Tigar®	TIGAR AD PIROT

JANUARY - JUNE 2008
INTERIM REPORT

Distribution:

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Key words: TIGAR, REPORT, INTERIM 2008		Document reference **IZ.P.08/04**
Date: 01.09. 2008.	Author: Jelena Petković	Approved by: Dragan Nikolić

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1. INTRODUCTION

1.1. GENERAL INFORMATION

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: 2,101 at 30/6/2008

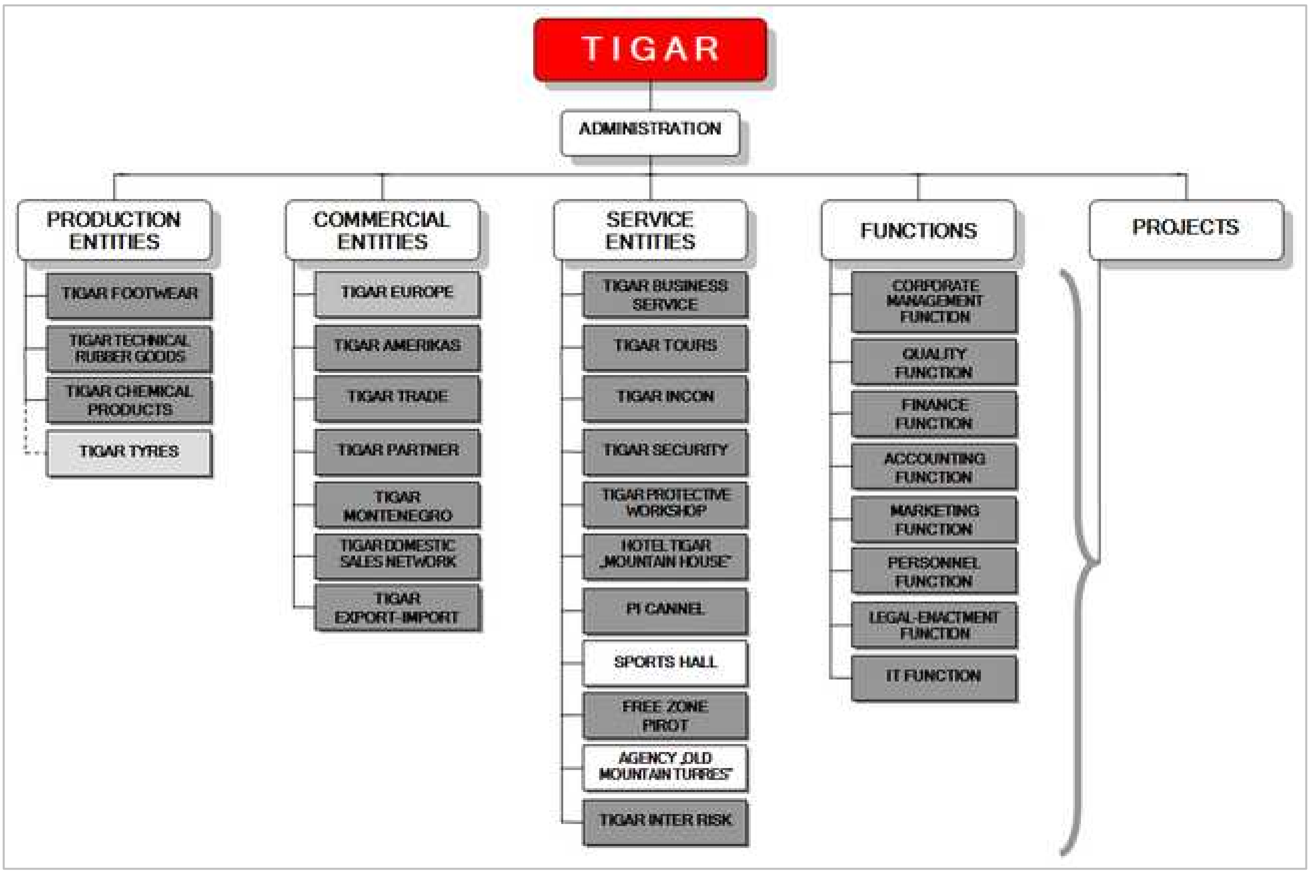
Number of shareholders: 4,835 at 30/6/2008

Capital: 2,840,096 (000 RSD) at 30/6/2008

Assets: 3,790,124 (000 RSD) at 30/6/2008

Capitalization: 2,493,485.46 (000 RSD) at 30/6/2008

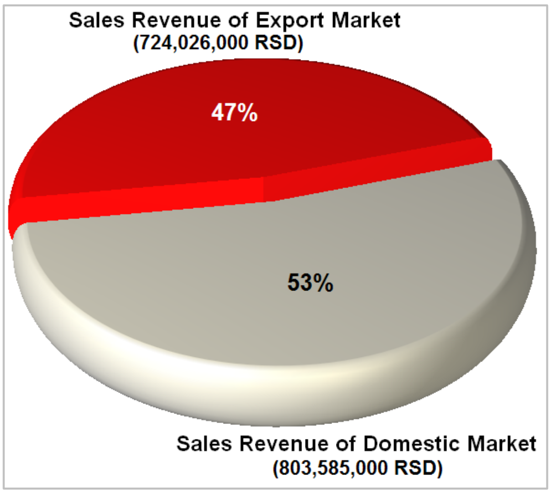
1.2. CORPORATE STRUCTURE



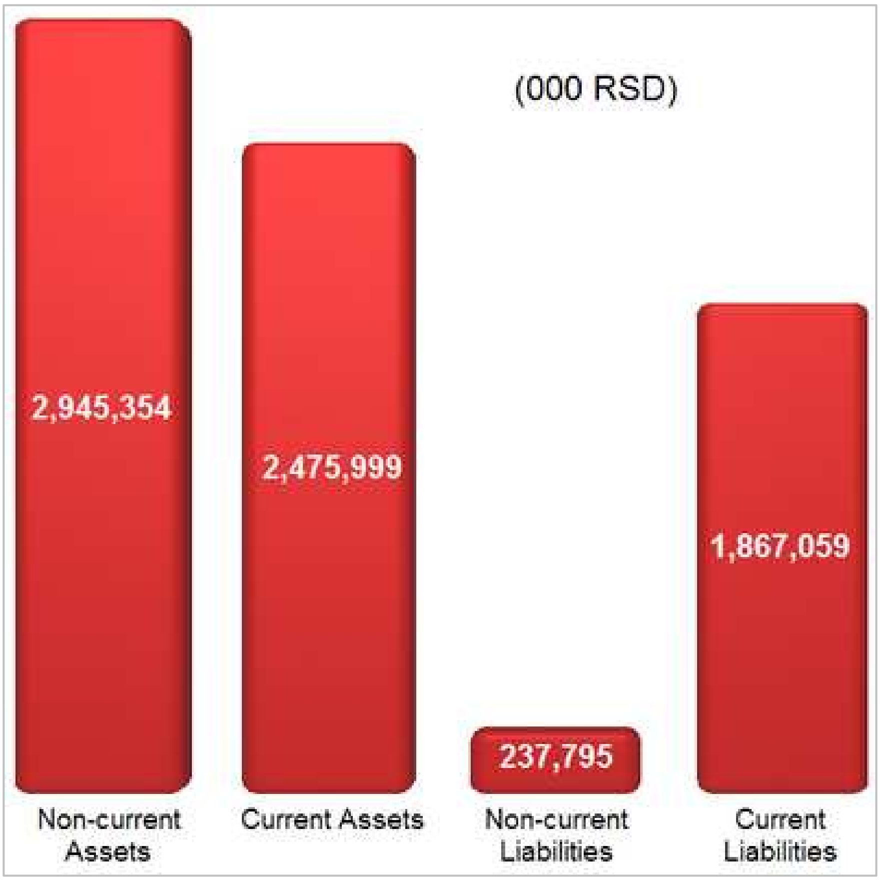
1.3. KEY INDICATORS OF JANUARY-JUNE 2008 PERFORMANCE

SIGNIFICANT INDICATORS OF THE JANUARY-JUNE 2008 CONSOLIDATED RESULT

Sales revenue in thousands of Dinars by entity	Total
Tigar Technical Rubber Goods	167,900
Tigar Chemical Products	84,314
Tigar Footwear	391,383
Trade	1,152,319
Business Services	444,446
Holding Company	80,115
Total for all entities	2,320,477
Elimination	-792,866
Consolidated sales revenue	**1,527,611**



CONSOLIDATED BALANCE SHEET AS OF 2008, JUN 30



Equity investments (000 RSD) (unconsolidated)	31 December 2007	30 June 2008
Related parties	**1,999,482**	**2,180,547**
Banks	**136**	
Other legal entities	**190**	**200**
Adjustments	**253,714**	**14,571**
Total:	**1,746,094**	**2,166,176**

Equity investments (000 RSD) (consolidated)	31 December 2007	30 June 2008
Related parties	1,208,282	1,391,959
Banks	136	
Other legal entities	11,690	200
Adjustments	-1,480	
Total:	**1,218,628**	**1,392,159**

Changes in equity (000 RSD) (unconsolidated)	31 December 2007	30 June 2008
Balance, beginning of the year/period	2,683,587	2,685,839
Adjustments		
New issuance of shares		
Profit for the year/period	48,734	259,167
Dividends	-43,477	-104,910
Other	-3,005	
Balance at the end of the year/period	2,685,839	2,840,096

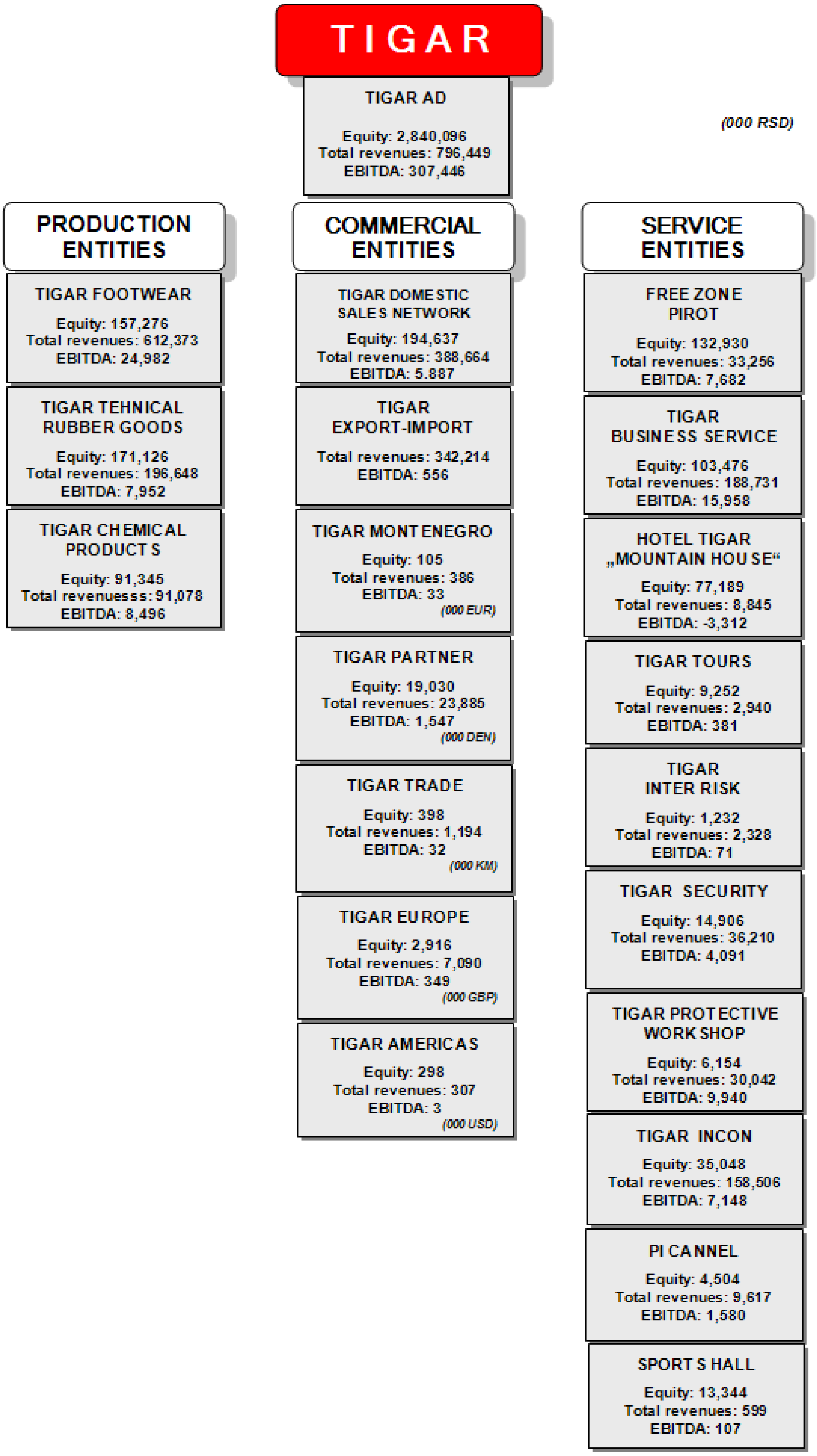
Changes in equity (000 RSD) (consolidated)	31 December 2007	30 June 2008
Balance, beginning of the year/period	2,672,120	2,705,522
Profit for the year/period	165,027	635,220
Dividends	-43,477	-56,174
Impact of exchange rate fluctuations		-4,999
Other	-88,148	-10,632
Balance, at the end of the year/period	2,705,522	3,268,937

Tigar AD's consolidated financials in thousands of dinars	January-June 2008
Assets	5,439,456
Equity	3,268,937
Total revenues	2,635,941
EBIT	702,565
EBITDA	748,507
Net income	635,220
Significant ratios	
Return on equity	19.43%
Debt-to-assets ratio	0.39
Liquidity and solvency ratios	
Current Ratio	1.33
Quick ratio	0.56
Debt / Equity	0.64
Ratios	
ROE	19.43%
ROA	11.68%
Net profit/operating income	36.88%
Net profit/total income	24.10%
Total financial liabilities/capital	30.73%

Note: Financials were not consolidated for the first six months of 2007 and are, therefore, not shown in the above table.

Tigar AD's unconsolidated financials in thousands of dinars	Jan. - June 2007	Jan. - June 2008	% Change
Assets	3,541,081	3,790,124	7%
Equity	2,683,909	2,840,096	6%
Total revenues	301,633	796,449	164%
EBIT	54,980	299,668	445%
EBITDA	63,386	307,446	385%
Net income	43,799	259,167	492%
Significant ratios			
Return on equity	1.63%	9.13%	459%
Return on shareholders equity	2.12%	12.57%	492%
Debt-to-assets ratio	0.24	0.25	3%
Liquidity and solvency ratios			
Current Ratio	1.87	1.32	-30%
Quick ratio	1.81	1.30	-28%
Debt / Equity	0.32	0.33	4%
Other ratios			
ROE	1.63%	9.13%	459%
ROA	1.24%	6.84%	453%
Net income/Total revenue	14.52%	32.54%	124%

Key subsidiary performance indicators



1.4. SIGNIFICANT BUSINESS ACTIVITIES COMPLETED DURING THE JANUARY-JUNE 2008 PERIOD

- An extraordinary session of the General Assembly of Shareholders (GAS) was held in February 2008, at which the GAS approved the sale of Tigar AD's 30% stake in Tigar Tyres for 18.6 million euros (in three equal parts, between July 2008 and February 2010), and the sale of land at the Tigar 2 location for approximately 7 million euros. This transaction, worth 32 million euros in total, also includes the sale of buildings at the Tigar 2 location, which are owned by Tigar's subsidiaries.

- The footwear plant at the old location was shut down in June 2008.

- Extensive construction and outfitting activities continued during the period at the Tigar III location. In addition to general development of the location itself, these activities included the construction of a new oil-and-gas-fired power station, preparations for the commissioning of the new footwear plant in September 2008 (total surface area 15,000 m^2), and preparations for the commissioning of the new Tigar Technical Rubber Goods plant, including the recycled-rubber products segment, before the end of 2008. The total investment in new footwear and technical rubber goods plants, excluding shared facilities at the location, is roughly 25 million euros.

- During the period, negotiations were conducted and documents prepared in connection with the execution of long-term capital loans whose proceeds will be used by the footwear business and the technical rubber goods business, including recycling. These loans total 14 million euros. Current plans call for 7 million to be disbursed before the end of the 3rd quarter, and the remaining 7 million before the end of the year.

- 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.

- During the period, an agreement was negotiated between Tigar Footwear and the Scottish company Hunter Boot Limited, concerning the purchase of manufacturing, sales and distribution rights for safety, fire-fighting and work boots under the Century, Forester and Firefighter brand names. The transaction also includes the purchase of machinery, equipment and lasts (forms) for the manufacture of these products. The legal grounds for this transaction are the Business and Asset Purchase Agreement and the Deed of Assignment of Intellectual Property. The transaction was completed in August 2008.

- During the first half of the year, 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.

- Preparation of a project with international consultants, concerning further upgrading of the domestic sales network, integration of logistics, and development of tourism on Mt. Stara Planina using Tigar's available capacities, began at the end of June 2008. Feasibility studies of all three segments, including investment and financial plans for the next three-year period, will be prepared in October 2008.

- 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.

1.5. KEY INVESTMENT ACTIVITIES

2008 plans call for the highest level of investment in non-tire businesses in the history of Tigar. Key activities are focused on the development of the Tigar III industrial location, including the construction of new centralized energy supply facilities and the outfitting of new industrial plants for the manufacture of rubber footwear and technical rubber goods (including recycled-rubber products).

Tigar invested in the new footwear plant for a number of reasons: Tigar is currently poised for growth and success in the footwear market, particularly the European footwear market. Economic forces and severe competition in the European Union market have led to the shutting down of manufacturing facilities in EU countries and the relocation of such facilities to low-manufacturing-cost countries. Similarly, economic and financial conditions in the transitioning domestic market have led to the liquidation of domestic competitors. The proximity of European markets, Tigar's long standing footwear manufacturing tradition and experience, and the quality of its finished products, give Tigar Footwear a significant competitive advantage. In the Balkans, familiar high quality, an attractive product appearance, and Tigar's overall positive brand image, have propelled Tigar Footwear to a leading position in the footwear market; this position has been solidified further over the past several years. Appropriate investment, better organization of operations, and a well thought-out marketing strategy will boost these advantages and further strengthen Tigar Footwear's market position. Tigar's sound human resource base, which includes experienced workers and specialists, can easily respond and adapt to any market demands, changes in the business environment, and new manufacturing technologies. Tigar Footwear's current profitability and product mix will be improved significantly by the introduction of new materials and new designs. Tigar Footwear's quality is becoming increasingly recognized by reputable footwear brand owners who have contacted Tigar seeking to establish a working relationship with the company. The overall cost of this project is estimated at 17.2 million euros: 7 million will be financed from a long-term capital loan and 10 million from cash flow. This project will double the production capacity of Tigar Footwear and will enable the company to capture 15% of the European rubber footwear market.

The second-largest investment will be made in Tigar Technical Rubber Goods (TRG). This project is aligned with manufacturing process requirements and based on the following objectives: capacity increase and elimination of bottlenecks; introduction of new technologies for new product lines; quality and capacity upgrades of existing machinery and equipment through reconstruction and automation, and purchasing of new machinery and equipment for new technologies; an increase in production volume; an increase in productivity; reduced scrap and waste levels; and an improved work environment.

Industrial outfitting of the new Tigar III location will provide TRG with quality industrial premises through a capital increase by its parent company, loans granted by external creditors and/or inter-company loans and/or equity contributions by non-Tigar sources. These funds will be used to finance equipment upgrades and purchases of new equipment. The selected location for the recycling segment of the project complies with all applicable criteria for this type of production activity. Plans call for the new production facilities at the Tigar III site to be commissioned before the end of 2008. The new TRG plant will allow for the automotive products unit to be separate at the new site, as required for the initiation of activities aimed at introducing TS 16949 standardization (imperative for automotive industry suppliers). This certification is scheduled for 2009. The total investment in this project (excluding its scrap tire recycling segment) is roughly 7.5 million euros and its completion is scheduled for the end of 2008.

Further investment in the development of the Serbian sales network was put on hold at the end of the period, pending the adoption of a three-year investment plan, to be included in the feasibility study currently being prepared.

in thousands of dinars	**Purchases of fixed assets**
	30 June 2008
Tigar Technical Rubber Goods	5,076
Tigar Chemical Products	1,642
Tigar Footwear	59,458
Tigar Domestic Trade Network	28,926
Tigar Export-Import	66
Business servises	23,854
Holding company	182,308
TOTAL	**301,330**

1.6. SALES

For most product groups, especially footwear and chemical products, the first six months of the year constitute the low season. On average, sales during the first half of the year are 1/3 of annual sales. In the domestic market, products were distributed both through direct sales and via Tigar Trade (Tigar's Domestic Sales Network). In the international market, sales were made through Tigar's commercial subsidiaries and a dealer network.

Tigar Trade reported sales revenues of 317 million dinars (or a level 24% higher than during the same period of a year ago). 33% of the goods were sold directly to individuals, 22% to end-user companies, and 45% to wholesale companies. Of total end-user sales (individuals and companies), 29% were conducted via the automotive service network and 26% via retail outlets. On a product basis, the highest income was generated by car tires sales (43%), followed by footwear sales (28%). The automotive service network reported the highest growth level (53%) relative to the same period of a year ago. Due to changes in buyer composition, Tigar's mark-up was 10% higher than a year ago, although its tire sales level actually slipped by 2%. Sales of automotive services contributed 20% of the total tire sales profit margin. Tigar Trade's overall average margin was 13%.

Tigar Footwear's sales income was 391 million dinars during the period, or 16% lower than during the same period of the previous year. The shutting down of the old Tigar Footwear plant resulted in 9 weeks of down time during the summer months, immediately prior to the high season which starts in August. During the first six months of 2008, Tigar Footwear created excess stock (primarily of its standard products – low footwear and work boots), in order to be able to respond to high customer demand at the beginning of the season. However, Tigar Footwear could not pre-manufacture all products, such as hunting and safety boots which are generally custom-made and exported, and this resulted in reduced income from exports. Deliveries to international customers were completed in June but no new orders could be accepted during July and August. Additionally, even though Tigar Footwear secured stocks of its standard products to bridge the production down time, the altered product mix resulted in a 7% decline in stocks by the end of June, which had a negative impact on sales income. Following the commissioning of the new, higher-capacity plant in September, Tigar Footwear is expected to make up the difference in production and sales levels resulting from its relocation.

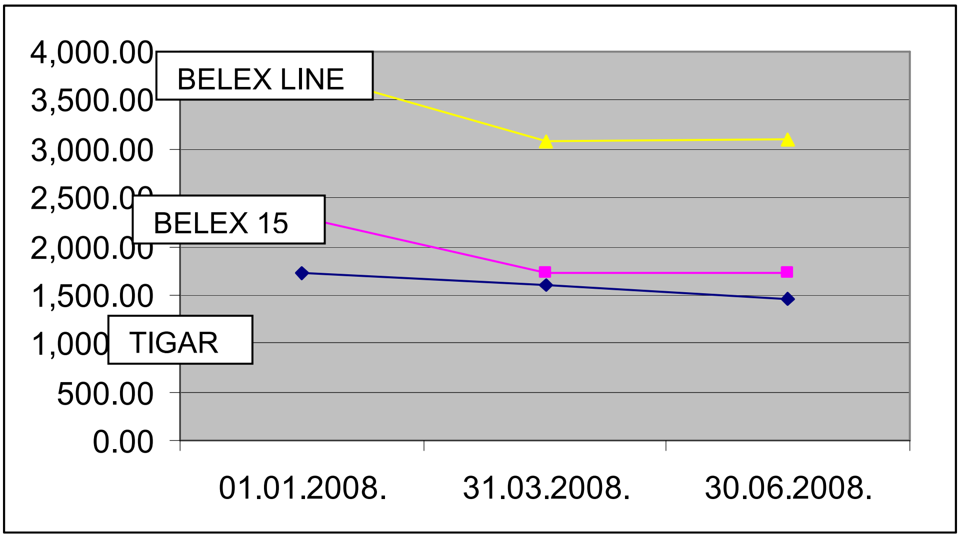
Tigar Technical Rubber Goods (TRG) reported the highest growth in sales. Total sales income of 168 million dinars was 40% higher than during the same period a year ago. Growth by segment ranged from 21% to 121%. Top performers within TRG were the rubber profile and tubing segments, which is especially positive in view of the fact that these are high-margin products. Sales are expected to grow further during the second half of the year, as a result of anticipated large orders for sporting goods from schools and sports clubs, military orders, and orders for recycled-rubber products. TRG stock levels did not increase during the period. Depending on market demand , TRG might shut down operations at Tigar II and relocate to Tigar III during the first two months of next year instead of the planned end-of-year time period.

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' sales income of 84 million dinars was 25% lower than during the same period of a year ago. In order to fill delayed orders, TCP reduced stocks by 13 million dinars relative to the same period a year ago and this directly affected its bottom line. These delayed orders also required TCP to work seven-day-weeks during the summer months.

Tigar's companies abroad reported an aggregate sales income of 456 million dinars. Tigar Europe was the top performer with 7 million pounds of goods sold during the first six months of the year (a major portion of these were tires). Following the acquisition of Hunter's Century Division, Tigar Europe will become the exclusive footwear buyer for the UK market and will take over the existing customer network, both of which will increase its sales income.

1.7. CAPITAL MARKET POSITION

Share price movement during the period was consistent with Serbian and regional capital market trends. 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.



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

	31 December 2007	30 June 2008	% Change
Number of shareholders	4,924	4,835	- 1.8%
Number of shares outstanding	1,718,460	1,718,460	-
Book value of shares	1,562.93	1,652.70	5.74%
Stock market value of shares	1,727.00	1,451.00	- 15.98%
Lowest price during the period	(16.04.2008) 1,350.00 RSD		
Highest price during the period	(09.01.2008) 1,792.00 RSD		
Average for the period *	**1,509.00 RSD**		
Market capitalization, RSD	2,967,780,420	2,493,485,460	- 15.98%
P/BV **	0.91		
P/E ***	10.00		
EPS ****	150.81		

* *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.*

Changes in shareholder structure as of 30 June 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.

Shareholders	31-12-2007	30-06-2008	% Change
National Equity Fund	24.98%	24.98%	-
National Pension and Disability Fund	8.72%	8.72%	-
Legal entities	45.15%	46.20%	1.05%
Individuals	29.30%	28.73%	-0.57%
Custody accounts	25.53%	25.06%	-0.47%

Top ten shareholders as of 30 June 2008

	Shareholder	Number of shares	%
1.	Equity Fund of the Republic of Serbia	429,429	24.98
2.	Pension and Disability Fund	149,981	8.72
3.	IBT	130,820	7.61
4.	Raiffeisen Zentralbank	110,225	6.41
5.	Societe Generale Yugoslav Bank	42,872	2.49
6.	Erste Bank Custody 00001	37,287	2.16
7.	Hypo Custody 4	28,134	1.63
8.	Stichting Shell Pensionenfonds	23,970	1.39
9.	Societe Generale Yugoslav Bank	23,496	1.36
10.	Bank Austria Creditanstalt	17,107	0.99
	TOTAL, TOP TEN SHAREHOLDERS	**993,321**	**57.74**

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 in April 2007, 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 annual and quarterly reporting, releases of information about significant events, participation in investor conferences, and direct contacts via appropriate corporate services. 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.

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 30 June 2008

Name	Shares held as of 31 May 2005	Shares held as of 30 June 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 risk associated with the physical implementation of projects and the time required to normalize production processes and eliminate potential problems. A good sign is that all activities during the first half of the year proceeded according to plan. This type of risk generally affects customers as well, who typically downsize their orders until the new plants are shown to be operating at normal production flow levels.

Risks related to raw material, fuel and energy prices

The period witnessed continual growth in raw material prices as a result of increasing oil prices and general changes in the raw materials market. Increases in raw material prices required 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 machinery and 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 machinery and equipment. Higher fuel prices resulted in increased shipping costs, especially within the country, since international customers generally pay their own shipping costs. Fuel oil price increases will be offset to a large extent through higher efficiency of the new power installations at the Tigar III location.

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

Rising inflation 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%. The appreciation of the dinar relative to the euro and other currencies had an extremely negative impact on operations, since sales in foreign currencies are considerably higher than purchases in these currencies.

The British pound exchange rate also had a negative impact on consolidated earnings because 50% of Tigar Europe's profits (proportional to Tigar's stake) are consolidated and a significant portion of Tigar Footwear's exports target the UK market. Long and complex procedures associated with the procurement of capital loans from international financial organizations resulted in Tigar having to finance its investment activities from cash flow and occasional short-term loans from commercial banks. Following approval of the capital loans, a portion of the proceeds will be returned to cash flow; this will have a favorable impact on liquidity and allow for a reduction in short-term debt. During the first half of 2008, despite the high level of investment from cash flow, there was no significant shift in short-term debt because funding largely relied on the proceeds from the transaction with Michelin. Increased capital cost was another significant risk which affected finance expenses. However, it was mitigated through a reduction in overall debt, negotiation of fixed interest rates, and, in part, reduced dinar basis for loans which include a foreign-currency clause.

Risks related to shareholder and corporate structure

During the first half of 2008, 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 as part of a capital increase 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.

A Waste Management Law and a related by-law addressing used tires are expected to be enacted by the end of 2008. The new law 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 30 June 2008, Tigar had 2,101 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 84 local employees.

As of 30 June 2008, the employment structure was as follows:

Workforce as of 30 June 2008	
Company	**Number of employees**
Tigar AD	187
Tigar Footwear	844
Tigar Business Services	192
Tigar Technical Rubber Goods	230
Tigar Chemical Products	79
Domestic Sales Network	176
Others	393
Total	2,101

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

Upon retirement, all employees are entitled to three monthly salaries in accordance with Art. 119 (1) (1) of the Labor Law, while those who opt to retire as soon as they fulfill one of the two criteria for retirement receive two additional monthly salaries as an incentive. Tigar's retired employees generally continue to maintain contact with Tigar. For example, Tigar pays a two-month salary equivalent to the family upon a retiree's death. Currently, 68 employees and retirees are repaying housing loans obtained from Tigar. Apart from statutory requirements, Tigar has no special programs or funds for employees' health insurance, retirement or other social security matters.

Employee expenses

Total January-June 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 (in 000 RSD) 598,783. The table below shows paid salaries as a percentage of sales revenues.

January-June 2008 employee expenses			
	Net salaries in 000 RSD	Gross salaries in 000 RSD	% of Sales revenues
Tigar AD	40,377	66,963	71.30%
Tigar Footwear	124,407	204,385	52.22%
Tigar Business Services	33,696	55,666	31.77%
Tigar Technical Rubber Goods	40,483	66,839	39.81%
Tigar Chemical Products	15,078	24,923	29.56%
Domestic Sales Network	31,726	52,326	16.16%
Others	71,139	127,681	21.23%
Total	356,906	598,783	32.58%

Taxes, health insurance and pension fund contributions during the period amounted to 235,817 000 RSD.

Optimization of human resources

During the January-June 2008 period, 47 employees left Tigar AD and its subsidiaries on the following grounds:

	Retirement	Redundancy	Other*	TOTAL
Tigar AD		2	5	7
Tigar Footwear	17		1	18
Tigar Business Services	2			2
Tigar Technical Rubber Goods	1	1	1	3
Tigar Chemical Products		3		3
Domestic Sales Network			6	6
Others		2	6	8
Total	20	8	19	47

*Of these 19 employees, 6 left the Company of their own volition, 9 voluntarily moved to another entity within the Tigar Group, 2 passed away, and 1 was 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 2008. Solving the problem of employee redundancy on a voluntary basis was a major component of the social stability policy.

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

Workforce downsizing costs and percentage of gross salaries		
	In 000 RSD	%
Tigar AD	613	0.91
Tigar Footwear	3,450	1.69
Tigar Business Services	273	0.49
Tigar Technical Rubber Goods	546	0.82
Tigar Chemical Products	1,088	4.36
Domestic Sales Network		
Others	1,100	2.10
Total	7,070	1.18

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	33	17	12	17

Tuition and scholarship expenses paid during the period amounted to RSD 2,630,282 (or 0.44% of paid 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	48	76	124
Tigar Footwear	1,024	58	1,082
Tigar Business Services	38	14	52
Tigar Technical Rubber Goods	78	50	128
Tigar Chemical Products	40	3	43
Domestic Sales Network		260	260
Others	412	64	476
Total	1,640	525	2,165

January-June 2008 employee training expenses amounted to 6,741,000 RSD (or 1.12% of paid 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 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 of maturity of the system. All identified risks relating to product quality or environmental health are kept under strict control.

The IMS is currently being upgraded to include occupational health and safety management per OHSAS 18001. OHSAS 18001 certification will be obtained upon full implementation of this system.

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. This system facilitates response by Tigar's subsidiaries to potential environmental impacts and the implementation of preventative and control measures which improve the status of the environment.

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

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

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

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

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

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

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.

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 high consumption levels 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. These uses do not result in any contamination by manufacturing processes.

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

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

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

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.

Registered trademarks as of 30 June 2008

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	-	Tigar Planinarski Dom	-	Tigar AD
Ž-918/07	27.04.07	-	Tigar Tours	-	Tigar AD
Ž-842/07	18.04.07	-	Markol	-	Tigar AD
Ž-1129/07	17.05.07	-	Tigar Incon	-	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	-	Tigar AD
Ž-1704/07	26.07.07	-	Tigar Obuca	-	Tigar AD
Z-2440/07	17.10.07	-	Tigar Hemijski Proizvodi	-	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	-	Tigar AD
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 Tehnicka Guma	-	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 Trgovine	31.10.15	Tigar Trgovine
Int'l trademarks,	03.07.97	675 773	Tigar	20.05.17	Tigar AD
	24.10.78	675 773A	Tigar	20.05.17	Tigar Tyres
USA		1174089	Tigar Logo	15.08.12	Tigar Americas Corp.
SAD	02.11.07				Tigar Americas Corp.
SAD		77320619	Tigar	-	

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. As of 30 June 2008, 19 such applications were submitted.

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 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.

The Central Computer Room currently has two main servers: IBM AS/400 Model CS500 and AS/400 Model I 270. The operating system is OS400 V5R1. Both are used for communications, development and backup recovery, while the latter is also used as a main data server.

Database access is protected by means of a sign-in window in which the user must enter his or her user name and password. Each user is granted access on a custom, pre-defined basis.

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.

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

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.

The Company is continually seeking to improve data management quality, reliability and security. Consistent with this approach, the Company negotiated a contract in July concerning the purchase of a new central server IBM Power6 – Model M25, including a disaster recovery machine IBM Power6 – Model M15, which will be installed and implemented before the end of the year. This system will upgrade the information system and the services provided by the IT Function.

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 like 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 30 June 2008, the corporate governing bodies are as follows:

Board of Directors

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 6,716,574.

During the period the Board of Directors held six meetings.

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 Assurance
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.

During the first six months of 2008, the Executive Board held seven meetings at which monthly performance against Business Plan objectives and other issues relevant to operations were reviewed.

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

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

Supervisory Board

Current members of the Supervisory Board are:

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

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

The Supervisory Board held one meeting during the period.

Members of the Supervisory Board received an aggregate gross compensation of 2,198,938 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 investment in progress". Tigar owns several buildings in Belgrade, and Tigar Trade/Domestic Sales Network owns buildings across Serbia (office buildings, warehouses, and retail outlets).

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

Based on a resolution of Tigar AD's General Assembly of Shareholders concerning the sale of a portion of infrastructure-enabled land at the Tigar 2 location, and the pertinent contract with Tigar Tyres dated 27 March 2008, Tigar Tyres 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.

<u>Land</u>

As of 30 June 2008, Tigar uses 135 cadastral lots of un-built land (total surface area 289,669 m^2, total book value RSD 35,637,051.08).

<u>Buildings</u>

Tigar and its main subsidiaries own a total of 123 buildings (this figure excludes Tigar Trade DSN, which has 27 buildings).

The total surface area of the buildings owned by Tigar and its subsidiaries is 56,240 m^2 (of which 6,373 m^2 are owned by Tigar Trade DSN).

As of 30 June 2008, the book value of buildings owned by Tigar and its major subsidiaries was RSD 411,906,246.84

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

BOOK VALUE OF BUILDINGS (RSD)		
ENTITY	**31.12.2007**	**30.06.2008**
Tigar AD	190,812,494	58,288,939.92
Tigar Trade DSN	95,142,126	100,895,185.04
Tigar Technical Rubber Goods	827,305	799,663.00
Tigar Chemical Products	49,261,268	48,559,944.72
Tigar Footwear	29,965,650	29,537,157.20
Tigar Workshop		4,288,168.61
Tigar Business Services		65,157,940.90
Tigar Tours		6,621,773.10
Tigar Planinarski Dom Hotel		79,238,281.20
Tigar Security		903,598.31
Pirot Free Zone	19,339,001	17,616,246.84
Total:	***385,347,844***	***411,906,246.84***

Material encumbrances

The Company's material encumbrances as of 30 June 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 473,605.68);
- Agreement no. 3618/04 dated 6 October 2004, EUR 2,439,711.58 (outstanding balance EUR 1,634,951.93); and
- Agreement no. 3619/04 dated 6 October 2004, USD 2,362,641.42 (outstanding balance USD 1,588,316.96).

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 manufactures a variety of rubber footwear products addressing different segments of the market. Its main product lines include:

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

January-June 2008 financials

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	116,189	171,688
Current assets	792,060	952,007
Deferred tax assets	866	866
Total assets	**909,115**	**1,124,561**
Equity and liabilities		
Equity	80,909	157,276
Non-current liabilities	24,002	17,110
Current liabilities	804,204	950,175
Total equity and liabilities	**909,115**	**1,124,561**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	-36,901	3,186
+Depreciation	18,506	9,832
+Reserved costs for benefits	1,982	-6,893
+Recovery on provisions	0	0
Cash flow from operation	**-16,413**	**6,125**
Capital expenditures	**24,589**	**65,331**
Inventory increase (decrease)	160,071	174,188
+Receivables increase (decrease)	104,115	9,377
-Liabilities increase (decrease)	304,368	141,466
Working capital increase (decrease)	**-40,182**	**42,099**
Free cash flow	**-821**	**-101,305**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**612,373**	**-2%**
Total expenses	**609,187**	**-6%**
Profit (loss) before taxation	**3,186**	**Gain vs. loss**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**3,186**	**Gain vs. loss**

6.2. TIGAR TECHNICAL RUBBER GOODS

Tigar Technical Rubber Goods manufactures:

- Pressed rubber products
- Rubber profiles
- Sporting goods
- Rubber hoses
- Rubber-metal products
- Semi-finished rubber products

<u>January-June 2008 financials</u>

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	26,203	27,201
Current assets	444,543	231,833
Deferred tax assets	764	765
Total assets	**471,510**	**259,799**
Equity and liabilities		
Equity	22,502	171,126
Non-current liabilities	11,361	10,798
Current liabilities	437,647	77,875
Total equity and liabilities	**471,510**	**259,799**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	114,277	1,297
+Depreciation	10,908	4,078
+Reserved costs for benefits	727	-560
+Recovery on provisions	0	0
Cash flow from operation	**125,912**	**4,815**
Capital expenditures	**-89,968**	**5,076**
Inventory increase (decrease)	5,242	12,359
+Receivables increase (decrease)	288,660	-220,661
-Liabilities increase (decrease)	235,384	-359,656
Working capital increase (decrease)	**58,519**	**151,354**
Free cash flow	**157,361**	**-151,615**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**196,648**	**64%**
Total expenses	**195,351**	**42%**
Profit (loss) before taxation	**1,297**	**Gain vs. loss**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**1,297**	**Gain vs. loss**

6.3. TIGAR CHEMICAL PRODUCTS

Tigar Chemical Products manufactures:

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

January-June 2008 financials

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	66,375	64,664
Current assets	165,729	188,475
Deferred tax assets	755	755
Total assets	**232,859**	**253,894**
Equity and liabilities		
Equity	51,397	91,345
Non-current liabilities	2,729	1,641
Current liabilities	178,733	160,908
Total equity and liabilities	**232,859**	**253,894**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	-15,248	3,800
+Depreciation	6,163	3,353
+Reserved costs for benefits	186	-1,089
+Recovery on provisions	0	0
Cash flow from operation	**-8,899**	**6,064**
Capital expenditures	**4,876**	**1,642**
Inventory increase (decrease)	952	333
+Receivables increase (decrease)	21,455	10,533
-Liabilities increase (decrease)	37,057	-17,824
Working capital increase (decrease)	**-14,650**	**28,689**
Free cash flow	**875**	**-24,268**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**91,078**	**-14%**
Total expenses	**87,278**	**-16%**
Profit (loss) before taxation	**3,800**	**78%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**3,800**	**78%**

6.4. TIGAR TRADE – DOMESTIC SALES NETWORK

January-June 2008 financials

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	219,307	253,252
Current assets	422,163	558,987
Deferred tax assets	0	0
Total assets	**641,470**	**812,239**
Equity and liabilities		
Equity	86,415	194,637
Non-current liabilities	10,927	10,775
Current liabilities	543,422	606,121
Deferred tax liabilities	706	706
Total equity and liabilities	**641,470**	**812,239**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	-85,275	-4,897
+Depreciation	12,799	8,722
+Reserved costs for benefits	446	0
+Recovery on provisions	0	0
Cash flow from operation	**-72,030**	**3,825**
Capital expenditures	**56,683**	**42,197**
Inventory increase (decrease)	99,772	101,740
+Receivables increase (decrease)	-97,675	33,929
-Liabilities increase (decrease)	123,079	64,216
Working capital increase (decrease)	**-120,982**	**71,453**
Free cash flow	**-7,730**	**-109,825**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**388,664**	**43%**
Total expenses	**393,465**	**23%**
Profit (loss) before taxation	**-4,801**	**90%**
Income taxes	**96**	
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**-4,897**	**90%**

6.5. TIGAR EXPORT – IMPORT

January-June 2008 financials

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	2,267	2,157
Current assets	483,890	572,867
Loss above capital	0	593
Total assets	**486,157**	**575,617**
Equity and liabilities		
Equity	1,032	0
Non-current liabilities	957	957
Current liabilities	484,131	574,623
Deferred tax liabilities	37	37
Total equity and liabilities	**486,157**	**575,617**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	201	241
+Depreciation	102	176
+Reserved costs for benefits	79	0
+Recovery on provisions	0	0
Cash flow from operations	**382**	**417**
Capital expenditures	**1,975**	**66**
Inventory increase (decrease)	8,119	-4,106
+Receivables increase (decrease)	467,868	96,022
-Liabilities increase (decrease)	482,709	90,492
Working capital increase (decrease)	**-6,722**	**1,424**
Free cash flow	**5,128**	**-1,072**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**342,214**	**36%**
Total expenses	**341,886**	**37%**
Profit (loss) before taxation	**328**	**-87%**
Income taxes	**86**	**16%**
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**242**	**-90%**

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, sales of rubber footwear to US and Canadian markets, and re-selling of goods manufactured by other Serbian companies.

January-June 2008 financials

Income statement in thousands of US dollars	January-June 2008	Change relative to January-June 2007
Sales and marketing income	**307**	**58%**
Cost of goods sold	213	300%
Gross profit	**94**	**-33%**
Sales, general and administrative expenses	91	-27%
Profit/Loss from operations	**3**	**-82%**
Other income (expense)	0	
Net Profit/Loss before corporate taxes	**3**	**-82%**
Provision for income taxes	0	
Net profit (loss)	**3**	**-82%**

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 financial result matched projections.

January-June 2008 financials

Balance sheet in thousands of GBP	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	9	9
Current assets	4,000	5,207
Total assets	**4,008**	**5,216**
Equity and liabilities		
Equity	2,625	2,916
Non-current liabilities	0	0
Current liabilities	1,383	2,300
Total equity and liabilities	**4,008**	**5,216**

Income statement in thousands of GBP	January-June 2007	January-June 2008	% Change
Turnover	**7,948**	**7,029**	**-12%**
Cost of sales	7,236	6,436	-11%
Gross Profit	**711**	**593**	**-17%**
Administrative expenses	232	250	7%
Operating Profit	**479**	**344**	**-28%**
Interest receivable	50	57	14%
Profit on ordinary activities before taxation	**529**	**405**	**-23%**
Tax on profit on ordinary activities	153	113	-26%
Retained profit for the period	**376**	**291**	**-22%**

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

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

TIGAR MONTENEGRO

Balance sheet in thousands of euros	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	5	4
Current assets	286	355
Deferred tax assets		
Total assets	**291**	**359**
Equity and liabilities		
Equity	74	105
Non-current liabilities		
Current liabilities	217	254
Total equity and liabilities	**291**	**359**

Cash flow in thousands of euros	1 January 2008	30 June 2008
Net profit	58	31
+Depreciation	5	1
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**63**	**33**
Capital expenditures	**0**	**0**
Inventory increase (decrease)	34	134
+Receivables increase (decrease)	90	-59
-Liabilities increase (decrease)	23	37
Working capital increase (decrease)	**101**	**38**
Free cash flow	**-38**	**-6**

Income statement in thousands of euros	January-June 2008	Change relative to January-June 2007
Total income	**386**	**-2%**
Total expenses	**354**	**-3%**
Profit (loss) before taxation	**31**	**24%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**31**	**24%**

TIGAR TRADE (Banja Luka)

Balance sheet in thousands of KM	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	302	286
Current assets	1,299	1,405
Deferred tax assets		
Total assets	**1,601**	**1,691**
Equity and liabilities		
Equity	414	398
Non-current liabilities	62	34
Current liabilities	1,125	1,259
Deferred tax liabilities		
Total equity and liabilities	**1,601**	**1,691**

Cash flow in thousands of KM	1 January 2008	30 June 2008
Net profit	67	7
+Depreciation	24	16
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**90**	**23**
Capital expenditures	**73**	**0**
Inventory increase (decrease)	-61	154
+Receivables increase (decrease)	10	61
-Liabilities increase (decrease)	262	-177
Working capital increase (decrease)	**-313**	**392**
Free cash flow	**330**	**-369**

Income statement in thousands of KM	January-June 2008	Change relative to January-June 2007
Total income	**1,194**	**28%**
Total expenses	**1,187**	**28%**
Profit (loss) before taxation	**7**	**545%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**7**	**545%**

TIGAR PARTNER

Balance sheet in thousands of denars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	221	1,511
Current assets	35,176	36,465
Deferred tax assets	0	0
Total assets	**35,396**	**37,976**
Equity and liabilities		
Equity	17,922	19,030
Non-current liabilities	0	0
Current liabilities	17,475	18,946
Total equity and liabilities	**35,396**	**37,976**

Cash flow in thousands of denars	1 January 2008	30 June 2008
Net profit	3,117	1,109
+Depreciation	372	186
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**3,489**	**1,295**
Capital expenditures	**8**	**1,477**
Inventory increase (decrease)	-2,946	7,297
+Receivables increase (decrease)	2,642	-1,661
-Liabilities increase (decrease)	643	1,471
Working capital increase (decrease)	**-947**	**4,165**
Free cash flow	**4,428**	**-4,347**

Income statement in thousands of denars	January-June 2008	Change relative to January-June 2007
Total income	**23,885**	**2%**
Total expenses	**22,638**	**1%**
Profit (loss) before taxation	**1,248**	**45%**
Income taxes	**139**	**7%**
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**1,109**	**52%**

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 hectares of infrastructure-enabled land, with its own railroad track and 150 telephone lines. 53 companies currently operate in the Free Zone, including 38 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	30 June 2008
Assets		
Non-current assets	78,440	123,907
Current assets	91,726	90,629
Deferred tax assets	0	0
Total assets	**170,166**	**214,536**
Equity and liabilities		
Equity	36,658	103,476
Non-current liabilities	37,650	36,256
Current liabilities	95,666	74,612
Deferred tax liabilities	192	192
Total equity and liabilities	**170,166**	**214,536**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	24,726	7,572
+Depreciation	9,981	6,254
+Reserved costs for benefits	472	0
+Recovery on provisions	0	0
Cash flow from operation	**35,179**	**13,826**
Capital expenditures	**52,818**	**68,647**
Inventory increase (decrease)	-7,888	-468
+Receivables increase (decrease)	-6,041	-515
-Liabilities increase (decrease)	19,093	-18,542
Working capital increase (decrease)	**-7,060**	**17,559**
Free cash flow	**7,380**	**-72,380**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**188,731**	**12%**
Total expenses	**180,594**	**25%**
Profit (loss) before taxation	**8,137**	**-66%**
Income taxes	**565**	**19%**
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**7,572**	**-68%**

Other service subsidiaries: Aggregate financials

Income statement in thousands of RSD	**January-June 2008**	**Change relative to January-June 2007**
Operating income	**246,878**	**57%**
Operating expenses	**232,867**	**63%**
Profit from operations	**14,011**	**-2%**
Finance income	**684**	**229%**
Finance expenses	**585**	**377%**
Other income	**1,525**	**375%**
Other expenses	**290**	
Profit (loss) before taxation	**15,345**	**5%**
Income taxes	323	**850%**
Deferred income tax expense	3	
Deferred income tax benefit	0	
Net profit for the period	**15,019**	**3%**

JANUARY-JUNE 2008 INTERIM REPORT	Document reference
	IZ.P.08/04

Pirot Free Zone financials

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	113,047	117,530
Current assets	37,600	32,860
Deferred tax assets	78	78
Total assets	**150,725**	**150,468**
Off balance sheet assets		**3,500**
Equity and liabilities		
Equity	130,541	132,930
Non-current liabilities		
Current liabilities	20,184	17,538
Total equity and liabilities	**150,725**	**150,468**
Off balance sheet liabilities		**3,500**

Cash flow in thousands of dinars	1 January 2008	30 June 2008
Net profit	9,225	7,002
+Depreciation	1,885	940
+Reserved costs for benefits	0	0
+Recovery on provisions	0	0
Cash flow from operation	**11,109**	**7,941**
Capital expenditures	**6,044**	**5,376**
Inventory increase (decrease)	125	-0
+Receivables increase (decrease)	4,074	-2,434
-Liabilities increase (decrease)	6,415	-2,647
Working capital increase (decrease)	**-2,217**	**212**
Free cash flow	**7,282**	**2,353**

Income statement in thousands of dinars	January-June 2008	Change relative to January-June 2007
Total income	**33,256**	**8%**
Total expenses	**26,254**	**26%**
Profit (loss) before taxation	**7,002**	**-29%**
Income taxes		
Deferred income tax expense		
Deferred income tax benefit		
Net profit for the period	**7,002**	**-29%**

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 financial statements summarized in this report have not been audited since it is an interim report.

The period addressed in this report is characterized by the following: Large investments were made in the outfitting of new industrial facilities. Investments were financed from cash flow and occasional short-term loans (to bridge the gap until proceeds of long-term loans become available). The footwear plant was prepared for production at its new site following a 9-week shutdown (at minimal cost) due to relocation. A significant effect of exchange rate fluctuations on sales income earned in foreign currencies was noted. A considerable capital gain associated with the Michelin transaction was realized.

Although extraordinary income was a considerable portion of total income, reported results are realistic because this extraordinary income was covered by a cash infusion, meaning that it 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 consolidated bottom line is largely the outcome of the business performance 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-based 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 single contributor to the negative consolidated result.

However, consolidated sales income is at a level which allows business plan objectives to be achieved at year-end, since the high season for most of Tigar's businesses is the second half of the year, and particularly the last quarter.

A consolidated profit of 635 million dinars also creates realistic conditions for achieving the projected consolidated result of ten million euros at the end of the financial year, both because of the forthcoming high season and the booking of capital gains based on the sale of Tigar's 10% interest in Tigar Tyres to Michelin. The expected unconsolidated result of the Holding Company is in the order of five million euros.

As for the results of Tigar's subsidiaries, Tigar Footwear did not achieve its sales plan goals during the first six months of the year due to the impact of relocation felt during the last two months of the period, stock levels having fallen below plan levels, and the maintenance of fixed costs (including salaries) at projected levels, all of which reduced performance results reported by this unit. Tigar Technical Rubber Goods achieved extraordinary results in sales but incurred higher costs than anticipated, mostly due to growing raw materials prices. Tigar Chemical Products also failed to meet expectations due to reduced road paint sales levels, resulting from deferred orders from road maintenance companies. In view of the reasons for failing to perform according to plan at subsidiary level, it is realistic to expect that their bottom lines will be closer to projected levels by the end of the year.

The Domestic Sales Network, however, reported a 24% growth in sales and a 20% growth in profit margins relative to the same period a year ago. Although total income was 33% higher, expenses were 24% higher as well. The cost of commercial goods sold by the DSN increased as a result of increased sales, but so did employee expenses and depreciation costs following the opening of new sales outlets. Other operating expenses were 8% lower but this was not sufficient to report a positive result and the period ended with a 4.8 million dinar loss. It is noteworthy that the DSN no longer has to cope with bad debts, which were a considerable burden during the previous years.

All of Tigar's companies aboard reported a positive bottom line, albeit lower than previously. Since no issues with regard to tire supply are expected through the end of 2008, and since there will be a significant increase in footwear sales following the acquisition of Hunter's Century Division, Tigar Europe (the company with the largest turnover among this group), is expected to perform at least as well as it did last year. However, British pound exchange rate fluctuations might have a minor effect on the consolidated bottom line (to which Tigar Europe contributes 50% of its profits). The commercial network in the Balkans will undergo restructuring and re-orientation from wholesale customers to end-users, since market conditions have changed and the previous wholesale approach is not expected to yield the same results as before.

Tigar's service subsidiaries reported positive results, which roughly matched those reported for the same period of a year ago. The hotel was the only subsidiary to report a loss, even though its operating income grew by 50%. Its major constraint is a limited capacity of 14 rooms and high fixed costs associated with operating a three-star facility; these issues will be addressed through a project which has already been initiated and whose main objectives include the optimization of the hotel's capacity.

7.2. TIGAR AD'S CONSOLIDATED FINANCIAL RESULT

Consolidated balance sheet in thousands of Dinar	Opening balance as of 1 Jan. 08	30 June 08
Assets		
Non-current assets	2,465,897	2,945,354
Current assets	2,989,931	2,475,999
Deferred tax assets	28,301	18,103
Total assets	**5,484,129**	**5,439,456**
Equity and liabilities		
Equity	2,705,522	3,268,937
Non-current liabilities	313,684	302,306
Current liabilities	2,461,639	1,867,059
Deferred tax liabilities	3,284	1,154
Total equity and liabilities	**5,484,129**	**5,439,456**

Consolidated income statement in thousands of Dinars	January-June 2008
Total income	**2,635,941**
Total expenses	**1,993,485**
Profit/(Loss) before taxation	**642,456**
Income taxes	**7,183**
Deferred income tax expense	**53**
Deferred income tax benefit	
Net result for the period	**635,220**
Minority interest	2,846
Tigar AD	632,374

Consolidated cash flow statement, 000 RSD	31 Dec. 2007	30 June 2008
Cash flows from operating activities		
Inflow from operating activities	4,446,699	2,100,177
Outflow from operating activities	5,369,332	2,305,145
Net cash used in operating activities	-922,633	-204,968
Cash flows from investing activities		
Inflow from investing activities	1,200,731	636,355
Outflow from investing activities	325,752	306,586
Net cash (used in)/from investing activities	874,979	329,769
Cash flows from financing activities		
Inflow from financing activities	109,167	0
Outflow from financing activities	42,000	101,276
Net cash provided by/(used in) financing activities	67,167	-101,276
Net increase/decrease in cash and cash equivalents	19,513	23,525
Cash and cash equivalents at beginning of year	309,356	325,936
Foreign exchange losses on translation of cash and cash equivalents	-2,933	2,217
Cash and cash equivalents at the end of the year/period	**325,936**	**351,678**

7.3. 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

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

Income statement in thousands of dinars	Tigar AD	Manufacturing subsidiaries	Commercial subsidiaries	Service subsidiaries	Total
Total income	796,449	900,099	1,204,124	459,827	3,360,499
Total expenses	537,282	891,816	1,183,631	431,432	3,044,161
Profit (loss) before taxation	259,167	8,283	20,492	28,395	316,337
Income taxes			6,293	888	7,181
Deferred income tax expense				2	2
Deferred income tax benefit					
Net profit for the period	259,167	8,283	14,199	27,505	309,155

Note 1: All items shown proportional to interest held. Service subsidiaries include the Pi Channel and the Sports Center whose results are not consolidated.

Note 2: Tigar AD's result does not reflect 2008 results of subsidiaries (its result was increased by paid 2007 dividends and decreased by 2007 losses, but 2008 subsidiary results are generally not included in interim reports).

Financial results by geographical area

Income statement in thousands of dinars	Serbia	The Balkans	EU + USA	Total
Total income	2,887,253	82,355	390,890	3,360,499
Total expenses	2,595,881	78,925	369,355	3,044,161
Profit (loss) before taxation	291,372	3,430	21,535	316,337
Income taxes	1,070	129	5,982	7,181
Deferred income tax expense	2			2
Deferred income tax benefit				
Net profit for the period	290,300	3,302	15,553	309,155

7.4. TIGAR AD'S UNCONSOLIDATED FINANCIAL RESULT

Balance sheet in thousands of dinars	Opening balance as of 1 January 2008	30 June 2008
Assets		
Non-current assets	2,336,257	2,807,698
Current assets	1,253,312	979,970
Deferred tax assets	2,456	2,456
Total assets	**3,592,025**	**3,790,124**
Equity and liabilities		
Equity	2,685,839	2,840,096
Non-current liabilities	210,887	206,019
Current liabilities	695,299	744,009
Total equity and liabilities	**3,592,025**	**3,790,124**

Income statement in thousands of dinars	Jan. - June 2007	Jan. - June 2008	% Change
Total income	**301,633**	**796,449**	**164%**
Total expenses	**257,751**	**537,282**	**108%**
Profit (loss) before taxation	**43,882**	**259,167**	**491%**
Income taxes	**83**		
Deferred income tax expense			
Deferred income tax benefit			
Net profit for the period	**43,799**	**259,167**	**492%**

Cash flow in thousands of dinars	31 December 2007	30 June 2008
Cash flows from operating activities		
Inflow from operating activities	403,845	124,725
Outflow from operating activities	1,165,646	368,213
Net cash used in operating activities	-761,801	-243,488
Cash flows from investing activities		
Inflow from investing activities	930,694	821,705
Outflow from investing activities	171,738	467,159
Net cash (used in)/from investing activities	758,956	354,546
Cash flows from financing activities		
Inflow from financing activities	155,017	989,304
Outflow from financing activities	42,671	1,090,708
Net cash provided by/(used in) financing activities	112,346	-101,404
Net increase/decrease in cash and cash equivalents	109,501	9,654
Cash and cash equivalents at beginning of year	3,892	113,277
Foreign exchange gains on translation of cash and cash equivalents	16,895	3,292
Foreign exchange losses on translation of cash and cash equivalents	17,011	36
Cash and cash equivalents at the end of the year/period	**113,277**	**126,187**

TIGAR AD

Jelena Petković
Executive Director
for Corporate Management Support

TIGAR AD

Dragan Nikolić
Board of Directors Chairman