100%**	**50%**

The following table shows comparative total revenues:

Revenues in 000 EUR	Jan. - Sept 2007	% of total	% Change relative to Jan. – Sept. 2006
Compounds for non-Tigar users	593	26%	N/A
Pressed products	528	23%	N/A
Shaped pieces and tubing	554	24%	N/A
Sporting goods	275	12%	N/A
Industrial rubberizing	334	15%	N/A
TOTAL	**2,284**	**100%**	**17%**

Markets and competition

000 EUR	Exports Jan. – Sept. 2007	Exports Jan. – Sept. 2006	% Change	Local market Jan. - Sept. 2007	Local market Jan. – Sept. 2006	% Change
Compounds for non-Tigar users	99	N/A		494	N/A	
Pressed products	63	N/A		466	N/A	
Shaped pieces and tubing	226	N/A		327	N/A	
Sporting goods	37	N/A		238	N/A	
Industrial rubberizing	110	N/A		225	N/A	
TOTAL	**535**	**374**	**43%**	**1,749**	**1,572**	**11%**

Sales and distribution

TTRG distributes its products in domestic and international markets through Tigar's domestic and international sales subsidiaries, through distributors, and by direct sales to sports clubs and associations.

Customers

TTRG' customers in its domestic market are primarily tire re-treading shops, construction companies, mining companies, sports clubs, schools, and automotive parts suppliers, including Tigar's Domestic Sales Network.

International customers are primarily wholesale companies, but also tire re-treading shops, construction companies, mining companies, and automotive parts suppliers.

Tigar's Domestic Sales Network was the only buyer who purchased more than 10% of total sales.

JANUARY-SEPTEMBER 2007 REPORT	Document reference
	IZ.P.07/03

January-September 2007 financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	111,479	104,702
	Current assets	137,255	159,722
	Deferred tax assets	1,341	1,341
	Total assets	0	1,576
Equity and liabilities			
	Equity	27,037	0
	Non-current liabilities	1,058	1,056
	Current liabilities	221,980	266,285
	Deferred tax		
	Total equity and liabilities	**250,075**	**267,341**

Free cash flow in 000 RSD	1 January 07	30 September 07
Net profit	-66,981	-28,613
+Depreciation	16,462	8,306
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**-50,519**	**-20,307**
Capital expenditures	**6,871**	**1,529**
Inventory increase (decrease)	-4,089	3,376
+Receivables increase (decrease)	-14,757	19,597
-Liabilities increase (decrease)	39,906	64,204
Working capital increase (decrease)	**-58,752**	**-41,230**
Free cash flow	**1,362**	**19,394**

Income statement in thousands of RSD	Jan. – Sept. 2007	% Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	183,789	11%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress	-2,289	-195%
Other operating income	988	-38%
Total operating income	**182,488**	**6%**
Operating expenses		
Cost of commercial goods sold		
Other materials, fuel and energy	80,745	4%
Staff costs	94,348	-6%
Depreciation, amortization and provisions	8,306	-32%
Other operating expenses	27,623	6%
Total operating expenses	**211,022**	**-3%**
Profit/loss from operations	**-28,534**	**36%**

Finance income	**463**	**-79%**
Finance expenses	**886**	**-90%**
Other income	**919**	**305%**
Other expenses	**575**	**53%**
Profit/loss before taxation	**-28,613**	**44%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**-28,613**	**44%**

Management's commentary

Although the financial result for the period is negative, it is significantly better than for the same period of the previous year since the loss is 22.7 mn or 44% lower than at the end of the 3rd quarter of 2006. TTRG did not meet expectations because most of the production and sales growth was achieved in less profitable segments and resulted in sales revenues below plan. An encouraging fact is that TTRG manufactured various products for the military during this period and that production for customers financed by the state budget had an upward trend. Although relatively small in terms of value, the export growth shows that TTRG is capable of manufacturing products which meet international market demands. TTRG is independently developing a portion of the new group of products made from recycled rubber, while the remainder is being developed in collaboration with international partners, primarily in the area of sophisticated products for superior sports facilities.

Privatization of mines and several industries, and re-activation of the military industry, will be a major contributing factor to the recovery of this segment, in combination with the development of new products for sports facilities, the construction industry, and road infrastructure.

4. TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products (TCP) manufactures a variety of products including adhesives for conveyer belts, road paint, industrial adhesives, adhesives for a wide range of other applications, coatings, solvents, thinners, and other chemical products.

TCP's product lines were introduced primarily to address the internal needs of the tire and rubber footwear businesses. The range was expanded over time, to include high-quality adhesives for mine conveyer belts, road paint, appliance paint, and environmentally-friendly polyurethane flooring.

Products

TCP manufactures the following products:

Adhesives for conveyer belts. Tigar manufactures a strong adhesive that splices the ends of conveyor belts without the need for metal fasteners. This product was developed for coal mining companies in Serbia, but has proven successful in international markets as well, particularly in the Republic of South Africa, Bulgaria, Poland, and the FRY of Macedonia. Approximately 80% of Tigar's sales of this product line go to international markets.

Road paint. Tigar's road paint products are used for road marking applications. Road paint is sold primarily to road construction companies and to municipalities for road maintenance purposes. The products are currently distributed primarily in the domestic market but have been certified for use in the European Union.

Due to high transportation costs, Tigar pursued international sales only in markets that are close to Serbia, such as the FRY of Macedonia and Greece.

Industrial and other adhesives. Tigar's industrial adhesives are used primarily by Serbian manufacturers of furniture, manufacturers of footwear (including Tigar Footwear), and printers (for book binding). Its other adhesives (principally epoxy compounds for domestic use) are sold through dealers or through Tigar's Domestic Sales Network.

Coatings, solvents, thinners, and chemicals. Tigar sells a wide range of paints and coatings used for a variety of applications, including coatings for the inside and outside of cans, paints and varnishes for metal and wood, paints for appliances and floors (including specialized non-flammable and acid-resistant floor paints), as well as related thinners, solvents and chemicals. These products are sold primarily to domestic construction companies and industrial users, rather than to retail or international markets.

The following table shows comparative TCP output:

Output in tons	**Jan. – Sept. 2007**	**% of total output**	**% Change relative to Jan. – Sept. I2006**
Products for the mining industry	46	5%	26%
Road paint	563	58%	7%
Products for railways	33	3%	4%
Products for the metalworking industry	44	5%	96%
Products for the construction industry (flooring)	11	1%	75%
Products for the consumer market	153	16%	16%
Products for the Tigar Group	112	12%	26%
TOTAL	963	100%	14%

The overall production volume was 120 tons higher than during the same period of the previous year. The highest growth was achieved in sales of products for the mining industry, consumer market, Tigar Tyres, and other manufacturing segments within the Tigar Group. Production levels of other products were based on specific customer orders and inventory levels. Overall sales of 1,164 tons were 201 tons higher than the production volume and resulted in a significant decrease in inventories, mainly of road infrastructure products.

The following table shows comparative total revenues:

Revenues in 000 EUR	**Jan. – Sept. 2007**	**% of total**	**% Change relative to Jan. – Sept. I2006**
Products for the mining industry	350	15%	49%
Road paint	937	41%	68%
Products for railways	130	6%	109%
Products for the metalworking industry	154	7%	145%
Products for the construction industry (flooring)	63	3%	134%
Products for the consumer market	452	20%	25%
Products for the Tigar Group	213	9%	39%
TOTAL	**2,299**	**100%**	**58%**

Markets and competition

Tigar Chemical Products primarily targets the domestic market. Exports are generally comprised of conveyor belt adhesives for the South African market and consumer products for neighboring markets. Fourth quarter plans call for exports of products for the metalworking industry. In the domestic market, most of the sales revenues were earned from road paint during the high season. Even though TCP is capable of manufacturing leading-edge products for the construction industry, household appliances, metal packaging materials and railways, sales levels in these segments were significantly below plan since the market for these products is still emerging. TCP's sales growth relies to a large extent on industrial recovery. TCP has many competitors, most of whom are minor producers. TCP's strategy targets development-intensive products, which require significant manufacturing capacity, since there are fewer competitors in such segments.

Sales (000 EUR)	Exports Jan. – Sept. 2007	Exports Jan. – Sept. 2006	% Change	Local market Jan. – Sept. 2007	Local market Jan. – Sept. 2006	% Change
Products for the mining industry	294	149	98%	56	87	-35%
Road paint				937	558	68%
Products for railways				130	62	109%
Products for the metalworking industry				154	63	145%
Products for the construction industry (flooring)				63	27	134%
Products for the consumer market	22	6	251%	430	354	21%
Products for the Tigar Group				213	153	39%
TOTAL	**316**	**155**	**104%**	**1,983**	**1,304**	**52%**

Sales and distribution

TCP distributes its products in domestic and international markets primarily through direct sales, since some of its products can only be sold in this manner, and sales made through Tigar's domestic and international sales subsidiaries, as well as sales made to dealers.

Customers

TCP's customers in the domestic market were primarily companies in the mining, road construction, metalworking, engineering, and consumer industries.

January-September 2007 financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	67,339	66,653
	Current assets	143,526	213,387
	Deferred tax assets	0	0
	Total assets	**210,865**	**280,040**
Equity and liabilities			
	Equity	69,189	72,160
	Non-current liabilities	0	0
	Current liabilities	141,677	207,879
	Total equity and liabilities	**210,865**	**280,040**

Free cash flow in 000 RSD	1 January 07	30 September 07
Net profit	-20,900	2,972
+Depreciation	5,718	4,579
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**-15,182**	**7,551**
Capital expenditures	**3,236**	**3,893**
Inventory increase (decrease)	42,517	5,019
+Receivables increase (decrease)	-15,148	60,388
-Liabilities increase (decrease)	84,345	66,203
Working capital increase (decrease)	**-56,976**	**-796**
Free cash flow	**38,558**	**4,454**

Income statement in thousands of RSD	**Jan. – Sept. 2007**	**Change relative to Jan. – Sept. 2006**
Operating income		
Sales of goods, products and services	185,028	49%
Work performed by the Company and Capitalized		
Changes in inventories of finished products and work in progress	-16,753	-255%
Other operating income		
Total operating income	**168,275**	**25%**
Operating expenses		
Cost of commercial goods sold		
Other materials, fuel and energy	104,277	22%
Staff costs	35,879	-2%
Depreciation, amortization and provisions	4,579	9%
Other operating expenses	22,988	17%
Total operating expenses	**167,723**	**15%**
Profit/loss from operations	**552**	**Profit vs. loss**
Finance income	**594**	**-14%**
Finance expenses	**1,478**	**-61%**
Other income	**3,432**	**44%**
Other expenses	**128**	**-82%**
Profit/loss before taxation	**2,972**	**Profit vs. loss**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**2,972**	**Profit vs. loss**

Management's commentary

During the first nine months of 2007, TCP doubled its exports relative to the same period of the previous year. Sales grew by 58% and exceeded total 2006 sales. Profitability by segment (except in the case of mass production of road paint) is extremely high but the achieved production and sales levels, and the ultimate result, are well below the potential profitability levels of the various groups of products. Successful development of TCP requires an increase in volume using available capacities and development of new products which will target segments in which Tigar is the sole manufacturer in the country or where competition is low. Further activities are required to develop international markets, especially those of neighboring countries. In view of the nature of its sales, the development of sales channels must be financed by TCP itself since Tigar Trade (DSN) has no reasonable potential for developing such sales, except in several segments.

5. COMMERCIAL SUBSIDIARIES

During the first nine months of 2007, Tigar's Domestic Sales Network sold Tigar's products to a wide variety of customers throughout Serbia, both directly to wholesale companies and through Tigar's network of retail sales and automotive service outlets.

Tigar also has an international sales network that sells tires, rubber footwear and other products in Western Europe, the Balkans, and North and Central America. Tigar currently has international sales subsidiaries in Bosnia and Herzegovina (Banja Luka), the FRY of Macedonia, Montenegro, the United Kingdom, and the United States.

Tigar Trade – Domestic Sales Network

Tigar Trade operates a domestic sales network of outlets that sell all types of tires and afterparts. Tigar Trade also operates a domestic network of automotive service centers which offer tire replacement and "light" servicing of cars, light utility vehicles (LUVs), and trucks.

Tigar Trade has its headquarters in Pirot, four regional branch offices which manage network operations, and three warehouses. All of these locations have access to a single information system which allows for the optimization of deliveries from warehouses to all retail outlets and service centers. Roughly one third of the retail outlets and service centers operate in leased facilities; this is in line with the policy of leasing, rather than purchasing new facilities.

As of 30 September 2007, Tigar Trade/Domestic Sales Network included:

- **35 retail outlets**, which follow a multi-product multi-brand strategy and offer a wide range of tires, motor oils, batteries, filters, afterparts, and accessories, as well as rubber footwear, various other rubber products and adhesives,
- **15 car and LUV service centers, plus 1 mobile service unit**, which offer a range of automotive services, including tire replacement, tire repair and alignment, oil changes and, in some facilities, car and LUV washes. The service centers also include shops;
- **2 stationary and 3 mobile truck service units,** which offer tire replacement and "light" automotive servicing;
- **3 warehouses** (in Pirot, Belgrade and Novi Sad); and
- **4 regional branch offices** (in Pirot, Belgrade, Novi Sad and Niš).

Sales by product group (% of total sales):

	Jan. – Sept. 2007	**Jan. – Sept. 2006**
Passenger tires	44%	51%
Other tires	29%	25%
Inner tubes	5%	4%
Rubber footwear	10%	10%
Technical rubber goods	4%	3%
Chemical products	2%	2%
Other products	5%	4%
Services	1%	1%
TOTAL	**100%**	**100%**

Sales by sales channel:

	Jan. – Sept. 2007	Jan. – Sept. 2006
Wholesale	40%	61%
Sales to end users/individuals	41%	32%
Sales to end users/legal entities	19%	8%
TOTAL	**100%**	**100%**

Sales by segment:

	Jan. – Sept. 2007	Jan. – Sept. 2006
Wholesale/branch offices	40%	61%
Retail outlets	36%	28%
Service centers	25%	11%
TOTAL	**100%**	**100%**

January-September 2007 financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan 07	30 September 07
Assets			
	Non-current assets	173,883	193,747
	Current assets	424,582	406,305
	Deferred tax assets	0	0
	Total assets	**598,465**	**600,052**
Equity and liabilities			
	Equity	176,644	106,745
	Non-current liabilities	1,855	7,602
	Current liabilities	419,967	485,705
	Total equity and liabilities	**598,465**	**600,052**

Free cash flow in 000 RSD	1 January 07	30 September 07
Net profit	-28,075	-69,899
+ Depreciation	11,204	9,625
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operations	**-16,871**	**-60,274**
Capital expenditures	**26,938**	**29,074**
Inventory increase (decrease)	28,888	99,118
+Receivables increase (decrease)	70,688	-113,164
-Liabilities increase (decrease)	73,490	66,698
Working capital increase (decrease)	**26,087**	**-80,744**
Free cash flow	**-69,896**	**-8,604**

Income statement in thousands of RSD	**Jan. – Sept. 2007**	**% Change relative to Jan. – Sept. 2006**
Operating income		
Sales of goods, products and services	409,992	-32%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income	18,987	425%
Total operating income	**428,979**	**-29%**
Operating expenses		
Cost of commercial goods sold	356,339	-34%
Other materials, fuel and energy	8,507	2%
Staff costs	73,796	9%
Depreciation, amortization and provisions	9,625	20%
Other operating expenses	45,178	1%
Total operating expenses	**493,445**	**-26%**
Profit/loss from operations	**-64,467**	**-6%**
Finance income	**1,476**	**-90%**
Finance expenses	**8,026**	**-1%**
Other income	**1,661**	**-95%**
Other expenses	**543**	**65%**
Profit/loss before taxation	**-69,899**	**-276%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**-69,899**	**-276%**

Management's commentary

Even though Tigar Trade reported a significant loss for the first nine months, a number of activities were completed which are expected to produce a good bottom line during the forthcoming period. As a result of the network restructuring process, 14 non-profitable outlets were closed. Their employees were either re-assigned to other sales facilities or made redundant. These moves were in full compliance with the network development strategy which calls for the reduction of the total number of retail outlets to 30 but includes their upgrading and reconstruction. Two new car and light-truck service centers were opened in September in Belgrade and Niš, at highly visible locations where leading-edge equipment is used to provide "light" automotive servicing. These two facilities are of major importance in view of the high purchasing power of the two cities. Orientation toward large cities is expected to be a major contributor to higher sales levels.

Two new passenger vehicle service centers will be activated before the end of the year: one in Novi Sad, at an attractive location adjacent to a Lukoil gas station, and the other in Kragujevac within the grounds of the Zastava Automotive Industry. The creation of the network of automotive service centers will serve as a basis for the development of a network of fleet buyers and an increase in sales to individuals. Both of these methods are conducive to the highest margins. The prior lack of adequate infrastructure precluded Tigar Trade from building such a customer base. Another pre-requisite for successful operation of the automotive service network is the practical implementation of a multi-product and multi-brand strategy, especially in the tire segment, in order to attract customers who own expensive cars, are not price sensitive and opt for product quality and expedient service. However, this will be a protracted process since the majority of potential customers in the field still identify the Tigar Trade network with sales of Tigar-brand tires and most of the customers currently attracted by Tigar Trade are those who base their purchasing decisions on price. However, due to the sales policy which Tigar Tyres follows in the market, Tigar Trade's competition is able to offer lower prices and, as a result, Tigar Trade cannot meet the demands of this category of customers. They generally decide to purchase tires from dealers who offer lower prices, but often procure services from Tigar Trade automotive service centers in view of the quality of their offering. This situation will be offset by sales of premium and second-line brands, which produce the highest profits. Compounded with the high quality of equipment used and services provided by the automotive service centers, Tigar Trade will have a full offering for this group of customers. Unfortunately, this change will require some time to implement.

The new stationary truck service center is situated at one of the most attractive locations in Metropolitan Belgrade (Šimanovci). In October, Tigar Trade began operating two stationary and three mobile truck service units, which are able to cover most of the Serbian market. The truck segment did not have a significant presence in Tigar Trade sales in the past, except through wholesale channels. The potential of this segment is extremely high and does not lag far behind the passenger vehicle segment. At the end of September, three new mobile units for direct sales of agricultural footwear were activated in the field. An exclusive GM oil distribution contract was one of a series of measures which were implemented to boost sales. Along with investments in facilities, vehicles and equipment, two new sales teams were formed to operate in the field. The first team is part of the automotive service network and will target fleet buyers, while the second team is part of the branch offices and will sell non-automotive products manufactured by the Tigar Group. These two teams are expected to significantly increase sales and Tigar Trade's market share. The Tigar Trade model, after appropriate modifications, will be applied in the Balkan countries in which Tigar has commercial subsidiaries.

The general conclusion is that Tigar Trade's performance during the first nine months was affected by the following key factors: (1) Tigar Trade is still undergoing an intensive investment process aimed at creating conditions for sales to fleet buyers and individuals; the outcome of these investments will be felt during the forthcoming period. (2) The overall investment of nearly 60 mn RSD was financed from cash flow, which resulted in higher costs. (3) Unprofitable retail outlets, which have been closed, were still part of Tigar Trade for a portion of the period and contributed to the overall loss reported by Tigar Trade. (4) A lack of personnel for field activity also contributed to the loss. This has largely been offset by the hiring of a group of new managers in September, but hey will require some time to „get in step with the market". (5) Tigar Tyres' sales policy resulted in considerably lower Tigar-brand tire sales, due to unfair competition from a group of dealers who took advantage of the broad discount schedule offered by Tigar Tyres.

All of Tigar Trade's activities are also expected to be a major contributor to domestic sales of products made by Tigar's manufacturing subsidiaries.

Tigar Export -Import

Last year, TEI operated as a service entity and its January-September 2006 performance was reported under „other service entities". However, as of April 2007, TEI has been operating as a commercial subsidiary, its business has been restructured, and it is now virtually the sole supplier of Tigar's manufacturing subsidiaries. A direct comparison of its performance to the same period of the previous year would, therefore, be irrelevant. TEI purchases raw materials and expendables directly from suppliers and re-sells them to Tigar's subsidiaries. It also acts as an intermediary in capital-intensive purchases.

TEI does not import materials subject to special permits but this problem will be resolved as of 1 January 2008 and TEI will conduct overall international purchasing. Capital project purchasing is the only exception, since it must remain within the scope of production engineering units, but TEI will handle all the required paperwork. In 2008, TEI will begin to gradually strengthen its role in export activities of the manufacturing subsidiaries within the Tigar Group; for the time being it is providing a portion of the services relating to export paperwork.

The reported result shows that this subsidiary, which operates in accordance with its adopted principles, covered its costs and made a profit.

January-September 2007 financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	394	2,036
	Current assets	2,774	384,658
	Deferred tax assets	0	0
	Total assets	**3,168**	**386,694**
Equity and liabilities			
	Equity	1,709	5,266
	Non-current liabilities	0	0
	Current liabilities	1,459	381,428
	Total equity and liabilities	**3,168**	**386,694**

Free cash flow in 000 RSD	1 January 07	30 September 07
Net profit	1,666	3,557
+Depreciation	13	43
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operations	**1,679**	**3,600**
Capital expenditures	**407**	**1,685**
Inventory increase (decrease)	0	10,810
+Receivables increase (decrease)	2,671	367,478
-Liabilities increase (decrease)	1,459	379,970
Working capital increase (decrease)	**1,212**	**-1,681**
Free cash flow	**60**	**3,596**

Income statement in thousands of RSD	**Jan. – Sept. 2007**	**Change relative to Jan. – Sept. 2006**
Operating income		
Sales of goods, products and services	409,283	5449%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income	6,018	

Total operating income	**415,301**	**5530%**
Operating expenses		
Cost of commercial goods sold	400,114	
Other materials, fuel and energy	191	32%
Staff costs	10,227	184%
Depreciation, amortization and provisions	43	
Other operating expenses	1,984	40%
Total operating expenses	**412,559**	**7883%**
Profit/loss from operations	**2,742**	**24%**
Finance income	**1,808**	
Finance expenses	**930**	
Other income	**55**	
Other expenses		
Profit/loss before taxation	**3,675**	**66%**
Income taxes	**118**	
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**3,557**	**61%**

Tigar Europe, UK

Tigar has been active in the UK market for more than 15 years via Tigar Europe Ltd., in which Tigar AD holds a 50% interest. Tigar Europe has an excellent knowledge of the UK market and a well-established client base, and it provides superior services. In 2006, Tigar began to export rubber footwear to the UK company Hunter via Tigar Europe. Product certification is currently pending for another volume buyer in the UK. Tigar Europe is a wholesale company but also has the know-how and capability to act as a supplier of equipment, materials, spare parts and other goods for other Tigar entities. Tigar intends to expand Tigar Europe's sales network in order to increase its sales of tires and other products (primarily rubber footwear and technical rubber goods). This company will also continue to provide purchasing services and support potential corporate projects in the UK, as well as to play a more active role in other EU markets. The financial result matched projections.

January-September 2007 financials

Balance sheet in thousands of GBP		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	2	1
	Current assets	4,224	4,310
	Deferred tax assets	0	0
	Total assets	**4,225**	**4,311**
Equity and liabilities			
	Equity	1,964	2,498
	Non-current liabilities	0	0
	Current liabilities	2,261	1,813
	Total equity and liabilities	**4,225**	**4,311**

Income statement in 000 GBP	January - September 2007	% Change relative to Jan. – Sept. 2006
Turnover	**11,452**	**3%**
Cost of sales	10,437	4%
Gross Profit	**1,015**	**-7%**
Administrative expenses	348	-24%
Operating Profit	**667**	**6%**
Interest receivable	74	94%
Other income	13	
Profit on ordinary activities before taxation	**753**	**13%**
Tax on profit on ordinary activities	219	7%
Retained profit for the period	**534**	**15%**

Tigar Americas, USA

Tigar Americas covers US and Canadian markets. Tigar Americas was the first commercial company which Tigar set up abroad and, prior to the trade embargo, had annual revenues of nearly $20 million. Following the lifting of the trade embargo, the Company decided to renew and expand its operations to include procurement of supplies for Tigar's subsidiaries, sales of rubber footwear in US and Canadian markets, and re-selling of goods manufactured by other Serbian companies. During the first nine months of 2007, most activities continued to focus on market research relating to various supplies and rubber footwear, as well as on the distribution of household dishes and car parts. High footwear duties in the US have an extremely negative impact on footwear sales to this market; however, initial footwear sales were made to the Canadian market. Exports to these markets of third-party products did not meet expectations, primarily due to their inability to meet US market demands in terms of product offering, quality, and price. Low exports were also a result of the depreciation of the US dollar, with manufacturers focusing on European markets. During the latter half of 2006, procurement activities were initiated for Tigar Footwear supplies under terms and conditions which are more favorable than currently available. In 2007, Tigar Americas has a new manager. A revised work program and a modified business plan (which calls for an intensified material-purchasing activity in the US-dollar market to benefit from the currently favorable exchange rate, and for purchasing of certain other types of goods for the Serbian market), as well as a change in the US sales policy, are expected to deliver continuous performance improvements.

January-September 2007 financials

Income statement in thousands of US dollars	Jan. – Sept. 2007	% Change relative to Jan. – Sept. 2006
Sales and marketing income	**264**	**52%**
Cost of goods sold	88	12%
Gross profit	**176**	**85%**
Sales, general and administrative expenses	161	11%
Loss from operations	**16**	**-132%**
Other income (expense)	2	
Net loss before corporate taxes	**18**	**-132%**
Provision for income taxes		
Net profit/loss	**18**	**-59%**

The Balkans: Tigar Partner, Tigar Trade, and Tigar Montenegro

Tigar AD's subsidiaries in the Balkans are co-owned by Tigar AD and its local partners. Prior to the 1990's, these companies were Tigar's branch offices in the various republics of the former Yugoslavia and, consequently, Tigar's tradition in these markets is well established. The co-owners of the companies are fully acquainted with the respective local markets and overall local policies. In 2007, these companies no longer have exclusive rights for tire sales but, regardless, performance was satisfactory.

During the first nine months of this year, the company in Montenegro reported the best result, while the company in the FYR of Macedonia reported the largest decline in sales. Due to the demise of the co-owner of the company in Republika Srpska, the company will undergo several changes, including a new managing director. Although this company was incorporated in Republika Srpska, the intent is to expand its activity to encompass the entire Federation of Bosnia and Herzegovina.

All of Tigar AD's commercial entities in the Balkans are wholesale companies which operate through distributors, except Tigar Montenegro which also operates a retail network.

However, as indicated in the 2006 Annual Report, the survival of these companies in the mid term requires their overall restructuring and the introduction of an adequately distributed network of automotive service centers. Namely, the situation in these markets is such that the companies cannot continue to operate solely as wholesalers. Tigar believes that Serbian and Balkan markets are the only markets where it is currently feasible for Tigar to develop a retail sales network. The development of an upgrade program was initiated during the 3rd quarter.

The following table shows sales revenues by product category from Balkan markets:

	January - September 2007	% Change relative to Jan. – Sept. 2006
Tire sales (000 EUR)		
Bosnia and Herzegovina	694	100%
FRY of Macedonia	429	-23%
Montenegro	499	-1%
Sub-total, tires	**1,622**	**15%**
Footwear sales (000 EUR)		
Bosnia and Herzegovina	112	25%
FRY of Macedonia	72	-37%

Montenegro	119	20%
Sub-total, footwear	**303**	**0%**
Sales of other products (000 EUR)		
Bosnia and Herzegovina	26	190%
FRY of Macedonia	17	-67%
Montenegro	9	41%
Sub-total, other products	**52**	**-22%**
TOTAL	**1,977**	**11%**

TIGAR MONTENEGRO

Balance sheet in thousands of EUR		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	9	6
	Current assets	234	207
	Deferred tax assets	0	0
	Total assets	**244**	**213**
Equity and liabilities			
	Equity	50	54
	Non-current liabilities	0	0
	Current liabilities	194	158
	Total equity and liabilities	**244**	**213**

Free cash flow in 000 EUR	1 January 07	30 September 07
Net profit	35	39
+Depreciation	5	4
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**39**	**43**
Capital expenditures	**1**	**0**
Inventory increase (decrease)	-8	7
+Receivables increase (decrease)	-1	57
-Liabilities increase (decrease)	37	-35
Working capital increase (decrease)	**-46**	**100**
Free cash flow	**84**	**-57**

Income statement in thousands of EUR	January – September 2007	Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	630	3%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income	0	-23%
Total operating income	**630**	**3%**
Operating expenses		
Cost of commercial goods sold	525	0%
Other materials, fuel and energy	4	28%
Staff costs	39	21%

Depreciation, amortization and provisions	4	4%
Other operating expenses	20	-21%
Total operating expenses	**591**	**0%**
Profit/loss from operations	**39**	**87%**
Finance income		
Finance expenses		
Other income		
Other expenses		
Profit/loss before taxation	**39**	**87%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**39**	**87%**

TIGAR TRADE (Banja Luka)

Balance sheet in thousands of KM		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	252	235
	Current assets	1,241	981
	Deferred tax assets	0	0
	Total assets	**1,493**	**1,216**
Equity and liabilities			
	Equity	410	414
	Non-current liabilities	62	14
	Current liabilities	1,022	788
	Total equity and liabilities	**1,493**	**1,216**

Free cash flow in 000 KM	1 January 07	30 September 07
Net profit	86	7
+Depreciation	29	21
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operations	**115**	**28**
Capital expenditures	**-53**	**3**
Inventory increase (decrease)	223	-142
+Receivables increase (decrease)	206	-120
-Liabilities increase (decrease)	444	-244
Working capital increase (decrease)	**-15**	**-18**
Free cash flow	**183**	**43**

Income statement in thousands of KM	January-Sept. 2007	Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	1,629	-5%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income	7	12%
Total operating income	**1,636**	**-5%**
Operating expenses		
Cost of commercial goods sold	1,323	-1%
Other materials, fuel and energy	57	-3%
Staff costs	84	22%
Depreciation, amortization and provisions	21	4%
Other operating expenses	141	-7%
Total operating expenses	**1,627**	**-1%**
Profit/loss from operations	**9**	**-89%**
Finance income	**0**	**121%**
Finance expenses	**13**	**-31%**
Other income	**28**	
Other expenses	**17**	
Profit/loss before taxation	**7**	**-88%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**7**	**-87%**

TIGAR PARTNER

Balance sheet in thousands of Denars		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	585	311
	Current assets	36,724	30,616
	Deferred tax assets		0
	Total assets	**37,309**	**30,927**
Equity and liabilities			
	Equity	20,477	19,685
	Non-current liabilities	0	0
	Current liabilities	16,832	11,242
	Total equity and liabilities	**37,309**	**30,927**

Free cash flow in 000 Denars	1 January 07	30 September 07
Net profit	2,555	1,763
+Depreciation	376	282
+Reserved costs for benefits		0
+Recovery on provisions		0
Cash flow from operations	**2,931**	**2,045**
Capital expenditures	**0**	**8**
Inventory increase (decrease)	789	-2,783
+Receivables increase (decrease)	-2,736	2,046
-Liabilities increase (decrease)	-8,340	-5,590
Working capital increase (decrease)	**6,392**	**4,852**
Free cash flow	**-3,461**	**-2,815**

Income statement in thousands of Denars	January-Sept. 2007	Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	39,298	-22%
Work performed by the company and capitalized	0	
Changes in inventories of finished products and work in progress	0	
Other operating income	0	
Total operating income	**39,298**	**-22%**
Operating expenses		
Cost of commercial goods sold	29,961	-25%
Other materials, fuel and energy	407	-21%
Staff costs	2,864	7%
Depreciation, amortization and provisions	282	-20%
Other operating expenses	3,604	-14%
Total operating expenses	**37,118**	**-22%**
Profit/loss from operations	**2,180**	**-19%**
Finance income	**14**	**-85%**
Finance expenses	**0**	**-100%**
Other income	**0**	
Other expenses	**153**	
Profit/loss before taxation	**2,041**	**-19%**
Income taxes	**278**	
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**1,763**	**-16%**

6. TIGAR'S SERVICE ENTITIES

In addition to the four principal manufacturing entities and the Tigar Trade network of retail outlets and automotive service centers, Tigar operates a number of service subsidiaries in Serbia that it developed, for the most part, during the trade embargo against Yugoslavia because it was unable to outsource these services locally. Although the service subsidiaries are "complementary" businesses, Tigar AD believes that they greatly contribute to the operations of Tigar's "core" businesses and provide high-quality services to both the Company and the local community.

In general, the Company's service subsidiaries can be classified into those which currently service the needs of the Company and those which are gradually focusing on third parties. The first group includes companies which perform security and fire protection services, mediation in property insurance, and secondary raw-material management. The second group includes entities which provide transportation, construction and engineering services, as well as tourist and hospitality services. Tigar's major service businesses include:

- *Construction,* which offers all types of services relating to construction and maintenance of buildings and infrastructure, supported by the engineering segment.

- *Transportation,* which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles.

- *Tourist Agency*, which provides domestic and international tourist-related services, including vacation, travel, conference, and trade exhibition planning.

- *Hotel Planinarski dom (Mountain Lodge)*, which offers a broad range of hotel accommodations and restaurant/catering services for tourists, business travelers, delegations, sports teams, and cultural groups visiting southern Serbia.

- *PI Channel*, which performs radio/television, telecommunication, market research, and public opinion-poll activities, and provides services in the areas of advertising, public relations and publishing.

- *Pirot Free Zone*, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The Free Zone is situated within the Industrial Zone of Pirot and covers 17 hectares of infrastructure-enabled land, with its own railroad track and 150 telephone lines. 65 companies currently operate in the Free Zone, including 41 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 Pirot Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.

In 2007, an organizational change was implemented and the construction segment was merged with the engineering, design, and supervision business. The objective of the change was integration and more effective utilization of available resources, resulting in Tigar Incon now being able to offer a full service, from design to construction and supervision.

Tigar Business Services, Tigar Workshop and the Pirot Free Zone were the top performers in this group. The hotel reported a minor loss, but it is expected to improve its result during the 4th quarter, following the reconstruction of the road from Pirot to the Hotel, minor reconstruction of the hotel building, renewal of inventory, and completion of new facilities. In addition to engineering, Tigar Incon began operating the construction segment in 2007. It is currently involved in major construction activities at the Tigar III location, reconstruction of the sales network facilities in Pirot and Belgrade, but also in projects for third parties. The new equipment which has been purchased, including a PU flooring machine, will be a significant contributor to a better bottom line. Since these businesses belong to the group of “complementary” businesses, the intent is to prepare a special study which will address their further development.

Tigar Business Services financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	36,409	59,192
	Current assets	79,025	103,199
	Deferred tax assets	-124	-761
	Total assets	**115,310**	**161,630**
Equity and liabilities			
	Equity	24,875	41,801
	Non-current liabilities	76,762	89,403
	Current liabilities	13,673	30,427
	Total equity and liabilities	**115,310**	**161,631**

Free cash flow in 000 RSD	1 Jan. 07	30 September 07
Net profit	5,144	22,130
+Depreciation	16,409	7,089
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	**21,553**	**29,220**
Capital expenditures	**52,818**	**29,873**
Inventory increase (decrease)	-7,888	1,004
+Receivables increase (decrease)	-6,041	16,191
-Liabilities increase (decrease)	19,093	-8,425
Working capital increase (decrease)	**-33,022**	**25,621**
Free cash flow	**1,757**	**-26,274**

JANUARY-SEPTEMBER 2007 REPORT	Document reference
	IZ.P.07/03

Income statement in thousands of RSD	January – Sept. 2007	Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	241,419	-19%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress	382	Profit vs. loss
Other operating income	31	
Total operating income	**241,832**	**-19%**
Operating expenses		
Cost of commercial goods sold	13,115	13%
Other materials, fuel and energy	93,342	-26%
Staff costs	77,648	-32%
Depreciation, amortization and provisions	7,089	28%
Other operating expenses	27,210	-11%
Total operating expenses	**218,404**	**-24%**
Profit/loss from operations	**23,428**	**125%**
Finance income	**2,323**	**26%**
Finance expenses	**3,844**	**101%**
Other income	**1,273**	**-12%**
Other expenses	**289**	**297%**
Profit/loss before taxation	**22,891**	**95%**
Income taxes		
Deferred income tax expense	761	
Deferred income tax benefit		
Net profit/loss for the period	**22,130**	**93%**

Other service subsidiaries: Combined financials

Income statement in thousands of RSD	January – Sept. 2007	% Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	248,497	136%
Work performed by the company and capitalized	39	
Changes in inventories of finished products and work in progress		
Other operating income	3,380	40%
Total operating income	**251,915**	**134%**
Operating expenses		
Cost of commercial goods sold	3,048	-13%
Other materials, fuel and energy	49,893	1364%
Staff costs	145,763	103%
Depreciation, amortization and provisions	4,695	5%
Other operating expenses	27,574	69%
Total operating expenses	**230,972**	**132%**
Profit/loss from operations	**20,943**	**155%**
Finance income	289	1712%
Finance expenses	169	-69%
Other income	370	-75%
Other expenses	28	-92%
Profit/loss before taxation	**21,405**	**144%**
Income taxes		-100%
Deferred income tax expense	115	
Deferred income tax benefit		
Net profit/loss for the period	**21,290**	**149%**

Free Zone financials

Balance sheet in thousands of RSD		Opening balance as of 1 Jan. 07	30 September 07
Assets			
	Non-current assets	104,828	110,615
	Current assets	30,064	34,167
	Deferred tax assets	189	0
	Total assets	**135,081**	**144,782**
Equity and liabilities			
	Equity	116,846	121,312
	Non-current liabilities	13,769	9,812
	Current liabilities	4,466	13,658
	Total equity and liabilities	**135,081**	**144,782**

Free cash flow in 000 RSD	1 January 07	30 September 07
Net profit	4,466	13,658
+Depreciation	1,402	1,403
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operations	**5,868**	**15,061**
Capital expenditures	**21,525**	**6,414**
Inventory increase (decrease)	219	-69
+Receivables increase (decrease)	966	1,522
-Liabilities increase (decrease)	166	-3,957
Working capital increase (decrease)	**1,019**	**5,410**
Free cash flow	**-16,677**	**3,237**

Income statement in thousands of RSD	January – Sept. 2007	Change relative to Jan. – Sept. 2006
Operating income		
Sales of goods, products and services	44,710	58%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income		
Total operating income	**44,710**	**58%**
Operating expenses		
Cost of commercial goods sold		
Other materials, fuel and energy		
Staff costs	16,777	23%
Depreciation, amortization and provisions	1,403	2%
Other operating expenses	13,043	23%
Total operating expenses	**31,223**	**22%**
Profit/loss from operations	**13,487**	**417%**
Finance income	**589**	**-24%**
Finance expenses	**417**	**-72%**
Other income	**232**	**-50%**
Other expenses	**232**	**-22%**
Profit/loss before taxation	**13,658**	**566%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit/loss for the period	**13,658**	**566%**

V. JOINT PROJECTS WITH THE LOCAL COMMUNITY

Tigar is actively participating in local projects which, although profit-driven, are primarily aimed at improving the quality of life. In addition to grants and sponsorships, Tigar is currently working on two joint projects with the local government in Pirot:

- Sports Center. This is a joint-stock company owned by Tigar AD and the Municipality of Pirot. Its mission is to establish the conditions required for the construction of the sports center "Senjak" in Pirot. The project is expected to encompass an arena, a swimming pool, and office space. It is currently in the early stages of design, planning, and obtaining of necessary building permits.

- *The Mt. Stara Planina Agency.* This agency has been established to promote tourism and related development in the Mt. Stara Planina region. The Serbian Tourism Development Program calls for major investments in tourism in this region, which will positively impact the Company's hospitality activities.

During the first nine months of the year, there were no major activities in connection with these two projects. However, the Pirot region is becoming increasingly attractive because of forthcoming ski center and access road reconstruction projects, and especially projects in the Mt. Stara Planina National Park. This interest is reflected in increasing prices of land.

VI. MISCELLANEOUS

Tigar AD did not modify its accounting policy. Internal audit activities proceeded according to plan.

TIGAR AD	TIGAR AD
Jelena Petković Executive Director for Corporate Management Support	Dragan Nikolić Executive Board Chairman