



## **BASIC PROSPECTUS FOR THE ISSUE OF SECURITIES**

*Pursuant to the Law on the Market of Securities and Other Financial Instruments (Official Gazette of the Republic of Serbia, no. 47/2006),*

**The issuer of securities:**

**AKCIONARSKO DRUŠTVO «TIGAR» - PIROT  
(JOINT-STOCK COMPANY TIGAR - PIROT)**

hereby issues its

# **PROSPECTUS FOR THE ISSUE OF SECURITIES**

## **A) INTRODUCTION**

*The Securities Commission shall not be responsible for the accuracy and completeness of the information stated in the Securities Distribution Prospectus or for the ability of the issuer of the securities to fulfill the obligations arising from the securities it issues.*

### **1. ISSUER OF SHARES**

#### **1.1. Name, registered address, corporate ID number, and fiscal ID number:**

Akcionarsko društvo "**Tigar**", Pirot / Joint-Stock Company Tigar, Pirot (Tigar AD)  
Nikole Pašića 213, 18300 Pirot, Serbia  
Corporate ID number: 07187769  
Fiscal ID number: 100358298

#### **1.2. Core activity:**

74150 - Holdings

#### **1.3. Subscribed capital as reported in the most recent financial statements:**

**2,062,152,000.00 RSD** as of 31 December 2008

### **2. SHARES TO BE ISSUED**

#### **2.1. Type, class, issue designation, CFI Code and ISIN Number of security**

### **3. TOTAL VOLUME OF THE ISSUE**

#### **3.1. Total nominal value of all securities to be issued, in RSD:**

#### **4. NUMBER OF SHARES AND THEIR NOMINAL VALUE**

4.1. Total number of securities to be issued

4.2. Nominal value per security:

#### **5. ISSUE PRICE OF SHARES**

5.1. Offered price of security:

5.2. Method of payment for the securities:

#### **6. RIGHTS AND OBLIGATIONS ATTACHED TO SHARES**

6.1. All rights and obligations attached to shares:

6.2. Pre-emptive rights:

*6.2.1. Persons with pre-emptive rights of subscription and payment of shares and grounds for such rights (owners of ordinary shares, holders of warrants, convertible bonds, preferred convertible shares):*

*6.2.2. Total number of securities with respect to which pre-emptive rights of subscription are exercised*

*6.2.3. Number of shares of the new issue with respect to which pre-emptive rights of subscription can be exercised*

6.3. Tax obligations of shareholders

*6.3.1. Property tax, sales tax, profit tax, tax relief, tax incentives:*

6.4. Method for settlement of any dispute between the issuer and a holder of securities, and name of competent court for the settlement of disputes:

#### **7. TIME, PLACE AND TIME PERIOD FOR SUBSCRIPTION OF SHARES**

7.1. Registered name, seat, address, and business hours of BDC/bank and time period for subscription of shares (time period for subscription based on pre-emptive rights stated separately):

## **8. LOCATION AND TERMS OF PAYMENT OF SHARES**

- 8.1. Registered name, seat, address, and time period for payment of shares and business hours of bank at which payment is to be made:**
- 8.2. Method to be applied in the distribution of excess subscribed and paid-up securities to persons who have subscribed and paid for the securities:**
- 8.3. Consequences of non-payment or late payment:**
- 8.4. Number of securities which must be subscribed and paid-up to deem the sale successful (success threshold):**
- 8.5. Method and deadline for reimbursement of amounts paid if the sale is not successful, including the interest rate and calculation method to be applied to the amounts paid:**
- 8.6. Name and seat of the person in charge of keeping records and of clearing and settlement of obligations arising from the securities to be issued (Central Registry):**

## **9. SECURITIES TRADING MARKET**

- 9.1. Name and seat of the organized market, date of admission of the same type of shares to the organized market, volume of transactions with this type of security in the organized market during the past six months, and the high and low prices realized:**

## **10. SUMMARY INFORMATION ABOUT THE ISSUER**

- 10.1. Name of the issuer's competent body and date of its resolution/decision under which the securities are issued:**
- 10.2. Basic facts about the issuer's business operations and development plans:**

## **11. BROKER/DEALER COMPANY AND/OR AUTHORIZED BANK WHICH IS PARTICIPATING IN THE COORDINATION OF THE PUBLIC OFFERING**

- 11.1. Registered name and address of the agent or underwriter of the issue, who is participating in the coordination of the issue of securities:**
- 11.2. Registered name and address of the global coordinator of the issue, if several parties are involved:**
- 11.3. Type of issue coordination agreement and type of responsibility of the agent or underwriter:**
- 11.4. Amounts payable to the agent or underwriter for issue coordination services, or margin to be applied when the underwriter re-sells the securities in the distribution process:**
- 11.5. Does the obligation of the agent or underwriter relate to all or a specific portion of the securities to be issued?**

## B) BASIC PROSPECTUS

- „This Prospectus for the Issue of Securities, including any appendices hereto, discloses all significant facts which allow investors to objectively assess the financial and legal position of the issuer of securities and to assess the rights and obligation attached to such securities.“
- „This Prospectus for the Issue of Securities does not include any facts which might influence investors to gain a misleading impression of the issuer of securities, the securities to be issued, and the securities which have already been issued.“

### 1. **DESCRIPTION OF THE ISSUER**

#### 1.1. GENERAL INFORMATION

**1.1.1. Name, seat, address, corporate identification number and fiscal identification number:**

Akcionarsko društvo "Tigar" Pirot /Joint-Stock Company Tigar – Pirot (Tigar AD)

Short name: **Tigar AD Pirot**

Nikole Pašića 213, Pirot, Serbia

CID 07187769

FID 100358298

**1.1.2. Date and number of registration entry at the Business Registers Agency:**

BD 6728/2005, 25 March 2005

**1.1.3. Date of establishment:**

Originally established in 1935 (as an industrial workshop for the manufacture of rubber products and various types of rubber footwear). In line with changes in the business environment and in the legal framework, the organization underwent several status changes, from a socially-owned enterprise to a joint-stock company.

**1.1.4. Position of the issuer within the corporate group:**

Holding company

**1.1.4.1. Relationships with other companies:**

Tigar AD Pirot is a holding/parent company, which holds interest in 18 subsidiaries, 3 joint ventures and one agency; all together, these make up the group called the Tigar Corporation.

Of all the companies within the Tigar Group:

**(a) 17 were established and conduct their business in Serbia:**

Tigar Tyres; Tigar Obuća (Footwear); Tigar Tehnička guma (Technical Rubber Goods); Tigar Hemijski proizvodi (Chemical Products); Tigar Poslovni servis (Business Services); Slobodna zona Pirot (Pirot Free Zone); Hotel "Planinarski dom"; Tigar Tours; PI Kanal (PI Channel); Dom sportova (Sports Center); Tigar Zaštitna radionica (Workshop); Tigar Obezbeđenje (Security); Tigar Inter Risk; Tigar Trgovine (Tigar's Domestic Sales Network); Tigar Incon; Tigar Export-Import; and Agencija Stara planina TURES (Mt. Stara Planina Agency). On 1 January 2009, Tigar Export-Import and Tigar Trgovine were wound up and a new company – Tigar Trade – was incorporated and began its operations on the same date. Tigar Trade is the legal successor of Tigar Trgovine and Tigar Export-Import, and has assumed all the rights and obligations of these two companies.

**(b) and 5 were established and conduct their business abroad:**

Tigar Europe, UK; Tigar Americas, USA; Tigar Partner, FYR of Macedonia; Tigar Trade, Republika Srpska; and Tigar Montenegro, Montenegro.

1.1.4.2. Type of issuer's affiliation with other legal entities:

Interest in capital

1.1.4.3. Grounds for issuer's participation in the management of other legal entities and/or grounds for participation of other legal entities in the management of the issuer's legal entity:

Other legal entities participate in the management of the issuer, depending on the number of shares they hold. The issuer participates in the management of other legal entities based on 100% or partial interest in their capital. The basic grounds lie in complementing or reasonably diversifying the business interests of the issuer.

**1.1.5. Issuer's general acts**

1.1.5.1. Time and place where the articles of association or by-laws and other general acts of the issuer (as most recently amended) may be inspected:

General acts may be inspected at the corporate headquarters of the issuer in Pirot, Nikole Pašića 213, on any business day between 09:00 and 14:00 hours.

## 1.2. ISSUER'S CAPITAL

**1.2.1. Capital (in thousands of RSD)**

	<b><u>31 December 2008</u></b>
Total capital:	<b>2,736,793</b>
1.2.1.1. Subscribed capital	<b>2,062,152</b>
1.2.1.2. Other capital:	
1.2.1.3. Subscribed, unpaid capital: N/A	
1.2.1.4. Reserves including premium on issue:	
1.2.1.5. Reserves:	<b>588,734</b>
1.2.1.6. Retained earnings:	<b>111,926</b>
1.2.1.7. Accumulated loss:	
1.2.1.8. Acquired treasury shares:	<b>( 26,019)</b>

**1.2.2. Issued shares****1.2.2.1. Number of issued ordinary shares, CFI Code, and ISIN number:**

On 8 June 2006, the General Assembly of Shareholders resolved to distribute shares due to a change in their par value. According to the records of the Central Registry in Belgrade, **1,718,460** Class D ordinary voting shares have been issued.

- (a) A stock split was implemented, whereby each previous share was split into 10 shares and its par value was reduced proportionally.

The previous 171,846 shares, whose par value was 12,000.00 RSD, were replaced with 1,718,460 shares whose par value is 1,200.00 RSD.

- (b) By force of applicable law:

- (1) 429,429 Class D shares are held by the Equity Fund; and
- (2) 149,981 Class D shares are held by the Pension and Disability Fund.  
CFI Code: ESVUFR  
ISIN Number: RSTIGRE55421

**1.2.2.2. Number of issued preferred shares by class, CFI Code, and ISIN Number: NIL****1.2.2.3. Rights attached to shares by type and class:**

- (1) Participation in the management of the company, proportional to the par value of shares held,
- (2) Participation in profits at a par value of 1,200 RSD (right to dividends),
- (3) All shares rank equally and *per se* regarding pre-emptive rights and rights of first refusal.
- (4) Management rights, proportional to the interest in the subscribed capital;
- (5) Participation in the distribution of profits, proportional to the interest in the capital;
- (6) Right to a portion of the liquidation estate, in the event of liquidation, proportional to the interest in the capital, upon settlement of debts to creditors;
- (7) Pre-emptive right of purchase of shares of subsequent issues, proportional to the nominal value of shares held, in accordance with the respective issue resolution/decision; and
- (8) Disposal of shares pursuant to the law, the company's Articles of Association, and the respective issue resolution/decision;

**Non-voting shares:**

- (1) Shares held by the Equity Fund participate in the management and in the General Assembly of Shareholders only when specific decisions/resolutions defined by law are passed, primarily dealing with changes in capital and amendments of the Articles of Association of the company;
- (2) No management rights are attached to the shares held by the Pension and Disability Fund.

**1.2.2.4. Method of issue:**

Certificate of the Securities Commission no. 4/0-29-2979/4-06, approving the issue of shares (stock split) without a public offering.

**1.2.3. Capital changes**
**1.2.3.1. Provisions from the issuer's general acts which relate to capital changes:**

Resolutions relating to changes in capital are passed by the General Assembly of Shareholders, through amendments of the Articles of Association (based on its Articles 88 (a) (8) and 110).

Description of changes in subscribed capital, revaluation and other reserves, subscribed but unpaid capital, treasury shares, premium on issue, and total capital (over the past three years):

(in thousands of RSD)

	2006	2007	2008
<b>Share capital</b>			
<i>Opening balance</i>	2,062,152	2,062,152	2,062,152
Adjustment of opening balance			
Increase/decrease			
Transfers within equity			
Current year gain			
Distribution of profit			
Paid dividends			
Other			
<i>Year ended 31 December</i>	2,062,152	2,062,152	2,062,152
<b>Revaluation and other reserves</b>			
<i>Opening balance</i>	513,985	547,510	574,953
Adjustment of opening balance			
Increase/decrease			
Transfers within equity			
Current year gain			
Distribution of profit	80,661	30,448	
Paid dividends			
Other	(47,136)	(3,005)	
<i>Year ended 31 December</i>	547,510	574,953	574,953
<b>Subscribed, unpaid equity</b>			
<b>Acquired treasury shares</b>			(26,019)
<b>Premium on issue</b>			13,781
<b>Treasury shares</b>			
<i>Opening balance</i>	124,070	73,925	48,734
Adjustment of opening balance			
Increase/decrease			
Current year gain	73,925	48,734	168,103
Distribution of profit	(124,070)	(73,925)	(104,911)
Paid dividends			
Other			
<i>Year ended 31 December</i>	73,925	48,734	111,926
<b>Total</b>			
<i>Opening balance</i>	2,700,207	2,683,587	2,685,839
Adjustment of opening balance			
Increase/decrease			
Current year gain	73,925	48,734	168,103
Transfers within equity			
Paid dividends	(43,409)	(43,477)	(104,911)
Other	(47,136)	(3,005)	(12,238)
<i>Year ended 31 December</i>	2,683,587	2,685,839	2,736,793

**2006, 2007 AND 2008 CAPITAL CHANGES, CONSOLIDATED STATEMENT  
(in thousands of RSD) - 49.4% consolidation of Tigar Tyres in 2006**

	Share capital	Other capital	Contingencies	Revaluation provisions	Retained profit	Minority interest	Translation reserves	Total
1 January 2006 (corrected)	2,062,152	-	514,179	8,026	72,256	1,970,052	(41)	4,626,624
Adjustment of opening balance					(24,235)			(24,235)
Effect of change in scope of consolidation			(2,841)		(12,693)	(1,925,508)	4	(1,941,038)
New stock issue						4,320		4,320
Current year profit (loss) corrected					47,184			47,184
Profit of minority interest					(3,874)	3,874		-
Distribution of profit								
New investments made during the year (minority interest)								
Provisions			55,757		(55,757)			
Paid dividends					(43,408)	(255)		(43,663)
Other				(70)	4,883	(1,922)	37	2,928
Year ended 31 December 2006	2,062,152		567,095	7,956	(15,644)	50,561	-	2,672,120
1 January 2007 (corrected)	2,062,152	-	567,095	7,956	(15,644)	50,561	-	2,672,120
Adjustment of opening balance	(1,965)							
Effect of change in scope of consolidation								
New stock issue								
Current year profit (loss) corrected					165,027			165,027
Profit of minority interest					(3,310)	3,310		
Distribution of profit								
New investments made during the year (minority interest)								
Provisions			30,448		(30,448)			
Paid dividends					(43,477)			(43,477)
Other	(21,777)		(21,932)	3,212	(58,373)	(11,055)		(88,148)
Year ended 31 December 2007	2,062,152		575,611	11,168	13,775	42,816		2,705,522
1 January 2008 (corrected)	2,062,152		575,611	11,168	13,775	42,816		2,705,522
Adjustment of opening balance								
Effect of change in scope of consolidation								
New stock issue								
Current year profit (loss) corrected					487,341			487,341
Profit of minority interest					(5,014)	5,014		
Distribution of profit					(104,911)			(104,911)
New investments made during the year (minority interest)								
Provisions								
Paid dividends								
Other	(20,569)		(123)			(773)		
Year ended 31 December 2008	2,041,583		575,488	11,168	391,191	47,057		3,066,487



1.2.3.2. Significant elements of the issuer's articles of association concerning authorized capital; date of resolution; and aggregate amount of capital increase:

At its regular session held on 8 June 2006, the General Assembly of Shareholders passed a resolution which amends Article 23 of Tigar AD's Articles of Association, and states that:

- The Company has 429,615 approved/unissued, authorized/ordinary shares, representing 25% of the total number of issued ordinary shares (1,718,460 shares) with the same par value, as of 8 June 2006.
- The General Assembly of Shareholders has authorized the Board of Directors of the Company to decide on the number, timing and other conditions for the issue of authorized shares, over the next five-year period.

The Board of Directors will decide on such issue of shares depending on financial needs, strategies, and investment policies of the Company, in order to ensure flexibility of operations as well as an efficient and rapid increase in share capital to address business and development needs of the Company.

The Board of Directors has taken a decision regarding the new issue of shares based on the resolution by the General Assembly of Shareholders concerning authorized shares.

1.2.3.3. Significant elements of the articles of association, date of resolution on contingent capital increase, aggregate amount of capital increase, number and type of issued shares, and detailed description of criteria for the issue of stock: N/A

**1.2.4. Treasury shares**

1.2.4.1. Number and percentage of treasury shares by class:

Tigar AD holds 21,957 Class D ordinary/common treasury shares.

1.2.4.2. Time of and reason for acquisition: 275 shares were acquired through rounding-off, while 21,682 shares were acquired on the stock exchange under a decision of the Board of Directors dated November 2008.

**1.3. BOOK VALUE OF SHARES AND TRADING OF ISSUER'S SECURITIES**

**1.3.1. Book value of shares**

1.3.1.1. The most recent book value of shares by class, and date of computation; if the most recent book value was computed in the absence of a certified auditor's report, state the book value of shares based on reviewed data; provide a brief description of the method applied to compute the book value of shares:

The adjusted book value of shares was determined applying the methodology specified in Privatization Stock Trading Regulations enacted by Beogradska berza AD (Belgrade Stock Exchange) and, based on January-December 2008 financial statements, it amounts to **1,592.58 RSD**.

**1.3.2. Trading of issuer's securities**

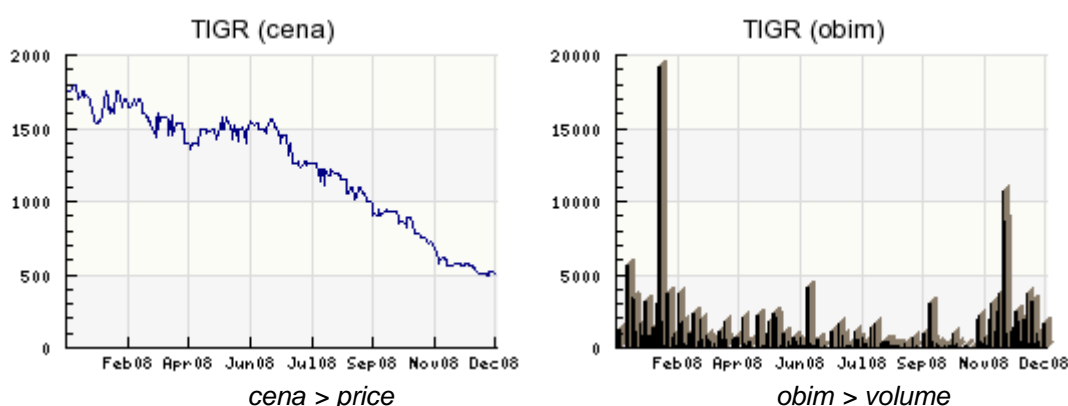
1.3.2.1. Organized market in which issuer's shares are traded:

Beogradska berza AD (Belgrade Stock Exchange), since 31 May 2005

1.3.2.2. Time period set for the trading of such shares:

Issuer's stock is traded on the open stock exchange, Listing A, on a continuous basis, every work day from 10 a.m. to 1 p.m.

1.3.2.3. Graphical representation of average price and trading volume fluctuations during the past six months, where the x axis signifies the date and the y axis signifies the price, or trading volume:



**1.4. SHAREHOLDERS**

**1.4.1.**

	<b>Name of shareholder</b>	<b>Number of shares</b>	<b>%</b>
1.	Akcijski Fond Republike Srbije	429,429	24.98
2.	PIO Fond	149,981	8.72
3.	ARTIO EQUITE FUND	120,801	7.02
4.	RAIFFEISEN ZENTRALBANK	108,304	6.3
5.	SOCIETE GENERALE BANK	43,560	2.53
6.	ERSTE BANK CUSTODY 00001	42,317	2.46
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE BANK	23,496	1.36
9.	TIGAR AD	21,957	1.27
10.	UNICREDIT BANK-KASTODI RAČUN	17,000	0.98

Source: Central Registry/Depository and Clearing House, as of 31 December 2008.

The above table should include shareholders who hold more than 5% of voting shares, or the top ten voting shareholders. At the end of the table, state the date on which the information was obtained from the Central Registry.

**2. ISSUER'S BUSINESS, ASSETS, AND LIABILITIES****2.1. ISSUER'S BUSINESS**

*If the issuer is a parent company, it should provide information about itself and the corresponding information about its subsidiaries (in which it has a minimum 25% stake in the subscribed capital), including: registered name, seat, corporate identification number of subsidiary(ies), and percent stake in the capital and in decision making, which the parent holds in the subsidiary(ies).*

**2.1.1. Core business activity****2.1.1.1. Core activity heading and code:**

The Company's business operations are aimed at direct or indirect investment in the business operations of subsidiary, affiliated and other types of related companies; as such, it manages subsidiary and other related companies in which it holds interest in capital.

Core activity: Holdings, 74150

**2.1.2. Income from business activity – consolidated report (Note: Tigar Tyres consolidated at 49.4% in 2006, and not consolidated in 2007 and 2008)****2.1.2.1. Revenues from activity which resulted in the highest levels of earnings over the past three years:**

Revenues from sales of products and services of the parent company and its subsidiaries relating to the registered area of activity (in thousands of RSD)

<b>2005</b>	<b>11,054,404</b>
<b>2006 (adjusted)</b>	<b>8,582,104</b>
<b>2007</b>	<b>3,714,897</b>
<b>2008</b>	<b>3,315,794</b>

In 2004 and 2005, Tigar Tyres financial statements were fully consolidated. In 2006, consolidation was proportional, based on Tigar AD's 49.4% stake in Tigar Tyres, which resulted in lower operating income. In 2007, after Michelin exercised its call option over Tigar AD's 19.4% interest in Tigar Tyres and after Tigar AD's interest in Tigar Tyres was reduced to 30%, the financial statements of Tigar Tyres were not consolidated. This resulted in a further reduction in income due to the method of consolidation. In 2008, 20% of Tigar Tyres' bottom line was consolidated because 10% of Tigar AD's interest in Tigar Tyres was sold in July based an Agreement executed in March 2008. In February 2009, an additional 10% of the interest was sold, and in February 2010 Tigar AD will sell the remaining 10% at which time Michelin will become the sole owner of Tigar Tyres.

### **2.1.3. Market position**

#### **2.1.3.1.**

##### **Rubber footwear**

Tigar Obuća (Tigar Footwear) is a wholly-owned subsidiary of Tigar AD.

Its products include:

- Safety footwear for civilian and military use, including products intended for the chemical industry, mining industry, forestry, petroleum industry, and fire fighting;
- Women's fashion footwear and children's footwear;
- Rubber footwear for hunting and fishing;
- General-purpose rubber footwear; and
- Rubber footwear for agricultural uses.

A new footwear factory was put into operation in September 2008 at the new, Tigar 3 location. Its capacity is 4 million pairs. The overall investment was 17.6 million, of which 7 million was invested in equipment. Plans call for this project to be physically completed in June 2009. This factory is the European leader in its market segment in terms of capacity and production facilities.

In August 2008, Tigar Footwear acquired the Century Division of the UK company Hunter Boot Limited, which specializes in safety footwear. Under this transaction, Tigar Footwear became the owner of three internationally-recognized safety footwear brands: Century, Forester, and Firefighter. It also acquired the leading-edge dipping technology.

Tigar Footwear intends to focus on the development of its proprietary brands.

Based on outsourced reports, the European market potential is 240 pairs of rubber footwear and major footwear competitors in this market are: Chinese manufacturers (50%), Vulkan Slovakia (11%), Fagum-Stomil Poland (4%), Novesta from the Czech Republic (4%), Finka Romania (2%), and others (21%). Tigar Footwear held an 8% market share in previous years. For the most part, exports include safety boots certified by international certification bodies. These boots are manufactured from specialized materials which can withstand high temperatures and extreme conditions. Agricultural and general-purpose footwear export levels are relatively low.

Tigar Footwear sells 25% of its total output to the domestic market, generally agricultural and general-purpose footwear. Domestic competition includes imports from China, Italy, Romania, and Turkey, as well as several local manufacturers whose offering and quality are well below those available from Tigar Footwear. According to the National Statistical Office, Tigar Footwear holds an average rubber footwear market share in Serbia of 75%.

##### **Technical rubber goods and sporting goods**

Tigar Tehnička guma (Tigar Technical Rubber Goods, TTRG) is a wholly-owned subsidiary of Tigar AD.

It manufactures:

- Rubber/metal products;
- Molded rubber products for the construction industry;
- Various rubber products for the automotive industry;
- Tire-retreading material;
- Rubber balls and various other types of sporting goods;
- Diverse types of products made from recycled rubber; and
- Fuel tanks for fighter aircraft and rubber parts for tanks.

According to the National Statistical Office, TTRG's share of the Serbian market is the following: molded rubber items for the construction industry (40%), rubber tubing (30%), tire-retreading material (40%), and sporting goods (15%).

TTRG's major competitor in the molded-items market segment is Vulkan from Niš. It has no domestic competition in the sporting goods segment; its competition mainly comes from imports.

TTRG does not have a significant presence in the global market. For the time being, production of finished goods made from recycled rubber, which was launched in 2006, targets the domestic market. The most popular product in this range is flooring for sports courts and athletic tracks.

The old TTRG factory was shut down in December 2008 and its new factory will be put into operation at the Tigar 3 location in June 2009. Plans call for a plant for the manufacture of products made from recycled rubber to be commissioned at the same location in September 2009. Thereafter, TTRG expect to boost exports of this group of products.

### **Chemical products**

Tigar Hemijski proizvodi (Tigar Chemical Products, TCP) is a wholly-owned subsidiary of Tigar AD.

TCP produces:

- Special conveyor belt adhesives;
- Various types of adhesives for furniture, footwear and other industries;
- Road paint;
- Special dyes for the food industry;
- Paint for the construction industry;
- Anti-corrosion coatings;
- Special self-spreading polyurethane flooring for industrial plants, sports courts and large enclosures; and
- Diverse products for the consumer market.

TCP's products generally target the domestic market. Major domestic competitors include: Duga from Belgrade, Zvezda Helios from Gornji Milanovac, Zorka Boje from Šabac, Prvi Maj from Čačak, and Grmeč from Belgrade.

According to the National Statistical Office, TCP has the following market share: 40% for conveyor belt adhesives in mining operations and roughly 50% of the road paint segment.

The major export market in 2006 was South Africa, where TCP sells conveyor belt adhesives.

#### **2.1.4. Operations away from corporate seat**

2.1.4.1. Locations, other than the issuer's corporate seat, where the issuer conducts business (organizational/business units and branch offices):

##### **Sales in Serbia**

Tigar Trgovine (Tigar Trade) is Tigar's domestic sales network and a wholly-owned subsidiary of Tigar AD.

Tigar's domestic sales network is comprised of:

- **20 car/LUV service centers and 1 mobile service unit**, offering a range of automotive services, including tire replacement, tire repair and alignment, oil changes and, in some facilities, car washes. The service centers also include retail sections which sell tires, afterparts and similar products;
- **27 retail outlets**, which offer rubber footwear, technical rubber goods, and chemical products manufactured by Tigar's factories. Some of these outlets also sell tires, car care products, and automotive afterparts. In 2009, Tigar will open a new specialized Bottega footwear chain, which will offer leather footwear for men, women and children. From October to March, a considerable portion of its offering will be made up of new collections of fashion footwear manufactured by Tigar Footwear;
- **dva stacionarna I dva mobilna servisa za putnička I teretna vozila;**
- **jedan mobilni servis za teretna vozila;**
- **4 regional branch offices in Pirot, Belgrade, Novi Sand and Niš.**

Tigar Trade follows a multi-brand multi-product strategy in its tire sales. It sells tires manufactured by other producers, in addition to the Tigar brand name and Michelin's family of brand names. This strategy is followed in other product segments as well.

Tigar Trade targets end users: natural and legal persons. It also focuses on attracting fleet buyers (i.e. customers operating a fleet of multiple cars and/or trucks). Tigar Trade offers comprehensive motor pool servicing to this group of custom

### **Sales to international markets**

#### Tigar Europe, United Kingdom

Tigar has been very active in the UK market for more than 15 years via Tigar Europe, in which it 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 Europe, a wholesale company, also has the know-how, capability and business connections to act as a supplier of equipment, materials, spare parts, and other goods to Tigar and its subsidiaries. In addition to tire and footwear sales to the UK market, Tigar Europe will in the future intensify purchasing activities and support a number of corporate projects.

#### Tigar Americas, North America

Tigar Americas covers US and Canadian markets. Tigar Americas was the first commercial company which Tigar set up abroad and, prior to the trade embargo, had annual revenues of \$20 million. Following the lifting of the trade embargo, Tigar decided to renew its business operations in North America and to focus on sales of rubber footwear. Its plans also call for a significant increase in purchasing of equipment, materials and spare parts from the US dollar market for Tigar Trade and the manufacturing subsidiaries controlled by Tigar.

#### The Balkans

Tigar AD's subsidiaries in the Balkans are co-owned by Tigar AD and its local partners, with Tigar AD holding the controlling interest in each of these companies. Prior to the 1990's, these companies were Tigar's branch offices in the various republics of the former Yugoslavia and, consequently, Tigar's tradition in these markets is well established.

### Market research

A representative office in Sofia, Bulgaria, is currently conducting market research and assessing the potential of the Bulgarian market as well as the markets of other countries in the region.

#### **2.1.5. Special circumstances**

2.1.5.1. Other significant facts and circumstances which might affect the issuer's business operations and performance

2.1.5.2.

#### **FRAMEWORK AGREEMENT, PUT/CALL OPTION AGREEMENT, AND REAL ESTATE CONTRACTS AMONG TIGAR AD AND MICHELIN FINANCE**

#### **Changes in Tigar Tyres equity structure**

Following the exercise of Michelin's call option in April of 2007, Tigar AD has a 30% stake in Tigar Tyres. On 27 February 2008, Tigar AD's General Assembly of Shareholders passed a resolution concerning the disposal of major assets, including the sale of Tigar AD's 30% stake in Tigar Tyres (in three equal installments in 2008, 2009, and 2010) and the sale of land at the Tigar 2 location.

The scope of the overall transaction with Michelin includes the sale of:

- Tigar AD's 30% interest in Tigar Tyres. The sale will be realized as a Tigar AD's put option, in three equal installments during the period from July 2008 to February 2010. If Tigar AD does not sell its interest by 2010, Michelin will have a call option in 2010, and if Michelin does not exercise its call option, Tigar AD will be entitled to require listing of Tigar Tyres on the Stock Exchange. Following the affirmative resolution of the General Assembly of Shareholders, it is reasonable to expect that this portion of the transaction will be realized as planned (three installments in 2008, 2009, and 2010)
- Land and infrastructures at the Tigar 2 location. From an industrial perspective, this location is no longer needed by Tigar since it intends to concentrate the entire manufacturing capacity it controls at the Tigar 3 location. This portion of the transaction will be realized in 2008.
- Tigar Technical Rubber Goods building at the Tigar 2 location, since TTRG will move to the Tigar 3 location. This portion of the transaction will be realized in 2008.
- Tigar Chemical Products building at the Tigar 2 location, since TCP will move to the Tigar 3 location. This portion of the transaction will be realized in 2009.

#### *Payment schedule*

30% interest in Tigar Tyres:

- 6,013,969 € in July of 2008
- 6,201,905 € in February of 2009
- 6,395,715 € in February of 2010

Land at the Tigar 2 location, total amount RSD 571,393,528, two installments: 50% in March of 2008 and 50% before the end of 2008.

TTRG building at the Tigar 2 location, total amount RSD 266,236,355, two installments: 50% in March of 2008 and 50% by the end of 2008.

TCP building, total amount 326 million RSD, two installments: 50% in December of 2008 and 50% in June of 2009.

**Use of proceeds**

Funds received in 2008 will, for the most part, be used to finance investment activities of the Tigar Group and reduce the level of short-term debt. The balance will be used for working capital needs. Funds received in 2009 and 2010 will also generally be used to finance investments; the details will be defined in the 2009-2010 Business Plan.

**Contracts between Tigar AD, Michelin Finance, and Tigar Tyres (controlled by Michelin Finance)**

Under a resolution of the General Assembly of Shareholders and respective decisions of subsidiary boards of directors, the relationships between Tigar AD, Michelin Finance, and Tigar Tyres have been defined by the following agreements and contracts:

- Put/Call Option Agreement, concerning the sale of Tigar AD's 30% interest in Tigar Tyres
- A group of contracts concerning the sale of the above-mentioned real estate
- A new Framework Agreement, which defines relationships through the year 2010 (or for as long as Tigar AD remains a shareholder of Tigar Tyres)

The new Framework Agreement will, in fact, be a revised version of the 2002 Framework Agreement and its four amendments signed in the interim, and it will also reflect a term sheet which defines relationships between 2008 and 2010. Clauses relating to unacceptable investors have not been amended.

**Changes in Tigar AD shareholder structure: Unacceptable investors**

In the event of any tire competitor or any non-acceptable investor acquiring control over Tigar AD, MHPB shall have the option to acquire all or part of the stockholding held by Tigar AD in Tigar Tyres.

"Acquiring control" means the acquisition (whether by purchase, merger, spin-off, combination of capital stock or otherwise), directly or indirectly, alone or with third parties (such as a group of investors) of (i) more than 15% interest in the stock capital of Tigar AD; or (ii) the power to appoint at least one member of the supervisory board or similar governing body of Tigar AD; or (iii) the effective ability to manage, directly or indirectly, the affairs of Tigar AD; or (iv) liens over more than 15% of the assets of Tigar AD; or (v) an interest which would affect the independence of Tigar in setting its strategies or affairs.

"Non-acceptable investor" means any person or entity which can reasonably be suspected of money laundering, corruption or other fraudulent practices or whose presence in Tigar AD's capital can harm the reputation or business of Tigar Tyres or the Michelin Group; provided that in case of a disagreement as to whether a person is a non-acceptable investor, the matter will be submitted by the parties to the *Agence pour la Diffusion de l'Information Technologique* with its current address in Paris, 27 bis Anatole France (or to any successor of this agency) and the determination of this agency will be final and binding.

**Changes in Tigar AD's accounting policy**

In 2003, 2004 and 2006, based on its majority interest in Tigar Tyres, Tigar AD applied the *pro rata temporis* method and fully consolidated the financial statements of Tigar Tyres.

During the period from 1 January to 31 December 2006, with its 49.4% interest in Tigar Tyres, Tigar AD was the majority shareholder but not the controlling shareholder. As such, the proportional method of consolidation was applied based on the percent interest. The financial statements of Tigar Tyres were not consolidated in 2007.



**2.1.6. Discontinuities of business operations**

2.1.6.1. Any discontinuities of the issuer's business operations during the past three years, and reasons for such discontinuities:

There were no discontinuities of operations.

**2.2. ISSUER'S ASSETS AS OF 31 DECEMBER 2008**

If the issuer is a parent company, information should be provided about all subsidiaries along with their names:

<b>NON-CURRENT ASSETS (in thousands of RSD)</b>	
- Land, buildings, and equipment	613,771
- Intangible expenditures	19,216
- Long-term investments	2,551,456
<b>TOTAL, FIXED ASSETS:</b>	<b>3,184,443</b>
<b>CURRENT ASSETS (in thousands of RSD)</b>	
- Inventories	29,011
- Fixed assets intended for sale	6,675
- Accounts receivable	799,843
- Short-term investments	6,194
<b>Cash and cash equivalents</b>	<b>52,935</b>
<b>Deferred tax</b>	<b>655</b>
<b>TOTAL, CURRENT ASSETS:</b>	<b>894,658</b>
<b>TOTAL, ASSETS (in thousands of RSD):</b>	<b>4,079,756</b>

**Assets of subsidiaries classified as large taxpayers**

	<b>Tigar Footwear</b>	<b>Tigar Business Services</b>
<b>NON-CURRENT ASSETS (in thousands of RSD)</b>		
Land, buildings, and equipment	1,125,818	145,001
Intangible expenditures	45,988	22
Long-term investments		
<b>Total, non-current assets</b>	<b>1,171,806</b>	<b>145,023</b>
<b>CURRENT ASSETS (in thousands of RSD)</b>		
Inventories	471,730	17,264
Fixed assets intended for sale		
Accounts receivable	418,859	68,594
Short-term investments		35
Cash and cash equivalents	31,833	1,467
Deferred tax	866	
<b>Total, current assets</b>	<b>922,422</b>	<b>87,360</b>
<b>TOTAL ASSETS (in thousands of RSD)</b>	<b>2,095,094</b>	<b>232,383</b>

**2.2.1. Real property, plants, and equipment**

<i>TYPE OF PROPERTY</i>	<i>SURFACE AREA IN M<sup>2</sup></i>	<i>BOOK VALUE IN THOUSANDS OF RSD (31 December 2008)</i>
<b>LAND</b>		
Tigar AD	138,876	35,637
Tigar III	156,814	6,307
Tigar Workshop	1,702	692
<i>Total, land:</i>	297,392	42,636
<b>BUILDINGS, TIGAR AD.</b>		
Tigar AD Pirot		181,314
Sales outlet, Tigar IV	263	5,261
Belgrade, Resavska St.	201	4,922
Tigar III	18,452	157,910
Buildings in progres		26,924
<i>Total, Tigar AD</i>	18,916	376,331
<b>TIGAR TRADE (DSN)</b>		
<b>Branch offices incl. warehouses</b>		
Niš	870	40,842
Beograd (Šimanovci)	1,706	13,363
Novi Sad i Temerin	1,555	17,531
Prodavnice		
Pirot I	76	3,181
Pirot II	155	2,710
Pirot III	301	8,958
Pirot V	33	550
Vlasotince	35	1,805
Soko Banja	81	4,364
Knjaževac	59	1,401
Bor	133	3,158
Svilajnac	70	2,300
Kruševac	119	1,563
Trstenik	67	1,414
Užice	100	5,764
Beograd I	91	7,133
Beograd II	121	6,134
Zrenjanin	73	2,339
Subotica	63	4,846
Bačka Palanka	118	5,254
Čačak	71	8,549
<i>Total, Tigar Trade buildings:</i>	5,897	143,159
<b>MANUFACTURING SUBSIDIARIES</b>		
Tigar Chemical Products		47
Tigar Technical Rubber Goods		772
Tigar Footwear	13,835	813,524
<i>Total, buildings of manufacturing subsidiaries:</i>	13,835	814,343
<b>SERVICE SUBSIDIARIES</b>		
Tigar Business Services	1,024	64,798
Tigar Security	129	883
Tigar Workshop	482	11,122
Tigar Planinarski Dom/Hotel	3,224	81,298
Tigar Tours	54	6,562
<i>Total, buildings of service subsidiaries:</i>	4,913	164,663
<b>GRAND TOTAL:</b>	<b>340,953</b>	<b>1,541,132</b>

**2.2.1.1. Real property abroad**

- Warehouses in Banja Luka, Republika Srpska, used by Tigar Trade Banja Luka, 800 m<sup>2</sup>.
- Office space in Skopje, FYR of Macedonia, used by Tigar Partner, 72 m<sup>2</sup>.
- Office space in Goražde, Bosnia and Herzegovina, used by third party, 56m<sup>2</sup>.
- Office space in Zagreb, Croatia (161 m<sup>2</sup>) and building land in Sesvete, Municipality of Zagreb (13,424 m<sup>2</sup>), user unknown.

These real properties have been excluded from the issuer's business books, since settlement is pending among the former Yugoslav republics.

**REAL PROPERTY UNDER LEASE**

Tigar Trade DSN leases 29 stores and one warehouse in Serbia.

**2.2.1.2. Value of plants and equipment**

	<i>Book value in thousands of RSD (31 December 2008)</i>
<b>Tigar AD</b>	<b>168,230</b>
<b>Tigar Footwear</b>	<b>257,812</b>
<b>Tigar Chemical Products</b>	<b>13,382</b>
<b>Tigar Technical Rubber Goods</b>	<b>38,343</b>
<b>Tigar Trade (DSN)</b>	<b>110,801</b>
<b>Tigar Business Services</b>	<b>79,112</b>
<b>Tigar Planinarski Dom</b>	<b>2,574</b>
<b>Tigar Tours</b>	<b>221</b>
<b>Tigar Export-Import</b>	<b>2,006</b>
<b>Tigar Incon</b>	<b>26,205</b>
<b>Tigar Inter Risk</b>	<b>23</b>
<b>Tigar Workshop</b>	<b>5,698</b>
<b>Tigar Security</b>	<b>7,950</b>

**2.2.2. Interest in other legal entities**
**2.2.2.1.**

	<i>Name and seat</i>	<i>Capital contribution to issuer's assets (000 RSD)</i>	<i>Issuer's stake in the capital (%)</i>	<i>Issuer's voting rights (%)</i>
1.	TIGAR Obuća d.o.o. Pirot / Tigar Footwear	820,485	100	100
2.	TIGAR Tehnička guma d.o.o. Pirot / Tigar Technical Rubber Goods	179,522	100	100
3.	TIGAR Hemijski proizvodi d.o.o. Pirot / Tigar Chemical Products	99,740	100	100
4.	Tigar Tyres d.o.o. Pirot	324,758	10	10
5.	Tigar Trgovine d.o.o. Pirot / Tigar Trade DSN	230,631	100	100
6.	Tigar Export-Import d.o.o. Beograd	43	100	100
7.	Tigar Trade d.o.o. Pirot	44	100	100
8.	Tigar Montenegro d.o.o. Podgorica (Montenegro)	2,882	80	80
9.	Tigar Partner d.o.o. Skopje (FYR of Macedonia)	19,898	70	70
10.	Tigar Trade d.o.o. Banja Luka (Rep. Srpska)	7,322	70	70
11.	Tigar Europe, London (UK)	122,406	50	50
12.	Tigar Americas (USA)	35,743	100	100
13.	Tigar Poslovni servis d.o.o. Pirot / Tigar Business Services	102,774	100	100
14.	Tigar Tours d.o.o. Pirot	9,103	100	100
15.	Tigar Planinarski dom d.o.o. Pirot	85,163	100	100
16.	Tigar Obezbeđenje d.o.o. Pirot / Tigar Security	13,755	100	100
17.	Tigar Zaštitna radionica d.o.o. Pirot / Tigar Workshop	1,348	100	100
18.	Tigar Inter Risk d.o.o. Pirot	1,372	100	100
19..	Tigar Incon d.o.o. Pirot	35,282	100	100
20..	Slobodna Zona a.d. Pirot / Pirot Free Zone	85,050	74.31	74.31
21.	Pi Kanal d.o.o. Pirot / Pi Chanel	400	75	75
22..	Dom Sportova / Sports Center	11,874	50	50
23.	Agencija Stara planina Tures d.o.o. Pirot / Mt. Stara Planina Agency	122	40	40

The above table should include issuer's investments which have resulted in a stake in the capital of other legal entities of 10% or more.

If the issuer is a parent company, the table should also include the following information about subsidiaries:

- Line of business,
- Management,
- Development policy and strategy,
- Total profit/loss for past three years,
- Total capital for past three years,
- Total assets for past three years.

**NAME, SEAT, LINE(S) OF BUSINESS, DEVELOPMENT POLICY AND STRATEGY**


<b>NAME AND SEAT</b>	<b>TIGAR TYRES d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	25110 Manufacture of vehicle tires
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS  Eric de Cromieres, Chairman, Michelin representative  Dragan Nikolić, Deputy Chairman, Tigar AD representative  Florent Menegaux, Member, Michelin representative  Laurent Noval, Member, Michelin representative  Jean Marc Gebhard, Member, Michelin representative  Jelena Petković, Member, Tigar AD representative  Zoran Živković, Member, Tigar Tyres Employee Representative</p> <p>EXECUTIVE OFFICER  Vladimir Nikolić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>In the mid-term, Tigar Tyres will focus on the manufacture of tires in the third-line segment within the Michelin Group, under Tigar, Riken and Kormoran brand names.</p> <p>Plans for this period call for Tigar Tyres to become the leading third-line manufacturer in Europe, able to offer to the market a full range of car and light utility vehicle tires with the speed indices T, H, V, and W. Plans also call for ongoing introduction of new designs in keeping with market demand. Tigar Tyres will generally target West European markets, and will sell to other markets if it has any leftover capacity. Tigar Tyres will be the exclusive importer of Michelin-brand tires for the Serbian market, and will thus be able to offer a full range of tires (i.e. Michelin, B.F. Goodrich, Kleber, Riken, Kormoran, and, of course, Tigar brand tires) to the domestic market. Through an ongoing upgrading process and with the technical support of the Michelin Group, Tigar Tyres is expected to constantly improve its efficiency in order to continue to offer a modern, high-quality product to the market at a competitive price.</p>




<b>NAME AND SEAT</b>	<b>TIGAR OBUĆA d.o.o. Pirot / TIGAR FOOTWEAR</b>
<b>LINE(S) OF BUSINESS</b>	19303 Manufacture of rubber footwear 51420 Wholesale, clothing and footwear 52430 Retail, footwear and leather goods 52630 Retail, other, away from outlet
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS  Miodrag Tančić, Chairman  Igor Kostadinović  Ivan Mijalković  Slobodan Sotirov  Miodrag Dopuđa</p> <p>EXECUTIVE OFFICER  Dragan Đorđević</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Development strategy includes both production growth and changes in the product mix through a re-orientation toward sophisticated products, primarily in the areas of safety, sports, and general-purpose rubber footwear. It also focuses on the introduction and manufacturing of products made under globally-recognized brand names, with parallel development of Tigar-brand products for the domestic and international markets.</p> <p>In the international market, the focus is on off-take manufacture of globally-recognized brands and sales to large distribution chains and independent dealers, to whom Tigar-brand and private-brand products introduced in the meantime will be offered. In addition to Europe, Tigar Footwear intends to further expand its sales to the US and Canadian markets.</p> <p>Plans call for a significant growth in sales to the domestic market, not only of products for agricultural and general-purpose uses, but of safety, fashion, and children's footwear as well. Domestic market sales will focus on end users which, in addition to natural persons, include fleet buyers, primarily large industrial complexes.</p> <p>In 2008, Tigar Footwear moved to the new, Tigar 3 industrial location, where a full upgrade of manufacturing processes was implemented with the goal of a significant increase in productivity and reduction in production costs, primarily through reductions in scraps and waste, and employee expenses. Lower costs should allow for a full valorization of the introduction of new, more sophisticated products manufactured for international markets in 2006 and 2007.</p> <p>Exports target the following markets:</p>



	<ul style="list-style-type: none"> <li>- Europe, particularly the UK and Scandinavian countries;</li> <li>- Canada and the US; and</li> <li>- The Balkans.</li> </ul> <p>Elimination of negative seasonal impact through higher output of safety footwear and the introduction of new groups of products, such as:</p> <ul style="list-style-type: none"> <li>- Rubber/fabric;</li> <li>- Rubber/PVC; and</li> <li>- Rubber/leather,</li> </ul> <p>should significantly improve the bottom line.</p> <p>The investment program was financed by Tigar AD, in the form of a Tigar Footwear capital increase, and from a long-term capital loan granted by DEG.</p>
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<b>NAME AND SEAT</b>	<b>TIGAR TEHNIČKA GUMA d.o.o. Pirot / TIGAR TECHNICAL RUBBER GOODS</b>	
<b>LINE(S) OF BUSINESS</b>	25130 Manufacture of other rubber products 36400 Manufacture of sporting goods 29560 Manufacture of other machinery	
<b>MANAGEMENT</b>	<b>BOARD OF DIRECTORS</b> Goran Jovanovic, Chairman Zlatica Pešić Goran Stamenović Miodrag Tancic Mihajlo Najdanović  <b>EXECUTIVE OFFICER</b> Goran Jovanović	
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>In 2008, the old plants were shut down at the Tigar 2 location. They are being relocated and upgraded with the goal of increasing productivity and cutting production costs. The new plants, which will be put into operation in June 2009, will manufacture:</p> <ul style="list-style-type: none"> <li>- Rubber profiles for the construction industry;</li> <li>- Rubber/metal products;</li> <li>- Tubing and other rubber products for the automotive industry;</li> <li>- Products for military use.</li> </ul> <p>A new plant which will manufacture final products made from recycled rubber, intended for both domestic and international markets, will be put into operation in October 2009. TTRG will form an alliance with international and domestic partners to construct a used tire recycling plant. Due to a delay in the enactment of the pertinent legislation, the putting into operation of this plant has been postponed until 2010.</p>	

<b>NAME AND SEAT</b>	<b>TIGAR HEMIJSKI PROIZVODI d.o.o. Pirot / TIGAR CHEMICAL PRODUCTS</b>	
<b>LINE(S) OF BUSINESS</b>	24300 Manufacture of paints, varnishes and similar products; printing inks and kits 24620 Manufacture of gelatin and adhesives 24660 Manufacture of other chemical products, not mentioned elsewhere	
<b>MANAGEMENT</b>	<b>BOARD OF DIRECTORS</b> Miodrag Tančić, Chairman Jelena Kostić Jovica Šćulac Goran Jovanović Bojan Živković  <b>EXECUTIVE OFFICER</b> Milan Džunić	
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Increase in volume of the following product lines:</p> <ul style="list-style-type: none"> <li>- Adhesives for conveyor belts in mining and other industrial applications;</li> <li>- High-quality self-spreading flooring for industrial plants and large enclosures;</li> <li>- Road paint;</li> <li>- Anti-corrosion coatings;</li> <li>- Paint for the metalworking industry and household appliances; and</li> <li>- Adhesives for the furniture and footwear industries.</li> </ul> <p>Plans call for an increase in sales to the domestic market, especially to the construction industry and road infrastructure, as well as exports to the former-Yugoslav republics, the EU and the Middle East. An increased proportion of products for mining companies and various industries will considerably reduce the seasonal impact on sales. Plans call for the shutting down of existing plants at the end of 2009 and the opening of a new factory at Tigar's new industrial location.</p>	

<b>NAME AND SEAT</b>	<b>TIGAR TRADE d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	51700 Wholesale, other
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS            Jelena Petković, Chairperson            Miodrag Tančić            Goran Jovanović            Marjan Avzner            Gorica Stanković</p> <p>EXECUTIVE OFFICER            Jelena Petković</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Tigar Trade began its operations on 1 January 2009; it is the legal successor of Tigar Trgovine (DSN) and Tigar Export-Import, which ceased to operate on the same date.</p> <p>Tigar Trade performs the following functions:</p> <ul style="list-style-type: none"> <li>- Export transactions for Tigar Footwear and Tigar Technical Rubber Goods;</li> <li>- Wholesale transactions in Serbia related to products manufactured by Tigar Footwear and Tigar Technical Rubber Goods, as well as tires, car care products, and automotive afterparts;</li> <li>- Retail sales of tires and automotive products via its network of automotive service centers and mobile service units in Serbia, which also offer „light servicing“ of vehicles;</li> <li>- Retail sales of footwear manufactured by Tigar Footwear and other (mostly imported) footwear products, as well as products manufactured by Tigar Technical Rubber Goods and Tigar Chemical Products;</li> <li>- Purchasing of all raw materials and spare parts in the domestic and international markets for Tigar Footwear and Tigar Technical Rubber Goods, as well as supplies for the entire Tigar Group; and</li> <li>- Logistics and transportation.</li> </ul> <p>Tigar Trade’s strategy calls for the following:</p> <ul style="list-style-type: none"> <li>- Development of domestic and international sales of Tigar-brand products;</li> <li>- Increase in exports to leading international distributors and large retail chains;</li> <li>- Wholesale expansion, particularly in the footwear and technical rubber goods segments, but also in the tire and complementary automotive product segment;</li> <li>- Creation of the strongest multi product/multi brand automotive service chain in the country, which will offer tires, complementary automotive products, and light servicing of vehicles in Serbia;</li> <li>- Creation of a specialized footwear chain in 2009-2010;</li> <li>- Creation of chemical product sales centers in 2010-1012;</li> <li>- Creation of an optimal purchasing system for the Tigar Group; and</li> <li>- Development of logistics.</li> </ul>



<b>NAME AND SEAT</b>	<b>Tigar Europe, London (UK)</b>
<b>LINE(S) OF BUSINESS</b>	Registered abroad for mediation, representation, sales, purchasing, and logistics in the UK.
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS            Dragan Nikolić            Jelena Petković            Živan Garčev            George Edwards</p> <p>MANAGING DIRECTOR            Živan Garčev</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>The core activity in the mid-term will continue to be tire sales to the UK market on an ongoing basis and without regard to growing competition, particularly from the Far East.</p> <p>Characteristic of Tigar Europe’s business is continuous improvement in the product mix offered to this market, which allows for higher margins both for the company and its suppliers.</p> <p>Increase in footwear sales levels and generating business for Tigar Technical Rubber Goods in the UK market are among Tigar Europe’s important mid-term objectives.</p> <p>Plans also call for an increase in material and equipment purchases and the implementation of various corporate projects via Tigar Europe.</p>

<b>NAME AND SEAT</b>	<b>Tigar Americas (USA)</b>
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<b>LINE(S) OF BUSINESS</b>	Registered abroad for mediation, representation, sales, purchasing, and logistics in the US market.
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY            Dragan Nikolić            Gorica Stanković            Milorad Manić</p> <p>MANAGING DIRECTOR            Milan Nikolić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Major mid-term goals include market research in the US and Canada on behalf of Tigar's subsidiaries and increase in sales, especially of footwear. Plans call for Tigar Americas to become a purchasing center for the Tigar Group in the US dollar market..

<b>NAME AND SEAT</b>	<b>Tigar Partner d.o.o. Skopje, FYR of Macedonia</b>
<b>LINE(S) OF BUSINESS</b>	Registered in the FYR of Macedonia for mediation, representation, sales, purchasing, and logistics in the Macedonian market.
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY            Marjan Avzner, Chairman            Dušan Jankulovski            Đorđe Džunić</p> <p>MANAGING DIRECTOR            Dušan Jankulovski</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>All Balkan counties in which Tigar AD has subsidiaries are expected to become members of a tax and customs union with a potential of more than 50 million inhabitants.</p> <p>The basis of the development strategy is upgrading of sales methods and increase in sales to the Macedonian market. In view of growing competition, the development of this subsidiary (as well as the other two Balkan subsidiaries) largely depends on the implementation of upgrades, including several service centers where both products and servicing will be offered to customers. The approach will be defined in the 2010-2012 Business Plan.</p>

<b>NAME AND SEAT</b>	<b>Tigar Trade d.o.o. Banja Luka, Rep. Srpska</b>
<b>LINE(S) OF BUSINESS</b>	Registered abroad for mediation, representation, sales, purchasing, and logistics in the markets of Republika Srpska and the Federation of Bosnia and Herzegovina.
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY            Marjan Avzner, Chairman            Djordje Džunić            Vera Zarić</p> <p>MANAGING DIRECTOR            Milorad Manić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	The strategy is the same as for the other Balkan subsidiaries, and includes upgrading of sales processes and increase in sales to the markets of Republika Srpska and the Federation of Bosnia and Herzegovina, as well as the introduction of several service centers, especially for trucks in view of the number of mining operations, industrial facilities, and transport companies. All of this will be addressed in the 2010-2012 Business Plan.

<b>NAME AND SEAT</b>	<b>Tigar Montenegro d.o.o. Podgorica, Montenegro</b>
<b>LINE(S) OF BUSINESS</b>	Registered abroad for mediation, representation, sales, purchasing and logistics in the Montenegrin market.
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS            Marjan Avzner, Chairman            Djordje Džunić            Dušan Krstajić</p> <p>MANAGING DIRECTOR            Dušan Krstajić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>The strategy is the same as for the other Balkan subsidiaries, and includes upgrading of sales processes and increase in sales to the Montenegrin market.</p> <p>Special attention will also be devoted to cooperation with mining companies and industrial facilities.</p>

<b>NAME AND SEAT</b>	<b>Tigar Poslovni servis d.o.o. Pirot / Tigar Business Services</b>
<b>LINE(S) OF BUSINESS</b>	55300 Restaurants 60250 Overland freight carriage
<b>MANAGEMENT</b>	BOARD OF DIRECTORS Djordje Džunić, Chairman Milivoje Nikolic Dragan Kostić Marjan Savić Saša Pančić  EXECUTIVE OFFICER Radiško Cvetković
<b>DEVELOPMENT POLICY AND STRATEGY</b>	As of 1 January 2007, this subsidiary was re-organized and its construction unit was moved to Tigar Incon (engineering and consulting). It will continue to provide food-production services to the Tigar Group, as well as transportation management services. Plans call for expansion in food production to include third-party clients, and for upgrading of the motor pool and an increase in the scope and quality of transportation services.  TBS's development strategy calls for the separation of its Transportation Unit and the merging of its Food Production Unit with Tigar's tourism and hotel businesses.

<b>NAME AND SEAT</b>	<b>Tigar Tours d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	63300 Travel agencies, tour operators, and tourist assistance, not mentioned elsewhere
<b>MANAGEMENT</b>	MANAGING DIRECTOR Živko Čurić
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Tigar Tours development strategy is two-fold: (1) Promotion and development of tourism within the scope of the Mt. Stara Planina National Park, including Tigar's hotel on Mt. Stara Planina; and (2) Increase in package tour sales activities within the Pirot District. It will also continue to provide standard services to the Tigar Group. Tigar Tours's development strategy calls for eventual merging with Tigar's food production, tourism and hotel businesses.

<b>NAME AND SEAT</b>	<b>Tigar Planinarski Dom d.o.o. Pirot / Hotel</b>
<b>LINE(S) OF BUSINESS</b>	55110 Hotels and motels with restaurants 55232 Private accommodation for tourists 55520 Catering
<b>MANAGEMENT</b>	MANAGING DIRECTOR Bojana Manić
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Development of hotel accommodation capacity on Mt. Stara Planina in response to overall investment activities in the Mt. Stara Planina National Park, in two phases:  (1) Reconstruction and upgrading of existing capacity.  The hotel's development strategy calls for eventual merging with Tigar's food production and tourism businesses.  In collaboration with Swiss and Slovenian consultants, a feasibility study of modernization has been prepared. Following a re-assessment and any modifications, a modernization project will be included in the 2010-2012 Business Plan.

<b>NAME AND SEAT</b>	<b>Tigar Obezbedenje d.o.o. Pirot / Tigar Security</b>
<b>LINE(S) OF BUSINESS</b>	74600 Protection, security, and search for missing persons 75250 Fire fighting
<b>MANAGEMENT</b>	MANAGING DIRECTOR Vidojko Mitić
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Since this is a purely budget-based unit, whose core activity is the provision of security services relating to the property and workforce of Tigar, Tigar's subsidiaries and Tigar Tyres, the goal is to continue upgrading equipment and security systems in order to ensure an adequate level of security.

<b>NAME AND SEAT</b>	<b>Tigar Zaštitna Radionica d.o.o. Pirot / Tigar Workshop</b>
<b>LINE(S) OF BUSINESS</b>	20300 Fabrication of wooden components for the construction industry 20400 Fabrication of crates 93010 Washing and dry cleaning
<b>MANAGEMENT</b>	MANAGING DIRECTOR Miodrag Petrović



<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>A new downtown location was purchased to support the development of this subsidiary, while one of its segments was moved to the Tigar 3 location.</p> <p>The core activity continues to be the disposal and selling of secondary raw materials, but plans also call for the introduction of manufacture of new products from used materials.</p> <p>Plans call for significant growth in profitable activities, particularly recycling of diverse types of materials. This subsidiary demonstrates Tigar's social responsibility and commitment.</p>
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<b>NAME AND SEAT</b>	<b>Tigar Incon d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	74203 Engineering
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS Branislav Mitrović, Chairman Zoran Petrovic Slobodan Sotirov</p> <p>EXECUTIVE OFFICER Sonja Kostic</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Until 2007, major activities of this subsidiary included:</p> <ul style="list-style-type: none"> <li>- Engineering and consulting services;</li> <li>- Design and supervision of construction projects, and technical acceptance of construction projects; and</li> <li>- All other activities associated with the acquisition and disposal of real estate at the Tigar Group level and for third parties.</li> </ul> <p>With the goal of a comprehensive offering and the ability to undertake turnkey construction and reconstruction projects, the construction unit was moved to this subsidiary on 1 January 2007.</p> <p>Due to Tigar's extensive investment activities during the 2008-2010 period, this subsidiary will continue to largely provide services to the Tigar Group.</p> <p>This integration is expected to ensure better utilization of resources for municipal construction projects, and specifically projects relating to the imminent construction of the highway from Niš to the Bulgarian border.</p>

<b>NAME AND SEAT</b>	<b>Tigar Inter Risk d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	67200 Ancillary activities relating to insurance and pension funds
<b>MANAGEMENT</b>	MANAGING DIRECTOR Dragan Pejčić
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Plans call for further development in the area of insurance services, primarily oriented toward the needs of the Tigar Group and its employees.

<b>NAME AND SEAT</b>	<b>PI kanal d.o.o. Pirot / PI Channel</b>
<b>LINE(S) OF BUSINESS</b>	22000 Radio and television 54200 Telecommunications 74130 Market research and public surveys 74402 Other advertising services
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY Milivoje Nikolić, Chairman Srdjan Stojanović Dragan Denčić</p> <p>MANAGING DIRECTOR Boban Mitić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Seeking suitable partners for media-related activities with the goal of increasing the scope and type of projects, increasing production, and introducing a radio program and a separate sports channel.

<b>NAME AND SEAT</b>	<b>Slobodna Zona a.d. Pirot / Free Zone</b>
<b>LINE(S) OF BUSINESS</b>	Organizes construction and identifies construction criteria based on the law, secures space and technical conditions for unimpeded business flow within the Zone, and undertakes environmental protection measures.
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS Dragan Kostić, Chairman Branislav Mitrović Tomislav Zivković Milorad Manić Neško Madić, Vladan Vasić</p>

	<p>Momčilo Živković Ljubiša Mitić Zoran Kostić</p> <p>MANAGING DIRECTOR Dragan Kostić</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>In addition to support provided in relation to the manufacture of semi-finished products for Tigar Tyres, and organization of warehousing, transportation, and freight forwarding, plans call for the introduction of new manufacturing activities and increase in business for non-Tigar Group clients.</p> <p>Since the accession of Romania and Bulgaria to the EU, potential investors have shown greater interest in conducting manufacturing and other activities within the Pirot Free Zone.</p> <p>Expansion of Free Zone infrastructures has a Priority 2 designation under the Mid-Term Investment Plan.</p> <p>Further development also requires investments by the local community, either self-funded or through the use of Development Program funds.</p>

<b>NAME AND SEAT</b>	<b>Dom sportova a.d. Pirot / Sports Center</b>
<b>LINE(S) OF BUSINESS</b>	Coordination and proposing of measures and activities aimed at completing the sports center project, and at obtaining the needed funding
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY Vladan Vasić, Chairman Milorad Spasić Zoran Krstić Dejan Živković Miodrag Đorđević Branislav Mitrović Đorđe Džunić Slavoljub Stanković</p> <p>MANAGING DIRECTOR Aleksandar Manojlović</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	This is a joint project with the local government, aimed at improving the quality of life in the local community.

<b>NAME AND SEAT</b>	<b>Agencija Stara planina Tures d.o.o. Pirot / Mt. Stara Planina Agency</b>
<b>LINE(S) OF BUSINESS</b>	75130 Development and contributions to the successful functioning of the economy
<b>MANAGEMENT</b>	<p>GENERAL ASSEMBLY Djordje Džunić, Chairman Aleksandar Manojlović Milan Popović Ljuba Jonić Miroljub Kostić</p> <p>MANAGING DIRECTOR Zoran Lazarević</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Participation in the utilization of Mt. Stara Planina National Park resources through the development of:</p> <ul style="list-style-type: none"> <li>- Hotel capacity including a full-service tourist offering;</li> <li>- Collection and processing of medicinal plants; and</li> <li>- Utilization of water resources for drinking water supply and renewable sources of energy.</li> </ul>

**KEY FINANCIAL INDICATORS OF RELATED ENTITIES**
**Manufacturing entities**

	<i>Name and seat</i>	<i>Year</i>	<i>Total profit (loss) in past three years</i>	<i>Total capital in past three years</i>	<i>Total assets in past three years</i>
1.	<b>TIGAR Footwear (in thousands of RSD)</b>	2006	-36,280	139,830	639,893
		2007	-36,902	80,909	909,115
		2008	34,655	820,946	2,094,228
2.	<b>TIGAR Technical Rubber Goods (in thousands of RSD)</b>	2006	-66,981	27,038	250,076
		2007	114,278	22,502	471,510
		2008	4,586	174,416	424,271
3.	<b>TIGAR Chemical Products (in thousands of RSD)</b>	2006	-20,900	69,189	210,865
		2007	-15,247	51,397	232,859
		2008	204,135	110,263	376,319
4.	<b>TIGAR TYRES (in thousands of RSD)</b>	2006.	235,367	3,597,166	7,855,867
		2007. (30%)	234,007	1,312,652	2,768,956
		2008. ( 20%)	140,799	937,900	2,032,920

**Commercial entities**

	<i>Name and seat</i>	<i>Year</i>	<i>Total profit (loss) in past three years</i>	<i>Total capital in past three years</i>	<i>Total assets in past three years</i>
1.	<b>TIGAR Trade (DSN) (in thousands of RSD)</b>	2006	-28,075	176,644	598,465
		2007	-85,275	86,415	641,470
		2008	3,181	202,715	928,319
2.	<b>TIGAR Export-Import (in thousands of RSD)</b>	2006	1,665	1,708	3,167
		2007	201	1,032	486,157
		2008	-18,364		598,877
3.	<b>TIGAR Montenegro (EUR)</b>	2006	34,535	49,852	243,603
		2007	58,266	73,582	290,696
		2008.	56,045	100,495	259,379
4.	<b>TIGAR Partner (EUR)</b>	2006	41,771	292,962	609,882
		2007	50,269	289,059	570,910
		2008.	27,422	291,826	719,159
5.	<b>TIGAR Trade Banja Luka (KM)</b>	2006	85,592	409,943	1,493,219
		2007	56,090	413,694	1,600,708
		2008.	107,877	465,561	2,487,850
6.	<b>TIGAR Europe (GBP)</b>	2006	617,294	1,963,995	4,223,683
		2007	660,996	2,624,991	4,008,487
		2008.	499,472	3,124,441	5,201,441
7.	<b>TIGAR Americas (USD)</b>	2006	57,522	297,337	299,463
		2007	5,049	295,210	300,206
		2008.	20,546	458,840	492,550

**Service entities**

	<b>Name and seat</b>	<b>Year</b>	<b>Total profit (loss) in past three years</b>	<b>Total capital in past three years</b>	<b>Total assets in past three years</b>
1.	<b>TIGAR Business Services</b> (in thousands of RSD)	2006	18,258	46,945	142,715
		2007	24,726	36,658	170,166
		2008	4,813	100,718	232,383
2.	<b>TIGAR Tours</b> (in thousands of RSD)	2006	725	3,298	4,466
		2007	559	3,580	6,688
		2008	315	9,242	13,059
3.	<b>TIGAR Planinarski Dom</b> (in thousands of RSD)	2006	-1,283	2,123	6,462
		2007	-3,893	-	6,847
		2008	-9,085	72,056	87,258
4.	<b>TIGAR Security</b> (in thousands of RSD)	2006	201	14,315	27,865
		2007	-471	11,698	26,216
		2008	3,692	15,662	28,879
5.	<b>TIGAR Workshop</b> (in thousands of RSD)	2006	6,920	8,268	25,169
		2007	12,293	9,449	26,592
		2008	8,324	5,480	31,435
6.	<b>Tigar Inter Risk</b> (in thousands of RSD)	2006	851	2,223	2,597
		2007	1,112	2,269	3,037
		2008	211	1,368	3,422
37.	<b>Tigar Incon</b> (in thousands of RSD)	2006	-818	/	1,993
		2007	6,322	12,470	75,846
		2008	10,256	39,717	113,053
8.	<b>Free Zone</b> (in thousands of RSD)	2006	4,466	121,312	135,081
		2007	9,224	130,541	150,725
		2008.	8,116	134,044	150,601
9.	<b>PI Channel</b> (in thousands of RSD)	2006	1,920	4,221	7,492
		2007	258	3,559	7,358
		2008.	48	3,591	6,419
10.	<b>Sports Center</b> (in thousands of RSD)	2006	13	12,411	12,488
		2007	24	13,238	13,896
		2008.		14,802	14,943

**2.2.3. Patents, concessions, special permits**

2.2.3.1. Brief description of the conditions and expected durations of granted concessions, patents, major commercial contracts, franchise agreements, special import/export permits and/or business activity permits, and the like:

**2.2.4. Major capital investments**

2.2.4.1. Description of major investments and withdrawals of funds invested in above assets during the past three years, and description of the financing method for each investment; description of other significant investments and withdrawals of investment funds, and of respective financing methods:

Tigar AD made its largest investment in July 2006, when it purchased the company Polet in receivership. This purchase has provided a new industrial location whose total surface area is 138,362m<sup>2</sup>, including 18,452 m<sup>2</sup> of industrial buildings. A project has been prepared for the development and refurbishment of the location to accommodate footwear and technical rubber goods production facilities, and for the construction of a new oil/gas boiler facility and a new building for the manufacture of recycled-rubber products. The cost of the Development and Refurbishment Project and the purchase price of the location together amount to 4 million € (financed from Tigar AD's cash flow). Plans call for the existing footwear manufacturing location to become a new logistic center of Tigar AD. The existing building of the technical rubber goods plant was made available to Tigar Tyres.

**RECONSTRUCTION AND UPGRADING PROGRAMS FOR INDUSTRIAL CAPACITIES CONTROLLED BY TIGAR AD INCLUDE THE FOLLOWING:**

The Tigar Footwear Reconstruction and Upgrading Project will be physically completed by 30 June 2009.

The closure of the old plants of Tigar Technical Rubber Goods and its reconstruction and upgrading project will be implemented in three phases. Phase 1 includes the shutting down of old plants, the relocation of key product lines to temporary plants at the Tigar 3 location, and the ordering of equipment for TTRG's main product lines and the plant for finished products made from recycled rubber (completion date: end of January 2009). Phase 2 includes the construction of a new building/reconstruction of existing buildings at the Tigar 3 location, installation of equipment, and putting of the new factory into operation (January-July 2009). During Phase 2, a building permit will be obtained and a new plant for the recycling of used tires built, as well as the necessary equipment ordered. Phase 3 includes installation of equipment and putting of the recycling plant into operation (2009-2010).

Tigar Chemical Products' existing plants will be shut down and the factory relocated, reconstructed and upgraded in three phases. Phase 1 includes the preparation of a feasibility study (by the end of March 2009). Phase 2 includes the preparation of technical and design documentation, the reconstruction of existing equipment, the ordering of new equipment, and the selection of TCP's ultimate location (Pirof Free Zone vs. Tigar 3).

**RECONSTRUCTION AND UPGRADING OF THE SALES NETWORK**

In accordance with contemporary commercial and logistical approaches and based on Tigar's existing commercial configuration, the greatest commercial effects for the Tigar Corporation and its subsidiaries are achievable through the formation of a new subsidiary which would integrate sales, commercial, transportation and logistical functions of all of Tigar's manufacturing and logistical entities (i.e., Tigar Footwear, Tigar Chemical Products, Tigar Technical Rubber Goods, Tigar Export-Import, and Tigar Business Services). Such an approach facilitates Tigar Corporation's transition from a production-driven to a market-driven organization. The basis of such an approach is a single commercial entity responsible for overall domestic and international market activities, through ongoing communication with the market; collection, consolidation and selection of domestic and international market requirements for goods and services; definition of requirements for Tigar's factories and other

suppliers of goods and services; purchasing of consolidated quantities of finished products from the factories based on orders; responsibility for overall debt collection and sales; integrated raw material, energy, fuel and spare parts supplies; and formation of a complete logistical chain, including the provision of logistical and transportation services to third parties.

The implementation of this project has been divided into one-year phases. The new subsidiary, Tigar Trade, began its operations on 1 January 2009. Tigar Trgovine (DSN) and Tigar Export-Import were merged with Tigar Trade on the same date. In organizational terms, without any formal status changes, the sales, marketing and logistics departments of Tigar Footwear and Tigar Technical Rubber Goods were transferred to Tigar Trade. The same departments of Tigar Chemical Products will be transferred to Tigar Trade following TCP's relocation in 2010, unless the Board of Directors decides that this transfer should be implemented sooner.

The upgrading process of the domestic sales network will continue in 2009, in accordance with its investment plan. Activities will include the construction of a final products warehouse for footwear, technical rubber goods and other products sold in the domestic market, and the development of modernization projects for the commercial companies in the FYR of Macedonia, Montenegro and Republika Srpska. In 2010, the transportation unit of Tigar Business Services will be formally separated and merged with Tigar Trade, the implementation of the sales network investment plan in Serbia will continue, and the implementation of the investment plan for the Balkan companies will be initiated. All organizational changes at Tigar Trade will be completed in 2010 and Tigar Trade will continue to implement its investment and business plans.

## **RESTRUCTURING OF SERVICE BUSINESSES**

A large number of service businesses, especially those whose activities are not directly related to Tigar's industrial and commercial businesses (considered to be its core businesses), render corporate operations widely diversified. On the one hand, this diversification disperses the risk and has a positive effect on overall business operations. However, on the other hand, it has an adverse impact on coordination efficiency in view of a high level of internal sales which opens the issue of transfer pricing. The current business plan calls for consolidation of these companies through separations and mergers, aimed at creating companies which conduct one or more related activities and are more powerful in business and financial terms. Special studies by line of business will be prepared to ensure that changes are based on solid arguments and financial projections.

The separation of the construction unit of Tigar Business Services and its merging with Tigar Incon, whose main activities include design, engineering and supervision, has created a substantially stronger subsidiary which is able to offer both design and contractor services. As in 2008, Tigar Incon will focus on services for the Tigar Corporation in 2009. However, as of 2010, it will start seeking non-Tigar customers and become involved in imminent Corridor X and gas pipeline projects. Its ability to procure major contracts depends on the machinery at its disposal and a special development study will be prepared to show whether Tigar Incon should become a strong construction contractor or retain its current level of business. Tigar Incon's present business plan is based on its available resources.

Pirot Free Zone's business plan is based on its current capability, including available infrastructure. A special study will have to address the development potential and propose a development concept, which will have to be approved by Tigar's partner in this company.

Business plans for Tigar's other service subsidiaries are based on their current performance and projected growth using available resources. In view of all the activities that have to be completed and the projects that have to be prepared in 2009, the restructuring of Tigar's other subsidiaries has been deferred until the 2010-2012 period.

**2.2.5. Liens**

2.2.5.1. General information regarding issuer's property pledged as collateral: type of lien, value of collateral, amount of liability, duration, name of secured creditor:

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

Agreement reference	Date	Currency	Total amount	Outstanding balance
3617/04	6 October 2004	EUR	704,494.39	437,948.20
3618/04	6 October 2004	EUR	2,439,711.58	1,511,233.98
3619/04	6 October 2004	USD	2,362,641.42	1,468,733.54

**2. Mortgage Statement**, certified by the Municipal Court in Pirot under ref. 11468/08, imposing a lien/out-of-court mortgage of the first order in respect of cadastral lot 3390/3, Building 1 identified in real estate record no. 7950 of the Pirot Real Estate Registry, in favor of the Moscow Bank as collateral under a short-term (6-month) dinar loan.

**2.2.6. Litigation and other proceedings**

2.2.6.1. Major court or administrative proceedings: file numbers of cases in which the issuer is the defendant and the aggregate amount of claims; file numbers of cases in which the issuer is the plaintiff and the aggregate amount of such claims (proceedings relating to industrial property rights and abuse of monopoly described separately):

Court cases of the issuer against its debtors amount to an aggregate of RSD 47,020,000.00, while court cases against the issuer amount to an aggregate of RSD 4,936,000.00

The issuer is not currently involved in any proceedings relating to industrial property rights.

**2.2.7. Total non-due accounts payable at the time of submission of application**

2.2.7.1. Total liabilities arising from bank loans

Long term	235,235 (000 RSD)
Short term	899,771 (000 RSD)
<b>Total:</b>	<b>1,135,006 (000 RSD)</b>

2.2.7.2. **Total liabilities arising from issued debentures:** NIL

2.2.7.3. **Other liabilities of the issuer:**

**2.2.8. Total past-due accounts payable at the time of submission of application**

2.2.8.1. Total liabilities arising from bank loans: NIL

2.2.8.2. Total liabilities arising from issued debentures: NIL

2.2.8.3. Other liabilities of the issuer: NIL

**2.2.9. Employees (Note: figures do not include Tigar Tyres)**

2.2.9.1. Total number of employees employed by the issuer, breakdown by qualifications, and average number of employees for past three years:

	2006	2007	2008
University degree	326	338	328
Junior college degree	103	94	124
Highly skilled	8	61	10
Secondary education	601	643	580
Skilled	632	901	672
Semi-skilled	13	75	15
Unskilled	518	127	398
<b>TOTAL:</b>	<b>2201</b>	<b>2239</b>	<b>2127</b>

The average number of employees over the past three years was 2,189.

2.2.9.2. Aggregate amount owed to employees: NIL



**2.3. FINANCIAL INFORMATION**
**2.3.1. Summary of unconsolidated financial statements of the issuer for the past three years**

## 2.3.1.1. Balance sheet:

**\*IAS/IFRS-adjusted key balance-sheet indicators (in thousands of RSD)**

<b>B. Assets and liabilities</b>	<b><u>31.12.2006</u></b>	<b><u>31.12.2007</u></b>
<b>TOTAL ASSETS:</b>	<b>3,432,720</b>	<b>3,592,025</b>
Non-current assets	2,979,512	2,336,257
Subscribed, unpaid equity		
Goodwill		
Intangible assets	2,987	1,582
Property, plants, and equipment	397,167	533,570
Long-term investments	2,579,358	1,801,105
Equity investments	2,522,304	1,746,094
Other long-term investments	57,054	55,011
Current assets	453,208	1,255,768
- Inventories	13,269	22,738
- Non-current assets classified as held for sale	9,113	7,221
- Short-term accounts receivable, placements and cash	427,376	1,223,353
- Deferred tax assets	3,450	2,456
Assets	3,432,720	3,592,025
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>3,432,720</b>	<b>3,592,025</b>
Equity	2,683,587	2,685,839
- Share and other capital	2,062,152	2,062,152
- Subscribed, unpaid equity		
- Provisions	513,985	574,953
- Revaluation provisions		
- Retained earnings	73,925	48,734
- Loss		
- Acquisition of treasury shares		
Non-current liabilities	749,133	906,186
- Long-term provisions	4,333	7,998
- Long-term liabilities	233,315	202,889
- Long-term borrowings	232,571	200,624
- Other long-term liabilities	744	2,265
- Short-term liabilities	511,485	695,299
- Short-term borrowings and other financial liabilities	392,756	570,953
- Liabilities directly associated with non-current assets classified as held for sale		
- Accounts payable	67,593	84,610
- Value added tax and other taxes payable	2,375	/
- Other current liabilities and accruals	48,562	39,719
- Income tax payable	199	17
- Deferred tax liabilities		/
Off-balance sheet liabilities		

<b>B. Assets and liabilities</b>	<b><u>31.12.2007</u></b>	<b><u>31.12.2008</u></b> <b><i>(unaudited)</i></b>
<b>TOTAL ASSETS:</b>	<b>3,592,025</b>	<b>4,079,756</b>
Non-current assets	2,336,257	3,184,443
Subscribed, unpaid equity		
Goodwill		
Intangible assets	1,582	19,216
Property, plants, and equipment	533,570	613,771
Long-term investments	1,801,105	2,551,456
Equity investments	1,746,094	2,500,318
Other long-term investments	55,011	51,138
Current assets	1,255,768	894,658
- Inventories	22,738	29,011
- Non-current assets classified as held for sales	7,221	6,675
- Short-term accounts receivable, placements and cash	1,223,353	858,972
- Deferred tax assets	2,456	655
<b>Assets</b>	<b>3,592,025</b>	<b>4,079,756</b>
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>3,592,025</b>	<b>4,079,756</b>
Equity	2,685,839	2,736,793
- Share and other capital	2,062,152	2,062,152
- Subscribed, unpaid equity		
- Provisions	574,953	588,734
- Revaluation provisions		
- Retained earnings	48,734	111,926
- Loss		
- Acquisition of treasury shares		26,019
Non-current liabilities	906,186	1,342,963
- Long-term provisions	7,998	7,624
- Long-term liabilities	202,889	198,503
- Long-term borrowings	200,624	198,135
- Other long-term liabilities	2,265	368
- Short-term liabilities	695,299	1,136,836
- Short-term borrowings and other financial liabilities	570,953	893,682
- Liabilities directly associated with non-current assets classified as held		
- Accounts payable	84,610	126,635
- Value added tax and other taxes Payable and accruals	/	43,270
- Other current liabilities	39,719	32,116
- Income tax payable	17	41,133
- Deferred tax liabilities	/	
Off-balance sheet liabilities		

**2.3.1.2. Income statement:**

**\*IAS-adjusted key income-statement indicators (in thousands of RSD)**

<b>A. Income and expenses</b>	<b><u>I-XII 2006</u></b>	<b><u>I-XII 2007</u></b>
<b>TOTAL INCOME:</b>	<b>549,211</b>	<b>711,898</b>
Operating income	367,661	236,690
- Sales	365,592	185,727
- Work performed by the company and capitalized		
- Increase in inventories of finished products and work in progress		
- Decrease in inventories of finished products and work in progress		
- Other operating income	2,069	50,963
Finance income	154,150	321,943
Other income	27,400	153,265
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>478,537</b>	<b>662,170</b>
Operating expenses	439,460	411,153
- Cost of commercial goods sold	37,882	4,237
- Other materials, fuel and energy	17,413	17,133
- Staff costs	174,574	180,600
- Depreciation, amortization and provisions	17,527	17,734
- Other operating expenses	192,064	191,449
Finance expenses	33,242	82,467
Other expenses	5,835	168,550
<b>PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION</b>	<b>70,674</b>	<b>49,728</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>		
<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>70,674</b>	<b>49,728</b>
<b>INCOME TAX</b>	<b>3,649</b>	<b>994</b>
Tax expenses of the period	199	/
Deferred income tax expense		
Deferred income tax benefit	3,450	994
Owners account		
<b>NET PROFIT (LOSS)</b>	<b>73,925</b>	<b>48,734</b>
<b>MINORITY INTEREST</b>		
<b>EQUITY HOLDERS OF THE PARENT</b>		
<b>EARNINGS PER SHARE (RSD)</b>	<b>43.02</b>	<b>28.36</b>

**NOTE: Tigar AD's 2007 unconsolidated financial statements** reflect income from services rendered to subsidiaries, rentals, and dividends, as well as extraordinary income (mostly capital gain). The income from services has declined because the scope of the services provided to Tigar Tyres has been reduced (Tigar AD no longer provides accounting, finance, marketing and quality control services to Tigar Tyres).

<b>A. Income and expenses</b>	<b><u>I-XII 2007</u></b>	<b><u>I-XII 2008</u></b> <b><i>(unaudited)</i></b>
<b>TOTAL INCOME:</b>	<b>711,898</b>	<b>1,619,929</b>
Operating income	236,690	252,793
- Sales	185,727	182,411
- Work performed by the company and capitalized		37,833
- Increase in inventories of finished products and work in progress		
- Decrease in inventories of finished products and work in progress		
- Other operating income	50,963	32,549
Finance income	321,943	262,757
Other income	153,265	1,104,379
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>662,170</b>	<b>1,408,892</b>
Operating expenses	411,153	516,981
- Cost of commercial goods sold	4,237	2,479
- Other materials, fuel and energy	17,133	40,373
- Staff costs	180,600	224,056
- Depreciation, amortization and provisions	17,734	14,631
- Other operating expenses	191,449	235,442
Finance expenses	82,467	198,143
Other expenses	168,550	693,768
PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION	49,728	211,037
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
PROFIT (LOSS) BEFORE TAXATION	49,728	211,037
INCOME TAX	994	42,934
Tax expenses of the period	/	41,133
Deferred income tax expense	994	1,801
Deferred income tax benefit		
Owners account		
<b>NET PROFIT (LOSS)</b>	<b>48,734</b>	<b>168,103</b>
MINORITY INTEREST		
EQUITY HOLDERS OF THE PARENT		
EARNINGS PER SHARE (RSD)	28.36	97.82

### 2.3.1.3. Cash flow statements (in thousands of RSD)

	<u>31.12.2006</u>	<u>31.12.2007</u>	<u>31.12.2008</u> <i>(unaudited)</i>
<i>Cash flows from operations</i>			
Cash inflows from operations	413,116	403,845	332,005
Cash outflows from operations	521,043	1,165,646	617,312
Net cash used in operations	(107,927)	(761,801)	(285,307)
<i>Cash flows from investment activities</i>			
Cash inflows from investment activities	168,395	930,694	1,253,010
Cash outflows from investment activities	330,956	171,738	928,585
Net cash used in investment activities	(162,561)	758,956	324,425
<i>Cash flows from financing activities</i>			
Cash inflows from financing activities	303,887	155,017	205,147
Cash outflows from financing activities	44,995	42,671	279,471
Net cash provided from financing activities	258,892	112,346	(74,324)
<i>Net increase in cash and cash equivalents</i>	<i>(11,596)</i>	<i>109,501</i>	<i>(35,206)</i>
Cash and cash equivalents at the beginning of the year	15,809	3,892	113,277
Foreign exchange gains		16,895	7,762
Foreign exchange loss	321	17,011	32,898
Cash and cash equivalents at year end	3,892	113,277	52,935

**2.3.1.4. Statements of changes in equity** (in thousands of RSD):

	<u>31.12.2006</u>	<u>31.12.2007</u>	<u>31.12.2008</u> <i>(unaudited)</i>
Opening balance	<b>2,700,207</b>	<b>2,683,587</b>	<b>2,685,839</b>
IFRS adjustments			
New investments made during the year			
Profit for the year	73,925	48,734	168,103
Dividends distributed to shareholders	(43,409)	(43,477)	(104,911)
Other changes	(47,136)	(3,005)	(12,238)
Balance at year end	2,683,587	2,685,839	2,736,793

**LONG-TERM INVESTMENTS** (in thousands of RSD)

	<u>2006</u>	<u>2007</u>	<u>31.12.2008</u>
Interest in the capital of related legal entities	2,621,474	1,999,653	2,514,734
Interest in the capital of banks	182	136	137
Interest in the capital of other legal entities	24	19	19
Adjustment	<b>99,376</b>	253,714	14,571
<b>TOTAL:</b>	<b>2,522,304</b>	<b>1,746,094</b>	<b>2,500,318</b>

**2.3.1.5. Important notes to financial statements as shown in the financial statements**
**2.3.1.6. Auditor's summary opinion:**
Extract from 2007 auditor's opinion:

In auditors opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31,2007, and the its financial performance, changes in equity and its cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter:

Without qualifying auditors' opinion, they draw attention to Note 2 to the accompanying financial statements, disclosing that these financial statements were prepared by applying the IASs which were in effect as of December 31, 2002 and the accounting regulations of the Republic of Serbia based on them. The Company's management assesses IASs, IFRSs and interpretations the application of which was prescribed pursuant to the February 12, 2008. Decision enacted by the Ministry of Finance of the Republic of Serbia and once the standards and interpretations with reference to the Company's activities have been established, the Company intends to apply them in preparing the financial statements for the period beginning January 1, 2008. With regards to the provisions contained in the newly-adopted and amended standards and interpretations which relate to the application date and provisions with reference to the disclosure of comparative figures, upon their adoption and application by the Company, certain reclassification of data presented in the accompanying financial statements for the year 2007 might be required, as these will be used as comparative figures in the Company's financial statements for the year 2008.

2008 UNCONSOLIDATED AND CONSOLIDATED AUDITORS' REPORTS WILL BE RELEASED ON 30 APRIL 2009.

### **2.3.2. Summary of consolidated financial statements of the issuer for the past three years**

## 2.3.2.1. Legal entities included in consolidated financial statements:

Tigar Footwear, Tigar Technical Rubber Goods, Tigar Chemical Products, Tigar Business Services, Tigar Tours, Tigar Planinarski Dom Hotel, Tigar Security, Tigar Workshop, Pirot Free Zone, Tigar Montenegro, Tigar Trade (Republika Srpska), Tigar Partner (FYR of Macedonia), and Tigar Europe – UK (Tigar Europe consolidated at 50%, commensurate with the interest held).

2.3.2.2. **Consolidated balance sheet** (Note: Tigar Tyres consolidated at 49.4% in 2006)

**\*IAS-adjusted key balance-sheet indicators (in thousands of RSD)**

<b>B. Assets and Liabilities</b>	<b><u>31.12.2006</u> <u>(adjusted)</u></b>	<b><u>31.12.2007</u></b>
<b>TOTAL ASSETS:</b>	<b>6,592,839</b>	<b>5,484,129</b>
Non-current assets	2,805,442	2,465,897
Subscribed, unpaid equity		
Intangible assets	8,472	36,343
Property, plants, and equipment	2,718,249	1,155,252
Long-term investments	78,721	1,274,302
Equity investments	21,004	1,218,628
Other long-term investments	57,717	55,674
Current assets	3,787,397	3,018,232
- Inventories	1,934,432	1,031,608
- Non-current assets classified as held for sale		
	29,126	23,926
- Short-term accounts receivable, placements and cash	1,779,442	1,934,397
- Deferred tax assets	44,397	28,301
Assets	6,592,839	5,484,129
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>6,592,839</b>	<b>5,484,129</b>
Equity	2,672,120	2,705,522
- Share and other capital	2,062,152	2,062,152
- Subscribed, unpaid equity		
- Provisions	567,095	575,611
- Revaluation provisions	7,956	11,168
- Retained earnings	(15,644)	13,775
- Minority interest	50,561	42,816
Non-current liabilities	3,920,719	2,778,607
- Long-term provisions	108,888	73,251
- Long-term liabilities	791,149	240,433
- Long-term borrowings	791,149	240,433
- Other long-term liabilities		
- Short-term liabilities	3,020,682	2,461,639
- Short-term borrowings and other financial liabilities	1,160,383	813,511
- Accounts payable	1,551,970	1,446,145
- Value added tax and other taxes payable	35,105	25,585
- Other current liabilities and accruals	272,017	162,134
- Income tax payable	1,207	14,264
- Deferred tax liabilities		3,284
Off-balance sheet liabilities		

<b>B. Assets and Liabilities</b>	<b><u>31.12.2007</u></b>	<b><u>31.12.2008</u></b> <b><i>(preliminary)</i></b>
<b>TOTAL ASSETS:</b>	<b>5,484,129</b>	<b>6,096,968</b>
Non-current assets	2,465,897	3,602,481
Subscribed, unpaid equity		
Intangible assets	36,343	74,702
Property, plants, and equipment	1,155,252	2,537,880
Long-term investments	1,274,302	989,899
Equity investments	1,218,628	938,098
Other long-term investments	55,674	51,801
Current assets	3,018,232	2,476,472
- Inventories	1,031,608	1,289,581
- Non-current assets classified as held for sale	23,926	10,791
- Short-term accounts receivable, placements and cash	1,934,397	1,176,100
- Deferred tax assets	28,301	18,015
Assets	5,484,129	6,096,968
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>5,484,129</b>	<b>6,096,968</b>
Equity	2,705,522	3,066,487
- Share and other capital	2,062,152	2,109,209
- Subscribed, unpaid equity		
- Provisions	575,611	580,937
- Revaluation provisions	11,168	11,168
- Retained earnings	13,775	391,191
- Minority interest	42,816	
- Acquisition of treasury shares		26,018
Non-current liabilities	2,778,607	3,027,340
- Long-term provisions	73,251	81,891
- Long-term liabilities	240,433	679,018
- Long-term borrowings	209,763	652,805
- Other long-term liabilities	30,670	26,213
- Short-term liabilities	2,461,639	2,266,431
- Short-term borrowings and other financial liabilities	813,511	1,184,001
- Accounts payable	1,446,145	769,603
- Value added tax and other taxes payable	25,585	88,096
- Other current liabilities and accruals	162,134	139,819
- Income tax payable	14,264	84,912
- Deferred tax liabilities	3,284	3,141
Off-balance sheet liabilities		



2.3.2.3. Consolidated income statement (Note: Tigar Tyres consolidated at 49.4% in 2006, and not consolidated in 2007 and 2008))

\*IAS/IFRS-adjusted key income-statement indicators (in thousands of RSD)

A. Income and expenses	<u>I-XII 2006</u>	<u>I-XII 2007</u>
<b>TOTAL INCOME:</b>	<b>9,417,745</b>	<b>4,657,298</b>
Operating income	9,037,696	3,988,207
- Sales	8,582,104	3,714,897
- Work performed by the company and capitalized	45,017	55,545
- Increase in inventories of finished products and work in progress	390,644	151,819
- Decrease in inventories of finished products and work in progress		
- Other operating income	19,931	65,946
Finance income	317,903	299,056
Other income	62,146	370,035
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>9,357,288</b>	<b>4,440,542</b>
Operating expenses	9,035,604	4,178,375
- Cost of commercial goods sold	1,572,152	1,054,620
- Other materials, fuel and energy	4,351,819	1,162,140
- Staff costs	2,025,336	1,332,030
- Depreciation, amortization, and provisions	329,253	90,255
- Other operating expenses	757,044	539,330
Finance expenses	247,668	148,504
Other expenses	74,016	113,663
<b>PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION</b>	<b>60,457</b>	<b>216,756</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>60,457</b>	<b>216,756</b>
INCOME TAX	13,273	51,729
Tax expenses of the period	28,317	32,349
Deferred income tax expense		19,380
Deferred income tax benefit	15,044	
Owners account		
<b>NET PROFIT (LOSS)</b>	<b>47,184</b>	<b>165,027</b>
MINORITY INTEREST	3,874	3,310
EQUITY HOLDERS OF THE PARENT	43,310	161,717
EARNINGS PER SHARE		
1. Base earnings		
2. Reduced earnings per share		

A. Income and expenses	<u>I-XII 2007</u>	<u>I-XII 2008</u> <u>(preliminary)</u>
<b>TOTAL INCOME:</b>	<b>4,657,298</b>	<b>5,195,370</b>
Operating income	3,988,207	3,575,996
- Sales	3,714,897	3,315,792
- Work performed by the company and capitalized	55,545	138,296
- Increase in inventories of finished products and work in progress	151,819	52,209
- Decrease in inventories of finished products and work in progress		
- Other operating income	65,946	69,699
Finance income	299,056	202,587
Other income	370,035	1,416,787
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>4,440,542</b>	<b>4,602,662</b>
Operating expenses	4,178,375	4,214,015
- Cost of commercial goods sold	1,054,620	924,791
	1,162,140	1,245,092
	1,332,030	1,501,211
- Depreciation, amortization and provisions	90,255	88,801
- Other operating expenses	539,330	454,120
Finance expenses	148,504	353,424
Other expenses	113,663	35,223
<b>PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION</b>	<b>216,756</b>	<b>592,708</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>		
<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>216,756</b>	<b>592,708</b>
<b>INCOME TAX</b>	<b>51,729</b>	
Tax expenses of the period	32,349	99,318
Deferred income tax expense	19,380	6,123
Deferred income tax benefit		74
Owners account		
<b>NET PROFIT (LOSS)</b>	<b>165,027</b>	<b>487,341</b>
<b>MINORITY INTEREST</b>	<b>3,310</b>	<b>5,014</b>
<b>EQUITY HOLDERS OF THE PARENT</b>	<b>161,717</b>	<b>482,327</b>
<b>EARNINGS PER SHARE</b>		
1. Base earnings		
2. Reduced earnings per share		

2.3.2.4. Consolidated cash flow statements in thousands of RSD (Note: Tigar Tyres consolidated at 49.4% in 2006, and not consolidated in 2007 and 2008)

	<b><u>31.12.2006</u></b> <b><u>(adjusted)</u></b>	<b><u>31.12.2007</u></b>	<b><u>31.12.2008</u></b> <b><u>(preliminary)</u></b>
<i>Cash flows from operations</i>			
Cash inflows from operations	8,489,817	4,446,699	3,379,621
Cash outflows from operations	8,706,770	5,369,332	4,404,017
Net cash used in operations	(216,953)	(922,633)	(1,024,396)
<i>Cash flows from investment activities</i>			
Cash inflows from investment activities	74,905	1,200,731	1,404,952
Cash outflows from investment activities	614,350	325,752	1,047,868
Net cash used in investment activities	(539,445)	874,979	357,084
<i>Cash flows from financing activities</i>			
Cash inflows from financing activities	897,822	109,167	753,147
Cash outflows from financing activities	104,159	42,000	143,162
Net cash provided from financing activities	793,663	67,167	609,985
<i>Net increase in cash and cash equivalents</i>	<i>37,265</i>	<i>19,513</i>	<i>(57,327)</i>
Cash and cash equivalents at the beginning of the year	282,446	309,356	325,936
Foreign exchange gains			16,434
Foreign exchange loss	10,355	2,933	42,633
Cash and cash equivalents at year end	309,356	325,936	242,410

2.3.2.5. Consolidated statements of changes in equity, in thousands of RSD (Note: Tigar Tyres consolidated at 49.4% in 2006, and not consolidated in 2007 and 2008 )

	<b><u>31.12.2006</u></b> <b><u>(adjusted)</u></b>	<b><u>31.12.2007</u></b>	<b><u>31.12.2008</u></b> <b><u>(preliminary)</u></b>
Opening balance	4,626,624	2,672,120	2,705,522
IFRS adjustments	(24,235)		
Revaluation			
New investments made during the year			
Effect of change in consolidation scope	(1,941,038)		
New issue of shares	4,320		
Profit (loss) for the year	47,184	165,027	487,341
Dividends distributed to shareholders	(43,663)	(43,477)	(104,911)
Other changes	2,928	(88,148)	(21,465)
Balance at year end	2,672,120	2,705,522	3,066,487

2.3.2.6. Major notes to financial statements, as shown in the financial statements:

In accordance with international principles of consolidated, financial investments of the parent company and the capital of the companies whose financial statements are consolidated, were eliminated upon consolidation.

**2.3.2.7. Auditor's summary opinion:**

Extract from auditors' opinion:

In auditors opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries as of December 31, 2007, and the results of its consolidated financial performance, changes in equity and its cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

**Emphasis of Matter:**

Without qualifying auditors' opinion, they draw attention to Note 2 to the consolidated financial statements, disclosing that these consolidated financial statements were prepared by applying the IASs which were in effect as of December 31, 2002 and the accounting regulations of the Republic of Serbia based on them. The Company's management assesses IASs, IFRSs and interpretations the application of which was prescribed pursuant to the February 12, 2008. Decision enacted by the Ministry of Finance of the Republic of Serbia and once the standards and interpretations with reference to the Company's activities have been established, the Company intends to apply them in preparing the financial statements for the period beginning January 1, 2008. With regards to the provisions contained in the newly-adopted and amended standards and interpretations which relate to the application date and provisions with reference to the disclosure of comparative figures, upon their adoption and application by the Company, certain reclassification of data presented in the accompanying consolidated financial statements for the year 2007 might be required, as these will be used as comparative figures in the Company's consolidated financial statements for the year 2008.

**2.3.3. Major performance and success indicators (Tigar AD's preliminary consolidated audited 2008 report)**

2.3.3.1. Major performance indicators such as liquidity, solvency, net working fund ratio, profitability, etc. relevant to the core activity of the issuer. Issuers from the financial sector, for whom special regulations define the types, accounting methods and levels of various indicators, should state achieved and prescribed levels:

**CURRENT RATIO: 0.1069**

**QUICK RATIO: 0.524**

**NET WORKING FUND RATIOS:**

Current assets – short-term liabilities / working capital

210,041 / 2,476,472 = **0.085**

Current assets – short-term liabilities / operating assets

210,041 / 6,096,968 = **0,034**

**FINANCIAL STABILITY**

Equity / operating liabilities

3,066,487 / 6,096,968 = **0,5029**

**INDEBTEDNESS RATIOS:**

DEBT-TO-ASSETS = **0.483**

**ROA (RETURN ON ASSETS) = 0.084**

**ROE (RETURN ON EQUITY) = 0.169**

**2.3.4. Employee expenses**

2.3.4.1. Gross and net employee expenses for the past three months:

<b>GROSS SALARIES* (000 RSD)</b>	
October 2008	101,494
November 2008	95,712
December 2008	99,398
<b>NET SALARIES* (000 RSD)</b>	
October 2008	61,444
November 2008	58,149
December 2008	60,284

\* Including contributions payable on behalf of the employer.

Note: Corporate employee expenses do not include Tigar Tyres.

**2.3.5. Profit/loss per share**

2.3.5.1. Net profit or loss per share for the past three fiscal years, based on unconsolidated financial statements (if the number of shares has changed during the past three years, figures should reflect these changes; describe the method applied to determine the value of exchanged shares):

	<b>Net profit</b>	<b>Number of shares</b>	<b>Profit per share</b>
<b>2006</b>	73,925,000	1,718,460	43.02
<b>2007</b>	48,734,000	1,718,460	28.36
<b>2008</b>	168,103,000	1,718,460	97.82

Based on the resolution regarding the distribution of retained profits from prior fiscal years, the resolution on the distribution of securities without a public offering passed at the extraordinary session of the General Assembly of Shareholders held on 27 October 2005, and the decision of the Securities Commission granting approval for the issue of securities without a public offering no. 4/0-24-3252/7-05 of 29 December 2005, a portion of retained profits from previous fiscal years in the total amount of 481,508,000.00 RSD was allocated as follows:

- A total of 294,044,000.00 RSD was used for provisions and contingencies, and
- A total of 187,464,000.00 RSD was used to increase capital assets of the Company.

Total subscribed capital amounted to RSD 2,062,152,000.00 (171,846 shares, par value RSD 12,000.00).

Based on the resolution regarding the distribution of shares due to a stock split, passed at the annual session of the General Assembly of Shareholders held on 8 June 2006, each ordinary share of stock was divided into 10 shares, while their nominal value was simultaneously lowered by a factor of 10.

Total capital assets remain unchanged at RSD 2,062,152.00 (1,718,460 shares, par value of RSD 1,200.00).

**2.3.6. Paid dividends**

2.3.6.1. State the following:

- Dividend payout dates for the past three years:
  - 4 July 2008
  - 12 July 2007
  - 30 June 2006

- Paid dividend per share by class:

2006.	2007.		2008.			2008*		
	II A	I	II A	I	II A	I	IIA	I
	227.34	227.34	22.74	22.74	25.52	25.52	29.42	29.42

2008\* - Interim dividend in 2008

- Ex-dividend day: a specific date prior to the dividend payout date on which registered shareholders become entitled to dividends, even though a different person may hold the shares at the time of actual payout:
  - 4 June 2008
  - 12 June 2007
  - 15 June 2006
- The General Assembly of Shareholders approved the distribution of 2008 interim dividends based on 1<sup>st</sup> quarter statements. The net dividend per share amounted to 29.42 RSD. These interim dividends were distributed at the same time as the 2007 dividends.

**2.3.7. Off-balance sheet items**

2.3.7.1. Description of significant off-balance sheet items:

**2.4. OTHER SIGNIFICANT FACTS**

**2.4.1. Other significant facts which might be relevant to decision making by investors with regard to the issuer's business, activities, and financial position:**

**FRAMEWORK AGREEMENT BETWEEN TIGAR AD, MHPB AND THE IFC**

**Changes in Tigar Tyres equity structure**

Following the exercise of Michelin's call option in April of 2007, Tigar AD has a 30% stake in Tigar Tyres. On 27 February 2008, Tigar AD's General Assembly of Shareholders passed a resolution concerning the disposal of major assets, including the sale of Tigar AD's 30% stake in Tigar Tyres (in three equal installments in 2008, 2009, and 2010) and the sale of land at the Tigar 2 location.

The scope of the overall transaction with Michelin includes the sale of:

- Tigar AD's 30% interest in Tigar Tyres. The sale will be realized as a Tigar AD's put option, in three equal installments during the period from July 2008 to February 2010. If Tigar AD does not sell its interest by 2010, Michelin will have a call option in 2010, and if Michelin does not exercise its call option, Tigar AD will be entitled to require listing of Tigar Tyres on the Stock Exchange. Following the affirmative resolution of the General Assembly of Shareholders, it is reasonable to expect that this portion of the transaction will be realized as planned (three installments in 2008, 2009, and 2010)

- Land and infrastructures at the Tigar 2 location. From an industrial perspective, this location is no longer needed by Tigar since it intends to concentrate the entire manufacturing capacity it controls at the Tigar 3 location. This portion of the transaction will be realized in 2008.
- Tigar Technical Rubber Goods building at the Tigar 2 location, since TTRG will move to the Tigar 3 location. This portion of the transaction will be realized in 2008.
- Tigar Chemical Products building at the Tigar 2 location, since TCP will move to the Tigar 3 location. This portion of the transaction will be realized in 2009.

#### *Payment schedule*

30% interest in Tigar Tyres:

- 6,013,969 € in July of 2008
- 6,201,905 € in February of 2009
- 6,395,715 € in February of 2010

Land at the Tigar 2 location, total amount RSD 571,393,528, two installments: 50% in March of 2008 and 50% before the end of 2008.

TTRG building at the Tigar 2 location, total amount RSD 266,236,355, two installments: 50% in March of 2008 and 50% by the end of 2008.

TCP building, total amount 326 million RSD, two installments: 50% in December of 2008 and 50% in June of 2009.

#### **Use of proceeds**

Most of the 2008 proceeds (11 million €) will be used to finance investment activities of the Tigar Group. Another 2 million € will be used to repay short-term loans. The remainder will be used for working capital needs. Most of the 2009 and 2010 proceeds will also be used to finance investment activities; the details will be included in the 2009-2010 Business Plan.

#### **TIGAR III LOCATION**

Tigar AD acquired the Tigar III industrial site in 2006 with the intent to: build and commission a new power station and other common facilities and services before the end of 2008; commission and put into operation a new footwear manufacturing plant in September 2008 (the old plant was shut down on 30 June 2008); and to commission and put into operation new plants for the manufacture of technical rubber goods and products made from recycled rubber before the end of 2008.

#### **OTHER INDUSTRIAL PLANTS**

Plans call for the chemical products plant to be shut down at its current location and moved to the Tigar III location (where it will continue to manufacture the same range of products), and for the commissioning and putting into operation of a scrap tire recycling plant, both before the end of 2009.

#### **OTHER ACTIVITIES**

In addition to the activities associated with the shutting down of existing facilities and opening of new, modernized industrial plants, the Corporation is also pursuing the following projects: restructuring and modernization of the entire commercial network; setting up of integrated logistics; implementation of new business monitoring software; and acquisition of the Century Division of the British manufacturer Hunter Boot Limited, along with all registered rubber footwear brands, technologies, equipment, lasts (forms), and commercial database.

### **3. ISSUER'S DEVELOPMENT POLICY**

#### **3.1. PLANNED DEVELOPMENT ACTIVITIES**

##### **3.1.1. *Planned capital increase***

3.1.1.1. Describe capital increase plans and methods, and the projected timeline:

A 2006 resolution of the General Assembly of Shareholders allows for the issue of 25% of new shares to meet investment needs.

There are no plans for a capital increase in 2009.

##### **3.1.2. *Planned expansion of business activities***

3.1.2.1. Introduction of new lines of business and increase in scope of current lines of business:

In this regard, plans call for the following:

- Constant monitoring domestic and international market demands, and analyses of development trends;
- Introduction of highly sophisticated products across all segments to avoid direct competition with mass producers, particularly from the Far East;
- Development of alliances with well-known manufacturers and production for their needs under their brand names;
- Development of Tigar-brand products across all segments;
- Intensive development of recycled-rubber products;
- Implementation of a scrap tire recycling project; and
- Development of a network of end users within Serbia and the Balkans through the development of the domestic sales network.

##### **3.1.3. *Planned investments***

3.1.3.1. Planned capital investments and expected proceeds from investment in real property and other legal entities; projected funds required for such investments; and financing methods:

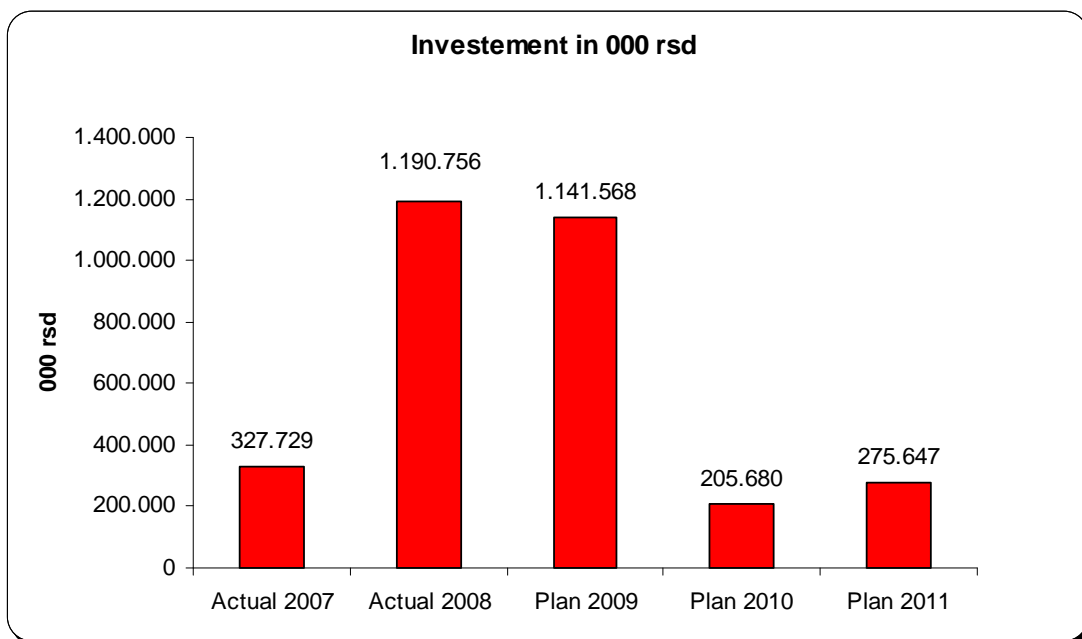
Overall expectations are a growth in volume, alignment with market requirements, and an increase in business performance and net profits, as outlined in the adopted Business Plan.

Plans through the year 2010 call for investments in the following:

- Elimination of production bottlenecks, upgrading of production processes, and re-engineering across all segments;
- Reduction in production costs through reductions in consumption of raw materials and number of employees required for specific processes;
- Higher energy efficiency across all segments through energy saving processes;
- Introduction of new, sophisticated products to avoid direct competition with mass producers, particularly from the Far East;
- Brand promotion;
- Maintenance and enhancement of the integrated quality and environmental management system, and introduction of an employee safety and health management system;
- Employee education and training;
- Development of the domestic and international commercial network; and
- Corporate management refinements.



Total investments are shown in the following figure:



#### **3.1.4. Business trends**

##### **3.1.4.1. Issuer's business development expectations; price trends of services rendered and/or goods sold:**

The rubber industry is extremely competitive and competition is expected to grow in the coming years. The basic response is to move to higher segments where highly complex and sophisticated products are offered.

Raw material and energy price fluctuations also have a significant impact on rubber industry performance.

With regard to raw materials, prices of natural rubber and crude oil have the greatest impact, since they constitute basic inputs, and they affect all manufacturers equally.

With regard to products, individual groups of products are not expected to grow but average prices will be improved through a more attractive product mix and introduction of new products whose level of sophistication is higher.

#### **3.1.5. Position in the relevant sector**

In the tire segment, Tigar Tyres is expected to assume a leading role in the third segment of European manufacturers.

In the footwear segment, implementation of the upgrading program is expected to increase its European market share to 15%.

The upgraded technical rubber goods segment, including recycling, is also expected to enter the group of leading European manufacturers.

Implementation of the sales network development program is expected to result in a leading position among tire and car part dealers in the Serbian market.

Development of other activities is expected to rank them among respective market leaders in Serbia.

3.1.5.1. Issuer's assessment with regard to its position within the sector in which it operates:

Ongoing successful development is dependent on the following conditions:

- Political stabilization;
- Changes in legislation, particularly relating to corporate law, taxation and protection from unfair competition;
- Creation of a favorable environment for foreign investors, in order to stabilize market conditions and neutralize non-economic influences on corporate performance;
- Jumpstarting of domestic industries and increase in the purchasing power of the domestic market; and
- Favorable loan terms supportable by performing businesses.

#### **4. MANAGEMENT AND SUPERVISORY BOARD**

##### **4.1. MANAGEMENT AND SUPERVISORY BOARD MEMBERS**

###### **4.1.1. State the following:**

- **Name of director general:** Dragan Nikolić
- **Names and positions of Board of Directors members:**
  - Independent members:**  
Živko Mitrović  
Tihomir Nenadić
  - Non-executive members:**  
Vladimir Nikolić  
Ljubiša Nikolovski  
Jose Alexandre F. Da Costa
  - Executive members:**  
Dragan Nikolić  
Jelena Petković  
Slobodan Sotirov  
Milivoje Nikolić
- **Names and positions of Supervisory Board members:**  
Marko Steljić, Chairman  
Milić Radović  
Dragan Milosavljević

##### **4.2. REMUNERATION AND OTHER PROCEEDS PAID BY THE ISSUER**

###### **4.2.1. Remuneration paid to management (over past three years, individually, in net amounts, to the Director General and Board of Directors members):**

- **Aggregate of salaries and other types of management remuneration:**

2006	Net:	4,222,864.00
	Gross:	6,359,734.00
2007	Net:	5,896,969.00
	Gross:	8,880,988.00
2008	Net	8,939,221.00 RSD
	Gross:	13,462,682.00RSD

- **Aggregate amounts of loans approved for management:** NIL
- **Aggregate of other benefits for management:** NIL

**4.2.2. Remuneration paid to Supervisory Board members (over the past three years, individually, in net amounts):****• Aggregate remuneration of Supervisory Board members:**

2006	Net:	1,691,406.00
	Gross:	2,547,330.00
2007	Net:	1,734,400.00
	Gross:	2,612,044.00
2008	Net	1,996,864.00 RSD
	Gross:	3,007,325.00 RSD

**• Aggregate of other proceeds to Supervisory Board members: NIL****4.2.3. Special rights and benefits of management and Supervisory Board members:**

Other cash earnings, other benefits or other rights granted by the issuer to management and Supervisory Board members: NIL

**4.2.4. Business transactions between the issuer and management/Supervisory Board members:**

Significant business transactions between the issuer and management/Supervisory Board members, or between the issuer and persons connected with management/Supervisory Board members, during the past year: NIL

**4.3. MANAGEMENT AND EMPLOYEE INTEREST IN ISSUER'S CAPITAL****4.3.1. Interest of management/Supervisory Board members in issuer's capital**

3,355 shares, or 0.19% of the share capital

**4.3.2. Interest of issuer's other employees in issuer's equity:**

Prior to stock exchange listing and secondary trading, the aggregate employee interest was 64.96%. The percentage now varies constantly due to daily trading.

**4.3.3. Issuer's policy with regard to employee interest in issuer's equity:**

The policy is the same as for all other shareholders.

**5. OFFICERS**

**5.1. Full name(s) of individual(s) responsible for the contents of this Prospectus**

Dragan Nikolić  
Jelena Petković  
Dragoslava Brankovic

**5.2. Individual(s) responsible for the contents of this Prospectus hereby sign(s) the following affidavit:**

***„I hereby attest that this Prospectus contains a true, correct, and full disclosure of all significant facts relating to the issuer of the security, which are relevant to decision making by investors!“***

Executed in Belgrade on 31 March 2009

**Signature(s) of individual(s) duly authorized to represent the issuer:**

\_\_\_\_\_  
Dragan Nikolić, CEO

\_\_\_\_\_  
Jelena Petković

\_\_\_\_\_  
Aleksandra Lilić

This Prospectus is signed and certified by individual(s) authorized to represent the issuer.  
This Prospectus may additionally be signed by individuals who participated in its preparation.

**Signature(s) of individual(s) duly authorized to represent the issuer:**

\_\_\_\_\_  
Dragoslav Veličković, Broker-Dealer Department Manager



**6. COMMISSION'S CERTIFICATE OF APPROVAL**

**6.1. Number and date of the Commission's Certificate of Approval of this Prospectus for the Issue of Securities**

**Number:**

**Date:**