



**TIGAR AD  
SUPERVISORY BOARD**

**REPORT OF THE SUPERVISORY BOARD**

Date: 2012-05-18

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**TO THE SHAREHOLDERS' ASSEMBLY OF TIGAR AD**

Pursuant to Article 592 (7) of the Companies Law (Official Gazette of the Republic of Serbia, nos. 36/11 and 99/11) and pursuant to Article 103 (b) (1) of the Articles of Association of the Joint-Stock Company Tigar Pirot (Tigar AD), the Company's Supervisory Board hereby submits the following

**Report to Shareholders  
on Tigar AD performance in 2011**

The Supervisory Board of the Joint-Stock Company Tigar, Pirot (hereafter: Tigar AD), composed of Milivoje Cvetanović, Milić Radović and Dragan Milosavljević, was elected for a term of office of 3 years at the session of the Shareholders' Assembly held on 19 June 2009. At the same time and under the same resolution, **Milivoje Cvetanović** was appointed to serve as Chairman of the Supervisory Board.

In preparation for the 2012 annual session of Tigar AD's Shareholders' Assembly, the Supervisory Board reviewed Tigar AD's 2011 Annual Report, inspected various documents as necessary, and familiarized itself with all the facts relating to the accounting and reporting practices at Tigar and its subsidiaries, compliance with the law, and compliance of the organization and its actions with the Code of Business Ethics.

The Financial Report was found to have been prepared in conformity with applicable regulations. The Annual Report provides an assessment of the Company's business environment and describes the status of all key processes within Tigar which are reflected in its operating result.

In addition to the Financial Report, the Supervisory Board inspected other documents related to the activities of the Board of Directors, the Executive Board, the Chief Executive Officer and other bodies of the Company, and found that these documents were issued in accordance with applicable regulations and that they reflected the Company's adopted policies.

In addition to the financial result of the Holding Company Tigar AD, Tigar reported the consolidated result for Tigar and its subsidiaries. The Supervisory Board was pleased to note a continued growth of operating income, which is indicative of a positive trend, regardless of the current financial result which depended on many internal and external factors during the period.

As required by law, Tigar's financial statements have been audited by an independent auditor, whose opinion will be presented to the Shareholders' Assembly.

The Supervisory Board is of the opinion that the reported net profit of 121,996 (000) RSD for the year 2011 is true and accurate and concurs with the recommendation of Tigar AD's Board of Directors that the net profit be allocated to retained earnings, while leaving the possibility that if long-term sources of financing are increased and conditions are created for the distribution of dividends, the competent body of the Company may issue a decision to distribute dividends up to 30% of the profit reported in 2011 accounts.

Such a distribution is in line with the Company's financial capabilities and needs, while the remainder of the retained earnings will be kept for special purposes, primarily investments as needed by the Company.

It is the opinion of the Supervisory Board that the 2011 Annual Report is correct and comprehensive, that it highlights issues which constitute the essence of Tigar's business operations, and that it contains a realistic assessment of Tigar's business environment.

The Company's Financial Report, which is a numerical summary of the results of its operations, has been prepared in a self-explanatory manner and is consistent with accounting standards and regulations, and with adopted accounting policies.



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The Supervisory Board is familiar with the preparations for the session of Tigar AD's Shareholders' Assembly, and is also actively taking part in the preparation of some of the materials for the session.

The Supervisory Board has not only reviewed the Company's accounts, but also management activities leading to the achievement of the reported business results. It has concluded that management made an utmost effort to accomplish the goals set by the business policies and plans, and to ensure that the organization follows the Code of Business Ethics.

The Supervisory Board has also found that the Company's organization and operations were consistent with its Corporate Governance Code, and that there have been no complaints from shareholders, corporate bodies, or other parties, or any proceedings in this regard.

The Supervisory Board is familiar with the comprehensive activities aimed at aligning the organization and operations of the Holding Company and its subsidiaries with the new Companies Law and other applicable legislation. These activities are proceeding in accordance with the procedures and dates stipulated by this legislation and the Company's internal documents.

The management and financing of subsidiaries, as the principal business activity of the Company, along with the supply of supporting services (in human resources, legal, accounting, finance and other areas), as well as sales, purchasing and commercial logistical services in the country and abroad (following merging of Tigar Trade LLC with the Holding Company Tigar AD), were the main features of the Company's business activities and sources of income in 2011.

Despite the negative impact of the global financial crisis, the Company again reported a profit, the value of the Company was maintained, and a robust basis was created, after a period of investment, to achieve full product commercialization and growth, and to report good operating results in the coming years.

The Supervisory Board will deem that it has successfully completed its task if the Shareholders' Assembly shares its opinion and accepts this Report.

Issued in Belgrade on 18 May 2012.

**TIGAR AD  
SUPERVISORY BOARD**

**s. Milivoje Cvetanović  
Chairman**