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Ernst & Young d.o.o. Beograd
Španskih boraca 3
11070 Beograd, Srbija

Tel: +381 11 2095 800
Fax: +381 11 2095 890
ey.com/rs

This is English translation of the Report originally issued in Serbian language (For management purposes only)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TIGAR A.D. PIROT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tigar a.d. Pirot (hereinafter: the Company), which comprise the balance sheet as at 31 December 2014, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and other accounting regulations in Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

a) As of 31 December 2014 total receivables from related parties amounted to RSD 2,256,184 thousand (31 December 2012: RSD 2,010,996 thousand). The Company did not assess recoverability of these receivables and made no provision against them, as of these dates, although the related parties have significant liquidity issues and accumulated operational losses. Considering the absence of the recoverability analysis we were unable to assure ourselves that the receivables from related parties are stated fairly as of 31 December 2014 and 31 December 2013 and whether any impairment provision should be recorded in 2014 and 2013 income statement.

b) As of 31 December 2014 investments in subsidiaries and associates amount to RSD 492,897 thousand (31 December 2013: RSD 868,220 thousand). Although there is an indication that investments with the carrying value of RSD 316,026 thousand as of 31 December 2014 (31 December 2013: RSD 868,220 thousand) relating to subsidiaries and associates, which have significant liquidity issues and accumulated losses may be impaired, the Company did not provide us with the analysis of its recoverable amount. Accordingly we were unable to determine the possible impact of unrecognized impairment losses as of 31 December 2014 and 31 December 2013. During 2014 the Company recognized the impairment of RSD 255,588 thousand in 2014 income statement. Due to the limitations mentioned above we were in addition not able to determine whether this impairment of RSD 255,588 thousand should be recorded in 2014 income statement or partly/fully already recognized in 2013 income statement with the related impact on the retained earnings.

PIB: 101824091 • Matični broj: 17155270 • Upisan i unet osnovni kapital: 15.075,01 EUR
Registarski broj 47839 kod Agencije za privredne registre
Poslovni račun 160-0000000399176-13 kod Banca Intesa a.d. Beograd

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c) As of 31 December 2014 total inventories amounted to RSD 453,874 thousand (31 December 2013: RSD 621,303 thousand). As of 31 December 2014 this amount includes the balance of RSD 77,623 thousand (31 December 2013: RSD 55,711 thousand) relating to slow-moving inventories, for which the Company did not provide us with the proper analysis of impairment. Accordingly we were unable to determine the possible impact of unrecognized inventory provision as of 31 December 2014 and 31 December 2013 and related effect on the income statement and retained earnings.

d) As of 31 December 2014, total investment property amounted to RSD 290,896 thousand (31 December 2013: RSD 395,695 thousand). Based on the Company's accounting policies the investment property is carried at fair value, with the most recent fair value appraisal performed as of 31 December 2014 which resulted in recognition of the decrease of the fair value of investment properties by RSD 104,799 thousand which was recorded in the 2014 income statement. However, as of 31 December 2013 the Company did not perform reassessment of fair value of its investment property. Accordingly, we were unable to determine whether the full amount of the decrease of the fair value by RSD 104,799 thousand should have been recorded in 2014 income statement or partly/fully in 2013 income statement with the related effect on the retained earnings.

Qualified opinion

In our opinion, except for the effects of the matters described in Basis for qualified opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Law on Accounting and other accounting regulations in the Republic of Serbia.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the note 2.2. to the financial statements. The Company realized net loss amounting to RSD 849,115 thousand for the year ended 31 December 2014. Moreover, current liabilities exceed current assets reported as at 31 December 2014 by RSD 2,282,682 thousand. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, the Company has officially entered the restructuring process in accordance with the restructuring plan accepted by the creditors and is in the process of consolidating its business. Accordingly, the financial statements are prepared in accordance with going concern principle.

Other reporting requirements - report on the annual business report

We have reviewed the annual business report of the Company. Management is responsible for the preparation of the annual business report in accordance with the legal requirements of the Republic of Serbia. Our responsibility is to assess whether the annual business report is consistent with the annual financial statements for the same financial year. Our work regarding the annual business report has been restricted to assessing whether the accounting information presented in the annual business report is consistent with the annual financial statements and did not include reviewing other information contained in the annual business report originating from non-audited financial or other records. In our opinion, the accounting information presented in the annual business report is consistent, in all material respects, with the financial statements of the Company for the year ended 31 December 2014.

Belgrade, 12 June 2015

Stephen Fish, Partner
for Ernst & Young d.o.o. Beograd

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Ernst & Young
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d.o.o. BEOGRAD

Danijela Mirković
Authorized auditor