Tigar®	**TIGAR AD PIROT**

2008
ANNUAL REPORT

Distribution:

e: www.tigar.com
p: Board of Directors
Supervisory Board
File

Key words: TIGAR, REPORT, INTERIM 2008	Document reference **RP.09/01**

Date: 3 April 2009	Author: Jelena Petković	Approved by: Dragan Nikolić

TABLE OF CONTENTS

2008 ANNUAL REPORT	Document reference
	RP.09/01

1. INTRODUCTION

1.1 BASIC FACTS

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: 2,127 at 31/12/2008

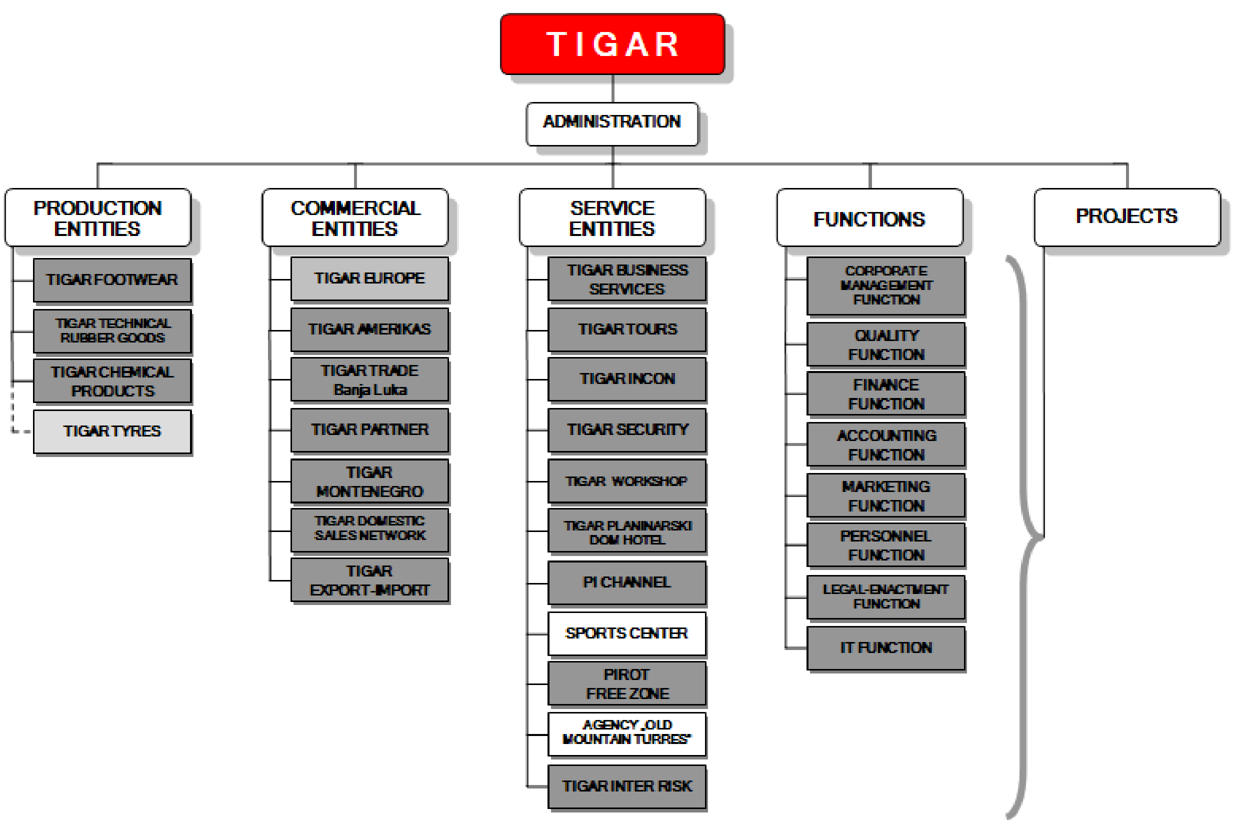
Number of shareholders: 4,830 at 31/12/2008

Capital: 2,736,793 (000 RSD) at 31/12/2008

Assets: 4,079,756 (000 RSD) at 31/12/2008

Capitalization: 860,948 (000 RSD) at 31/12/2008

1.2 CORPORATE STRUCTURE



NOTE: Under a decision of Tigar AD's Board of Directors, a new subsidiary – Tigar Trade – which is the legal successor of Tigar's Domestic Sales Network and Tigar Export-Import, was incorporated and began its operations on 1 January 2009. Tigar DSN and Tigar Export-Import ceased their operations on the same date.

1.1 KEY INDICATORS OF 2008 PERFORMANCE

Tigar AD's consolidated financials in thousands of dinars	Actual I-XII 2007	Actual I-XII 2008
Total Assets	4,836,522	6,967,130
Total Equity	2,705,522	3,745,192
Total revenues	4,657,298	5,050,798
EBIT	310,279	351,799
EBITDA	394,938	436,702
Net income	165,027	89,953
Significant ratios		
Return on equity	6.10%	2.40%
Debt-to-assets ratio	0.42	0.43
Liquidity and solvency ratios		
Current Ratio	1.51	1.29
Quick ratio	0.93	0.73
Debt / Equity	0.76	0.81
Ratios		
ROE	6.10%	2.40%
ROA	3.41%	1.29%
Net profit/operating income	4.14%	2.40%
Net profit/total income	3.54%	1.78%
Total financial liabilities/capital	38.96%	49.74%

Changes in equity (000 RSD), unconsolidated	31 December 2007	31 December 2008 (audited)
Balance, beginning of the year/period	2,683,587	2,685,839
Profit for the year/period	48,734	168,103
Dividends	-43,477	-104,911
Other	-3,005	-12,238
Balance at the end of the year/period	2,685,839	2,736,793

Equity investments (000 RSD) unconsolidated	31 December 2007	31 December 2008 (audited)
Related parties	1,674,895	2,189,976
Banks	137	137
Other legal entities	19	19
Adjustments	253,714	14,572
Total:	**1,421,336**	**2,175,560**

Tigar AD's unconsolidated financials in thousands of dinars	Actual I-XII 2007	Actual I-XII 2008 (audited)	% change
Total Assets	3,592,025	4,079,756	14%
Total Equity	2,685,839	2,736,793	2%
Total income	711,898	1,619,929	128%
EBIT	103,997	297,450	186%
EBITDA	121,069	312,081	158%
Neto prihod	48,734	168,103	245%
Significant ratios			
Return on equity	1.81%	6.14%	239%
Return on shareholders equty	2.36%	8.15%	245%
Debt-to-assets ratio	0.25	0.33	31%
Liquidity and solvency ratios			
Current Ratio	2.27	1.07	-53%
Quick ratio	2.23	1.04	-53%
Debt / Equity	0.33	0.49	46%
Other ratios			
ROE	1.81%	6.14%	239%
ROA	1.36%	4.12%	204%
Neto profit/total income	6.85%	10.38%	52%

Key subsidiary performance indicators

TIGAR

TIGAR AD
Equity: 2.736.793
Total revenues: 1.619.929
EBITDA: 312.081
(000 RSD)

PRODUCTION ENTITIES

TIGAR FOOTWEAR
Equity: 817.610
Total revenues: 1.296.950
EBITDA: 79.654
(000 RSD)

TIGAR TEHNICAL RUBBER GOODS
Equity: 174.415
Total revenues: 448.355
EBITDA: 28.911
(000 RSD)

TIGAR CHEMICAL PRODUCTS
Equity: 110.263
Total revenues: 480.791
EBITDA: 253.256
(000 RSD)

COMMERCIAL ENTITIES

TIGAR DOMESTIC SALES NETWORK
Equity: 202.715
Total revenues: 953.104
EBITDA: 24.572
(000 RSD)

TIGAR EXPORT-IMPORT
Total revenues: 909.399
EBITDA: 1.633
(000 RSD)

TIGAR MONTENEGRO
Equity: 100
Total revenues: 948
EBITDA: 63
(000 EUR)

TIGAR PARTNER
Equity: 17.922
Total revenues: 58.883
EBITDA: 2.726
(000 DEN)

TIGAR TRADE Banja Luka
Equity: 466
Total revenues: 4.114
EBITDA: 180
(000 KM)

TIGAR EUROPE
Equity: 3.124
Total revenues: 14.127
EBITDA: 615
(000 GBP)

TIGAR AMERICAS
Equity: 459
Total revenues: 637
EBITDA: 21
(000 USD)

SERVICE ENTITIES

PIROT FREE ZONE
Equity: 134.045
Total revenues: 63.419
EBITDA: 10.301
(000 RSD)

TIGAR BUSINESS SERVICES
Equity: 100.718
Total revenues: 371.717
EBITDA: 21.841
(000 RSD)

TIGAR PLANINARSKI DOM HOTEL
Equity: 72.056
Total revenues: 17.419
EBITDA: -7.264
(000 RSD)

TIGAR TOURS
Equity: 9.242
Total revenues: 5.916
EBITDA: 470
(000 RSD)

TIGAR INTER RISK
Equity: 1.368
Total revenues: 4.611
EBITDA: 89
(000 RSD)

TIGAR SECURITY
Equity: 15.662
Total revenues: 72.405
EBITDA: 5.436
(000 RSD)

TIGAR WORKSHOP
Equity: 5.480
Total revenues: 54.156
EBITDA: 10.087
(000 RSD)

TIGAR INCON
Equity: 39.717
Total revenues: 368.191
EBITDA: 14.743
(000 RSD)

PI CHANNEL
Equity: 3.591
Total revenues: 17.599
EBITDA: 1.245
(000 RSD)

SPORTS CENTER
Equity: 14.802
Total revenues: 1.200
EBITDA: 18
(000 RSD)

SEGMENTED RESULTS

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

Companies within the Tigar Group operate in the following areas:
- Manufacturing
- Commerce
- Services

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

Income Statement in thousands of Dinars (unaudited)	Tigar AD	Manufacturing subsidiaries	Commercial subsidiaries	Service subsidiaries	Total
Total income	**1,619,929**	**2,226,096**	**2,857,784**	**958,848**	**7,662,657**
Total expenses	**1,408,892**	**1,954,029**	**2,805,614**	**932,405**	**7,100,940**
Profit (loss) before taxation	**211,037**	**272,067**	**52,170**	**26,443**	**561,717**
Income taxes	**41,133**	**26,006**	**31,349**	**1,411**	**99,898**
Deferred income tax expense	**1,801**	**2,685**	**104**	**499**	**5,089**
Deferred income tax benefit			**16**	**58**	**74**
Net result for the period	**168,103**	**243,376**	**20,734**	**24,591**	**456,804**

* All items shown proportional to interest held. Service subsidiaries include the Pi Channel and the Sports Center whose results are not consolidated.

Financial results by geographical area

Income Statement in thousands of Dinars (unaudited)	Serbia	The Balkans	EU + USA	Total
Total income	**6,667,376**	**236,413**	**758,868**	**7,662,657**
Total expenses	**6,153,082**	**227,091**	**720,766**	**7,100,940**
Profit (loss) before taxation	**514,294**	**9,322**	**38,102**	**561,717**
Income taxes	**87,557**	**960**	**11,382**	**99,898**
Deferred income tax expense	**5,089**			**5,089**
Deferred income tax benefit	**74**			**74**
Net result for the period	**421,722**	**8,362**	**26,720**	**456,804**

1.2 BUSINESS ENVIRONMENT

The 2008 business environment was largely characterized by the global financial crisis which had a dramatic impact on the economy in the last quarter of 2008. Its effects were first felt in the financial sector. It spread very rapidly and enveloped the real sector in the latter half of 2008 even in the most developed countries, which found themselves in a recession for the first time since World War II. Negative growth trends are expected to extend into next year. The crisis also affected Serbia in 2008, resulting in pressures on the exchange rate, a rapid depreciation of the dinar relative to the euro, declining business activity and a slowdown in capital infusions from abroad. Compared to other countries in the region, Serbia has the advantage in that its banking sector has remained stable, the level of hard currency reserves is still high, political risks are comparable to or lower than those that exist in neighboring countries, and its citizens and the economy had the recent experience of prevailing under crisis conditions. A high trade and payments deficit, a low level of competitiveness, dependence on the automotive industry and legislative deficiencies are Serbia's key disadvantages relative to other countries in the region. Looking at 2008 by quarter, GDP growth continued to decline, exchange rates fluctuated (e.g., from 82.31 dinars for a euro in the first quarter, 78.98 in the second quarter, 86.60 in the third quarter to 88.60 in the fourth quarter). These fluctuations and the inability to predict future exchange rate developments were among the key problems in planning and implementation of business transactions. Following a period of growth of both exports and imports in the second and third quarters, relative to the first quarter, there was a sudden slump in the fourth quarter (exports declined from 3,089 M USD in the third quarter to 2,301 in the fourth quarter, and imports declined from 6,232 to 4,963). The payments deficit in the fourth quarter, as a direct result of a reduction in both export and import levels, was -2,662 M USD, the lowest of the year. This quarter also witnessed the lowest balance of payments level, -1,669 M USD. Serbia's hard currency reserves fell to 11,121 M USD in the fourth quarter, relative to 14,716 M USD in the first quarter of 2008 (i.e., they reverted to 1st quarter 2007 levels). All the downward trends of financial indicators were a direct consequence of the global crisis. On a monthly basis, industrial production grew until August 2008 and then reported a decline of 4.3% relative to the same month of the previous year. There was a slight recovery in September, and then again a decline since October, reaching 9% in December relative to the same period of the previous year. Production costs increased throughout the year, as well as nominal and actual employee expenses. As a result, a slowed-down revenue stream to the state budget resulted in a deficit at the end of the year.

The main challenge for the government and corporations in 2008 was how to predict 2009 conditions and prepare for new impacts of the crisis. It was obvious in the last quarter of 2008 that arrangements with the IMF would be necessary to stabilize the economy. Assessments suggested that the government will be faced with a budget deficit in 2009 and that it was unrealistic to expect any tax cuts. Optimistic GDP growth forecasts indicated a decline from 5.4% to 2.5 or 3%, but it was reasonable to assume a zero growth. The National Bank of Serbia „defended" the dinar in 2008 using hard currency reserves and managed to substantially stabilize the dinar in December, although it is reasonable to expect that pressures will intensify. The 2008 average exchange rate of 82 dinars for a euro was expected to increase to 96 dinars. As such, the exchange rate used to convert balance sheet items in December should be about 100 dinars per euro. Even though industrial production was expected to decline, a growth in exports was also expected based on the assumption that companies would seek more reliable orders and payments abroad. The banking sector remained stable after the first wave of withdrawal of savings but money cost was expected to grow in 2008 despite the fact that interest rates in developed countries were rapidly being reduced as a result of measures implemented by their governments to prevent a dramatic decline in economic activity. This increase in the cost of money was predictable based on the lower availability of international loans and a higher investment risk in Serbia. Bankers estimated that the prime rate of the National Bank of Serbia would drive interest rates to beyond 20%. Such interest rates would prevent normal business operations and the government was expected to intervene and make it possible for companies to borrow under better terms. The basic intent of the government was to employ 8 billion from the state budget and activate some 110 billion of bank funds, which was deemed realistic in view of the banks' high level of liquidity. Banks are allowed to choose clients who will receive subsidized loans and this fact has reduced the number of companies which can use these loans. Additionally, in order to obtain such loans, companies have to agree to certain restrictions which are not always consistent with their business policies. The key limiting factor is a reduced liquidity of both businesses and individuals, since it results in a higher debt collection risk and declining sales.

1.3 KEY CHARACTERISTICS OF TIGAR'S 2008 BUSINESS POLICY

Based on prior analyses and assessments, Tigar's governing bodies and management unanimously proposed to gradually exit the tire business and focus on the development of Tigar's other industrial segments, giving priority to the footwear business. This decision was also based on the fact that a high level of globalization in tire manufacturing has lead to a concentration of global production capacities since the early 1990's and Tigar's assessment that the future successful business development of the tire business and other businesses largely depends on this exit strategy for two main reasons: (1) It was reasonable to assume that Michelin will continue to develop the tire business in Pirot only after it becomes its sole owner. (2) The proceeds of the transaction constitute the basis of Tigar Group's investment in its other businesses and no further development of these businesses is possible without substantial investment. The February 2008 resolution of the General Assembly of Shareholders approved the transaction which was largely implemented in 2008, when Tigar AD sold the first

10% of its 30% stake in Tigar Tyres and sold land and buildings at the Tigar 2 location. The remaining 20% of the stake in Tigar Tyres will be soled in 2009 and 2010, in two equal installments. The proceeds of the completed portion of the transaction were used not only to intensify investments and stabilize working capital, but also to serve as collateral of sorts for potential creditors, both banks and international financial organizations. 2008 will be recorded in Tigar's history as the year of its largest investments in non-tire businesses, which have laid the groundwork for their survival and market expansion (particularly in international markets). The capital gain resulting from the transaction, which is reflected in high extraordinary income, allowed the Holding Company to report a satisfactory result for 2008 despite extensive investment activities and reduced operating income, as well as to cover subsidiary losses from previous years and to relieve them of a portion of their inter-company debts. This was deemed to be one of the best approaches to preparing these companies to cope with the economic crisis both in the final months of 2008 and the year 2009.

Tigar's basic strategy was to use extraordinary income and the proceeds of the above-mentioned transaction to create conditions for efficient operation and a large increase in operating income and bottom line at the subsidiary level, which is the source of security for shareholders, creditors and employees, both in the mid term and long term. For this reason the Company neither halted nor substantially reduced its investment activity. Under a previously adopted program, Tigar improved efficiency across all segments to cut costs but did not compromise the quality of its projects, the major one being the reconstruction of existing buildings and facilities at the Tigar 3 location. Some projects, among which the most important is the recycling project, were deferred because this was necessitated by inconclusive legislation and the fact that the funding structure for this project has not yet been fully defined.

Throughout the period, and particularly since June 2008, the Company was faced with a significant slump of its stock prices and a reduced stock liquidity. This is attributed solely the to global, and regional, capital market crisis which has not spared the Serbian capital market or Serbian companies.

Acting within the scope of its powers, the Board of Directors implemented measures to improve liquidity. The Company acquired treasury shares but this acquisition did not interfere with investment activities or normal functioning of the system so as not to affect the key interests of Tigar and its shareholders. However, under the circumstances, the Company did not have any instruments at its disposal to prevent the decline in stock prices, which was the general trend.

1.4 SIGNIFICANT BUSINESS ACTIVITIES COMPLETED IN 2008

An extraordinary session of the General Assembly of Shareholders was held in February 2008, at which the previously described Michelin transaction was approved.

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

Infrastructures at the Tigar 3 location were built/refurbished in the first half of the year, including a new oil/gas power station.

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

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

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

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

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

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

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

The new footwear factory at the Tigar 3 location was put into operation in September 2008. Its capacity is 4 million pairs. A formal opening ceremony was held in November 2008. The „old site" is now used by logistics.

Based on a feasibility study which addressed Tigar's commercial activities and logistics, a new subsidiary – Tigar Trade – was incorporated and began its operations on 1 January 2009. It is the legal successor of Tigar's Domestic Sales Network and Tigar Export-Import.

1.5 KEY INVESTMENT ACTIVITIES

2008 plans call for the highest level of investment in non-tire businesses in the history of Tigar. In 2008, key activities focus on investment in infrastructure. Some 1.3 billion RSD has been invested in fixed assets, for the most part in connection with the development of Tigar 3 location infrastructures, including physical development of the site; construction of internal roads and new electrical, water supply, energy supply and IT installations; and putting into operation of a new power station (fired by fuel oil and gas) and a new rubber footwear factory.

in thousands of Dinars	**Purchases of fixed assets and intangible assets**
	January-December 2008
Tigar Technical Rubber Goods	79,033
Tigar Chemical Products	2,000
Tigar Footwear	427,197
Tigar Trade	75,591
Businessiness Services	138,752
Holding company	583,799
Total	**1,306,372**

Tigar Footwear shut down its production facilities at the old location in June 2008 and put its new facilities at the Tigar 3 location into operation in September 2008, immediately following the commissioning of the new power station. In terms of capacity, the new footwear factory will be the largest and best equipped rubber footwear factory in Europe. At the time of writing, this investment activity is 90% complete and full physical implementation, including installation and commissioning of all new production lines, has been scheduled for June 2008 at the latest. New equipment is computerized and allows for significant raw material savings which will increase profitability.

Within one month of putting into operation, the factory achieved planned production levels. The new factory received top marks from its largest domestic and foreign buyers who visited the new Tigar Footwear plant; these marks were subsequently confirmed by their orders.

During the period, Tigar actively pursued financing with potential creditors and partners in connection with the upgrading of its technical rubber goods segment, including recycling and the manufacture of products made from recycled rubber.

1.6 SALES

During the period, upon elimination of inter-company transactions, external income from sales of products and services amounted to 3.3 billion dinars, half of which was earned in the domestic market and the other half in international markets. Tigar Footwear reported a lower sales income than last year due to the downtime between June and September and especially due to reduced export sales levels. Products for international customers are made to order and it was, therefore, not possible to pre-manufacture and bridge the downtime gap.

Tigar Technical Rubber Goods was Tigar's top sales performer. Its total sales income of 337 million dinars was 29% higher than a year ago. An important fact is that TRG successfully implemented several projects during the period in connection with sports court flooring and overlays made from recycled rubber; these projects included a sports center at Lukovska Banja, sports courts at the Košutnjak Sports Center in Belgrade, and several facilities in Pirot. In view of the fact that the equipment required for these projects was purchased this year and that the completed projects were highly successful, this entirely new TRG segment has extremely good market prospects.

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

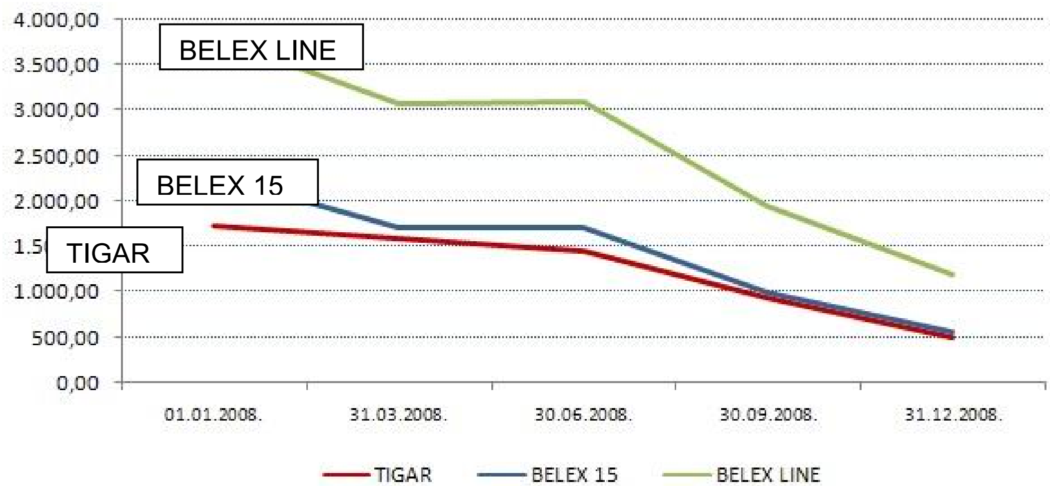
The domestic sales network (Tigar Trade DSN) reported an income of 872 million dinars (or a level 30% higher than a year ago). 56% of this income came from sales of tires (all manufacturers and all brands) and automotive afterpart. The remainder came from sales of Tigar Group products and complementary products. 75% of the margin was earned from sales to end users (individuals and legal entities) and 25% from wholesale customers. 62% of the tire and afterpart margin was realized via the automotive service network, and the remainder via other channels. This confirms Tigar's sound orientation toward further development of the automotive service and sales network.

The top performer among Tigar's service businesses was Tigar Incon, whose income of 368 million dinars was 76% higher than the last year. Other service businesses performed 10-30% better, except Tigar's hotel which reported a negative bottom line due to a mis-alignment between capacity and cost. This will be addressed by the Tourism Development Project initiated by the Company.

The companies located abroad reported an aggregate sales income of 1,790 million dinars. The Largest single contributor was Tigar Europe, which sold products, mostly tires, worth 14 million pounds sterling. Following the purchase of the Century Division of Hunter Boot Limited, Tigar Europe became its exclusive buyer in the UK market and will continue to service Century customers. This is expected to boost Tigar Europe's sales income.

1.7 CAPITAL MARKET POSITION

Share price movement in 2008 was consistent with Belgrade Stock Exchange index trends. There was a general slump during the year which was much more pronounced in the latter half. Capitalization declined by 70% in 2008. A large number of international funds withdrew from the local and regional capital markets and this directly impacted market liquidity and stock prices. The graph below shows the movement of both Belgrade Stock Exchange indices in parallel with the movement of Tigar's share price during the period. The indices experienced a sharper decline than Tigar's share price.



Stock trading during the period was characterized by falling stock prices even though the trading volume was low. The largest trading volume in 2008 was achieved during the 1st quarter when the Belgian pension fund Shell entered the market. Low liquidity was especially marked in the 4th quarter, forcing Tigar to intervene to increase its stock liquidity. This intervention was implemented between 17 November and 12 December 2008, through which Tigar acquired 21,682 treasury shares. Based on the Law on Business Companies, these treasury shares have to be disposed of or cancelled within one year.

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

	31 DECEMBER 2007	30 DECEMBER 2008	% CHANGE
Number of shareholders	4,924	4,83O	- 1.9%
Number of shares outstanding	1,718,460	1,718,460	-
Book value of shares	1,562.93		
Stock market value of shares	1,727.00	501.00	-70,1%
Lowest price during the period	(25.12.2008.) – 490.00		
Highest price during the period	(09.01.2008.) -1,792.00		
Average for the period *	1,221.00		
Market capitalization, RSD	2,967,780,420.00	860,948,460.00	- 70.1%
P/ BV * *	**0.76**		
P/E ** *	**12.48**		
EPS *****	**97.82**		

* *The average price is based on closing prices and the number of trading days during the period.*
** *Average market price to book value ratio.*
*** *Price-to-earnings ratio.*
**** *Earnings per share during the period.*

2008 ANNUAL REPORT	Document reference
	RP.09/01

Dividends paid in 2008

In implementing the corporate dividend policy, the management team strives to maximize yield for shareholders in the long term, while giving priority to corporate development. Gross dividends paid out in 2008 (2007 dividends and 2008 interim dividends) totaled RSD 105 million (or 54.94 RSD net per share).

2008 share price movement by month

Date	31.12.2007	31.1.2008	29.2.2008	31.3.2008	30.4.2008	30.5.2008	30.6.2008
Price	1,727.00	1,590.00	1,658.00	1,590.00	1,470.00	1,505.00	1.451.00

Date	31.7.2008	30.8.2008	31.9.2008	31.10.2008	30.11.2008	31.12.2008
Price	1,260.00	1,100.00	940.00	750.00	570.00	501.00

Changes in shareholder structure as of 31 December 2008

The previously-mentioned stock market developments did not have a major effect on the shareholder structure in general, or on the top ten shareholders. The two government funds did not change their interest in the Company and made no announcements during the period with respect to any intended action through the end of the year. The only major difference is in the legal entities group and shareholders via custody accounts, as a direct result of the status of the Artio Equite Fund which previously appeared under UniCredit Custody.

Shareholders	31-12-2007	31-12-2008	% Change
Legal entities	45.15%	55.24%	10.1%
Individuals	29.30%	28.57%	-0.73%
Custody accounts	25.53%	16.18%	-9.35%

In 2008, the number of shareholders was reduced from 4,924 to 4,830. This is generally the interval of the number of shareholders since mid-2007, when Tigar's stock began trading on the Prime Market of the Belgrade Stock Exchange.

Top ten shareholders as of 31 December 2008

R.Br	Shareholder	Number of shares	%
1.	Equity Fund of the Republic of Serbia	429,429	24.98
2.	Pension and Disability Fund	149,981	8.72
3.	ARTIO EQUITE FUND	120,801	7.02
4.	RAIFFEISEN ZENTRALBANK	108,304	6.3
5.	SOCIETE GENERALE YUGOSLAV BANK	43,560	2.53
6.	ERSTE BANK CUSTODY 00001	42,317	2.46
7.	STICHTING SHELL PENSIONENFONDS	23,970	1.39
8.	SOCIETE GENERALE YUGOSLAV BANK	23,496	1.36
9.	TIGAR AD	21.957	1.27
10.	UNICREDIT BANK-KASTODI RAČUN	17,000	0.98
11.	DUNAV OSIGURANJE	16,772	0.97
	TOTAL, TOP TEN SHAREHOLDERS	997,587	58.05

At the end of 2008, the largest shareholders held a total of 997,587 shares (or 58.05%), of which 825,649 (or 48%) are voting shares.

In its communications with shareholders and investors, the Company duly complied with its Corporate Governance Code, the responsibilities it assumed when it was officially listed on the stock exchange, as well as international standards generally applicable to corporate reporting and interaction with shareholders and the investment community. During the period, these communications included regular quarterly reporting, releases of significant event bulletins, participation in investor conferences, and direct contacts with shareholders, investors, brokerages and investment funds. Communications were intensified during the first semester of the year and two shareholders' meetings were held. The Company regularly updates its web site www.tigar.com, on which it posts reports and information of interest to shareholders in both Serbian and English. The web site page which contains shareholder updates is among the four most frequently visited pages.

Tigar shares held by corporate management

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

Name	Shares held as of 31 May 2005	Shares held as of 31 Dec. 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 Alexandre F. da Costa	-		-
Dr. Živko Mitrović	-		-
Tihomir Nenadić	-		-

Members of the Supervisory Board hold no Tigar shares.

2. RISKS

Risks related to Tigar's business

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

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

Risks related to raw material, fuel and energy prices

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

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

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

Risks related to shareholder and corporate structure

During the period, there were no major changes in stockholding concentration and no takeover announcements, which might affect corporate business and development policies. Overall developments do not suggest that the Company might be facing this type of risk in the near future, even though consolidation through capital increases is possible. However, management believes that any stockholding consolidation should not have a major impact on corporate business, development and investment policies. A potential risk is the government-owned stock which, based on current laws, must be disposed of before the end of this year. However, these laws are expected to be amended because there is a considerable delay in all privatization activities resulting from the current political environment. The best way to eliminate this risk would be to have the government-owned stock sold through a public offering, along with Tigar's capital increase following completion of the investment cycle by the year 2010; this would result in full stabilization of Tigar's existing businesses and the creation of positive conditions for entry into new business and project ventures.

Risks related to regulatory matters

A lack of recycling legislation continues to be Tigar's primary risk in this area, but also major changes (along with a short time frame) with respect to harmonization with EU legislation.

New legislation is expected to require tire manufacturers and importers to finance the collection, sorting, re-use and recycling of used tires, through membership in an organization which would be charged with these activities on their behalf. If the entire financial burden of collection continues to be the responsibility of utilities and minor collectors, no major progress in this area can be expected. The proposed system would provide material support for both tire collectors and recyclers.

3. SUSTAINABLE DEVELOPMENT

3.1 EMPLOYEES

Number and structure

As of 31 December 2008, Tigar had 2,127 employees in Serbia. In addition, Tigar's subsidiaries in the United States, United Kingdom, the FRY of Macedonia, Montenegro, and Bosnia and Herzegovina employed a total of 81 local employees.

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

Workforce as of 31 December 2008	
Company	**Number of employees**
Tigar AD	193
Tigar Footwear	916
Tigar Business Services	179
Tigar Technical Rubber Goods	263
Tigar Chemical Products	75
Domestic Sales Network	181
Others	320
Total	2,127

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, 46 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 2008 employee expenses incurred by Tigar AD and its subsidiaries, including net earnings, taxes, pension fund and health insurance contributions, in-house meals and local transportation subsidies amounted to 1,340,707,000 RSD. The table below shows paid salaries as a percentage of sales income.

2008 employee expenses			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales income
Tigar AD	113,244	187,577	74.20%
Tigar Footwear	263,219	448,257	50.16%
Tigar Business Services	69,374	118,065	35.26%
Tigar Technical Rubber Goods	87,354	148,347	44.00%
Tigar Chemical Products	31,359	53,354	26.73%
Domestic Sales Network	68,860	117,284	14.00%
Others	157,629	267,823	21.02%
Total	791,039	1,340,707	32.46%

Taxes, health insurance and pension fund contributions during the period amounted to 549,668,000 RSD.

Optimization of human resources

In 2008, 134 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD		4	8	12
Tigar Footwear	38	13	2	53
Tigar Business Services	11	3	2	16
Tigar Technical Rubber Goods	2	3	3	8
Tigar Chemical Products		7		7
Domestic Sales Network		6	9	15
Others	4	12	7	23
Total	55	48	31	134

*Of these 31 employees, 13 left the Company of their own volition, 9 voluntarily moved to another entity within the Tigar Group, 6 passed away, and 3 were dismissed.

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

Retrenchment is inherent in the restructuring process. This process will continue during 2009. 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:

Workforce downsizing costs and percentage of gross salaries		
	In 000 RSD	%
Tigar AD	1,429	0,76
Tigar Footwear	12,915	2,88
Tigar Business Services	3,516	2,97
Tigar Technical Rubber Goods	1,256	0,85
Tigar Chemical Products	2,763	5,18
Domestic Sales Network	2,007	1,71
Others	4,822	1,80
Total	28,708	2,14

Professional education

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

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

Professional education				
	Technical sciences	Manufacturing process engineering	Economics and business administration	Other
TOTAL	38	11	12	18

Tuition and scholarship expenses paid during the period amounted to 5,557,282 RSD (or 0.41% of gross salaries).

Employee training

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

Employee training			
	Internal	External	Total
Tigar AD	334	163	497
Tigar Footwear	1,869	97	1,966
Tigar Business Services	60	47	107
Tigar Technical Rubber Goods	270	89	359
Tigar Chemical Products	124	12	136
Domestic Sales Network	5	260	265
Others	504	105	609
Total	3,166	773	3,939

2008 employee training expenses amounted to 15,738,970 RSD (or 1.71% of gross salaries).

3.2 QUALITY MANAGEMENT

At Tigar, the Quality Management System (QMS) and the Environmental Management System (EMS) are integral parts of the Integrated Management System (IMS). Certification and verification of compliance of the QMS and EMS systems with SRPS ISO 9001 and SRPS ISO 14001 standards are conducted by subsidiary and by specific manufacturing or service segment. YUQS, a leading national certification body and a member of IQNet, which has been accredited by both national bodies and the French COFRAC, conducts annual audits of the maintenance and enhancement of the IMS, based on issued certificates.

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

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

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

During the course of putting Tigar Footwear's new plants into operation at their new location, all IMS components were checked for compatibility and compliance. Internal audits confirmed full compliance with applicable standards. The groundwork was laid for the implementation of the occupational health and safety management system as per OHSAS 18001. An action plan was prepared and activities are currently in progress.

A decision was taken to proceed with the certification of Tigar Incon (engineering and construction company) as per ISO 9001, ISO 14001 and OHSAS 18001. An action plan was prepared and activities are currently under way. The IMS was designed and is being implemented using internal resources (no external consultants have been engaged).

At Tigar Business Services, HACCP training of employees and preparations for the introduction of the safe food concept are currently in progress.

3.3 ENVIRONMENTAL PROTECTION

Tigar maintains sound environmental practices through its Environmental Management System, which was designed and implemented in 2003 in accordance with ISO 14001. Annual audits conducted by the Serbian certification body YUQS, a member of IQnet, continue to confirm compliance with standards and applicable legislation, ongoing environmental improvements through the implementation of set objectives, and prevention of environmental accidents.

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

- *Environmental Protection Law*, Official Gazette 135/04;
- *Law on Integrated Prevention and Control of Pollution of the Environment*, Official Gazette 134/04;
- *Environmental Impact Assessment Law*, Official Gazette 135/04;
- *Waste Management Law*, Official Gazette 25/96, 26/96 and 101/05;
- *Water Law*, Official Gazette 46/91 – 101/05;
- *Fire Protection Law*, Official Gazette 53/93, 67/93, 48/94, 101/05; and
- *Law on Explosive Substances, Flammable Liquids and Gases*, Official Gazette 44/77, 45/85, 18/89, 53/93, 67/93, 48/94, and 101/05.

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

The enactment of new laws is expected in the near future, as part of harmonization with EU directives. This legislation will include a new Waste Management Law, a Packaging Material and Packaging Waste Law, and a Chemicals Law, which are all applicable to Tigar's manufacturing businesses. Since the drafts of these laws are already available, activities aimed at ensuring compliance with new legal requirements are already under way.

General environmental concerns addressed by Tigar are the use of raw materials classified as hazardous substances, the generation of solid waste, the consumption of natural resources (energy and water), and, to a lesser extent, gas emissions and effluent discharges.

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

The utilization of natural resources is an inevitable environmental aspect of manufacturing. Tigar's subsidiaries use both water from the public water supply system and industrial water. The number of metering points has been increased to facilitate detection of increased consumption and the undertaking of appropriate measures to ensure efficient consumption of this most important natural resource. Water is used for sanitary needs, as a source of energy (steam), and as a cooling fluid. None of Tigar's subsidiaries uses water as part of its manufacturing processes and, as such, Tigar's water uses do not result in any pollution originating from such sources.

Tigar's liquid effluents, generally standard urban wastewaters, are discharged into the public sewage system in accordance with the conditions stipulated in Tigar's Water Permit. Wastewater quality is routinely monitored by certified laboratories, in accordance with the law, and is always found to be compliant. This monitoring encompasses a number of parameters which demonstrate any significant impact on the recipient – the Nišava River. All indicators to date have shown that the impact of Tigar's wastewater is equal to that of wastewater discharged from residential areas (urban wastewater). Consistent with the use of water by the Company, no exceedance of maximum permissible levels of pollutants has been recorded. Quantities of wastewater are estimated based on water consumption and atmospheric precipitation, and applicable charges are paid accordingly (Article 99 (5) of the Water Law, Official Gazette 101/05).

At Tigar's central location (Tigar 2), which currently hosts Tigar Tyres, Tigar Technical Rubber Goods and Tigar Chemical Products, Tigar Tyres operates steam boilers for the generation of steam required for the various production processes at this location. During the winter period, these boilers also provide heating. Gas emissions are controlled via the combustion process itself, but also by a system of multi-cyclones which remove particulate matter. The boilers and gas emissions are regularly inspected by certified institutions. Their findings have shown no exceedance of limit values. Pursuant to Article 85 of the Environmental Protection Law (Official Gazette no. 135/04), the annual charge for sulfur dioxide, nitrogen oxide and particulate matter emissions was paid to the Environmental Protection Fund.

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

Apart from other materials, manufacturing subsidiaries store and use in their production processes certain raw materials which have properties of "hazardous" substances, including flammable liquids and gases. These substances are purchased, stored, and used in accordance with applicable regulations. Records of hazardous substances are kept and annual reports submitted to the Ministry of Environmental Protection in accordance with the Regulation on the Methodology for Chemical Accident and Environmental Protection Risk Assessments, on Preparation Measures, and Impact Elimination Measures (Official Gazette, nos. 60/94 and 63/94). All raw materials are visibly marked, warning signs are posted as appropriate, and an internal safety data sheet, derived from the manufacturer's MSDS, is provided for each raw material. In addition to the preventative measures which are in place for raw material storage areas, accident response plans have been prepared in the event of spillage, to protect employee and environmental health. In June of 2008, Tigar's manufacturing subsidiaries (Tigar Footwear, Tigar Technical Rubber Goods, and Tigar Chemical Products) underwent special inspection within the scope of the national SAVECO Project, whose objective is to identify facilities and structures in which hazardous substances that can cause chemical accidents are manufactured, stored or used. The quantities of hazardous substances stored by Tigar are far below critical levels for potential chemical accident situations.

Tigar's waste generated by manufacturing processes is classified in accordance with the Regulation on the Classification, Packing, and Storing of Secondary Raw Materials (Official Gazette 55/01). Solid recyclable waste is kept at Tigar's Secondary Raw Materials Warehouse only for short periods of time and then sold to waste recyclers via Tigar Workshop. Non-recyclable waste and waste which cannot be used as a secondary raw material for any other process is deposited at the municipal landfill. Waste generated by all Tigar subsidiaries is disposed of under contract with 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. Waste management at Tigar is defined by internal regulations which set forth waste flow procedures and control.

Fire risk is inherent in the production processes of the four manufacturing entities. All required permits, preventative measures, and Fire Response Plans are in place for assets exposed to fire risk. All buildings are covered by a video surveillance system. Tigar Security, which manages this system, is also well-equipped and adequately staffed to provide fire protection, fire fighting and physical security services.

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

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

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

Regular inspections were conducted and no irregularities were found. A committee set up by the Serbian Government conducted an unscheduled environmental compliance audit, as part of a feasibility assessment of the potential expansion of the Free Zone to include the sites of Tigar's various companies. This assessment again confirmed full compliance.

3.4 INTELLECTUAL PROPERTY

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

<u>Registered trademarks as of 31 December 2008</u>

Appl. No.	Appl. Date	Reg. No.	Trademark	Valid until	Holder
Ž-247/80	30.04.80	31499	Tigar	21.12.17	Tigar AD
Ž-2606/06	14.11.06	54763	Tigar	14.11.16	Tigar AD
Ž-84/385	17.01.84	29947	Tigar Tg 615	25.05.17	Tigar AD
Ž-947/07	30.04.07	55640	Tigar Planinarski Dom	30.04.17	Tigar AD
Ž-918/07	27.04.07	55822	Tigar Tours	27.04.17	Tigar AD
Ž-842/07	18.04.07	55612	Markol	18.04.17	Tigar AD
Ž-1129/07	17.05.07	55735	Tigar Incon	17.05.17	Tigar AD
Ž-890/80	11.07.03	49590	Tigar Sporting Goods	11.07.13	Tigar AD
Ž-152/07	29.01.07	-	Tigar	-	Tigar AD

Ž-1703/07	26.07.07	-	Tigar Footwear	26.07.17	Tigar AD
Ž-1704/07	26.07.07	-	Tigar Obuca	26.07.17	Tigar AD
Z-2440/07	17.10.07	-	Tigar Chemical Products	-	Tigar AD
Ž-212/08	05.02.08	-	Tigrostik	-	Tigar AD
Ž-211/08	05.02.08	-	Tigrolux	-	Tigar AD
Ž-214/08	05.02.08	-	Tigropren	-	Tigar AD
Ž-213/08	05.02.08	-	Tigrokol	-	TigarAD
Ž-768/08	31.03.08	-	Hotel Stara Planina	-	Tigar AD
Ž-1433/08	06.06.08	-	Overload	-	Tigar AD
Ž-1475/08	11.06.08	-	Waterpolo Senior	-	Tigar AD
Ž-1473/08	11.06.08	-	Waterpolo Mini Mini	-	Tigar AD
Ž-1431/08	06.06.08	-	Waterpolo Junior	-	Tigar AD
Ž-1472/08	11.06.08	-	Special	-	Tigar AD
Ž-1432/08	06.06.08	-	Basketball Tg21 Official	-	Tigar AD
Ž-1474/08	11.06.08	-	Neos	-	Tigar AD
Ž-1469/08	11.06.08	-	Tricker Ball Basketball	-	Tigar AD
Ž-1471/08	11.06.08	-	Bistro fishing buoy	-	Tigar AD
Ž-1468/08	11.06.08	-	Overload Handball	-	Tigar AD
Ž-1470/08	11.06.08	-	Dynamic Overload	-	Tigar AD
Ž-1429/08	06.06.08	-	Overload Waterpolo Junior	-	Tigar AD
Ž-1467/08	11.06.08	-	Overload Waterpolo Mini Mini	-	Tigar AD
Ž-1476/08	11.06.08	-	Overload Waterpolo Senior	-	Tigar AD
Ž-1430/08	06.06.08	-	Basketball TG21 Overload	-	Tigar AD
Z-2441/07	17.10.07	-	Tigar Tehnička guma	-	Tigar AD
Ž-2681/08	03.11.08	-	Trapper	-	Tigar AD
Ž-2906/08	02.12.08	-	Seeking hunter	-	Tigar AD
Ž-2905/08	02.12.08	-	Waiting hunter	-	Tigar AD
Ž-2682/08	03.11.08	-	Pesca	-	Tigar AD
Ž-2679/08	03.11.08	-	Rainy days	-	Tigar AD
Ž-2680/08	03.11.08	-	Nancy	-	Tigar AD
Ž-2678/08	03.11.08	-	Ladybird	-	Tigar AD
Ž-2677/08	03.11.08	-	Ratar	-	Tigar AD
Ž-2676/08	03.11.08	-	Balerina	-	Tigar AD
Ž-2675/08	03.11.08	-	Work	-	Tigar AD
Ž-2904/08	02.12.08	-	Polar	-	Tigar AD
Ž-2674/08	03.11.08	-	Protecta	-	Tigar AD
Ž-2673/08	03.11.08	-	Forestry Line	-	Tigar AD
Ž-2672/08	03.11.08	-	Fireproof	-	Tigar AD
Ž-2671/08	03.11.08	-	Cryo	-	Tigar AD
Ž-2670/08	03.11.08	-	Sparkle safety	-	Tigar AD
Ž-2661/08	31.10.08	-	Firefighter Super Safety		Tigar AD
Ž-2662/08	31.10.08	-	Century Super Safety	-	Tigar AD
Ž-2659/08	31.10.08	-	Century 4000 Safety	-	Tigar AD
Ž-2660/08	31.10.08	-	Forester 3000	-	Tigar AD
Ž-2903/08	02.12.08	-	Trendy	-	Tigar AD
Ž-247R/80	30.04.80	49044	Tigar	30.09.15	Tigar Tyres
Ž-1369/05	17.10.05	49768	Tigar Tyres	17.10.15	Tigar Tyres
Ž-1373/05	17.10.05	49792	Hitris Logo	17.10.15	Tigar Tyres
Ž-1371/05	17.10.05	49819	Cargo Speed Logo	17.10.15	Tigar Tyres
Ž-1372/05	17.10.05	49912	Wintera Logo	17.10.15	Tigar Tyres
Ž-1468/05	31.10.05	53797	Tigar Trade	31.10.15	Tigar Trade
International trademark USA USA	03.07.97 24.10.78 02.11.07	675 773 675 773A 1174089 77320619	Tigar Tigar Tigar Logo Tigar	20.05.17 20.05.17 15.08.12 -	Tigar AD Tigar Tyres Tigar Americas Corp. Tigar Americas Corp.
Canada	25.05.90	368832	Forester	25.05.15	Tigar Footwear
Finland	20.11.85	94345	Forester	20.11.15	Tigar Footwear
Norway	14.11.85	123042	Forester	14.11.15	Tigar Footwear
Sweden	26.07.85	0197287	Forester	26.07.15	Tigar Footwear
UK	23.06.95	2025055	Century	23.06.15	Tigar Footwear
UK	31.05.84	1219898	Forester	31.05.15	Tigar Footwear
UK	23.06.95	2025057	Forester	23.06.15	Tigar Footwear

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 mane of the Tigar Americas Corporation in the USA, for Classes 7, 17, 25 and 35 (application 77320619).

In 2008, Tigar initiated the registration of marks with which its products and product lines are identified.

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 and www.tigar.co.yu. Tigar Footwear holds five new domain names: www.century-safety.com, www.century-safety.de, www.century-safety.fr, www.century-safety.es and www.century-safety.co.uk

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

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

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

3.5 INFORMATION TECHNOLOGIES

The IT Function is a part of Tigar AD which provides data management services to Tigar. Its key activities include:

- Development of application software
- Installation of software
- Software and hardware user training
- Logistic support to users
- Database maintenance
- Data security
- Installation and maintenance of hardware and software
- Administration and user access management
- Local network and anti-virus protection
- Maintenance of internet and internet access

- Standardization of corporate hardware and software

The IT Function employs 16 individuals, 13 of whom are university graduates. It is comprised of two departments:
The Programming and Development Department, and
The Installations Department.

The Programming and Development Department employs eight engineers who develop and generate application software and provide logistic support to users.

The Installations Department employs four engineers. Two of these engineers are in charge of data entry and one operates the system console. This department installs and maintains hardware and operating system software at workstations, monitors the operation of the host computer, installs user applications, defines users and grants access privileges.

The IT Function ensures access to the IT Center, the Internet and the Intranet by all Tigar locations. The IT Center and the various Company sites are linked by means of optical cabling. Local IT engineers maintain local computer networks and local computer equipment at the manufacturing plants, while the IT Function maintains computer equipment at all other Tigar locations. The IT Function ensures data security at host computer and workstation levels, as well as appropriate anti-virus protection. Backups from the main server and anti-virus update downloads are made on a daily basis, and workstations automatically download updates upon morning boot-up.

In the Central Computer Room there is a production server - IBM POWER-6 M25 with the IBM operating system OS400 V5R4 and DB2 database - which is used for communications, development, applications and access to databases. The disaster recovery machine is IBM POWER-6 M15, with the same operating system. There is an IBM POWER-6 M15 machine at another location, the ICT Center at Tigar 3. These two systems communicate directly, via optical cabling. Using IBM's ITERA software installed on both machines, databases are replicated on-line and in real time such that, in the event of failure of the production server, the M15 machine can assume all of its functions and become the main production server until the M25 server is back on line. This ensures continuous operation of the entire IT system and uninterrupted access by users.

Additional security is provided by tape backups, using the system's tape library.

Files are backed up daily at three levels. Media containing backups are kept in a metal safe under lock and key. Entry into the Central Computer Room is limited to essential personnel – system engineers who have coded access. A data warehouse server (with a Windows 2000 operating system and Progress database), internet server, intranet server, web server, DNS server, and mail server are also located in the Central Computer Room. Only computer equipment made by reputable manufacturers (e.g., IBM and Dell) is used.

Tigar's business entities and the IT function are linked via optical cabling. Local networks within the entities use UTP Class 5 cabling, while UTP Class 6 (transmission speed up to 1 Gbit/s) cabling is used at the new, Tigar 3 location. The network protocol is TCP/IP. Wireless networks are also available at the corporate administration building and the new Tigar Footwear factory.

Tigar's entire communication network is protected from unnecessary broadcast traffic within the network and between workstations by virtual LANs deployed by functional entity. This also enhances network performance in terms of speed, response, and data transmission. A total of 15 virtual LANs are available within the Corporation.

Control of Internet traffic is provided by means of additional Juniper-140 hardware and software components, which ensure faster response and data transmission, higher network and user security through a server in the DMZ zone, as well as enhanced performance of the overall system.

The Company uses all data transmission systems supported by Telecom: FR (frame relay) link to the internet provider, primary ISDN, FTP internet service for communication with branch offices, retail outlets, and regional centers, and the like. A Falcon video conferencing system with three ISDN lines has been installed.

The Tigar 3 location and the corporate administration building at the Tigar 1 location use an IP telephone switchboard - AWAYA S8300, which includes a media server - Awaya6700. Communication with Telekom is established via two primary ISDNs and 60 incoming lines. The switchboard currently services 450 extensions, but can be expanded to 900 extensions, 34 wireless base units (DECT phones), and 24 analog channels. Three “conference rooms” are currently active. They are accessed via authorization codes. Each phone of the Awaya 1608 system can be used to set up an internal conference with five other participants from Tigar, without using the “conference room”. The old OMNI switchboard was fully integrated with the new IP AWAYA system and both function as a single communication system. Internal software allows for easy administration and maintenance of the corporate telephone system, controlled access and use, as well as cost monitoring and management by user, group of users or business unit.

The system supports a centralized business application with 18 different modules, 800 table formats, and some 2000 programs which are used by the Company and its subsidiaries in their daily activities.

Appropriate software support has been provided for all organizational changes in the interim. A new environment and all the necessary software is in place for the new subsidiary – Tigar Trade. Maintenance and continual software enhancements constitute an ongoing activity.

Full application support has been provided for comprehensive use of the IBM POWER-6 M25 server by Tigar Footwear, Tigar Chemical Products, and Tigar Incon. The same activity is nearing completion at the Pirot Free Zone.

Main features of Tigar’s Information System include:

- **Comprehensive support:** The system supports all corporate activities, including manufacturing, design, purchasing, warehousing, sales, HR, finance, and accounting.

- **One-time data entry:** Documents are entered solely at the point of generation. Data redundancy has been minimized. Once entered, information can be used by all parts of the system.

- **Highest level of security:** System security is under the full control of the administrator; there is a three-tiered data security feature which ensures:
  - Protection from unauthorized access;
  - Protection from unauthorized use of system functions;
  - Protection from unauthorized retrieval of data;
  - The user has access to data only if such access is allowed by the administrator;
  - Query, modification, deletion, and addition rights are defined at document level;
  - User registration and allocation of user privileges is centralized;
  - Switching to other modules or programs does not require logging off and on;

- **Multi-company system:** The system allows for instantaneous monitoring of multiple companies within the same database and for consolidation at Company level.

- **Multi-currency system:** Business transactions can be entered and monitored in both the national currency and in foreign currencies.

- **Centralized coding system:** Product, customer and supplier codes can be entered by several users, but only authorized users can approve or modify codes.

- **Integrated approach:** All business functions of the Company have been integrated by means of a single database. The system automatically generates a large number of different documents, such as bookkeeping/accounting entries, warehouse receipts, delivery notes, and the like. Any document can be cancelled regardless of its level, along with any other documents which might have been created on the basis of such document.

- **Openness:** The system is readily expandable and can be interfaced with other information systems and the Windows environment.

- **Flexibility:** The system can be adapted to any specific needs of the Company, based on a large number of parameters which were set at the time of implementation.

- **Modular approach:** Individual modules can be operated independently or as part of the integrated system.

- **Simple and consistent user interface:** Requires little training and is easy to operate. Flexible menus, graphic user interface, and on-line context sensitive help.

- **Large processing and storage capacity:** For example, the system supports a payroll of 4,000.

- **Multiple user support:** The system supports several hundred interactive users.

- **Three-layer architecture:** The use of leading-edge internet technologies facilitates administration and access from several locations.

3.6 SOCIAL RESPONSIBILITY

In keeping with its social responsibility policy, Tigar is committed to a high level of responsibility to the community in which it earns its profits. All social stakeholders and representatives, both within the Company and beyond, are treated in a socially responsible and ethical manner. Corporate social responsibility (CSR) is ensured by our strategic corporate documents and the Corporate Governance Code, which constitute an integral part of Tigar's overall business policy. Tigar's vision and mission clearly define its relationships with employees, customers, the local community and society, and its attitude toward the environment, which are consistent with CSR strategies that are well-established today.

Respect for our customers

The Company demonstrates its responsibility to customers through the production and distribution of safe, high-quality products; it offers a product mix and designs which meet customer needs, at competitive prices and on a continual basis. During the period, the Company developed a number of highly sophisticated and attractive products and provided unique services to the Serbian market. Following its responsible approach, Tigar offered various incentives and opportunities to customers, suppliers and the community. The quality we offer and our focus on our customers are demonstrated by our commitment to ISO and other applicable standards, and regular customer satisfaction surveys.

Respect for our employees

Respect for our employees is one of the most important aspects of our CSR policy. In line with the principle that employee health and safety are our number one priority, during the period we conducted training courses for all new employees in fire protection, use of personal safety aids, handling of hazardous and toxic substances, and measures to be undertaken in the event of undesirable situations. We also ensured that all newly acquired equipment was certified as required by applicable legislation.

Based on the Occupational Health and Safety Law, and as stipulated by Workplace and Work Environment Risk Assessment Regulations, we prepared a comprehensive risk assessment report. We also made all the necessary preparations and conducted training courses in connection with the implementation of the Occupational Health and Safety Management System in accordance with OHSAS 18001.
Employee injuries were monitored with respect to two indicators: frequency and severity. Both indicators showed downward trends during the period.

Active communication with shareholders and investors:

During the period, Tigar AD duly adhered to its Corporate Governance Code, the responsibilities it assumed when it was A-listed on the Belgrade Stock Exchange, and sound international practices relating to transparent reporting and communication with shareholders and the investment community. Active communication with these target groups was implemented through:

- Regular annual and quarterly performance reporting;
- Significant event reports and media releases concerning business activities of interest to shareholders and the general public;
- Posting of resolutions of the General Assembly of Shareholders (which held two sessions during the period) on our web site;
- Direct communication with shareholders and investors via respective corporate services, and participation in investor conferences;
- The issue of bi-lingual reports and information releases.

Tigar AD and the immediate and wider community:

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

Philanthropy:

During the period, the Company was engaged in a number of philanthropic activities, in line with its policy of providing assistance and support to projects that contribute to the welfare of large groups of citizens. Many donations were made and humanitarian campaigns conducted in key areas of social life, such as education, culture, science, health, and sports.

CSR pioneer:

During the first half of 2008, Tigar AD maintained a balanced CSR approach, favoring no single area or target group. The synergy of ethical business approaches, care for the environment, a sound employee policy, collaborative relationships with the local community and with society in general, and a high respect for shareholders, customers and business partners, resulted in a broad-based implementation of our CSR policy. Our CSR concept was commended by the Serbian Chamber of Economy and the German organization Invent, which awarded the highest recognition to Tigar on 14 March 2008 for its CSR achievements, within the scope of the project „Establishment of Corporate Social Responsibility in Southeast Europe".

3.7 CORPORATE GOVERNANCE

During the period, Tigar duly adhered to its adopted Corporate Governance Code—the Codex. Activities continued with the IFC and an external consultant on a Tigar AD corporate governance refinement project. A revised version of Tigar AD's current Articles of Association was drafted. None of the proposed amendments affect shareholder rights. Instead, they address the decision-making scope of the Board of Directors, the separation of the Board of Directors/Executive Board chairperson function from that of the Chief Executive Officer function, the transfer of decision-making powers relating to long-term borrowing, which do not fall within the scope of high-value transactions, from the General Assembly of Shareholders to the Board of Directors (in order to allow for some current short-term loans to be replaced with much more favorable international long-term loans), and several minor adjustments to reflect current regulations in this area.

4. MANAGEMENT

The management structure is unchanged.

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

As of 31 December 2008, the corporate governing bodies are as follows:

<u>Board of Directors</u>

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

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

During the period, members of the Board of Directors received remuneration in the gross aggregate amount of RSD 13,462,682. The Board of Directors held ten meetings during the period.

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	Position at Tigar
Dragan Nikolić	Chief Executive Officer
Jelena Petković	Executive Director (ED) for Corporate Management Support
Đorđe Džunić	ED for Financial Affairs
Miodrag Tančić	ED for Manufacturing
Slobodan Sotirov	ED for Quality Management
Branislav Mitrović	ED for IT and Investments
Milivoje Nikolić	ED for Human Resources

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

In 2008, the Executive Board held 15 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
Marko Steljić	Chairman	Chief Executive Officer emeritus, Jugobanka (now Alfa Banka)
Dr. Milić Radović	Member	Full Professor, Belgrade University School of Business Administration
Dragan Milosavljević	Member	*Ministry of Finance, Treasury Administration, Belgrade*

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

The Supervisory Board held one meeting during the period.

Members of the Supervisory Board received an aggregate gross compensation of 3,007,325 RSD during the period.

5. DISPOSAL OF REAL ESTATE AND LEGAL SECURITY

5.1. REAL ESTATE

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

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

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

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

Land

The total number of cadastral lots owned by Tigar and its subsidiaries is 123 as of 31 December 2008. Their total surface area is 339,147 m^2, of which 269,298 m^2 is undeveloped land. The book value of the land is RSD 41,943,959.51.

Buildings

Tigar and its main subsidiaries own a total of 140 buildings (this figure excludes Tigar Trade, which has 27 buildings).

The total surface area of the buildings owned by Tigar and its subsidiaries is 69,849 m^2 (of which 6,583 m^2 are owned by Tigar Trade).

As of 31 December 2008, the book value of buildings owned by Tigar and its major subsidiaries was RSD 1,160,092,731.17.

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

BOOK VALUE OF BUILDINGS (RSD)		
ENTITY	**31.12.2007**	**31.12.2008**
Tigar AD	158.535.507,71	65.722.853,24
Tigar Trade DSN	95.142.125,90	117.476.083,94
Tigar Technical Rubber Goods	827.305,00	772.021,00
Tigar Chemical Products	49.261.268,72	46.749,00
Tigar Footwear	29.965.650,20	781.764.477,38
Tigar Workshop	4.447.654,61	11.122.403,23
Tigar Business Services	3.254.784,64	64.798.304,78
Tigar Tours	0,00	6.562.088,10
Tigar Planinarski Dom Hotel	1.278.075,76	81.298.046,40
Tigar Security	924.612,31	882.584,31
Free Zone	28.502.993,12	29.647.119,79
Total:	**372.139.977,97**	***1.160.092.731,17***

Material encumbrances

The Company's material encumbrances at the end of 2008 were as follows:

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

- Agreement no. 3617/04 dated 6 October 2004, EUR 704,494.39 (outstanding balance EUR 437,948.20);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,511,233.98); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,468,733.54).

Mortgage Statement, certified by the Municipal Court in Pirot under ref. 11468/08, imposing a lien/out-of-court mortgage of the first order in respect of cadastral lot 3390/3, Building 1 identified in real estate record no. 7950 of the Pirot Real Estate Registry, in favor of the Moscow Bank, Belgrade.

5.2 LEGAL PROCEEDINGS

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

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

DEFENDANT	CLAIM
TREPČA-Zvečan	9,637,376
UNION BANKA	8,047,333
LOLA KORPORACIJA	6,000,000
AS KOMERC-N. Beograd	2,366,719
JIP-Beograd	1,641,377
MADRIS-Beograd, MADREC-Niš, CPORECSS-Novi Sad	3,319,240
LEKSUS GROUP-Novi Sad	1,217,996
2M-Pirot	2,247,300
TIGAR PROM-Nova Varoš	3,636,000
PRIMA TREJD-Kučevo	1,174,680
TOTAL	**39,288,021**

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

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

6. FINANCIAL RESULTS OF SUBSIDIARIES AND AFFILIATES

6.1 TIGAR FOOTWEAR

Products

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

- *General-purpose footwear*
- *Hunting and fishing rubber boots*
- *Safety rubber boots*
- *Work rubber boots*

The footwear business went through major changes in 2008, the most important among them being the closure of its old factory and the opening of a new factory at the Tigar 3 location. At the end of 2007 and during the first quarter of 2008, Tigar Footwear increased its stocks of standard products, primarily intended for the domestic market, to prepare for shutdown during the summer. In view of its export product mix, generally made to order, the factory was not in a position to pre-manufacture these products. Because they were uncertain how long it will take Tigar Footwear to shut down its old factory and resume operations at the new site, international customers either suspended or substantially reduced their orders as of May. This had a considerable impact on performance because May is generally the month during which customers start ordering for the next season. The factory started operating at reduced capacity in June 2008 because some of the machinery and equipment, which could be refurbished and used efficiently at the new location, was gradually shut down. In July, some of the product lines were active for about ten days, finishing orders.

All product lines were put into operation at the new location in September but virtually the entire month was spent on trials of both the production machinery and the new utilities and infrastructures. The factory considerably increased its output during the last quarter and international clients resumed placing substantial orders, particularly for highly-sophisticated products, to the extent that the factory could not entirely respond to the demand. It should be noted that the factory began operating at normal capacity at the time the global financial crisis was felt at its full intensity. Fortunately, it had no effect on demand. Special efforts during the last quarter were devoted to quality refinements. Preparations were made for manufacturing of only top-class products and physical destruction of all sub-standard products. At the same time, the R&D Department had to cope with a large number of requests from regular customers for the introduction of new products for new markets. Tigar Footwear also acquired a number of new customers. Some of them wished to have Tigar Footwear manufacture products for them which were previously made by others (mostly in the Far East, but also in Europe), while others wished entirely new groups of products to be manufactured for them. This imposed a major workload on R&D in terms of new designs and tooling.

An additional problem was that because of all the changes, orders to be filled in 2009 were not negotiated in 2008 with most customers, but had to be deferred until the first quarter of 2009. This has rendered the planning process somewhat difficult in view of the increasing number of new customers and new orders.

In addition to production and development issues, Tigar Footwear had to build new brand strategies and formulate new market approaches for its proprietary brands, including the Century brand and other brands purchased from the UK manufacturer Hunter Boot Limited in August 2008. Tigar also purchased HBL's leading-edge dipping technology which provides Tigar with extraordinary competitive strengths. One of HBL's former directors was hired as Product Manager for Europe and his efforts have significantly improved direct communications with the marketplace.

In summary, 2008 was characterized by a comprehensive upgrade of Tigar Footwear's production facilities after its new plants were put into operation at the Tigar 3 location, the purchase of Hunter's Century Division (resulting not only in a wider range of internationally recognized brands, but significant technological and manufacturing process improvements as well), the creation of conditions for cutting all types of costs due to implemented production process improvements, substantial quality improvements, intensified development activities, and increase in the number of international customers.

Tigar's financial transaction with the financial organization DEG was a major contributor to the successful implementation of the upgrading process. DEG granted a long-term capital loan with a four-year grace period to Tigar Footwear and provided the necessary funding for machinery and equipment upgrades. The first disbursement of the loan of €5 million in 2008 allowed Tigar Footwear to complete the first and most extensive phase of its upgrading project. The second disbursement is scheduled for March/April 2009. These funds will be used to purchase equipment which will boost Tigar Footwear's productivity.

2008 financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 2008 (unaudited)
Assets			
	Non-current assets	116,189	1,171,806
	Current assets	792,060	922,422
	Deferred tax assets	866	
	Total assets	**909,115**	**2,094,228**
Equity and liabilities			
	Equity	66,334	817,610
	Non-current liabilities	38,577	477,782
	Current liabilities	804,204	797,387
	Deferred tax liabilities		1,449
	Total equity and liabilities	**909,115**	**2,094,228**

Free cash flow in 000 RSD	1 January 2008	31 December 2008 (unaudited)
Net profit	-51,476	34,655
+ Depreciation	18,506	14,978
+Reserved costs for benefits	16,556	10,774
+Recovery on provisions		
Cash flow from operation	**-16,414**	**60,407**
Capital expenditures	**24,589**	**1,070,596**
Inventory increase (decrease)	160,071	-48,540
+Receivables increase (decrease)	104,115	170,451
-Liabilities increase (decrease)	304,368	-15,296
Working capital increase (decrease)	**-40,182**	**137,207**
Free cash flow	**-821**	**-1,147,395**

Income Statement in 000 RSD	January-December 2008 (unaudited)	Change relative to January-December 2007
Total revenue	**1,296,950**	**3%**
Total expenses	**1,258,959**	**-4%**
Profit (loss) before taxation	**37,991**	**gain vs. loss**
Income taxes	**1,020**	
Deferred Income tax expense	**2,316**	
Deferred Income tax benefit	**0**	
Net result for the period	**34,655**	**gain vs. loss**

6.2 TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods (TTRG) manufactures:

- Pressed rubber products
- Rubber profiles for the construction and automotive industries
- Sporting goods
- Rubber hoses
- Rubber-metal products
- Semi-finished rubber products

In 2008, TTRG operated at its old facilities at the Tigar 2 location, which were sold to Tigar Tyres as part of the overall transaction with Michelin since TTRG will move to the Tigar 3 location. During the year, TTRG manufactured its standard products, generally intended for various industries (semi-finished rubber products and rubber/metal products) and construction companies (rubber profiles and pressed rubber products), as well as sporting goods which were, for the most part, sold via public tenders released by the Ministry of Youth and Sports and the Ministry of Education. Output of products for the automotive industry was relatively low but discussions were initiated during the last quarter with the Fiat Group, aimed at potential cooperation as part of preparations for the production of Fiat cars in Serbia. The most important novelty was intensified manufacturing of products made from recycled rubber, particularly for indoor and outdoor sports courts, using newly acquired equipment. Such a court was successfully completed at Lukovska Banja and several are already in place in Pirot and Belgrade. These products are currently made using imported recycled rubber and the key development activity was mastering the technology for a highly profitable group of products. Additionally, significant efforts during the year focused on preparations for the opening of new plants at the Tigar 3 location, including selection of product lines which will be moved to this location, selection of an adequate layout, selection and ordering of equipment, and arrangements with financial institutions concerning funding of TTRG's upgrades of its standard product lines and the new plant for recycled-rubber products. These arrangements were not finalized in 2008 and activities are continuing in 2009. Preparations and prepayments for ordered equipment whose production began in 2008 were financed from cash flow and a €0.6M short-term bank loan. Plans call for this loan to be refinanced from a long-term capital loan which will be approved in 2009. The total capital expenditure for the above-mentioned segments will be in the order of €6M, of which 2.5M will be spent on building and infrastructure, and the remaining 3.5M on machinery and equipment.

Based on the positive outcome of the acquisition of the Century Division for the footwear business, similar negotiations were initiated with a northern European company that manufactures products from recycled rubber. It has highly efficient equipment and holds a substantial market share. If due diligence reviews confirm preliminary assessments, TTRG will probably purchase the entire business rather than only new machinery and equipment.

TTRG reported elevated operating costs primarily due to inadequate space at its old location. Only a few plants continued to operate at the Tigar 2 location in January and February, while all the other plants were shut down in December 2008. At the end of 2008, TTRG increased inventory levels so as not to disrupt deliveries until its new plants are put into operation at the Tigar 3 location.

R&D efforts generally focused on several new products for the military, the construction industry, and the automotive industry.

During the 4th quarter, TTRG experienced some problems due to intermittent downtime at Tigar Tyres which supplies fluids to production plants at the Tigar 2 location.

However, despite all the aggravating circumstances, TTRG managed to produce a much better bottom line in 2008 than in 2007, and to prepare for 2009 which will be a very important year because TTRG will be putting into operation its new, upgraded plants and inevitably modifying its product mix.

A lot of time and effort was invested in negotiations with foreign and domestic partners and financial organizations regarding the recycling business. However, the implementation of this project was deferred until next year in anticipation of appropriate regulation which will be the profitability driver of this segment.

2008 ANNUAL REPORT	Document reference
	RP.09/01

2008 financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 200 (unaudited)
Assets			
	Non-current assets	26,203	96,364
	Current assets	444,543	327,351
	Deferred tax assets	764	556
	Total assets	**471,510**	**424,271**
Equity and liabilities			
	Equity	22,502	174,416
	Non-current liabilities	11,361	12,405
	Current liabilities	437,647	237,450
	Total equity and liabilities	**471,510**	**424,271**

Free cash flow in 000 Dinars	1 January 2008	31 December 2008 (unaudited)
Net profit	114,277	4,586
+ Depreciation	10,908	8,006
+Reserved costs for benefits	727	1,238
+Recovery on provisions		
Cash flow from operation	**125,912**	**13,830**
Capital expenditures	**-89,968**	**77,798**
Inventory increase (decrease)	5,242	85,368
+Receivables increase (decrease)	288,660	-190,145
-Liabilities increase (decrease)	235,384	-249,950
Working capital increase (decrease)	**58,519**	**145,173**
Free cash flow	**157,361**	**-209,141**

Income statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Total revenue	**448,355**	**0%**
Total expenses	**443,268**	**38%**
Profit (loss) before taxation	**5,087**	**-96%**
Income taxes	**292**	
Deferred Income tax expense	**209**	
Deferred Income tax benefit	**0**	
Net result for the period	**4,586**	**-96%**

6.3 TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products (TCP) manufactures:

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

TCP manufactured its standard products in 2008. It reported the highest growth in sales of products for the metalworking industry and exports of specialized adhesives for mining companies. The output of its top performing product, road paint, was smaller than last year because public procurements were deferred.

In view of the fact that TCP's building at the Tigar 2 location were transferred to Tigar Tyres as part of the overall transaction with Michelin, some of TCP's activities focused on preparations for the opening of new plants at their new location as of the end of 2009. In view of the fact that TCP manufactures chemical products, the opening of new manufacturing facilities will take longer and require compliance with a number of special regulatory requirements than would otherwise not be the case. The capital grain from the sale of the TCP building has contributed to a high profit, a portion of which was distributed to the Holing Company.

Apart from specialized adhesives for the mining industry, TCP generally manufactured products for the domestic market. In 2008 TCP received a number of inquiries from foreign markets, particularly regarding relatively large quantities of road paint, which will be addressed in 2009.

2008 financials

Balance Sheet in thousands of Dinars		**Opening balance as of 1 January 2008**	**31 December 2008 (unaudited)**
Assets			
	Non-current assets	66,375	13,568
	Current assets	165,729	362,156
	Deferred tax assets	755	595
	Total assets	**232,859**	**376,319**
Equity and liabilities			
	Equity	51,397	110,263
	Non-current liabilities	2,729	2,101
	Current liabilities	178,733	263,955
	Deferred tax liabilities		
	Total equity and liabilities	**232,859**	**376,319**

Free cash flow in 000 RSD	**1 January 2008**	**31 December 2008 (unaudited)**
Net profit	-15,248	204,135
+ Depreciation	6,163	6,727
+Reserved costs for benefits	186	-628
+Recovery on provisions		
Cash flow from operation	**-8,899**	**210,234**
Capital expenditures	**4,876**	**-54,277**
Inventory increase (decrease)	952	-24,713
+Receivables increase (decrease)	21,455	221,323
-Liabilities increase (decrease)	37,057	85,222
Working capital increase (decrease)	**-14,650**	**111,389**
Free cash flow	**875**	**153,122**

Income Statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Total revenue	480,791	122%
Total expenses	251,802	9%
Profit (loss) before taxation	228,989	gain vs. loss
Income taxes	24,694	
Deferred Income tax expense	160	
Deferred Income tax benefit	0	-100%
Net result for the period	204,135	gain vs. loss

6.4 TIGAR TRADE – DOMESTIC SALES NETWORK

In 2008, Tigar's Domestic Sales Network conducted domestic sales of tires and other automotive products, was the exclusive distributor of Tigar's footwear in Serbia, and sold some of the products made by Tigar Technical Rubber Goods and Tigar Chemical Products. Significant strides were made in the development and utilization of the automotive service network; the largest sales levels and margins were reported by automotive service centers in large cities such as Belgrade and Niš. This fact will govern Tigar's future development strategy and the focus of expansion will be the largest cities in Serbia. Development of the automotive service network was the main effort of this company in 2008.

Income from services provided by the automotive service centers increased by a factor of five during the past two years, from some 3 million in 2005 to almost 15 million in 2008. Development strategy called for continuous expansion of the scope of services and increase in the quality of service. Sales strategy was based on a multi brand/multi product approach, but more than 85% of the tires sold originated from the Michelin family, including Tigar-brand tires because of their high popularity with local customers. However, significant price differences and dumping practices by several dealers, especially in central and western Serbia, had a negative impact on the bottom line.

Tigar's Domestic Sales Network became the exclusive distributor of Tigar's footwear in the domestic market.

There were no major changes in sales approaches and methods, except with regard to field sales of standard work boots and low rubber footwear. Most sales were made to large dealers who are Tigar's regular footwear buyers.

Development of a totally new sales approach, focusing on increased sales to end users, has been deferred until 2009. A major stride in this direction will be made when new groups of products and new collections of fashion and children's footwear are introduced, and when a chain of specialized footwear stores is launched. This activity had second priority in 2008, partly because of the opening of the new footwear factory and the time required to make available the required product mix.

The sales volume of technical rubber goods and chemical products was much lower than that of other products. Selling was generally conducted via retail outlets since wholesale transactions were handled by the factories themselves. The incorporation of the new company – Tigar Trade – and the integration of domestic and international sales will significantly enhance the sales potential because it will remove all obstacles between the market and the sales channels which were divided between the Domestic Sales Network and the factories in 2008.

2008 ANNUAL REPORT	Document reference
	RP.09/01

2008 financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31. December 2008 (unaudited)
Assets			
	Non-current assets	219,307	272,367
	Current assets	422,163	655,952
	Deferred tax assets		
	Total assets	**641,470**	**928,319**
Equity and liabilities			
	Equity	86,415	202,715
	Non-current liabilities	10,928	8,510
	Current liabilities	543,421	716,284
	Deferred tax liabilities	706	810
	Total equity and liabilities	**641,470**	**928,319**

Free cash flow in 000 RSD	1 January 2008	31 December 2008 (unaudited)
Net profit	-85,275	3,181
+ Depreciation	12,799	15,275
+Reserved costs for benefits	446	-927
+Recovery on provisions		
Cash flow from operation	**-72,030**	**17,529**
Capital expenditures	**56,683**	**66,749**
Inventory increase (decrease)	99,772	120,640
+Receivables increase (decrease)	-97,675	110,207
-Liabilities increase (decrease)	123,079	163,796
Working capital increase (decrease)	**-120,982**	**67,052**
Free cash flow	**-7,730**	**-116,272**

Income Statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Total income	**953,104**	**41%**
Total expenses	**949,561**	**24%**
Profit (loss) before taxation	**3,543**	**gain vs. loss**
Income taxes	**258**	
Deferred Income tax expense	**104**	
Deferred Income tax benefit	**0**	
Net result for the period	**3,181**	**gain vs. loss**

6.5 TIGAR EXPORT-IMPORT

In 2008, Tigar Export-Import conducted purchasing in the domestic market and export transactions on behalf of all of Tigar's factories. It also procured general-purpose supplies for the entire Corporation. With regard to exports, the factories were the actual exporters while TEI handled the necessary documents. Income depended solely on the volume of the factories' orders such that any reduction in manufacturing levels reduced TEI's income. On the other hand, costs, which were generally made up of employee expenses, remained virtually unchanged due to TEI's inability to change the number of its staff on a monthly basis depending on workload. Since Tigar's factories conducted their own exports, and TEI conducted import transactions, it had considerable finance expenses arising from the sale of foreign exchange earned through exports and purchasing of this foreign exchange to settle TEI's debts arising from imports. The formation of Tigar Trade will eliminate these costs. Despite all the negative impacts, TEI earned an income but ultimately reported a loss following taxation of written-off debts of the factories, implemented on the basis of written-off Holding Company's receivables. TEI, like the Domestic Sales Network, ceased to operate on 1 January 2009.

2008 financials

Balance Sheet in thousands of Dinars		**Opening balance as of 1 January 2008**	**31 December 2008 (unaudited)**
Assets			
	Non-current assets	2,267	2,006
	Current assets	483,890	578,507
	Deferred tax assets		
	Loss above equity		18,364
	Total assets	**486,157**	**598,877**
Equity and liabilities			
	Equity	1,032	0
	Non-current liabilities	957	628
	Current liabilities	484,131	598,228
	Deferred tax liabilities	37	21
	Total equity and liabilities	**486,157**	**598,877**

Free cash flow in 000 RSD	**1 January 2008**	**31 December 2008 (unaudited)**
Net profit	201	-17,529
+ Depreciation	102	377
+Reserved costs for benefits	79	-329
+Recovery on provisions		
Cash flow from operation	**382**	**-17,481**
Capital expenditures	**1,975**	**112**
Inventory increase (decrease)	8,119	-7,374
+Receivables increase (decrease)	467,868	104,489
-Liabilities increase (decrease)	482,709	114,080
Working capital increase (decrease)	**-6,722**	**-16,966**
Free cash flow	**5,128**	**-627**

Income Statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Total income	**909,399**	**44%**
Total expenses	**908,195**	**44%**
Profit (loss) before taxation	**1,204**	**303%**
Income taxes	**18,749**	**27472%**
Deferred Income tax expense	**0**	
Deferred Income tax benefit	**16**	
Net result for the period	**-17,529**	**-8821%**

6.6 TIGAR AMERICAS , USA

Tigar Americas covers US and Canadian markets. Tigar Americas was the first commercial company which Tigar set up abroad and, prior to the trade embargo, it had annual revenues of nearly $20 million. Following the lifting of the trade embargo, the Company decided to renew and expand its operations to include procurement of supplies for Tigar's subsidiaries, purchasing of merchandise for the Domestic Sales Network, and sales of footwear. Due to high import duties, footwear sales to the US were minimal but a major achievement was the entry into an alliance with the Canadian company STC which calls for long-term cooperation and involves not only the introduction of new groups of products and better market positioning, but a significant increase in sales levels as well. During the period addressed by the current business plan sales are expected to amount to several million dollars.

2008 financials

Balance Sheet in thousands of USD		Opening balance as of 1 January 2008	31 December 2008 (unaudited)
Assets			
	Non-current assets	2	2
	Current assets	37	237
	Deferred tax assets	261	254
	Total assets	**300**	**493**
Equity and liabilities			
	Equity	295	459
	Non-current liabilities	0	
	Current liabilities	5	34
	Total equity and liabilities	**300**	**493**

Income Statement in thousands of USD	January-December 2008 (unaudited)	Change relative to January-December 2007
Sales and marketing income	**628**	**42%**
Cost of goods sold	446	72%
Gross profit	**182**	**-1%**
Selling, general and administrative expenses	170	-16%
Result from operations	**12**	**gain vs. loss**
Other income (expense)	9	
Net result before corporation taxes	**21**	**307%**
Income tax	0	
Net profit (loss)	**21**	**307%**

6.7 TIGAR EUROPE , UK

Tigar has been active in the UK market for more than 15 years via Tigar Europe Ltd., in which Tigar AD holds a 50% interest. Tigar Europe has an excellent knowledge of the UK market and a well-established client base, and it provides superior services. Tigar plans to expand Tigar Europe's sales network in order to increase its sales of tires and other products (primarily rubber footwear and rubber goods). This company will also continue to provide purchasing services and support potential corporate projects in the UK, as well as play a more active role in other EU markets. Tigar Europe's reported sales income is lower than that earned during the same period of last year, mainly because of problems with the product mix supplied by Tigar Tyres and the reduced demand for both cars and car parts, including tires, in Western Europe. Most of Tigar Europe's income was earned from tire sales but a major stride in footwear sales was made in 2008. A new sales approach was adopted for this market, with sales to small and medium buyers being made from a local warehouse. This approach produces higher margins than large deliveries of products.

2008 financials

Balance Sheet in thousands of GBP		Opening balance as of 1 January 2008	31. December 2008 (unaudited)
Assets			
	Non-current assets	9	9
	Current assets	4,000	5,193
	Deferred tax assets		
	Total assets	**4,008**	**5,201**
Equity and liabilities			
	Equity	2,625	3,124
	Non-current liabilities		
	Current liabilities	1,383	2,077
	Total equity and liabilities	**4,008**	**5,201**

Income Statement in thousands of GBP	January-December 2008 (unaudited)	Change relative to January-December 2007
Turnover	**13,995**	**-1%**
Cost of sales	12,793	-1%
Gross Profit	**1,202**	**-6%**
Administrative expenses	612	29%
Operating Profit	**590**	**-26%**
Interest receivable	109	2%
Commission	23	
Profit on Ordinary Activities Before Taxation	**722**	**-22%**
Tax on profit on ordinary activities	222	-16%
Retained Profit for the Financial Year	**499**	**-24%**

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

All the companies in the Balkans operated as conventional wholesale companies and mostly sold products made by Tigar Tyres. Footwear was also sold, but to a much lesser extent. Over the past several years, these companies have reported basically the same levels of income and operating results. In 2008, the company in Montenegro was the top performer. Future development of these companies will depend on the level of investment which will, in turn, depend on the outcome of studies to be prepared in 2009. The studies will address marketing approaches, the required level of investment, potential effects of modernization, and liquidity.

TIGAR MONTENEGRO

Balance Sheet in thousands of EUR		Opening balance as of 1 January 2008	As of 31 December 2008
Assets			
	Non-current assets	5	4
	Current assets	286	255
	Deferred tax assets		
	Total assets	**291**	**259**
Equity and liabilities			
	Equity	74	100
	Non-current liabilities		
	Current liabilities	217	159
	Total equity and liabilities	**291**	**259**

Free cash flow in 000 EUR	1 January 2008	31 December 2008
Net profit	58	56
+ Depreciation	5	1
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	**63**	**58**
Capital expenditures	**0.3**	**1.1**
Inventory increase (decrease)	34	43
+Receivables increase (decrease)	90	-71
-Liabilities increase (decrease)	23	-58
Working capital increase (decrease)	**101**	**31**
Free cash flow	**-38**	**26**

Income Statement in thousands of EUR	January-December 2008	Change relative to January-December 2007
Total revenue	**948**	**-5%**
Total expenses	**886**	**-5%**
Profit (loss) before taxation	**62**	**-4%**
Income taxes	**6**	**-6%**
Deferred Income tax expense	**0**	
Deferred Income tax benefit	**0**	
Net result for the period	**56**	**-4%**

TIGAR TRADE (Banja Luka), REPUBLIKA SRPSKA

Balance Sheet in thousands of KM		Opening balance as of 1 January 2008	As of 31 December 2008
Assets			
	Non-current assets	302	272
	Current assets	1,299	2,216
	Deferred tax assets		
	Total assets	**1,601**	**2,488**
Equity and liabilities			
	Equity	414	466
	Non-current liabilities	62	15
	Current liabilities	1,125	2,008
	Total equity and liabilities	**1,601**	**2,488**

Free cash flow in 000 KM	1 January 2008	31 December 2008
Net profit	67	108
+ Depreciation	24	32
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	**90**	**140**
Capital expenditures	**73**	**0**
Inventory increase (decrease)	-61	285
+Receivables increase (decrease)	10	697
-Liabilities increase (decrease)	262	364
Working capital increase (decrease)	**-313**	**618**
Free cash flow	**330**	**-478**

Income Statement in thousands of KM	January-December 2008	Change relative to January-December 2007
Total revenue	**4,115**	**19%**
Total expenses	**3,995**	**18%**
Profit (loss) before taxation	**120**	**62%**
Income taxes	**12**	**62%**
Deferred Income tax expense	**0**	
Deferred Income tax benefit	**0**	
Net result for the period	**108**	**62%**

2008 ANNUAL REPORT	Document reference
	RP.09/01

TIGAR PARTNER, MACEDONIA

Balance Sheet in thousands of Denars		Opening balance as of 1 January 2008	As of 31 December 2008
Assets			
	Non-current assets	221	1,162
	Current assets	35,176	43,004
	Deferred tax assets		
	Total assets	**35,396**	**44,165**
Equity and liabilities			
	Equity	17,922	17,922
	Non-current liabilities	0	0
	Current liabilities	17,475	26,243
	Total equity and liabilities	**35,396**	**44,165**

Free cash flow in 000 Denars	1 January 2008	31 December 2008
Net profit	3,117	1,684
+ Depreciation	372	536
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**3,489**	**2,220**
Capital expenditures	**8**	**1,477**
Inventory increase (decrease)	-2,946	6,448
+Receivables increase (decrease)	2,642	1,312
-Liabilities increase (decrease)	643	8,769
Working capital increase (decrease)	**-947**	**-1,009**
Free cash flow	**4,428**	**1,752**

Income Statement in thousands of Denars	January-December 2008	Change relative to January-December 2007
Total revenue	**58,883**	**-7%**
Total expenses	**56,938**	**-4%**
Profit (loss) before taxation	**1,945**	**-46%**
Income taxes	**261**	**-47%**
Deferred Income tax expense	**0**	
Deferred Income tax benefit	**0**	
Net result for the period	**1,684**	**-46%**

6.9 SERVICE ENTITIES

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

Tigar’s major service businesses include:

Construction, which offers all types of services relating to construction and maintenance of buildings and infrastructures. This unit is supported by an engineering group. During the period, most of this unit’s activities focused on the Tigar III location.

Transportation, which provides all types of road transportation services, including domestic and international freight forwarding, contracted and sub-contracted intra-city transportation of goods, and maintenance of vehicles.

Tourist Agency, which provides domestic and international tourist-related services, including vacation, travel, conference, and trade exhibition planning.

Planinarski Dom Hotel, which offers a broad range of accommodations and restaurant/catering services for tourists, business travelers, delegations, sports teams, and cultural groups visiting southern Serbia.

Food production for internal needs of Tigar AD and Tigar Tyres. Plans call for this business to expand and offer services to non-Tigar customers.

RTV PI Channel, which performs radio/television, telecommunication, market research, and public opinion-poll activities, and provides services in the areas of advertising, public relations and publishing.

Pirot Free Zone, which is a specially-designated area within Serbia where business may be carried out free from duty or VAT and certain municipal charges. The Pirot Free Zone is a joint-stock company whose majority shareholder is Tigar AD. Among the other shareholders is the Municipality of Pirot. The Free Zone is within the Industrial Zone of Pirot and covers 17 ha, 46 a, and 29 m^2 of infrastructure-enabled land. The total surface area controlled by the PFZ is 65 ha, 2 a and 26 m^2, including its own railroad track and 150 telephone lines. 44 companies currently operate in the Free Zone, including 34 foreign companies. In addition to tax and other advantages, companies in the Zone are eligible for subsidies for the development of land zoned for construction. Within Serbia, these favorable conditions are currently available only in the Pirot Free Zone, and they can reduce operating costs by 25%, compared to other locations in Serbia.

Workshop, which was set up as a shelter for disabled employees. Its activities include solid waste collection and recycling, laundry services, and several other types of support services.

Tigar Business Services financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 08 (unaudited)
Assets			
	Non-current assets	78,440	145,023
	Current assets	91,726	87,360
	Deferred tax assets		
	Total assets	**170,166**	**232,383**
Equity and liabilities			
	Equity	36,658	100,718
	Non-current liabilities	37,650	38,275
	Current liabilities	95,666	93,021
	Deferred tax liabilities	192	369
	Total equity and liabilities	**170,166**	**232,383**

Free cash flow in 000 Dinars	1 January 2008	31 December 2008 (unaudited)
Net profit	24,726	4,813
+ Depreciation	9,981	12,661
+Reserved costs for benefits	472	
+Recovery on provisions		
Cash flow from operation	**35,179**	**17,475**
Capital expenditures	**34,858**	**95,703**
Inventory increase (decrease)	2,881	3,484
+Receivables increase (decrease)	16,568	-2,579
-Liabilities increase (decrease)	26,508	(10,855)
Working capital increase (decrease)	**(7,060)**	**11,760**
Free cash flow	**7,380**	**(89,989)**

Income Statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Total income	371,717	7%
Total expenses	366,497	14%
Profit (loss) before taxation	**5,220**	**-80%**
Income taxes	230	-83%
Deferred Income tax expense	177	163%
Deferred Income tax benefit		
Net profit for the period	**4,813**	**-81%**

Other service subsidiaries: Aggregate financials

Income Statement in thousands of Dinars	January-December 2008 (unaudited)	Change relative to January-December 2007
Operating income	**535,525**	**49%**
Operating expenses	**522,038**	**53%**
Profit from operations	**13,487**	**-23%**
Finance income	919	**124%**
Finance expenses	2,224	**30%**
Other income	5,054	**238%**
Other expenses	2,347	**261%**
Profit (loss) before taxation	**14,890**	**-13%**
Income taxes	908	17%
Deferred Income tax expense	281	50%
Deferred Income tax benefit	58	-58%
Net profit for the period	**13,759**	**-15%**

Free Zone financials

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 08
Assets			
	Non-current assets	113,047	119,913
	Current assets	37,600	30,665
	Deferred tax assets	78	23
	Total assets	**150,725**	**150,601**
	Off balance sheet assets	**19,500**	**23,000**
Equity and liabilities			
	Equity	130,541	134,045
	Non-current liabilities		2,160
	Current liabilities	20,184	14,396
	Deferred tax liabilities		0
	Total equity and liabilities	**150,725**	**150,601**
	Off balance sheet liabilities	**19,500**	**23,000**

Free cash flow in 000 Dinars	1 January 2008	31 December 2008
Net profit	9,225	8,116
+ Depreciation	1,885	2,405
+Reserved costs for benefits		
+Recovery on provisions		
Cash flow from operation	**11,109**	**10,521**
Capital expenditures	**6,044**	**8,083**
Inventory increase (decrease)	125	53
+Receivables increase (decrease)	4,074	-2,079
-Liabilities increase (decrease)	6,415	(5,788)
Working capital increase (decrease)	**(2,217)**	**3,762**
Free cash flow	**7,282**	**-1,325**

Income Statement in thousands of Dinars	January-December 2008	Change relative to January-December 2007
Total income	68,136	8%
Total expenses	59,599	11%
Profit (loss) before taxation	**8,538**	**-8%**
Income taxes	367	610%
Deferred Income tax expense	55	474%
Deferred Income tax benefit		
Net profit for the period	**8,116**	**-12%**

7. HOLDING COMPANY PERFORMANCE

7.1 FINANCIAL RESULT

Tigar AD did not make changes to its accounting policies during the period. Internal audit activities proceeded according to plan.

The year 2008 is mainly characterized by large investments made in the outfitting of new industrial facilities, investments were financed from cash flow and occasional short-term loans (to bridge gaps until proceeds of long-term loans become available), a significant effect of exchange rate fluctuations on sales income reported in foreign currencies was noted, and a considerable capital gain associated with the Michelin transaction was realized.

Although extraordinary income is a considerable portion of total income, reported results are realistic because this extraordinary income is covered by a cash infusion, meaning that this was not a paper transaction but a highly successful business transaction. The allocation of most of the cash received to new industrial facilities and development shows that the funds were used to increase the worth of the Company and create a solid basis for its further growth and its sound performance in the coming years.

The negative bottom line is largely the outcome of the business results reported by the Holding Company which is, in turn, the result of the income and expense reporting method. Tigar AD, whose main activity is holdings, earns income from sales of services and from rentals. On the other hand, all of its expenses, except finance expenses, are reported as operating expenses. All other types of income, including dividends from subsidiaries, other finance income, and extraordinary income from asset-related transactions, are not reported as operating income even though this income was earned as a result of the core activity of the Holding Company (i.e., the management of its subsidiaries). This disparity in Holding Company financials is a result of the method applied in reporting operating income and is the largest contributor to the negative consolidated result.

Initial consequences of the global financial crisis were felt in the area of procurement of loans and increasing capital cost, will not have a significant impact on the Company's bottom line at the end of the year. The 4th quarter is dominated by sales of products required for the winter season, whose value is not such that it must be financed from loans.

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

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

In the investment activity funding area, the main problems arose from the fact that most of the infrastructure projects were completed in 2008, that Tigar will continue to execute infrastructure projects in 2009, and that the schedule of capital expenditure is not aligned with the schedule of payments to be made in connection with the transaction with Michelin. This has affected the level of indebtedness. The deferral of funding arrangements for Tigar Technical Rubber Goods (standard products and recycled-rubber products) has resulted in a postponement of several investment activities, as explained elsewhere in this Report.

2008 ANNUAL REPORT	Document reference
	RP.09/01

7.2 TIGAR AD'S CONSOLIDATED FINANCIAL RESULT

Consolidated Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 2008 (audited)
Assets			
	Non-current assets	2,063,136	3,931,668
	Current assets	2,745,085	3,017,447
	Deferred tax assets	28,301	18,015
	Total assets	**4,836,522**	**6,967,130**
Equity and liabilities			
	Equity	2,705,522	3,745,192
	Non-current liabilities	313,684	760,909
	Current liabilities	1,814.032	2,338,456
	Deferred tax liabilities	3,284	122,573
	Total equity and liabilities	**4,836,522**	**6,967,130**

Consolidated Income Statement in thousands of Dinars	January-December 2008 (audited)
Total income	**5,050,798**
Total expenses	**4,855,478**
Profit (loss) before taxation	**195,320**
Income taxes	**99,318**
Deferred income tax expense	**6,049**
Deferred income tax benefit	
	89,953
Net result for the period	5,014
Minority interest	84,939

Cash flow in thousands of Dinars	31 December 2007	31 December 2008 (audited)
Cash flows from operating activities		
Inflow from operating activities	4,446,699	3,451,783
Outflow from operating activities	5,369,332	4,458,380
Net cash used in operating activities	-922,633	-1,006,597
Cash flows from investing activities		
Inflow from investing activities	1,200,731	1,321,485
Outflow from investing activities	325,752	1,038,647
Net cash (used in)/from investing activities	874,979	282,838
Cash flows from financing activities		
Inflow from financing activities	109,167	784,946
Outflow from financing activities	42,000	118,514
Net cash provided by/(used in) financing activities	67,167	666,432
Net increase/decrease in cash and cash equivalents	19,513	-57,327
Cash and cash equivalents at beginning of year	309,356	325,936
Foreign exchange on translation of cash and cash equivalents (net)	-2,933	-26,199
Cash and cash equivalents at the end of the year	**325,936**	**242,410**

7.4 TIGAR AD'S UNCONSOLIDATED FINANCIALS

Balance Sheet in thousands of Dinars		Opening balance as of 1 January 2008	31 December 2008 (audited)
Assets			
	Non-current assets	2,011,499	2,859,685
	Current assets	1,578,070	1,219,416
	Deferred tax assets	2,456	655
	Total assets	**3,592,025**	**4,079,756**
Equity and liabilities			
	Equity	2,685,839	2,736,793
	Non-current liabilities	210,887	206,127
	Current liabilities	695,299	1,136,836
	Total equity and liabilities	**3,592,025**	**4,079,756**

Income Statement in thousands of Dinars	January-December 2008 (audited)	Change relative to January-December 2007
Total revenue	**1,619,929**	**128%**
Total expenses	**1,408,892**	**113%**
Profit (loss) before taxation	**211,037**	**324%**
Income taxes	**41,133**	
Deferred Income tax expense	**1801**	**81%**
Deferred Income tax benefit		
Net result for the period	**168,103**	**245%**

Cash flow in thousands of Dinars	31 December 2007	31 December 2008 (audited)
Cash flows from operating activities		
Inflow from operating activities	403,845	176,296
Outflow from operating activities	1,165,646	569,030
Net cash used in operating activities	-761,801	-392,734
Cash flows from investing activities		
Inflow from investing activities	930,694	917,126
Outflow from investing activities	171,738	766,233
Net cash (used in)/from investing activities	758,956	150,893
Cash flows from financing activities		
Inflow from financing activities	155,017	292,141
Outflow from financing activities	42,671	113,877
Net cash provided by/(used in) financing activities	112,346	178,264
Net increase/decrease in cash and cash equivalents	109,501	-63,577
Cash and cash equivalents at beginning of year	3,892	113,277
Foreign exchange gains on translation of cash and cash equivalents	16,895	7,762
Foreign exchange losses on translation of cash and cash equivalents	17,011	4,527
Cash and cash equivalents at the end of the year/period	**113,277**	**52,935**

TIGAR AD

Jelena Petković
Executive Director for Corporate Management Support

TIGAR AD

Dragan Nikolić
Board of Directors Chairman