



## BASIC PROSPECTRUS 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 March 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 Trade); Tigar Incon; Tigar Export-Import; and Agencija Stara planina (Mt. Stara Planina Agency);

**(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)**

	<u>31 Dec. 2007</u>	<u>31 March 2008</u>
Total capital:	2,685,839	2,854,386
1.2.1.1. Subscribed capital:	2,062,152	2,062,152
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:	574,953	574,953
1.2.1.6. Retained earnings:	48,734	217,281
1.2.1.7. Accumulated loss:		
1.2.1.8. Acquired treasury shares:		

**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)

	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Share capital</b>			
<i>Opening balance</i>	2,040,533	2,062,152	2,062,152
Adjustment of opening balance			
Increase/decrease	187,464		
Transfers within equity	(164,863)		
Current year gain			
Distribution of profit			
Paid dividends			
Other	(982)		
<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>	91,097	513,985	547,510
Adjustment of opening balance			
Increase/decrease			
Transfers within equity	164,863		
Current year gain			
Distribution of profit	258,025	80,661	30,448
Paid dividends			
Other		(47,136)	(3,005)
<i>Year ended 31 December</i>	513,985	547,510	574,953
<b>Subscribed, unpaid equity</b>			
<b>Acquired treasury shares</b>			
<b>Premium on issue</b>			
<b>Treasury shares</b>			
<i>Opening balance</i>	481,508	124,070	73,925
Adjustment of opening balance			
Increase/decrease	(187,464)		
Current year gain	124,070	73,925	48,734
Distribution of profit	(258,025)	(124,070)	(73,925)
Paid dividends	(29,682)		
Other	(6,337)		
<i>Year ended 31 December</i>	124,070	73,925	48,734
<b>Total</b>			
<i>Opening balance</i>	2,613,138	2,700,207	2,683,587
Adjustment of opening balance			
Increase/decrease			
Current year gain	124,070	73,925	48,734
Transfers within equity			
Paid dividends	(29,682)	(43,409)	(43,477)
Other	(7,319)	(47,136)	(3,005)
<i>Year ended 31 December</i>	2,700,207	2,683,587	2,685,839

**Quarterly unaudited statement of changes in equity**

	<b>31.03.2007</b>	<b>31.03.2008</b>
<b>Share capital</b>		
<i>Opening balance</i>	2,062,152	2,062,152
Adjustment of opening balance		
Increase/decrease		
Transfers within equity		
Current period gain		
Distribution of profit		
Paid dividends		
Other		
<i>Period ended 31 March</i>	2,062,152	2,062,152
<b>Revaluation and other reserves</b>		
<i>Opening balance</i>	547,510	574,953
Adjustment of opening balance		
Increase/decrease		
Transfers within equity		
Current period gain		
Distribution of profit		
Paid dividends		
Other		
<i>Period ended 31 March</i>	547,510	574,953
<b>Subscribed, unpaid equity</b>		
<b>Acquired treasury shares</b>		
<b>Premium on issue</b>		
<b>Treasury shares</b>		
<b>Retained profit</b>		
<i>Opening balance</i>	73,925	48,734
Adjustment of opening balance		
Increase/decrease		
Current period gain	53,362	168,547
Distribution of profit		
Paid dividends		
Other		
<i>Period ended 31 March</i>	127,287	217,281
<b>Total</b>		
<i>Opening balance</i>	2,683,587	2,685,839
Adjustment of opening balance		
Increase/decrease		
Current period gain	53,362	168,547
Transfers within equity		
Paid dividends		
Other		
<i>Period ended 31 March</i>	2,736,949	2,854,386



**2005, 2006 AND 2007 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 2005	1,874,688	165,845	91,227	8,026	477,189	909,111	-	3,526,086
IAS adjustment (inclusion of employee expenses)	-	-	-	-	(92,530)	(37,887)	-	(130,417)
New stock issue	187,464	(12,093)	-	-	(175,371)	-	-	-
Current year gain	-	-	-	-	171,692	140,939	-	312,631
Distribution of profit	-	8,003	262,119	-	(271,401)	1,279	-	-
New investments made during the year (minority interest)	-	-	-	-	-	967,484	-	967,484
Provisions	-	(160,773)	160,773	-	-	-	-	-
Paid dividends	-	-	-	-	(29,682)	(10,784)	-	(40,466)
Other	-	(982)	60	-	(7,641)	(90)	(41)	(8,694)
Year ended 31 December 2005	2,062,152	-	514,179	8,026	72,256	1,970,052	(41)	4,626,624
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								
Effect of change in scope of consolidation								
New stock issue								
Current year profit (loss)					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			(21,932)	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

**1.2.3.2. 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 275 Class D ordinary/common treasury shares.

**1.2.4.2. Time of and reason for acquisition: Rounding-off**

**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 I-III 2008 financial statements, it amounts to **1,661 RSD**.

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

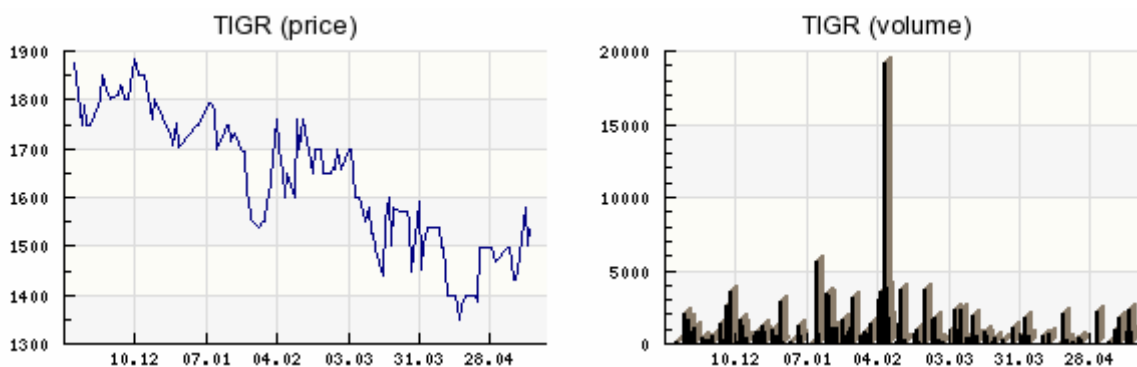
**1.3.2.1. Organized market in which issuer's shares are traded:**

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.**

	<i>Name of shareholder</i>	<i>Number of shares</i>	<i>%</i>
1.	<i>Equity Fund of the Republic of Serbia</i>	<b>429,429</b>	<b>24.98</b>
2.	<i>Pension and Disability Fund</i>	<b>149,981</b>	<b>8.72</b>
3.	<i>IBT</i>	<b>130,820</b>	<b>7.61</b>
4.	<i>Raiffeisen Zentralbank</i>	<b>110,452</b>	<b>6.42</b>
5.	<i>Societe Generale Bank</i>	<b>42,872</b>	<b>2.49</b>
6.	<i>Erste Bank Custody 00001</i>	<b>34,478</b>	<b>2.00</b>
7.	<i>Hypo Custody 4</i>	<b>32,082</b>	<b>1.86</b>
8.	<i>Societe Generale Bank</i>	<b>25,300</b>	<b>1.47</b>
9.	<i>Stichting Shell Pensionenfonds</i>	<b>23,970</b>	<b>1.39</b>
10.	<i>Bank Austria Creditanstalt</i>	<b>17,108</b>	<b>0.99</b>

Source: Central Registry/Depository and Clearing House, as of 31 March 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)****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>

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.

**2.1.3. Market position****2.1.3.1.****Car and light-utility vehicle tires**

Tigar Tyres, a joint venture of Tigar AD and Michelin Finance (a member of the Michelin Group) manufactures tires for cars, light utility vehicles (LUVs) and motorcycles, as well as inner tubes.

Car and LUV tires: (1) Tigar Tyres sells more than 80% of its total car tire output to international markets, of which more than 90% to EU countries. (2) Tigar Tyres is the domestic market leader and, according to statistics, has a 50% replacement market share in Serbia. (3) Major competitors include Barum (the Continental Group), Sava Kranj (the Goodyear Group), various Korean manufacturers, and Matador from Slovakia.

### **Inner tubes**

Tigar Tyres manufactures agricultural machinery, car, and two-wheel inner tubes. They are manufactured under the Tigar brand name, the Michelin brand name, and under private label brand names of several customers. Most of the inner tube output is exported. Tigar Tyres has a 30% share of the inner tube market in Serbia.

### **Two-wheel tires**

Tigar Tyres exports two-wheel Michelin-brand tires solely to Michelin's sales channels.

### **Rubber footwear**

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

Its products include:

- Safety boots for forestry, industrial and fire-fighting uses;
- Rubber footwear for hunting and fishing;
- General-purpose rubber footwear, including fashion footwear and children's footwear; and
- Rubber footwear for agricultural uses.

Rubber footwear is manufactured under the Tigar brand name and under the private label brand names of several customers (e.g. Hunter, Superga, Nokian, etc.). Tigar Footwear exports roughly 70% of its output, mostly to EU countries, Canada, and the Balkan countries.

Based on commissioned reports by Swedish analysts, 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 holds an 8% market share. 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. 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
- Rubber products for military uses.

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. In 2006, most of the recycled-rubber products were sold to the domestic market.

### **Chemical products**

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

TCP produces:

- 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.

As of 31 March 2008, Tigar's domestic sales network is comprised of:

- **34 retail outlets**, which offer a wide range of tires, motor oils, automotive batteries, filters, and car care products, as well as rubber footwear, technical rubber goods and chemical products manufactured by the Tigar Group;
- **15 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.
- **2 stationary and 3 mobile truck service units.**
- **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 customers.

### **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. In 2006, Tigar Footwear began to export rubber footwear to the UK company Hunter via Tigar Europe. 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 AD 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 potential 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. This company's development strategy includes both sales of Tigar-made products and re-selling of goods manufactured by other Serbian companies (whose products are able to meet market demand in terms of quality and performance). In the future, Tigar Americas intends to develop sales through large chains and via the Internet. 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 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. These companies are conventional wholesalers, and Tigar AD's strategy is to organize them along the same principles as the domestic sales network. Tigar's Balkan companies sell products manufactured by Tigar AD's subsidiaries and purchase certain types of materials. The signing of a special regional free-trade agreement will create conditions for further development of these companies.

#### **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**

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.



**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 MARCH 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	546,820
- Intangible expenditures	1,226
- Long-term investments	1,659,318
<b>TOTAL, FIXED ASSETS:</b>	<b>2,207,364</b>
<b>CURRENT ASSETS (in thousands of RSD)</b>	
- Inventories	1,847
- Fixed assets intended for sale	6,831
- Accounts receivable	1,655,028
- Short-term investments	3,080
Cash and cash equivalents	3,353
Deferred tax	2,456
<b>TOTAL, CURRENT ASSETS:</b>	<b>1,672,595</b>
<b>TOTAL, ASSETS (in thousands of RSD):</b>	<b>3,879,959</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	106,237	63,481
Intangible expenditures	9,571	55
Long-term investments		
<b>Total, non-current assets</b>	<b>115,808</b>	<b>63,536</b>
<b>CURRENT ASSETS (in thousands of RSD)</b>		
Inventories	598,011	12,303
Fixed assets intended for sale		715
Accounts receivable	233,458	67,227
Short-term investments		34
Cash and cash equivalents	1,285	801
Deferred tax	866	
<b>Total, current assets</b>	<b>833,620</b>	<b>81,080</b>
<b>TOTAL ASSETS (in thousands of RSD)</b>	<b>949,428</b>	<b>144,616</b>

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

**2.2.1.1.**

<b>TYPE OF PROPERTY</b>	<b>SURFACE AREA IN M<sup>2</sup></b>	<b>BOOK VALUE IN THOUSANDS OF RSD (31 March 2008)</b>
<b>LAND</b>		
Tigar AD	29,520	35,637
Tigar III	162,728	6,307
Tigar Workshop	1,702	692
<b>Total, land:</b>	<b>193,950</b>	<b>42,636</b>
<b>BUILDINGS, TIGAR AD.</b>		
Tigar AD Pirot	19,520	142,036
Sales outlet, Tigar IV	366	5,364
Belgrade, Resavska St.	201	4,996
Buildings, Tigar III	20,573	81,215
<b>Total, Tigar AD buildings</b>	<b>40,660</b>	<b>233,611</b>
<b>TIGAR TRADE (DSN)</b>		
<b>Branch offices incl. warehouses</b>		
Niš	248	19,841
Beograd (Šimanovci)	1705	7,496
Novi Sad i Temerin	1,601	13,190
Prodavnice		
Pirot I	76	2,489
Pirot II	121	2,121
Pirot III	200	5,253
Pirot V	33	557
Vlasotince	70	1,413
Soko Banja	40	4,413
Knjaževac	59	1,097
Zaječar	876	5,791
Bor	133	2,445
Svilajnac	70	1,800
Kruševac	119	1,223
Trstenik	41	1,430
Užice	100	4,511
Beograd I	91	5,582
Beograd II	121	4,780
Zrenjanin	76	1,401
Subotica	63	3,792
Bačka Palanka	184	4,067
Čačak	69	6,690
<b>Total, Tigar Trade buildings:</b>	<b>6,096</b>	<b>101,382</b>
<b>MANUFACTURING SUBSIDIARIES</b>		
Tigar Chemical Products	3,773	48,911
Tigar Technical Rubber Goods		813
Tigar Footwear	14,030	29,751
<b>Total, buildings of manufacturing subsidiaries:</b>	<b>17,803</b>	<b>79,475</b>
<b>SERVICE SUBSIDIARIES</b>		
Tigar Business Services	135	3,222
Tigar Security	129	914
Tigar Workshop	482	4,368
Tigar Planinarski Dom/Hotel	84,157	1,269
<b>Total, buildings of service subsidiaries:</b>	<b>84,903</b>	<b>9,773</b>
<b>GRAND TOTAL:</b>		<b>466,877</b>

**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 30 retail outlets in Serbia.

**2.2.1.2. Value of plants and equipment**

	<i>Book value in thousands of RSD (31 March 2008)</i>
Tigar AD	31,361
Tigar Footwear	72,882
Tigar Chemical Products	15,997
Tigar Technical Rubber Goods	23,738
Tigar Trade (DSN)	72,875
Tigar Business Services	56,663
Tigar Planinarski Dom	2,808
Tigar Tours	277
Tigar Export-Import	2,180
Tigar Incon	15,655
Tigar Inter Risk	27
Tigar Workshop	5,342
Tigar Security	7,741

**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	177,046	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	974,275	30	30
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 Montenegro d.o.o. Podgorica (Montenegro)	1,035	80	80
8.	Tigar Partner d.o.o. Skopje (FYR of Macedonia)	19,898	70	70
9.	Tigar Trade d.o.o. Banja Luka (Rep. Srpska)	6,377	70	70
10.	Tigar Europe, London (UK)	122,406	50	50
11.	Tigar Americas (USA)	27,533	100	100
12.	Tigar Poslovni servis d.o.o. Pirot / Tigar Business Services	41,801	100	100
13.	Tigar Tours d.o.o. Pirot	2,472	100	100
14.	Tigar Planinarski dom d.o.o. Pirot	7,069	100	100
15.	Tigar Obezbeđenje d.o.o. Pirot / Tigar Security	13,755	100	100
16.	Tigar Zaštitna radionica d.o.o. Pirot / Tigar Workshop	1,348	100	100
17.	Tigar Inter Risk d.o.o. Pirot	1,372	100	100
18.	Tigar Incon d.o.o. Pirot	43	100	100
19.	Slobodna Zona a.d. Pirot / Pirot Free Zone	81,616	74.31	74.31
20.	Pi Kanal d.o.o. Pirot / Pi Chanel	400	75	75
21.	Dom Sportova / Sports Center	10,847	50	50
22.	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.

**1. 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 OBUČA 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, Employee Representative</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, as well as introduction and manufacture of globally-recognized brands, 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 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 will move to the new, Tigar 3 industrial location, where a full upgrade of manufacturing processes will be 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 will be financed by Tigar AD, in the form of a Tigar Footwear capital increase, and from a long-term capital loan to be granted by an international financial institution.</p> <p>2007 was characteristic due to large deliveries on off-take basis, which were made in the latter half of the year and which resulted in additional costs of intensive product development and a higher production output.</p> <p>Beginning in 2007, contracts with volume buyers are based on an even delivery schedule, to facilitate production planning at this plant.</p> <p>In view of the planned relocation in 2008, inventories increased at the end of 2007 in order to ensure deliveries in 2008 (during the period of fluctuation inherent in relocation and upgrading of production processes).</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>2008 plans call for the beginning of relocation and upgrading of production processes aimed at increasing productivity and reducing production costs. 2008 plans also call for the cessation of this legal entity and the incorporation of a new legal entity in its place with a strategic partner. The scope of business of the entity will be the current TTRG product lines and the manufacture of finished products from recycled rubber. The intent is to also recycle scrap tires, but this will depend on the status of pertinent legislation.</p> <p>The current range of products includes:</p> <ul style="list-style-type: none"> <li>- Molded rubber products for the construction industry;</li> <li>- Rubber/metal products;</li> <li>- Hoses, tubes and other rubber products for the automotive industry; and</li> <li>- Products for military use.</li> </ul> <p>Volume buyers, such as mining companies, several industries, and the Serbian Military, are expected to be able to purchase considerably larger quantities beginning in 2007. This should increase sales and reduce fixed costs per unit product.</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>	BOARD OF DIRECTORS Miodrag Tančić, Chairman Jelena Kostić Jovica Ščulac Goran Jovanović Bojan Živković  EXECUTIVE OFFICER 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 and the EU.</p> <p>An increased proportion of products for mining companies and various industries will considerably reduce the seasonal impact on sales.</p>	

<b>NAME AND SEAT</b>	<b>TIGAR TRGOVINE d.o.o. Pirot / TIGAR TRADE (DSN)</b>	
<b>LINE(S) OF BUSINESS</b>	51700 Wholesale, other	
<b>MANAGEMENT</b>	BOARD OF DIRECTORS Jelena Petković, Chairman Igor Kostadinović Milena Tošić  EXECUTIVE OFFICER Igor Kostadinović	
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>Based on the development program initiated in 2004, expansion of the retail sales network should be completed in 2009.</p> <p>The program calls for full restructuring and upgrading of the sales network. At the end of 2009, Tigar Trade will operate 3 branch offices, 2 warehouses, 30 car and light utility vehicle service centers, 4 truck service centers, and 3 mobile service units each for cars and trucks.</p> <p>Tigar Trade is comprised of two large business entities: (1) a network of automotive service centers which target end users (individuals and corporate entities), and (2) a branch office which focuses on wholesale and retail sales.</p> <p>Basic development goals are :</p> <ul style="list-style-type: none"> <li>-To be the leading distributor in the Serbian market;</li> <li>-To set up a national sales network;</li> <li>-To establish a standard and high-quality product offering, including premium, intermediate and third-line tires, motor oil, vehicle batteries, filters, cleaning products, and afterparts, as well as rubber footwear and sporting goods under the Tigar brand name and under other globally recognized brand names; and</li> <li>-In addition the quality product, to be in the position to offer a high quality of service to the marketplace.</li> </ul> <p>Tigar Trade targets end users, such as private individuals and fleet buyers (e.g. large transportation, commercial, and manufacturing companies which operate motor pools comprised of cars, light utility vehicles and trucks). Tigar Trgovine offers a full fleet-maintenance service under special contracts.</p> <p>Mid-term plans call for the automotive service network to acquire a special, neutral commercial name.</p> <p>With the goal of providing a comprehensive service, employees are being trained on an ongoing basis in order to become fully familiar with product characteristics and develop sales skills.</p>	

<b>NAME AND SEAT</b>	<b>Tigar Export-Import d.o.o. Beograd</b>
<b>LINE(S) OF BUSINESS</b>	51700 Wholesale, other
<b>MANAGEMENT</b>	<p>BOARD OF DIRECTORS  Slobodan Sotirov, Chairman  Mirosljub Grgurovic  Jelena Petkovic  Gorica Stanković  Miodrag Tančić</p> <p>EXECUTIVE OFFICER  Miroslav Kostic</p>
<b>DEVELOPMENT POLICY AND STRATEGY</b>	<p>This subsidiary was fully reorganized at the beginning of 2007.</p> <p>Plans call for business development through two restructuring phases:</p> <p>During the first phase, the main line of business will be integrated purchasing of materials, equipment, and consumables for Tigar AD and all subsidiaries controlled by Tigar AD. One of the objectives of integration is to secure better terms and conditions. Additionally, Tigar Export-Import:</p> <ul style="list-style-type: none"> <li>- Provides full support to subsidiaries operating abroad in terms of supply and logistics; and</li> <li>- Provides import and export services to other Serbian companies.</li> </ul> <p>Second phase plans, through the year 2009, call for integrated exports of products manufactured by subsidiaries controlled by Tigar.</p>

<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>In 2006, Tigar Europe began to sell footwear to this market. Further increases in footwear sales, as well as attracting clients for the technical rubber goods range, are important goals defined for the next mid-term period.</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>
<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>	<p>Major mid-term goals include market research in the US and Canada on behalf of Tigar's subsidiaries, increase in sales, and re-selling of non-Tigar Products to the US market. In addition to sales to dealers, plans call for sales via the Internet and major purchases for Tigar's manufacturing and commercial subsidiaries.</p>



<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>	GENERAL ASSEMBLY Miroљjub Grgurović, Chairman Dušan Jankulovski Đorđe Džunić  MANAGING DIRECTOR Dušan Jankulovski
<b>DEVELOPMENT POLICY AND STRATEGY</b>	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.  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.

<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>	GENERAL ASSEMBLY Miroљjub Grgurović Djordje Džunić Vera Zarić  MANAGING DIRECTOR Milorad Manić
<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.

<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>	BOARD OF DIRECTORS Miroљjub Grgurović, Chairman Djordje Džunić Dušan Krstajić  MANAGING DIRECTOR Dušan Krstajić
<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 Montenegrin market, as well as the introduction of several service centers which, in this case, will target cars in view of the tourist orientation of this market.  Special attention will also be devoted to cooperation with mining companies and industrial facilities.

<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.

<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.

<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>	<p>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:</p> <p>(1) Reconstruction and upgrading of existing capacity; and</p> <p>(2) Capacity expansion, from current 30 beds to 80 beds, as well as addition of new facilities including an indoor swimming pool, fitness center, indoor basketball and tennis courts, etc.</p> <p>The second phase also includes the addition of a convention hall to accommodate 40 attendees, in support of the development of conference tourism.</p> <p>In coordination with Tigar Tours, the Hotel will arrange tours of historic and cultural heritage for its guests.</p>

<b>NAME AND SEAT</b>	<b>Tigar Obezbeđenje 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>Most of this subsidiary's employees are partially disabled individuals.</p> <p>Its further development has been made possible through the purchase of a new location in town and plans also call for a portion of the business to move to the new Tigar III 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.</p> <p>This subsidiary demonstrates Tigar's social responsibility and commitment.</p>



**BASIC PROSPECTRUS FOR THE ISSUE OF SECURITIES**

<b>NAME AND SEAT</b>	<b>Tigar Incon d.o.o. Pirot</b>
<b>LINE(S) OF BUSINESS</b>	74203 Engineering
<b>MANAGEMENT</b>	BOARD OF DIRECTORS Branislav Mitrović, Chairman Zoran Petrovic Slobodan Sotirov  EXECUTIVE OFFICER Sonja Kostic
<b>DEVELOPMENT POLICY AND STRATEGY</b>	Until 2007, major activities of this subsidiary included: - Engineering and consulting services; - Design and supervision of construction projects, and technical acceptance of construction projects; and - All other activities associated with the acquisition and disposal of real estate at the Tigar Group level and for third parties.  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.  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.

<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>	GENERAL ASSEMBLY Milivoje Nikolić, Chairman Srdjan Stojanović Dragan Denčić  MANAGING DIRECTOR Boban Mitić
<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. In 2006, a letter of intent was signed with Crvena Zvezda (Red Star Sports Club) regarding a program to be broadcast via satellite.

<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 Živković            Milorad Manić            Zoran Mančić            Vladan Vasić            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            Mirosljub 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</b> (in thousands of RSD)	2005	26,747	202,857	454,871
		2006	-36,280	139,830	639,893
		2007	-36,902	80,909	909,115
		31 March 2008	51,003	131,911	949,428
2.	<b>TIGAR Technical Rubber Goods</b> (in thousands of RSD)	2005	-52,238	94,018	277,513
		2006	-66,981	27,038	250,076
		2007	114,278	22,502	471,510
		31 March 2008	12,453	34,956	457,118
3.	<b>TIGAR Chemical Products</b> (in thousands of RSD)	2005	-4,851	90,088	186,852
		2006	-20,900	69,189	210,865
		2007	-15,247	51,397	232,859
		31 March 2008	13,175	64,572	227,227
4.	<b>TIGAR TYRES</b> (in thousands of RSD)	2005	294,270	3,624,934	7,340,973
		2006	235,367	3,597,166	7,855,867
		2007	234,007	1,312,652	2,768,956

**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)</b> (in thousands of RSD)	2005	-25,912	204,719	481,870
		2006	-28,075	176,644	598,465
		2007	-85,275	86,415	641,470
		31 March 2008	247	86,432	693,973
2.	<b>TIGAR Export-Import</b> (in thousands of RSD)	2006	1,665	1,708	3,167
		2007	201	1,032	486,157
		31 March 2008	-2,589	0	535,849
3.	<b>TIGAR Montenegro</b> (EUR)	2005	14,888	30,205	187,433
		2006	34,535	49,852	243,603
		2007	58,266	73,582	290,696
		31 March 2008	8,867	82,449	249,460
4.	<b>TIGAR Partner</b> (EUR)	2005	38,287	292,962	698,955
		2006	41,771	292,962	609,882
		2007	50,269	289,059	570,910
		31 March 2008	-150	289,060	591,187
5.	<b>TIGAR Trade Banja Luka</b> (KM)	2005	60,297	391,347	1,047,272
		2006	85,592	409,943	1,493,219
		2007	56,090	413,694	1,600,708
		31 March 2008	382	391,399	1,646,182
6.	<b>TIGAR Europe</b> (GBP)	2005	589,366	2,064,057	3,572,235
		2006	617,294	1,963,995	4,223,683
		2007	660,996	2,624,991	4,008,487
		31 March 2008	124,377	2,749,041	4,440,599
7.	<b>TIGAR Americas</b> (USD)	2005	-87,801	39,815	156,230
		2006	57,522	297,337	299,463
		2007	5,049	295,210	300,206
		31 March 2008	49,305	344,028	349,547

**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)	2005	6,837	50,280	127,754
		2006	18,258	46,945	142,715
		2007	24,726	36,658	170,166
		31 March 2008	5,111	24,843	144,616
2.	<b>TIGAR Tours</b> (in thousands of RSD)	2005	289	2,862	4,675
		2006	725	3,298	4,466
		2007	559	3,580	6,688
		31 March 2008	-37	2,818	6,704
3.	<b>TIGAR Planinarski Dom</b> (in thousands of RSD)	2005	-276	3,406	6,625
		2006	-1,283	2,123	6,462
		2007	-3,893	-	6,847
		31 March 2008	-1,664	-	9,839
4.	<b>TIGAR Security</b> (in thousands of RSD)	2005	103	14,218	26,894
		2006	201	14,315	27,865
		2007	-471	11,698	26,216
		31 March 2008	2,027	13,524	29,877
5.	<b>TIGAR Workshop</b> (in thousands of RSD)	2005	7,678	9,287	19,084
		2006	6,920	8,268	25,169
		2007	12,293	9,449	26,592
		31 March 2008	3,164	12,614	27,603
6.	<b>Tigar Inter Risk</b> (in thousands of RSD)	2005	615	1,987	2,340
		2006	851	2,223	2,597
		2007	1,112	2,269	3,037
		31 March 2008	26	2,295	3,029
7.	<b>Tigar Incon</b> (in thousands of RSD)	2006	-818	/	1,993
		2007	6,322	12,470	75,846
		31 March 2008	928	13,399	78,457
8.	<b>Free Zone</b> (in thousands of RSD)	2005	4,407	98,888	112,491
		2006	4,466	121,312	135,081
		2007	9,224	130,541	150,725
		31 March 2008	5,586	136,127	151,252
9.	<b>PI Channel</b> (in thousands of RSD)	2005	20	2,381	6,233
		2006	1,920	4,221	7,492
		2007	258	3,559	7,358
		31 March 2008	913	4,472	8,787
10.	<b>Sports Center</b> (in thousands of RSD)	2005	-823	7,233	7,719
		2006	13	12,411	12,488
		2007	24	13,238	13,896
		31 March 2008	24	13,262	13,928

**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:**

Since the formation of Tigar Tyres, Tigar AD has not made any direct investments in its business operations. Tigar AD's investments included only re-investment of 50% of reported profits, based on the March 2002 Framework Agreement between the partners.

Tigar AD made its largest 2006 investment in July, 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 heavy fuel 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, and for the existing building of the technical rubber goods plant to be made available to Tigar Tyres. A sum of roughly 2.5 million € has been spent to date for the purchase and development of the new location.

The domestic sales network within Tigar Trade has been an investment priority since the beginning of 2005. The development of this network is divided into two phases. Phase 1 was completed in 2005 and 2006 and included organizational, business and HR restructuring as well as the beginning of development of a network of car service centers.

Phase 2 encompasses the 2007-2009 period. Plans for this phase call for the development of car and truck service centers, upgrading of retail outlets to standardize their appearance and layout, and an overall modernization of sales methods through orientation towards end users (sales to fleet buyers and individuals).

The ultimate goal is for Tigar Trade to become a modern sales network, similar to those which exist in developed Western countries, and to cover the entire territory of the country with a network of high-quality service centers and retail outlets which will offer a high quality of service to its customers, in addition to products of standard quality at competitive prices. The reconstructed and restructured network will comply with standards applicable in other European countries and will be the first of its type in Serbia.

The level of investment was close to 1 million EUR in 2007.

During the past three years, Tigar AD renewed its fleet of trucks. The total investment was in the order of 50 million RSD.

Other investments were relatively minor.

**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	473,605.68
3618/04	6 October 2004	EUR	2,439,711.58	1,634,951.93
3619/04	6 October 2004	USD	2,362,641.42	1,588,316.96

**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 49,724,000.00, while court cases against the issuer amount to an aggregate of RSD 6,266,000.00.

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	202,013 (000 RSD)
Short term	566,342 (000 RSD)
<b>Total:</b>	<b>768,355 (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: 2007 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:**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>31 March 2008</b>
University degree	317	326	338	326
Junior college degree	97	103	94	122
Highly skilled	7	8	61	13
Secondary education	511	601	643	513
Skilled	444	632	901	567
Semi-skilled	10	13	75	15
Unskilled	594	518	127	475
<b>TOTAL:</b>	<b>1980</b>	<b>2201</b>	<b>2239</b>	<b>2031</b>

2005, 2006 and 2007 figures do not include the workforce of Tigar Tyres.  
The average number of employees over the past three years was 2,140.

**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-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>31.03.2008.</u></b>
<b>TOTAL ASSETS:</b>	<b>3,592,025</b>	<b>3,879,959</b>
Non-current assets	2,336,257	2,207,364
Subscribed, unpaid equity		
Goodwill		
Intangible assets	1,582	1,226
Property, plants, and equipment	533,570	546,820
Long-term investments	1,801,105	1,659,318
Equity investments	1,746,094	1,604,307
Other long-term investments	55,011	55,011
Current assets	1,255,768	1,672,595
- Inventories	22,738	1,847
- Non-current assets classified as held for sale		
	7,221	6,831
- Short-term accounts receivable, placements and cash	1,223,353	1,661,461
- Deferred tax assets	2,456	2,456
Assets	3,592,025	3,879,959
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>3,592,025</b>	<b>3,879,959</b>
Equity	2,685,839	2,854,386
- Share and other capital	2,062,152	2,062,152
- Subscribed, unpaid equity		
- Provisions	574,953	574,953
- Revaluation provisions		
- Retained earnings	48,734	217,281
- Loss		
- Acquisition of treasury shares		
Non-current liabilities	906,186	1,025,573
- Long-term provisions	7,998	7,998
- Long-term liabilities	202,889	206,580
- Long-term borrowings	200,624	203,757
- Other long-term liabilities	2,265	2,823
- Short-term liabilities	695,299	810,995
- Short-term borrowings and other financial liabilities	570,953	687,543
- Liabilities directly associated with non-current assets classified as held for sale		
- Accounts payable	84,610	90,220
- Value added tax and other taxes payable	/	
- Other current liabilities and accruals	39,719	33,232
- Income tax payable	17	
- Deferred tax liabilities	/	
Off-balance sheet liabilities		

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

<b>B. Assets and liabilities</b>	<b><u>31.12.2005.</u></b>	<b><u>31.12.2006.</u></b>	<b><u>31.12.2007.</u></b>
<b>TOTAL ASSETS:</b>	<b>3,198,008</b>	<b>3,432,720</b>	<b>3,592,025</b>
Non-current assets	2,852,863	2,979,512	2,336,257
Subscribed, unpaid equity			
Goodwill			
Intangible assets	4,331	2,987	1,582
Property, plants, and equipment	348,583	397,167	533,570
Long-term investments	2,499,949	2,579,358	1,801,105
Equity investments	2,465,096	2,522,304	1,746,094
Other long-term investments	34,853	57,054	55,011
Current assets	345,145	453,208	1,255,768
- Inventories	22,340	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	3,198,008	3,432,720	3,592,025
Accumulated losses in excess of net assets			
Off-balance sheet assets			
<b>TOTAL LIABILITIES:</b>	<b>3,198,008</b>	<b>3,432,720</b>	<b>3,592,025</b>
Equity	2,700,207	2,683,587	2,685,839
- Share and other capital	2,062,152	2,062,152	2,062,152
- Subscribed, unpaid equity			
- Provisions		513,985	574,953
- Revaluation provisions			
- Retained earnings	124,070	73,925	48,734
- Loss			
- Acquisition of treasury shares			
Non-current liabilities	497,801	749,133	906,186
- Long-term provisions	9,454	4,333	7,998
- Long-term liabilities	280,556	233,315	202,889
- Long-term borrowings	279,704	232,571	200,624
- Other long-term liabilities	852	744	2,265
- Short-term liabilities	207,791	511,485	695,299
- Short-term borrowings and other financial liabilities	84,241	392,756	570,953
- Liabilities directly associated with non-current assets classified as held for sale			
- Accounts payable	68,276	67,593	84,610
- Value added tax and other taxes payable	4,836	2,375	/
- Other current liabilities and accruals	50,438	48,562	39,719
- Income tax payable		199	17
- Deferred tax liabilities			/
Off-balance sheet liabilities			

**2.3.1.2. Income statement:**

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

**Note: 2005 and 2006 operating income and expenses cannot be directly compared since Tigar's domestic sales network was spun off on 1 April 2005 and incorporated as a separate legal entity: Tigar Trgovine (Tigar Trade DSN).**

A. Income and expenses	<u>31.12.2005.</u>	<u>31.12.2006.</u>	<u>31.12.2007.</u>
<b>TOTAL INCOME:</b>	<b>878,248</b>	<b>549,211</b>	<b>711,898</b>
Operating income	523,909	367,661	236,690
- Sales	518,783	365,592	185,727
- Work performed by the company and capitalized	3,814		
- Increase in inventories of finished products and work in progress			
- Decrease in inventories of finished products and work in progress			
- Other operating income	1,312	2,069	50,963
Finance income	274,928	154,150	321,943
Other income	79,411	27,400	153,265
Extraordinary income			
<b>TOTAL EXPENSES:</b>	<b>754,178</b>	<b>478,537</b>	<b>662,170</b>
Operating expenses	529,728	439,460	411,153
- Cost of commercial goods sold	132,477	37,882	4,237
- Other materials, fuel and energy	18,235	17,413	17,133
- Staff costs	173,316	174,574	180,600
- Depreciation, amortization and provisions	20,918	17,527	17,734
- Other operating expenses	184,782	192,064	191,449
Finance expenses	81,666	33,242	82,467
Other expenses	142,784	5,835	168,550
PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION	124,070	70,674	49,728
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS			
PROFIT (LOSS) BEFORE TAXATION	124,070	70,674	49,728
INCOME TAX		3,649	994
Tax expenses of the period		199	/
Deferred income tax expense			
Deferred income tax benefit		3,450	994
Owners account			
NET PROFIT (LOSS)	124,070	73,925	48,734
MINORITY INTEREST			
EQUITY HOLDERS OF THE PARENT			
EARNINGS PER SHARE (RSD)	72.20	43.02	28.36

**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).

**Quarterly unaudited income statement (in thousands of RSD)**

<b>A. Income and expenses</b>	<b><u>1<sup>st</sup> Q 2007</u></b>	<b><u>1<sup>st</sup> Q 2008</u></b>
<b>TOTAL INCOME:</b>	<b>200,592</b>	<b>571,745</b>
Operating income	64,160	52,838
- Sales	51,377	43,852
- 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	12,783	8,986
Finance income	8,188	4,369
Other income	128,244	514,538
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>147,197</b>	<b>403,197</b>
Operating expenses	102,196	99,901
- Cost of commercial goods sold	1,557	277
- Other materials, fuel and energy	3,796	5,266
- Staff costs	44,282	51,844
- Depreciation, amortization and provisions	4,171	4,358
- Other operating expenses	48,390	38,156
Finance expenses	38,002	41,015
Other expenses	6,999	262,281
<b>PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION</b>	<b>53,395</b>	<b>168,548</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>		
<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>53,395</b>	<b>168,548</b>
<b>INCOME TAX</b>	<b>33</b>	
Tax expenses of the period	33	
Deferred income tax expense		
Deferred income tax benefit		
Owners account		
<b>NET PROFIT (LOSS)</b>	<b>53,362</b>	<b>168,548</b>
<b>MINORITY INTEREST</b>		
<b>EQUITY HOLDERS OF THE PARENT</b>		
<b>EARNINGS PER SHARE (RSD)</b>		

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

	<u>31.12.2005.</u>	<u>31.12.2006</u>	<u>31.12.2007</u>
<i>Cash flows from operations</i>			
Cash inflows from operations	580,013	413,116	403,845
Cash outflows from operations	660,297	521,043	1,165,646
Net cash used in operations	(80,284)	(107,927)	(761,801)
<i>Cash flows from investment activities</i>			
Cash inflows from investment activities	182,436	168,395	930,694
Cash outflows from investment activities	53,790	330,956	171,738
Net cash used in investment activities	128,646	(162,561)	758,956
<i>Cash flows from financing activities</i>			
Cash inflows from financing activities		303,887	155,017
Cash outflows from financing activities	62,691	44,995	42,671
Net cash provided from financing activities	(62,691)	258,892	112,346
<i>Net increase in cash and cash equivalents</i>	<i>(14,329)</i>	<i>(11,596)</i>	<i>109,501</i>
Cash and cash equivalents at the beginning of the year	31,321	15,809	3,892
Foreign exchange gains	3,785		16,895
Foreign exchange loss	4,968	321	17,011
Cash and cash equivalents at year end	15,809	3,892	113,277

**Quarterly unaudited cash flow statement (in thousands of RSD)**

	<u>31.03.2007</u>	<u>31.03.2008</u>
<i>Cash flows from operations</i>		
Cash inflows from operations	74,961	73,470
Cash outflows from operations	136,474	274,794
Net cash used in operations	(61,513)	(201,324)
<i>Cash flows from investment activities</i>		
Cash inflows from investment activities	2,500	10,136
Cash outflows from investment activities	164,510	12,465
Net cash used in investment activities	(162,010)	(2,329)
<i>Cash flows from financing activities</i>		
Cash inflows from financing activities	247,398	91,304
Cash outflows from financing activities	1,889	833
Net cash provided from financing activities	245,509	90,471
<i>Net increase in cash and cash equivalents</i>	<i>21,986</i>	<i>(113,182)</i>
Cash and cash equivalents at the beginning of the year	3,892	113,277
Foreign exchange gains		3,261
Foreign exchange loss	66	3
Cash and cash equivalents at year end	25,812	3,353

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

	<u>31.12.2005.</u>	<u>31.12.2006.</u>	<u>31.12.2007.</u>
Opening balance	<b>2,613,138</b>	<b>2,700,207</b>	<b>2,683,587</b>
IFRS adjustments			
New investments made during the year			
Profit for the year	124,070	73,925	48,734
Dividends distributed to shareholders	(29,682)	(43,409)	(43,477)
Other changes	(7,319)	(47,136)	(3,005)
Balance at year end	2,700,207	2,683,587	2,685,839

**Quarterly unaudited statement of changes in equity (in thousands of RSD)**

	<u>31.03.2007</u>	<u>31.03.2008</u>
Opening balance	2,683,587	2,685,839
IFRS adjustments		
New investments made during the year		
Profit for the year	53,362	168,547
Dividends distributed to shareholders		
Other changes		
Balance at year end	2,736,949	2,854,386

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

	<u>2005</u>	<u>2006</u>	<u>2007.</u>	<u>31.03.2008.</u>
Interest in the capital of related legal entities	2,560,036	2,621,474	1,999,653	1,999,653
Interest in the capital of banks	4,412	182	136	136
Interest in the capital of other legal entities	24	24	19	19
Adjustment	99,376	99,376	253,714	253,714
<b>TOTAL:</b>	<b>2,465,096</b>	<b>2,522,304</b>	<b>1,746,094</b>	<b>1,746,094</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.



**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>31.12.2005.</u></b>	<b><u>31.12.2006.</u></b> <b><u>(adjusted)</u></b>
<b>TOTAL ASSETS:</b>	<b>9,261,937</b>	<b>6,592,839</b>
Non-current assets	4,275,758	2,805,442
Subscribed, unpaid equity		
Intangible assets	14,336	8,472
Property, plants, and equipment	4,088,153	2,718,249
Long-term investments	173,269	78,721
Equity investments	134,028	21,004
Other long-term investments	39,241	57,717
Current assets	4,986,179	3,787,397
- Inventories	2,382,724	1,934,432
- Non-current assets classified as held for sale		29,126
- Short-term accounts receivable, placements and cash	2,561,810	1,779,442
- Deferred tax assets	41,645	44,397
Assets	9,261,937	6,592,839
Accumulated losses in excess of net assets		
Off-balance sheet assets		
<b>TOTAL LIABILITIES:</b>	<b>9,261,937</b>	<b>6,592,839</b>
Equity	4,626,624	2,672,120
- Share and other capital	4,032,163	2,062,152
- Subscribed, unpaid equity		
- Provisions	514,179	567,095
- Revaluation provisions	8,026	7,956
- Retained earnings	72,256	(15,644)
- Minority interest		50,561
- Acquisition of treasury shares		
Non-current liabilities	4,635,313	900,037
- Long-term provisions	119,880	108,888
- Long-term liabilities	1,492,455	791,149
- Long-term borrowings	1,492,455	791,149
- Other long-term liabilities		
- Short-term liabilities	3,022,978	3,020,682
- Short-term borrowings and other financial liabilities	252,301	1,160,383
- Accounts payable	2,391,374	1,551,970
- Value added tax and other taxes payable	30,634	35,105
- Other current liabilities and accruals	348,669	272,017
- Income tax payable		1,207
- Deferred tax liabilities		
Off-balance sheet liabilities		

\*IAS/IFRS-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	900,037	313,684
- 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		

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

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

A. Income and expenses	<u>31.12.2005.</u>	<u>31.12.2006.</u> <i>(adjusted)</i>
<b>TOTAL INCOME:</b>	<b>11,742,592</b>	<b>9,417,745</b>
Operating income	11,376,892	9,037,696
- Sales	11,054,404	8,582,104
- Work performed by the company and capitalized	32,577	45,017
- Increase in inventories of finished products and work in progress	211,337	390,644
- Decrease in inventories of finished products and work in progress		
- Other operating income	78,574	19,931
Finance income	267,149	317,903
Other income	98,551	62,146
Extraordinary income		
<b>TOTAL EXPENSES:</b>	<b>11,403,620</b>	<b>9,357,288</b>
Operating expenses	10,692,380	9,035,604
- Cost of commercial goods sold	340,224	1,572,152
- Other materials, fuel and energy	6,420,036	4,351,819
- Staff costs	2,429,558	2,025,336
- Depreciation, amortization and provisions	477,598	329,253
- Other operating expenses	1,024,964	757,044
Finance expenses	528,840	247,668
Other expenses	182,400	74,016
Extraordinary expenses		
PROFIT (LOSS) BEFORE TAXATION	338,972	60,457
Income tax	26,341	13,273
NET PROFIT (LOSS)	312,631	47,184

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

A. Income and expenses	<u>31.12.2006.</u> <i>(adjusted)</i>	<u>31.12.2007.</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
PROFIT (LOSS) FROM OPERATIONS BEFORE TAXATION	<b>60,457</b>	<b>216,756</b>
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
PROFIT (LOSS) BEFORE TAXATION	<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		
NET PROFIT (LOSS)	<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		

**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)

	<u>31.12.2005.</u>	<u>31.12.2006.</u> <u>(adjusted)</u>	<u>31.12.2007.</u>
<i>Cash flows from operations</i>			
Cash inflows from operations	10,419,580	8,489,817	4,446,699
Cash outflows from operations	10,048,790	8,706,770	5,369,332
Net cash used in operations	370,790	(216,953)	(922,633)
<i>Cash flows from investment activities</i>			
Cash inflows from investment activities	210,810	74,905	1,200,731
Cash outflows from investment activities	821,896	614,350	(325,752)
Net cash used in investment activities	(611,086)	(539,445)	874,979
<i>Cash flows from financing activities</i>			
Cash inflows from financing activities	967,451	897,822	109,167
Cash outflows from financing activities	908,501	104,159	42,000
Net cash provided from financing activities	58,950	793,663	67,167
<i>Net increase in cash and cash equivalents</i>	(181,346)	37,265	19,513
Cash and cash equivalents at the beginning of the year	235,856	282,446	309,356
Foreign exchange gains	170,750		
Foreign exchange loss		10,355	2,933
Cash and cash equivalents at year end	225,260	309,356	325,936

**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)

	<u>31.12.2005.</u>	<u>31.12.2006.</u> <u>(adjusted)</u>	<u>31.12.2007.</u>
Opening balance	3,526,086	4,626,624	2,672,120
IFRS adjustments	(130,417)	(24,235)	
Revaluation			
New investments made during the year	967,484		
Effect of change in consolidation scope		(1,941,038)	
New issue of shares		4,320	
Profit (loss) for the year	312,631	47,184	165,027
Dividends distributed to shareholders	(40,466)	(43,663)	(43,477)
Other changes	(8,694)	2,928	(88,148)
Balance at year end	4,626,624	2,672,120	2,705,522

**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 unconsolidated audited 2007 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: 0.163**

**QUICK RATIO: 1.773**

**NET WORKING FUND RATIOS:**

Current assets – short-term liabilities / working capital  
 $560,469 / 1,255,768 = 0.446$

Current assets – short-term liabilities / operating assets  
 $560,469 / 3,592,025 = 0.156$

**FINANCIAL STABILITY**

Equity / operating liabilities  
 $2,685,839 / 3,592,025 = 0.748$

**INDEBTEDNESS RATIOS:**

DEBT-TO-ASSETS = **0.250**

DEBT-TO-EQUITY = **0.334**

**ROA (RETURN ON ASSETS) = 0.014**

**ROE (RETURN ON EQUITY) = 0.018**

**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>	
January 2008	90,069
February 2008	90,388
March 2008	89,042
<b>NET SALARIES* (000 RSD)</b>	
January 2008	58,325
February 2008	54,935
March 2008	54,070

\* 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>2005</b>	124,070,000	171,846	721.98
<b>2006</b>	73,925,000	1,718,460	43.02
<b>2007</b>	48,734,000	1,718,460	28.36

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:**

12 July 2007  
30 June 2006  
3 June 2005

- **Paid dividend per share by class:**

2004		2005		2006	
II A	I	II A	I	I	II A
171.00	171.00	227.34	227.34	22.7	22.7

- **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:**

12 June 2007  
15 June 2006  
10 May 2005

Tigar AD's Board of Directors has recommended to the General Assembly of Shareholders to approve interim dividends in the aggregate amount equivalent to 30% of the profit reported in 1<sup>st</sup> Quarter 2008 financial statements.

The total profit for the period is 168,547,221 RSD, and 30% is 56,176,457 RSD (or 32.69 RSD per share). The ex-dividend day and the dividend payout date are the same as for 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.



### **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 2008.

##### ***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 the Tigar brand 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.

The outcomes of these programs are expected to produce the following results:

<b>CONSOLIDATED INCOME STATEMENT in thousands of RSD</b>	<b>2006 adjusted</b>	<b>2007</b>	<b>2008 BP</b>	<b>2009 BP</b>	<b>2010 BP</b>
<b>OPERATING INCOME</b>	9,037,696	3,988,207	5,405,357	6,956,324	8,167,873
Sales of goods, products and services	8,582,104	3,714,897	5,235,561	6,747,309	7,968,603
Work performed by the Company and capitalized	45,017	55,545	-	-	-
Increase in inventories of finished products and work in progress	390,644	168,970	106,618	137,659	123,196
Decrease in inventories of finished products and work in progress	-	17,151	3,662	-	-
Other operating income	19,931	65,946	66,840	71,356	76,074
<b>OPERATING EXPENSES</b>	9,035,604	4,178,375	5,345,090	6,412,930	7,340,557
Cost of commercila goods sold	1,572,152	1,054,620	1,826,775	2,045,360	2,283,771
Material, fuel and energy consumed	4,351,819	1,162,140	1,592,495	2,167,652	2,623,180
Staff costs	2,025,336	1,332,030	1,391,222	1,499,564	1,659,444
Depreciation, amortization and provisions	329,253	90,255	127,777	249,485	285,086
Other operating expenses	757,044	539,330	406,821	450,869	489,076
<b>Profit from operations</b>	2,092	-	60,267	543,394	827,316
<b>Loss from operations</b>	-	190,168	-	-	-
<b>FINANCE INCOME</b>	317,903	299,056	163,719	86,846	9,378
<b>FINANCE EXPENSES</b>	247,668	148,504	204,516	104,244	148,620
<b>OTHER INCOME</b>	62,146	370,035	1,017,686	280,470	325,760
<b>OTHER EXPENSES</b>	74,016	113,663	2,265	329	337
<b>PROFIT BEFORE TAXATION</b>	60,457	216,756	1,034,891	806,137	1,013,497
<b>LOSS BEBORE TAXATION</b>	-	-	-	-	-
<b>DOBITAK PRE OPOREZIVANJA</b>	60,457	216,756	1,034,891	806,137	1,013,497
<b>GUBITAK PRE OPOREZIVANJA</b>	-	-	-	-	-
<b>INCOME TAXES</b>					
Current tax expence	28,317	51,729	137,507	121,096	156,696
Deferred Income tax expense	-	-	-	-	-
Deferred Income tax revenue	15,044	-	-	-	-
	-	-	-	-	-
<b>NET PROFIT</b>					
<b>NET LOSS</b>	47,184	165,027	897,384	685,041	856,801
Minority interests	3,874	3,310	5,188	5,965	6,650
Tigar A.D.,Piro	43,310	161,717	892,196	679,076	850,151

### **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:**

2005	441,580.00 RSD
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In 2004 three, and in 2005 two of the nine members of the Board of Directors, who were not employees of Tigar AD or its subsidiaries, were remunerated. Since 2006, all BoD members have been remunerated in accordance with the Remuneration Policy adopted at the 2005 session of the General Assembly of Shareholders.

2006	Net: 4,222,864.00
	Gross: 6,359,734.00
2007	Net: 5,896,969.00
	Gross: 8,880,988.00

First quarter of 2008, gross: 2,450,940 RSD

- **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:**

2005	NIL	
2006	Net:	1,691,406.00
	Gross:	2,547,330.00
2007	Net:	1,734,400.00
	Gross:	2,612,044.00
First quarter of 2008, gross:		765,919 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 2008

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

\_\_\_\_\_  
Dragan Nikolić, CEO

\_\_\_\_\_  
Jelena Petković

\_\_\_\_\_  
Dragoslava Brankovic

**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:**