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*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 CONSOLIDATED FINANCIAL STATEMENTS

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Departure from generally accepted accounting framework

The Group had loans toward a bank as of 31 December 2013 whereas the balance of RSD 300,936 thousand was disclosed under non-current liabilities while the balance of RSD 501,559 thousand was presented under current liabilities. However, it was not in compliance with some of the loan covenants as of 31 December 2013 which is why the bank could ask for the early repayment of loan. Accordingly, non-current liabilities were overstated and current liabilities understated by RSD 300,936 thousand as of 31 December 2013.

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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Basis for Disclaimer of Opinion

a) As of 31 December 2014, the Group presented within its intangible assets capitalized development costs of RSD 368,449 thousand (31 December 2013: RSD 434,142 thousand). Owing to the fact that we were not provided with the documentation and further analysis on how these intangible assets will generate probable future economic benefits we were unable to assure ourselves whether the criteria for capitalization of development cost was met at initial recognition. Moreover, considering that the Group has significant current and accumulated losses, there is an indication that its intangible assets are impaired as of 31 December 2014 and 31 December 2013. However, the Group did not perform an analysis of whether its intangible assets are carried at the value exceeding its recoverable amount, in line with requirements of IAS 36 - Impairment of Assets. As a result, we were unable to assure ourselves whether the carrying value of intangible assets is free of material misstatement as of 31 December 2014 and 31 December 2013 and whether any impairment should be recorded in 2014 and 2013 consolidated income statement with related effect on consolidated retained earnings.

b) As of 31 December 2014 total investment property amounted to RSD 582,070 thousand (31 December 2013: RSD 755,514 thousand). Based on the Group's accounting policies the investment property is carried at fair value. As of 31 December 2014, the Group performed reassessment of fair value of its investment properties, and based on the reassessment recorded impairment losses of RSD 176,613 thousand. However, for investment properties amounting to RSD 291,174 thousand per the fair value appraisal and related impairment loss of RSD 68,814 thousand we were unable to assure ourselves that the methodology used was in accordance with requirements of IAS 40 - Investment Property. As a result, we were unable to assure ourselves whether the investment property amounting to RSD 291,174 thousand as of 31 December 2014 and impairment loss of RSD 68,814 thousand for the year then ended is fairly stated.

   In addition, the Group did not perform reassessment of fair value of its investment property as of 31 December 2013. Accordingly, we were unable to determine whether the full amount of the decrease of the fair value by RSD 176,613 thousand should have been recorded in the 2014 consolidated income statement or partly/fully in the 2013 consolidated income statement with the related effect on consolidated retained earnings and due to the limitations regarding the methodology used as mentioned above whether any additional impairment should have been recorded in 2014 and/or in the 2013 consolidated income statement with the related effect on consolidated retained earnings.

c) As of 31 December 2014 total inventories amounted to RSD 1,111,209 thousand (31 December 2013: RSD 1,174,985 thousand). Inventories with no movements over one year period, that were not provided for, amounted to at least RSD 216,589 thousand as of the same date (31 December 2013: at least RSD 110,000 thousand). Owing to the lack of proper analysis of these inventories, we were unable to assure ourselves as to the possible impact of unrecognized inventory provision as of 31 December 2014 and 31 December 2013 and the related effect on the consolidated income statement and consolidated retained earnings.

d) The Group did not consolidate its wholly owned subsidiary Tigar Americas as of 31 December 2014 and 31 December 2013, because, according to the management representation, it did not have any financial information on this entity.

   We are unable to assess the impact of this matter on the consolidated financial statements.

e) We were not provided with sufficient supporting calculations on foreign exchange translation reserves of RSD 76,117 thousand (31 December 2013: RSD 85,914 thousand) and non-controlling interest of RSD 87,802 thousand (31 December 2013: RSD 88,327 thousand) disclosed within equity. Accordingly, we were unable to assure ourselves as to the appropriateness of these items and the corresponding effect on consolidated retained earnings as of 31 December 2014 and 31 December 2013.

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Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Emphasis of matter:

Without issuing an opinion, we draw attention to the note 2.3. to the consolidated financial statements, the Group realized net loss amounting to RSD 1,406,536 thousand for the year ended 31 December 2014. Moreover, current liabilities exceed current assets reported as at 31 December 2014 by RSD 4,487,784 thousand. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, the parent 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 consolidated 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 Group. 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 consolidated 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 consolidated 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 consolidated financial statements of the Group 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