



TIGAR AD PIROT

FIRST QUARTER 2009 INTERIM REPORT

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1. INTRODUCTION

1.1 BASIC FACTS

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

Registered address: Nikole Pašića 213, 18300 Piroć, Serbia

Corporate ID number: 07187769

Fiscal ID number: 100358298

Web site address: www.tigar.com

Incorporation certificate: Registry file no. 1-1087

Core activity: Holdings

Number of employees: 1,950 at 31/03/2009

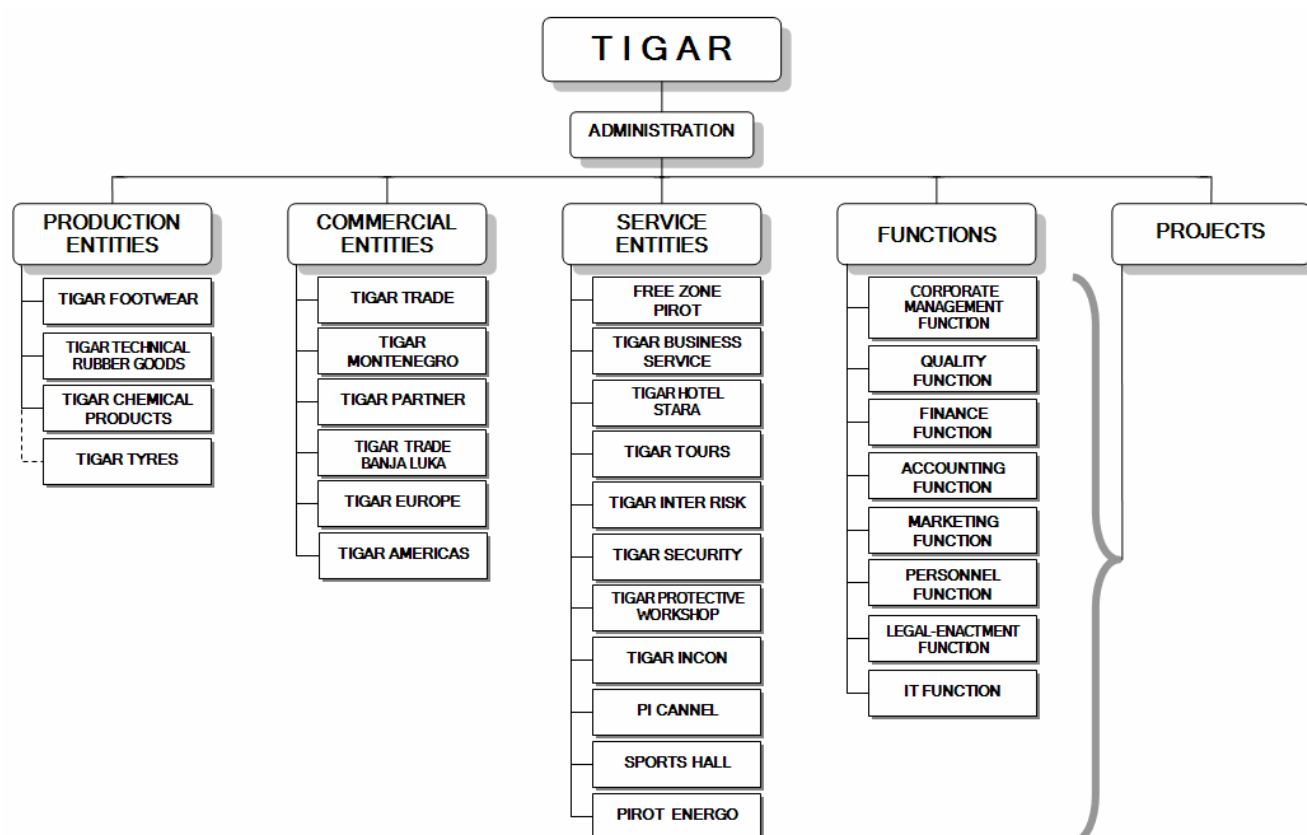
Number of shareholders: 4,833 at 31/03/2009

Capital: 2,864,651 (000 RSD) at **31/03/2009**

Assets: 3,835,905 (000 RSD) at 31/03/2009

Capitalization: 695,976 (000 RSD) at 31/03/2009

1.2 CORPORATE STRUCTURE



NOTE: Under a decision of Tigar AD's Board of Directors, a new subsidiary – Tigar Trade – which is the legal successor of Tigar's Domestic Sales Network and Tigar Export-Import, was incorporated and began its operations on 1 January 2009. Tigar DSN and Tigar Export-Import ceased their operations on the same date.

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1.3 KEY INDICATORS OF Q1 2009 PERFORMANCE

Changes in equity (in 000 RSD), unconsolidated	31 December 2008	31 March 2009
Balance, beginning of the year/period	2,685,839	2,736,793
Adjustments		
New issuance of shares		
Profit for the year/period	168,103	137,300
Dividends	-104,911	
Other	-12,238	-9,442
Balance at the end of the year/period	2,736,793	2,864,651

Equity investments (000 RSD) unconsolidated	31 December 2008	31 March 2009
Related parties	2,189,976	1,865,518
Banks	137	137
Other legal entities	19	19
Adjustments	14,572	14,572
Total:	2,175,560	1,851,102

Tigar AD's unconsolidated financials in thousands of dinars	Actual I-III 2008	Actual I-III 2009	% change
Assets	3,879,959	3,835,905	-1%
Equity	2,854,386	2,864,651	0%
Total income*	571,745	333,644	-42%
EBIT	186,490	175,926	-6%
EBITDA	190,848	180,554	-5%
Neto prihod	168,548	128,148	-24%
<u>Significant ratios</u>			
Return on equity	5.90%	4.47%	-24%
Return on shareholders equity	8.17%	6.21%	-24%
Debt-to-assets ratio	0.26	0.25	-4%
<u>Liquidity and solvency ratios</u>			
Current Ratio	2.06	1.71	-17%
Quick ratio	2.05	1.69	-18%
Debt / Equity	0.36	0.34	-6%
<u>Other ratios</u>			
ROE	5.90%	4.47%	-24%
ROA	4.34%	3.34%	-23%
Neto profit/total income	29.48%	38.41%	30%

*The decrease in overall income is a result of a lower income from the sale of property, which was 514 million RSD in the first quarter of 2008 and 256 million RSD (or 258 million less) in the first quarter of 2009.

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SEGMENTED RESULTS

Tigar has 17 subsidiaries which it controls, is party to one joint venture, has a stake in one agency, and is party to a project with the local government. Of the 21 companies, 16 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

Key subsidiary performance indicators

Financial results by geographical area

Income Statement in thousands of Dinars	Serbia	The Balkans	EU	Total
Total income	1,334,789	41,265	162,952	1,539,005
Total expenses	1,251,269	42,001	158,677	1,451,948
Profit (loss) before taxation	83,520	-737	4,275	87,058
Income taxes	14,576		1,189	15,765
Deferred income tax expense				
Deferred income tax benefit				
Net result for the period	68,944	-737	3,085	71,293

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TIGAR

TIGAR		
	TIGAR AD Equity: 2.864.651 Total revenues: 333.644 EBITDA: 180.554 (000 RSD)	
PRODUCTION ENTITIES	COMMERCIAL ENTITIES	SERVICE ENTITIES
TIGAR FOOTWEAR Equity: 801.578 Total revenues: 341.223 EBITDA: 6.163 (000 RSD)	TIGAR TRADE Equity: 187.465 Total revenues: 423.067 EBITDA: 8.941 (000 RSD)	PIROT FREE ZONE Equity: 138.139 Total revenues: 14.884 EBITDA: 3.883 (000 RSD)
TIGAR TECHNICAL RUBBER GOODS Equity: 134.948 Total revenues: 31.617 EBITDA: -35.696 (000 RSD)	TIGAR MONTENEGRO Equity: 104 Total revenues: 169 EBITDA: 4 (000 EUR)	TIGAR BUSINESS SERVICES Equity: 96.179 Total revenues: 73.650 EBITDA: 803 (000 RSD)
TIGAR CHEMICAL PRODUCTS Equity: 93.162 Total revenues: 30.974 EBITDA: -3.958 (000 RSD)	TIGAR PARTNER Equity: 17.829 Total revenues: 10.920 EBITDA: 125 (000 DEN)	TIGAR HOTEL STARA Equity: 69.279 Total revenues: 2.987 EBITDA: -2.201 (000 RSD)
	TIGAR TRADE Banja Luka Equity: 438 Total revenues: 507 EBITDA: -13 (000 KM)	TIGAR TOURS Equity: 9.301 Total revenues: 1.290 EBITDA: 66 (000 RSD)
	TIGAR EUROPE Equity: 3.184 Total revenues: 3.152 EBITDA: 76 (000 GBP)	TIGAR INTER RISK Equity: 1.396 Total revenues: 990 EBITDA: -10 (000 RSD)
		TIGAR SECURITY Equity: 19.635 Total revenues: 20.489 EBITDA: 4.443 (000 RSD)
		TIGAR WORK SHOP Equity: 8.561 Total revenues: 12.155 EBITDA: 3.566 (000 RSD)
		TIGAR INCON Equity: 47.775 Total revenues: 48.436 EBITDA: 9.089 (000 RSD)
		PI CHANNEL Equity: 2.796 Total revenues: 4.063 EBITDA: -614 (000 RSD)
		SPORTS CENTER Equity: 14.802 Total revenues: 318 EBITDA: -3 (000 RSD)

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1.4 BUSINESS ENVIRONMENT

The global economic crisis was the major characteristic of Tigar's business environment during the first quarter of 2009. Most stock exchanges in the world have experienced a certain degree of recovery but GDP growth forecasts for the largest global economies remained negative. The main problem, according to assessments, is that some 500 trillion US Dollars remains in speculative transactions with securities. This is about half of all foreign exchange transfers in 2008. Low interest rates are reducing mortgage costs. Low energy costs also contribute to the availability of funds, but even though assessments suggest that this releases about one trillion US Dollars, it is clearly not enough to foster stabilization. Savings are returning to pre-crisis levels very slowly. Low inflation rates and low food prices are helping the most disadvantaged population to cope. Extreme retail competition is driving prices down. Retail inventory levels are declining and owners of retail chains have evidently decided to maintain inventory levels through additional purchases. This is a very good sign and will potentially lead to production growth. Although forecasts suggest that the level of direct foreign investments will be 45% lower than last year, that the level of portfolio investments will decline by as much as 75%, and that corporate profits will decline by some 25%, after several years of two-digit growth, primarily as a result of a general decline in sales across all segments (real estate, automotive industry, metallurgy, construction (50-70%), manufacturing (20-40%), IT (20%), expectations are favorable primarily because of a gradual decrease in the rate of decline in global trade, from the current level of 25% to some 15% through the end of the year. This is, in part, a result of the need to increase substantially depleted retail inventories, and will increase the chances for production growth and a gradual recovery of the global economy. Current developments indicate that companies which have managed to maintain their activities in the areas of manufacturing and services will benefit from a potential growth in market share since some competitors were destroyed by the crisis or acquired on highly favorable terms.

During the first quarter, the Government was faced with a much larger deficit than expected, a reduced budget income, and stringent IMF criteria for financial support. In an attempt to cope with the consequences of the financial crisis, the Government approved a package of measures to foster economic activities. Most of these measures focused on subsidized interest rates. Banks generally approved loans for working capital, but investment loans were largely symbolic. Even though tax increases were considered, the tax rate has remained unchanged. The first quarter is characterized by a substantial decline in manufacturing, especially after the cessation of production at the Smederevo Iron and Steel Mills. A large percentage of companies were struggling to maintain liquidity and the number of companies whose bank accounts were frozen increased rapidly. In view of the fact that its main task is to maintain monetary stability, the National Bank reduced the reference interest rate and intervened on the foreign exchange market on several occasions to halt the depreciation of the Dinar which is under extreme pressure. This exchange rate support had a negative impact on the country's foreign exchange reserves. Even though most countries are experiencing deflation as a result of the current crisis, Serbia was faced with significant inflation during the first quarter, mainly as a result of increasing infrastructure costs.

1.5 KEY CHARACTERISTICS OF TIGAR'S Q1 2009 BUSINESS POLICY

During the first quarter, Tigar focused on the continuation of its investment activities at the Tigar 3 location and on the modernization of its sales network in Serbia, in order to concentrate the manufacturing plants it controls at the Tigar 3 location and to restructure its domestic retail sales to generally target end users (both individuals and companies).

As part of the organization of the new production plants of Tigar Technical Rubber Goods, a selection was made of product lines which require fewer materials and achieve a high level of profitability. Based on profitability analyses, the plant which manufactures products from recycled rubber now ranks equal in priority with the „basic product lines“ of Tigar Technical Rubber Goods.

With regard to footwear exports, off-take manufacturing remained dominant but several arrangements were made with large European retail chains. A program for the development of Tigar-brand products was launched. During the period, Tigar's prepared a new Maniera autumn/winter collection primarily intended for the domestic market, but also for export.

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1.6 SIGNIFICANT BUSINESS ACTIVITIES COMPLETED DURING Q1 2009

During the period, preparations were made for the procurement of remaining equipment and tools, which will mark the completion of the footwear business modernization process this summer. These activities will be financed from the second disbursement of the DEG loan in the amount of two million Euros.

Production plants of Tigar Technical Rubber Goods (TTRG) at the Tigar 2 location were shut down and work on the new plants at the Tigar 3 location began. During the first quarter, a portion of the new production building was completed and available equipment was installed. The goal is to complete the new building for TTRG's basic product lines by the end of July. Some of the equipment is abroad undergoing reconstruction and some new equipment has arrived and will be installed shortly.

Tigar Trgovine (Domestic Sales Network) and Tigar Export-Import ceased their operations on 1 January, while a new commercial subsidiary – Tigar Trade – was incorporated. Tigar Trade is the legal successor of these two companies. All sales and purchasing activities and logistics for the footwear and technical rubber goods factories will be handled by Tigar Trade. It will also operate the automotive service network which sells tires and automotive products and provides automotive services.

The Serbian sales network modernization process continued. During the first quarter, activities were initiated in connection with the opening of new automotive service centers in Novi Sad and Indjija, and expansion of existing automotive service centers in Pirot and Niš. Preliminary and details designs were prepared for a new Bottega footwear retail chain.

Both Tigar AD and its Serbian subsidiaries submitted their 2008 financial reports to the National Bank of Serbia.

The Board of Directors adopted management's 2008 Annual Report and Version 0+1 of the 2009-2011 Business Plan.

The Vienna Stock Exchange was approached with a view to a potential dual listing of Tigar's stock but activities had to be suspended because of legal restrictions.

Activities continued with the company VMA in connection with the commissioning of new software for monitoring business operations in the areas of accounting, finances, sales, manufacturing, and inventories. BSC support will be provided to the Holding Company and its major subsidiaries.

1.7 KEY INVESTMENT ACTIVITIES

Tigar's key investment activities targeted the TTRG building at the Tigar 3 location, the reconstruction of a portion of its existing equipment, purchasing of new equipment for this factory, and purchasing of equipment under the Tigar Footwear Modernization Program. Due to previous inclement weather, construction work intensified in the latter half of March.

Investments in 000 RSD	Purchases of fixed assets
	January-March 2009
Tigar Technical Rubber Goods	6,103
Tigar Chemical Products	77
Tigar Footwear	13,379
Tigar Trade	5,130
Service Entities	2,242
Holding company	30,064
Total	56,995

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1.8 SALES

In view of the time required to bring the new system up to speed, Tigar Trade did not take over all the stocks and all the new products made by Tigar Footwear and Tigar Technical Rubber Goods. Instead, it collected only those quantities of products which were required to service customer needs. Plans call for Tigar Trade to start taking over all the new products it has ordered as of the second quarter, and to gradually take over all footwear and technical rubber goods stocks through the end of the year.

Tigar Footwear's sales income of 205 million was 5% higher than during the same period of the previous year. Footwear exports of 166 million during the first quarter were 15% higher than during the same period of last year. Domestic sales remained at comparable levels.

TTRG's result was some 60% lower than during the same period of the previous year, as a result of downtime and relocation. Products from stocks were sold during the period due to a lack of new products.

Tigar Chemical Products also reported lower sales levels relative to last year. However, in view of its product range, the first quarter is not typical. A large proportion of TCP's products are sold to the construction industry and road maintenance services. A substantial increase in sales is expected during the second quarter, based on confirmed local orders and firm arrangements for exports.

The automotive service network reported sales to the tune of 60 million Dinars, or 38% more than during the same period of the previous year.

Tigar Trade's sales structure was: 55% exports, 16% local wholesale, and 29% local retail. Most of the wholesale income comes from footwear sales. In the tire segment, 67% of sales were conducted via the automotive service centers, 29% via retail outlets, and only 4% via wholesale channels. Income from services amounted to 19% of total sales. This percentage is constantly increasing as the automotive service network expands.

1.9 CAPITAL MARKET POSITION

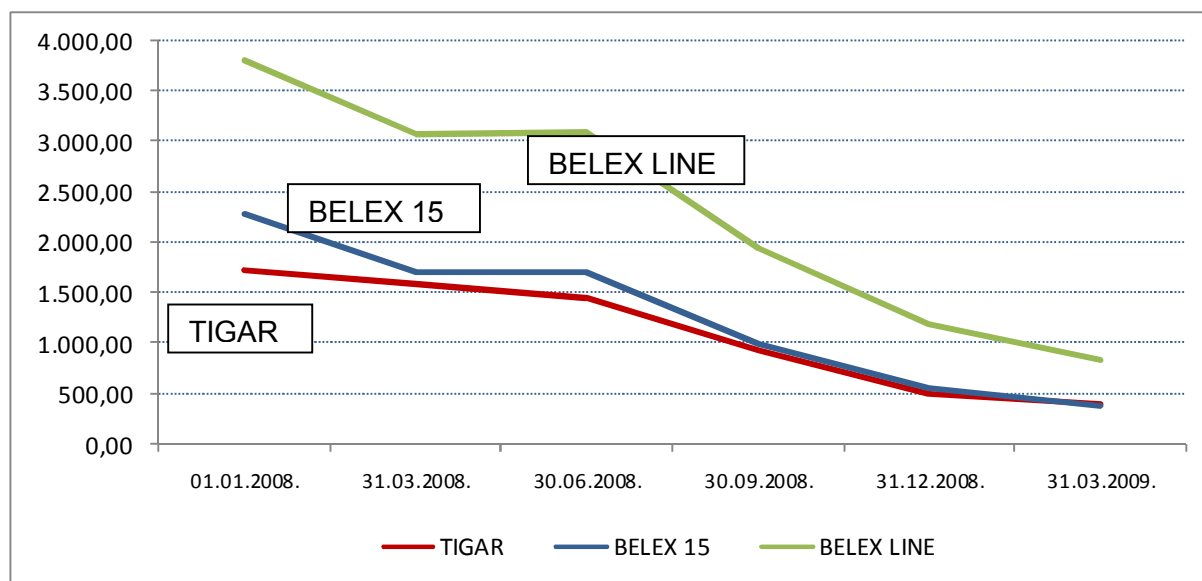
Share price movement during the period was consistent with Belgrade Stock Exchange index trends. As of 31 March 2009, the price of one Tigar share was 405 Dinars. It reached its historic minimum of 340 Dinars during the period.

This trend continues to be accompanied by low stock liquidity. During the period, there was no trading of Tigar stock for nine days. As opposed to January and February, when the demand was extremely low, the situation started changing in March and on some days the demand was several times higher than the supply. However, in view of the general index trends, this did not result in any price increase. During the first quarter, Tigar's market capitalization declined by 19.2% and was RSD 695,976,300.00 on 31 March 2009.

A parallel representation of Belgrade Stock Exchange indices and Tigar's share prices during the period shows a lower rate of decline of Tigar's stock.

Based on a November 2008 decision, the Company intervened in the market on 6 March and acquired 750 treasury shares at the prevailing price. According to the Law on Business Companies, these treasury shares will be disposed of or cancelled within one year.

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The table below shows major stock trading indicators and ratios based on market prices of shares during the period.

	31 DECEMBER 2008	31 MARCH 2009	% CHANGE
Number of shareholders	4,830	4,833	0,062
Number of shares	1,718,460	1,718,460	-
Book value of shares	1,562.93		
Stock market value of shares	501.00	405.00	-19,16%
Lowest price during the period	(12.03.2009.) – 340.00		
Highest price during the period	(05.01.2009.) -485.00		
Average for the period *	407.00		
Market capitalization, RSD	860,948,460.00	695,976,300.00	-19,16%
P/ BV **		0.26	
P/E ** *		5.45	
EPS ****		74,6	

* The average price is based on closing prices and the number of trading days during the period.

** Average market price to book value ratio.

*** Price-to-earnings ratio.

**** Earnings per share during the period.

Share price movement

Date	31 December 2007	31 December 2008	31 March 2009
Price	1.727,00	501,00	405,00

Changes in shareholder structure as of 31 March 2009

The previously-mentioned stock market developments did not have a major effect on the shareholder structure in general, or on the top ten shareholders. The two government funds did not change their interest in the Company and made no announcements during the period with respect to any intended action through the end of the year. The only change filed with the Central Registry of Securities during the first quarter pertains to the acquired treasury shares which are held via an SG custody account.

Shareholders	31-12-2008	31-03-2009	% Change
Legal entities	55.24%	53.91%	-1.33%
Individuals	28.57%	28.62%	0.05%
Custody accounts	16.18%	17.47%	1.29%

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In 2008, the number of shareholders was reduced from 4,924 to 4,830. This is generally the interval of the number of shareholders since mid-2007, when Tigar's stock began trading on the Prime Market of the Belgrade Stock Exchange. During the first quarter of 2009, the number of shareholders increased from 4,830 to 4,833.

Top ten shareholders as of 31 March 2009

	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.	ARTIO EQUITE FUND	120,631	7.02
4.	RAIFFEISEN ZENTRALBANK	99,702	5.80
5.	ERSTE BANK CUSTODY 00001	54,518	3.17
6.	SOCIETE GENERALE YUGOSLAV BANK	43,560	2.53
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE YUGOSLAV BANK	23,496	1.36
9.	SG CUSTODY	22,432	1.30
10.	UNICREDIT BANK, CUSTODY ACCOUNT	17,000	0.98
11.	DUNAV INSURANCE COMPANY	16,772	0.97
	TOTAL	1,001,491	58.22

*Pension and Disability Fund shares and treasury shares are non-voting shares.

At the end of March 2009, the largest shareholders held a total of one million shares (or 58.22%), of which 829,078 (or 48.2%) are voting shares.

In its communications with shareholders and investors, the Company duly complied with its Corporate Governance Code, the responsibilities it assumed when it was officially listed on the stock exchange, as well as international standards generally applicable to corporate reporting and interaction with shareholders and the investment community. Tigar's web site page which contains shareholder updates is among the four most frequently visited pages.

Tigar shares held by corporate management

Corporate management holds less than 1% of Tigar shares. The following table shows the number of shares held by members of the Board of Directors as of 31 March 2009.

Name	Shares held as of 31 May 2005	Shares held as of 31 March 2009	% of shares outstanding
Dragan Nikolić	880	880	0.0050
Jelena Petković	275	275	0.0017
Slobodan Sotirov	539	539	0.0030
Milivoje Nikolić	462	462	0.0024
Vladimir Nikolić	803	803	0.0050
Ljubiša Nikolovski	396	396	0.0026
Jose Alexandre F. da Costa	-	-	-
Dr. Živko Mitrović	-	-	-
Tihomir Nenadić	-	-	-

Members of the Supervisory Board hold no Tigar shares.

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2. RISKS

Risks related to Tigar's business

The greatest business-related risk is the timely implementation of the TTRG investment plan.

Risks related to raw material, fuel and energy prices

Oil price movements and general changes in the raw material market resulted in an increase in raw material prices during the period. However, there has been a downward trend since March.

Risks related to inflation, exchange rates, capital procurement and capital cost

Rising inflation has affected all inputs obtained from the domestic market, including salaries which, based on Tigar's labor union contract, must be adjusted when inflation exceeds 5%. In view of current inflation trends, the cost of salaries is expected to grow during the second quarter. High inflation has a considerable adverse effect on all Dinar costs, including energy costs. Only a portion of this increase was offset by increases in product prices since it is not possible to simply index prices in view of the overall situation and the current purchasing power. Consequently, optimization of all types of costs is required.

Risks related to shareholder and corporate structure

There were no major changes in stockholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be facing this type of risk in the near future, even though consolidation through capital increases is possible. However, management believes that any stockholding consolidation should not have a major impact on corporate business, development and investment policies. A potential risk is the government-owned stock which, based on current laws, must be disposed of before the end of this year. However, these laws are expected to be amended because there is a considerable delay in all privatization activities resulting from the current political environment. The best way to eliminate this risk would be to have the government-owned stock sold through a public offering, along with Tigar's capital increase following completion of the investment cycle by the year 2010; this would result in full stabilization of Tigar's existing businesses and the creation of positive conditions for entry into new business and project ventures.

Risks related to regulatory matters

A lack of recycling legislation continues to be Tigar's primary risk in this area, but also major changes (along with a short time frame) with respect to harmonization with EU legislation.

New legislation is expected to require tire manufacturers and importers to finance the collection, sorting, re-use and recycling of used tires, through membership in an organization which would be charged with these activities on their behalf. If the entire financial burden of collection continues to be the responsibility of utilities and minor collectors, no major progress in this area can be expected. The proposed system would provide material support for both tire collectors and recyclers.

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3. SUSTAINABLE DEVELOPMENT

3.1 EMPLOYEES

Number and structure

As of 31 March 2009, Tigar had 1,950 employees in Serbia. In addition, Tigar's subsidiaries in the United States, United Kingdom, the FRY of Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 79 local employees.

As of 31 March 2009, the employment structure was as follows:

Workforce as of 31 March 2009	
Company	Number of employees
Tigar AD	195
Tigar Footwear	747
Tigar Business Services	171
Tigar Technical Rubber Goods	222
Tigar Chemical Products	77
Tigar Trade	247
Others	291
Total	1,950

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 79 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 employee expenses incurred during the period by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals and local transportation subsidies amounted to 283,804,000 RSD. The table below shows paid salaries as a percentage of sales income.

Q1 2009 employee expenses			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales income
Tigar AD	20,820	35,535	52.62%
Tigar Footwear	59,589	101,923	49.54%
Tigar Business Services	13,566	23,211	33.62%
Tigar Technical Rubber Goods	17,912	30,392	115.20%
Tigar Chemical Products	6,828	11,681	46.81%
Tigar Trade	22,223	38,001	9.58%
Others	25,228	43,061	44.12%
Total	166,166	283,804	31.96%

Taxes, health insurance and pension fund contributions during the period amounted to 117,638,000 RSD.

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Optimization of human resources

Sixteen employees left Tigar AD and its subsidiaries during the period on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD				
Tigar Footwear	6	2		8
Tigar Business Services	4			4
Tigar Technical Rubber Goods		1		1
Tigar Chemical Products				
Tigar Trade		1		1
Others			2	2
Total	10	4	2	16

*Of these 16 employees, 1 left the Company voluntarily and 1 passed away.

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

Retrenchment is inherent in the restructuring process. This process will continue during 2009. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy.

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

Workforce downsizing costs and percentage of gross salaries		
	In 000 RSD	%
Tigar AD		
Tigar Footwear	2,142	2.10
Tigar Business Services	685	2.95
Tigar Technical Rubber Goods	485	1.60
Tigar Chemical Products		
Tigar Trade	512	1.35
Others		
Total	3,824	1.35

Professional education

Our policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2009.

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

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
TOTAL	37	11	12	16

Tuition and scholarship expenses paid during the period amounted to 1,582,700 RSD (or 0.56% of gross salaries).

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Employee training

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

Employee training			
	Internal	External	Total
Tigar AD	36	3	39
Tigar Footwear	74	3	77
Tigar Business Services	61	171	232
Tigar Technical Rubber Goods	37	3	40
Tigar Chemical Products	7	2	9
Tigar Trade	26	1	27
Others	79	33	112
Total	320	216	536

Q1 2009 employee training expenses amounted to 410,189RSD (or 0.14% of gross salaries).

3.2 QUALITY MANAGEMENT

At Tigar, the Quality Management System (QMS) and the Environmental Management System (EMS) are integral parts of the Integrated Management System (IMS). Certification and verification of compliance of the QMS and EMS systems with ISO 9001 and ISO 14001 standards are conducted by subsidiary and by specific manufacturing or service segment. YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC, conducts annual audits of the maintenance and enhancement of the IMS, based on issued certificates.

The implementation of an occupational health and safety management system per OHSAS 18001 is currently under way. The new system will be integrated into the existing management system. The integration elements have been defined and approved. Other implementation activities are proceeding according to plan. Certification is expected after the second quarter of this year, beginning with Tigar Footwear.

At Tigar Business Services, HACCP training of employees and preparations for the introduction of the safe food concept are currently in progress.

3.3 ENVIRONMENTAL PROTECTION

Tigar maintains sound environmental practices through its Environmental Management System, which was designed and implemented in 2003 in accordance with ISO 14001. Annual audits conducted by the Serbian certification body YUQS continue to confirm compliance with standards and applicable legislation, ongoing environmental improvements through the implementation of set objectives, and prevention of environmental accidents.

The key laws that drive Tigar's environmental policies are the following:

- *Environmental Protection Law*, Official Gazette 135/04;
- *Law on Integrated Prevention and Control of Pollution of the Environment*, Official Gazette 134/04;
- *Environmental Impact Assessment Law*, Official Gazette 135/04;
- *Waste Management Law*, Official Gazette 25/96, 26/96 and 101/05;
- *Water Law*, Official Gazette 46/91 – 101/05;
- *Fire Protection Law*, Official Gazette 53/93, 67/93, 48/94, 101/05; and
- *Law on Explosive Substances, Flammable Liquids and Gases*, Official Gazette 44/77, 45/85, 18/89, 53/93, 67/93, 48/94, and 101/05.

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In addition to the above laws, environmental impacts are regulated by a large number of by-laws, regulations and decrees, which have not been listed because of their large number.

The enactment of new laws is expected in the near future, as part of harmonization with EU directives. This legislation will include a new Waste Management Law, a Packaging Material and Packaging Waste Law, and a Chemicals Law, which are all applicable to Tigar's manufacturing businesses. Since the drafts of these laws are already available, activities aimed at ensuring compliance with new legal requirements are already under way.

General environmental concerns addressed by Tigar are the use of raw materials classified as hazardous substances, the generation of solid waste, the consumption of natural resources (energy and water), and, to a lesser extent, gas emissions and effluent discharges. Gaseous effluents are emitted by ventilation systems of the production plants and the power station emitter.

Tigar's operations are subject to stringent controls to ensure that they comply with applicable legislation, but also to minimize environmental impacts and achieve self-imposed goals such as energy and water saving.

The utilization of natural resources is an inevitable environmental aspect of manufacturing. Tigar's subsidiaries use both water from the public water supply system and industrial water. The number of metering points has been increased to facilitate detection of increased consumption and the undertaking of appropriate measures to ensure efficient consumption of this most important natural resource. Water is used for sanitary needs, as a source of energy (steam), and as a cooling fluid. None of Tigar's subsidiaries uses water as part of its manufacturing processes and, as such, Tigar's water uses do not result in any pollution originating from such sources (i.e., no industrial wastewater is discharged).

Tigar's liquid effluents, generally standard urban wastewaters, are discharged into the public sewage system in accordance with the conditions stipulated in Tigar's Water Permit. Wastewater quality is routinely monitored by certified laboratories, in accordance with the law, and is always found to be compliant. This monitoring encompasses a number of parameters which demonstrate any significant impact on the recipient – the Nišava River. All indicators to date have shown that the impact of Tigar's wastewater is equal to that of wastewater discharged from residential areas (urban wastewater). Consistent

with the use of water by the Company, no exceedance of maximum permissible concentrations (MPCs) of pollutants has been recorded. Quantities of wastewater are estimated based on water consumption and atmospheric precipitation, and applicable charges are paid accordingly.

Apart from other materials, manufacturing subsidiaries store and use in their production processes certain raw materials which have properties of "hazardous" substances, including flammable liquids and gases. These substances are purchased, stored, and used in accordance with applicable regulations. Records of hazardous substances are kept and annual reports submitted to the Ministry of Environmental Protection in accordance with the Regulation on the Methodology for Chemical Accident and Environmental Protection Risk Assessments, on Preparation Measures, and Impact Elimination Measures (Official Gazette, nos. 60/94 and 63/94). All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet, derived from the manufacturer's MSDS, is provided for each raw material. In addition to the preventative measures which are in place for raw material storage areas, accident response plans have been prepared in the event of spillage, to protect employee and environmental health. Tigar's manufacturing

Wastewater quality test results				
<i>Test conducted by the Publik Health Institute from Niš Lab accredited per ISO 17025</i>				
Item	Required lab test	Unit	Limit values	Test results
1	Water temperature ⁰ C	⁰ C	up to 40	15.1
2	pH	mg/l	6.0-9.5	6.9
4	Ammonium ion - NH ₄ ⁺	mg/l	-	25.5
5	Nitrates- NO ₃ ⁻	mg/l	30	2
6	Nitrites - NO ₂ ⁻	mg/l	50	not detected
7	Chlorides - Cl ⁻	mg/l	500	26
8	Sulfates - SO ₄ ²⁻	mg/l	350	30.7
9	KMnO ₄ demand	mg/l	-	138
10	Detergents	mg/l	10	0.88
11	Sedimentable solids	mg/l	1	0.05
12	Suspended solids	mg/l	500	110
13	BOD	mg/l	300	107
14	COD	mg/l	450	217
15	Oil and grease	mg/l	40	22.5
16	Chromium - Cr ⁶⁺	mg/l	0.1	not detected
17	Chromium - Cr ³⁺	mg/l	0.5	not detected
18	Lead - Pb	mg/l	2	not detected
19	Cadmium - Cd	mg/l	2	not detected
20	Zinc - Zn	mg/l	5	0.329
21	Copper - Cu	mg/l	2	0.028
22	Nickel - Ni	mg/l	3	not detected
23	Manganese - Mn	mg/l	-	not detected
24	Iron - Fe	mg/l	5	not detected

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subsidiaries (Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products) have undergone special inspection within the scope of the national SAVECO Project, whose objective is to identify facilities and structures in which hazardous substances that can cause chemical accidents are manufactured, stored or used. The quantities of hazardous substances stored by Tigar are far below critical levels for potential chemical accident situations.

Tigar's waste generated by manufacturing processes is classified in accordance with the Regulation on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). Solid recyclable waste is kept at Tigar's Secondary Raw Materials Warehouse only for short periods of time and then sold to waste recyclers via Tigar Workshop. Non-recyclable waste and waste which cannot be used as a secondary raw material for any other process is deposited at the municipal landfill. Waste generated by all Tigar subsidiaries is disposed of under contract with Pirot's solid waste utility. Since there is no hazardous waste dumpsite in Serbia, such waste was stored in special, secured containers on the Company's grounds and was regularly inspected. Waste oil is an exception; it is returned to the refinery for recycling. Waste management at Tigar is defined by internal regulations which set forth waste flow procedures and control.

A modern, automated power station, designed to fire natural gas or fuel oil, has been installed at the Tigar 3 location which hosts Tigar's manufacturing entities. The old boiler facility, which fired solid fuel (coal), ceased operating in August 2008. In addition to higher efficiency and the elimination of slag which constitutes hazardous waste, the quality of gas emissions has significantly improved. Environmental impact assessments have been prepared for all new facilities. This included public participation as required by law.

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

<i>Emission test results, power station emitter</i>			
<i>Tests conducted by the 1 may Institute from Niš, Lab accredited per ISO 17025</i>			
<i>Parameter</i>	<i>Unit</i>	<i>Test results average</i>	<i>Emission limit values</i>
<i>Carbon monoxide concentration</i>	<i>mg/m3</i>	<i>12</i>	<i>250</i>
<i>Sulfur dioxide concentration</i>	<i>mg/m3</i>	<i>1957.3</i>	<i>3200</i>
<i>Nitrogen oxide concentration</i>	<i>mg/m3</i>	<i>44</i>	<i>450</i>
<i>Particulate matter concentration</i>	<i>mg/m3</i>	<i>9.6</i>	<i>100</i>
<i>Inorganic fluoride and chlorine compounds were not detected</i>			

None of Tigar's subsidiaries uses or stores radioactive substances.

There are no pending proceedings against Tigar or its subsidiaries relating to environmental issues. There are also no litigation proceedings involving Tigar arising out of environmental issues.

Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products, and Tigar Workshop submitted information to the Environmental Protection Agency, as required for the Integrated Register of Polluters pursuant to the Environmental Protection Law (Article 75) and Regulations on the Integrated Polluter Register Development Methodology (Official Gazette no. 94/07). These obligations also include reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste, types and quantities of hazardous substances), and submission of information about major raw materials, manufactured products, and the like. All of this information is accessible to the public.

Regular inspections were conducted and compliance with environmental legislation was confirmed.

3.4 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.

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Registered trademarks as of 31 March 2009

Appl. No.	Appl. Date	Reg. No.	Trademark	Valid until	Holder
Ž-247/80	30.04.80	31499	Tigar	21.12.17	Tigar AD
Ž-2606/06	14.11.06	54763	Tigar	14.11.16	Tigar AD
Ž-84/385	17.01.84	29947	Tigar Tg 615	25.05.17	Tigar AD
Ž-947/07	30.04.07	55640	Tigar Planinarski Dom	30.04.17	Tigar AD
Ž-918/07	27.04.07	55822	Tigar Tours	27.04.17	Tigar AD
Ž-842/07	18.04.07	55612	Markol	18.04.17	Tigar AD
Ž-1129/07	17.05.07	55735	Tigar Incon	17.05.17	Tigar AD
Ž-890/80	11.07.03	49590	Tigar Sporting Goods	11.07.13	Tigar AD
Ž-152/07	29.01.07	56018	Tigar	29.01.17	Tigar AD
Ž-1703/07	26.07.07	56315	Tigar Footwear	26.07.17	Tigar AD
Ž-1704/07	26.07.07	56315	Tigar Obuca	26.07.17	Tigar AD
Ž-2440/07	17.10.07	56371	Tigar Chemical Products	17.10.17	Tigar AD
Ž-2441/07	17.10.07	56370	Tigar Tehnička guma	17.10.07	Tigar AD
Ž-2/08	03.01.08	57651	Tigar Poslovni servis	03.01.18	Tigar AD
Ž-212/08	05.02.08		Tigrostik	-	Tigar AD
Ž-211/08	05.02.08		Tigrolux	-	Tigar AD
Ž-214/08	05.02.08	57650	Tigropren	05.02.18	Tigar AD
Ž-213/08	05.02.08	57649	Tigrokol	05.02.18	Tigar AD
Ž-768/08	31.03.08	-	Hotel Stara Planina	-	Tigar AD
Ž-1433/08	06.06.08	-	Overload	-	Tigar AD
Ž-1475/08	11.06.08	-	Waterpolo Senior	-	Tigar AD
Ž-1473/08	11.06.08	-	Waterpolo Mini Mini	-	Tigar AD
Ž-1431/08	06.06.08	-	Waterpolo Junior	-	Tigar AD
Ž-1472/08	11.06.08	-	Special	-	Tigar AD
Ž-1432/08	06.06.08	-	Basketball Tg21 Official	-	Tigar AD
Ž-1474/08	11.06.08	-	Neos	-	Tigar AD
Ž-1469/08	11.06.08	-	Tricker Ball Basketball	-	Tigar AD
Ž-1471/08	11.06.08	-	Bistro fishing buoy	-	Tigar AD
Ž-1468/08	11.06.08	-	Overload Handball	-	Tigar AD
Ž-1470/08	11.06.08	-	Dynamic Overload	-	Tigar AD
Ž-1429/08	06.06.08	-	Overload Waterpolo Junior	-	Tigar AD
Ž-1467/08	11.06.08	-	Overload Waterpolo Mini Mini	-	Tigar AD
Ž-1476/08	11.06.08	-	Overload Waterpolo Senior	-	Tigar AD
Ž-1430/08	06.06.08	-	Basketball TG21 Overload	-	Tigar AD
Ž-2441/07	17.10.07	-	Tigar Tehnička guma	-	Tigar AD
Ž-2681/08	03.11.08	-	Trapper	-	Tigar AD
Ž-2906/08	02.12.08	-	Seeking hunter	-	Tigar AD
Ž-2905/08	02.12.08	-	Waiting hunter	-	Tigar AD
Ž-2682/08	03.11.08	-	Pesca	-	Tigar AD
Ž-2679/08	03.11.08	-	Rainy days	-	Tigar AD
Ž-2680/08	03.11.08	-	Nancy	-	Tigar AD
Ž-2678/08	03.11.08	-	Ladybird	-	Tigar AD
Ž-2677/08	03.11.08	-	Ratar	-	Tigar AD
Ž-2676/08	03.11.08	-	Balerina	-	Tigar AD
Ž-2675/08	03.11.08	-	Work	-	Tigar AD
Ž-2904/08	02.12.08	-	Polar	-	Tigar AD
Ž-2674/08	03.11.08	-	Protecta	-	Tigar AD
Ž-2673/08	03.11.08	-	Forestry Line	-	Tigar AD
Ž-2672/08	03.11.08	-	Fireproof	-	Tigar AD
Ž-2671/08	03.11.08	-	Cryo	-	Tigar AD
Ž-2670/08	03.11.08	-	Sparkle safety	-	Tigar AD
Ž-2661/08	31.10.08	-	Firefighter Super Safety	-	Tigar AD
Ž-2662/08	31.10.08	-	Century Super Safety	-	Tigar AD
Ž-2659/08	31.10.08	-	Century 4000 Safety	-	Tigar AD
Ž-2660/08	31.10.08	-	Forester 3000	-	Tigar AD
Ž-2903/08	02.12.08	-	Trendy	-	Tigar AD
Ž-247R/80	30.04.80	49044	Tigar	30.09.15	Tigar Tyres
Ž-1369/05	17.10.05	49768	Tigar Tyres	17.10.15	Tigar Tyres
Ž-1373/05	17.10.05	49792	Hitris Logo	17.10.15	Tigar Tyres
Ž-1371/05	17.10.05	49819	Cargo Speed Logo	17.10.15	Tigar Tyres
Ž-1372/05	17.10.05	49912	Wintera Logo	17.10.15	Tigar Tyres
Ž-1468/05	31.10.05	53797	Tigar Trade	31.10.15	Tigar Trade
International trademark	03.07.97	675 773	Tigar	20.05.17	Tigar AD
USA	24.10.78	675 773A	Tigar	20.05.17	Tigar Tyres
USA	02.11.07	1174089	Tigar Logo	15.08.12	Tigar Americas Corp.
USA		77320619	Tigar	-	Tigar Americas Corp.

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Canada	25.05.90	368832	Forester	25.05.15	Tigar Footwear
Finland	20.11.85	94345	Forester	20.11.15	Tigar Footwear
Norway	14.11.85	123042	Forester	14.11.15	Tigar Footwear
Sweden	26.07.85	0197287	Forester	26.07.15	Tigar Footwear
UK	23.06.95	2025055	Century	23.06.15	Tigar Footwear
UK	31.05.84	1219898	Forester	31.05.15	Tigar Footwear
UK	23.06.95	2025057	Forester	23.06.15	Tigar Footwear

The flagship trademark is «a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet» (Article 17 of the Articles of Association). The 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 proceedings for recording of the assignment have been completed for Serbia and the member states of the Madrid Agreement. Transfer to the US is pending.

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

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

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

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

Article 12 (3) of the Particular Collective Contract stipulates that employees have a right to be remunerated for copyrights, technical innovations, and improvements in production processes. The 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.

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3.5 INFORMATION TECHNOLOGIES

The IT Function is a part of Tigar AD which provides data management services to Tigar. Its key activities include:

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

The IT Function employs 16 individuals, 13 of whom are university graduates. It is comprised of two departments:

The Programming and Development Department, and
The Installations Department.

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

The Installations Department employs four engineers. Two of these engineers are in charge of data entry and one operates the system console. This department installs and maintains hardware and operating system software at workstations, monitors the operation of the host computer, installs user applications, defines users and grants access privileges.

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

In the Central Computer Room there is a production server - IBM POWER-6 M25 with the IBM operating system OS400 V5R4 and DB2 database - which is used for communications, development, applications and access to databases. The disaster recovery machine is IBM POWER-6 M15, with the same operating system. There is an IBM POWER-6 M15 machine at another location, the ICT Center at Tigar 3. These two systems communicate directly, via optical cabling. Using IBM's ITERA software installed on both machines, databases are replicated on-line and in real time such that, in the event of failure of the production server, the M15 machine can assume all of its functions and become the main production server until the M25 server is back on line. This ensures continuous operation of the entire IT system and uninterrupted access by users.

Additional security is provided by tape backups, using the system's tape library.

Files are backed up daily at three levels. Media containing backups are kept in a metal safe under lock and key. Entry into the Central Computer Room is limited to essential personnel – system engineers who have coded access. A data warehouse server (with a Windows 2000 operating system and Progress database), internet server, intranet server, web server, DNS server, and mail server are also located in the Central Computer Room. Only computer equipment made by reputable manufacturers (e.g., IBM and Dell) is used.

Tigar's business entities and the IT function are linked via optical cabling. Local networks within the entities use UTP Class 5 cabling, while UTP Class 6 (transmission speed up to 1 Gbit/s) cabling is used at the new, Tigar 3

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location. The network protocol is TCP/IP. Wireless networks are also available at the corporate administration building and the new Tigar Footwear factory.

Tigar's entire communication network is protected from unnecessary broadcast traffic within the network and between workstations by virtual LANs deployed by functional entity. This also enhances network performance in terms of speed, response, and data transmission. A total of 15 virtual LANs are available within the Corporation.

Control of Internet traffic is provided by means of additional Juniper-140 hardware and software components, which ensure faster response and data transmission, higher network and user security through a server in the DMZ zone, as well as enhanced performance of the overall system.

Links with distant locations (regional offices and warehouses) are supported by a L3VPN corporate network with a throughput of 2Mb/sec. It provides online access to and by the Niš, Belgrade and Novi Sad branch offices, and the warehouses at Šimanovci and Temerin. These facilities use warehouse and general business applications in real time. Data transmission and Internet connection protocols are independent, to prevent unauthorized access via the Internet.

A Juniper hardware firewall was installed at the business center in Belgrade. It allows safe external access to the Tigar network. The separation of Internet traffic and data transmission significantly increases the access and response speed and provides a comfortable work environment.

The Company uses all data transmission systems supported by Telecom: FR (frame relay) link to the internet provider, primary ISDN, FTP internet service for communication with branch offices, retail outlets, and regional centers, and the like. A Falcon video conferencing system with three ISDN lines has been installed.

The Tigar 3 location and the corporate administration building at the Tigar 1 location use an IP telephone switchboard - AWAYA S8300, which includes a media server - Awaya6700. Communication with Telekom is established via two primary ISDNs and 60 incoming lines. The switchboard currently services 450 extensions, but can be expanded to 900 extensions, 34 wireless base units (DECT phones), and 24 analog channels. Three "conference rooms" are currently active. They are accessed via authorization codes. Each phone of the Awaya 1608 system can be used to set up an internal conference with five other participants from Tigar, without using the "conference room". The old OMNI switchboard was fully integrated with the new IP AWAYA system and both function as a single communication system. Internal software allows for easy administration and maintenance of the corporate telephone system, controlled access and use, as well as cost monitoring and management by user, group of users or business unit.

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

Appropriate software support has been provided for all organizational changes in the interim. A new environment and all the necessary software is in place for the new subsidiary – Tigar Trade. Maintenance and continual software enhancements constitute an ongoing activity.

Full application support has been provided for comprehensive use of the IBM POWER-6 M25 server by Tigar Footwear, Tigar Chemical Products, and Tigar Incon. The same activity is nearing completion at the Pirot Free Zone.

Main features of Tigar's Information System include:

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.
- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.
- **Highest level of security:** System security is under the full control of the administrator; there is a three-tiered data security feature which ensures:
 - Protection from unauthorized access;

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

3.6 SOCIAL RESPONSIBILITY

In keeping with its social responsibility policy, Tigar is committed to a high level of responsibility to the community in which it earns its profits. All social stakeholders and representatives, both within the Company and beyond, are treated in a socially responsible and ethical manner. Corporate social responsibility (CSR) is ensured by our strategic corporate documents and the Corporate Governance Code, which constitute an integral part of Tigar's overall business policy. Tigar's vision, mission corporate values clearly define its relationships with employees, customers, the local community and society, and its attitude toward the environment, which constitute a balanced approach and are consistent with CSR strategies that are well-established today.

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Respect for our customers

The Company demonstrates its responsibility to customers through the production and distribution of safe, high-quality products; it offers a product mix and designs which meet customer needs, at competitive prices and on a continual basis. During the period, the Company developed a number of highly sophisticated and attractive products and provided unique services to the Serbian market. Tigar acquired the Century Division of the UK safety boot manufacturer Hunter Boot Limited, demonstrating its orientation toward products which ensure the highest level of safety for their users. Being the exclusive distributor of Rocky products in Serbia, Tigar is able to offer a special group of customers – hunters – unique footwear and apparel of the highest quality. Following its responsible approach, Tigar offered various incentives and opportunities to customers, suppliers and the community. The quality we offer and our focus on our customers are demonstrated by our commitment to ISO and other applicable standards, and regular customer satisfaction surveys.

Respect for our employees

Respect for our employees is one of the most important aspects of our CSR policy. In line with the principle that employee health and safety are our number one priority, during the period we conducted training courses for all new employees in fire protection, use of personal safety aids, handling of hazardous and toxic substances, and measures to be undertaken in the event of undesirable situations. We also ensured that all newly acquired equipment was certified as required by applicable legislation.

Based on the Occupational Health and Safety Law, and as stipulated by Workplace and Work Environment Risk Assessment Regulations, we prepared a comprehensive risk assessment report. We also made all the necessary preparations and conducted training courses in connection with the implementation of the Occupational Health and Safety Management System in accordance with OHSAS 18001.

Employee injuries were monitored with respect to two indicators: frequency and severity. Both indicators showed downward trends during the period.

With the goal of raising employee awareness of the importance of prevention and early detection of thyroid gland ailments, Tigar made arrangements for thyroid gland examinations for its employees.

The distribution of hot meals to employees was enhanced during the period. Tigar's system is similar to those which exist in West European countries. Employees are allowed to select the quantities and types of food, and to manage their allowances for this purpose by means of electronic debit cards.

Active communication with shareholders and investors:

During the period, Tigar AD duly adhered to its Corporate Governance Code, the responsibilities it assumed when it was A-listed on the Belgrade Stock Exchange, and sound international practices relating to transparent reporting and communication with shareholders and the investment community. Active communication with these target groups was implemented through:

- Regular annual and quarterly performance reporting;
- Significant event reports and media releases concerning business activities of interest to shareholders and the general public;
- Posting of resolutions of the General Assembly of Shareholders (which held two sessions during the period) on our web site;
- Direct communication with shareholders and investors via respective corporate services, and participation in investor conferences;
- The issue of bi-lingual reports and information releases.

Tigar AD and the immediate and wider community:

Tigar's manufacturing plants have been striving to develop product lines which follow environmental protection and sustainable development guidelines. Tigar's footwear factory was moved from downtown Pirot to an industrial zone. At this location, a new power station was built to ensure efficient use of energy. Tigar developed the production of items made from recycle rubber and developed entirely new products in the Serbian Market – tactile rubber aids for blind and visually impaired individuals. These products enable such individuals to virtually function like any other member of society. Tigar's responsibility is also demonstrated by its commitment to

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efficient and prudent use of natural resources. Last year, Tigar entered into a joint venture with the local government and the Italian company Dakotra, which resulted in the incorporation of Tigar Energo. This company's plans call for the construction of several small hydro power plants. Tigar Workshop opened a new facility for the collection and recycling of metal waste. In addition to Tigar's waste of this type, Tigar Workshop handles metal waste from the Town of Pirot and surrounding areas.

In line with its long-term HR policy, Tigar grants student loans to top high school students who decide to pursue studies in the fields of engineering (chemical, electrical and mechanical), economics, law, and similar fields from which Tigar sources its staff.

Philanthropy:

During the period, the Company was engaged in a number of philanthropic activities, in line with its policy of providing assistance and support to projects that contribute to the welfare of large groups of citizens. Many donations were made and humanitarian campaigns conducted in key areas of social life, such as education, culture, science, health, and sports. Three courts (basketball, volleyball and handball), made from recycled rubber, were installed at the National Sports Agency in Košutnjak, in collaboration with the Ministry of Youth and Sports, to promote this environmentally-friendly product.

Tigar is again sponsoring the annual Pirot Cultural Summer, the most extensive cultural event in the area. It has also sponsored a number of winter and summer schools of sports, which were attended by several thousand youngsters.

CSR promoter:

In 2008, Tigar AD maintained a balanced CSR approach, favoring no single area or target group. The synergy of ethical business approaches, care for the environment, a sound employee policy, collaborative relationships with the local community and with society in general, and a high respect for shareholders, customers and business partners, resulted in a broad-based implementation of our CSR policy. Our CSR concept was commended by the Serbian Chamber of Economy and the German organization Invent, which awarded the highest recognition to Tigar on 14 March 2008 for its CSR achievements, within the scope of the project „Establishment of Corporate Social Responsibility in Southeast Europe“.

During the period, Tigar, in collaboration with the Balkan Community Initiatives fund, organized a regional conference - CSRBia 2008: New Challenges for Corporate Social Responsibility. The goal of this gathering of CSR specialists was to promote CRS in the region, particularly among small and medium companies, and to enhance inter-sectorial dialog.

3.7 CORPORATE GOVERNANCE

During the period, Tigar duly adhered to its adopted Corporate Governance Code—the Codex. Activities continued with the IFC and an external consultant on a Tigar AD corporate governance refinement project. A revised version of Tigar AD's current Articles of Association was drafted. None of the proposed amendments affect shareholder rights. Instead, they address the decision-making scope of the Board of Directors, the separation of the Board of Directors/Executive Board chairperson function from that of the Chief Executive Officer function, the transfer of decision-making powers relating to long-term borrowing, which do not fall within the scope of high-value transactions, from the General Assembly of Shareholders to the Board of Directors (in order to allow for some current short-term loans to be replaced with much more favorable international long-term loans), and several minor adjustments to reflect current regulations in this area.

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4. MANAGEMENT

The management structure is 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 documents and the status of its assets. It reports findings in these and other specific areas to shareholders. At its annual session held on 4 June 2008, the GAS re-elected the Board of Directors.

As of 31 March 2009, the corporate governing bodies are as follows:

Board of Directors

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

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

During the period, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 3,117,152. The Board of Directors held two meetings during the period.

Executive Board

The structure and composition of the Executive Board has not changed since the last published report.

The Executive Board consists of eight members:

Name	Position at Tigar
Dragan Nikolić	Chief Executive Officer
Jelena Petković	Executive Director (ED) for Corporate Management Support
Đorđe Džunić	ED for Financial Affairs
Miodrag Tančić	ED for Manufacturing
Slobodan Sotirov	ED for Quality Management
Branislav Mitrović	ED for IT and Investments
Milivoje Nikolić	ED for Human Resources

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

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

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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
Marko Steljić	Chairman	Chief Executive Officer emeritus, Jugobanka (now Alfa Banka)
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration
Dragan Milosavljević	Member	<i>Ministry of Finance, Treasury Administration, Belgrade</i>

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

Members of the Supervisory Board received an aggregate gross compensation of 242,152 RSD during the period.

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5. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY

5.1. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. In 2008, there were four manufacturing plants at two separate locations. The larger location held tire, rubber goods, and chemicals products manufacturing facilities. Tigar Footwear was located at a separate site. It moved to the Tigar 3 location, which was purchased in 2006 and refurbished and prepared for re-location in 2008. During this time, the Tigar 3 project was booked as a „capital project in progress“. Tigar owns several buildings in Belgrade, and Tigar Trade owns buildings across Serbia (office buildings, warehouses, and retail outlets).

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. Buildings used by other manufacturing subsidiaries are owned by them, while Tigar owns the buildings used by service subsidiaries.

Based on a resolution of Tigar AD's General Assembly of Shareholders concerning the sale of a portion of infrastructure-enabled land at the Tigar 2 location, and the pertinent contract with Tigar Tyres dated 27 March 2008, Tigar Tyres acquired 148,274 m² of additional industrial land (and the surface area of un-built land owned by Tigar AD was reduced by as much).

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

Land

The total number of cadastral lots owned by Tigar and its subsidiaries is 123 as of 31 March 2009. Their total surface area is 339,147 m², of which 269,298 m² is undeveloped land. The book value of the land is RSD 35,637,051.08.

Buildings

Tigar and its main subsidiaries own a total of 140 buildings (this figure excludes Tigar Trade, which has 27 buildings).

The total surface area of the buildings owned by Tigar and its subsidiaries is 69,849 m² (of which 6,583 m² are owned by Tigar Trade).

As of 31 March 2009, the book value of buildings owned by Tigar and its major subsidiaries was RSD 1,331,084,489.13.

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

BOOK VALUE OF BUILDINGS (RSD)			
ENTITY	31 December 2007	31 December 2008	31 March 2009
Tigar AD	158.535.507,71	65.722.853,24	190.265.801,52
Tigar Trade DSN	95.142.125,90	117.476.083,94	142.595.060,75
Tigar Technical Rubber Goods	827.305,00	772.021,00	758.201,00
Tigar Chemical Products	49.261.268,72	46.749,00	46.134,00
Tigar Footwear	29.965.650,20	781.764.477,38	810.357.995,74
Tigar Workshop	4.447.654,61	11.122.403,23	11.128.963,84
Tigar Business Services	3.254.784,64	64.798.304,78	64.485.239,78
Tigar Tours	0,00	6.562.088,10	6532245,10
Tigar Hotel StarA	1.278.075,76	81.298.046,40	80.927.895,40
Tigar Security	924.612,31	882.584,31	872.077,31
Free Zone	28.502.993,12	29.647.119,79	29.647.119,79
Total:	372.139.977,97	1.160.092.731,17	1.331.084.489,13

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Material encumbrances

The Company's material encumbrances at the end of March 2009 were as follows:

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

- Agreement no. 3617/04 dated 6 October 2004, EUR 704,494.39 (outstanding balance EUR 404,724.72);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,397,235.77); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,357,313.65).

5.2 LEGAL PROCEEDINGS

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

The largest disputes at the corporate level occurred prior to 2000. They include the following (amounts shown do not include interest):

DEFENDANT	CLAIM
TREPČA-Zvečan	9.637.376
UNION BANKA	6.194.000
LOLA KORPORACIJA	7.159.000
2M-Pirot	2.247.300
TIGAR PROM-Nova Varoš	3.636.000
PRIMA TREJD-Kučevo	1.174.680
TOTAL	30.048.356

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), or a lack of assets (Prima Trejd –Kučevo).

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

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6. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES

6.1 TIGAR FOOTWEAR

Products

Tigar Footwear produces a variety of rubber footwear products addressing different segments of the market. Its main footwear lines include:

- *General-purpose footwear*
- *Hunting and fishing rubber boots*
- *Safety rubber boots*
- *Work rubber boots*

The footwear business went through major changes in 2008, the most important among them being the closure of its old factory and the opening of a new factory at the Tigar 3 location.

The Completion of the physical implementation of the Tigar Footwear modernization program is scheduled for July 2009. The aggregate amount of capital expenditure in 2009 is 2.5 million Euros, which was fully covered by the proceeds of a DEG long-term capital loan. The equipment to be installed in 2009 will increase the level of productivity, improve quality, and reduce waste and scrap levels.

During the first quarter, Tigar Footwear mostly manufactured low footwear and work boots for the domestic market, and made export items to order. Additionally, products for four new foreign customers were developed, tools are currently being fabricated, and production will begin during the second quarter. Pre-contractual activities were completed with new customers who own international retail chains. Characteristic of the period is that some customers delayed their orders to reduce the number of inventory days. In view of the orders expected in the second quarter, Tigar Footwear focused its production activities on the domestic market during the period, in order to have sufficient capacity to manufacture products for the international market and the new collection of women's fashion footwear and children's footwear in the second quarter.

Development activities focused on new groups of products for international customers as well as on products made under Tigar's proprietary brand names. The latter will continue to receive special attention since, following the acquisition of the Century Division, Tigar became the owner of several internationally-recognized brand names. Another characteristic of the period is a considerably weaker position of Tigar Footwear's European competition and the shutting down of a number of factories. This is an opportunity for Tigar Footwear because of the fact that it is a European manufacturer and that its competitive strengths, including its quality of service and short delivery times, are substantial.

The reported increase in finance expenses is a result of foreign exchange losses in connection with Tigar Footwear's long-term loan granted by DEG.

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Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	1,171,806	1,174,672
	Current assets	922,422	782,406
	Deferred tax assets		
	Total assets	2,094,228	1,957,078
Equity and liabilities			
	Equity	817,610	801,578
	Non-current liabilities	477,782	500,985
	Current liabilities	797,387	653,066
	Deferred tax liabilities	1,449	1,449
	Total equity and liabilities	2,094,228	1,957,078

Free cash flow in 000 RSD	As of 1 January 2009	As of 31 March 2009
Net profit	34,655	-16,033
+ Depreciation	14,978	10,940
+Reserved costs for benefits	10,774	-7,681
+Recovery on provisions		
Cash flow from operation	60,407	-12,774
Capital expenditures	1,070,596	13,805
Inventory increase (decrease)	-48,540	82,309
+Receivables increase (decrease)	170,451	-190,637
-Liabilities increase (decrease)	-15,296	-162,320
Working capital increase (decrease)	137,207	53,993
Free cash flow	-1,147,395	-80,572

Income Statement in thousands of Dinars	1 st Quarter 09	Change relative to January-March 2008
Operating income	331,568	16%
Operating expenses	301,900	5%
Profit from operations	29,668	gain vs loss
Finance income	9,544	202%
Finance expenses	53,053	609%
Other income	111	-100%
Other expenses	2,133	1788%
Profit(loss) before taxation	-15,863	-131%
Income taxes	170	
Deferred income tax expense		
Deferred income tax benefit		
Net result for the period	-16,033	-131%

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6.2 TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods (TTRG) manufactures:

- Pressed rubber products
- Rubber profiles for the construction and automotive industries
- Sporting goods
- Rubber hoses
- Rubber-metal products
- Semi-finished rubber products

In 2008, TTRG operated at its old facilities at the Tigar 2 location, which were sold to Tigar Tyres as part of the overall transaction with Michelin since TTRG will move to the Tigar 3 location. Currently operating at the Tigar 3 location are several segments of the TTRG's "basic" product lines, which do not require large amounts of materials and are highly profitable. The new factory layout allows for considerable cost cuts, particularly in the area of energy consumption.

However, TTRG proceeded with the necessary preparations and preliminaries. These activities and down payments for ordered equipment, whose production began in 2008, were financed from cash flow and a €0.6M short-term loan. This loan will be refinanced from a long-term capital loan which will be procured in 2009. Plans call for a total investment in TTRG's basic product lines and production of products made from recycled rubber in the order of €6M, of which 2.5M will be invested in buildings and infrastructure, and 3.5M in equipment.

Based on the positive outcome of the acquisition of the Century Division for the footwear business, similar negotiations were initiated with a northern European company that manufactures products from recycled rubber. It has highly efficient equipment and holds a substantial market share. If due diligence reviews confirm preliminary assessments, Tigar will probably purchase the entire business rather than only new machinery and equipment.

A lot of time and effort was invested in negotiations with foreign and domestic partners and financial organizations regarding the recycling business. However, the implementation of this project was deferred until next year in anticipation of appropriate regulation which will be the profitability driver of this segment.

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Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	96,364	106,584
	Current assets	327,351	240,253
	Deferred tax assets	556	555
	Total assets	424,271	347,392
Equity and liabilities			
	Equity	174,416	134,948
	Non-current liabilities	12,405	11,964
	Current liabilities	237,450	200,480
	Total equity and liabilities	424,271	347,392

Free cash flow in 000 Dinars	As of 1 January 2009	As of 31 March 2009
Net profit	4,586	-39,467
+ Depreciation	8,006	2,365
+Reserved costs for benefits	1,238	-485
+Recovery on provisions		
Cash flow from operation	13,830	-37,588
Capital expenditures	77,798	12,585
Inventory increase (decrease)	85,368	-10,331
+Receivables increase (decrease)	-190,145	-74,649
-Liabilities increase (decrease)	-249,950	-40,379
Working capital increase (decrease)	145,173	-44,600
Free cash flow	-209,141	-5,572

Income Statement in thousands of Dinars	1 st Quarter 09	Change relative to January-March 2008
Operating income	29,517	-65%
Operating expenses	66,010	-27%
Profit from operations	-36,493	-527%
Finance income	1,944	323%
Finance expenses	4,988	2310%
Other income	156	-99%
Other expenses	13	-94%
Profit (loss) before taxation	-39,394	-330%
Income taxes	73	-98%
Deferred Income tax expense		
Deferred Income tax benefit		
Net result for the period	-39,467	-417%

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6.3 TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products (TCP) manufactures:

- *Special adhesives for conveyor belts*
- *Road paint*
- *Industrial and general-purpose adhesives*
- *Coatings, solvents, thinners and chemicals*

In view of the fact that TCP's plants at the Tigar 2 location were transferred to Tigar Tyres as part of the overall transaction with Michelin, some of TCP's activities focused on preparations for the opening of new plants at their new location as of the end of 2009. In view of the fact that TCP manufactures chemical products, the opening of new manufacturing facilities will take longer and require compliance with a number of special regulatory requirements than would otherwise not be the case.

Even though Q1 production and sales levels were lower than during the same period of the previous year, TCP has already negotiated a number of contracts and obtained firm orders from customers which guarantee a considerable growth during the second quarter and through the end of the year.

Q1 2009 financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	13,568	12,369
	Current assets	362,156	188,363
	Deferred tax assets	595	596
	Total assets	376,319	201,328
Equity and liabilities			
	Equity	110,263	93,162
	Non-current liabilities	2,101	2,101
	Current liabilities	263,955	106,065
	Total equity and liabilities	376,319	201,328

Free cash flow in 000 RSD	As of 1 January 2009	As of 31 March 2009
Net profit	204,135	-17,101
+ Depreciation	6,727	1,276
+Reserved costs for benefits	-628	0
+Recovery on provisions		
Cash flow from operation	210,234	-15,825
Capital expenditures	-54,277	77
Inventory increase (decrease)	-24,713	7,916
+Receivables increase (decrease)	221,323	-180,678
-Liabilities increase (decrease)	85,222	-157,890
Working capital increase (decrease)	111,389	-14,872
Free cash flow	153,122	-1,029

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Income Statement in thousands of Dinars	1 st Quarter 09	Change relative to January-March 2008
Operating income	28,653	-18%
Operating expenses	35,733	-9%
Profit from operations	-7,080	-59%
Finance income	1,327	54%
Finance expenses	7,764	4143%
Other income	994	-94%
Other expenses		-100%
Profit (loss) before taxation	-12,523	-195%
Income taxes	4,578	
Deferred Income tax expense		
Deferred Income tax benefit		
Net result for the period	-17,101	-230%

6.4 TIGAR TRADE – DOMESTIC SALES NETWORK

Tigar Trade was incorporated in December 2008 and began its operations on 1 January 2009. It is the exclusive distributor of Tigar's footwear and technical rubber goods, and it also sells tires, automotive afterparts, and a range of products made by non-Tigar manufacturers, including footwear.

Tigar Trade conducts purchasing, sales, and logistics. Its sales function is divided into international sales, sales to end users via a network of automotive service shops and retail outlets, and wholesale. Tigar Trade is pursuing its investment activities in accordance with its investment plan related to the Serbian market, which calls for further development of the automotive service network and the establishment of a Bottega footwear retail chain in 2009.

Tigar Trade is a limited liability company incorporated with minimal initial capital. It is the legal successor of Tigar Trgovine (Tigar's domestic sales network) and Tigar Export-Import, which ceased their operations on 1 January 2009, at which time Tigar Trade's opening balance sheet was drawn up. During the first quarter, relative to the opening balance sheet, Tigar Trade reduced its working capital by 21 million Dinars, but also reduced its current liabilities by 109 million Dinars. This has ensured the necessary balance between current liabilities and working capital. Tigar Trade refinanced a short-term loan originally granted by the SG Bank with a long-term loan from Banca Intesa to support the establishment of this balance. Being the legal successor of the previously mentioned companies, it has assumed all of their commitments and rights, and taken over their stocks. Tigar Trade reported finance expenses of 13.5 million, which are largely a result of foreign exchange losses incurred by Tigar Export Import, which reduced its bottom line of 15.2 million Dinars.

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Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	274,417	283,074
	Current assets	1,228,310	1,207,674
	Deferred tax assets		
	Total assets	1,502,727	1,490,748
Equity and liabilities			
	Equity	184,395	187,465
	Non-current liabilities	9,138	103,236
	Current liabilities	1,308,363	1,199,216
	Deferred tax liabilities	831	831
	Total equity and liabilities	1,502,727	1,490,748

Free cash flow in 000 RSD	As of 31 March 09
Net profit	3,068
+ Depreciation	5,114
+Reserved costs for benefits	-884
+Recovery on provisions	
Cash flow from operation	7,298
Capital expenditures	13,772
Inventory increase (decrease)	121,770
+Receivables increase (decrease)	-140,849
-Liabilities increase (decrease)	-255,780
Working capital increase (decrease)	236,701
Free cash flow	-243,174

Income Statement in thousands of Dinars	1 st Quarter 09
Operating income	419,703
Operating expenses	404,429
Profit from operations	15,274
Finance income	2,373
Finance expenses	13,448
Other income	991
Other expenses	1,708
Profit (loss) before taxation	3,482
Income taxes	414
Deferred Income tax expense	
Deferred Income tax benefit	
Net result for the period	3,068

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6.6 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 collaboration with its partners, Tigar plans to expand Tigar Europe's sales network in order to increase its sales of tires and other products (primarily rubber footwear and rubber goods). This company will also continue to provide purchasing services and support potential corporate projects in the UK, as well as play a more active role in other EU markets.

Q1 2009 financials

Balance Sheet in thousands of GBP		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	9	8
	Current assets	5,193	5,021
	Deferred tax assets		
	Total assets	5,201	5,029
Equity and liabilities			
	Equity	3,124	3,184
	Non-current liabilities		
	Current liabilities	2,077	1,845
	Total equity and liabilities	5,201	5,029

Tigar Europe 000 GBP	1 st Quarter 08	1 st Quarter 09	Change relative to Q 1 2008
Turnover	3,071	3,137	2%
Cost of sales	2,807	2,927	4%
Gross Profit	264	211	-20%
Administrative expenses	124	143	15%
Operating Profit	140	68	-51%
Interest receivable	28	8	-73%
Commission	4	7	
Profit on Ordinary Activities Before Taxation	172	83	-52%
Tax on profit on ordinary activities	48	23	-52%
Retained Profit for the Financial Year	124	60	-52%

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6.7 THE BALKANS: Tigar Partner, Tigar Trade (Banja Luka), and Tigar Montenegro

All the companies in the Balkans operated as conventional wholesale companies and mostly sold products made by Tigar Tyres. Footwear was also sold, but to a much lesser extent. Over the past several years, these companies have reported basically the same levels of income and operating results. The company in Montenegro was the top performer. Future development of these companies will depend on the level of investment which will, in turn, depend on the outcome of a study to be prepared in 2009. The studies will address marketing approaches, the required level of investment, potential effects of modernization, and liquidity.

TIGAR MONTENEGRO

Balance Sheet in thousands of EUR	Opening balance as of 1 January 09	31 March 2009
Assets		
Non-current assets	4	4
Current assets	255	288
Deferred tax assets		
Total assets	259	293
Equity and liabilities		
Equity	100	104
Non-current liabilities		
Current liabilities	159	188
Total equity and liabilities	259	293

Free cash flow in 000 EUR	As of 1 January 2009	As of 31 March 2009
Net profit	56	4
+ Depreciation	1	0
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	58	4
Capital expenditures	1.1	0
Inventory increase (decrease)	43	-2
+Receivables increase (decrease)	-71	46
-Liabilities increase (decrease)	-58	29
Working capital increase (decrease)	31	15
Free cash flow	26	-11

Income Statement in thousands of EUR	1st Quarter 09	Change relative to Q1 2008
Total income	169	-5%
Total expenses	165	-3%
Profit (loss) before taxation	4	-56%
Income taxes	0	
Deferred Income tax expense	0	
Deferred Income tax benefit	0	
Net result for the period	4	-56%

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TIGAR TRADE (Banja Luka), REPUBLIKA SRPSKA

Balance Sheet in thousands of KM	Opening balance as of 1 January 09	31 March 2009
Assets		
Non-current assets	272	264
Current assets	2,216	2,009
Deferred tax assets		
Total assets	2,488	2,273
Equity and liabilities		
Equity	466	438
Non-current liabilities	15	15
Current liabilities	2,008	1,820
Total equity and liabilities	2,488	2,273

Free cash flow in 000 KM	As of 1 January 2009	As of 31 March 2009
Net profit	108	-28
+ Depreciation	32	8
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	140	-20
Capital expenditures	0	0
Inventory increase (decrease)	285	158
+Receivables increase (decrease)	697	-330
-Liabilities increase (decrease)	364	-281
Working capital increase (decrease)	618	109
Free cash flow	-478	-129

Income Statement in thousands of KM	1st Quarter 09	Change relative to Q 1 2008
Total income	507	-1%
Total expenses	534	5%
Profit (loss) before taxation	-28	-7356%
Income taxes	0	
Deferred Income tax expense	0	
Deferred Income tax benefit	0	
Net result for the period	-28	-7356%

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TIGAR PARTNER, MACEDONIA

Balance Sheet in thousands of Denars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	1,162	1,008
	Current assets	43,004	33,208
	Deferred tax assets		
	Total assets	44,165	34,215
Equity and liabilities			
	Equity	17,922	17,829
	Non-current liabilities	0	0
	Current liabilities	26,243	16,387
	Total equity and liabilities	44,165	34,215

Free cash flow in 000 Denars	As of 1 January 2009	As of 31 March 2009
Net profit	1,684	-93
+ Depreciation	536	154
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	2,220	61
Capital expenditures	1,477	0
Inventory increase (decrease)	6,448	-2,251
+Receivables increase (decrease)	1,312	-2,987
-Liabilities increase (decrease)	8,769	-9,857
Working capital increase (decrease)	-1,009	4,618
Free cash flow	1,752	-4,557

Income Statement in thousands of Denars	1st Quarter 09	Change relative to Q1 2008
Total income	10,920	-2%
Total expenses	11,013	-1%
Profit (loss) before taxation	-93	-1692%
Income taxes	0	-100%
Deferred Income tax expense	0	
Deferred Income tax benefit	0	
Net result for the period	-93	-902%

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6.8 SERVICE ENTITIES

In addition to the three manufacturing entities and the Tigar Trade network of domestic retail outlets and automotive service centers, Tigar operates a number of service subsidiaries that it developed, for the most part, during the trade embargo against Yugoslavia because it was unable to outsource these services. 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.

Tigar’s major service businesses include:

Construction, which offers all types of services relating to construction and maintenance of buildings and infrastructures. This unit is supported by an engineering group. During the period, most of this unit’s activities focused on the Tigar III location.

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.

Planinarski Dom Hotel, which offers a broad range of accommodations and restaurant/catering services for tourists, business travelers, delegations, sports teams, and cultural groups visiting southern Serbia.

Food production for internal needs of Tigar AD and Tigar Tyres. Plans call for this business to expand and offer services to non-Tigar customers.

RTV 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 within the Industrial Zone of Pirot and covers 17 ha, 46 a, and 29 m² of infrastructure-enabled land. The total surface area controlled by the PFZ is 65 ha, 2 a and 26 m², including its own railroad track and 150 telephone lines. 59 companies currently operate in the Free Zone, including 40 foreign companies. In addition to tax and other advantages, companies in the Zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the Pirot Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.

Workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling, laundry services, and several other types of support services.

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Tigar Business Services financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	145,023	141,148
	Current assets	87,360	80,214
	Deferred tax assets	0	0
	Total assets	232,383	221,362
Equity and liabilities			
	Equity	100,718	96,179
	Non-current liabilities	38,275	39,815
	Current liabilities	93,021	84,999
	Deferred tax liabilities	369	369
	Total equity and liabilities	232,383	221,362

Free cash flow in 000 Dinars	As of 1 January 2009	As of 31 March 2009
Net profit	4,813	-4,538
+ Depreciation	12,661	4,132
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	17,475	-407
Capital expenditures	95,703	256
Inventory increase (decrease)	3,484	-4,417
+Receivables increase (decrease)	-2,579	-4,047
-Liabilities increase (decrease)	-10,855	-4,352
Working capital increase (decrease)	11,760	-4,113
Free cash flow	-89,989	3,449

Income Statement in thousands of Dinars	1 st Quarter 09	Change relative to Q1 2008
Total income	73,650	-19%
Total expenses	78,150	-9%
Profit (loss) before taxation	-4,500	-184%
Income taxes	38	-83%
Deferred Income tax expense	0	
Deferred Income tax benefit	0	
Net result for the period	-4,538	-189%

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Other service subsidiaries: Aggregate financials

	1 st Quarter 09	Change relative to Q1 2008
Income Statement in thousands of Dinars		
Operating income	90,370	-100%
Operating expenses	78,525	-24%
Profit from operations	11,845	179%
Finance income	281	-19%
Finance expenses	412	227%
Other income	77	-94%
Other expenses	16	-94%
Profit (loss) before taxation	11,775	114%
Income taxes	151	14%
Deferred Income tax expense		
Deferred Income tax benefit		
Net result for the period	11,624	116%

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Free Zone financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09	31 March 2009
Assets			
	Non-current assets	119,913	121,241
	Current assets	30,665	38,220
	Deferred tax assets	23	23
	Total assets	150,601	159,483
	Off-balance sheet assets	23,000	
Equity and liabilities			
	Equity	134,045	138,139
	Non-current liabilities*	2,160.00	2,160.06
	Current liabilities	14,396	19,185
	Deferred tax liabilities	0	0
	Total equity and liabilities	150,601	159,483
	Off-balance sheet liabilities	23,000	
* after changes in Non-current liabilities in 2008			

Free cash flow in 000 Dinars	As of 1 January 2009	As of 31 March 2009
Net profit	8,116	4,094
+ Depreciation	2,405	
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	10,521	4,094
Capital expenditures	8,083	1,305
Inventory increase (decrease)	53	-105
+Receivables increase (decrease)	-2,079	5,781
-Liabilities increase (decrease)	-5,788	4,788
Working capital increase (decrease)	3,762	888
Free cash flow	-1,325	1,901

Income Statement in thousands of Dinars	1 st Quarter 09	Change relative to Q1 2008
Total income	14,884	-12%
Total expenses	10,790	-4%
Profit (loss) before taxation	4,094	-27%
Income taxes		
Deferred Income tax expense		
Deferred Income tax benefit		
Net result for the period	4,094	-27%

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7. HOLDING COMPANY PERFORMANCE

7.1 FINANCIAL RESULT

Tigar AD did not make changes to its accounting policies during the period. Internal audit activities proceeded according to plan.

The first quarter of 2009 is mainly characterized by continued investments in the outfitting of new industrial facilities, financing of these investments from cash flow and occasional short-term loans (to bridge gaps until proceeds of long-term loans become available), and capital gain associated with the sale of Tigar's 10% stake in Tigar Tyres to Michelin.

Although extraordinary income is a considerable portion of total income, reported results are realistic because this extraordinary income is covered by a cash infusion, meaning that this was not a paper transaction but a highly successful business transaction. The allocation of most of the cash received to new industrial facilities and development shows that the funds were used to increase the worth of the Company and create a solid basis for its further growth and its sound performance in the coming years.

The negative bottom line is largely the outcome of the business results reported by the Holding Company which is, in turn, the result of the income and expense reporting method. Tigar AD, whose main activity is holdings, earns income from sales of services and from rentals. On the other hand, all of its expenses, except finance expenses, are reported as operating expenses. All other types of income, including dividends from subsidiaries, other finance income, and extraordinary income from asset-related transactions, are not reported as operating income even though this income was earned as a result of the core activity of the Holding Company (i.e., the management of its subsidiaries). This disparity in Holding Company financials is a result of the method applied in reporting operating income and is the largest contributor to the negative consolidated result.

Initial consequences of the global financial crisis were felt in the area of procurement of loans and increasing capital cost, will not have a significant impact on the Company's bottom line at the end of the year. The 4th quarter is dominated by sales of products required for the winter season, whose value is not such that it must be financed from loans.

7.2 TIGAR AD'S CONSOLIDATED FINANCIAL RESULT

Consolidated Balance Sheet in thousands of Dinars		Opening balance sheet as of 1 January 09	31 March 2009
Assets			
	Non-current assets	3,931,668	3,513,752
	Current assets	3,017,447	3,150,043
	Deferred tax assets	18,015	2,029
	Total assets	6,967,130	6,665,823
Equity and liabilities			
	Equity	3,745,192	3,874,299
	Non-current liabilities	760,909	897,991
	Current liabilities	2,338,456	1,771,791
	Deferred tax liabilities	122,573	121,743
	Total equity and liabilities	6,967,130	6,665,823

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Income statement in thousands of Dinars	Actual I-III 2009.
Total income	1,186,094
Total expenses	1,050,059
Profit/ (Loss) before taxation	136,035
Income taxes	15,767
Deferred Income Tax expense	
Deferred Income Tax benefit	
Net result for the period	120,269
Minority interest	1,566
Tigar ad	118,703

7.3 TIGAR AD'S UNCONSOLIDATED FINANCIALS

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 09 (audited)	31 March 2009
Assets			
	Non-current assets	2,859,685	2,561,038
	Current assets	1,219,416	1,274,212
	Deferred tax assets	655	655
	Total assets	4,079,756	3,835,905
Equity and liabilities			
	Equity	2,736,793	2,864,651
	Non-current liabilities	206,127	224,691
	Current liabilities	1,136,836	746,563
	Total equity and liabilities	4,079,756	3,835,905

Income Statement in thousands of Dinars	1st Quarter 09	Change relative to Q1 2008
Total income	333,644	-42%
Total expenses	196,344	-51%
Profit (loss) before taxation	137,300	-19%
Income taxes	9,152	
Deferred Income tax expense		
Deferred Income tax benefit		
Net result for the period	128,148	-24%

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Cash flow in thousands of Dinars	As of 1 January 2009	As of 31 March 2009
Cash flows from operating activities		
Inflow from operating activities	176,296	96,559
Outflow from operating activities	569,030	564,331
Net cash used in operating activities	-392,734	-467,772
Cash flows from investing activities		
Inflow from investing activities	917,126	769,306
Outflow from investing activities	766,233	30,064
Net cash (used in)/from investing activities	150,893	739,242
Cash flows from financing activities		
Inflow from financing activities	292,141	621,894
Outflow from financing activities	113,877	829,182
Net cash provided by/(used in) financing activities	178,264	-207,288
Net increase/decrease in cash and cash equivalents	-63,577	64,182
<i>Cash and cash equivalents at beginning of year</i>	113,277	52,935
<i>Foreign exchange gains on translation of cash and cash equivalents</i>	7,762	1,578
<i>Foreign exchange losses on translation of cash and cash equivalents</i>	4,527	2
<i>Cash and cash equivalents at the end of the year/period</i>	52,935	118,693

TIGAR AD

TIGAR AD

Jelena Petković
Executive Director for Corporate
Management Support

Dragan Nikolić
Board of Directors Chairman