



TIGAR AD PIROT

# JANUARY-SEPTEMBER 2008 INTERIM REPORT

Distribution:

e: [www.tigar.com](http://www.tigar.com)  
p: Board of Directors  
Supervisory Board  
File

Key words: TIGAR, REPORT, INTERIM 2008		Document reference
		<b>IZ.P.08/05</b>
Date: 11 November 2008	Author: Jelena Petković	Approved by: Dragan Nikolić

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## TABLE OF CONTENTS

<b>1. INTRODUCTION</b> .....	<b>4</b>
<b>1.1 BASIC FACTS</b> .....	<b>4</b>
<b>1.2 CORPORATE STRUCTURE</b> .....	<b>4</b>
<b>1.3 KEY INDICATORS OF JANUARY-SEPTEMBER 2008 PERFORMANCE</b> .....	<b>5</b>
<b>1.4 SIGNIFICANT BUSINESS ACTIVITIES COMPLETED DURING         THE JANUARY-SEPTEMBER 2008 PERIOD</b> .....	<b>9</b>
<b>1.5 KEY INVESTMENT ACTIVITIES</b> .....	<b>10</b>
<b>1.6 SALES</b> .....	<b>11</b>
<b>1.7 CAPITAL MARKET POSITION</b> .....	<b>12</b>
<b>2. RISKS</b> .....	<b>14</b>
<b>3. SUSTAINABLE DEVELOPMENT</b> .....	<b>16</b>
<b>3.1 EMPLOYEES</b> .....	<b>16</b>
<b>3.2 QUALITY MANAGEMENT</b> .....	<b>19</b>
<b>3.3 ENVIRONMENTAL PROTECTION</b> .....	<b>19</b>
<b>3.4 INTELLECTUAL PROPERTY</b> .....	<b>22</b>
<b>3.5 INFORMATION TECHNOLOGIES</b> .....	<b>24</b>
<b>3.6 SOCIAL RESPONSIBILITY</b> .....	<b>26</b>
<b>3.7 CORPORATE GOVERNANCE</b> .....	<b>27</b>
<b>4. MANAGEMENT</b> .....	<b>28</b>
<b>5. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY</b> .....	<b>30</b>
<b>5.1. REAL ESTATE</b> .....	<b>30</b>
<b>5.2 LEGAL PROCEEDINGS</b> .....	<b>31</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

<b>6. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES.....</b>	<b>32</b>
<b>6.1 TIGAR FOOTWEAR.....</b>	<b>32</b>
<b>6.2 TIGAR TECHNICAL RUBBER GOODS.....</b>	<b>33</b>
<b>6.3 TIGAR CHEMICAL PRODUCTS.....</b>	<b>34</b>
<b>6.4 TIGAR TRADE – DOMESTIC SALES NETWORK.....</b>	<b>35</b>
<b>6.5 TIGAR EXPORT-IMPORT.....</b>	<b>36</b>
<b>6.6 TIGAR AMERICAS , USA.....</b>	<b>37</b>
<b>6.7 TIGAR EUROPE , UK.....</b>	<b>38</b>
<b>6.8 THE BALKANS: Tigar Partner, Tigar Trade (Banja Luka), and Tigar Montenegro.....</b>	<b>39</b>
<b>TIGAR MONTENEGRO.....</b>	<b>39</b>
<b>TIGAR TRADE (Banja Luka), REPUBLIKA SRPSKA.....</b>	<b>40</b>
<b>TIGAR PARTNER, MACEDONIA.....</b>	<b>41</b>
<b>6.9 SERVICE ENTITIES.....</b>	<b>42</b>
<b>7. HOLDING COMPANY PERFORMANCE.....</b>	<b>46</b>
<b>7.1 FINANCIAL RESULT.....</b>	<b>46</b>
<b>7.2 TIGAR AD'S CONSOLIDATED FINANCIAL RESULT.....</b>	<b>47</b>
<b>7.3 SEGMENTED RESULTS.....</b>	<b>48</b>
<b>7.4 TIGAR AD'S UNCONSOLIDATED FINANCIALS.....</b>	<b>49</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 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:** 2,137 at 30/9/2008

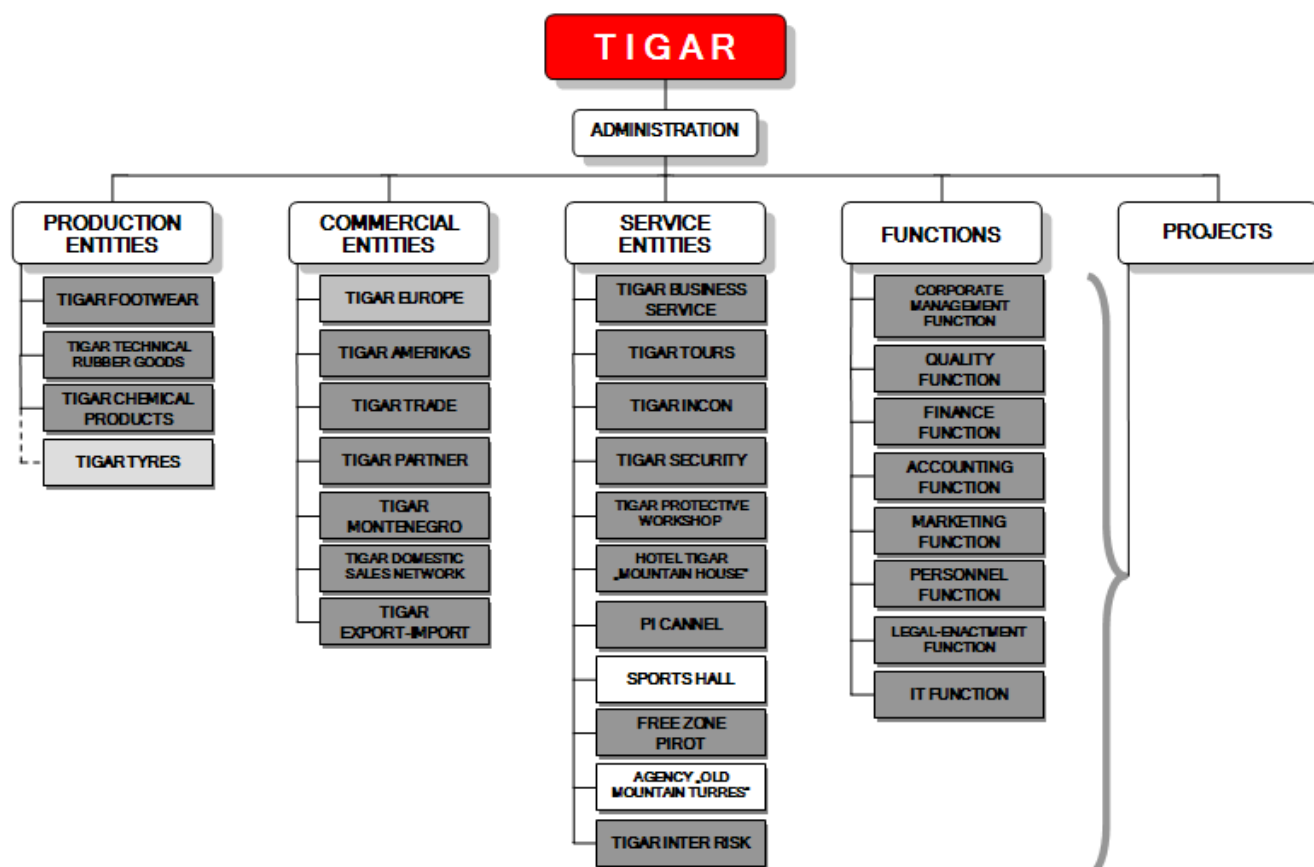
**Number of shareholders:** 4,835 at 30/9/2008

**Capital:** 2,971,108 (000 RSD) at 30/9/2008

**Assets:** 4,060,320 (000 RSD) at 30/9/2008

**Capitalization:** 1,615,352 (000 RSD) at 30/9/2008

### 1.2 CORPORATE STRUCTURE

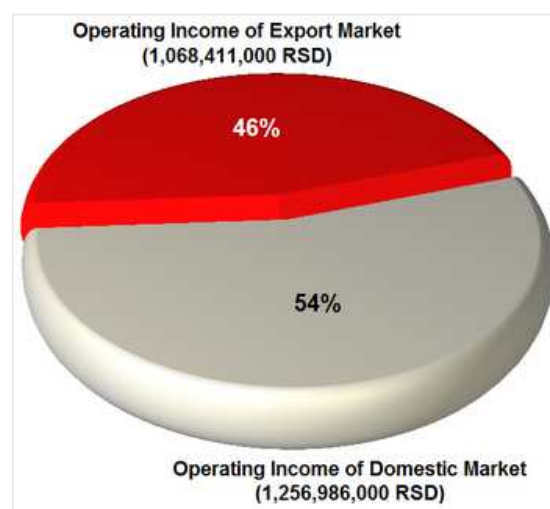


<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

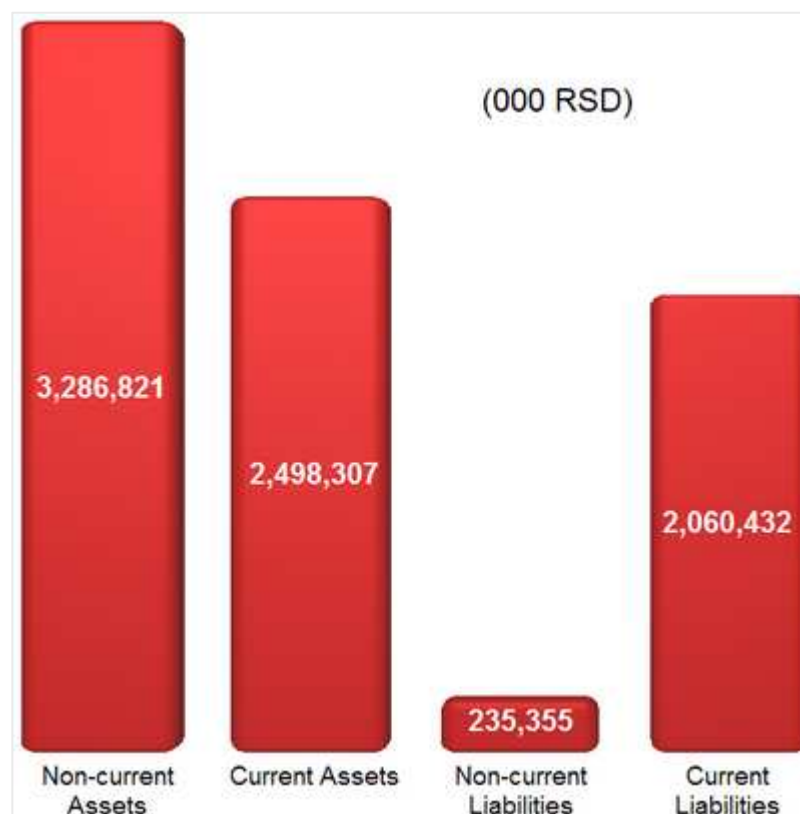
### 1.3 KEY INDICATORS OF JANUARY-SEPTEMBER 2008 PERFORMANCE

#### *BREAKDOWN OF JANUARY-SEPTEMBER 2008 CONSOLIDATED SALES INCOME*

Sales revenue in thousands of Dinars for period Januar- September by entity	Total
Tigar Technical Rubber Goods	246,498
Tigar Chemical Products	164,253
Tigar Footwear	581,967
Trade	1,746,887
Business Services	703,449
Holding Company	117,892
Total for all entities	3,560,947
Elimination	-1,235,550
<b>Consolidated sales revenue</b>	<b>2,325,396</b>



#### *CONSOLIDATED BALANCE SHEET STRUCTURE AS OF 30 SEPTEMBER 2008*



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

<b>Equity investments (000 RSD) unconsolidated</b>	<b>31 December 2007</b>	<b>30 September 2008</b>
Related parties	1,999,608	2,468,980
Other legal entities	200	200
Adjustments	253,714	14,571
<b>Total:</b>	<b>1,746,094</b>	<b>2,454,609</b>

<b>Changes in equity (000 RSD) unconsolidated</b>	<b>31 December 2007</b>	<b>30 September 2008</b>
Balance, beginning of the year/period	2,683,587	2,685,839
Profit for the year/period	48,734	390,179
Dividends	-43,477	-104,911
Other	-3,005	
Balance at the end of the year/period	2,685,839	2,971,107

<b>Tigar AD's consolidated financials in thousands of dinars</b>	<b>Janurary-September 2008</b>
Assets	5,804,082
Equity	3,443,895
Total revenues	3,992,599
EBIT	943,774
EBITDA	1,013,058
Net income	811,559
<u>Significant ratios</u>	
Return on equity	23.57%
Debt-to-assets ratio	0.40
<u>Liquidity and solvency ratios</u>	
Current Ratio	1.21
Quick ratio	0.51
Debt / Equity	0.67
<u>Ratios</u>	
ROE	23.57%
ROA	13.98%
Net profit/operating income	30.94%
Net profit/total income	20.33%
Total financial liabilities/capital	34.79%

Note: Financials were not consolidated for the first nine months of 2007 and are, therefore, not shown in the above table.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### Comparison of unconsolidated results

<b>Tigar AD's unconsolidated financials in thousands of dinars</b>	<b>Actual I-IX 2007</b>	<b>Actual I-IX 2008</b>	<b>% change</b>
Total assets	3,449,682	4,060,320	18%
Equity	2,655,241	2,971,108	12%
Total income	388,583	1,302,965	235%
EBIT	27,378	467,095	1606%
EBITDA	40,122	477,984	1091%
Neto prihod	15,131	390,179	2479%
<u>Significant ratios</u>			
Return on equity	0.57%	13.13%	2205%
Return on shareholders equity	0.73%	18.92%	2479%
Debt-to-assets ratio	0.23	0.27	16%
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.81	1.19	-34%
Quick ratio	1.76	1.17	-33%
Debt / Equity	0.30	0.36	22%
<u>Other ratios</u>			
ROE	0.57%	13.13%	2205%
ROA	0.44%	9.61%	2091%
Neto profit/total income	3.89%	29.95%	669%

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## Key subsidiary performance indicators

<b>TIGAR</b>		
<i>(000 RSD)</i>		
<b>PRODUCTION ENTITIES</b>	<b>TIGAR AD</b>	
	Equity: 2,971,108 Total revenues: 1,302,965 EBITDA: 477,984	
<b>TIGAR FOOTWEAR</b>	<b>COMMERCIAL ENTITEE</b>	
Equity: 843,347 Total revenues: 932,884 EBITDA: 120,985	<b>TIGAR DOMESTIC SALES NETWORK</b>	
<b>TIGAR TEHNICAL RUBBER GOODS</b>	Equity: 188,792 Total revenues: 619,759 EBITDA: 6,437	<b>FREE ZONE PIROT</b>
Equity: 153,303 Total revenues: 288,732 EBITDA: -1,833	<b>TIGAR EXPORT-IMPORT</b>	Equity: 133,754 Total revenues: 48,180 EBITDA: 8,821
<b>TIGAR CHEMICAL PRODUCTS</b>	Equity: 7,759 Total revenues: 681,456 EBITDA: 9,029	<b>TIGAR BUSINESS SERVICE</b>
Equity: 74,465 Total revenues: 168,910 EBITDA: 1,973	<b>TIGAR MONTENEGRO</b>	Equity: 107,747 Total revenues: 287,548 EBITDA: 25,030
	Equity: 126 Total revenues: 674 EBITDA: 53 <i>(000 EUR)</i>	<b>HOTEL TIGAR „MOUNTAIN HOUSE“</b>
	<b>TIGAR PARTNER</b>	Equity: 75,115 Total revenues: 13,791 EBITDA: -4,824
	Equity: 19,709 Total revenues: 38,511 EBITDA: 2,450 <i>(000 DEN)</i>	<b>TIGAR TOURS</b>
	<b>TIGAR TRADE</b>	Equity: 9,637 Total revenues: 4,647 EBITDA: 813
	Equity: 438 Total revenues: 2,091 EBITDA: 86 <i>(000 KM)</i>	<b>TIGAR INTER RISK</b>
	<b>TIGAR EUROPE</b>	Equity: 1,269 Total revenues: 3,434 EBITDA: 92
	Equity: 3,072 Total revenues: 10,457 EBITDA: 535 <i>(000 GBP)</i>	<b>TIGAR SECURITY</b>
	<b>TIGAR AMERICAS</b>	Equity: 16,928 Total revenues: 55,665 EBITDA: 6,688
	Equity: 534 Total revenues: 545 EBITDA: 89 <i>(000 USD)</i>	<b>TIGAR PROTECTIVE WORKSHOP</b>
		Equity: 6,863 Total revenues: 41,760 EBITDA: 11,128
		<b>TIGAR INCON</b>
		Equity: 28,667 Total revenues: 278,108 EBITDA: 2,289
		<b>PI CANNEL</b>
		Equity: 3,489 Total revenues: 12,395 EBITDA: 880
		<b>SPORTS HALL</b>
		Equity: 13,287 Total revenues: 898 EBITDA: 50



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## **1.4 SIGNIFICANT BUSINESS ACTIVITIES COMPLETED DURING THE JANUARY-SEPTEMBER 2008 PERIOD**

An extraordinary session of the General Assembly of Shareholders (GAS) was held in February 2008, at which the GAS approved the sale of Tigar AD's 30% stake in Tigar Tyres for 18.6 million euros (in three equal installments, between July 2008 and February 2010), and the sale of land at the Tigar 2 location for approximately 7 million euros. This transaction, worth 32 million euros in total, also includes the sale of buildings at the Tigar 2 location, which are owned by Tigar's subsidiaries.

The annual session of the General Assembly of Shareholders was held in June. The GAS approved 2007 financial statements and distribution of profits, and elected the Board of Directors.

In June 2008, Tigar Footwear shut down its production facilities at its previous location. New production facilities, at the Tigar 3 location, were put into operation in September 2008.

During the period, a Senior Loan Agreement and a Sponsor Support Agreement were executed by and between Tigar AD, Tigar Footwear (a wholly owned subsidiary of Tigar AD), and the German financial institution DEG - Deutsche Investitions-und Entwicklungsgesellschaft. The proceeds of the loan will be used to finance the new footwear plant project at the Tigar 3 location; the development and introduction of new, highly-sophisticated products; the development of existing brands; the purchase and development of new brands; and market development. DEG is participating in the financing of the project through a long-term (7-year) capital loan. The agreements are currently being implemented.

In August 2008, an agreement was executed by and between Tigar Footwear and the Scottish company Hunter Boot Limited concerning the acquisition of manufacturing, sale and distribution rights relating to safety, firefighting, forestry and work boots under the Century, Forester and Firefigther brand names. The transaction included the purchase of related manufacturing equipment and lasts. The legal grounds for this transaction are the Business and Asset Purchase Agreement and the Deed of Assignemnt (of intellectual property).

During the period, Tigar and the IFC completed a corporate governance development project and the Serbian Chamber of Economy formally recognized Tigar as Serbia's most socially responsible company.

A contract was signed with the company VMA concerning the purchase of business software in the areas of accounting, finances, sales, manufacturing, and inventories. BSC modules will be provided for the Holding Company and major subsidiaries. Software implementation will be completed by the end of this year.

Project teams prepared the Study: Second Phase of Modernization of the Sales Network and Development of Logistics at the corporate level. Goals of the second phase include organizational changes aimed at forming a common commercial and sales function, including logistics, and defining sales channels by sales segment.

A tourism development project is in progress. It includes the development of hotel capacities and all the related facilities required for a contemporary tourist offering, as well as the development of capacities in connection with Corridor X and Pirot as a tourist destination.

During the period, Tigar booked capital gain originating, for the most part, from the portion of the transaction with Michelin realized in 2008. By February 2010, when the transaction will be completed and at which time Tigar AD will exit the tire business, based on existing binding documents, Tigar will receive some 15 million euros. The capital gain stemming from this transaction was „covered“ by appropriate cash inflows which were the main source of funding for corporate investment activities, both in connection with common facilities and footwear production facilities. Most of the funds invested in the footwear business will be recovered from the proceeds of the DEG loan, based on existing agreements.

During the entire period and especially since June 2008, the Company faced a substantial decline in the price of its stock and its stock liquidity. This is attributed solely to the global (and regional) capital market crisis, which has not spared the Serbian market or the stock of Serbian companies. The Board of Directors will, within its power, implement measures to improve liquidity while not hindering investment activities and normal functioning of the group, because this is in the interests of both Tigar and its shareholders.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 1.5 KEY INVESTMENT ACTIVITIES

2008 plans call for the highest level of investment in non-tire businesses in the history of Tigar. In 2008, key activities focus on investment in infrastructure. Some 678 million dinars have been invested in fixed assets, for the most part in connection with the development of Tigar 3 location infrastructures, including physical development of the site; construction of internal roads and new electrical, water supply, energy supply and IT installations; and putting into operation of a new power station (fired by fuel oil and gas) and a new rubber footwear factory.

Tigar Footwear shut down its production facilities at the old location in June 2008 and put its new facilities at the Tigar 3 location into operation in September 2008, immediately following the commissioning of the new power station. In terms of capacity, the new footwear factory will be the largest and best equipped rubber footwear factory in Europe. At the time of writing, this investment activity is 85% complete and full physical implementation, including installation and commissioning of all new production lines, has been scheduled for June 2008 at the latest. New equipment is computerized and allows for significant raw material savings which will increase profitability. Within one month of putting into operation, the factory achieved planned production levels. The new factory received top marks from its largest domestic and foreign buyers who visited the new Tigar Footwear plant; these marks were subsequently confirmed by their orders. The Company intends to have a ceremony before the end of the year, at which the factory will be formally opened and which will provide an opportunity to show the public not only the new production capacity, but also the product range which is mostly (in terms of value) intended for the most selective markets of Europe, Canada and the US.

During the period, Tigar actively pursued financing with potential creditors and partners in connection with the upgrading of its technical rubber goods segment, including recycling and the manufacture of products made from recycled rubber (a total of 14 million euros). Activities in connection with the procurement of additional equipment and obtaining of formal building criteria for a new factory to be constructed at the Tigar 3 location are currently under way and will be completed by the end of 2008.

in thousands of dinars	Purchases of fixed assets
	30 September08
Tigar Technical Rubber Goods	11,272
Tigar Chemical Products	1,911
Tigar Footwear	194,393
Tigar Domestic Trade Network	34,329
Tigar Export-Import	115
Business servises	31,969
Holding company	404,025
<b>Total</b>	<b>678,014</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 1.6 SALES

During the period, upon elimination of inter-company transactions, external income from sales of products and services amounted to 2.6 billion dinars, half of which was earned in the domestic market and the other half in international markets. Tigar Footwear reported a lower sales income than for the same period of last year due to the downtime between June and September and especially due to reduced export sales levels. Products for international customers are made to order and it was, therefore, not possible to pre-manufacture and bridge the downtime gap. However, the factory was able to prepare adequate stocks for the domestic market and sales to this market were 18% higher than during the same period of last year. In October, following a brief period of teething problems, the new factory stabilized both production and international sales levels and exported products, mostly manufactured during that month, worth 1 million euros, or 31% more than in October of last year. This is the best indicator of the readiness of international customers to place Tigar Footwear on top of their supplier lists. Based on projections, sales income through to the year end will total roughly 1 billion dinars, a level equal to last year's sales. This will be a very good result in view of the downtime which, in effect, lasted four months.

Tigar Technical Rubber Goods was Tigar's top sales performer. Its total sales income of 250 million dinars was 35% higher than during the same period a year ago. The top performer within TRG was the sporting goods segment, followed by rubber profile and tubing segments. Based on projections, sales levels through to the year end will be 30% higher than during 2007. An important fact is that TRG successfully implemented several projects during the period in connection with sports court flooring and overlays made from recycled rubber; these projects included a sports center at Lukovska Banja, sports courts at the Košutnjak Sports Center in Belgrade, and several facilities in Pirot. In view of the fact that the equipment required for these projects was purchased this year and that the completed projects were highly successful, this entirely new TRG segment has extremely good market prospects.

Deliveries of road paint were deferred due to the general elections and the formation of new national and local governments. As a result, Tigar Chemical Products experienced a significant decline in production and sales levels during the first six months of the year and, even through it worked 7-day weeks during the summer months, its 9-month result is lower than for the same period of last year. TCP's output of products for the metal-working industry, self-spreading flooring and special adhesives for the mining industry was significantly higher, but because its most voluminous segment (road paint) underperformed the total result was lower. Based on projections through to the year end, TCP's sales income will match 2007 levels.

The domestic sales network (Tigar Trade) reported an income of 580 million dinars (or a level 30% higher than during the same period of a year ago). 60% of this income came from sales of tires (all manufacturers and all brands) and automotive afterparts. The remaining 40% came from sales of Tigar Group products and complementary products. 75% of the margin was earned from sales to end users (individuals and legal entities) and 25% from wholesale customers. 60% of the tire and afterpart margin was realized via the automotive service network, and the remainder via other channels. This confirms Tigar's sound orientation toward further development of the automotive service and sales network. Based on projections through to the year end, since the last quarter is the high season, Tigar Trade DSN's sales income will be 1 billion dinars, or 50% higher than at the end of last year. Tigar's international subsidiaries earned an aggregate sales income of roughly 250 million dinars, matching last year's levels.

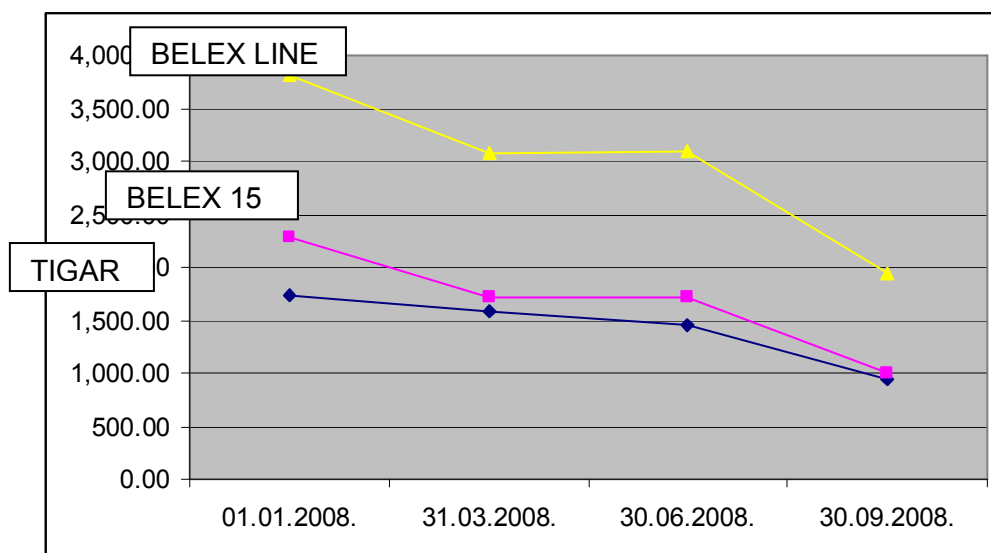
The top performer among Tigar's service businesses was Tigar Incon, whose income of 277 million dinars was 50% higher than during the same period of last year. Other service businesses performed 10-30% better, except Tigar's hotel which reported a negative bottom line due to a mis-alignment between capacity and cost. This will be addressed by the Tourism Development Project initiated by the Company.

The companies located abroad reported an aggregate sales income of 456 million dinars. The Largest single contributor was Tigar Europe, which sold products, mostly tires, worth 7 million pounds sterling. Following the purchase of the Century Division of Hunter Boot Limited, Tigar Europe became its exclusive buyer in the UK market and will continue to service Century customers. This is expected to boost Tigar Europe's sales income.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 1.7 CAPITAL MARKET POSITION

Share price movement during the period was consistent with Serbian and regional capital market trends. The graph below shows the movement of both Belgrade Stock Exchange indices in parallel with the movement of Tigar's share price during the period. The indices experienced a sharper decline than Tigar's share price.



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

	31 DECEMBER 2007	30 SEPTEMBER 2008	% CHANGE
Number of shareholders	4,924	4,835	- 1.8%
Number of shares outstanding	1,718,460	1,718,460	-
Book value of shares	1,562.93	1,652.70	10.62%
Stock market value of shares	1,727.00	940.00	- 45.57%
Lowest price during the period	(22.09.2008.) – 900.00 rsd		
Highest price during the period	(09.01.2008.) -1,792.00 rsd		
Average for the period *	1,163.70 rsd		
Market capitalization, RSD	2,967,780,420.00	1,615,352,400.00	- 45.57%
<b>P/ BV **</b>	<b>0.67</b>		
<b>P/E ***</b>	<b>2.46</b>		
<b>EPS ****</b>	<b>472.25 din</b>		

\* 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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### Changes in shareholder structure as of 30 September 2008

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.

Shareholders	31-12-2007.	30-09-2008.	% Change
<b>National Equity Fund</b>	24.98%	24.98%	-
<b>National Pension and Disability Fund</b>	8.72%	8.72%	-
<b>Legal entities</b>	45.15%	54.31%	9.16%
<b>Individuals</b>	29.30%	28.64%	-0.66%
<b>Custody accounts</b>	25.53%	17.03%	-8.50%

### Top ten shareholders as of 30 September 2008

R.Br	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.	JULIUS BAER INTERNATIONAL	130,820	7.61
4.	RAIFFEISEN ZENTRALBANK	108,204	6.29
5.	SOCIETE GENERALE YUGOSLAV BANK	43,560	2.53
6.	ERSTE BANK CUSTODY 00001	41,317	2.40
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE YUGOSLAV BANK	23,496	1.36
9.	HYPO KASTODI 4	17,454	1.01
10.	DUNAV OSIGURANJE	16,772	0.97
	<b>TOTAL, TOP TEN SHAREHOLDERS</b>	<b>876,799</b>	<b>51.02</b>

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 in April 2007, as well as international standards generally applicable to corporate reporting and interaction with shareholders and the investment community. During the period, these communications included regular quarterly reporting, releases of significant event bulletins, participation in investor conferences, and direct contacts via appropriate corporate services. The Company regularly updates its web site [www.tigar.com](http://www.tigar.com), on which it posts reports and information of interest to shareholders in both Serbian and English.

### 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 30 September 2008

Name	Shares held as of 31 May 2005	Shares held as of 30 Sept. 2008	% of outstanding shares
<b>Dragan Nikolić</b>	880		0.0050
<b>Jelena Petković</b>	275		0.0017
<b>Slobodan Sotirov</b>	539		0.0030
<b>Milivoje Nikolić</b>	462		0.0024
<b>Vladimir Nikolić</b>	803		0.0050
<b>Ljubiša Nikolovski</b>	396		0.0026
<b>Jose Alexandre F. da Costa</b>	-		-
<b>Dr. Živko Mitrović</b>	-		-
<b>Tihomir Nenadić</b>	-		-

Members of the Supervisory Board hold no Tigar shares.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## **2. RISKS**

### **Risks related to Tigar's business**

The year 2008 is generally characterized by activities associated with the commissioning of the new footwear and technical rubber goods plants, since plans call for old production facilities of all manufacturing businesses controlled by Tigar to be shut down and replaced with new facilities. In addition to high investment costs, a complex undertaking such as this involves significant risks associated with the physical implementation of projects and the time required to normalize production processes and eliminate any potential problems.

The initiation of operations at the new location, including the commissioning of the new power station and footwear plant, has significantly reduced Tigar's potential business risks.

### **Risks related to raw material, fuel and energy prices**

The period witnessed continual growth in raw material prices as a result of oil price fluctuations and general changes in the raw materials market. Increases in raw material prices require an offsetting increase in finished product prices, in order not to negatively affect product margins. Since it is unrealistic to transfer all raw material price increases to finished product prices, measures are being undertaken to further reduce production costs. The new plants and new/reconstructed equipment, along with increased productivity, should offset any losses resulting from increased raw material prices and increase profits per unit of product. Prices of metals and construction materials also increased during the period and impacted construction costs and prices of new equipment. Reduced oil prices and a slight decline in petroleum product prices in Serbia reduced potential risks in this area.

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

Rising inflation has affected all inputs purchased in the domestic market, including salaries which, based on Tigar's labor union contract, must be adjusted when inflation exceeds 5%. High inflation in 2008 will significantly impact all dinar costs, including energy costs. This will be compensated, in part, through increases in prices of finished products; it is impossible to fully recover cost increases due to inflation by simply indexing prices because of the overall situation and the purchasing power. As a result, all types of costs will have to be optimized internally. Since sales income is calculated at the exchange rate applicable at the end of the period, the depreciation of the dinar during the last quarter will have a positive effect only on earnings denominated in foreign currencies. Consequently, many balance sheet items will depend on the exchange rate as of 31 December 2008.

### **Risks related to shareholder and corporate structure**

During the period, 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 as part of the capital increase process 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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

**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.

A Waste Management Law and a related by-law addressing worn tires are expected to be enacted by the end of 2008. The new law 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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 3. SUSTAINABLE DEVELOPMENT

#### 3.1 EMPLOYEES

##### Number and structure

As of 30 September 2008, Tigar had 2,137 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 84 local employees.

As of 30 September 2008, the employment structure was as follows:

<b>Workforce as of 30 September 2008</b>	
<b>Company</b>	<b>Number of employees</b>
Tigar AD	196
Tigar Footwear	854
Tigar Business Services	192
Tigar Technical Rubber Goods	233
Tigar Chemical Products	76
Domestic Sales Network	177
Others	409
<b>Total</b>	<b>2,137</b>

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 68 employees and retirees are repaying housing loans obtained from Tigar. Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

##### Employee expenses

Total January-September 2008 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals and local transportation subsidies amounted to 957,595,000 RSD. The table below shows paid salaries as a percentage of sales income.

<b>January-September 2008 employee expenses</b>			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales income
Tigar AD	62,696	106,613	75.81%
Tigar Footwear	192,106	327,038	56.20%
Tigar Business Services	52,002	88,573	33.84%
Tigar Technical Rubber Goods	62,614	106,685	43.28%
Tigar Chemical Products	23,433	39,900	24.29%
Domestic Sales Network	49,929	85,152	16.07%
Others	119,336	203,634	22.28%
<b>Total</b>	<b>562,116</b>	<b>957,595</b>	<b>33.73%</b>

Taxes, health insurance and pension fund contributions during the period amounted to 395,478,000 RSD.



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### **Optimization of human resources**

During the January-September 2008 period, 91 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD		2	5	7
Tigar Footwear	25	13	2	40
Tigar Business Services	7	1	1	9
Tigar Technical Rubber Goods	1	1	3	5
Tigar Chemical Products		6		6
Domestic Sales Network		4	9	13
Others	1	3	7	11
<b>Total</b>	<b>34</b>	<b>30</b>	<b>27</b>	<b>91</b>

\*Of these 27 employees, 10 left the Company of their own volition, 9 voluntarily moved to another entity within the Tigar Group, 5 passed away, and 3 were dismissed.

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 2008. 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:

<b>Workforce downsizing costs and percentage of gross salaries</b>		
	In 000 RSD	%
Tigar AD	613	0.57
Tigar Footwear	9,867	3.02
Tigar Business Services	1,225	1.38
Tigar Technical Rubber Goods	546	0.51
Tigar Chemical Products	1,895	4.75
Domestic Sales Network	1,480	1.74
Others	1,507	0.74
<b>Total</b>	<b>17,133</b>	<b>12.86</b>

### **Professional education**

Our policy of ensuring the availability of professional employees through the offering of scholarships to Pirot secondary school students was continued in 2008.

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

<b>Professional education</b>				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
<b>TOTAL</b>	<b>33</b>	<b>14</b>	<b>12</b>	<b>17</b>

Tuition and scholarship expenses paid during the period amounted to 3,751,682 RSD (or 0.39% of paid salaries).

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### **Employee training**

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

<b>Employee training</b>			
	Internal	External	Total
Tigar AD	48	89	137
Tigar Footwear	1,435	61	1,496
Tigar Business Services	56	15	71
Tigar Technical Rubber Goods	131	65	196
Tigar Chemical Products	40	3	43
Domestic Sales Network	5	260	265
Others	458	69	527
<b>Total</b>	<b>2,173</b>	<b>562</b>	<b>2,735</b>

January-September 2008 employee training expenses amounted to 7,762,000 RSD (or 0.81% of paid salaries).

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 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 SRPS ISO 9001 and SRPS 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.

At the beginning of February, Tigar Chemical Products acquired environmental certification as part of its certified quality management system. The audit, conducted by YUQS, confirmed full compliance of the integrated management system.

At the beginning of July, a team of environmental experts conducted an audit at Tigar Footwear and confirmed compliance and continued validity of both QMS and EMS certification. No departures from requirements were noted. In its report, the team commended HR and process management, identification procedures, and the monitoring and analysis of key process performance indicators. It also praised Tigar Footwear's compliance with environmental legislation, its proactive approach to EU legislation, its environmental identification procedures, its environmental impact assessments, and its environmental monitoring system.

The IMS is maintained and continually upgraded at all Tigar's manufacturing entities. Internal audits have demonstrated a high level "maturity" of the system. All identified risks relating to product quality or environmental health are kept under strict control.

The IMS is currently being upgraded to include occupational health and safety management per OHSAS 18001. OHSAS 18001 certification will be obtained upon full implementation of this system.

### 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, a member of IQnet, 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.

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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

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.

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 levels of pollutants has been recorded. Quantities of wastewater are estimated based on water consumption and atmospheric precipitation, and applicable charges are paid accordingly (Article 99 (5) of the Water Law, Official Gazette 101/05).

At Tigar's central location, which currently holds all of Tigar's subsidiaries except Tigar Footwear, Tigar Tyres operates steam boilers for the generation of steam required for the various production processes at this location. During the winter period, these boilers also provide heating. Gas emissions are controlled via the combustion process itself, but also by a system of multi-cyclones which remove particulate matter. The boilers and gas emissions are regularly inspected by certified institutions. Their findings have shown no exceedance of limit values. Pursuant to Article 85 of the Environmental Protection Law (Official Gazette no. 135/04), the annual charge for sulfur dioxide, nitrogen oxide and particulate matter emissions was paid to the Environmental Protection Fund.

At the Tigar 3 location, which currently holds Tigar Footwear, there is a leading-edge automated boiler facility designed to fire gas or fuel oil. The old boiler facility, which fired solid fuel, was shut down in August 2008. In addition to higher efficiency and the elimination of slag, the new facility is expected to improve the quality of gas emissions. Environmental impact assessments have been prepared by experts for all new facilities. This project included public participation, as required by law. All the defined prevention measures have been implemented.

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. In June of 2008, Tigar's manufacturing subsidiaries (Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products) underwent 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 Piro's solid waste utility. Since there is no hazardous waste

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

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.

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.

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). New obligations also include reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste), 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 no irregularities were found. A committee set up by the Serbian Government conducted an unscheduled environmental compliance audit, as part of a feasibility assessment of the potential expansion of the Free Zone to include the sites of Tigar's various companies. This assessment again confirmed full compliance.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 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.

Registered trademarks as of 30 September 2008

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	-	Tigar	-	Tigar AD
Ž-1703/07	26.07.07	-	Tigar Footwear	-	Tigar AD
Ž-1704/07	26.07.07	-	Tigar Footwear	-	Tigar AD
Z-2440/07	17.10.07	-	Tigar Chemical Products	-	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	-	Tigropren	-	Tigar AD
Ž-213/08	05.02.08	-	Tigrokol	-	TigarAD
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
Z-2441/07	17.10.07	-	Tigar Technical Rubber Goods	-	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 USA USA	03.07.97 24.10.78 02.11.07	675 773 675 773A 1174089 77320619	Tigar Tigar Tigar Logo Tigar	20.05.17 20.05.17 15.08.12 -	Tigar AD Tigar Tyres Tigar Americas Corp. Tigar Americas Corp.
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

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

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. As of 30 September 2008, 19 such applications were submitted.

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](http://www.tigar.com) and [www.tigar.co.yu](http://www.tigar.co.yu). Tigar Footwear holds five new domain names: [www.century-safety.com](http://www.century-safety.com), [www.century-safety.de](http://www.century-safety.de), [www.century-safety.fr](http://www.century-safety.fr), [www.century-safety.es](http://www.century-safety.es) and [www.century-safety.co.uk](http://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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 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 entire communication network is protected from the public network (Internet) by means of a Juniper-140 hardware firewall, which allows for the definition of virtual private LAN's toward external networks according to strictly defined and controlled conditions.



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

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. OK

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.

**Main features of Tigar's Information System include:**

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.
- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.
- **Highest level of security:** System security is under the full control of the administrator; there is a three-tiered data security feature which ensures:
  - Protection from unauthorized access;
  - Protection from unauthorized use of system functions;
  - Protection from unauthorized retrieval of data;
  - The user has access to data only if such access is allowed by the administrator;
  - Query, modification, deletion, and addition rights are defined at document level;
  - User registration and allocation of user privileges is centralized;
  - Switching to other modules or programs does not require logging off and on;
- **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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

The Company is continually seeking to improve data management quality, reliability and security. Consistent with this approach, the Company negotiated a contract in July concerning the purchase of a new central server IBM Power6 – Model M25, including a disaster recovery machine IBM Power6 – Model M15, which will be installed and implemented before the end of this year. This system will upgrade the information system and the services provided by the IT Function.

### **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 and mission clearly define its relationships with employees, customers, the local community and society, and its attitude toward the environment, which are consistent with CSR strategies that are well-established today.

#### **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. 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.

#### **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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### **Tigar AD and the immediate and wider community:**

Tigar's manufacturing plants have been striving to develop product lines which are focused on environmental protection and sustainable development. During the period, Tigar continued to manufacture products from recycled rubber and began developing a new product intended for blind and visually impaired individuals – tactile rubber aids which will enable such individuals to function like any other member of society. The Company is also committed to sustainable development and demonstrates this commitment through responsible utilization of natural resources. During the first six months of the year, Tigar intensified its activities on a joint renewable energy project with the local administration and the consulting firm S.E.E.C. The title of the project is „Optimal Use of the Nišava River Basin within the Territory of the Pirot Municipality“ and its objective is to conduct a comprehensive study of available resources and of the feasibility of constructing small hydro power plants in the Pirot region, which would be extremely important sources of power supply to the local community.

### **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.

### **CSR pioneer:**

During the first half of 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“.

## **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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 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 30 September 2008, the corporate governing bodies are as follows:

### **Board of Directors**

<b>Name</b>	<b>Responsibility at Tigar/Position outside Tigar</b>
<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 9,839,646.

During the period the Board of Directors held eight meetings.

### **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:

<b>Name</b>	<b>Position at Tigar</b>
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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

During the first nine months of 2008, the Executive Board held 13 meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

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

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

### **Supervisory Board**

Current members of the Supervisory Board are:

<b>Full name</b>	<b>SB position</b>	<b>Principal activities outside Tigar</b>
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.

The Supervisory Board held one meeting during the period.

Members of the Supervisory Board received an aggregate gross compensation of 2,636,541 RSD during the period.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 5. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY

### 5.1. REAL ESTATE

All of Tigar's manufacturing facilities are located in Pirot. Currently, there are four manufacturing plants at two separate locations. The larger location holds tire, rubber goods, and chemicals products manufacturing facilities. Tigar Footwear is located at a separate site. The new Tigar III location purchased in 2006 is currently being refurbished and prepared for re-location. It has been booked as a „capital investment in progress“. Tigar owns several buildings in Belgrade, and Tigar Trade/Domestic Sales Network 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 m<sup>2</sup> 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

As of 30 September 2008, Tigar uses 135 cadastral lots of un-built land (total surface area 289,669 m<sup>2</sup>, total book value RSD 35,637,051.08).

#### Buildings

Tigar and its main subsidiaries own a total of 125 buildings (this figure excludes Tigar Trade, which has 27 buildings).

The total surface area of the buildings owned by Tigar and its subsidiaries is 56,240 m<sup>2</sup> (of which 6,373 m<sup>2</sup> are owned by Tigar Trade).

As of 30 September 2008, the book value of buildings owned by Tigar and its major subsidiaries was RSD 417,476,736.93.

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

<b>BOOK VALUE OF BUILDINGS (RSD)</b>		
<b>ENTITY</b>	<b>30.06.2008</b>	<b>30.09.2008</b>
Tigar AD	58,288,939.92	66,167,800.44
Tigar Trade DSN	100,895,185.04	99,830,657.31
Tigar Technical Rubber Goods	799,663.00	785,841.00
Tigar Chemical Products	48,559,944.72	48,209,280.72
Tigar Footwear	29,537,157.20	29,322,914.20
Tigar Workshop	4,288,168.61	4,208,425.61
Tigar Business Services	65,157,940.90	64,846,063.90
Tigar Tours	6,621,773.10	6,591,931.10
Tigar Planinarski Dom Hotel	79,238,281.20	78,878,703.20
Tigar Security	903,598.31	893,091.31
Free Zone	17,616,246.84	17,742,028.14
<b>Total:</b>	<b>411,906,246.84</b>	<b>417,476,736.93</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### **Material encumbrances**

The Company's material encumbrances as of 30 September 2008 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 437,948.20);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,511,233.98); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,468,733.54).

## **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	8,047,333
LOLA KORPORACIJA	6,000,000
AS KOMERC-N. Beograd	2,366,719
JIP-Beograd	1,641,377
MADRIS-Beograd, MADREC-Niš, CPORECSS-Novi Sad	3,319,240
LEKSUS GROUP-Novi Sad	1,217,996
2M-Pirot	2,247,300
TIGAR PROM-Nova Varoš	3,636,000
PRIMA TREJD-Kučevo	1,174,680
<b>TOTAL</b>	<b>39,288,021</b>

For all of these disputes, effective court rulings exist, but payout has not been realized due to political problems (e.g., Trepca), multiple-year liquidation proceedings which for unexplainable reasons have not been completed, long-term restructuring processes (e.g., the Lola Corporation), criminal proceedings (Lexus Group of Novi Sad), deregistration (JIP-Beograd, Madris-Beograd, Madrec-Niš, Cporecss-Novi Sad), 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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 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*

#### January-September 2008 financials

Balance Sheet in thousands of Dinar		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	116,189	930,676
	Current assets	792,060	1,011,828
	Deferred tax assets	866	866
	<b>Total assets</b>	<b>909,115</b>	<b>1,943,370</b>
<b>Equity and liabilities</b>			
	Equity	80,909	843,347
	Non-current liabilities	24,002	17,110
	Current liabilities	804,204	1,082,913
	<b>Total equity and liabilities</b>	<b>909,115</b>	<b>1,943,370</b>

Free cash flow in 000 RSD	As of 1 Jan-08	As of 30 Sep 2008
Net profit	-36,901	87,710
+ Depreciation	18,506	14,806
+Reserved costs for benefits	1,982	-6,893
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>-16,414</b>	<b>95,622</b>
<b>Capital expenditures</b>	<b>24,589</b>	<b>829,293</b>
Inventory increase (decrease)	160,071	100,556
+Receivables increase (decrease)	104,115	139,857
-Liabilities increase (decrease)	304,368	280,623
<b>Working capital increase (decrease)</b>	<b>-40,181</b>	<b>-40,210</b>
<b>Free cash flow</b>	<b>-821</b>	<b>-693,460</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>932,884</b>	<b>2%</b>
<b>Total expenses</b>	<b>845,174</b>	<b>-10%</b>
<b>Profit/ (Loss) before taxation</b>	<b>87,710</b>	<b>gain vs.loss</b>
<b>Income taxes</b>		
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>87,710</b>	<b>gain vs.loss</b>



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.2 TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods manufactures:

- Pressed rubber products
- Rubber profiles
- Sporting goods
- Rubber hoses
- Rubber-metal products
- Semi-finished rubber products

### January-September 2008 financials

Balance Sheet in thousands of Dinars		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	26,203	31,442
	Current assets	444,543	255,322
	Deferred tax assets	764	764
	<b>Total assets</b>	<b>471,510</b>	<b>287,528</b>
<b>Equity and liabilities</b>			
	Equity	22,502	153,303
	Non-current liabilities	11,361	10,773
	Current liabilities	437,647	123,452
	<b>Total equity and liabilities</b>	<b>471,510</b>	<b>287,528</b>

Free cash flow in 000 dinars	As of 1 Jan-08	As of 30 Sep 2008
Net profit	114,277	-16,525
+ Depreciation	10,908	6,033
+Reserved costs for benefits	727	-560
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>125,912</b>	<b>-11,053</b>
<b>Capital expenditures</b>	<b>-89,968</b>	<b>11,272</b>
Inventory increase (decrease)	5,242	40,949
+Receivables increase (decrease)	288,660	-216,246
-Liabilities increase (decrease)	235,384	-314,017
<b>Working capital increase (decrease)</b>	<b>58,519</b>	<b>138,720</b>
<b>Free cash flow</b>	<b>157,361</b>	<b>-161,044</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>288,732</b>	<b>57%</b>
<b>Total expenses</b>	<b>305,257</b>	<b>44%</b>
<b>Profit/ (Loss) before taxation</b>	<b>-16,525</b>	<b>42%</b>
<b>Income taxes</b>		
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>-16,525</b>	<b>42%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 6.3 TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products manufactures:

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

#### January-September 2008 financials

Balance Sheet in thousands of Dinar		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	66,375	63,248
	Current assets	165,729	193,867
	Deferred tax assets	755	755
	<b>Total assets</b>	<b>232,859</b>	<b>257,870</b>
<b>Equity and liabilities</b>			
	Equity	51,397	74,465
	Non-current liabilities	2,729	1,641
	Current liabilities	178,733	181,764
	Deferred tax liabilities		
	<b>Total equity and liabilities</b>	<b>232,859</b>	<b>257,870</b>

Free cash flow in 000 RSD	As of 1 Jan-08	As of 30 Sep 2008
Net profit	-15,248	-13,080
+ Depreciation	6,163	5,039
+Reserved costs for benefits	186	-1,089
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>-8,899</b>	<b>-9,130</b>
<b>Capital expenditures</b>	<b>4,876</b>	<b>1,911</b>
Inventory increase (decrease)	952	-13,821
+Receivables increase (decrease)	21,455	43,458
-Liabilities increase (decrease)	37,057	3,031
<b>Working capital increase (decrease)</b>	<b>-14,650</b>	<b>26,606</b>
<b>Free cash flow</b>	<b>875</b>	<b>-37,647</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>168,910</b>	<b>-2%</b>
<b>Total expenses</b>	<b>181,990</b>	<b>7%</b>
<b>Profit/ (Loss) before taxation</b>	<b>-13,080</b>	<b>-540%</b>
<b>Income taxes</b>		
Deferred Income Tax expense		
Deferred Income Tax benefit		
<b>Net result for the period</b>	<b>-13,080</b>	<b>-540%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.4 TIGAR TRADE – DOMESTIC SALES NETWORK

### January-September 2008 financials

Balance Sheet in thousands of Dinar		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	219,307	258,180
	Current assets	422,163	674,510
	Deferred tax assets		
	<b>Total assets</b>	<b>641,470</b>	<b>932,690</b>
<b>Equity and liabilities</b>			
	Equity	86,415	188,792
	Non-current liabilities	10,928	9,348
	Current liabilities	543,421	733,844
	Dererred tax liabilities	706	706
	<b>Total equity and liabilities</b>	<b>641,470</b>	<b>932,690</b>

Free cash flow in 000 RSD	As of 1 Jan-08	As of 30 Sep 2008
Net profit	-85,275	-10,742
+ Depreiation	12,799	13,207
+Reserved costs for benefits	446	-1,265
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>-72,030</b>	<b>1,200</b>
<b>Capital expenditures</b>	<b>56,683</b>	<b>51,225</b>
Inventory increase (decrease)	99,772	159,162
+Receivables increase (decrease)	-97,675	89,544
-Liabilities increase (decrease)	123,079	195,629
<b>Working capital increase (decrease)</b>	<b>-120,982</b>	<b>53,078</b>
<b>Free cash flow</b>	<b>-7,730</b>	<b>-103,103</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>619,759</b>	<b>43%</b>
<b>Total expenses</b>	<b>630,347</b>	<b>26%</b>
<b>Profit/ (Loss) before taxation</b>	<b>-10,588</b>	<b>85%</b>
<b>Income taxes</b>	<b>154</b>	
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>-10,742</b>	<b>85%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.5 TIGAR EXPORT-IMPORT

### January-September 2008 financials

Balance Sheet in thousands of Dinar		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	2,267	2,118
	Current assets	483,890	504,083
	Deferred tax assets		
	<b>Total assets</b>	<b>486,157</b>	<b>506,201</b>
<b>Equity and liabilities</b>			
	Equity	1,032	7,759
	Non-current liabilities	957	957
	Current liabilities	484,131	497,448
	Dererred tax liabilities	37	37
	<b>Total equity and liabilities</b>	<b>486,157</b>	<b>506,201</b>

Free cash flow in 000 RSD	As of 1 Jan-08	As of 30 Sep 2008
Net profit	201	8,594
+ Depreiation	102	265
+Reserved costs for benefits	79	
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>382</b>	<b>8,858</b>
<b>Capital expenditures</b>	<b>1,975</b>	<b>116</b>
Inventory increase (decrease)	8,119	-3,582
+Receivables increase (decrease)	467,868	24,973
-Liabilities increase (decrease)	482,709	13,317
<b>Working capital increase (decrease)</b>	<b>-6,722</b>	<b>8,074</b>
<b>Free cash flow</b>	<b>5,128</b>	<b>668</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>681,458</b>	<b>63%</b>
<b>Total expenses</b>	<b>672,734</b>	<b>63%</b>
<b>Profit/ (Loss) before taxation</b>	<b>8,724</b>	<b>137%</b>
<b>Income taxes</b>	<b>130</b>	<b>10%</b>
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>8,594</b>	<b>142%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.6 TIGAR AMERICAS , USA

Tigar Americas covers US and Canadian markets. Tigar Americas was the first commercial company which Tigar set up abroad and, prior to the trade embargo, it had annual revenues of nearly \$20 million. Following the lifting of the trade embargo, the Company decided to renew and expand its operations to include procurement of supplies for Tigar's subsidiaries, sales of rubber footwear to US and Canadian markets, and re-selling of goods manufactured by other Serbian companies.

### January-September 2008 financials

Balance Sheet in thousands of USD		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	2	2
	Current assets	37	275
	Deferred tax assets	261	261
	<b>Total assets</b>	<b>300</b>	<b>538</b>
<b>Equity and liabilities</b>			
	Equity	295	534
	Non-current liabilities	0	
	Current liabilities	5	4
	<b>Total equity and liabilities</b>	<b>300</b>	<b>538</b>

Income statement in thousands of USD	January- September 2008	Change relative to January-September 2007
<b>Sales and marketing income</b>	<b>545</b>	<b>106%</b>
Cost of goods sold	324	270%
<b>Gross profit</b>	<b>221</b>	<b>25%</b>
Selling, general and administrative expenses	131	-18%
<b>Result from operations</b>	<b>89</b>	<b>465%</b>
Other income (expense)	0	
<b>Net result before corporation taxes</b>	<b>89</b>	<b>404%</b>
Income tax	0	
<b>Net profit (loss)</b>	<b>89</b>	<b>404%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.7 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. 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. Tigar Europe's reported sales income is lower than that earned during the same period of last year, mainly because of problems with the product mix supplied by Tigar Tyres and the reduced demand for both cars and car parts, including tires, in Western Europe.

### January-September 2008 financials

Balance Sheet in thousands of GBP		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	9	9
	Current assets	4,000	4,838
	Deferred tax assets		
	<b>Total assets</b>	<b>4,008</b>	<b>4,847</b>
<b>Equity and liabilities</b>			
	Equity	2,625	3,072
	Non-current liabilities		
	Current liabilities	1,383	1,775
	<b>Total equity and liabilities</b>	<b>4,008</b>	<b>4,847</b>

Income statement in thousands of GBP	January-September 2008	Change relative to January-September 2007
<b>Turnover</b>	<b>10,359</b>	<b>-10%</b>
Cost of sales	9,460	-9%
<b>Gross Profit</b>	<b>899</b>	<b>-11%</b>
Administrative expenses	376	8%
<b>Operating Profit</b>	<b>523</b>	<b>-22%</b>
Interest receivable	87	18%
Commission	11	
<b>Profit on Ordinary Activities Before Taxation</b>	<b>621</b>	<b>-18%</b>
Tax on profit on ordinary activities	174	-21%
<b>Retained Profit for the Financial Year</b>	<b>447</b>	<b>-16%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

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

### TIGAR MONTENEGRO

Balance Sheet in thousands of EUR		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	5	4
	Current assets	286	332
	Deferred tax assets		
	<b>Total assets</b>	<b>291</b>	<b>335</b>
<b>Equity and liabilities</b>			
	Equity	74	126
	Non-current liabilities		
	Current liabilities	217	209
	<b>Total equity and liabilities</b>	<b>291</b>	<b>335</b>

Free cash flow in 000 EUR	As of 1 Jan-08	As of 30 Sep 2008
Net profit	58	52
+ Depreciation	5	1
+Reserved costs for benefits		
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>63</b>	<b>53</b>
<b>Capital expenditures</b>	<b>0.3</b>	<b>0.2</b>
Inventory increase (decrease)	34	77
+Receivables increase (decrease)	90	-18
-Liabilities increase (decrease)	23	-8
<b>Working capital increase (decrease)</b>	<b>101</b>	<b>67</b>
<b>Free cash flow</b>	<b>-38</b>	<b>-14</b>

Income statement in thousands of EUR	January-September 2008	Change relative to January-September 2007
<b>Total revenue</b>	<b>674</b>	<b>7%</b>
<b>Total expenses</b>	<b>622</b>	<b>5%</b>
<b>Profit/ (Loss) before taxation</b>	<b>52</b>	<b>34%</b>
<b>Income taxes</b>		
Deferred Income Tax expense		
Deferred Income Tax benefit		
<b>Net result for the period</b>	<b>52</b>	<b>34%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

**TIGAR TRADE (Banja Luka), REPUBLIKA SRPSKA**

Balance Sheet in thousands of KM		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	302	278
	Current assets	1,299	2,402
	Deferred tax assets		
	<b>Total assets</b>	<b>1,601</b>	<b>2,680</b>
<b>Equity and liabilities</b>			
	Equity	414	438
	Non-current liabilities	62	34
	Current liabilities	1,125	2,208
	<b>Total equity and liabilities</b>	<b>1,601</b>	<b>2,680</b>

Free cash flow in 000 KM	As of 1 Jan-08	As of 30 Sep 2008
Net profit	67	47
+ Depreiation	24	24
+Reserved costs for benefits		
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>90</b>	<b>71</b>
<b>Capital expenditures</b>	<b>73</b>	<b>0</b>
Inventory increase (decrease)	-61	798
+Receivables increase (decrease)	10	410
-Liabilities increase (decrease)	262	478
<b>Working capital increase (decrease)</b>	<b>-313</b>	<b>730</b>
<b>Free cash flow</b>	<b>330</b>	<b>-659</b>

Income statement in thousands of KM	January-September 2008	Change relative to January-September 2007
<b>Total revenue</b>	<b>2,091</b>	<b>26%</b>
<b>Total expenses</b>	<b>2,044</b>	<b>23%</b>
<b>Profit/ (Loss) before taxation</b>	<b>47</b>	<b>564%</b>
<b>Income taxes</b>		
Deferred Income Tax expense		
Deferred Income Tax benefit		
<b>Net result for the period</b>	<b>47</b>	<b>564%</b>



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

**TIGAR PARTNER, MACEDONIA**

Balance Sheet in thousands of denars		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	221	1,418
	Current assets	35,176	34,541
	Deferred tax assets		
	<b>Total assets</b>	<b>35,396</b>	<b>35,959</b>
<b>Equity and liabilities</b>			
	Equity	17,922	19,709
	Non-current liabilities	0	0
	Current liabilities	17,475	16,250
	<b>Total equity and liabilities</b>	<b>35,396</b>	<b>35,959</b>

Free cash flow in 000 denars	As of 1 Jan-08	As of 30 Sep 2008
Net profit	3,117	1,787
+ Depreiation	372	279
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>3,489</b>	<b>2,066</b>
<b>Capital expenditures</b>	<b>8</b>	<b>1,477</b>
Inventory increase (decrease)	-2,946	3,082
+Receivables increase (decrease)	2,642	454
-Liabilities increase (decrease)	643	-1,225
<b>Working capital increase (decrease)</b>	<b>-947</b>	<b>4,761</b>
<b>Free cash flow</b>	<b>4,428</b>	<b>-4,171</b>

Income statement in thousands of Denars	January-September 2008	Change relative to January-September 2007
<b>Total revevenue</b>	<b>38,511</b>	<b>-2%</b>
<b>Total expenses</b>	<b>36,499</b>	<b>-2%</b>
<b>Profit/ (Loss) before taxation</b>	<b>2,011</b>	<b>-1%</b>
<b>Income taxes</b>	<b>224</b>	<b>-19%</b>
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>1,787</b>	<b>1%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 6.9 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 47 ha, 74 a, and 97 m<sup>2</sup> of infrastructure-enabled land, with its own railroad track and 150 telephone lines. 46 companies currently operate in the Free Zone, including 36 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.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### Tigar Business Service financials

Balance Sheet in thousands of Dinars		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	78,440	124,720
	Current assets	91,726	93,544
	Deferred tax assets		
	<b>Total assets</b>	<b>170,166</b>	<b>218,264</b>
<b>Equity and liabilities</b>			
	Equity	36,658	107,747
	Non-current liabilities	37,650	34,669
	Current liabilities	95,666	75,656
	Deferred tax liabilities	192	192
	<b>Total equity and liabilities</b>	<b>170,166</b>	<b>218,264</b>

Free cash flow in 000 dinars	As of 1 Jan-08	As of 30 Sep 2008
Net profit	24,726	11,842
+ Depreiation	9,981	9,800
+Reserved costs for benefits	472	
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>35,179</b>	<b>21,642</b>
<b>Capital expenditures</b>	<b>34,858</b>	<b>73,007</b>
Inventory increase (decrease)	2,881	3,021
+Receivables increase (decrease)	16,568	3,227
-Liabilities increase (decrease)	26,508	-14,308
<b>Working capital increase (decrease)</b>	<b>-7,060</b>	<b>20,556</b>
<b>Free cash flow</b>	<b>7,380</b>	<b>-71,921</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>287,548</b>	<b>17%</b>
<b>Total expenses</b>	<b>274,803</b>	<b>23%</b>
<b>Profit/ (Loss) before taxation</b>	<b>12,745</b>	<b>-44%</b>
<b>Income taxes</b>	<b>903</b>	<b>19%</b>
Deferred Income Tax expense	0	
Deferred Income Tax benefit	0	
<b>Net result for the period</b>	<b>11,842</b>	<b>-46%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

**Other service subsidiaries: Aggregate financials**

in thousands of Dinar	January-September 2008	Change relative to January- September 2007
<b>Total operating income</b>	<b>407,957</b>	<b>62%</b>
<b>Total operating expenses</b>	<b>400,624</b>	<b>73%</b>
<b>Profit from operations</b>	<b>7,333</b>	<b>-65%</b>
<b>Finance income</b>	<b>896</b>	<b>210%</b>
<b>Finance expenses</b>	<b>1,179</b>	<b>597%</b>
<b>Other income</b>	<b>2,400</b>	<b>549%</b>
<b>Other expenses</b>	<b>295</b>	
<b>Profit/ (Loss) before taxation</b>	<b>9,155</b>	<b>-57%</b>
Income taxes	510	<b>828%</b>
Deferred Income Tax expense	0	
Deferred Income Tax benefit	0	
<b>Net profit for the period</b>	<b>8,645</b>	<b>-59%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### Free Zone financials

Balance Sheet in thousands of Dinars		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	113,047	117,747
	Current assets	37,600	33,538
	Deferred tax assets	78	78
	<b>Total assets</b>	<b>150,725</b>	<b>151,363</b>
	<b>Off balance sheet assets</b>		<b>3,500</b>
<b>Equity and liabilities</b>			
	Equity	130,541	133,754
	Non-current liabilities		0
	Current liabilities	20,184	17,609
	Deferred tax liabilities		0
	<b>Total equity and liabilities</b>	<b>150,725</b>	<b>151,363</b>
	<b>Off balance sheet liabilities</b>		<b>3,500</b>

Free cash flow in 000 dinars	As of 1 Jan-08	As of 30 Sep 2008
Net profit	9,225	7,825
+ Depreiation	1,885	1,414
+Reserved costs for benefits		
+Recovery on provisions		
<b>Cash flow from operation</b>	<b>11,109</b>	<b>9,239</b>
<b>Capital expenditures</b>	<b>6,044</b>	<b>6,041</b>
Inventory increase (decrease)	125	5
+Receivables increase (decrease)	4,074	-1,986
-Liabilities increase (decrease)	6,415	-2,575
<b>Working capital increase (decrease)</b>	<b>-2,217</b>	<b>594</b>
<b>Free cash flow</b>	<b>7,282</b>	<b>2,604</b>

Income statement in thousands of Dinars	January- September 2008	Change relative to January- September 2007
<b>Total income</b>	<b>48,180</b>	<b>6%</b>
<b>Total expenses</b>	<b>40,354</b>	<b>27%</b>
<b>Profit/ (Loss) before taxation</b>	<b>7,825</b>	<b>-43%</b>
<b>Income taxes</b>		
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>7,825</b>	<b>-43%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## **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 present report has not been audited since it is an interim report.

During the period, large investments were made in the outfitting of new industrial facilities, investments were financed from cash flow and occasional short-term loans (to bridge gaps until proceeds of long-term loans become available), a significant effect of exchange rate fluctuations on sales income reported in foreign currencies was noted, and a considerable capital gain associated with the Michelin transaction was realized.

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 consolidated 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.

The management team believes that the current financial crisis, whose initial consequences are already felt in respect 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 4<sup>th</sup> quarter is dominated by sales of products required for the winter season, whose value is not such that it must be financed from loans.

Since Tigar has completed most of its infrastructure investment activities (which, according to plan, were financed by the Company), covered all the losses previously reported by its subsidiaries and, thereby, increased the amount of their capital assets, and improved the financial standing of its subsidiaries through partial write-offs of its receivables, Tigar has created very sound conditions for 2009 and a good operating result.

Because of the current financial crisis, liquidity is a matter of primary concern with regard to the operating result. On the one hand, it is becoming increasingly difficult to borrow while, on the other hand, capital cost is constantly increasing. The fact that Tigar will receive additional cash under its transaction with Michelin, to the tune of 15 million euros through to February 2010, is a clear indicator that Tigar will have fewer liquidity problems than most other companies. Additionally, in consultation with its banks, Tigar intends to convert most of its existing short-term loans into long-term loans and thus improve its balance sheet and boost its overall liquidity.

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

## 7.2 TIGAR AD'S CONSOLIDATED FINANCIAL RESULT

Consolidated Balance Sheet in thousands of Dinar		Opening balance sheet as of 1. Jan-08.	As of 30.Sept-08.
<b>Assets</b>			
	Non-current assets	2,465,897	3,286,821
	Current assets	2,989,931	2,498,307
	Deferred tax assets	28,301	18,954
	<b>Total assets</b>	<b>5,484,129</b>	<b>5,804,082</b>
<b>Equity and liabilities</b>			
	Equity	2,705,522	3,443,895
	Non-current liabilities	313,684	298,601
	Current liabilities	2,461,639	2,060,432
	Deferred tax liabilities	3,284	1,154
	<b>Total equity and liabilities</b>	<b>5,484,129</b>	<b>5,804,082</b>

Consolidated Income statement in thousands of Dinars	January-September 2008
<b>Total income</b>	<b>3,992,599</b>
<b>Total expenses</b>	<b>3,170,132</b>
<b>Profit/ (Loss) before taxation</b>	<b>822,468</b>
<b>Income taxes</b>	<b>10,908</b>
<b>Deferred Income Tax expense</b>	
<b>Deferred Income Tax benefit</b>	
<b>Net result for the period</b>	<b>811,559</b>
Minority interest	4,126
Tigar ad	807,434

Cash flow in thousands of dinars	31 December 2007	30 September 2008
<b>Cash flows from operating activities</b>		
Inflow from operating activities	4,446,699	2,656,314
Outflow from operating activities	5,369,332	3,287,599
<b>Net cash used in operating activities</b>	<b>-922,633</b>	<b>-631,286</b>
<b>Cash flows from investing activities</b>		
Inflow from investing activities	1,200,731	1,188,766
Outflow from investing activities	325,752	717,851
<b>Net cash (used in)/from investing activities</b>	<b>874,979</b>	<b>470,915</b>
<b>Cash flows from financing activities</b>		
Inflow from financing activities	109,167	131,321
Outflow from financing activities	42,000	110,513
<b>Net cash provided by/(used in) financing activities</b>	<b>67,167</b>	<b>20,808</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>19,513</b>	<b>-139,563</b>
Cash and cash equivalents at beginning of year	309,356	325,936
Foreign exchange on translation of cash and cash equivalents (net)	-2,933	-916
Cash and cash equivalents at the end of the year	<b>325,936</b>	<b>185,457</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

### 7.3 SEGMENTED RESULTS

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

Companies within the Tigar Group operate in the following areas:

- Manufacturing
- Commerce
- Services

#### January-September 2008 financial results by segment (controlled subsidiaries, and JV proportional to interest held)

Income statement in thousands of dinars	Tigar AD	Manufacturing subsidiaries	Commercial subsidiaries	Service subsidiaries	Total
<b>Total income</b>	1,302,965	1,390,526	2,005,533	730,917	5,429,941
<b>Total expenses</b>	912,786	1,332,421	1,964,227	703,209	4,912,643
<b>Profit/ (Loss) before taxation</b>	390,179	58,105	41,306	27,707	517,297
<b>Income taxes</b>			9,411	1,412	10,823
<b>Deferred Income Tax expense</b>					
<b>Deferred Income Tax benefit</b>					
<b>Net result for the period</b>	390,179	58,105	31,895	26,295	506,474

\* All items shown proportional to interest held. Service subsidiaries include the Pi Channel and the Sports Center whose results are not consolidated. Tigar AD's result does not reflect 2008 results of subsidiaries (its result was increased by paid 2007 dividends and decreased by 2007 losses, but 2008 subsidiary results are generally not included in interim reports).

#### Financial results by geographical area

Income statement in thousands of Dinars	Serbia	The Balkans	EU + USA	Total
<b>Total income</b>	4,725,625	138,301	566,015	5,429,941
<b>Total expenses</b>	4,251,497	131,764	529,382	4,912,643
<b>Profit/ (Loss) before taxation</b>	474,127	6,536	36,634	517,297
<b>Income taxes</b>	1,696	203	8,924	10,823
<b>Deferred Income Tax expense</b>				
<b>Deferred Income Tax benefit</b>				
<b>Net result for the period</b>	472,431	6,333	27,710	506,474



<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

#### 7.4 TIGAR AD'S UNCONSOLIDATED FINANCIALS

Balance Sheet in thousands of Dinar		Opening balance sheet as of 1 Jan-08	As of 30 Sep 2008
<b>Assets</b>			
	Non-current assets	2,336,257	3,009,463
	Current assets	1,253,312	1,048,401
	Deferred tax assets	2,456	2,456
	<b>Total assets</b>	<b>3,592,025</b>	<b>4,060,320</b>
<b>Equity and liabilities</b>			
	Equity	2,685,839	2,971,108
	Non-current liabilities	210,887	206,063
	Current liabilities	695,299	883,149
	<b>Total equity and liabilities</b>	<b>3,592,025</b>	<b>4,060,320</b>

Income statement in thousands of Dinars	January-September 2008	Change relative to January-September 2007
<b>Total income</b>	<b>1,302,965</b>	<b>235%</b>
<b>Total expenses</b>	<b>912,786</b>	<b>145%</b>
<b>Profit/ (Loss) before taxation</b>	<b>390,179</b>	<b>2456%</b>
<b>Income taxes</b>		
<b>Deferred Income Tax expense</b>		
<b>Deferred Income Tax benefit</b>		
<b>Net result for the period</b>	<b>390,179</b>	<b>2479%</b>

<b>JANUARY-SEPTEMBER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/05</b>

<b>Cash flow in thousands of dinars</b>	<b>31 December 2007</b>	<b>30 September 2008</b>
<b>Cash flows from operating activities</b>		
Inflow from operating activities	403,845	242,874
Outflow from operating activities	1,165,646	1,494,317
Net cash used in operating activities	-761,801	-1,251,443
<b>Cash flows from investing activities</b>		
Inflow from investing activities	930,694	1,251,073
Outflow from investing activities	171,738	551,539
Net cash (used in)/from investing activities	758,956	699,534
<b>Cash flows from financing activities</b>		
Inflow from financing activities	155,017	580,953
Outflow from financing activities	42,671	113,319
Net cash provided by/(used in) financing activities	112,346	467,634
<b>Net increase/decrease in cash and cash equivalents</b>	<b>109,501</b>	<b>-84,275</b>
<i>Cash and cash equivalents at beginning of year</i>	3,892	113,277
<i>Foreign exchange gains on translation of cash and cash equivalents</i>	16,895	4,262
<i>Foreign exchange losses on translation of cash and cash equivalents</i>	17,011	2,838
<b><i>Cash and cash equivalents at the end of the year/period</i></b>	<b>113,277</b>	<b>30,426</b>

TIGAR AD

**Jelena Petković**  
Executive Director for Corporate  
Management Support

TIGAR AD

**Dragan Nikolić**  
Board of Directors Chairman