

Dear Shareholders,

Please be advised that the regular session of the General Assembly of the Joint Stock Company Tigar, Pirot will be held on June 23rd, 2017 in Pirot in the Large Conference Room of the Administrative Building at the seat of the Company, 213, Nikole Pasica Str., starting at 12:00 hours.

Agenda

- 1) Making Decision on adoption of the Financial Statement of Tigar AD for the period I-XII 2016 and of Reports related to it: Report of the Executive Board on business operations, Report of the Supervisory Board and Independent Auditor's Report;
- 2) Making Decision on adoption of the Consolidated Financial Statement of Tigar AD Pirot for the period I-XII 2016 and of Reports related to it: Report of the Executive Board on business operations, Report of the Supervisory Board and Independent Auditor's Report;
- 3) Making Decision on election of the independent auditor for the year 2017;
- 4) Making Decision on amendments and supplements of the Company's By-Laws;
- 5) Making Decision on relieving members of the Supervisory Board of Tigar AD of their duties;
- 6) Making Decision on appointment of new members of the Supervisory Board of Tigar AD Pirot.

We hereby invite you to participate in the work of the Assembly and decision-making on the items on the Agenda, either in person or by proxy. More detailed information about exercising proxy voting rights is contained in the Invitation for the ordinary session of the General Assembly enclosed hereto, as well as the Power of Attorney Form for voting at the General Assembly session.

The Power of Attorney, to be filled in spaces marked for identification of the proxy (name and surname, with the voting instructions on individual agenda items) should be submitted to the Joint Stock Company Tigar, not later than 3 days prior to the meeting, or until June 20th, 2017 (in person or by mail).

This material contains draft decisions on all items on the agenda with corresponding explanations.

Materials for the session may be downloaded from the Company's website www.tigar.com and will be available in the seat of the Company during working hours – every working day from Monday to Friday, from 8am to 4pm.

Note:

For the record of presence and other preparatory actions, kindly arrive at the venue of the session, stated in the invitation hereto, so that the Assembly may begin on time. Please note that you will be required to present an ID card for identification purposes.

At the session of the General Assembly are invited, in accordance with the Decision of the Supervisory Board Tigar AD Pirot, owners of shares on May 23rd, 2017 according to the unique records of shareholders. All the invitations are sent to shareholders' addresses.

The right to participate in the work of the session have persons who are shareholders of the Company on the tenth day before the date of the meeting, according to the list of shareholders, as determined on the basis of statements of shareholders from the Central Registry - the Shareholders Record Date: June 13th, 2017.

Sincerely yours,

In Pirot, 24 May, 2017

**Managing Director
Branislav Čurić**

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**Report of the Executive Board of Tigar AD Pirot for the shareholders related to the business results of the Joint Stock Company Tigar Pirot in 2016**

The business in 2016 was marked by the continuity of industrial activities, noting that Tigar AD continues its operations without any additional borrowing from banks.

The Prepackaged Plan of Reorganization of Tigar AD became enforceable on June 1st 2015, with the date of application starting from June 16th, 2015. Implementation of measures began on that date, according to the Prepackaged Plan of Reorganization.

As for the settlement of obligations to the creditors, obligations are settled according to the possibilities and the repayment plans and schedules defined for Tigar AD, whereas for direct creditors of Tigar Footwear obligations are settled according to repayment plans given in the Prepackaged Plan of Reorganization of Tigar Rubber Footwear. Since in early 2016 was noticed that obligations would not be settled in the manner envisioned by the Prepackaged Plan of Reorganization, and one of the biggest reasons for that was the failure of selling assets and subsidiaries envisioned by the PpoR. It was approached to drafting New Repayment Plan with cash flows from which sale of property was exempt.

Projections showed what Tigar had presented to creditors before drafting of the Prepackaged Plan of Reorganization, that largest creditors – banks should write off part of obligations so that Tigar could service the rest of obligations. The corrections proposed in the New Plan imply debt write-off of 40%, extension of the repayment period to 10 years and reduction of the interest rate. Meetings were held with all larger creditors. Most of the creditors did not object to extending the period and reducing the interest rate, but as to debt write-off they abstained. The attitude of the majority of creditors as well as the Board of Creditors was that before making any decision it was necessary to have the State decision as regards Tigar.

Management entered negotiations with the competent ministry as regards the State attitude, which resulted in obtaining the Conclusion of the Government of the Republic of Serbia, as of September 13, 2016 whereby consent is given that outstanding unpaid receivables of the Republic of Serbia towards the Company based on public revenues of the Republic of Serbia budget be converted, with outstanding debt and interest as of 30.06.2016 as well as with interest until the day the Conclusion was adopted, whereas to other creditors with state participation in the capital was given recommendation to convert their claims into permanent stake in the capital of Tigar AD Pirot.

Upon obtaining the Conclusion it was approached to harmonizing balances with the creditors from the Conclusion of the Government of the RS, adjustment of the text of agreements, signing of the said and their implementation in the Central Securities Depository. In 2016 there were carried out V, VI and VII issue of shares, namely: the Disability and Pension Fund of the Republic of Serbia, Republic Health Insurance Fund, the City of Pirot, Jubmes Bank, Dunav Insurance, National Employment Agency and Postal Savings bank. On that occasion were issued 2.711.463 new shares, so that the total amount of shares as of 31.12.2016 is 4.429.923 shares.

In early 2017, conversion was carried out with the Republic of Serbia and there were 3.235.558 newly-released shares, which increased the number of total shares to 7.665.481 shares.

The conversions carried out reduced the debt from the Prepackaged Plan of Reorganization in the amount of EUR 2,224,187,153.80 which is approximately 18 million euros.

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On October 6, 2016 the Company advertised the sale of the following service entities in the newspaper Politika: Tigar Business Service I.I.c., Tigar Incon I.I.c., Tigar Catering I.I.c., Tigar Security I.I.c., and Pi Channel I.I.c. according to measures envisioned by the enforceable Prepackaged Plan of Reorganization of Tigar AD Pirot. There were no interested buyers for purchasing these entities.

Auctions for sale of assets are advertised on quarterly basis in accordance with the Prepackaged Plan of Reorganization. There were sold less valuable objects (garages, office building in Pirot, land and objects at the location Vrelo near Pirot), to date there were no buyers interested in purchasing immovables of greater value.

The Board of Creditors held several sessions in 2016. On July 7, 2016 was held session through electronic means and the Board of Creditors accepted new member of the Supervisory Board Velibor Stević at the proposal of shareholders Nikomms and Nikola Radenković, whereas at the session held on July 25, 2016 were considered and adopted decisions on appointing new Managing Director, report of the Independent Expert Finaudit for fourth quarter of 2015 and first quarter of 2016, as well as proposed corrections to the financing terms from the Prepackaged Plan of Reorganization with the possibility of reducing interest rates to 3M EURIBOR + 1,5%, extending the repayment period of 7 to 10 years, writing off 40% of the debt and converting debt into capital. At this session also was repeated and concluded that the banks' final decision on accepting the changes to terms depended on State attitude, i.e. state creditors' attitude. On September 15, 2016 was held session through electronic means and there was obtained approval for the text of the advertisement for the sale of service entities in accordance with the Prepackaged Plan of Reorganization. On October 3, 2016 was held session through electronic means with one item on the Agenda: Approval for the appointment of the new members of the Supervisory Board nominated by the shareholders of the company Nikomms d.o.o. Beograd and Nikola Radenković from Belgrade. The Board of Creditors did not grant its approval for the appointment of the proposed candidates. On December 22, 2016 was held session of the Board of Creditors at which was considered report by Finaudit for the second quarter of 2016, report on the sale of property: assets and subsidiaries, through an auction, in accordance with the Prepackaged Plan of Reorganization, report on receivables conversion into Tigar AD capital, proposal for correction to the repayment terms from the Prepackaged Plan of Reorganization as well as changes in the composition of the Board of Creditors following the conversion of receivables into capital.

Decision on initiating the project for constructing the factory for production of rubber compounds, adopted in September 2014 due to the expiration of the lease agreement of the White Mixing Room with Tigar Tyres was realized. The plant was officially put into operation on April 20, 2016. In the course of 2015, Tigar AD invested EUR 1.2 million euros in the construction of the new plant for the production of rubber compounds, essential for the production of rubber products. The building was made, machines and equipment were set up in less than 9 months. The production area of the new facility is 1.780m².

The total sale of finished products and goods in 2016 is by 6% higher in relation to 2015.

The most significant characteristic of the year 2016 is the increase in the volume of sales in export by 12% in relation to 2015, with continuous realization of demands and needs of the existing customers. All demands have been realized within the envisioned and requested terms. Main factors which brought to the sales increase in export are: deliveries of special protective boots for the needs of Finnish Army, significant increase in demand by our customer from Finland as well as the result of continuous winning of new models of rubber

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footwear for the customer Ilse Jacobsen Hornbaek (DEN) resulting in an increase of delivered quantities so that in 2016 for the said customer the quantity delivered is higher by 12,98% than the quantity delivered throughout the entire year of 2015. The previous year was marked by the contacts achieved, announcement of cooperation, samples exchange and winning of new articles for customers from Switzerland, Czechia, Italy, Poland and retail chain from France and in the third quarter of 2016 there came about implementation of activities with the majority of them. The year's last quarter was reserved for meetings with the customers, forecasts and arranging co-operation for the next year 2017.

In the domestic market in 2016 there was recorded a sales decline by 6% in relation to the year 2015. It is important to emphasize the follow-up of synchronized action with customers in the domestic market and region, where the emphasis is on the advance payments which represent an extremely important financial instrument in conditions of production/sale of goods with extremely seasonal character. Tigar continues to respect customers' demands concerning delivery periods since with their advance payments customers expressed a clear intention to continue business cooperation and take over the goods at the time convenient to them. Given the adverse weather condition the purchasers decided to withdraw the goods later in relation to their advances.

The sales of the production program of technical goods in 2016 is by 9% lower compared to 2015 and in view of the trend of decline of realization and insufficient capacity utilization, business is seriously threatened and steps are being taken towards reorganization of that production part as well as downsizing and redistribution.

In 2016 total production achieved in tons in the factory Rubber Technical Goods amounts to 361 tons, which is less by 21% less in relation to the same period last year. The underlying reason for production and sales decrease in the program of Rubber Technical Goods is lack of sufficient level of demand in the domestic market. Problems in which large systems as well as constructing firms found themselves, problems with liquidity of domestic entities but also lack of realization of public procurement of the Ministry of Defence of the Republic of Serbia significantly influenced that increase in revenues is not in accordance with the planned figures. Dominant factor in the sales decrease is the lack of realization of goods in export, primarily of rubber hoses in the market of RUS and reduced volume of demand in products from recycled rubber conditioned that sale in export be less by 7% in relation to the previous year 2015.

The factory Chemical Products produced 169 tons in 2016 which is by 11% more in relation to the same period in the previous year, which resulted in income growth by 21%. This factory still operates in difficult conditions in leased objects, due to reduction in capacity because of relocation after the fire. Despite all the above the factory was able to meet the needs of Tigar Rubber Footwear as well as the needs of Tigar Tyres for adhesives so that in the domestic market recorded almost the same level of income as in 2015, whereas in the foreign market it recorded a growth by 50% in relation to 2015. It is important to note that the factory Chemical Products managed to retain its customer in Bulgaria that supplies mining industry.

Total revenues from sales of goods, products and services on a consolidated basis, for the period January-December 2016 amounted to 2.971 billion dinars which is by 7% higher in relation to the same period last year when they amounted to 2.780 billion dinars.

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Operating income realized in the same period in the amount of 2.995 billion dinars which is by 6% more compared to last year when they amounted to 2.827 billion dinars.

Total external sale of Tigar program in 2016 was at the level of approximately 1.94 billion dinars, of which 70,7% achieved in export (1,37 billion dinars). The largest share in export achieved program of rubber footwear with 92,6%.

Consolidated operating expenses are higher by 3,4% in relation to the same period last year. Despite measures taken and controls in the part of expenditure costs, rationalization of manpower, business optimization, there came about an increase in expenses due to leap in raw material prices in the last quarter.

Structure of operating expenses in 2016, in total cost by groups is as follows: costs of wages, salaries and other personnel expenses account for about 40%; expenses for the costs of materials energy and decrease in inventories accounted for 35%; the cost of goods accounts for 3%; expenses, depreciation and provisions accounted for 6% and other expenses accounted for 16%.

Reported operating profit (EBIT) amounts to 92,874 thousand dinars, while the operating profit for the previous year amounted to 19,916 thousand dinars, which represents a better result for 72,958 thousand dinars. Reported profit before amortization and reserves (EBITDA) amounts to 255,982 thousand dinars while in the previous year there was reported an operating profit before amortization and reserves in the amount of 213,226 thousand dinars, which represents an improvement for 42,756 thousand dinars.

Financing costs at the consolidated level in the period January- December 2016 amounted to 386,494 thousand dinars, whereas financing costs at the consolidated level in the previous year amounted to 522,808 thousand dinars. The largest part of financial expenses make up for interest costs, which amounted to 266,888 thousand dinars at the consolidated level whereas foreign exchange losses and other financial expenses amounted to 113,587 thousand dinars. The effects of reduction of financial expenses are the result of finalty of the Prepackaged Plan of Reorganization and its implementation. It is evident that the amount of interest is still very high and significant.

Heavy financial burden based on borrowings from earlier periods, financial expenses still influence the net result significantly so that net loss at the consolidated level in 2016 amounts to RSD 399,3 million, whereas in 2015 net loss amounted to RSD 576,6 million.

At the consolidated level value of total assets amounts to 6,3 billion dinars, of which fixed assets amounts to 4,3 billion dinars, and current assets amounts to 2,0 billion dinars.

A part that relates to receivables in the amount of RSD 342 million includes current receivables of domestic and foreign customers. The receivables of domestic customers amounted to RSD 177 million where out of 7 largest customers are claimed RSD 52,3 million. Foreign customer receivables amounted to RSD 165 million, whereas out of 7 largest foreign customers RSD 72,2 million are claimed.

At the consolidated level, the loss in excess of capital level is RSD 1,9 billion. On the liabilities side, the equity value is 0, liabilities for long term loans and reserves are RSD 6,1



billion, short-term financial liabilities are 0,8 billion and other operating liabilities amount to approximately RSD 1,3 billion.

By replacing short-term liabilities with the long-term loans, through the process of long-term financial stabilization, there was provided a better impact on the current liquidity of the company.

Despite the replacement of short-term liabilities with the long-term liabilities, through the process of long-term financial stabilization, the Company faces great liabilities from the PPor, which influence significantly the company's current liquidity.

Number of employees on 31.12.2016 was 1.459 which is a decrease in relation to the number of employees on 31.12.2015, when there were 1.564 employed.

Viewed individually, the parent company Tigar AD has achieved in 2016 total operating income in the amount of RSD 2,31 billion, whereas total business income in 2015 amounted to RSD 2,36 billion. The operating result (EBIT) in 2016 amounts to RSD 44,9 million, whereas in the same period last year the operating result (EBIT) amounted to RSD 162 million, since there came about status change of merger of production units in the course of 2015, the data are incomparable. The operating result before the depreciation and provisions (EBITDA) in 2016 was achieved in the amount of RSD 183,4 million whereas EBITDA in 2015 amounted to 246,7 million, since there came about status change of merger of production units in the course of 2015, the data are incomparable. Net loss achieved in 2016 amounted to RSD 393,8 million, whereas net loss for the same period in 2015 amounted to RSD 264, 4 million.

In liabilities, the equity value on 31.12.2016 is 0, long-term liabilities amount to approximately RSD 5,8 billion, liabilities under short-term loans amount to RSD 0,8 billion and other short-term liabilities from operation amount to approximately RSD 1 billion, the loss in excess of capital amounts to RSD 2,4 billion.

At the level of subsidiaries in 2016, there came about a significant advance in all entities in the part of business stabilization up to the level of operating result (EBIT) in relation to the previous year, whereas in the part of net results, the situation is as follows:

- positive net result was realized by Tigar Business Service in the amount of RSD 14,9 million, Free Zone Pirot in the amount of RSD 57 million, Tigar Security in the amount of RSD 15 million, Tigar Inter Risk in the amount of RSD 46 thousand, Pi Channel in the amount of RSD 805 thousand, as well as Tigra Trejd in the amount of 1 thousand convertible marks.
- negative net result was realized by: Tigra Montenegro in the amount of EUR 24 thousand, Tigar Partner in the amount of MKD 368 thousand, Ti Car trgovine in the amount of RSD 42,7 million, Tigar Catering in the amount of RSD 100 thousand, Tigar Incon in the amount of RSD 16,4 million.

Viewed individually, the loss in excess of capital as of 31.12.2016 was achieved by Tigar AD with RSD 2,4 billion and Ti Car Trgovine I.I.c. with RSD 115 million.

Due to the lack of communication with the director and unsatisfactory operating results, it is undergoing the shutdown of Tigar Americas, commercial enterprise based in the territory of the United States in which Tigar a.d. figures as the owner of 100% of the share capital. The Company has hired and entitled a lawyer to conduct the proceedings.

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The process of voluntary liquidation of the company Tigar Europe with its headquarters in London, where Tigar a.d. owned 50% of the share capital began in August 2014. Throughout the years 2014, 2015 and 2016 the Company was paid out the entire part of the liquidation estate pertaining to it. Pursuant to the UK legislation there ensued activities and in the fourth quarter of 2016 the process of voluntary liquidation of Tigar Europe was terminated.

The Company adopted Corporate Governance Code on 08.09.2005 when its implementation began. Earlier this year Corporate Governance Code was revised and adopted at the session of the Supervisory Board, as of 27.02.2017. The said is available for the public on the Company's Internet page www.tigar.com, as well as on the respective Internet pages of Belgrade Stock Exchange and Central Securities Depository and Clearing House.

In the course of 2016, the Company, in cooperation with several faculties admitted 14 students in the internship program, and through the National Employment Service the Company performed trainings for the unemployed. There were also carried out various trainings for the employed. Due to the financial situation in general, the trend of departure of highly-qualified staff, primarily of technical profession continues in Tigar Group which Tigar Group can not make up for due to their deficiency in the labour market, as well as due to companies nearby that allocate significantly higher amounts for the engineers.

In the reporting period the Company's management maintained continuous communication with the largest owners and representatives of the Government of the Republic of Serbia, as the largest individual shareholder, with a view to reaching an agreement on key decisions for the company.

**Managing Director
Branislav Čurić**

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Pursuant to Article 442 and in compliance with the application of Article 399 of the Law on Companies (Official Gazette of RS, no. 36/11, 99/11, 83/14 i 5/15) and to Article 25 of the Rules of Procedure on the work of the Supervisory Board of the Joint Stock Company Tigar Pirot, the Supervisory Board of the Company submits:

Report of the Supervisory Board of Tigar AD Pirot for the shareholders related to the business results of the Joint Stock Company Tigar Pirot in 2016

The Supervisory Board of the Joint Stock Company Tigar, Pirot was elected on the occasion of the General Assembly as of June 14th, 2013, for a four-year term of office, and after certain changes in the membership it works in the following composition: Nebojša Petrović, Chairman; Aleksandar Radojević, Aleksandar Đurković, Bogdan Popara and Velibor Stević.

Within preparation for the regular annual General Assembly of Tigar AD in 2017, the Supervisory Board has considered the Annual Business Report for the year 2016, reviewed the necessary documents and facts relating to the accounting and reporting practices in Tigar and its subsidiaries, the Company's compliance with the law and other regulations.

By insight into the Financial Statement, there was found that it has been prepared in accordance with the regulations. In the financial statement is given an assessment of events in the environment and the status of the most important processes within Tigar that have reflected on the operating result.

In addition to the Financial Statement, the Supervisory Board has also reviewed the documentation related to the work of the Executive Board, the Managing Director, the Committee of the Supervisory Board and other governing structures and concluded that all these governing bodies have carried out their tasks in compliance with applicable regulations and within the defined company policies.

In addition to the financial results of the parent company –Tigar AD Pirot as a legal entity, there was also reported the consolidated result for Tigar As well as the individual financial statements for other subsidiaries within the corporation.

Within individual balances of Tigar AD was achieved an operating profit (EBIT) in the amount of RSD 44,9 million, while in the previous year was reported an operating profit (EBIT) in the amount of RSD 162 million. Business result before depreciation and provisions (EBITDA) in 2016 amounted to RSD 183,4 million, whereas EBITDA in 2015 amounted to RSD 246,7 million. Total net loss in 2016 amounts to RSD 393,8 million, whereas the total net loss in 2015 amounted RSD 264,4 million. The largest share in the reported loss in 2015 had financial expenditures in the amount of RSD 374,7 million in which the interest-related expense holds the largest share whereas financial expenditures in 2014 amounted to RSD 429,1 million.

On the consolidated level in 2016, it was recorded the operating profit (EBIT) in the amount of RSD 92,9 million, while in the previous year the operating profit (EBIT) amounted to RSD 19,9 million. Recorded operating profit before the depreciation and provisions (EBITDA) in 2016 is RSD 256 million, while in the same period last year the operating profit before the depreciation and reservations (EBITDA) amounted to RSD 213,2 million. Measures that the Supervisory Board defined in order to consolidate the Company at the



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beginning of its mandate, year in-year out show that the Company, with adequate guidance and supervision, can achieve positive operating result (EBIT). Large debts from earlier periods still burden the Company significantly, financial expenditures in 2016 amounted to RSD 386,5 million, which resulted in total net loss on a consolidated basis in the amount of RSD 399,3 million, whereas net loss in 2015 amounted to RSD 576,6 million.

The financial statements, in accordance with regulations, were subjected to independent audit, of which was submitted respective Opinion to be presented at the the General Assembly of Tigar AD. As for the audit in 2016, it was engaged "The auditing company Stanistic audit ltd. Belgrade", whose qualifications and independence in relation to the Company were undeniable even on the occasion of their choice.

The Supervisory Board has estimated that the Financial Statement for the year 2016 is correct and comprehensive, with an emphasis on issues that form the basis of the business and with realistic assessment of the situation in the region.

The Company's financial statement, as the figure recap of realized results, is presented in a clear manner and in accordance with the accounting regulations and standards, i.e. adopted accounting policies.

In accordance with applicable regulations, the Supervisory Board has participated in the preparation of the sessions of the General Assembly of Tigar AD Pirot.

The Supervisory Board has not only contemplated the accounting statements but also the overall management activities.

In the course of 2016, the Supervisory Board has held a total of 17 sessions in which were made decisions within its jurisdiction, in the exercise of the supervisory function of the Company.

The Supervisory Board will consider that it has successfully completed its tasks within the scope of its work if the General Assembly shares its opinion by accepting the offered Report.

**Chairman of the Supervisory Board
of Tigar AD**

Nebojsa Petrovic

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**JOINT STOCK COMPANY "TIGAR"
PIROT**

**REPORT
ON CONDUCTED AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR 2016**

Belgrade, May 20, 2017

**JOINT STOCK COMPANY "TIGAR"
PIROT**

**REPORT
ON CONDUCTED AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR 2016**

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Independent Auditor's Report

Financial Reports:

- Balance Sheet
- Income Statement
- Statement of Other Comprehensive Income
- Cash Flows Statement
- Statement of Changes in Equity
- Notes to Financial Statements
- Annual Report

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

We have audited the submitted financial statements of the Joint Stock Company "TIGAR" Pirot (hereinafter: the Company) which comprise the balance sheet, as of December 31, 2016, the income statement, the statement of other comprehensive income, the cash flow statement and the statement of changes in owners' equity for the year ended on that day, as well as the summary of the significant accounting policies and other explanatory notes.

Management's responsibility

The management of the Company is responsible for preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and regulations of the Republic of Serbia, as well as for such internal control that management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing and the Law of Accounting and Auditing of the Republic of Serbia. These standards and the law require that we comply with ethical requirements and plan and perform the audit in such a way as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence on 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 the risk assessments, the auditor considers the internal controls which are relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the given circumstances. The audit also evaluates the adequacy of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluation of 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 opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Basis for Qualified Opinion

- On December 31, 2016, the Company has stated intangible assets in the amount of RSD 199,237 thousand. Within intangible assets, the Company has also stated capitalized costs of development. Based on the disclosed documentation, we were not able to determine whether the criterion for capitalization of development costs was met at the moment of initial recognition, either using audit or alternative methods. We were not provided with the analysis on how and when these intangible assets would generate future economic benefits.

Even though the Company, on December 31, 2016, has performed impairments in the net amount of RSD 22,648 thousand (on December 31, 2015, in the net amount of RSD 79,723 thousand, on December 31, 2014 in the net amount of RSD 105,250 thousand), there is an indication that intangible assets were stated in the amount exceeding the recoverable amount, which is contrary to the IAS 36 - Impairment of Assets.

Considering the foregoing, it is necessary that the Company continues with additional analysis of the value of intangible assets, i.e. to further depreciate the intangible assets in order to reduce it to the recoverable amount.

- On December 31, 2016, the Company, in the Balance Sheet (AOP 0052, AOP 0053 and AOP 0054), stated total receivables to related parties in the amount of RSD 309,806 thousand, i.e. 70.06% of the total receivables from sales. The receivables from related parties, in the country and abroad, which were not collected within 180 days from the due date, amounted to RSD 184,358 thousand. The Company did not assess the collectibility of these receivables, nor it recorded value correction of these receivables at the balance sheet date, even though the related parties have significant problems with liquidity and accumulated operating losses. Based on the documentation that was presented to us, and the lack of recoverability analysis, we could not be sure neither that the receivables from related parties, as of December 31, 2016, were presented fairly, nor if it is necessary to record their depreciation in the income statement for the year 2016.

- On December 31, 2016, the Company, in the Balance Sheet (AOP 0045, AOP 0046, AOP 0047 and AOP 0048), stated the total inventories in the amount of RSD 944,853 thousand. The given amount included inventories and slow turnover, inventories without fluctuations for a period longer than a year, in the amount of RSD 277,154 thousand, for which the Company provided no adequate impairment analysis. Due to lack of adequate analysis of the inventories, we were not able to determine the potential effect of non-deductible impairment of inventories, as of December 31, 2016, on the income statement and accumulated losses.

Qualified Opinion

In our opinion, except for the effects of the issues described in the Basis for Qualified Opinion, the financial statements present true and fair view of all significant material aspects of the financial position of the joint stock company "TIGAR", Pirot, as of December 31, 2016, as well as its financial performance and cash flows for the year ended on that day, in accordance with the accounting regulations of the Republic of Serbia.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Emphasis of matter

Status change

As disclosed in Note 5 to the financial statements, as of February 25, 2016, the Agreement was concluded for the merger of the subsidiary "Tigar Tours Ltd", as the Transferor company, to the joint stock company "Tigar", as the Transferee company. The date of the status change, i.e. the merger is April 22, 2016.

Going concern principle

As disclosed in Note 2.2. of the financial statements, the Company incurred a net loss in the amount of RSD 393,823 thousand, for the year which ended on December 31, 2016.

Short-term liabilities of the Company, as of December 31, 2016, were higher than current assets for RSD 9,138 thousand. The Company has liquidity problems (net cash outflow). The total debt to equity ratio was negative. The loss above the equity value was RSD 2,441,840 thousand.

The aforementioned facts point to the existence of a material uncertainty, which raise doubt whether the Company will be able to continue operations in terms of the stipulations MSR 570 - the principle of continuity and be able to realize its assets and settle the liabilities in the normal course of business.

In order to stabilize the business, the Company has taken the following measures:

- At the Extraordinary General Meeting of Shareholders held on April 14, 2014, the Decision was reached on submitting a proposal for initiating bankruptcy reorganization proceedings, with the Pre-pack Reorganization Plan (PPRP).

- On June 1, 2015, PPRP of Joint Stock Company "Tigar" became effective and the Company initiated implementation of the Pre-pack Reorganization Plan. In relation to this, on August 6, 2015, the Company decided to adopt the Subsidiary Merger Agreements for "Tigar Footwear Ltd", "Tigar Technical Rubber Ltd" and "Tigar Chemical Products Ltd", as the Transferors, to the joint stock company "Tigar", as the Transferee company. The date of the status change and the merger is September 11, 2015.

- Pursuant to the adopted PPRP of Joint Stock Company "Tigar", all the liabilities were harmonized up to June 16, 2015. Short-term loans and associated interest payments were converted into long-term loans, with the new principal of the loan denominated in EUR, with repayment period of 7 years (2 years grace period, when only interest is repayable + 5 years of interest and principal repayment).

- On February 25, 2016, the Agreement was signed on the merger of the subsidiary "Tigar Tours Ltd" as the Transferor company, to Joint Stock Company "Tigar", as the Transferee company. The date of the status change and the merger is April 22, 2016.

- The Company, in the course of 2016, actively implemented the measures stipulated in the Plan of Business and Financial Consolidation, as well as the measures stipulated by PPRP. The aim of the Business and Financial Consolidation Plan is stabilization of operations, continued growth in production and sales with the maximum reduction of costs and their rationalization.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Going concern principle (continued)

In early 2016, the Company has identified the possibility of problems in the settlement of liabilities in accordance with the PPRP and immediately informed the Creditors' Committee, as well as other major creditors. The causes of the problems are explained in detail in the New Repayment Plan, which was distributed to all the major creditors.

The opinion of the majority of creditors was that it was necessary to wait for the State decision, i.e. the state creditors' way to solve the problem.

Based on the measures defined by PPRP on September 13, 2016, the Government of the Republic of Serbia adopted the Conclusion where the recommendation is given to creditors with state participation in the capital, to convert their claims into permanent stake in the capital of the Company.

The Creditors accepted the recommendation and made the Decisions through the decision-making bodies.

At the meetings of the Supervisory Board of "Tigar" Pirot, during 2016, the necessary decisions were made in order to implement the conversion process, all in accordance with the enforceable PPRP.

By the end of 2016, in accordance with the Resolution of the Government of the Republic of Serbia, as of September 13, 2016, V and VI issue of ordinary shares was released and the Company capital increased. In the same period, the release of VII and VIII issue of ordinary shares also began, but the official capital increase in the Serbian Business Registers Agency was recorded in the first quarter of 2017, as follows:

- The bank Poštanska štedionica Belgrade, has converted its claims into share capital of the Company. The share subscription was carried out in the Central Securities Depository on December 30, 2016, based on the Decision of the Business Registers Agency, BD 1532/2017 as of January 12, 2017, and the capital increase of the Company was recorded based on the VII issue of shares.

- Deposit Insurance Agency Belgrade, the Development Fund of the Republic of Serbia, Ministry of Finance, Tax Administration and the City of Pirot converted their claims into equity of the Company, according to the decision of the Business Registers Agency, BD 17227/2017, as of March 7, 2017, which caused the Company capital increase based on the VIII issue of shares.

After the adoption of the conclusion of the Government of the Republic of Serbia, as of September 13, 2016, the meetings were held with creditors that were not covered by the Conclusion, with the aim to change the conditions of the PPRP.

Until the day of the audit, the answer to the terms offered was submitted by AIK Bank and DEG, German Investment Bank.

Bearing in mind the above facts, the Company has prepared the accompanying financial statements in accordance with the going concern principle.

Mortgages and pledges

As disclosed in Note 36 to the financial statements and Note 4.1. of the Annual Report, in order to provide correct and complete settlement of all obligations to commercial banks, as a collateral, for long-term loans, in accordance with the PPRP, mortgages over buildings in several locations throughout the Republic and pledges on equipment were placed.

As disclosed in Note 37 to the financial statements, on account of proper and complete settlement of all obligations towards commercial banks and other creditors, as collateral for settlement of liabilities from long-term loans and payables, in accordance with the PPRP, the pledge on goods in the amount of RSD 624,162 was placed.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Legal disputes

As disclosed in Note 38 to the financial statements, the Company is involved in several commercial and labour disputes, as the defendant, whose value is estimated at the amount of RSD 20,000 thousand, and the outcome of those disputes is uncertain.

Besides that, the Company is involved in labour disputes, as the defendant, whose value cannot be estimated.

As of December 31, 2016, the Company did not make provisions for litigations.

The management of the Company believes that the outcome of the litigations will be favourable and that the Company will not face materially significant consequences.

The Company is involved in several disputes, as the claimant, whose value is estimated at RSD 27.678 thousand.

For all of these disputes, the effective court rulings exist, but the collection has not been made.

Our opinion is not qualified in respect of these matters.

Other issues

On April 13, 2017, the Government of the Republic of Serbia adopted the Conclusion 05 No: 023-3255/2017 on the initiative for privatization of the Joint Stock Company "Tigar" Pirot and its subsidiaries "Tigar Incon Ltd", "Tigar Catering Ltd", "Tigar Business service Ltd", "Tigar Security Ltd" and "Ti – car Trgovine Ltd".

Report on other legal and regulatory requirements

The Company is responsible for the preparation of the Annual Report, in accordance with the Accounting Law of the Republic of Serbia ("RS Official Gazette" No. 61/2013). Our responsibility is to express an opinion on the compliance of the annual report with the financial statements for the year 2016. In this regard, our actions are conducted in accordance with the International Standards on Auditing 720 - the Auditor's Responsibilities Relating to Other Information in Documents, which contain financial statements that were audited, and we are limited to the assessment of compliance of the financial statements with the annual report on business operations.

In our opinion, the Annual Report is compliant with the audited Financial Statements.

Belgrade, May 18, 2017.

Certified Auditor



**TIGAR AD Pirot
SUPERVISORY BOARD**

MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY

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PROPOSAL FOR THE DECISION ACCORDING TO THE ITEM 1 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 5 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 49 paragraph 1 items 5 and 7 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 23.05.2017, at the proposal of Executive Board (Decision no.55/17 as of 19.05.2017) proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

**“DECISION
on adopting the Financial Statement of the Joint Stock Company Tigar Pirot
for the year 2016**

1. It is hereby adopted the Financial Statement of the Joint Stock Company Tigar Pirot for the year 2016, and the reports related to the Financial Statement, including:

- Report of the Executive Board on business operations of Tigar AD Pirot for 2016
- Report of the Supervisory Board of Tigar AD Pirot
- Report by the Audit and Consulting Company Stanisic Audit Ltd.

2. According to the Income Statement in the Financial Statement for the period January-December 2016, the Joint Stock Company Tigar Pirot reported the following results:

Income statement in thousands of RSD	January – December 2016	January – December 2015
INCOME FROM OPERATIONS		
A. OPERATING INCOME	2,308,674	2,362,695
I. Sales of goods	20,617	1,374,616
II. Sales of products and services	1,964,789	854,765
III. Revenues from premiums, subsidies, donations, grants etc.		
IV. Other operating income	323,268	133,314
EXPENSES FROM OPERATIONS		
B. OPERATING EXPENSES	2,263,768	2,200,658
I. Cost of commercial goods sold	16,857	1,178,334
II. Work performed by the company and capitalized		
III. Increase in inventories of finished products and work in progress	5,080	40,189
IV. Decrease in inventories of finished products and work in progress		
V. Material consumed	814,558	307,667
VI. Fuel and energy consumed	209,127	121,011
VII. Staff costs	805,445	359,814
VIII. Production expenses	49,191	51,906
IX. Amortization	138,195	77,624
X. Costs of long-term provisions	262	7,102
XI. Intangible costs	235,213	137,389
V. PROFIT FROM OPERATIONS	44,906	162,037
G. LOSS FROM OPERATIONS		
D. FINANCE INCOME	59,512	115,048
I. Financial income from related persons and other financial income	50,569	95,997
II. Interest income (from third parties)	844	1,118
III. Gains and positive effects of currency clause	8,099	17,933
D. FINANCE EXPENSES	374,712	429,085
I. Financial expenses related party transactions and other financial expenses	5,978	10,848
II. Interest expense (by third parties)	256,576	293,980
III. Foreign exchange gains and negative effects of currency clause	112,158	124,257
E. PROFIT FROM FINANCING		
Z. LOSS FROM FINANCING	315,200	314,037
Z. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS		
CARRIED AT FAIR VALUE TROUGHT INCOME STATEMENT	3,616	13,838



**TIGAR AD PiroT
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I. LOSS ADJUSTMENT OTHER PROPERTY CARRIED AT FAIR VALUE TROUGH INCOME STATEMENT	1,941	37,373
J. OTHER INCOME	22,627	72,377
K. OTHER EXPENSES	150,506	152,900
L. OPERATING PROFIT BEFORE TAX		
LJ. LOSS FROM OPERATIONS BEFORE TAX	396,498	256,058
M. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD		
N. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD	401	3,506
NJ. PROFIT BEFORE TAXATION		
O. LOSS BEFORE TAXATION	396,899	259,564
P. INCOME TAX		
I. Current tax expense		4,791
II. Deferred income tax expense		
III. Deferred income tax benefit	3,076	
R. EARNINGS OF EMPLOYER		
S. NET PROFIT		
T. NET LOSS	393,823	264,355

3. According to the Balance Sheet in the Financial Statement as of 31.12.2016, the Joint Stock Company Tigar PiroT reported the following positions:

ASSETS	31.12.2016.	31.12.2015.	31.12.2014.
A. SUBSCRIBED CAPITAL UNPAID			
B. NON-CURRENT ASSETS	3,659,717	3,894,327	1,983,302
I. INTANGIBLE ASSETS	207,388	279,515	13,758
Investment in development	199,237	268,544	33
Concessions, patents, licenses, trademarks, software and other rights	4,474	7,200	9,823
Intangible assets under construction	3,677	3,771	3,902
II. PROPERTY, PLANT AND EQUIPMENT	3,132,586	3,291,008	1,257,829
Land	430,742	454,761	54,376
Buildings	1,749,863	1,713,331	643,255
Plant and equipment	603,253	675,729	231,157
Investment property	266,181	292,513	290,896
Property, plant and equipment under construction	62,289	129,511	28,945
Investments in others property, plants and equipment	318	5,223	9,200
Advances for property, plant and equipment	19,940	19,940	
III. BIOLOGICAL AGENTS	0		
IV. LONG-TERM FINANCIAL PLACEMENTS	319,743	323,804	504,651
Shares in subsidiaries	311,088	313,298	480,785
Shares in associated companies and joint ventures	491	491	12,018
Equity investments in other companies and other securities held for sale	92	94	94
Other long-term investments	8,072	9,921	11,754
V. LONG-TERM RECEIVABLES	0		207,064
Receivables from the parent company and subsidiaries			207,064
V. DEFERRED TAX ASSETS			
G. CURRENT ASSETS	1,865,227	1,976,298	2,851,148
I. INVENTORIES	1,315,306	1,399,397	453,874
Material, spare parts, tools and supplies	175,634	151,414	5,574
Unfinished production and unfinished services	134,653	136,514	
Finished Products	392,638	391,998	
Goods	241,928	347,474	430,666
Fixed assets held for sale	358,234	362,160	
Advances paid to suppliers and for services	12,219	9,837	17,634
II. RECEIVABLES FROM SALE	442,205	502,322	1,892,079
Customers in the country - the parent and subsidiaries	200,065	239,730	1,648,171
Customers abroad - parent and subsidiaries	108,458	125,698	115,847
Customers in the country - other related parties	1,283	1,093	585
Customers in the country	52,707	72,487	57,380
Customers abroad	79,692	63,314	70,096
III. RECEIVABLES FROM SPECIFIC OPERATIONS			
IV. OTHER RECEIVABLES	19,351	26,818	57,116



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V. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT			
VI. SHORT-TERM FINANCIAL PLACEMENTS	56,167		239,953
Short-term loans and investments - parent and subsidiaries	11,509		239,480
Short-term loans and investments - other related parties			456
Other short-term investments	44,658		17
VII. CASH AND CASH EQUIVALENTS	701	1,430	109,103
VIII. VALUE ADDED TAX	7,225	12,914	12,297
IX. PREPAYMENTS	24,272	33,417	86,726
D. TOTAL ASSETS = OPERATING ASSETS	5,524,944	5,870,625	4,834,450
D. OFF BALANCE SHEET ASSETS	624,162	798,813	
EQUITY AND LIABILITIES	31.12.2016.	31.12.2015.	31.12.2014.
A. EQUITY	0		
I. SHARE AND OTHER CAPITAL	1,115,014	642,704	642,704
Share Capital	1,115,014	642,704	642,704
II. SUBSCRIBED CAPITAL UNPAID			
III. TREASURY SHARES			
IV. RESERVES	143	143	143
V. Revaluation reserves based on the revaluation of intangible assets, property , plant and equipment	205,809	205,809	112,818
VI. UNREALIZED GAINS ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS	1,113		6
VII. UNREALIZED LOSSES ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS		2,042	
VIII. RETAINED EARNINGS	1,823	1,823	
Retained profit from previous years	1,823	1,823	
Retained profit from financial year			
IX. PARTICIPATION RIGHTS WITHOUT CONTROL			
X. LOSS	3,765,742	3,371,206	1,814,668
Loss of previous years	3,371,919	3,106,851	962,476
Loss for the year	393,823	264,355	852,192
B. LONG-TERM PROVISIONS AND LIABILITIES	6,092,419	6,785,725	755,963
I. LONG-TERM PROVISIONS	235,814	240,390	220,604
Provision for retirement and other employee benefits	24,680	29,197	5,920
Provision for lawsuits	211,134	211,193	214,684
Other long-term provisions			
II. LONG-TERM LIABILITIES	5,856,605	6,545,335	535,359
Liabilities convertible into equity	1,751,876		
Liabilities from securities in period exceeding one year		317,125	
Long-term loans and loans in the country	2,715,403	4,379,536	535,359
Long-term loans and loans abroad	774,834	950,167	
Other long-term liabilities	614,492	898,507	
V. DEFERRED TAX LIABILITIES		3,075	
G. CURRENT LIABILITIES	1,874,365	1,604,594	5,137,484
I. SHORT-TERM FINANCIAL LIABILITIES	841,975	418,543	3,051,513
Short-term loans from parent companies and subsidiaries	1,973	16,086	119,984
Short-term loans and loans in the country			2,042,117
Other current financial liabilities	840,002	402,457	889,412
II. PREPAYMENTS, DEPOSITS AND GUARANTEES	40,054	44,436	52,541
III. ACCOUNTS PAYABLE	588,582	743,878	990,652
Suppliers - parent and subsidiaries in the country	90,129	83,712	164,010
Suppliers - parent and subsidiaries abroad	20,090	50,507	50,584
Suppliers - other related parties in the country	2,159	2,158	3,972
Suppliers in the country	289,905	321,310	293,792
Foreign suppliers	185,260	283,504	478,113
Other liabilities	1,039	2,687	181
IV. OTHER CURRENT LIABILITIES	364,384	347,760	945,237
V. LIABILITIES FOR VALUE ADDED TAX		74	
VI. OTHER TAXES, CONTRIBUTIONS AND OTHER FEES	1,772	6,563	15,364
VII. ACCRUALS	37,598	43,340	82,177
D. THE LOSS IN EXCESS OF CAPITAL	2,441,840	2,522,769	1,058,997
D. TOTAL LIABILITIES	5,524,944	5,870,625	4,834,450
G. OFF BALANCE SHEET LIABILITIES	624,162	798,813	

**Tigar**®**TIGAR AD Pirot
SUPERVISORY BOARD****MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY****2017-05-23**

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4. Financial Statement of Tigar AD Pirot for the year 2016 together with the Independent Auditor's Report is published on the web page of the Joint Stock Company Tigar www.tigar.com, in both Serbian and English.

5. This Decision shall come into force by the date of its adoption

E x p l a n a t i o n

Within preparation for the regular session of the General Assembly of the Joint Stock Company Tigar Pirot, the Supervisory Board has considered the Business Report of the JSC Tigar for the year 2016, and within the said report analyzed with particular regard the Financial Statement and has proposed its adoption to the General Assembly, together with the Independent auditor's report.

The Financial Statement has been prepared in accordance with the Accounting Act and in accordance with international accounting standards and reflects the real situation of the results of operations and Company's assets. In the income statement for the year 2016 is presented a positive operating result (EBIT) of RSD 44,9 million. The positive operating result before depreciation and provisions (EBITDA) amounts to RSD 183,4 million. Net loss for the period I-XII 2016 amounts to RSD 393,8 million. The main reason for the negative net result is the high level of financial costs, in other words costs of interests and foreign exchange losses, which is presented in the positions of the income statement.

The Decision on covering the loss reported in the Financial Statement for 2016 has not been made, given that the company operates with a loss above equity. In this regard, measures were taken and the Company has entered the process of reorganization in accordance with the Prepackaged Plan of Reorganization.

Business Report contains a detailed view of operations and events affecting the Company's operations in 2016, and it was made in accordance with the law governing the capital market.

At the proposal of the Supervisory Board of Tigar AD Pirot, the General Assembly of the Company adopted the Financial Statement for the year 2016, along with accompanying reports and made the Decision as stated above. "

**Chairman of the Supervisory Board
of the Joint Stock Company Tigar Pirot**

Nebojsa Petrovic

**JOINT STOCK COMPANY "TIGAR"
PIROT**

**REPORT
ON THE CONDUCTED AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2016**

**JOINT STOCK COMPANY "TIGAR"
PIROT**

**REPORT
ON THE CONDUCTED AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR 2016**

CONTENTS

Independent Auditor's Report

Consolidated financial reports:

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Other Comprehensive Income
- Consolidated Cash Flows Statement
- Consolidated Statement of Changes in Equity
- Notes to Consolidated Financial Statements
- Consolidated Annual Report



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

We have audited the submitted consolidated financial statements of Joint Stock Company "Tigar" Pirot (hereinafter: the Group) which comprise the consolidated balance sheet, as of December 31, 2016, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended on that day, as well as the summary of the significant accounting policies and the notes to the consolidated financial statements.

Management's Responsibility

The management of the Group is responsible for preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards and regulations of the Republic of Serbia, as well as for the internal controls, which the management determines as necessary for preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the International Standards on Auditing and the Law on Accounting and Auditing of the Republic of Serbia. Due to the significance of the issues presented in the paragraph Basis for Disclaimer of Opinion, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion

- On December 31, 2016, the Group recorded intangible assets in the amount of RSD 199,364 thousand (AOP 0004). Within the position of intangible assets, the Parent Company recorded the capitalized development costs. From the presented documentation, we were not able, neither by auditing nor alternative methods, to make sure whether the criteria for the capitalization of development costs at the time of initial recognition was fulfilled. We were not provided with an analysis of how and in what period these intangible assets will generate probable future economic benefits.

Although at the Group level, the depreciation in the total amount of RSD 345,323 thousand (on December 31, 2014, in the net amount of RSD 242,952 thousand, on December 31, 2015, in the net amount of RSD 79,723 thousand and on December 31, 2016, in the net amount of RSD 22,648 thousand) was performed, there is an indication that the intangible assets were recorded in business books of the Parent Company at a value higher than their recoverable amount, which would be contrary to the requirements of IAS 36 - Impairment of assets.

In consideration of the above, it is necessary that the Parent Company continues to work on additional analyses of the value of intangible assets, i.e. to further depreciate the intangible assets to reduce it to recoverable value, since the group has significant current and accumulated losses.



PREDUZEĆE ZA REVIZIJU I KONSALTING

Stanišić audit d.o.o.

Danijelova br. 32 Tel.: (011) 3093-211,3093-212,3093-213,FAX: 3093-214

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Basis for Disclaimer of Opinion (continued)

- On December 31, 2016, the total inventories of the Group amounted to RSD 1,073,381 thousand (AOP 0045, AOP 0046, AOP 0047 and AOP 0048). Inventories that had no movement for a period longer than one year, for which value adjustment was not carried out, amounted to at least RSD 277,154 thousand on that day. Due to lack of proper analysis of these inventories, we were not able to confirm the potential impact of unrecognized value adjustment of inventories, as of December 31, 2016, and the effects on the consolidated income statement and the consolidated accumulated losses.
- On December 31, 2016, the Group did not consolidate data of the subsidiary "Tigar Americas", Florida, USA, in which the Joint Stock Company "Tigar" owns 100% of the share capital, due to the lack of communication and financial information from this subsidiary.

Due to the lack of financial statements for this entity, in the current, as in the previous years, we were not able to assess the impact of these facts on the consolidated financial statements.

Disclaimer of Opinion

Due to the significance of the issues described in the paragraph Basis for Disclaimer of Opinion, we were not 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 of the Group of Joint Stock Company "Tigar" Pirot on December 31, 2016.

Emphasis of Matter

Going Concern Principle

As disclosed in the Note 2.3. of the consolidated financial statements, the Group incurred a net loss in the amount of RSD 399,316 thousand for the year ended on December 31, 2016.

On December 31, 2016, the Group's short-term liabilities exceeded its current assets for RSD 40,746 thousand.

The Group has problems with liquidity (net cash outflow).

The total debt to equity ratio is negative.

The loss above equity is incurred in the amount of RSD 1,956,631 thousand.

The aforementioned facts point to the existence of a material uncertainty, which raise doubt whether the Group will be able to continue operations in terms of the stipulations ISA 570 - Going concern and be able to realize its assets and settle the liabilities in the normal course of business.



PREDUZEĆE ZA REVIZIJU I KONSALTING

Stanišić audit d.o.o.

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INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Going Concern Principle (continued)

In order to stabilize operations, the following measures were taken at the Parent Company level:

- At the Extraordinary General Meeting of Shareholders held on April 14, 2014, the Decision was reached on submitting a proposal for initiating bankruptcy reorganization proceedings, with the Pre-pack Reorganization Plan (PPRP).

- On June 1, 2015, PPRP of Joint Stock Company "Tigar" became effective and the Company initiated implementation of the Pre-pack Reorganization Plan. In relation to this, on August 6, 2015, the decisions were reached to adopt the Subsidiary Merger Agreements for "Tigar Footwear Ltd", "Tigar Technical Rubber Ltd" and "Tigar Chemical Products Ltd", as the Transferors, to Joint Stock Company "Tigar", as the Transferee company. The date of the status change and the merger is September 11, 2015.

- Pursuant to the adopted PPRP of Joint Stock Company "Tigar", all the liabilities were harmonized up to June 16, 2015. Short-term loans and associated interest payments were converted into long-term loans, with the new principal of the loan denominated in EUR, with repayment period of 7 years (2 years grace period, when only interest is repayable + 5 years of interest and principal repayment).

- On February 25, 2016, the Agreement was concluded on the merger of the subsidiary "Tigar Tours Ltd" as the Transferor company, to Joint Stock Company "Tigar", as the Transferee company. The date of the status change and the merger is April 22, 2016.

- The Company, in the course of 2016, actively implemented the measures stipulated in the Plan of Business and Financial Consolidation, as well as the measures stipulated by PPRP. The aim of the Business and Financial Consolidation Plan is stabilization of operations, continued growth in production and sales with the maximum reduction of costs and their rationalization.

In early 2016, at the Parent Company level, the possibility of problems in the settlement of liabilities in accordance with the PPRP was identified and the Creditors' Committee, as well as other major creditors were immediately informed. The causes of the problems are explained in detail in the New Repayment Plan document, which was distributed to all the major creditors.

The opinion of the majority of creditors was that it was necessary to wait for the State decision, i.e. the state creditors' way to solve the problem.

Based on the measures defined by PPRP on September 13, 2016, the Government of the Republic of Serbia adopted the Conclusion where the recommendation is given to creditors with state participation in the capital, to convert their claims into permanent stake in the capital of the Parent Company.

The Creditors accepted the recommendation and made the Decisions through the decision-making bodies.

At the meetings of the Supervisory Board of "Tigar" Pirot, during 2016, the necessary decisions were made in order to implement the conversion process, all in accordance with the enforceable PPRP.

By the end of 2016, in accordance with the Resolution of the Government of the Republic of Serbia, as of September 13, 2016, V and VI issue of ordinary shares was released and the Parent Company capital increased. In the same period, the release of VII and VIII issue of ordinary shares also began, but the official capital increase in the Serbian Business Registers Agency was recorded in the first quarter of 2017, as follows:



INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

Going Concern Principle (continued)

- The bank Poštanska štedionica Belgrade, has converted its claims into share capital of the Parent Company. The share subscription was carried out in the Central Securities Depository on December 30, 2016, based on the Decision of the Business Registers Agency, BD 1532/2017 as of January 12, 2017, and the capital increase of the Parent Company was recorded based on the VII issue of shares.

- Deposit Insurance Agency Belgrade, the Development Fund of the Republic of Serbia, Ministry of Finance, Tax Administration and the City of Pirot converted their claims into equity of the Parent Company, according to the decision of the Business Registers Agency, BD 17227/2017, as of March 7, 2017, which caused the Company capital increase based on the VIII issue of shares.

After the adoption of the conclusion of the Government of the Republic of Serbia, as of September 13, 2016, the meetings were held with creditors that were not covered by the Conclusion, with the aim to change the conditions of the PPRP.

Until the day of the audit, the answer to the terms offered was submitted by AIK Bank and DEG, German Investment Bank.

Bearing in mind the above facts, the Group has prepared the accompanying financial statements in accordance with the going concern principle.

Mortgages and pledges

As disclosed in Note 20. to the consolidated financial statements and Note 4.1. of the Annual Report, in order to provide correct and complete settlement of all obligations to commercial banks, as a collateral, for long-term loans, in accordance with the PPRP, mortgages over buildings in several locations throughout the Republic and pledges on equipment were placed.

As disclosed in Note 23. to the consolidated financial statements, on account of proper and complete settlement of all obligations towards commercial banks and other creditors, as collateral for settlement of liabilities from long-term loans and payables, in accordance with the PPRP, the pledge on goods in the amount of RSD 624,162 was placed.

Legal disputes

As disclosed in Note 37. to the consolidated financial statements, the Group is involved in several legal disputes both as a claimant and as a defendant.

The Parent Company is involved in disputes of largest values.

The Parent Company is involved in several commercial and labour disputes where it appears as a defendant, whose value is estimated at the amount of RSD 20,000 thousand, and the outcome of these disputes is uncertain.

Besides that, the Parent Company is involved in labour disputes, whose value cannot be predicted.



PREDUZEĆE ZA REVIZIJU I KONSALTING

Stanišić audit d.o.o.

Danijelova br. 32 Tel.: (011) 3093-211,3093-212,3093-213,FAX: 3093-214

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF THE JOINT STOCK COMPANY "TIGAR", PIROT

The Parent Company did not make provisions for litigations in the books, as of December 31, 2016. The management of the Parent Company believes that the outcome of the litigations will be favourable and that it will not face materially significant consequences.

Legal disputes (continued)

The Parent Company is involved in several disputes, as the claimant, whose value is estimated at RSD 27.678 thousand.

For all of these disputes, the effective court rulings exists, but the collection has not been carried out.

Our opinion is not qualified in respect of these matters.

Other issues

On April 13, 2017, the Government of the Republic of Serbia adopted the Conclusion 05 No: 023-3255/2017 on the initiative for privatization of the Joint Stock Company "Tigar" Pirot and its subsidiaries "Tigar Incon Ltd", "Tigar Cateromg Ltd", "Tigar Business service Ltd", "Tigar Security Ltd" and "Ti - car trgovine Ltd".

Report on other legal and regulatory requirements

The Group is responsible for the preparation of the Annual Report on operations, in accordance with the Accounting Law of the Republic of Serbia ("RS Official Gazette" No. 61/2013). Our responsibility is to express an opinion on the compliance of the annual consolidated report with the consolidated financial statements for the year 2016. In this regard, our actions are conducted in accordance with the International Standards on Auditing 720 - the Auditor's Responsibilities Relating to Other Information in Documents which contain financial statements that were audited, and we are limited to the assessment of compliance of the annual report with the financial statements.

In our opinion, the annual consolidated business report is compliant with the audited consolidated financial statements of the Group.

Certified Auditor



**TIGAR AD Pirot
SUPERVISORY BOARD**

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PROPOSAL FOR THE DECISION ACCORDING TO THE ITEM 2 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 5 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 49 paragraph 1 items 5 and 7 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 23.05.2017, at the proposal of Executive Board (Decision no.55/17 as of 19.05.2017) proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

“DECISION

on adopting the Consolidated Financial Statement of the Joint Stock Company Tigar Pirot for the year 2016 and reports related to the Consolidated Financial Statement

1. It is hereby adopted the Consolidated Financial Statement of the Joint Stock Company Tigar Pirot for the year 2016, and the reports related to the Consolidated Financial Statement, including:

- Report of the Executive Board on business operations of Tigar AD Pirot for 2016
- Report of the Supervisory Board of Tigar AD Pirot for 2016
- Report by the Audit and Consulting Company Stanisic Audit Ltd.

2. According to the Consolidated Financial Statement for the period January-December 2016, the Joint Stock Company Tigar Pirot reported the following results:

Income statement in thousands of RSD	January – December 2016	January – December 2015
INCOME FROM OPERATIONS		
A. OPERATING INCOME	2,994,991	2,826,617
I. Sales of goods	80,718	72,569
II. Sales of products and services	2,890,073	2,707,606
III. Revenues from premiums, subsidies, donations, grants etc.		
IV. Other operating income	24,200	46,442
EXPENSES FROM OPERATIONS		
B. OPERATING EXPENSES	2,902,117	2,806,701
I. Cost of commercial goods sold	78,120	59,117
II. Work performed by the company and capitalized	23,065	39,637
III. Increase in inventories of finished products and work in progress	5,080	88,420
IV. Decrease in inventories of finished products and work in progress		
V. Material consumed	878,098	926,170
VI. Fuel and energy consumed	155,363	175,642
VII. Staff costs	1,174,909	1,139,438
VIII. Production expenses	385,002	331,925
IX. Amortization	160,737	184,122
X. Costs of long-term provisions	2,371	9,188
XI. Intangible costs	95,663	109,156
V. PROFIT FROM OPERATIONS	92,874	19,916
G. LOSS FROM OPERATIONS		
D. FINANCE INCOME	29,780	32,486
I. Financial income from related persons and other financial income	18,514	295
II. Interest income (from third parties)	1,163	2,679
III. Gains and positive effects of currency clause	10,103	29,512
D. FINANCE EXPENSES	386,494	522,808
I. Financial expenses related party transactions and other financial expenses	6,019	6,246
II. Interest expense (by third parties)	266,888	389,474
III. Foreign exchange gains and negative effects of currency clause	113,587	127,088
E. PROFIT FROM FINANCING		
Z. LOSS FROM FINANCING	356,714	490,322



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Z. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT	10,538	18,608
I. LOSS ADJUSTMENT OTHER PROPERTY CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT	5,588	27,369
J. OTHER INCOME	34,823	84,087
K. OTHER EXPENSES	155,013	161,534
L. OPERATING PROFIT BEFORE TAX		
LJ. LOSS FROM OPERATIONS BEFORE TAX	379,080	556,615
M. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD		
N. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD	5,253	3,506
NJ. PROFIT BEFORE TAXATION		
O. LOSS BEFORE TAXATION	384,333	560,120
P. INCOME TAX		
I. Current tax expense	18,559	23,903
II. Deferred income tax expense	272	14
III. Deferred income tax benefit	3,848	7,430
R. EARNINGS OF EMPLOYER		
S. NET PROFIT		
T. NET LOSS	399,316	576,608

3. According to the Consolidated balance sheet as of 31.12.2016 , the Joint Stock Company Tigar PiroT reported the following balance sheet items:

ASSETS	31.12.2016.	31.12.2015.	31.12.2014.
A. SUBSCRIBED CAPITAL UNPAID			
B. NON-CURRENT ASSETS	4,308,171	4,530,441	5,113,669
I. INTANGIBLE ASSETS	208,762	279,860	415,482
Investment in development	199,364	268,544	368,482
Concessions, patents , licenses , trademarks , software and other rights	5,663	7,434	16,243
Other intangible assets		3	
Intangible assets under construction	3,735	3,879	30,757
Advances for intangible assets			
II. PROPERTY, PLANT AND EQUIPMENT	4,090,752	4,240,075	4,674,321
Land	490,421	517,802	525,279
Buildings	2,578,484	2,518,424	2,678,462
Plant and equipment	640,380	723,714	800,631
Investment property	266,181	292,513	582,070
Property, plant and equipment under construction	94,371	161,394	57,190
Investments in others property, plants and equipment	679	6,288	10,749
Advances for property , plant and equipment	20,236	19,940	19,940
III. BIOLOGICAL AGENTS			
IV. LONG-TERM FINANCIAL PLACEMENTS	8,657	10,506	23,866
Shares in associated companies and joint ventures	491	491	12,018
Equity investments in other companies and other securities held for sale	94	94	94
Other long-term investments	8,072	9,921	11,754
V. LONG-TERM RECEIVABLES			
V. DEFERRED TAX ASSETS			
G. CURRENT ASSETS	2,015,966	2,117,297	1,884,157
I. INVENTORIES	1,480,316	1,588,154	1,174,846
Material , spare parts , tools and supplies	183,353	129,280	97,547
Unfinished production and unfinished services	134,653	136,514	166,214
Finished Products	392,638	391,998	252,125
Goods	362,736	509,357	595,272
Fixed assets held for sale	386,004	399,680	27,162
Advances paid to suppliers and for services	20,932	21,325	36,526
II. RECEIVABLES FROM SALE	341,512	310,266	393,108
Customers in the country - other related parties	2,126	3,832	3,402
Customers in the country	174,868	224,271	282,629
Customers abroad	164,518	82,163	107,077
III. RECEIVABLES FROM SPECIFIC OPERATIONS		129	1,384
IV. OTHER RECEIVABLES	53,208	70,845	52,005
V. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT			



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VI. SHORT-TERM FINANCIAL PLACEMENTS			472
Short-term loans and investments - other related parties			472
VII. CASH AND CASH EQUIVALENTS	95,408	85,481	194,656
VIII. VALUE ADDED TAX	10,214	16,541	22,943
IX. PREPAYMENTS	35,308	45,881	44,743
D. TOTAL ASSETS = OPERATING ASSETS	6,324,137	6,647,738	6,997,826
D. OFF BALANCE SHEET ASSETS	661,662	811,313	
EQUITY AND LIABILITIES	31.12.2016.	31.12.2015.	31.12.2014.
A. EQUITY			
I. SHARE AND OTHER CAPITAL	1,115,014	642,704	642,704
Share Capital	1,115,014	642,704	642,704
II. SUBSCRIBED CAPITAL UNPAID			
III. TREASURY SHARES			
IV. RESERVES	3,642	5,411	5,409
V. Revaluation reserves based on the revaluation of intangible assets, property, plant and equipment	1,509,376	1,509,372	1,509,155
VI. UNREALIZED GAINS ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS	101,672	84,716	77,139
VII. UNREALIZED LOSSES ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS	4,146	4,976	3,593
VIII. RETAINED EARNINGS			
Retained profit from previous years			
Retained profit from financial year			
IX. PARTICIPATION RIGHTS WITHOUT CONTROL	98,303	91,147	87,802
X. LOSS	4,780,492	4,405,805	3,814,092
Loss of previous years	4,361,843	3,814,093	2,369,755
Loss for the year	418,649	591,712	1,444,337
B. LONG-TERM PROVISIONS AND LIABILITIES	6,120,270	6,862,923	2,024,795
I. LONG-TERM PROVISIONS	252,742	255,595	254,496
Provision for retirement and other employee benefits	39,898	42,692	36,736
Provision for lawsuits	212,844	211,193	217,760
Other long-term provisions		1,710	
II. LONG-TERM LIABILITIES	5,867,528	6,607,328	1,770,299
Liabilities convertible into equity	1,751,876		
Liabilities from securities in period exceeding one year		317,125	
Long-term loans and loans in the country	2,715,403	4,379,536	535,359
Long-term loans and loans abroad	774,834	950,167	944,950
Long-term liabilities based on financial leasing	6,621	11,425	15,881
Other long-term liabilities	618,794	949,075	274,109
V. DEFERRED TAX LIABILITIES	103,786	107,363	114,777
G. CURRENT LIABILITIES	2,056,712	1,754,883	6,353,730
I. SHORT-TERM FINANCIAL LIABILITIES	848,014	416,816	3,555,912
Short-term loans and loans in the country			2,042,605
Current liabilities based on current assets from discontinued operations held for sale		9,452	27,162
Other current financial liabilities	848,014	407,364	1,486,145
II. PREPAYMENTS, DEPOSITS AND GUARANTEES	46,027	56,025	100,564
III. ACCOUNTS PAYABLE	652,289	768,531	1,050,547
Suppliers - other related parties in the country	2,287	4,835	4,259
Suppliers in the country	413,639	459,272	502,240
Foreign suppliers	230,851	298,686	532,398
Other liabilities	5,512	5,738	11,650
IV. OTHER CURRENT LIABILITIES	436,296	433,906	1,419,881
V. LIABILITIES FOR VALUE ADDED TAX	11,444	6,591	32,172
VI. OTHER TAXES, CONTRIBUTIONS AND OTHER FEES	5,894	12,758	28,787
VII. ACCRUALS	56,748	60,256	165,867
D. THE LOSS IN EXCESS OF CAPITAL	1,956,631	2,077,431	1,495,476
D. TOTAL LIABILITIES	6,324,137	6,647,738	6,997,826
G. OFF BALANCE SHEET LIABILITIES	661,662	811,313	

4. Consolidated Financial Statement of Tigar AD PiroT for the year 2016 together with the Independent Auditor's Report is published on the web page of the Joint Stock Company Tigar www.tigar.com, in both Serbian and English.

5. This Decision shall come into force by the date of its adoption

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E x p l a n a t i o n

In accordance with Article 27 of the Accounting Law (Official Gazette of RS, no. 62/13) Tigar AD Pirot, as the controlling company with its subsidiaries forms a group of companies, and has a legal obligation of presenting the Consolidated financial result for the period I-XII 2016, which was the subject of discussion at the session of the Supervisory Board of Tigar AD Pirot, as part of the preparations for the regular General Assembly of Tigar AD Pirot.

The Supervisory Board has reviewed the Consolidated Financial Statement of the JSC Tigar Pirot for the period I – XII 2016. In the consolidated income statement for the year 2016 was reported positive operating result in the amount of RSD 92,9 million, compared to the year 2015 when a positive operating result in the amount of RSD 19,9 million was reported. The reported operating profit before the depreciation (EBITDA) in 2016 amounts to RSD 255,9 million, while in the same period last year there was recorded the operating profit before the depreciation in the amount of RSD 213,2 million. Net loss for the period I – XII 2016 amounts to RSD 399,3 million, while the net loss in the same period in 2015 amounted to RSD 576,6 million. The main reason for the reported net loss are significant financial expenses based on interest and foreign exchange differences, which for the period January-December 2016 amounted to RSD 386,5million, while in the same period last year they amounted to RSD 522,8 million.

Business Report is made in accordance with the law governing the capital market and includes accounting statements, and the most important operating data and events from the environment that have affected the operating result.

Supervisory Board's report on the results of business operations of the Joint Stock Company Tigar in 2016 has also been submitted to the General Assembly in accordance with the reporting obligations prescribed by the Companies Law.

At the proposal of the Supervisory Board of Tigar AD Pirot, the General Assembly of the Company has adopted the Consolidated Financial Statement for the year 2016, together with other reports related to it (Report of Executive Board on operation, Report of the Supervisory Board and Independent Auditor's Report) and made the decision as stated above. “

**Chairman of the Supervisory Board
of the Joint Stock Company Tigar Pirot****Nebojsa Petrovic**

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PROPOSAL FOR THE DECISION ACCORDING TO ITEM NO. 3 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 15 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 49 paragraph 1 item 7 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 23.05.2017, at the proposal of Executive Board (Decision no.57/17 as of 19.05.2017) proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

**“DECISION
on election of an independent auditor
of the Joint Stock Company Tigar Pirot for 2017**

1. As for the independent auditor of the Joint Stock Company Tigar Pirot for the year 2017 is hereby elected **Audit and Consulting Company Stanišić Audit Ltd.**
2. By Agreement on the conduct of the audit, mutual rights and obligations will be closely regulated.
3. This decision shall come into force upon its adoption.

E x p l a n a t i o n

In accordance with the Companies Law (Article 453), and the Audit Act (Article 21), the annual financial statements of public joint stock companies such as Tigar AD Pirot and the consolidated financial statements are the subjects of mandatory audit. An auditor elected by the General Assembly, his status, rights and obligations are governed by the regulations in the field of auditing.

The **“Audit and Consulting Company - Stanisic Audit Ltd. Belgrade“** is among the leading domestic companies for audit and consulting. This company has a long business tradition and has carried out successful audits in legal entities from different fields (including those related to production, trading and service industries). The **“Audit and Consulting Company- Stanisic Audit Ltd. Belgrade“** is the auditing company which was engaged in these activities in the previous two years. This company provided its services in accordance with contractual obligations, according to the schedule and in a quality manner.

Bearing in mind that this company is familiar with the condition of assets and liabilities and that the same company has an insight into Tigar’s current operations, Tigar considers that the audit procedure itself would be simpler and more efficient.

Bearing in mind all mentioned above and in proposing the independent auditor to carry out the audit of individual and consolidated financial statements of Tigar AD Pirot for the year 2017, the Supervisory Board has opted for **“Audit and Consulting Company - Stanisic Audit Ltd. Belgrade“**, after the analysis of submitted bids for the provision of such type of services and after obtaining the opinion of the Audit Commission, which gave its recommendation.

Accepting the proposal of the Supervisory Board, the General Assembly has passed a decision on the election of an independent auditor of the Joint Stock Company Tigar Pirot for the year 2017."

**Chairman of the Supervisory Board
Nebojsa Petrovic**



**TIGAR AD Pirot
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PROPOSAL FOR THE DECISION ACCORDING TO ITEM 4 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 15 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 49 paragraph 1 item 7 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 23.05.2017, at the proposal of Executive Board (Decision no.57/17 as of 19.05.2017) proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

DECISION

on amendments and supplements of Tigar AD Pirot By-Laws

1. It is hereby determined the proposal of Amendments and Supplements of the By-Laws of the Joint Stock Company Tigar Pirot as of 20.06.2012 with amendments and supplements as of 22.06.2016 having the following content:

Article 1

Article 17 of the By-Laws is amended and now reads as follows:

“Total basic capital of the Company amounts to RSD 2.866.889.894.

Total basic capital of the Company is divided into 7.665.481 issued and registered ordinary shares.

All shares are of the same class. The shares of the Company are ordinary, they identify the holder, and they are transferable as provided for in applicable legislation.

The nominal value of each ordinary voting share of one class in the capital of the Company is RSD 374.00 “

Article 2

Article 20 paragraph 1 of the By-Laws amends and now reads:

“ The Company has issued a total of 7.665.481 shares which have been registered with the Central Securities Depository and Clearing House AD Belgrade (hereinafter: CSD and CH of Serbia) “.

2. This Decision is to be directed to the General Assembly for consideration and adoption.

E x p l a n a t i o n

By-Laws of the Joint Stock Company Tigar, adopted at the session of the General Assembly as of 20.06.2012 with amendments and supplements as of 22.06.2016 is amended in the section on Company's basic capital and shares.

By amendments and supplements on the value of basic capital and number of shares issued are harmonized provisions of the By-Laws with new values after basic capital increase by converting receivables of the creditors into permanent stake in the Company's capital in line with the Conclusion of the Government of the Republic of Serbia 05 No. 023-8421/2016 as of 13.09.2016 based on agreements on conversion concluded with creditors.

This is the essence of proposed amends and supplements of the By-Laws, which was fully adopted by the Supervisory Board and directed to the General Assembly for adoption.

**Chairman of the Supervisory Board
Nebojsa Petrovic**



PROPOSAL FOR THE DECISION ACCORDING TO ITEM 5 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 15 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 47 paragraph 1 item 7 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of JSC Tigar Pirot, at its session held on 23.05.2017, proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

“ D E C I S I O N

on relieving members of the Supervisory Board of the JSC Tigar Pirot

1. Members of the Supervisory Board of JSC Tigar Pirot to be relieved of their duties due to expiry of their term of office are:

- Aleksandar Radojević
- Aleksandar Đurković
- Nebojša Petrović
- Bogdan Popara

2. The above mentioned persons' rights and duties as members of the Supervisory Board cease as of 23.06.2017

3. This decision shall come into force upon its adoption“

**Chairman of the Supervisory Board
Nebojsa Petrovic**

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PROPOSAL FOR THE DECISION ACCORDING TO ITEM 6 OF THE AGENDA

Pursuant to the Article 441 paragraph 1 item 15, and in relation to Article 434 paragraph 2 items 1 and 2 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14 and 5/15) and to the Article 48 paragraph 4 of the By-Laws of the Joint Stock Company Tigar Pirot, the Supervisory Board of JSC Tigar Pirot, at its session held on 23.05.2017, proposes that the General Assembly of Tigar AD Pirot at its session convened for June 23rd 2017 make the following:

“DECISION**on appointing members of the Supervisory Board of the JSC Tigar Pirot**

1. As for members of the Supervisory Board of Joint Stock Company Tigar Pirot are appointed:
 - Dragan Todorović
 - Nebojša Petrović
 - Dejan Jovešić
 - Jelena Bečanović
 - Milutin Radenković
2. The term of office of members of the Supervisory Board lasts four years.
3. Members of the Supervisory Board shall exercise their rights and duties in accordance with legal regulations and internal regulations of the Company, governing the status issues, scope, operations and decision-making of the Supervisory Board.
4. This decision shall come into force upon its adoption“

E x p l a n a t i o n

Tigar AD Pirot is a public joint stock company with bicameral management structure. After the four-year term of office of the present Supervisory Board members has expired, it was approached to appointing new Supervisory Board members, in the manner and procedure envisioned by law and Company's internal documents.

The Nominating Committee submitted candidates proposed for members of the Supervisory Board together with its opinion and recommendation for appointment and stated that candidates proposed meet legal requirements for membership in the Supervisory Board stipulated by the provisions of the Companies Law (Article 423 and corresponding application of Article 382 and 391 of the Companies Law).

Having accepted the recommendations of the Nominating Committee, the Supervisory Board, in accordance with legal procedure, directed the proposal to the General Assembly to elect the nominated members for members of the Supervisory Board.

The General Assembly accepted the proposed candidates, appointed them for members of the Supervisory Board for a four-year term of office and passed the Decision as stated above“.

**Chairman of the Supervisory Board
Nebojsa Petrovic**