



**Tigar**®

TIGAR AD PIROT

# 1<sup>ST</sup> QUARTER 2008 INTERIM REPORT

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## I. INTRODUCTION

### 1. GENERAL

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

**Registered address:** Nikole Pašića 213, 18300 Pirot, Serbia

**Corporate ID number:** 07187769

**Fiscal ID number:** 100358298

**Web site address:** www.tigar.com

**Incorporation certificate:** Registry file no. 1-1087

**Core activity:** Holdings

**Number of employees:** 2,033 at 31/3/2008

**Number of shareholders:** 4,879 at 31/3/2008

**Capital:** 2,854,386 at 31/3/2008 (000 RSD)

**Assets:** 3,879,959 at 31/3/2008 (000 RSD)

**Capitalization:** 2,732,351.40 at 31/3/2008 (000 RSD)

### 2. QUARTERLY REPORT FORMAT

The format of this Report is predetermined by the Regulations on Public Company Reporting and Disclosure of Voting Shareholders. Corporate performance information has been segmented by line of business and geographical area, in accordance with IAS 14.

### 3. KEY REMARKS ON 1<sup>ST</sup> QUARTER 2008 PERFORMANCE

Key 1<sup>st</sup> Quarter events relating to Tigar's operations, in chronological order, were as follows:

- The 1<sup>st</sup> Quarter basic assumptions did not materialize: The inflation rate was 2.7% (or 93% higher).
- However, compared to the same period of the previous year, the average dinar-to-euro exchange rate increased by only 3%. The proclamation of Kosovo's independence, the dissolution of parliament and call for new elections, as well as disagreements within the leading coalition with regard to Serbia's relations with the EU, had an adverse impact on general political and economic stability. The Stock Exchange was also negatively affected by regional and global capital market developments and the situation in the country.
- An extraordinary session of Tigar AD's General Assembly of Shareholders was held on 27 February 2008, at which shareholders approved the disposal of high-value assets, including the sale of Tigar AD's 30% interest in Tigar Tyres between July 2008 and February 2010 (total value 18,611,589 EUR), and the sale of a portion of Tigar 2 land with associated infrastructures (total value 571,393,528 RSD). Respective contracts were signed in March of 2008. Within the scope of the overall transaction, agreements have been negotiated and decisions taken at the subsidiary level concerning the relocation of Tigar Technical Rubber Goods, Tigar Chemical Products, the Transportation Unit and the Construction unit, from the Tigar 2 location to the Tigar 3 location (aggregate value 621,067,988 RSD).
- Construction and reconstruction activities at the Tigar 3 industrial location proceeded according to plan, including construction of a new oil-and-gas boiler facility and reconstruction of existing industrial facilities. Equipment for the new boiler facility has been negotiated and a portion of the required down payment has been transferred to the supplier. This investment activity is 80% complete and relocation

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will proceed as planned. During the 1<sup>st</sup> Quarter, construction and reconstruction costs amounted to some 66.04 million dinars.

- All manufacturing subsidiaries controlled by Tigar AD reported production growth relative to the same period of the previous year. Due to rescheduling of deliveries to international clients, Tigar Footwear's exports were 8% lower than in the first quarter of 2007, while the other two subsidiaries reported a growth of approximately 30%. Both the levels and structure of inventories of Tigar Footwear and Tigar Technical Rubber Goods have been planned so as to cover the downtime due to relocation.
- An agreement was signed with an external consultant concerning completion of the scrap-tire recycling project.
- A due diligence review has been initiated with an international partner concerning a strategic alliance and financing of the Tigar Footwear project.
- Aimed at better market positioning, Tigar is currently in the process of purchasing an internationally-recognized footwear brand and is making preparations for the introduction of new products manufactured under several privately-owned brand names, particularly in the fashion footwear segment.
- Negotiations continued with a strategic partner concerning financing of the technical rubber goods segment, through investment at a segment level or via Tigar Holdings.
- The domestic sales network restructuring program proceeded according to plan. The automotive service center in Apatin was closed because it was unprofitable, but investments were made in the opening of automotive service centers in Kragujevac, Novi Sad, and Temerin. During the second quarter, a special project will be prepared for restructuring and upgrading of the portion of the domestic sales network which sells products manufactured by Tigar AD's subsidiaries, as well as for integrating the two basic segments of the automotive service network and retail outlet network, including sales to dealers. All sales segments reported considerable growth relative to the same period of the previous year and, at the same time, implemented a reorientation toward intensified sales to end users.
- Discussions continued with external consultants concerning the development of a service business restructuring and upgrading project. With the goal of strengthening the position of Tigar's service businesses, the Board of Directors increased their capital through the transfer of fixed assets which were owned by Tigar AD and used by these subsidiaries.
- Revised versions of the Articles of Association and the Board of Directors Remuneration and Incentive Policy were prepared and forwarded to the General Assembly of Shareholders for approval. These revisions reflect recent changes in corporate governance approaches and are expected to contribute to corporate management efficiency.
- The integrated quality and environmental management system was routinely maintained and continually upgraded at all manufacturing entities. Internal audits showed a high level of maturity of the system. All identified quality and environmental risks were kept under control.

During the 1<sup>st</sup> Quarter of 2008, Workplace and Work Environment Impact Assessments were prepared and approved for each corporate entity. Risk assessments were conducted by internal, multi-disciplinary teams of experts, in consultation with occupational medicine specialists. Workplaces exposed to elevated risks were identified, health criteria were defined, and types and frequencies of medical examinations were specified.

These risk assessments, incorporated into the document package of the existing management systems, will constitute a basis for the design of an Occupational Health and Safety Management System per OHSAS 18001.

Plans call for OHSAS 18001 certification to become part of quality and environmental management (ISO 9001, ISO 140001) certification by the end of the year. OHSAS 18001 certification will be obtained upon full implementation of this system and its integration with existing management systems.

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#### **4. GLOBAL ASSESSMENT OF THE BUSINESS ENVIRONMENT**

Major internal factors which impacted Tigar's 1<sup>st</sup> Quarter results, performance and achievements include:

- A high level of investment in the Tigar 3 location and domestic market positioning,
- Overall restructuring of the Tigar Footwear product portfolio,
- Increased costs of development and introduction of new groups of products across all segments, and
- Continuation of restructuring and upgrading of the commercial network.

Externally, accelerating inflation forced the National Bank of Serbia to introduce stringent monetary policy measures. As a result, financing costs increased and, in the case of Tigar, the difference had to be offset by reducing short-term indebtedness, increasing the level of investment from cash flow, and refinancing of the remaining short-term loans by means of long-term loans.

Additionally, rising oil prices in the global market resulted in higher raw material prices, and required the seeking out of less expensive sources of supply, scrap and waste level reductions through upgrading of manufacturing processes, and orientation toward US dollar markets.

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## II. SUMMARY OF 1<sup>ST</sup> QUARTER FINANCIAL INFORMATION

### 1. TIGAR AD'S UNCONSOLIDATED FINANCIAL RESULT

The table shown below contains an extract from 1<sup>st</sup> Quarter 2008 unconsolidated financial statements, as well as from 1<sup>st</sup> Quarter 2007 financial statements.

The following should be kept in mind when reviewing Tigar's unconsolidated financial results:

- The results shown do not include income from 1<sup>st</sup> Quarter 2008 subsidiary and affiliate results.
- Operating income from services provided by the Holding Company to its subsidiaries, from rentals, and from other finance proceeds are lower due to the reduced scope of services provided to Tigar Tyres in 2008.
- Operating expenses include additional costs relating to the Tigar 3 location, which do not fall within the scope of capital expenditure, as well as costs relating to corporate management (including costs incurred by management bodies, consultancy fees, and appraisal fees associated with major transactions). Following commissioning of the Tigar 3 location, Tigar will earn revenues from the delivery of energy, while the subsidiaries which operate at this location will bear most of the security and maintenance costs, as well as taxes and levies associated with this location. These costs will be considerable in view of the fact that the surface area of this location is 17 ha, with more than 30,000 m<sup>2</sup> of buildings. Operating costs also include those of activities relating to the General Assembly of Shareholders, the Board of Directors, the Supervisory Board, shareholders, investors, hiring of external consultants in connection with high-value transactions, and all other costs generally incurred by a corporation officially listed on the Belgrade Stock Exchange. These expenses cannot be covered by income from services, but from retained earnings. However, accounting does not reflect such an approach. This method of structuring operating income and expenses gives an incorrect impression of actual performance, which would otherwise include proceeds from services and rentals, and exclude expenses related to investments and corporate management costs.
- During the 1<sup>st</sup> Quarter, the Company earned an extraordinary income of 514.5 million RSD (mostly from the sale of land at the Tigar 2 location), and incurred extraordinary expenses of 262.3 million RSD (mostly due to losses sustained by subsidiaries in 2007 and the writing-off of outstanding receivables from subsidiaries). By the end of the year, Tigar AD's extraordinary income will also include proceeds from the sale of 1/3 of its interest in Tigar Tyres. No other major extraordinary expenses are expected in 2008 since they have all been booked against the 1<sup>st</sup> Quarter. Second quarter finance income will include approved 2008 dividends from subsidiaries, and lower interest and foreign exchange translation costs associated with reduced indebtedness levels.

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Balance Sheet, in thousands of dinars	Opening balance sheet as of 1 January 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	2,336,257	2,207,364
Current assets	1,253,312	1,670,139
Deferred tax assets	2,456	2,456
<b>Total assets</b>	<b>3,592,025</b>	<b>3,879,959</b>
<b>Equity and liabilities</b>		
Equity	2,685,839	2,854,386
Non-current liabilities	210,887	214,578
Current liabilities	695,299	810,995
<b>Total equity and liabilities</b>	<b>3,592,025</b>	<b>3,879,959</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007	% change
<b>Total income</b>	<b>200,592</b>	<b>571,745</b>	<b>185%</b>
<b>Total expenses</b>	<b>147,197</b>	<b>403,197</b>	<b>174%</b>
<b>Profit (loss) before taxation</b>	<b>53,395</b>	<b>168,548</b>	<b>216%</b>
<b>Income taxes</b>	<b>33</b>		<b>-100%</b>
<b>Deferred income tax expense</b>			
<b>Deferred income tax benefit</b>			
<b>Net profit for the period</b>	<b>53,362</b>	<b>168,548</b>	<b>216%</b>

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<b>CASH FLOW STATEMENT,000 RSD</b>	<b>31 . dec. 2007.</b>	<b>31. March 2007.</b>
<b>Cash flows from operating activities</b>		
Inflow from operating activities	403,845	73,470
Outflow from operating activities	1,165,646	274,794
<b>Net cash used in operating activities</b>	<b>-761,801</b>	<b>-201,324</b>
<b>Cash flows from investing activities</b>		
Inflow from investing activities	930,694	10,136
Outflow from investing activities	171,738	12,465
<b>Net cash (used in)/from investing activities</b>	<b>758,956</b>	<b>-2,329</b>
<b>Cash flows from financing activities</b>		
Inflow from financing activities	155,017	91,304
Outflow from financing activities	42,671	833
<b>Net cash provided by/(used in) financing activities</b>	<b>112,346</b>	<b>90,471</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>109,501</b>	<b>-113,182</b>
Cash and cash equivalents at beginning of year	3,892	113,277
Foreign exchange gains on translation of cash and cash equivalents	16,895	3,261
Foreign exchange losses on translation of cash and cash equivalents	17,011	3
Cash and cash equivalents at the end of the year	<b>113,277</b>	<b>3,353</b>

<b>Statements of changes in equity, 000 RSD</b>	<b>31.12.2007.</b>	<b>31.3.2008.</b>
Balance, beginning of the year	<b>2,683,587</b>	<b>2,685,839</b>
Adjustments		
New issuance of shares		
Profit for the year	53,362	168,547
Dividends paid		
Other		
Balance, at the end of the year	<b>2,736,949</b>	<b>2,854,386</b>

<b>Equity investments (000 RSD)</b>	<b>31.12.2007.</b>	<b>31.03.2008.</b>
Related parties	1,999,653	1,999,653
Banks	136	136
Other legal entities	19	19
Corection	253,714	253,714
<b>Total:</b>	<b>1,746,094</b>	<b>1,746,094</b>

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### **1<sup>st</sup> Quarter 2007 vs. 1<sup>st</sup> Quarter 2008**

<b>Tigar AD's unconsolidated financials in thousands of dinars</b>	<b>1<sup>st</sup> Quarter 2007</b>	<b>1<sup>st</sup> Quarter 2008</b>	<b>% Change</b>
Assets	2,368,062	3,879,959	64%
Equity	2,736,949	2,854,386	4%
Total revenues	200,592	571,745	185%
Operating income	64,160	52,838	-18%
Sales of services	47,994	42,135	-12%
Sales of goods and products	3,383	1,717	-49%
Other operating income	12,783	8,986	-30%
Total operating expenses	102,196	99,901	-2%
Operating expenses	100,639	99,624	-1%
Cost of commercial goods sold	1,557	277	-82%
EBIT	61,418	186,490	204%
EBITDA	65,589	190,848	191%
Net financial result	-29,814	-36,646	-23%
Extraordinary result	121,245	252,257	108%
Net income	53,362	168,548	216%
<u>Significant ratios</u>			
Return on equity	1.95%	5.90%	203%
Return on shareholders equity	2.59%	8.17%	216%
Operating result	-38,036	-47,063	-24%
Debt-to-assets ratio	0.42	0.26	-37%
<u>Liquidity and solvency ratios</u>			
Current Ratio	1.82	2.06	13%
Quick ratio	1.81	2.05	13%
Debt / Equity	0.36	0.36	-1%
<u>Other ratios</u>			
ROE	1.95%	5.90%	203%
ROA	2.25%	4.34%	93%
ROS	83.17%	318.99%	284%

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## **2. TIGAR AD'S SEGMENTED RESULTS**

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

Companies within the Tigar Group operate in the following areas:

- Manufacture
- Commerce
- Services

Companies which operated within the Tigar Group during the 1<sup>st</sup> Quarter of 2008 included the following:

<b>Manufacture</b>		
1	Tigar Tyres d.o.o., Pirot	Manufacture of tires and inner tubes
2	Tigar Obuca d.o.o., Pirot (Tigar Footwear) Tigar Tehnicka guma d.o.o., Pirot (Tigar Technical Rubber Goods)	Manufacture of rubber footwear Manufacture of various rubber goods, generally for industrial applications
3		
4	Tigar Hemijski proizvodi d.o.o., Pirot (Tigar Chemical Products)	Manufacture of paints, varnishes, and coatings
<b>Domestic commerce</b>		
5	Tigar Trgovine d.o.o., Pirot (Tigar Trade)	Domestic Sales Network
6	Tigar Export-Import d.o.o., Pirot	Import, export, and purchasing
<b>International commerce</b>		
7	Tigar Europe, UK Tigar Americas	Sales and purchasing in the UK Sales and purchasing in the US and
8		
	Canada	
	Tigar Trade	Sales and purchasing in Bosnia and Herzegovina
9	Tigar Partner	Sales and purchasing in Macedonia
10		
11	Tigar Montenegro	Sales and purchasing in Montenegro
<b>Services</b>		
12	Tigar Zastitna radionica d.o.o., Pirot (Tigar Workshop)	Manufacture of carpentry and packing materials
13	Tigar Planinarski dom d.o.o., Pirot (Tigar Mountain Lodge)	Hotel
14	Tigar Poslovni servis d.o.o., Pirot (Tigar Business Services)	Transportation, construction, food production
15	Tigar Obezbedjenje d.o.o., Pirot (Tigar Security)	Safeguarding of people and property
16	Tigar Inter Risk d.o.o., Pirot	Insurance
17	Tigar Icon d.o.o., Pirot	Engineering and consultancy
18	Tigar Tours d.o.o., Pirot	Tourist Agency
19	Slobodna Zona d.o.o., Pirot (Pirot Free Zone)	Tax and duty free zone
20	PI kanal (Pi Channel)	Local TV station
21	Dom sporsrtova (Sports Center)	Sports center project
22	Mt. Stara Planina Agency (Mt. Stara Planina Agency)	Development of Mt. Stara Planina National Park

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Exchange rates applied to translate financials

	1 <sup>st</sup> Quarter 2008 average	End of March 2008	End of year 2007
British pound (GBP)	109.0265	103.8408	107.3080
Euro (EUR)	82.6411	82.3146	79.2362
Swiss franc (CHF)	51.6871	52.2798	47.8422
US dollar (USD)	55.1393	52.1275	53.7267

Financial results of domestic and international subsidiaries (proportional to interest held)

Gross results in thousands of dinars	1 <sup>st</sup> Quarter 2007	1 <sup>st</sup> Quarter 2008
Tigar Technical Rubber Goods	-12,655	17,108
Tigar Chemical Products	-6,216	13,175
Tigar Footwear	-37,307	51,003
Tigar Trade DSN	-22,186	285
Tigar Export-Import	841	-2,545
Tigar Business Services	13,955	5,337
Other service businesses	9,629	9,435
Holdings	53,395	168,548
<b>Total, domestic segments</b>	<b>-544</b>	<b>262,345</b>
Tigar Europe	16,284	9,397
Tigar Americas	-502	2,719
Tigar Partner	-15	-5
Tigar Trade Banja Luka	25	11
Tigar Montenegro	978	586
<b>Total, international segments</b>	<b>16,770</b>	<b>12,708</b>
<b>TOTAL</b>	<b>16,226</b>	<b>275,053</b>

Assets and liabilities

In thousands of dinars	Assets		Liabilities	
	31 March 2008	31 Dec. 2007	31 March 2008	31 Dec. 2007
	Tigar Technical Rubber Goods	457,118	471,510	411,622
Tigar Chemical Products	227,227	232,859	159,926	178,733
Tigar Footwear	949,428	909,115	793,515	804,204
Tigar Trade	693,973	641,470	607,541	555,055
Tigar Export-Import	535,849	486,157	534,855	484,168
Service businesses	296,331	315,392	230,632	219,774
Holdings	3,879,959	3,592,025	1,025,573	906,186
<b>Total</b>	<b>7,039,885</b>	<b>6,648,528</b>	<b>3,763,664</b>	<b>3,586,588</b>

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**Purchases of fixed assets and depreciation**

In thousands of dinars	Purchases of fixed assets		Depreciation	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Tigar Technical Rubber Goods	1,258	72	2,100	2,844
Tigar Chemical Products	1,599	251	2,210	1,512
Tigar Footwear	4,469	1,281	4,849	4,548
Tigar Trade DSN	7,399	5,968	4,318	3,218
Tigar Export-Import		62	88	13
Service businesses	10,265	1,109	4,692	3,070
Holdings	80,553	36,516	4,358	4,171
<b>Total</b>	<b>105,543</b>	<b>45,259</b>	<b>22,615</b>	<b>19,376</b>

**1<sup>st</sup> Quarter financial results**

In thousands of dinars	Tigar ad	Production entitites	Commercial entitites	Service entitites	TOTAL
<b>Total income</b>	<b>571,745</b>	<b>506,336</b>	<b>740,515</b>	<b>216,903</b>	<b>2,035,499</b>
<b>Total expences</b>	<b>403,197</b>	<b>425,050</b>	<b>720,521</b>	<b>200,468</b>	<b>1,749,236</b>
<b>Profit (loss) before taxation</b>	<b>168,548</b>	<b>81,286</b>	<b>19,994</b>	<b>16,435</b>	<b>286,263</b>
<b>Income taxes</b>	<b>0</b>	<b>4,655</b>	<b>5,320</b>	<b>333</b>	<b>10,309</b>
<b>Deferred income tax expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>23,932</b>
<b>Deferred income tax benefit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net profit for the period</b>	<b>168,548</b>	<b>76,631</b>	<b>14,674</b>	<b>16,078</b>	<b>275,931</b>

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### **Management's commentary on segmented financial results**

A detailed performance assessment is included after the presentation of financial results for each company or group of companies.

In general terms, the overall result has been assessed as follows:

- Production and sales levels were higher than during the same period of the previous year.
- The level of investment was much higher than during the same period of the previous year. During the 1<sup>st</sup> Quarter, the Holding Company and the subsidiaries it controls invested a total of 105.5 million dinars. These investments targeted the commissioning of new manufacturing facilities at the Tigar 3 location.
- All manufacturing subsidiaries reported considerably lower scrap levels than during the same period of last year. However, it should be kept in mind that conditions for major scrap level reductions, productivity increases, and cost cuts will be created following relocation.
- Military and mining product segments of Tigar Technical Rubber Goods, which previously suffered from a lack of market, are gradually entering a recovery stage. Their further growth in the domestic market is tied with the privatization of mining companies and large industrial systems, as well as with the speed of development and introduction of final products made from recycled rubber for the construction industry, road infrastructure, sports courts, and playgrounds.
- Tigar Trade DSN reported sales growth across all segments relative to the same period of the previous year. The automotive service network reported the largest increase in tire and afterpart sales (22% more tires were sold than in the first quarter of 2007). The greatest decline was reported by the wholesale segment, as a result of re-orientation toward end users. Footwear segment's sales were several times higher, as a result of the granted exclusive distribution rights for the Serbian market.
- Sales via international subsidiaries matched previous year levels.
- Performance reported by service subsidiaries matched or was better than in the previous year. The highest growth was reported by the Construction Unit, the Transportation Unit, and the Free Zone.

With the goal of creating better operating conditions for Tigar's service subsidiaries and supporting their restructuring and upgrading processes, Tigar AD's Board of Directors decided to cover the losses previously sustained by these businesses and to write off a portion of receivables from these businesses. These internal transactions do not affect consolidated performance.

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### III. CAPITAL MARKET POSITION

Tigar's shares of stock have been listed for trading on the Belgrade Stock Exchange since 21 May 2005.

Under a General Assembly of Shareholders (GAS) resolution dated 8 June 2006, regarding the distribution of shares due to a change in their par value, **1,718,460** Class D ordinary voting shares were issued and registered with the Central Registry in Belgrade.

a) The original stock has subsequently been split; each share was divided into ten shares and its par value reduced accordingly.

The original 171,846 shares at a par value of RSD 12,000.00 were exchanged for 1,718,460 shares at a par value of RSD 1,200.00:

- 1) 429,429 Class D shares are held by the Share Fund;
- 2) 149,981 Class D shares are held by the Pension and Disability Fund; and
- 3) 1,141,219 Class D shares are held by shareholders.

CFI Code: ESVUFR

ISIN Number: RSTIGRE55421

The shares were issued based on the Securities Commission Decision no. 4/0–29-2979/4-06, approving the issue of shares without a public offering (stock-split).

(b) Once the criteria stipulated by Belgrade Stock Exchange Listing Regulations were fulfilled, the Listing and Quotation Commission approved the official listing (A-listing) of Tigar AD in 2007. Tigar was the first domestic company to be officially listed.

The following rights are attached to the shares:

- 1) Each shareholder is entitled to manage the Corporation proportionally to the par value of shares held;
- 2) Each shareholder is entitled to participate in the profit at a par value of RSD 1,200 (right to dividends); and
- 3) All shares are ranked equally and *per se* with regard to pre-emptive rights of purchase or refusal.

Non-voting shares:

- 1) Shares held by the Share Fund participate in the management and in GAS resolutions only within the scope defined by law, primarily relating to changes in capital and amendments to the Company's Articles of Association.
- 2) No management rights are attached to the shares held by the Pension and Disability Fund.

A general decline in liquidity of both the Belgrade Stock Exchange and listed companies was characteristic of the period. The capital market responded to political uncertainty and stock exchange indexes slumped. BELEX 15 (most-liquid-stock index) declined by one-third during the period.

Tigar's market capitalization declined relative to the end of 2007 by almost 8% and the trading volume was reduced to a daily average of some 1,500 shares. These circumstances had no major effect on the behavior of the largest shareholders; partial investment fund disposals and retail disposals resulted in an investment by a new fund at the end of 2007, which owns 23,970 shares as of the end of the 1<sup>st</sup> Quarter. The total number of shareholders was reduced by 45 during the period.

The state retained its stock.

Changes in the equity structure during the period had no effect on corporate management or decision-making.

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### Changes in shareholder structure

Name	31-12-2007	31-03-2008	% Change
Equity Fund	24.98	24.98	-
Pension and Disability Fund	8.72	8.72	-
Corporate	45.15	45.79	0.64
Retail	29.30	28.87	-0.43
Custody	25.53	25.32	0.21
TOTAL NUMBER OF SHAREHOLDERS	4.924	4.879	0.1
VALUE PER SHARE	1,727	1.590	-7.93
<b>CAPITALIZATION</b>	<b>2,967,780,420</b>	<b>2,732,351,400</b>	-7.93

### Top ten shareholders as of 31 March 2008

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

The table below sets forth the (quarterly) high and low closing prices of the shares on the Belgrade Stock Exchange since the initial listing.

### Share price movement since the initial listing

	Closing price per share in RSD	
	High	Low
Period from 31 May to 30 June 2005	16,727.00	13,000.00
Quarter ended 30 September 2005	19,278.00	15,500.00
Quarter ended 31 December 2005	24,000.00	19,020.00
Quarter ended 31 March 2006	21,500.00	19,702.00
Quarter ended 30 June 2006	20,600.00	14,500.00
Quarter ended 30 September 2006	18,700.00	14,200.00
Quarter ended 31 December 2006 **	1,863.00	1,647.00
Quarter ended 31 March 2007	2,149.00	1,649.00
Quarter ended 30 June 2007 ***	3,138.00	2,108.00
Quarter ended 30 September 2007	2,390.00	2,133.00
Quarter ended 31 December 2007	2,240.00	1,703.00
Quarter ended 31 March 2008	1,792.00	1,440.00

\*\* A 1:10 stock-split was implemented on 18 Oct. 2006.

\*\*\* Following official (A) listing on the Belgrade Stock Exchange, the first trading session took place on 10 April 2007.

Corporate management holds less than 1% of the shares. The following table shows the number of shares held by members of the Board of Directors as of 31 March 2008.

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

Members of the Supervisory Board hold no shares.

## **1. RISK FACTORS**

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

In the 1<sup>st</sup> Quarter of 2008, major risks relating to Tigar's business included relocation and developments in the global raw-material market. Plans call for Tigar Footwear and Tigar Technical Rubber Goods to relocate over a period of two months. In view of the complexity of relocation, there is a risk of extension of the scheduled relocation period. Major efforts have been made to ensure adequate stocks to minimize the risk of failure to deliver to customers in the event of such an extension. The risk associated with raw material prices, primarily as a result of increasing oil prices, will be neutralized by introducing alternative materials, sourcing from different suppliers, reducing raw material consumption through scrape and waste level reductions, greater sourcing from US dollar markets, and increasing prices of final products to a level that can be tolerated by the marketplace.

### **Risks relating to shareholding and corporate structure**

During the 1<sup>st</sup> quarter, there were no major shifts toward stockholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be faced with this type of risk in the near future, even though consolidation through capital increase and the sale of state-owned stock is possible. Management believes that any stockholding consolidation as part of the capital increase process should not have a major impact on corporate business, development and investment policies, in view of the performance projected by mid-term business plans. Based on current laws, the state is required to dispose of its 34% interest before the end of this year. However, in view of the present economic and capital market circumstances, it is likely that the law will be amended and the deadline extended.

### **Risks relating to regulatory and legal matters**

A lack of recycling legislation continues to be Tigar's major risk in this area. Future developments are still uncertain. Tigar and its external consultant are continuing to refine Tigar's project and to work on the drafting of legislation which will create conditions for the implementation and profitability of Tigar's project.

Additionally, there is a lack of regulation of initial public offerings in line with international practices. The previous government has already prepared several amendments and it will be up to the new government and parliament to approve these amendments. According to the Ministry of Finance, the first IPO will be realized in 2009, which is realistic in view of the current state of regulatory affairs and the fact that a period of at least 9 months is required to implement an IPO.

If the deadline for the sale of the state-owned stock is extended, both Tigar's stock owned by the state and Tigar AD's new stock issue might be sold through an IPO in 2009. If not, Tigar might issue additional stock in 2009 based on the 2006 resolution by the General Assembly of Shareholders concerning authorized, un-issued capital.

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## **2. ENVIRONMENTAL PROTECTION**

Tigar's sound environmental practices are ensured by its Environmental Management System, which was designed and implemented in 2003 in accordance with ISO 14001. This system facilitates subsidiary response to potential environmental impacts and the implementation of preventative and control measures which improve the status of the environment.

Certification of the Environmental Management System by the Serbian certification body YUQS, a member of IQnet, confirms compliance with applicable legislation, ongoing environmental improvements through the implementation of set objectives, and prevention of environmental accidents.

The major environmental concerns addressed by Tigar are gas emissions, effluent discharges, the use of raw materials classified as hazardous substances, the generation of solid waste, and the consumption of energy and water.

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

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

- *Environmental Protection Law*, Official Gazette 135/04 (Protection of air and natural resources, as well as protection from noise, are regulated by the surviving provisions of an earlier law with the same name (Official Gazette, 66/91, 83/92, 53/93, 67/93, 48/94 and 53/95);
- *Law on Integrated Prevention and Control of Pollution of the Environment*, Official Gazette 134/04;
- *Environmental Impact Assessment Law*, Official Gazette 135/04;
- *Waste Management Law*, Official Gazette 25/96, 26/96 and 101/05;
- *Water Law*, Official Gazette 46/91 – 101/05;
- *Fire Protection Law*, Official Gazette 53/93, 67/93, 48/94, 101/05; and
- *Law on Explosive Substances, Flammable Liquids and Gases*, Official Gazette 44/77, 45/85, 18/89, 53/93, 67/93, 48/94, and 101/05.

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

Tigar's subsidiaries also use industrial and sanitary water from the public water supply system and discharge wastewater into public sewers in accordance with the conditions stipulated in the water permit. Wastewater quality is monitored by accredited laboratories, as required by law. The amount of wastewater discharges is estimated based on annual water consumption and estimated precipitation levels; these estimates are used to pay appropriate charges (Article 99 (5) of the Water Law, Official Gazette 101/05).

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

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

In view of the use of hazardous substances, companies operating within the Tigar Group are obligated to obtain „integrated" permits. In order to do so, they must have in place Accident Risk Assessments (Article 38 of the Environmental Protection Law) and Accident Response Plans (Article 58 (2) (1) of the Environmental Protection

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Law). Tigar's subsidiaries must obtain integrated (or environmental) permits from the Ministry of Environmental Protection by the year 2015. Tigar's subsidiaries have prepared Accident Risk Assessments and Accident Response Plans within the scope of implementation of the Environmental Management System.

When the respective ministry issues Guidelines for Risk Assessment (Article 38 (2) of the Environmental Protection Law), the four manufacturing subsidiaries will revise and harmonize the said documents with these Guidelines, if and as required.

Waste generated by manufacturing processes is classified in accordance with the Regulation on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). Solid recyclable waste is kept at Tigar's Secondary Raw Materials Warehouse only for short periods of time and then sold to waste recyclers via Tigar Workshop. Non-recyclable waste and waste which cannot be used as a secondary raw material for any process is deposited at the municipal landfill. Waste generated by all Tigar's subsidiaries (except the Pirot Free Zone) was disposed of in 2007 under contract with Pirot's solid waste utility. Since there is no hazardous waste dumpsite in Serbia, such waste was stored in special, secured containers on the Company's grounds and was regularly inspected. Waste oil is an exception; it is returned to the refinery for recycling.

Fire risk is inherent in the production processes of the four manufacturing entities. All required permits and Fire Response Plans were in place for assets exposed to fire risk.

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

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

Environmental impact assessments of the energy supply and footwear manufacturing facilities at the Tigar 3 locations were prepared. The procedure included public participation as required by law. The assessments have been approved by competent authorities – a prerequisite for the issuance of building permits and operating permits.

In March of 2008, Tigar's manufacturing subsidiaries and Tigar Workshop submitted information to the Environmental Protection Agency, as required for the Integrated Register of Polluters pursuant to the Environmental Protection Law (Article 75) and Regulations on the Integrated Polluter Register Development Methodology (Official Gazette no. 94/07). New obligations also include reporting on the monitoring of environmental parameters (wastewater quality, gas emissions, types and quantities of generated waste), and submission of information about major raw materials, manufactured products, and the like. All of this information is accessible to the public.

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### **3. STRATEGIC ALLIANCES**

#### **Tires**

A Put/Call Option Agreement was signed with the Michelin Group, based on a resolution passed at the extraordinary session of the General Assembly of Shareholders. According to this agreement, Tigar AD is entitled to sell, and Michelin is required to purchase, Tigar AD's 30% stake in Tigar Tyres in three equal installments: 6,013,696 EUR in July of 2008; 6,201,906 EUR February of 2009; and 6,395,715 EUR February of 2010. If Tigar does not exercise its put options, Michelin is entitled to exercise its call option at the end of this period.

#### **Rubber footwear**

During the 1<sup>st</sup> Quarter of 2008, a letter of intent was signed with an international partner concerning an equity investment in Tigar Footwear and a long-term capital loan. A due diligence review began in February. It is expected to be completed in May, at which time binding documents will be drafted and signed.

#### **Technical rubber goods**

Discussions were conducted with a strategic partner concerning a strategic alliance along the same principles as that for Tigar Footwear. This alliance would address technical rubber goods, recycling, and the manufacture of products made from recycled rubber. One of the conclusions of preliminary discussions was that two options should be taken into consideration: the said option and investment via the Holding Company. Negotiations are in progress, but they will not affect the upgrading of this segment which will be financed by both the Holding Company and the subsidiary, using proceeds from the transaction with Tigar Tyres (or the Michelin Group). Since the potential strategic partner is not a manufacturer, Tigar Technical Rubber Goods will attempt to enter into as many contracts with manufacturers as possible. These contracts will not be purely commercial, but would also include an industrial development component.

#### **Domestic Sales Network**

During the 1<sup>st</sup> Quarter of 2008, the Domestic Sales Network did not pursue any strategic alliances. However, in the upcoming period it will consider franchises and potential strategic alliances, primarily with international partners.

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#### **4. INTELLECTUAL PROPERTY**

Tigar's full registered name is Joint-Stock Company Tigar – Pirot in English, and Akcionarsko društvo Tigar – Pirot, in Serbian. Its short name is Tigar AD – Pirot, in both languages. The registered name and its use are regulated by the provisions of Article 14 of the Articles of Association. The above name fulfills all legal requirements. Tigar is registered under the said name with the Serbian Business Registers Agency.

##### **Registered trademarks as of 31 March 2008**

Appl. No.	Appl. Date	Reg. No.	Trademark	Valid until	Holder
Z-247/80	30/04/80	31499	Tigar	21/12/07	Tigar AD
Z-84-385	17/01/84	29947	Tigar TG 615	25/05/07	Tigar AD
Z-947/07	30/04/07	-	Tigar Planinarski Dom	-	Tigar AD
Z-918/07	27/04/07	-	Tigar Tours	-	Tigar AD
Z-842/07	18/04/07	-	Markol	-	Tigar AD
Z-1129/07	17/05/07	-	Tigar Incon	-	Tigar AD
Z-890/80	11/07/03	49590	Tigar Sporting Goods	11/07/13	Tigar AD
Z-152/07	29/01/07	-	Tigar	-	Tigar AD
Z-1703/07	26/07/07	-	Tigar Footwear	-	Tigar AD
Z-1704/07	26/07/07	-	Tigar Footwear	-	Tigar AD
Z-2440/07	17/10/07	-	Tigar Chemical Products	-	Tigar AD
Z-212/08	05/02/08	-	Tigrostik	-	Tigar AD
Z-211/08	05/02/08	-	Tigrolux	-	Tigar AD
Z-214/08	05/02/08	-	Tigropren	-	Tigar AD
Z-213/08	05/02/08	-	Tigrokol	-	Tigar AD
Z-768/08	31/03/08	-	Hotel Stara Planina	-	Tigar AD
Z-2441/07	17/10/07	-	Tigar Technical Rubber Goods	-	Tigar AD
Z-247R/80	30/04/80/	49044	Tigar	30/09/15/	Tigar Tyres
Z-1369/05	17/10/05/	49768	Tigar Tyres	17/10/15/	Tigar Tyres
Z-1373/05	17/10/05/	49792	Hitris Logo	17/10/15/	Tigar Tyres
Z-1371/05	17/10/05/	49819	Cargo Speed Logo	17/10/15/	Tigar Tyres
Z-1372/05	17/10/05/	49912	Wintera Logo	17/10/15/	Tigar Tyres
Z-1468/05	31/10/05/	53797	Tigar Trade (DSN)	31/10/15/	Tigar Trade
Int'l trademarks, USA	03/07/97	675 773	Tigar	20/05/17	Tigar AD
	24/10/78	675 773A	Tigar	20/05/17	Tigar Tyres
	02/11/07	1174089	Tigar logo	15/08/12	Tigar Americas
		77320619	Tigar	-	Tigar Americas

The flagship trademark is «a stylization of a tiger's head with the logo 'Tigar' inscribed in the Cyrillic or Latin alphabet» (Article 17 of the Articles of Association). The appearance and contents of the flagship trademark fall within the jurisdiction of the Board of Directors. Affiliated companies, which are controlled by Tigar AD, may use the flagship trademark.

In 2006, the flagship trademark was protected as a registered trademark within the territory of the Republic of Serbia for goods in international Classes 1, 7, 17, 20, 25 and 28, as a separate trademark only for tires in Class 12, and as an international trademark in 43 countries for the same classes previously listed and for Class 12 (vehicle tires); all are in the name of Tigar AD. A variation of the flagship trademark, «Tigar MH», is protected in Serbia for tires and processing of materials (Classes 12 and 40) in the name of Tigar Tyres. Under a Trademark Assignment Agreement, signed by Tigar AD and MHPB in 2002, Tigar AD is obligated to assign its flagship trademark for tires and inner tubes (Class 12) only to Tigar Tyres. The proceedings for recording of the assignment have been completed for Serbia and the member states of the Madrid Agreement. Transfer to the US is pending.

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

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Tigar Technical Rubber Goods has one pending patent application with the Serbian Intellectual Property Office, for an invention entitled "*Tigar Flex*" *Flexible Hose Production Technology*, filed on 30 January 2006 under no. P-2006/0071.

Tigar AD holds two internet domain names: [www.tigar.com](http://www.tigar.com) and [www.tigar.co.yu](http://www.tigar.co.yu).

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

Article 12 (3) of the Particular Collective Contract stipulates that employees have a right to be remunerated for copyrights, technical innovations, and improvements in production processes. The amount of remuneration is regulated by a separate contract between the employee and Tigar AD, in the form of an increase of the employee's salary. This contract represents an annex to the individual employment contract; its contents are confidential and it is valid for one year.

Tigar has not been notified of any complaints, objections or claims and Tigar has not filed any complaints, objections or claims with respect to any infringement of intellectual property rights.

## **5. LEGAL PROCEEDINGS**

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

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

DEFENDANT	CLAIM
TREPČA-Zvečan	9,637,376
UNION BANK	8,047,333
LOLA CORPORATION	6,000,000
AS KOMERC - N. Belgrade	2,366,719
JIP - Belgrade	1,641,377
MADRIS, Belgrade; MADREC, Niš; CPORECSS, Novi Sad	3,319,240
LEKSUS GROUP-Novı Sad	1,217,996
2M-Pırot	2,247,300
TIGAR PROM-Nova Varoš	3,636,000
PROTEKT-Prijedor	2,530 EUR
BANDAG PROTEKT-Kuzmica, Croatia	5,202 EUR
BAN GUMA Glina, Croatia	3,221 EUR
PRIMA TREJD-Kučevo	1,174,680
<b>TOTAL</b>	<b>39,288,021</b> <b>10.953 EUR</b>

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

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

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## **6. REAL ESTATE**

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

Tigar Tyres owns the buildings in which it operates, and holds the right to use the land on which these buildings are located. Tigar holds the right to use all the remaining land. The buildings on this land are owned by Tigar and/or the subsidiaries it controls. Buildings used by other manufacturing subsidiaries are owned by them, while Tigar owns the buildings used by service subsidiaries.

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

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

### **Land**

As of 31 March 2008, Tigar uses 148 cadastral lots (total surface area 374,141 m<sup>2</sup>, total book value RSD 35,637,051.08).

### **Buildings**

Tigar and its major subsidiaries (except Tigar Trade) own a total of 123 buildings.

As of 31 March 2008, the book value of buildings owned by Tigar and its major subsidiaries was RSD 323.363.079,51.

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

#### **Book value of buildings**

Entity	Book Value in RSD 31-12-07	Book Value in RSD 31-03-08
Tigar AD	190.812.494	124.785.194
Tigar Trade, Domestic Sales Network	95.142.126	101.378.619
Tigar Technical Rubber Goods	827.305	813.485
Tigar Chemical Products	49.261.268	48.910.606
Tigar Footwear	29.965.650	29.751.404
Pirot Free Zone	19.339.001	17.723.772
<b>Total</b>	<b>385.347.844</b>	<b>323.363.080</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Material encumbrances**

The Company's material encumbrances at the end of the 1<sup>st</sup> Quarter of 2008 were as follows:

**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 and footwear plant buildings) serving as a security for the following agreements between Yu Banka and Tigar:

- Agreement no. 3617/04 dated 6 October 2004, EUR 704,494.39 (outstanding balance EUR 473,605.68);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,634,951.93); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance EUR 1,588,316.96).

## **7. MANAGEMENT**

The management structure is unchanged.

The General Assembly of Shareholders (GAS) elects the Board of Directors. The Board of Directors elects the Executive Board. The Executive Board is in charge of day-to-day operations. There is also a three-member Supervisory Board, which reviews all of Tigar's documents and the status of its assets. It reports findings in these and other specific areas to the GAS. At its annual session convened for 4 June 2008, the General Assembly of Shareholders will elect/re-elect members of the Board of Directors.

### **Board of Directors**

Members of the Board of Directors as of 31 March 2008

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

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

In the 1<sup>st</sup> Quarter of 2008, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 2,450,940.

In the 1<sup>st</sup> Quarter of 2008, the Board of Directors held four meetings.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Executive Board**

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

The Executive Board consists of eight members:

Name	Responsibility at Tigar
Dragan Nikolić	Director General of Tigar AD
Jelena Petković	Executive Director for Corporate Management Support
Djordje Džunić	Executive Director for Financial Affairs
Miodrag Tančić	Executive Director for Manufacturing
Slobodan Sotirov	Executive Director for Quality Control
Branislav Mitrović	Executive Director for IT and Investments
Milivoje Nikolić	Executive Director for Human Resources
	Executive Director for Development of Complementary Programs

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

In the 1<sup>st</sup> Quarter of 2008, the Executive Board held three meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

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

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

### **Supervisory Board**

Current members of the Supervisory Board are:

Full name	SB position	Principal activities outside Tigar	Appointment expires on
Marko Steljić	Chairman	Chief Executive Officer emeritus, Jugobanka (now Alfa Banka)	27 October 2008
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration	27 October 2008
Dragan Milosavljević	Member	Ministry of Finance, Treasury Administration, Belgrade	27 October 2008

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

The Supervisory Board held one meeting during the period.

In the 1<sup>st</sup> Quarter of 2008, members of the Supervisory Board received an aggregate compensation of RSD 765,919.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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## **8. CORPORATE GOVERNANCE**

In the 1<sup>st</sup> Quarter of 2008, Tigar duly adhered to its adopted Corporate Governance Code—the Codex. Activities continued with the IFC and an external consultant on a Tigar AD corporate governance refinement project. A revision of Tigar AD's current Articles of Association was drafted. None of the proposed amendments affects shareholder rights. The amendments address the decision-making scope of the Board of Directors, the separation of the Board of Directors/Executive Board chairperson function from that of the Director General function, the transfer of decision-making powers relating to long-term loans which do not fall within the scope of high-value transactions from the General Assembly of Shareholders to the Board of Directors (in order to allow for a portion of current short-term loans to be replaced with must more favorable international long-term loans), and several minor adjustments to reflect current regulations in this area.

## **9. EMPLOYEES**

### **Number and structure**

As of 31 March 2008, Tigar's domestic subsidiaries had 2,033 employees. In addition, Tigar's subsidiaries in the United States, United Kingdom, FRY of Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 84 local employees.

As of 31 March 2008, the employment structure was as follows:

<b>Workforce as of 31 March 2008</b>	
<b>Company</b>	<b>Number of Employees</b>
Tigar AD	191
Tigar Footwear	762
Tigar Business Services	189
Tigar Technical Rubber Goods	230
Tigar Chemical Products	80
Domestic Sales Network	190
Others	391
<b>Total</b>	<b>2,033</b>

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 68 employees and retirees are repaying housing loans obtained from Tigar.

Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

### **Employee expenses**

Total 1<sup>st</sup> Quarter employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension and health fund contributions, in-house meals and local transportation subsidies amounted to RSD 275,500.000.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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The table below shows paid salaries as a percentage of sales revenues.

<b>1<sup>st</sup> Quarter of 2008 employee expenses</b>			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales
Tigar AD	19,397	32,141	60.83%
Tigar Footwear	57,222	93,725	48.04%
Tigar Business Services	15,703	25,905	30.49%
Tigar Technical Rubber Goods	18,570	30,607	38.22%
Tigar Chemical Products	7,235	11,945	39.82%
Domestic Sales Network	14,971	24,644	16.60%
Others	34,231	56,533	20.97%
<b>Total</b>	<b>167,329</b>	<b>275,500</b>	<b>32.00%</b>

Taxes, health insurance and pension fund contributions in the 1<sup>st</sup> Quarter of 2008 amounted to RSD 108,171,000.

### **Optimization of human resources**

In the 1<sup>st</sup> Quarter of 2008, 23 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	Total
Tigar AD			4	4
Tigar Footwear	(6) 1.205.968			(6) 1.205.968
Tigar Business Services	(1) 144.366			(1) 144.366
Tigar Technical Rubber Goods				
Tigar Chemical Products		(2) 840.700		(2) 840.700
Domestic Sales Network			4	4
Others		(2) 1.100.450	4	(6) 1.100.450
<b>Total</b>	<b>(7) 1.350.344</b>	<b>(4) 1.941.150</b>	<b>12</b>	<b>(23) 3.291.484</b>

\* Of these 12 employees, 6 left the Company of their own volition and 6 voluntarily moved to another entity within the Tigar Group.

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

Retrenchment is inherent in the restructuring process. This process will continue during 2008. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy.

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

<b>Workforce downsizing costs and percentage of gross salaries</b>		
	In thousands of RSD	%
Tigar AD		
Tigar Footwear	1.206	1,29
Tigar Business Services	144	0.55
Tigar Technical Rubber Goods		
Tigar Chemical Products	841	7,04
Domestic Sales Network		
Others	1.100	1.94
<b>Total</b>	<b>3.291</b>	<b>1,19</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Professional training**

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

In the 1<sup>st</sup> Quarter of 2008, scholarships were paid for students at the following colleges/universities:

	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
Total	18	16	9	17

Tuition and scholarship expenses for the period amounted to RSD 1,480,713 (or 0.53% of paid salaries).

### **Employee training**

The following numbers of employees were trained through internal and external training programs during the 1<sup>st</sup> Quarter:

	IN-HOUSE TRAINING	EXTERNAL TRAINING	TOTAL
Tigar AD	7		7
Tigar Footwear	212	4	216
Tigar Business Services	10		10
Tigar Technical Rubber Goods	37	2	39
Tigar Chemical Products			
Domestic Sales Network		103	103
Others	33		33
<b>Total</b>	<b>299</b>	<b>109</b>	<b>408</b>

First quarter employee training expenses amounted to 786,753 RSD (or 0.28% of paid salaries).

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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#### IV. 1<sup>ST</sup> QUARTER 2008 PERFORMANCE OF SUBSIDIARIES AND AFFILIATES

##### 1. TIGAR FOOTWEAR

###### Products

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

- *General-purpose footwear.* Tigar's general-purpose men's and women's footwear includes low rubber shoes, used principally by farmers; a wide range of rubber boots, used for farming and other general purposes; and children's rubber shoes.
- *Rubber boots for hunting and fishing.* Tigar's specialized rubber boots for hunting and fishing are sold primarily in export markets. These boots include high rubber wading boots for fishing, as well as a wide range of knee-high boots for hunting and fishing. Domestically and in the Balkan countries, the boots are sold under the Tigar brand name. For international markets, Tigar brands the boots with the name of its customer.
- *Rubber safety boots and work boots.* Tigar's rubber safety boots and work boots are manufactured for use by firemen, forestry workers and other workers who require specialized boots with metal protective toe inserts and special heat properties. These boots are made from specialized materials designed to withstand higher temperatures and extreme conditions. These products are currently produced solely for export.

The following table shows comparative footwear outputs:

<b>(pairs)</b>	<b>1<sup>st</sup> Quarter 2008</b>	<b>% of total</b>	<b>1<sup>st</sup> Quarter 2008 vs. 1<sup>st</sup> Quarter 2007</b>
General-purpose (low) footwear	170,507	39%	108%
Fishing and hunting boots	58,082	13%	0%
Safety boots	14,355	3%	-71%
Work boots	196,562	45%	55%
<b>TOTAL</b>	<b>439,506</b>	<b>100%</b>	<b>39%</b>

The following table shows comparative total revenues:

<b>In thousands of euros</b>	<b>1<sup>st</sup> Quarter 2008</b>	<b>% of total</b>	<b>1<sup>st</sup> Quarter 2008 vs. 1<sup>st</sup> Quarter 2007</b>
General-purpose (low) footwear	246	11%	-37%
Fishing and hunting boots	650	28%	1%
Safety boots	506	22%	-32%
Work boots	923	40%	21%
<b>TOTAL</b>	<b>2,325</b>	<b>100%</b>	<b>-8%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Markets and competition**

The following tables show international and domestic sales levels:

<b>Sales (pairs)</b>	<b>Exports 1<sup>st</sup> Q 2007</b>	<b>Exports 1<sup>st</sup> Q 2008</b>	<b>% Change</b>	<b>Local market 1<sup>st</sup> Q 2007</b>	<b>Local market 1<sup>st</sup> Q 2008</b>	<b>% Change</b>
General-purpose (low) footwear	4,980	7,838	57%	122,906	71,316	-42%
Fishing and hunting boots	37,280	36,180	-3%	973	3,460	256%
Safety boots	41,364	24,816	-40%	48	88	83%
Work boots	73,865	81,515	10%	20,196	32,350	60%
<b>TOTAL</b>	<b>157,488</b>	<b>150,349</b>	<b>-5%</b>	<b>144,123</b>	<b>107,214</b>	<b>-26%</b>

<b>Sales (000 EUR)</b>	<b>Exports 1<sup>st</sup> Q 2007</b>	<b>Exports 1<sup>st</sup> Q 2008</b>	<b>% Change</b>	<b>Local market 1<sup>st</sup> Q 2007</b>	<b>Local market 1<sup>st</sup> Q 2008</b>	<b>% Change</b>
General-purpose (low) footwear	13	24	88%	379	223	-41%
Fishing and hunting boots	623	592	-5%	19	59	206%
Safety boots	742	504	-32%	1	3	100%
Work boots	605	636	5%	157	287	82%
<b>TOTAL</b>	<b>1,983</b>	<b>1,754</b>	<b>-12%</b>	<b>557</b>	<b>571</b>	<b>3%</b>

### **Sales and distribution**

Tigar Footwear distributes its products in domestic and international markets through Tigar's domestic and international sales subsidiaries and through a variety of wholesalers. During the 1<sup>st</sup> Quarter, several customers were late in placing their orders; this resulted in rescheduling and fewer deliveries during the period. Since these orders involve custom-made and costly products, no stocks could be generated because the order structure was unknown.

As of 1 January 2008, Tigar Trade DSN is the exclusive footwear distributor in the Serbian market. This change is expected to: increase volume; change the product mix to include a larger proportion of costlier products from the fashion, sports and safety footwear segments which are new to the domestic market; establish a network of end users such as the food industry, chemical industry, forestry, mining and the like; and eliminate considerable unfair competition which was present in the past.

### **Customers**

Tigar Trade DSN is Tigar Footwear's domestic customer.

International customers include: Berner, Euro PM, MSE, Battistini, Biacchi Ettore, Patrizia, L&N, and Hunter.

### **1<sup>st</sup> Quarter financials**

<b>Balance Sheet, in thousands of dinars</b>	<b>Opening balance sheet as of 1 January 2008</b>	<b>Quarter ended 31 March 2008</b>
<b>Assets</b>		
Non-current assets	116,189	115,808
Current assets	792,060	832,754
Deferred tax assets	866	866
<b>Total assets</b>	<b>909,115</b>	<b>949,428</b>
<b>Equity and liabilities</b>		
Equity	80,909	131,911
Non-current liabilities	24,002	24,002
Current liabilities	804,204	793,515
<b>Total equity and liabilities</b>	<b>909,115</b>	<b>949,428</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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<b>Free cash flow in 000 RSD</b>	<b>As of 1 Jan. 08</b>	<b>As of 31 March 08</b>
Net profit	-36,901	51,003
+ Depreciation	18,506	4,849
+Reserved costs for benefits	1,982	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>-16,413</b>	<b>55,852</b>
<b>Capital expenditures</b>	<b>24,589</b>	<b>-10,944</b>
Inventory increase (decrease)	160,071	77,741
+Receivables increase (decrease)	104,115	-14,084
-Liabilities increase (decrease)	304,368	-14,744
<b>Working capital increase (decrease)</b>	<b>-40,182</b>	<b>78,401</b>
<b>Free cash flow</b>	<b>-821</b>	<b>-11,606</b>

<b>Income statement</b> in thousands of dinars	<b>1<sup>st</sup> Quarter</b> <b>2008</b>	<b>1<sup>st</sup> Quarter</b> <b>2008 vs. 1<sup>st</sup></b> <b>Quarter 2007</b>
<b>Total income</b>	<b>345,227</b>	<b>32%</b>
<b>Total expenses</b>	<b>294,224</b>	<b>-2%</b>
<b>Profit (loss) before taxation</b>	<b>51,003</b>	<b>Gain vs. loss</b>
<b>Income taxes</b>		
<b>Deferred income tax expense</b>		
<b>Deferred income tax benefit</b>		
<b>Net profit for the period</b>	<b>51,003</b>	<b>Gain vs. loss</b>

### **Management's commentary**

Tigar Footwear reported a profit at the end of the period. Sales revenues were 8% lower than during the same period of the previous year, due to lower export levels and the need to adjust to domestic market sales policy changes. Even though the volume in pairs grew by 39% relative to the same period of the previous year, costs were lower as a result of product mix changes and reduced scrap levels. Workforce size matched BP expectations, but output was below plan and resulted in higher employee expenses relative to the production volume. There were 920 permanent and temporary employees during the period. The current location does not allow for workforce flexibility and reduced output does not automatically result in a reduced workforce. Relocation plans include voluntary cuts of redundant permanent jobs and hiring of temporary workers to bridge any gaps. Temporary jobs will gradually be cut as each production line at the new manufacturing facility is completed. Lower scrap and waste levels were characteristic of the period but here, too, the achievement of the required level of quality is tied with relocation. Stock levels and mix have been planned to ensure normal deliveries during the relocation period. Adequate stocks of standard products, especially work boots and low footwear, will be in place. However, there will be no stocks of custom made products because it is impossible to predict the required mix of such products.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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## **2. TIGAR TECHNICAL RUBBER GOODS**

Tigar Technical Rubber Goods (TTRG) manufactures:

- Pressed rubber products,
- Molded rubber products,
- Sporting goods,
- Rubber hoses,
- Combined rubber/metal products, and
- Semi-finished rubber products.

### **Products**

*Pressed rubber products.* These products are very strong, durable, and flexible. TRIG produces pressed rubber goods for a variety of industrial, construction, and civil engineering applications, re-treading shops, road infrastructure (e.g. rubber speed bumps) and rubber automobile parts (mats, gasoline reservoirs). It also produces “rubberized” metal goods (rubberized pipes, valves, etc.) by applying a layer of rubber to metal parts manufactured by customers.

*Molded rubber products.* Depending on the application and the customer's requirements, these products are made with various cross-sections and from different grades of rubber. Tigar currently manufactures more than 150 different molded rubber products. Tigar's customers use these products as seals for machine tools; as seals for doors and windows, often in combination with aluminum or PVC parts; and as seals and gaskets for chemical, textile and agricultural equipment and a variety of other uses.

*Sporting goods.* TTRG produces a line of rubber and leather sporting goods, including balls for both professional and recreational use, rubberized weights, and other training equipment and accessories. It also produces “promotional” balls with the name or logo of the end-user. The equipment is sold under the Tigar brand name, primarily to schools, sports clubs and associations.

*Hoses.* TTRG produces a line of rubber hoses, textile-reinforced hoses, and steel-spring flexible hoses. The steel spring in the flexible hose gives a special mechanical and elastic characteristic to these hoses, allowing them to be bent in any direction while keeping the same cross-section. Hoses are used primarily in automobiles, both as original equipment and as spare parts (hoses for air and liquid cooling systems). Some of the hoses are made from special types of synthetic rubber that is resistant to heat, cold, and mineral oils.

*Combined and semi-finished rubber products.* These products include rubber-coated cables, rubber mixtures, compound rubber-metal products, shock absorbers for road vehicles, shock mounts for rail vehicles, and various products for other applications.

Each of the product segments is operated as a stand-alone business unit, whose future status will depend on market developments and performance.

TTRG has introduced a new product line of pressed rubber products manufactured from recycled rubber (rubber pellets). A wide variety of products can be manufactured by combining recycled rubber with bonding and coloring agents, including rubber playground surfaces, sports floor coverings, bumpers, various items for roads and railroads, and general-purpose products.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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The following table shows comparative TTRG production output:

In tons	1 <sup>st</sup> Quarter 2008	% of total	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
Compounds	252	65%	16%
Pressed products	40	10%	8%
Molded products and tubing	55	14%	51%
Sporting goods	20	5%	113%
Rubber-coating	22	6%	-29%
<b>TOTAL</b>	<b>388</b>	<b>100%</b>	<b>18%</b>

The following table shows comparative total revenues:

In 000 EUR	1 <sup>st</sup> Quarter 2008	% of total	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
Compounds	203	21%	36%
Pressed products	183	19%	24%
Molded products and tubing	189	19%	28%
Sporting goods	263	27%	254%
Rubber-coating	134	14%	56%
<b>TOTAL</b>	<b>972</b>	<b>100%</b>	<b>61%</b>

### International and domestic sales

In 000 EUR	Exports 1 <sup>st</sup> Quarter 2008	Exports 1 <sup>st</sup> Quarter 2007	% Change	Local market 1 <sup>st</sup> Quarter 2008	Local market 1 <sup>st</sup> Quarter 2007	% Change
Compounds	38	2	2136%	165	147	12%
Pressed products	29	16	78%	154	131	17%
Molded products and tubing	55	67	-18%	134	81	65%
Sporting goods	13	8	64%	250	67	276%
Rubber-coating	12	18	-31%	122	69	78%
<b>TOTAL</b>	<b>147</b>	<b>110</b>	<b>33%</b>	<b>825</b>	<b>495</b>	<b>67%</b>

### Sales and distribution

TTRG distributes its products in domestic and international markets through Tigar's domestic and international sales subsidiaries, through distributors, by direct sales to sports clubs and associations, and via public calls for tenders released by the Ministry of Education and Ministry of Sports.

### Customers

TTRG' customers in its domestic market are primarily tire re-treading shops, construction companies, mining companies, sports clubs, schools, and automotive parts suppliers, including Tigar's Domestic Sales Network.

International customers are primarily wholesale companies, but also tire re-treading shops, construction companies, mining companies, and automotive parts suppliers.

Tigar's Domestic Sales Network was the only buyer who purchased more than 10% of total sales.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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**1<sup>st</sup> Quarter financials**

Balance Sheet, in thousands of Dinar	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	26,203	25,361
Current assets	444,543	430,992
Deferred tax assets	764	765
<b>Total assets</b>	<b>471,510</b>	<b>457,118</b>
<b>Equity and liabilities</b>		
Equity	22,502	34,956
Non-current liabilities	11,361	11,393
Current liabilities	437,647	410,769
<b>Total equity and liabilities</b>	<b>471,510</b>	<b>457,118</b>

Free cash flow in 000 RSD	As of 1. Jan. 2008	As of 31 March 2008
Net profit	114,277	12,453
+ Depreciation	10,908	2,100
+Reserved costs for benefits	727	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>125,912</b>	<b>14,553</b>
<b>Capital expenditures</b>	<b>-89,968</b>	<b>1,258</b>
Inventory increase (decrease)	5,242	886
+Receivables increase (decrease)	288,660	-1,486
-Liabilities increase (decrease)	235,384	-26,829
<b>Working capital increase (decrease)</b>	<b>58,519</b>	<b>26,228</b>
<b>Free cash flow</b>	<b>157,361</b>	<b>-12,933</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Total income</b>	<b>108,322</b>	<b>105%</b>
<b>Total expenses</b>	<b>91,214</b>	<b>39%</b>
<b>Profit (loss) before taxation</b>	<b>17,108</b>	<b>Gain vs. loss</b>
<b>Income taxes</b>	<b>4,655</b>	
<b>Deferred income tax expense</b>	<b>0</b>	
<b>Deferred income tax benefit</b>	<b>0</b>	
<b>Net profit for the period</b>	<b>12,453</b>	<b>Gain vs. loss</b>

**Management's commentary**

TTRG reported a profit at the end of the period. Sales revenues were 61% higher than during the same period of the previous year and 7% above plan. All segments, except the industrial rubber-coating segment, reported higher output and higher sales revenues that at the end of the first quarter of the previous year. These results are very good in view of the fact that several industries, particularly the military industry, are still not placing significant orders due to low utilization of their capacity. The manufacture of products made from recycled

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rubber is still in the development phase and this highly attractive segment is still not demonstrating the effects of mass production. Since this is a new product range, TTRG is required to provide references for products used for playgrounds and sports courts. Like Tigar Footwear, TTRG is preparing for relocation. This also includes retrenchment, where higher output is expected to boost productivity. The efficiency and speed of relocation are very important to TTRG since its product mix is such that TTRG cannot prepare stocks in advance.

### **3. TIGAR CHEMICAL PRODUCTS**

Tigar Chemical Products (TCP) manufactures a variety of products including adhesives for conveyer belts, road paint, industrial adhesives, adhesives for a wide range of other applications, coatings, solvents, thinners, and other chemical products.

TCP's product lines were introduced primarily to address the internal needs of the tire and rubber footwear businesses. The range was expanded over time, to include high-quality adhesives for mine conveyer belts, road paint, appliance paint, and environmentally-friendly polyurethane flooring.

#### **Products**

TCP manufactures the following products:

*Adhesives for conveyer belts.* Tigar manufactures a strong adhesive that splices the ends of conveyor belts without the need for metal fasteners. This product was developed for coal mining companies in Serbia, but has proven successful in international markets as well, particularly in the Republic of South Africa, Bulgaria, Poland and the FRY of Macedonia. Approximately 80% of Tigar's sales of this product line go to international markets.

*Road paint.* Tigar's road paint products are used for road marking applications. Road paint is sold primarily to road construction companies and to municipalities for road maintenance purposes. The products are currently distributed primarily in the domestic market but have been certified for use in the European Union. Due to high transportation costs, in 2006 Tigar pursued international sales only in markets that are close to Serbia, such as the FRY of Macedonia and Greece.

*Industrial and other adhesives.* Tigar's industrial adhesives are used primarily by Serbian manufacturers of furniture, footwear (including Tigar Footwear) and books (for book binding). Its other adhesives (principally epoxy compounds for domestic use) are sold through dealers or through Tigar's Domestic Sales Network.

*Coatings, solvents, thinners, and chemicals.* Tigar sells a wide range of paints and coatings used for a variety of applications, including coatings for the inside and outside of cans, paints and varnishes for metal and wood, paints for appliances and floors (including specialized non-flammable and acid-resistant floor paints), as well as related thinners, solvents and chemicals. These products are sold primarily to domestic construction companies and industrial users, rather than to retail or international markets.

The following table shows comparative TCP outputs:

<b>In tons</b>	<b>1<sup>st</sup> Quarter 2008</b>	<b>% of total</b>	<b>1<sup>st</sup> Quarter 2008 vs. 1<sup>st</sup> Quarter 2008</b>
Products for the mining industry	9	8%	129%
Road paint	1	0%	-89%
Products for railways	4	3%	6%
Products for the metal-working industry	19	17%	307%
Products for the construction industry (flooring)	1	1%	376%
Consumer market	44	40%	4%
Products for the Tigar Group	33	30%	2%
<b>TOTAL</b>	<b>110</b>	<b>100%</b>	<b>21%</b>

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The following table shows comparative total revenues:

<b>(000 EUR)</b>	<b>1<sup>st</sup> Quarter 2008</b>	<b>% Change</b>	<b>1<sup>st</sup> Quarter 2008 vs. 1<sup>st</sup> Quarter 2007</b>
Products for the mining industry	75	21%	215%
Road paint	0	0%	-99%
Products for railways	29	8%	927%
Products for the metal-working industry	67	18%	263%
Products for the construction industry (flooring)	9	2%	1%
Consumer market	120	33%	-19%
Products for the Tigar Group	64	18%	-1%
<b>TOTAL</b>	<b>363</b>	<b>100%</b>	<b>23%</b>

### **Markets and competition**

TCP sells its products primarily in the domestic market. Most of its international sales were made up of SC adhesives sold to South Africa and a variety of adhesives sold to the consumer markets in the region. A characteristic of the period was a lack of production of road paint, a large component of TTRG's output, due to low season. However, in view of the upcoming season and potential exports, this segment is expected to report growth in the coming period. All other TTRG segments performed much better than during the same period of last year.

### **International and domestic sales**

<b>Sales (000 EUR)</b>	<b>Exports 1<sup>st</sup> Q 2008</b>	<b>Exports 1<sup>st</sup> Q 2007</b>	<b>% Change</b>	<b>Local market 1<sup>st</sup> Q 2008</b>	<b>Local market 1<sup>st</sup> Q 2007</b>	<b>% Change</b>
Products for the mining industry	64	18	260%	11	6	78%
Road paint	0	0		0	29	-99%
Products for railways	0	0		29	3	927%
Products for the metal-working industry	0	0		67	18	263%
Products for the construction industry (flooring)	1	0		8	9	-7%
Consumer market	3	7	-61%	117	142	-17%
Products for the Tigar Group	0	0		64	64	-1%
<b>TOTAL</b>	<b>68</b>	<b>25</b>	<b>173%</b>	<b>295</b>	<b>270</b>	<b>9%</b>

### **Sales and distribution**

TCP distributes its products in domestic and international markets primarily through direct sales or sales made through Tigar's domestic and international sales subsidiaries, as well as sales made to contractors or wholesale companies.

### **Customers**

THP's customers in the domestic market are primarily companies in the mining, road construction, metal working, engineering, and consumer goods industries.

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**1<sup>st</sup> Quarter financials**

Balance Sheet, in thousands of dinars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	66,375	65,764
Current assets	165,729	160,708
Deferred tax assets	755	755
<b>Total assets</b>	<b>232,859</b>	<b>227,227</b>
<b>Equity and liabilities</b>		
Equity	51,397	64,572
Non-current liabilities	2,729	2,729
Current liabilities	178,733	159,926
<b>Total equity and liabilities</b>	<b>232,859</b>	<b>227,227</b>

Free cash flow in 000 RSD	As of 1 Jan. 2008	As of 31 March 2008
Net profit	-15,248	13,175
+Depreciation	6,163	2,210
+Reserved costs for benefits	186	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>-8,899</b>	<b>15,385</b>
<b>Capital expenditures</b>	<b>4,876</b>	<b>1,599</b>
Inventory increase (decrease)	952	1,211
+Receivables increase (decrease)	21,455	-5,926
-Liabilities increase (decrease)	37,057	-18,807
<b>Working capital increase (decrease)</b>	<b>-14,650</b>	<b>14,092</b>
<b>Free cash flow</b>	<b>875</b>	<b>-306</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Total income</b>	<b>52,787</b>	<b>120%</b>
<b>Total expenses</b>	<b>39,612</b>	<b>31%</b>
<b>Profit (loss) before taxation</b>	<b>13,175</b>	<b>Gain vs. loss</b>
<b>Income taxes</b>		
Deferred income tax expense		
Deferred income tax benefit		
<b>Net profit for the period</b>	<b>13,175</b>	<b>Gain vs. loss</b>

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### **Management's commentary**

Tigar Chemical Products reported a profit at the end of the 1<sup>st</sup> quarter. Sales revenues were 23% higher than during the same period of the previous year. The greatest growth was reported by segments manufacturing products for railroads and the metal-working industry. This is an important fact, since revenues from road paint will grow considerably during the coming season. Additionally, TCP expects to get contracts for large deliveries to international clients. Volume and sales growth are key to this business because its profit per unit product is high. Even though there was a 21% increase in output relative to the first quarter of 2007, if TCP does not operate at full capacity (like during the 1<sup>st</sup> Quarter of 2008), it has a workforce problem similar to that of the other manufacturing subsidiaries. Plans call for TCP to relocate before the end of 2009 and, as such, TCP will not be in the same situation in 2008 as the other two manufacturing subsidiaries. This year will be a year of decisions relating to the new location and new equipment, as well as a year during which project documents will be prepared and necessary approvals obtained.

## **4. COMMERCIAL SUBSIDIARIES**

In the 1<sup>st</sup> Quarter of 2008, Tigar's Domestic Sales Network sold Tigar's products to a wide variety of customers throughout Serbia, both directly to wholesalers and through Tigar's network of retail sales and automotive service outlets.

Tigar also has an international sales network that sells tires, rubber footwear and other products in Western Europe, the Balkans, and North and Central America. Tigar currently has international sales subsidiaries in Bosnia and Herzegovina (Banja Luka), the FRY of Macedonia, Montenegro, the United Kingdom, and the United States.

### **Tigar Trade – Domestic Sales Network**

Tigar Trade DSN operates a domestic sales network of retail outlets that sell all types of tires, afterparts, products manufactured by subsidiaries controlled by Tigar, and a variety of complementary items.

Tigar Trade DSN also operates a domestic automotive service network which provides tire-replacement and „light” servicing of cars, light utility vehicles, and trucks.

Tigar Trade has its headquarters in Pirot, four regional branch offices which manage network operations, and three warehouses. All of these locations have access to a single information system which allows for the optimization of deliveries from warehouses to all retail outlets and service centers. Roughly one third of the retail outlets and service centers operate in leased facilities; this was in line with the policy of leasing, rather than purchasing of new facilities.

As of 31 March 2008, Tigar Trade/Domestic Sales Network included:

- **34 retail outlets**, which follow a multi-product multi-brand strategy and offer a wide range of tires, motor oil, batteries, filters, afterparts, and accessories, as well as rubber footwear and other rubber and adhesive products;
- **15 car and LUV service centers, plus 1 mobile service unit**, offering a range of automotive services, including tire replacement, tire repair and balancing, oil changes and, in some facilities, car and LUV washes. The service centers also include shops; and
- **2 stationary and 3 mobile truck service unit, which also offer tire replacement and “light” automotive servicing.**
- **4 regional branch offices, in Pirot, Belgrade, Novi Sad, and Niš.**

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Sales by product group:

	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2007
Car tires	39%	44%
Other tires	21%	27%
Inner tubes	2%	6%
Rubber footwear	26%	9%
Technical rubber goods	3%	4%
Chemical products	1%	2%
Other products	5%	8%
Services	2%	1%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Sales by sales channel:

	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2007
Wholesale	42%	46%
Sales to end users/individuals	34%	41%
Sales to end users/legal entities	24%	12%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Sales by segment:

	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2007
Wholesale/regional offices	42%	46%
Retail outlets	27%	33%
Automotive service outlets	30%	21%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

### 1<sup>st</sup> Quarter Financials

Balance Sheet, in thousands of dinars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	219,307	226,310
Current assets	422,163	467,663
Deferred tax assets	0	0
<b>Total assets</b>	<b>641,470</b>	<b>693,973</b>
<b>Equity and liabilities</b>		
Equity	86,415	86,432
Non-current liabilities	10,927	11,002
Current liabilities	543,422	595,833
Deferred tax liabilities	706	706
<b>Total equity and liabilities</b>	<b>641,470</b>	<b>693,973</b>

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Free cash flow in 000 RSD	As of 1 Jan. 2008	As of 31 March 2008
Net profit	-85,275	246
+Depreciation	12,799	4,318
+Reserved costs for benefits	446	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>-72,030</b>	<b>4,564</b>
<b>Capital expenditures</b>	<b>56,683</b>	<b>11,321</b>
Inventory increase (decrease)	99,772	41,804
+Receivables increase (decrease)	-97,675	5,459
-Liabilities increase (decrease)	123,079	49,970
<b>Working capital increase (decrease)</b>	<b>-120,982</b>	<b>-2,707</b>
<b>Free cash flow</b>	<b>-7,730</b>	<b>-4,050</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Operating income</b>	<b>187,344</b>	<b>43%</b>
<b>Operating expenses</b>	<b>187,059</b>	<b>22%</b>
<b>Profit (loss) before taxation</b>	<b>285</b>	<b>Gain vs. loss</b>
<b>Income taxes</b>	<b>38</b>	
<b>Deferred income tax expense</b>		
<b>Deferred income tax benefit</b>		
<b>Net profit for the period</b>	<b>247</b>	<b>Gain vs. loss</b>

### **Management's commentary**

Tigar Trade DSN did not report a loss at the end of the 1<sup>st</sup> Quarter. Sales grew across all segments, relative to the same period of the previous year, but were below plan. Tire sales increased by 22%. The automotive service network reported the highest growth (54%) relative to the first quarter of 2007. In view of the fact that new service centers in Belgrade and Niš were opened during the last quarter of 2007, and that preparations are currently in progress for the opening of new service centers in large cities (such as Novi Sad and Kragujevac), the automotive service network still largely depends on the car service centers operating in smaller cities. An increase in the number of service centers for carts and light utility vehicles in large cities, higher sales by new centers which require some time to establish a client base, increased sales by the truck segment and of complementary products (such as motor oil, batteries, car cleaners and technical equipment), are all expected to boost sales levels and align them with BP levels. On 1 January 2008, Tigar Trade DSN became the exclusive distributor of Tigar's footwear in the Serbian market.

The 1<sup>st</sup> Quarter also marked the beginning of the second DSN restructuring phase which will include restructuring and upgrading of both retail and wholesale segments, structuring of the sales mix, and adequate integration of the automotive service network with the other commercial segments. As in the previous years, investments (the second highest level after Tigar 3), were financed entirely by Tigar Trade DSN. This resulted in higher finance expenses and affected liquidity.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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**Tigar Export -Import****1<sup>st</sup> Quarter Financials**

Balance Sheet, in thousands of dinars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	2,267	2,180
Current assets	483,890	530,446
Deferred tax assets	0	0
Loss above capital	0	3,223
<b>Total assets</b>	<b>486,157</b>	<b>535,849</b>
<b>Equity and liabilities</b>		
Equity	1,032	0
Non-current liabilities	957	957
Current liabilities	484,131	534,855
Defered tax liabilities	37	37
<b>Total equity and liabilities</b>	<b>486,157</b>	<b>535,849</b>

Free cash flow in 000 RSD	As of 1 Jan. 2008	As of 31 March 2008
Net profit	201	-2,588
+Depreciation	102	87
+Reserved costs for benefits	79	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>382</b>	<b>-2,501</b>
<b>Capital expenditures</b>	<b>1,975</b>	<b>0</b>
Inventory increase (decrease)	8,119	3,327
+Receivables increase (decrease)	467,868	47,601
-Liabilities increase (decrease)	482,709	50,724
<b>Working capital increase (decrease)</b>	<b>-6,722</b>	<b>205</b>
<b>Free cash flow</b>	<b>5,128</b>	<b>-2,706</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Total income</b>	<b>153,996</b>	<b>435%</b>
<b>Total expenses</b>	<b>156,541</b>	<b>460%</b>
<b>Profit (loss) before taxation</b>	<b>-2,544</b>	<b>-403%</b>
<b>Income taxes</b>	<b>43</b>	<b>50%</b>
<b>Deferred income tax expense</b>	<b>0</b>	
<b>Deferred income tax benefit</b>	<b>0</b>	
<b>Net profit for the period</b>	<b>-2,587</b>	<b>-419%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Management's commentary**

At the end of the period, Tigar Export-Import reported a loss of 2.5 million RSD. This was a result of purchasing below plan, as well as higher-than-expected foreign exchange translation costs and fixed operating costs (with employee expenses being the largest component). During the 1<sup>st</sup> quarter, this subsidiary provided export-related administrative services to the manufacturing subsidiaries, while the manufacturing subsidiaries themselves conducted contract negotiations and arranged deliveries. Tigar Export-Import's performance is expected to improve in the coming period through synchronization of operating costs with the work load, elimination of foreign exchange translation costs, and increased export activities.

### **Tigar Europe, UK**

Tigar has been active in the UK market for more than 15 years via the co-owned company Tigar Europe Ltd., in which Tigar AD holds a 50% interest. Tigar Europe has an excellent knowledge of the UK market and a well-established client base, and it provides superior services. Tigar plans to expand Tigar Europe's sales network in order to increase its sales of tires and other products (primarily rubber footwear and rubber goods). This company will also continue to provide purchasing services and support potential corporate projects in the UK, as well as to play a more active role in other EU markets. The financial result matched projections.

### **1<sup>st</sup> Quarter financials**

Balance Sheet, in thousands of GBP	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	9	10
Current assets	4,000	4,431
Deferred tax assets	0	0
<b>Total assets</b>	<b>4,008</b>	<b>4,441</b>
<b>Equity and liabilities</b>		
Equity	2,625	2,749
Non-current liabilities	0	0
Current liabilities	1,383	1,692
<b>Total equity and liabilities</b>	<b>4,008</b>	<b>4,441</b>

Income statement in 000 GBP	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2007	% Change
<b>Turnover</b>	<b>4,000.581</b>	<b>3,070.914</b>	<b>-23%</b>
Cost of sales	3,627.172	2,807.179	-23%
<b>Gross Profit</b>	<b>373.409</b>	<b>263.735</b>	<b>-29%</b>
Administrative expenses	117.985	123.575	5%
<b>Operating Profit</b>	<b>255.424</b>	<b>140.160</b>	<b>-45%</b>
Interest receivable	17.553	28.139	60%
Profit on ordinary activities before taxation		4.078	
Tax on profit on ordinary activities	<b>272.977</b>	<b>172.377</b>	<b>-37%</b>
<b>Retained profit for the financial year</b>	<b>79.000</b>	<b>48.000</b>	<b>-39%</b>
	<b>193.977</b>	<b>124.377</b>	<b>-36%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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### **Tigar Americas, USA**

Tigar Americas covers US and Canadian markets. Tigar Americas was the first commercial company which Tigar set up abroad and, prior to the trade embargo, had annual revenues of nearly \$20 million. Following the lifting of the trade embargo, the Company decided to renew and expand its operations to include procurement of supplies for Tigar's subsidiaries, sales of rubber footwear in US and Canadian markets, and re-selling of goods manufactured by other Serbian companies. In the 1<sup>st</sup> Quarter of 2008, activities generally focused on purchasing of raw materials for Tigar Footwear, purchasing of complementary products for the Domestic Sales Network, rubber footwear market research, and establishment of business contacts for potential projects with US partners in Serbia. The work program and business plan call for an intensified material-purchasing activity in the US-dollar market to benefit from the currently favorable exchange rate, and for purchasing of certain other types of goods for the Serbian market, as well as for a change in the US sales policy.

### **1<sup>st</sup> Quarter financials**

	<b>1<sup>st</sup> Quarter 2008</b>	<b>1<sup>st</sup> Quarter 2008 vs. 1<sup>st</sup> Quarter 2007</b>
Income statement in thousands of US dollars		
<b>Sales and marketing income</b>	<b>175</b>	<b>53%</b>
Cost of goods sold	69	5%
<b>Gross profit</b>	<b>107</b>	<b>117%</b>
Sales, general and administrative expenses	57	0%
<b>Loss from operations</b>	<b>49</b>	<b>Gain vs. loss</b>
Other income (expense)	0	
<b>Net loss before corporate taxes</b>	<b>49</b>	<b>Gain vs. loss</b>
Provision for income taxes	0	
<b>Net profit (loss)</b>	<b>49</b>	<b>Gain vs. loss</b>

### **The Balkans: Tigar Partner, Tigar Trade, and Tigar Montenegro**

Tigar AD's subsidiaries in the Balkans are co-owned by Tigar AD and its local partners. Prior to the 1990's, these companies were Tigar's representative offices in the various republics of the former Yugoslavia and, consequently, Tigar's tradition in these markets is well established. The co-owners of the companies are well acquainted with the respective local markets and overall local policies. As of 2007, these companies no longer have exclusive rights for tire sales but, regardless, results match projections for the period.

Tigar Montenegro was the top performer during the 1<sup>st</sup> Quarter and Tigar Trade Banja Luka reported the greatest decline. Tigar AD's Balkan subsidiaries primarily operate as wholesale companies and conduct sales via distributors, except Tigar Montenegro and Tigar Trade Banja Luka which also operate their own retail networks.

However, as stated in the Annual report, the survival of these companies in the mid term requires their overall restructuring and the introduction of an adequately distributed network of service centers. Namely, the situation in these markets is such that the companies cannot continue to operate solely as wholesalers. Tigar believes that Serbia and the Balkan markets are the only markets where it is currently feasible for Tigar to develop a successful retail sales network. An upgrading program will be developed during the latter half of 2008.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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The following table shows sales revenues by product category from Balkan markets:

	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Tire sales (000 EUR)</b>		
Bosnia and Herzegovina	234	42%
FRY of Macedonia	123	-4%
Montenegro	139	-13%
Sub-total, tires	496	10%
<b>Footwear sales (000 EUR)</b>		
Bosnia and Herzegovina	23	-43%
FRY of Macedonia	17	24%
Montenegro	34	-18%
Sub-total, footwear	74	-23%
<b>Sales of other products (000 EUR)</b>		
Bosnia and Herzegovina	3	-59%
FRY of Macedonia	9	149%
Montenegro	3	41%
Sub-total, other products	15	22%
<b>TOTAL</b>	<b>585</b>	<b>4%</b>

## **TIGAR MONTENEGRO**

Balance Sheet, in thousands of EUR	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	5	4
Current assets	286	246
Deferred tax assets		
<b>Total assets</b>	<b>291</b>	<b>249</b>
<b>Equity and liabilities</b>		
Equity	74	82
Non-current liabilities		
Current liabilities	217	167
<b>Total equity and liabilities</b>	<b>291</b>	<b>249</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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Free cash flow in thousands of EUR	As of 1 Jan. 2008	As of 31 March 2008
Net profit	58	9
+Depreciation	5	1
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>63</b>	<b>10</b>
<b>Capital expenditures</b>	<b>0</b>	<b>0</b>
Inventory increase (decrease)	34	35
+Receivables increase (decrease)	90	-63
-Liabilities increase (decrease)	23	-50
<b>Working capital increase (decrease)</b>	<b>101</b>	<b>22</b>
<b>Free cash flow</b>	<b>-38</b>	<b>-12</b>

Income Statement in thousands of EUR	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Operating income</b>		
Sales of goods, products and services	176	-14%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income	2	-42%
<b>Total operating income</b>	<b>178</b>	<b>-14%</b>
<b>Operating expenses</b>		
Cost of commercial goods sold	147	-14%
Other materials, fuel and energy	2	-29%
Staff costs	10	9%
Depreciation, amortization and provisions	1	-27%
Other operating expenses	9	4%
<b>Total operating expenses</b>	<b>169</b>	<b>-12%</b>
<b>Profit from operations</b>	<b>9</b>	<b>-38%</b>
<b>Finance income</b>		
<b>Finance expenses</b>		
<b>Other income</b>		
<b>Other expenses</b>	1	
<b>Profit (loss) before taxation</b>	<b>9</b>	<b>-42%</b>
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
<b>Net profit for the period</b>	<b>9</b>	<b>-42%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

**TIGAR TRADE (BANJA LUKA)**

Balance Sheet, in thousands of KM	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	302	294
Current assets	1,299	1,352
Deferred tax assets		
<b>Total assets</b>	<b>1,601</b>	<b>1,646</b>
<b>Equity and liabilities</b>		
Equity	414	391
Non-current liabilities	62	36
Current liabilities	1,125	1,219
<b>Total equity and liabilities</b>	<b>1,601</b>	<b>1,646</b>

Free cash flow in thousands of KM	As of 1 Jan. 2008	As of 31 March 2008
Net profit	67	0
+Depreciation	24	8
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>90</b>	<b>9</b>
<b>Capital expenditures</b>	<b>73</b>	<b>0</b>
Inventory increase (decrease)	-61	254
+Receivables increase (decrease)	10	-112
-Liabilities increase (decrease)	262	-226
<b>Working capital increase (decrease)</b>	<b>-313</b>	<b>368</b>
<b>Free cash flow</b>	<b>330</b>	<b>-360</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

Income statement in thousands of KM	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Operating income</b>		
Sales of goods, products and services	511.530	23%
Work performed by the company and capitalized		
Changes in inventories of finished products and work in progress		
Other operating income		
<b>Total operating income</b>	<b>511.530</b>	<b>23%</b>
<b>Operating expenses</b>		
Cost of commercial goods sold	395.401	28%
Other materials, fuel and energy	7.661	-61%
Staff costs	56.049	55%
Depreciation, amortization and provisions	8.221	21%
Other operating expenses	41.297	12%
<b>Total operating expenses</b>	<b>508.630</b>	<b>24%</b>
<b>Profit from operations</b>	<b>2.901</b>	<b>-56%</b>
<b>Finance income</b>	0.005	125%
<b>Finance expenses</b>	1.601	-57%
<b>Other income</b>	0.117	
<b>Other expenses</b>	1.040	-48%
<b>Profit (loss) before taxation</b>	<b>0.382</b>	<b>-56%</b>
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
<b>Net profit for the period</b>	<b>0.382</b>	<b>-56%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

**TIGAR PARTNER**

Balance Sheet, in thousands of denars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	221	422
Current assets	35,176	36,232
Deferred tax assets	0	0
<b>Total assets</b>	<b>35,396</b>	<b>36,654</b>
<b>Equity and liabilities</b>		
Equity	17,922	17,922
Non-current liabilities	0	0
Current liabilities	17,475	18,732
<b>Total equity and liabilities</b>	<b>35,396</b>	<b>36,654</b>

Free cash flow in thousands of denars	As of 1 Jan. 2008	As of 31 March 2008
Net profit	3,117	-9
+Depreciation	372	93
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>3,489</b>	<b>84</b>
<b>Capital expenditures</b>	<b>8</b>	<b>0</b>
Inventory increase (decrease)	-2,946	2,061
+Receivables increase (decrease)	2,642	-715
-Liabilities increase (decrease)	643	1,266
<b>Working capital increase (decrease)</b>	<b>-947</b>	<b>79</b>
<b>Free cash flow</b>	<b>4,428</b>	<b>5</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

Income statement in thousands of denars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Operating income</b>		
Sales of goods, products and services	11,134	7%
Work performed by the company and capitalized Changes in inventories of finished products and work in progress		
Other operating income	0	-100%
<b>Total operating income</b>	<b>11,134</b>	<b>6%</b>
<b>Operating expenses</b>		
Cost of commercial goods sold	8,877	8%
Other materials, fuel and energy	144	4%
Staff costs	1,080	23%
Depreciation, amortization and provisions	93	-1%
Other operating expenses	833	-27%
<b>Total operating expenses</b>	<b>11,026</b>	<b>5%</b>
<b>Profit from operations</b>	<b>107</b>	<b>122%</b>
<b>Finance income</b>	<b>10</b>	<b>86%</b>
<b>Finance expenses</b>	<b>77</b>	<b>10%</b>
<b>Other income</b>	<b>0</b>	
<b>Other expenses</b>	<b>45</b>	
<b>Profit (loss) before taxation</b>	<b>-5</b>	<b>-69%</b>
Income taxes	4	
Deferred income tax expense		
Deferred income tax benefit		
<b>Net profit for the period</b>	<b>-9</b>	<b>-44%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

## **5. SERVICE ENTITIES**

In addition to the three manufacturing entities and the Tigar Trade network of retail outlets and service centers, Tigar operates a number of service subsidiaries that it developed, for the most part, during the trade embargo against Yugoslavia because it was unable to outsource these services. Although the service subsidiaries are “complementary” businesses, Tigar AD believes that they greatly contribute to the operations of Tigar’s “core” businesses and provide high-quality services to both the Company and the local community.

In general, the Company’s service subsidiaries can be classified into those which currently service the needs of the Company and those which are gradually focusing on third parties. The first group includes companies which perform security and fire protection services, insurance brokerage, and secondary raw-material management. The second group includes entities which provide transport, construction, engineering, and tourist services.

Tigar’s major service businesses include:

- Construction, which offers all types of services relating to construction, and maintenance of buildings and infrastructure.
- Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles.
- Tourist Agency, which provides domestic and international tourist-related services, including vacation, travel, conference, and trade exhibition planning.
- Hotel Planinarski dom (Mountain Lodge, Hotel), which offers a broad range of accommodations and restaurant/catering services for tourists, business travelers, delegations, sports teams and cultural groups visiting southern Serbia.
- Food production for internal needs to Tigar AD and Tigar Tyres. Plans call for this business to expand and offer services to non-Tigar customers.
- PI Channel, which performs radio/television, telecommunication, market research, and public opinion-poll activities, and provides services in the areas of advertising, public relations and publishing.
- Pirot Free Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The Free Zone is within the Industrial Zone of Pirot and covers 17 hectares of infrastructure-enabled land, with its own railroad track and 150 telephone lines 56 companies currently operate in the Free Zone, including 49 foreign companies. In addition to tax and other advantages, companies in the Zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the Pirot Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.
- Workshop, which was set up as a shelter for handicapped workers. Its activities include solid waste collection and recycling, laundry services, and several other types of support services.

Tigar Business Services, Tigar Workshop and the Pirot Free Zone were the top 1<sup>st</sup> Quarter performers.

Although the hotel’s revenues grew by 50% relative to the same period of last year, it reported a minor loss. All analyses suggest that the level of fixed costs requires an increase in accommodation capacity and offerings in order to make a profit. This, however, requires investment.

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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Both engineering and construction were integrated within Tigar Incon in 2007. In addition to major involvement in construction/reconstruction activities at the Tigar 3 location and in reconstruction of business premises in Piroć and Belgrade, Tigar Incon is also providing services to non-Tigar clients. New equipment, including PU flooring machinery, is expected to improve operating results.

A decision was taken during the 1<sup>st</sup> Quarter to initiate a project with an external consultant during the second quarter concerning the restructuring and upgrading of the entire group of service businesses.

### **Tigar Business Services financials**

Balance Sheet, in thousands of Dinars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	78,440	63,536
Current assets	91,726	81,080
Deferred tax assets		
<b>Total assets</b>	<b>170,166</b>	<b>144,616</b>
<b>Equity and liabilities</b>		
Equity	36,658	24,843
Non-current liabilities	37,650	36,587
Current liabilities	95,666	82,994
Deferred tax liabilities	192	192
<b>Total equity and liabilities</b>	<b>170,166</b>	<b>144,616</b>

Free cash flow in thousands of RSD	As of 1 Jan. 2008	As of 31 March 2008
Net profit	24,726	5,111
+Depreciation	9,981	3,025
+Reserved costs for benefits	472	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>35,179</b>	<b>8,137</b>
<b>Capital expenditures</b>	<b>34,858</b>	<b>5,047</b>
Inventory increase (decrease)	2,881	-762
+Receivables increase (decrease)	16,568	-3,947
-Liabilities increase (decrease)	26,508	-14,046
<b>Working capital increase (decrease)</b>	<b>-7,060</b>	<b>9,337</b>
<b>Free cash flow</b>	<b>7,380</b>	<b>-6,248</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Total income</b>	<b>91,374</b>	<b>12%</b>
<b>Total expenses</b>	<b>86,037</b>	<b>27%</b>
<b>Profit (loss) before taxation</b>	<b>5,337</b>	<b>-62%</b>
<b>Income taxes</b>	<b>226</b>	<b>19%</b>
<b>Deferred income tax expense</b>		
<b>Deferred income tax benefit</b>		
<b>Net profit for the period</b>	<b>5,111</b>	<b>-63%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
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**Other service subsidiaries: Aggregate financials**

Income statement in thousands of RSD	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Operating income</b>	106,977	43%
<b>Operating expenses</b>	102,730	48%
<b>Profit from operations</b>	4,247	-22%
<b>Finance income</b>	349	127%
<b>Finance expenses</b>	126	337%
<b>Other income</b>	1,329	1799%
<b>Other expenses</b>	287	
<b>Profit (loss) before taxation</b>	5,512	-3%
Income taxes	107	668%
Deferred income tax expense	24	60%
Deferred income tax benefit	0	
<b>Net profit for the period</b>	5,381	-4%

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### Free Zone financials

Balance Sheet, in thousands of Dinars	Opening balance sheet as of 1 Jan. 2008	Quarter ended 31 March 2008
<b>Assets</b>		
Non-current assets	113,047	115,911
Current assets	37,600	35,264
Deferred tax assets	78	78
<b>Total assets</b>	<b>150,725</b>	<b>151,252</b>
<b>Off balance sheet assets</b>		<b>3,500</b>
<b>Equity and liabilities</b>		
Equity	130,541	136,127
Non-current liabilities		
Current liabilities	20,184	15,126
Deferred tax liabilities		
<b>Total equity and liabilities</b>	<b>150,725</b>	<b>151,252</b>
<b>Off balance sheet liabilities</b>		<b>3,500</b>

Free cash flow in thousands of RSD	As of 1 Jan. 2008	As of 31 March 2008
Net profit	9,225	5,586
+Depreciation	1,885	466
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
<b>Cash flow from operation</b>	<b>11,109</b>	<b>6,051</b>
<b>Capital expenditures</b>	<b>6,044</b>	<b>3,329</b>
Inventory increase (decrease)	125	6
+Receivables increase (decrease)	4,074	2,768
-Liabilities increase (decrease)	6,415	-5,058
<b>Working capital increase (decrease)</b>	<b>-2,217</b>	<b>7,833</b>
<b>Free cash flow</b>	<b>7,282</b>	<b>-5,111</b>

Income statement in thousands of dinars	1 <sup>st</sup> Quarter 2008	1 <sup>st</sup> Quarter 2008 vs. 1 <sup>st</sup> Quarter 2007
<b>Total income</b>	<b>16,874</b>	<b>14%</b>
<b>Total expenses</b>	<b>11,289</b>	<b>21%</b>
<b>Profit (loss) before taxation</b>	<b>5,586</b>	<b>2%</b>
<b>Income taxes</b>		
Deferred income tax expense		
Deferred income tax benefit		
<b>Net profit for the period</b>	<b>5,586</b>	<b>2%</b>

<b>1<sup>ST</sup> QUARTER 2008 INTERIM REPORT</b>	Document reference
	<b>IZ.P.08/02</b>

## V. MISCELLANEOUS

Tigar AD did not modify its accounting policy in the 1<sup>st</sup> Quarter.

Internal audit activities proceeded according to plan.

TIGAR AD

Jelena Petković  
Executive Director for Corporate  
Management Support

TIGAR AD

Dragan Nikolić  
President and Chief Executive Officer