

**REPORT ON THE CONDITIONS OF THE TRANSACTION OF ACQUISITION
AND DISPOSAL OF MAJOR ASSETS
BETWEEN TIGAR AD AND MICHELIN FINANCE AND TIGAR TYRES**

WHEREAS:

- (A) Tigar holds 30% of the equity of Tigar Tyres, a limited liability company incorporated and existing under the laws of the Republic of Serbia, having its registered seat in Pirot 213, Nikole Pasica Street (hereinafter the «**Company**»);
- (B) Michelin Finance holds 64% of the equity of the Company and will acquire an additional 6% of the equity of the Company from the International Finance Corporation in 2008;
- (C) The relationships between Michelin Finance, the IFC and Tigar as stockholders of the Company are basically governed by the Incorporation Agreement and the Articles of Association of Tigar Tyres and by a framework agreement dated March 26, 2002 (the «**Framework Agreement**»), as amended:
 - i) on October 30, 2002 (the «**First Amendment**»);
 - ii) on January 20, 2005 by a second amendment (the «**Second Amendment**»);
 - iii) on February 16 2005, by a third amendment (the «**Third Amendment**»);
 - iv) on 18 December 2006, by a fourth amendment (the «**Fourth Amendment**»);
- (D) Michelin Finance is willing to acquire all the equity of the Company held by Tigar and Tigar envisages to sell its entire 30% of the Company's equity on certain terms and conditions;
- (E) The Parties also wish to enter into agreements which will regulate the relationships between Tigar AD and the subsidiaries it controls and the Company;
- (F) The present term sheet sets out the basis upon which the Parties will enter into negotiations to conclude contracts;

THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

Item 1: Tigar's Put Options

Tigar shall have the right to sell to Michelin Finance:

- i) upon the delivery to Michelin Finance of a notice in writing from July 1, 2008 to July 31, 2008, all (but not less than all) the First Put Option Shares;
- ii) upon the delivery to Michelin Finance of a notice in writing from February 1, 2009 to

February 28, 2009, all (but not less than all) the Second Put Option Shares;

iii) upon the delivery to Michelin Finance of a notice in writing from February 1, 2010 to February 28, 2010, all (but not less than all) the Third Put Option Shares.

Any such notice shall be irrevocable and shall obligate Tigar to sell (and Michelin Finance to purchase) the stockholding specified in the notice at the price calculated in accordance with Item 3.

Item 2: Michelin Finance's Call Option

Michelin Finance shall have the right to purchase all (but not less than all) the Call Option Shares upon the delivery to Tigar of a notice in writing from March 1, 2010 to May 31, 2010.

Any such call notice shall be irrevocable and shall obligate Tigar to sell (and Michelin Finance to purchase) the Call Option Shares at the price calculated in accordance with Item 3.

Item 3: Put and Call Option Price

The purchase price due from Michelin Finance for the stockholding sold by Tigar under any of the put or call options mentioned in Items 1 and 2 shall be payable in immediately available funds, to an account to be designated by Tigar at the latest three Business Days before the Option Payment Date. This cash payment shall be the amount resulting from the formula below.

$V \times X \times 110\%$ where:

V = Value in Euros of 100% of the shares of Tigar Tyres fixed as follows:

2008: V is the Net Book Value of the Company as at 31 December 2007 in Dinars converted into Euros at the average exchange rate published by the National Bank of Serbia over thirty Business Days before 31 December 2007;

2009: the 2008 value plus 3.125%

2010: the 2009 value plus 3.125%

X = percentage of Tigar Tyres' capital sold by Tigar in accordance with the relevant put or call notice

V shall be reduced by the amount of all the distributions made to the Company's shareholders between 31 December 2007 and the relevant Option Payment Date.

Definition of V:

The value of the equity as of 31 December 2007 is RSD 4.375,506,605.

The average exchange rate used for conversion is the average exchange rate over 30 business days prior to 31 December 2007 and it amounts to 80.0313.

Therefore, the value of V in Euros is

2008: 54,672,442

2009: 56,380,956

2010: 58,142,861

In case of any disagreement between Michelin Finance and Tigar, the Net Book Value of the Company as at 31 December 2007 shall be determined by internationally recognized independent auditors (acting as experts and not as arbitrators) appointed by mutual agreement of Michelin Finance and Tigar or, failing such appointment, by the President at such relevant time of the Institute of Chartered Accountants of England and Wales. The auditors' fees and expenses will be shared equally by Tigar and Michelin Finance. The auditors' determination will be final and binding.

Item 4: Michelin Finance's Designee

During ten Business Days following the delivery of the relevant put or call notice, Michelin Finance shall have the right to designate any third party purchaser within the Michelin Group of companies. Michelin Finance shall procure that such designee pays the purchase price to Tigar as provided for under Item 3.

Item 5: No Transfer by Tigar

Tigar shall not have the right to assign or to Transfer to any third party (or to encumber in favor of any third party) any of the Call Option Shares before January 15, 2011, unless expressly agreed by Michelin Finance.

Item 6: No further Amendment

For so long as Tigar will hold any stockholding in the Company, all the provisions of the Framework Agreement and its First, Second, Third and Fourth Amendments shall remain in force to the extent they are not amended by the contracts to be negotiated pursuant to this Term Sheet.

Item 7: Acquisition of Real Estate

Tigar Tyres will purchase from Tigar AD or from subsidiaries of Tigar AD the following land and infrastructures. The price of the said real estate has been determined by an independent expert.

The land and infrastructures to be purchased by Tigar Tyres include:

- (a) Building, land and infrastructures described in the CONZIT report "on the appraisal of the market value of building, land and infrastructures of the Tigar AD Corporation within the Tigar 2 Complex in Pirot, 213 Nikole Pasica Street", valued at 571,393,528.51 Dinars. Payment of the price would take place at signing with respect to 50% of the price and at the end of 2008 with respect to the remaining 50% of the price;
- (b) Tigar Technical Rubber Goods factory described in the CONZIT report "on the appraisal of the market value of buildings of the Tigar Tehnicka Guma d.o.o. (Tigar Technical Rubber Goods) factory within the Tigar 2 Complex in Pirot, 213 Nikole Pasica Street", valued at 266,236,335.41 Dinars. It is agreed that said value includes

the repair of the soil prior to the transfer to Tigar Tyres.

- (c) Tigar Chemical Products property, in the process of being appraised. The purchase price will include the appraisal value as well as the relocation costs of the Tigar Chemical Products property to a new location to be agreed upon between the Parties.

Tigar Tyres and Tigar AD will also discuss the possibility for Tigar Tyres to rent and, ultimately, to purchase available land within the Pirot Free Zone.

Item 8: Tigar Europe Distribution Agreement

The Parties shall extend the appointment of Tigar Europe as a distributor. The main terms of the new distribution agreement to be entered into by and between the Company and Tigar Europe will extend through the year 2010 and deliveries will depend on available quantities.

Item 9: Best Efforts

The Parties shall use their best endeavors to sign final and binding agreements by February 28, 2008.

The Parties shall also use their best endeavors to sign a consolidated version of the Framework Agreement by February 28, 2008.

For the avoidance of any doubt, the Parties agree that the Framework Agreement and all its Amendments shall remain in full force and effect between them after the IFC ceases to have any stockholding in the Company.

Item 10: Exclusivity

For so long as this Term Sheet is in force, the Parties shall not enter into negotiations with any third party nor undertake any commitment which would jeopardize the signature of the Contracts.

Item 11: Conditions precedent

The commitments of the Parties hereunder require the prior approval of Tigar AD's Board of Directors and General Assembly of Shareholders. Some commitments may require the approval of the relevant bodies of subsidiaries of Tigar AD and Tigar AD will see to it that said approvals are obtained.

BOARD OF DIRECTORS

Dragan Nikolić

Chairman