

Dear Shareholders,

Please be advised that the regular annual session of the General Assembly of the Joint Stock Company Tigar, Pirot will be held on **27.06.2019** 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**.

**A g e n d a:**

- 1) Making Decision on adopting the Financial Statement of Tigar AD Pirot for the year 2018 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 adopting the Consolidated Financial Statement of Tigar AD Pirot for the year 2018 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 2019;
- 4) Making Decisions on amendments and supplements to Bylaws of Joint Stock Company Tigar Pirot
- 5) Making Decision on amendments and supplements to the General Assembly Rules of Procedure of Joint Stock Company Tigar 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 which can be found on the Company's site 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 24.06.2019 (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](http://www.tigar.com) and will be available in the seat of the Company, 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 no later than 10 am, 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 17.06.2018 according to the unique records of shareholders.

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 17<sup>th</sup>, 2019.

Sincerely yours,  
In Pirot, 28.05.2019

**Managing director**

**Vladimir Ilić, s.r.**

	<b>TIGAR AD Pirot SUPERVISORY BOARD</b>
<b>MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY</b>	<b>2019-05-28</b>

**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 2018**

In the period from I-XII 2018 a number of measures and activities were undertaken in the aim of stabilising and improving business operations of production entities which led to an increase in internal and external sales revenue of the company.

Consistency in following business policy guidelines enabled Tigar AD to enhance the level of realization of its product assortment (footwear, technical goods, chemical products) in the period from I – XII 2018 to an amount of 14.9 million euros, of which 72% was achieved in export (10.8 million euros) which represents an increase of 24% in relation to the previous year.

Period January – December 2018 was marked by increased volume of total sales of goods and services in value by 21% when observed in euros or for 2.6 million euros in absolute numbers, in relation to 2017. Sales increase comes as a result of increased demand in export (realization was increased by 34%) along with a slight decrease in sales volume in domestic market by 4%, due to lack of production capacity.

The key role in increasing overall realization of Tigar AD pertains to the footwear programme which in the period from I-XII 2018 records a total growth in sales by 22% in relation to 2017. In the market structure of sales footwear export records a growth by 34%, whereas sales volume in domestic market records a decline by 7%, in relation to the previous year.


As for the footwear programme the period from I-XII 2018 was marked by increasing volume of demand from strategic customers of rubber footwear (Berner, Decathlon, IJH...), as well as signing contracts with increased quantities of ordered products by more than 30%, defined product assortment and delivery terms for 2019.

When it comes to these customers, business policy of long-term planning is strongly pronounced so that contracts refer to the period 2018-2020, and they also regulate developmental concept of market and products as well the trend of increasing production capacities according to market demands. Owing to the already defined requests followed signing of certain strategic contracts for 2020.

According to their strategic decision, company Madirom finances Tigar AD production for their own stock, and significantly contributes to the current solvency of Tigar. Total realization of footwear for this customer in the period from I-XII amounts to 2.6 million euros or 120.304 pairs of footwear thus exceeding the plan for 2018. It participates with 24,4% in total realization of footwear. In 2019 is planned realization of 170.000 pairs and more than 3.2 million euros, along with the introduction of 6 new models of boots.

Second largest strategic partner in 2018 is the company Berner with its brand Nokian. Total realization of footwear through this customer, for the period I-XII 2018 amounts to 2.6 million euros or 122.685 pairs of footwear as planned for 2018. It participates with 25,9% in total realization. For 2019 has been planned introduction of new line of Hai program, which the customer displaced from Slovakian Novesta to Serbia, Tigar AD, where along with the industrialization of these products is planned introduction of 5 new models. According to the plan increase in realization will be at least 15%. In addition to this, tender for the Swedish Army was won.

The third strategic customer, IJH, realized 1.3 million euros or 57.625 pairs. It participates with 12,9% in total realization of export.

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It is worth mentioning customers for the strategic safety programme who won tenders for 2019. New tenders for 2019 have been won for the delivery of firefighting books for Hong Kong (customer FSD), tender for the Swedish Army (customer Berner), tender for NATO Intechplast – Poland, tender for mines Canada – Regancy – STC. Along with the already placed orders from the company Shephard and potential demand from Latvia and Turkey this programme obtains specific dimension.

In the period from I-XII 2018 Technical Rubber Goods records growth in realization by 27% achieved through continuous export through regular partners TIC Automotive, Eder and Blinkfyrrar. Export value amounts to 647 thousand euros which represents 4% more in relation to the previous year, whereas in the domestic market there was achieved realization of a total of 1.3 million euros which is and increase by 44%. In particular should be emphasized the importance of this programme and the cooperation with the Defense Ministry and Yugoimport in the sphere of military programme.

In the period from I-XII 2018 Chemical Products mark record realization growth of 109% in relation to 2017. Realization of 240 thousand euros and growth of 637% in relation to 2017 was recorded through export of adhesives for the mining industry in Bulgaria as well owing to renewal of cooperation with a customer from South Africa.

Third quarter of 2018 in Tigar AD was marked by the completion of social audit of work conditions for our employees after which Pirot based footwear factory Obuća reached the level/grade B which stands for an example of good practice within the sphere of work conditions, respect towards workers, management system, protection, safety and health at work.

Despite financial problems, company's new management, with the help of its strategic customer enabled significantly improved work conditions for its employees in the footwear factory Obuća, reduced possibility of injuries at work, and at the same time gain an advantage at local and international market. Employees have been trained and informed on hazards, protective measures and their rights referring to freedom of association, disciplinary practices, security of earnings, grievance mechanism, healthy workplace environment, responsible use of raw materials. In addition, cutting edge electronic attendance recording system was fitted in and new space for the disposal of dangerous chemical waste was adapted based on global standards.

Pursuant to the applicable regulations from this field – The Decision on determining a Program for reducing the redundancy in the privatisation process for 2015, 2016, 2017 and 2018 (Official Gazette of RS no. 9/15, 84/15, 109/15, 16/16, 82/16, 5/17, 92/17, 29/18 ) and adopted programs for reducing the redundancy, there was carried out the procedure of reducing the redundancies in Tigar for 2018, within the entities which are currently in the privatisation process: Tigar AD Pirot, Tigar Ugostiteljstvo d.o.o. Pirot , Tigar Incon d.o.o. Pirot, Tigar Poslovni servis d.o.o. Pirot and Ti-Car Trgovine d.o.o. Pirot. The programs for reducing redundancies encompassed 84 employees, whose severance pay was funded from the budget of the Republic of Serbia, in order to regulate their work and legal status in line with the options they opted for. Social programmes for all entities were realized in the period from 24 August to 10 October 2018.

In accordance with the Conclusion of the Government of the Republic of Serbia as of 13.09.2016 and 21.06.2018 giving consent and recommendation to state creditors to convert their claims into the Company's capital, in the period between 2018 and until the end 2018 there were released 6 issues of shares (V,VI, VII, VIII, IX and X). Based on conversions there was released a total of 6,437,776 shares, and the total value of issues is RSD 2,407,728,224. After the subscription of X issue of shares the total number of Tigar shares amounts to 8.156.236 shares.



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Due to the conversions carried out and registration of the newly-released shares in the Central Securities Depository and Clearing House there came about inconsistencies in the number of registered and released shares at the Belgrade Stock Exchange. Following the amends of the Law on Bankruptcy in December 2017, during 2018 the Company has undertaken all steps necessary to engage the newly-released shares in the Open Market of Belgrade Stock Exchange.

After the subscription of X issue of shares the Republic of Serbia participates with 39,91%, and together with the Pension and Disability Insurance Fund (12,46%) , the Equity Fund of RS (5,27%), Republic Health Insurance Fund (2,80%) and the National Employment Service (0,65%) it has a total of 61,09% in the ownership of Tigar AD.

In the part of settling obligations towards creditors, settlement ran smoothly, until January 2017 when Footwear principals matured and the possibility for the settlement of obligations became difficult. By mid July 2017 matured principals for Tigar AD according to the PPOr, which further aggravated already difficult financial situation. There were held bilateral meetings with larger creditors and they were presented with the steps that the Company undertakes to overcome the problem, as well as with the necessity to write-off part of the receivables, reduce interest rates and extend the repayment period for the remaining debt. Due to delays in settlement of obligations, and in order to avoid having the account frozen, the Ministry of Economy and largest creditors agreed that it should be entered into the process of drafting new PPOr.

At the extraordinary General Assembly session of Joint Stock Company Tigar Pirot held on 29.03.2018 was made Decision on submitting proposal for launching the bankruptcy proceedings through reorganization, in line with the Prepackaged Plan of Reorganization. In accordance with the decision made at the General Assembly session, on 30.03.2018 Tigar AD Pirot submitted the Prepackaged Plan of Reorganization to the Commercial Court in Niš. In line with the Law on Bankruptcy creditors submitted their objectives to the PPOr. Tigar implemented acceptable objectives into consolidated version of the Plan, which was submitted to the Court on 29.05.2018. Court hearing for Plan adoption was held on 03.10.2018 but by the Decision of the Commercial Court the said hearing was postponed for 30.01.2019. Given that the Plan was not adopted, due to lack of votes in one class, in agreement with the line ministry drafting the new PPOr was approached, with the cut-off date as of 31.12.2018 which was submitted to the Commercial Court in Niš in accordance with the Law on Bankruptcy on 01.04.2019.

Observed individually, in 2018 the parent company Tigar AD realized total annual sales in the amount of 2.15 billion Serbian dinars, whereas total annual sales in 2017 amounted to 1.77 billion dinars. Reported was loss (EBIT) in the amount of 204.6 million dinars whereas in the previous year there was stated loss in the amount of 250.5 million dinars, which represents an improvement in business result for 45.9 million dinars.

The operating business loss prior to amortization and provision (EBITDA) stated amounted to 88.5 million dinars, whereas in 2017 was stated business loss in the amount of 123 million dinars, which represents an improvement for 34.5 million dinars. The main reason for better result in relation to 2017 is significant increase in sales income from the sale of products and services which for the period January – December 2018 amount to 1.8 billion dinars and are higher for 328.4 million dinars in relation to those last year.

There was also reported business loss in the amount of 427.2 million dinars whereas in 2017 there was reported net loss in the amount of 29 million dinars. The reason for this decline is negative result reported in the financing activity, based on Company's indebtedness. In the period January – December 2018 negative financing amounted to 182.6 million dinars, whereas last year there was reported profit of 80 million dinars, so that the effect amounting to 262.6 million dinars significantly reduced the improvement in business result and caused the net result to be worse



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than last year. The reason for negative financing result reported is weakening of the national currency by 0,28 Serbian dinars in relation to early 2018 for euro, 2,25 Serbian dinars for British pound, whereas in 2017 there came about significant national currency strengthening of 5 Serbian dinars in relation to early 2017 for one euro, 10,38 Serbian dinars in relation to British pound and 18,02 Serbian dinars in relation to American dollar. Increase in interest expenses from 189 million in the previous year to 230.4 million dinars this year greatly contributed to the deterioration of results.

Total income achieved from the sales of goods, products and services at the consolidated level, for the period January – December 2018, amounts to 2.45 billion dinars which is by 4% more in relation to the previous year, when it amounted to 2.36 billion dinars. In the same period there was achieved business income in the amount of 2.48 billion dinars, which is by 4% more in relation to the previous year, when they amounted to 2.39 billion dinars.

Financial income at the consolidated level for the period I-XII 2018 amount to 15 million dinars whereas for the same period previous year these amounted to 237 million dinars.

Consolidated operating expenses in the amount of 2.7 billion dinars are by 2% greater in relation to the period January – December 2017 when they amounted to 2.6 billion dinars.

Breakdown of operating expenses in total expenses by groups is as follows: staff costs participate with approximately 42%, expenses based on material and energy consumed corrected for changes in inventories and income from work performed and capitalized participate with 36%, amortization expenses and costs of provision participate with 5% whereas other expenses participate with 17%.

The reason for increase in stock value is that with the company Madirom we signed a special contract on financing production by the end of March. Madirom finances production in advance (procurement of raw materials) and finished goods are stocked in line with their orders. Dispatch of stored stocks started in July 2018.

Financing costs at the consolidated level in the period January – December 2018 amount to 260.8 million Serbian dinars, whereas financing costs at the consolidated level, in the previous year amounted to 228 million Serbian dinars.

The greatest portion of financial expenses make up for interest costs, which amounted to 242.6 thousand dinars at the consolidated level whereas foreign exchange losses and other financial expenses amounted to 16.3 million dinars. It is evident that the amount of interest is still very high and significant.


Reported operating loss (EBIT) amounts to 231.4 million dinars, whereas operating loss for the previous year amounted to 257.4 million dinars, which is a better outcome for 26 million dinars.

Reported operating loss prior amortization and provision (EBITDA) amounts to 93.4 million dinars, whereas operating loss prior amortization and provision reported last year amounted to 107.3 million dinars, which is an improvement for 13.9 million dinars.

Reported net loss at the consolidated level for the period January – December 2018 amounts to 568.6 million dinars, whereas net profit in 2017 amounted to 247 million dinars.

At the consolidated level value of total assets amounts to 4.8 billion dinars, of which fixed assets 3.0 billion dinars, whereas current assets amount to 1.7 billion dinars.



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At the consolidated level loss above equity amounts to 1.6 billion dinars. On the liabilities side, equity value is 0, long term liabilities and provisions amount to 2.1 billion dinars, short-term financial obligations are 2.4 billion and other accounts payable amount approximately 1.9 billion dinars.

By replacing short-term obligations with long-term loans, through the process of financial stabilization, was secured better influence on company liquidity.

Despite replacing short-term obligations with long-term loans, through the process of financial stabilization, the Company is facing great obligations from the PPoR, which significantly affect the company's liquidity.

The number of employees as of 31.12.2018 was 1.230. Out of the total number of employed in Tigar Group, 1005 is engaged by Tigar, whereas 225 employees are hired via agency.

By the voluntary social programme were encompassed 83 employees and employment ended for 20 employed for an indefinite time period based on other grounds (8 employees retired, 7 employees resigned of their own volition, 3 employees got notice and 2 terminations of employment are due to death). Owing to overall financial situation in Tigar group the trend of high qualified staff leaving continues, primarily of those with technical background which Tigar group cannot compensate for due to shortage of those professionals in the labor market as well as due to the companies nearby which allot substantially greater resources for engineering staff.

The process of shutting down Tigar Americas, commercial enterprise based in the territory of the United States in which Tigar AD figures as the owner of 100% of the share capital has not yet been terminated. A lawyer from Serbia was hired in the shutdown process by the Company. Since that state has different tax system, the Company's experts are not able to fill in the documents necessary for shutting down. In order to complete the process of shutting down it is necessary to hire an authorized accountant from the USA to fill in the necessary documents. What it important to emphasize is that there are no additional costs related to this company's operation, as it does not operates since 2013 (accounts are closed, there is neither business premisses, nor employees).

Given that Tigra Montenegro d.o.o. Podgorica has shown negative business result in the previous period, the parent company has undertaken activities in order to solve the status of this entity. Due to interest in purchasing Tigar's share shown by the cofounder, Dušan Krstajić, at Tigar AD Supervisory Board session held on 27.02.2019 was made Decision on approval of selling Tigar AD's 80% share to the cofounder. After the Decision of the SP was made, on 22.03.2019, the cofounder informed us on launching pre-bankruptcy procedure over Tigar Montenegro by the Tax Administration of Montenegro due to unpaid tax debt (income taxes and contributions). By the Decision of the Commercial Court of Montenegro Tigar AD ST.no 293/19 as of April 8, was launched bankruptcy proceedings over Tigar Montenegro. Within the time limits stipulated by law, on 08.05.2019 Tigar AD submitted export invoices for Tigar AD and Ti-car trgovine in order to state receivables as bankruptcy estate.

In the period observed company management maintained continuous communication with the largest owners and representatives of the Government of the Republic of Serbia, as largest individual shareholder, with the purpose of reaching consensus concerning key decisions for the Company.

**Managing director Tigar AD**

**Vladimir Ilić, s.r.**



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Based on Article 442 and according to the application of Article 399 of the Law on Companies ( Official Gazette of the RS, nos. 36/11, 99/11, 5/15, 44/18 and 95/18) and Article 25 of the Rules of Procedure on the work of Supervisory Board of Joint Stock Company Tigar Pirot, the Supervisory Board of the Company submits the following:

**Report of Tigar AD Pirot Supervisory Board to the shareholders in relation to business results of the Joint Stock Company Tigar Pirot in 2018**

Supervisory Board of Joint Stock Company Tigar, Pirot was elected on the General Assembly session, on 03.07.2017, with four year mandate period. After certain changes in its membership, Supervisory Board works in the following constitution: Jelena Bečanović, Chairman, Dejan Jovešić, Milutin Radenković, Dragan Penezić, Slobodan Randjelović, Miloš Radosavljević and Ljiljana Komlenski.

Within preparations for the regular annual General Assembly meeting of Tigar AD, Supervisory Board examined Business Report for the year 2018, reviewed the necessary documentation and familiarized itself with all the facts indicating the accounting practice and reporting practices in Tigar and its dependent entities, compliance of Company's business operation with the law and other regulations.

An insight into Financial report revealed that the said was drafted according to the regulations. In the business report is given the appraisal of events in the surroundings and the status of most important processes within Tigar that reflected on its operating results.

In addition to the insight into the Financial Report, Supervisory Board inspected the documentation related to the work of Executive Board, Managing Director and other managing structures and stated that tasks falling within the scope of these bodies' jurisdiction were performed in accordance with the valid regulations and within the defined company policy.

In addition to the financial result of the parent company – Tigar AD Pirot, as a legal entity, was also disclosed consolidated result for Tigar as well as financial results for other dependent entities within the corporation.

In balances, the parent company Tigar AD in 2018 achieved total operating income in the amount of 2.15 billion dinars, whereas total operating income in 2017 amounted to 1,77 billion dinars.

Operating loss (EBIT) in the amount of 204.6 million dinars was reported, whereas in the previous year there was reported operating loss of 123 million dinars, so that the result represents an improvement for 34.5 million dinars. The main reason behind improved business result comparing with 2017 is significant income increase from sales of products and services which for the period January – December 2018 amount to 1.8 billion dinars and are greater for 328.4 million dinars when compared to last year's.

There was reported operating loss in the amount of 427.2 million dinars, whereas in 2017 there was reported net loss in the amount of 29 million dinars. The reason for this downturn is stated negative result from financing activities, based on Company's indebtedness. In the period January – December 2018 negative financing result amounts around 182.6 million dinars, whereas last year was stated profit of 80 million, so that the effect of 262.6 million dinars significantly reduced the improvement in operating result and caused worse net result than the one last year. The reason for stated negative financing result is national currency weakening by 0.28 Serbian dinars in relation to early 2018 compared with euro, 2.22 Serbian dinars in relation to British pound,



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whereas in 2017 was present significant strengthening of the national currency by 5 Serbian dinars in relation to early 2017 compared with euro, 10.38 Serbian dinars compared with British pound and particularly by 18.02 dinars when it comes to American dollar. Moreover, another great influence on deterioration of result was due to increase in interest expense from 189 million dinars last year to 230.4 million dinars this year.

At the consolidated level reported business loss (EBIT) amounts to 231.4 million dinars, whereas operating loss for the previous year amounted to 257.4 million dinars, which represents better business result for 26 million dinars. The main reason for this improvement lies in greater sales income amounting to 2.45 billion dinars whereas in 2017 these amounted to 2.36 billion dinars. Reported operating loss prior amortization and reserves (EBITDA) at the consolidated level amounts to 93.4 million dinars, whereas operating loss prior amortisation and reserves reported last year amounted to 107.3 million dinars, which represents an improvement for 13.9 million dinars. At the consolidated level was stated loss from financing for the period January – December 2018 which amounted to 245.8 million dinars, whereas in 2017 was stated profit from finance in the amount of 8 million dinars. The main reason for the loss from financing reported comes from the effects of exchange rate revaluation which are infavourable in relation to the previous year as well as from greater interest expenses.

Total net loss at the consolidated level for the period January – December 2018 amounts to 568.6 million dinars, whereas in the previous year was stated total net income in the amount of 247 million. In 2017 in consolidated balances was added the effect of appraisals done for the new PpoR in terms of depreciation of fixed assets ( land, facilities and investment property) in the amount of 578 million dinars, while at the same time phasing out previously formed revaluation reserves based on this ground in the amount of 955.7 million dinars, in accordance with Company's accounting policies, which led to significant improvement of net result. These effects lacked in 2018, since those are recorded over a period of 5 years. Total asset value at the consolidated level amounts to 4.8 billion dinars, of which fixed asset 3 billion dinars and current assets 1.8 billion dinars.

Financial reports were, in accordance with regulations, subjected to an external audit control, of which was delivered Opinion which is to be presented on the occasion of the General Assembly meeting of Tigar AD. For the audit in 2018 was engaged auditing firm Stanišić audit d.o.o. Beograd, whose qualification and independence in relation to the Company was indisputable when selecting them.

Supervisory Board estimated that the Business report in 2018 is correct and all-encompassing, with emphasis on issues that form the essence of business operation and with a realistic view of the situation in the surroundings.

Company's financial report, as a summary of results achieved in figures, is disclosed in a transparent way and in accordance with the accounting regulations and standards, i.e. adopted accounting policies.

In line with positive regulations, Supervisory Board participated in preparation of the sessions of General Assembly of Tigar AD Pirot.

Supervisory Board considered not only the accounting statements, but overall management activity.

In the course of 2018 Supervisory Board made decisions within its competence, in acting the capacity of supervisory function of the Company.

The Supervisory Board shall deem it has successfully performed tasks from its scope of work if the General Assembly shares its opinion, by accepting the Report provided.

**Chairman of Supervisory Board  
Tigar AD Pirot**

**Jelena Bečanović, s.r.**





PREDUZEĆE ZA REVIZIJU I KONSALTING

**Stanišić audit d.o.o.**

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## 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, 2018, 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***

As of December 31st 2018, the Company recorded in the Balance Sheet the intangible assets in the net amount of 94,349 thousand dinars. The net value of investments in the development of products with an effect of more than one year in the amount of 87.449 thousand dinars is presented within the position of intangible investments. Company did not provided complete analysis on how and in what time interval these intangible assets will generate future economic benefit.

From the presented documentation, we were not able, by auditing or by alternative methods, to see how during this period these intangible investments will generate future economic benefits.

Although the Company made impairment of investment in development in the total net amount of RSD 9.919 thousand (as of 31 December in the net amount of RSD 33.197 thousand) as at December 31, 2018, there is an indication that intangible assets are presented in terms of value higher than their recoverable amount, which would be contrary to the requirements of 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.

As of 31 December 2018, in the Balance Sheet the Company disclosed stocks of finished goods and goods in the amount of RSD 375.336 thousand. This amount also includes inventories with

a slow turnover - stocks in which there were no movements over a period of more than one year, in the amount of 281.449 thousand dinars for which the Company did not provide us with a complete and adequate analysis of the possibility of market realization and related to reduction on the net recoverable amount ie impairment of these inventories to net recoverable value.

Due to the lack of detailed analysis, we were not able to see the effects of the reduction of inventories on their net recoverable value presented in the Company financial reports as of December 31st 2018, income statement and accumulated losses.

As of December 31, 2018, the Company stated receivables based on sales in the amount of RSD 487,397 thousand, of which 387,809 thousand dinars or 79.57% of the total amount of receivables arising from the sale amounted to receivables from related legal entities balance sheet. Receivables from related legal entities minus the amount of the obligation that the Company has at the same time recorded in relation to the same related legal entities, and which are not collected within 180 days from the maturity date until the date of the audit, are disclosed in the amount of RSD 289,578 thousand. The Company did not assess the collectability of these receivables, nor did it record the impairment on the date of the financial statements. Related legal entities have significant problems with liquidity and accumulated business losses. The related legal entity "Tigar Americas" Co. New Jersey has discontinued business communication with the Company. Based on the documentation provided to us, we could not be sure that the receivables from related legal entities as at 31 December 2018 were true and objective, and whether the impairment of those in the income statement for 2018 should be recorded.



PREDUZEĆE ZA REVIZIJU I KONSALTING

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## INDEPENDENT AUDITOR'S REPORT (continued)

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

#### ***Qualified Opinion***

In our opinion, except for the possible effects of the issues raised in the Basis for Qualified Opinion, the financial statements present true and objective in all material matters the financial position of the Joint-stock Company "Tigar", Pirot on December 31, 2018, as well as the result operations and cash flows for the year then ended, in accordance with the accounting regulations in force in the Republic of Serbia.

#### ***Emphasis of matter***

##### ***Mortgages and pledges***

As disclosed in Note 17 to the financial statements and item 4.1. Annual Report of the Company The Company as an instrument of securing liabilities towards creditors has registered mortgages on real estate owned by the Company in the amount of RSD 2,455,913 thousand dinars of net present value.

As disclosed in Note 35 to the financial statements and point 4.1. Annual Report of the Company The Company as an instrument of securing liabilities towards creditors has registered inventories of inventories in the amount of RSD 391,583 thousand dinars,

As disclosed in Note 17 to the financial statements and item 4.1. Annual Report of the Company As an instrument for securing liabilities towards creditors, based on loans, the Company has inventories of equipment in the amount of 349,465 thousand dinars of net present value.

In the analytical records, there are items of equipment that do not have the present value at 31 December 2018 (they are depreciated in the total amount) and are subject to inventory.

##### ***Legal disputes***

According to the records of lawyers and legal services, the total value of court litigation, conducted against the Company, amounts to 38,851 thousand dinars. Workers disputes against which the value can not be predicted are also initiated against the Company. As at 31 December 2018, provisions for potentially negative outcomes of court disputes were recorded in the amount of 27,598 thousand dinars. The management of the Company considers that the outcome of court disputes will not materially affect the Company.

The Company also manages several disputes in which it appears as a prosecutor. The estimated value of these disputes is 54,937 thousand dinars. For most of these disputes there are executive court records but their collection has not been executed.



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

#### *Emphasis of matter (continued)*

#### *Going concern principle*

As at December 31, 2018, the Company recorded a net loss in the amount of 427,175 thousand dinars. The ratio of total debt to equity is negative. As at 31 December 2018, the Company recorded a loss above the amount of capital in the amount of 939,604 thousand dinars. Short-term liabilities of the Company as at 31 December 2018 were reported in the amount of RSD 4,172,528 thousand and were higher by 2,330,683 thousand dinars than the Company's working capital on the same day. The company has problems with liquidity (net outflow of cash). The Company's current accounts with commercial banks have been blocked for 373 days in the past three years (in the period from 11 April 2018 to 26 March 2019 there was a security measure under the previous bankruptcy proceedings). The Company's business depends to a large extent on the completion of the restructuring process initiated in accordance with the previously adopted and valid Pre-prepared Reorganization Plan which was adopted on April 8th, 2015, and became valid on June 1<sup>st</sup> of the same year. Such situation indicates the existence of material uncertainties that raise doubts that the Company will be able to continue its operations in the sense of the provisions of ISA 570 - Principle of permanence and will not be able to realize its assets and settle liabilities in the normal course of business. These financial statements do not include corrections that might arise from these uncertainties.

At the associate session of the Shareholders Assembly of the Joint-stock company "Tigar" Pirot, which was held on March 29, In the same year, a decision was made to submit a proposal for initiating a bankruptcy proceeding by reorganization, in accordance with the Prepared Reorganization Plan. In accordance with the adopted decision, on April 1, 2019, a Pre-prepared Reorganization Plan was submitted to the Commercial Court in Nis.

Our opinion is not qualified in respect of these matters.

#### *Other issues*

On April 13, 2017, the Government of the Republic of Serbia passed the Conclusion 05 No. 023-3255 / 2017 on the initiation of the privatization initiative of the Joint-stock Company "Tigar" Pirot and the subsidiaries Tigar Incon doo, Tigar Ugostiteljstvo doo, Tigar Poslovni servis "doo," Tigar Obezbeđenje "doo and "Ti car trgovine" d.o.o.

15.01.2019. In the Central Securities Depository, 2.790 ordinary shares of X issue were entered, with a nominal value of 374.00 dinars (the volume of issue was 1.043.460,00 dinars).

18.02.2019. By the decision of the Belgrade Stock Exchange a.d. Belgrade (pursuant to Article 63, paragraph 2, and in relation to Articles 64-66b of the Rules of the Belgrade Stock Exchange), the Director of the Belgrade Stock Exchange issued a decision on the inclusion of a new issue of 2,790 shares on the Open Market.



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## **INDEPENDENT AUDITOR'S REPORT (continued)**

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

#### ***Other questions (continued)***

In accordance with the provisions of Articles 491 and 495 of the Law on Business Companies ("Official Gazette of the Republic of Serbia" No. 36/2011, 99/2011, 83/2014, 5/2015, and 44/2018), on January 15<sup>th</sup> 2019. In the year ended 31 December 2018, the Draft of the Agreement on the status change (merger) between the Tigar Joint Stock Company, Pirot (Association of acquirers), the Company for the provision of services Tigar Ugostiteljstvo doo, Pirot (transmission company 1), the trade company Ti-Car trgovina doo, Pirot (transmission company 2) and the company for engineering and consulting Tigar Incon doo, Pirot (transmission company 3)

On January 23<sup>rd</sup> 2019. In the decision no.4333 / 2019, the data was changed in the Register of Business Entities of the Business Registers Agency at Tigar Pirot Joint Stock Company.

On January 23<sup>rd</sup> In the decision no.4326 / 2019, a change of data was registered in the Register of Business Entities of the Business Registers Agency with the company Tigar Catering Ltd., Pirot.

On January 23<sup>rd</sup> In the decision no.4331 / 2019, the data was changed in the Register of Business Entities of the Business Registers Agency with the trade company Ti-Car trgovina doo, Pirot.

On January 23<sup>rd</sup> In the decision no.4337 / 2019, a change of data was registered in the Register of Business Entities of the Business Registers Agency at the Engineering and Consulting Company Tigar Incon doo, Pirot.

On February 11<sup>th</sup> 2019. On the proposal of the Ministry of Finance, the Tax Administration of Montenegro, the Commercial Court of Montenegro issued the decision of the Ministry of Finance. no. 293/19 on the initiation of a previous bankruptcy proceeding over the bankruptcy debtor "Tigar Montenegro" d.o.o., Podgorica.

#### ***Report on other legal and regulatory requirements***

The Company is responsible for the preparation of the Annual Business Report, in accordance with the requirements of the Law on Accounting of the Republic of Serbia ("Official Gazette of the Republic of Serbia" No. 62/2013). Our responsibility is to express an opinion on the compliance of the annual business report with the financial statements for the business year 2018. In this regard, our procedures are conducted in accordance with International Standards on Auditing 720 - Auditors' Responsibility for Other Information in the Documents containing the Financial Statements Audited, and we are limited to assessing the compliance of the financial statements with the financial statements.

In our opinion, the Annual Business Report is in accordance with the Financial Statements that have been audited.

Belgrade, April 24, 2019

Licensed Certified Auditor





**TIGAR AD Pirot  
SUPERVISORY BOARD**

**MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY**

**2019-05-28**

**DRAFT DECISION ACCORDING TO ITEM 1 ON 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, 5/15, 44/18 and 95/18) and to the Article 49 paragraph 1 items 5 and 7 of the By-Laws of the Joint Stock Company Tigar Pirot and the Supervisory Board Decision no.42/19 as of 2019-05-24, the Supervisory Board of Tigar AD Pirot, at its session held on 28.05.2018, proposes that the General Assembly of Tigar AD Pirot at its regular session convened for June 27<sup>th</sup> 2019 make the following:

**“D E C I S I O N  
on adopting the Financial Statement of the Joint Stock Company Tigar, Pirot  
for the year 2018**

1. It is hereby adopted the Financial Statement of the Joint Stock Company Tigar Pirot for the year 2018, and the reports related to the Financial Statement, including:

- Report of the Executive Board on business operations of Tigar AD Pirot for 2018
- Report of the Supervisory Board of Tigar AD Pirot for 2018
- Report by the auditor Stanišić Audit doo Beograd

2. According to the Income Statement in the Financial Statement for the period January-December 2018, the Joint Stock Company Tigar Pirot reported the following results:

<b>INCOME STATEMENT IN THOUSANDS OF RSD</b>	<b>January – December 2018</b>	<b>January – December 2017</b>
<b>INCOME FROM OPERATIONS</b>		
<b>A. OPERATING INCOME</b>	<b>2,147,279</b>	<b>1,775,558</b>
I. SALES OF GOODS	10,562	13,401
II. SALES OF PRODUCTS AND SERVICES	<b>1,802,142</b>	<b>1,473,717</b>
III. REVENUES FROM PREMIUMS, SUBSIDIES, DONATIONS, GRANTS, ETC.		
IV. OTHER OPERATING INCOME	334,575	288,440
<b>EXPENSES FROM OPERATIONS</b>		
<b>B. OPERATING EXPENSES</b>	<b>2,351,850</b>	<b>2,026,058</b>
I. COST OF COMMERCIAL GOODS SOLD	8,582	10,936
II. WORK PERFORMED BY THE COMPANY AND CAPITALIZED		
III. INCREASE IN INVENTORIES OF FINISHED PRODUCTS AND WORK IN PROGRESS	21,720	
IV. DECREASE IN INVENTORIES OF FINISHED PRODUCTS AND WORK IN PROGRESS		76,956
V. MATERIAL CONSUMED	866,056	623,169
VI. FUEL AND ENERGY CONSUMED	252,934	215,557
VII. STAFF COSTS	835,254	725,206
VIII. PRODUCTION EXPENSES	41,744	35,155
IX. AMORTIZATION	115,366	127,438
X. COSTS OF LONG-TERM PROVISIONS	720	
XI. INTANGIBLE COSTS	252,914	211,641



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<b>V. PROFIT FROM OPERATIONS</b>		
<b>G. LOSS FROM OPERATIONS</b>	<b>204,571</b>	<b>250,500</b>
<b>D. FINANCE INCOME</b>	<b>66,044</b>	<b>287,553</b>
I. FINANCIAL INCOME FROM RELATED PERSONS AND OTHER FINANCIAL INCOME	51,926	61,306
II. INTEREST INCOME (FROM THIRD PARTIES)	517	1,586
III. GAINS AND POSITIVE EFFECTS OF CURRENCY CLAUSE	13,601	224,661
<b>Đ. FINANCE EXPENSES</b>	<b>248,684</b>	<b>207,972</b>
I. FINANCIAL EXPENSES FROM RELATED LEGAL PARTIES AND OTHER FINANCIAL EXPENSES	3,016	4,477
II. INTEREST INCOME (FROM THIRD PARTIES)	230,412	188,925
III. GAINS AND POSITIVE EFFECTS OF CURRENCY CLAUSE	15,256	14,570
<b>E. FINANCE EXPENSES</b>		<b>79,581</b>
<b>Ž. LOSS FROM FINANCING</b>	<b>182,640</b>	
<b>Z. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE TROUGH INCOME STATEMENT</b>		<b>4,086</b>
<b>I. LOSS ADJUSTMENT OTHER PROPERTY CARRIED AT FAIR VALUE TROUGH INCOME STATEMENT</b>	<b>20,729</b>	<b>2,060</b>
<b>J. OTHER INCOME</b>	<b>111,507</b>	<b>258,727</b>
<b>K. OTHER EXPENSES</b>	<b>130,340</b>	<b>109,502</b>
<b>L. OPERATING LOSS BEFORE TAX</b>		
<b>LJ. LOSS FROM OPERATIONS BEFORE TAX</b>	<b>426,773</b>	<b>19,668</b>
<b>M. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD</b>		
<b>N. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD</b>	<b>402</b>	<b>5,673</b>
<b>NJ. PROFIT BEFORE TAXATION</b>		
<b>O. LOSS BEFORE TAXATION</b>	<b>427,175</b>	<b>25,341</b>
<b>P. INCOME TAX</b>		
I. CURRENT TAX EXPENSE		3,718
II. DEFERRED INCOME TAX EXPENSE		
III. DEFERRED INCOME TAX BENEFIT		
<b>R. EARNINGS OF EMPLOYER</b>		
<b>S. NET PROFIT</b>		
<b>T. NET LOSS</b>	<b>427,175</b>	<b>29,059</b>



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3. According to the Balance Sheet in the Financial Statement as of 31.12.2018, the Joint Stock Company Tigar Pirot reported the following positions:

<b>BALANCE SHEET IN THOUSANDS OF RSD</b>			
<b>ASSETS</b>	<b>31.12.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>
<b>A. SUBSCRIBED CAPITAL UNPAID</b>			
<b>B. NON-CURRENT ASSETS</b>	<b>3,475,454</b>	<b>3,520,484</b>	<b>3,659,717</b>
<b>I. INTANGIBLE ASSETS</b>	94,349	133,580	207,388
Investment in development	87,642	127,866	199,237
Concessions, patents , licenses , trademarks , software and other rights	46	2,021	4,474
Goodwill			
Other intangible assets			
Intangible assets under construction	6,661	3,693	3,677
Advances for intangible assets			
<b>II. PROPERTY, PLANT AND EQUIPMENT</b>	<b>3,045,818</b>	<b>3,068,667</b>	<b>3,132,586</b>
Land	518,526	430,736	430,742
Buildings	1,775,894	1,718,152	1,749,863
Plant and equipment	523,133	548,722	603,253
Investment property	165,481	280,923	266,181
Property, plant and equipment under construction			
Investments in others property, plants and equipment	61,784	69,143	62,289
Investment property	1,000	1,051	318
Advances for property , plant and equipment		19,940	19,940
<b>III. BIOLOGICAL AGENTS</b>			
<b>IV. LONG-TERM FINANCIAL PLACEMENTS</b>	<b>335,287</b>	<b>318,237</b>	<b>319,743</b>
Shares in subsidiaries	329,133	311,088	311,088
Shares in associated companies and joint ventures	491	491	491
Equity investments in other companies and other securities held for sale	466	92	92
Other long-term investments	5,197	6,566	8,072
<b>V. LONG-TERM RECEIVABLES</b>			
<b>G. CURRENT ASSETS</b>	<b>1,841,845</b>	<b>1,769,293</b>	<b>1,865,227</b>
<b>I. INVENTORIES</b>	<b>1,094,468</b>	<b>1,181,479</b>	<b>1,315,306</b>
Material , spare parts , tools and supplies	181,602	170,065	175,634
Unfinished production and unfinished services	202,141	169,947	134,653
Finished Products	281,107	281,314	392,638
Goods	94,229	175,392	241,928
Fixed assets held for sale	316,780	334,100	358,234
Advances paid to suppliers and for services	18,609	50,661	12,219
<b>II. RECEIVABLES FROM SALE</b>	<b>487,397</b>	<b>390,382</b>	<b>442,205</b>
Customers in the country - the parent and subsidiaries	281,591	227,977	200,065
Customers abroad - parent and subsidiaries	105,625	86,709	108,458
Customers in the country - other related parties	593	691	1,283



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Customers abroad - parent and subsidiaries			
Customers in the country	49,671	48,018	52,707
Customers abroad	49,917	26,987	79,692
Other receivables based on sales			
<b>III. RECEIVABLES FROM SPECIFIC OPERATIONS</b>			
<b>IV. OTHER RECEIVABLES</b>	38,224	31,550	19,351
<b>V. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT</b>			
<b>VI. SHORT-TERM FINANCIAL PLACEMENTS</b>	98,452	85,251	56,167
Short-term loans and investments - parent and subsidiaries	63,038	49,837	11,509
Short-term loans and investments - other related parties			
Short-term credits and loans in the country			
Short-term credits and loans abroad			
Other short-term investments	35,414	35,414	44,658
<b>VII. CASH AND CASH EQUIVALENTS</b>	34,171	42,494	701
<b>VIII. VALUE ADDED TAX</b>	71,866	9,336	7,225
<b>IX. PREPAYMENTS</b>	17,267	28,801	24,272
<b>D. TOTAL ASSETS = OPERATING ASSETS</b>	<b>5,317,299</b>	<b>5,289,777</b>	<b>5,524,944</b>
<b>D. OFF BALANCE SHEET ASSETS</b>	<b>391,583</b>	<b>510,565</b>	<b>624,162</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>
<b>A. EQUITY</b>			
<b>I. SHARE AND OTHER CAPITAL</b>	3,049,389	2,866,890	1,115,014
Share Capital	3,049,389	2,866,890	1,115,014
<b>IV. RESERVES</b>	143	143	143
V. Revaluation reserves based on the revaluation of intangible assets, property, plant and equipment	231,281	205,809	205,809
<b>VI. UNREALIZED GAINS ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS</b>			1,113
<b>VII. UNREALIZED LOSSES ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS</b>	264	438	
<b>VIII. RETAINED EARNINGS</b>			1,823
Retained profit from previous years			1,823
Retained profit from financial year			
<b>IX. PARTICIPATION RIGHTS WITHOUT CONTROL</b>			
<b>X. LOSS</b>	4,220,153	3,792,978	3,765,742
Loss of previous years	3,792,978	3,763,919	3,371,919
Loss for the year	427,175	29,059	393,823
<b>B. LONG-TERM PROVISIONS AND LIABILITIES</b>	<b>2,084,375</b>	<b>3,034,618</b>	<b>6,092,419</b>
<b>I. LONG-TERM PROVISIONS</b>	69,769	70,446	235,814
Provisions for expenses within the warranty period			
Provisions for the cost of renewing natural resources			



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Provisions for restructuring cost			
Provisions for compensations and other employees' benefits	42,171	42,848	24,680
Provisions for costs of legal proceedings	27,598	27,598	211,134
Other long-term provisions			
<b>II. LONG-TERM LIABILITIES</b>	<b>2,014,606</b>	<b>2,964,172</b>	<b>5,856,605</b>
Liabilities convertible into equity	1,043		1,751,876
Liabilities towards parent company and dependent legal parties			
Liabilities towards other related legal parties			
Liabilities from securities in period exceeding one year			
Long-term loans and loans in the country	1,455,254	2,073,432	2,715,403
Long-term loans and loans abroad	378,426	561,388	774,834
Liabilities based on financial lease			
Other long-term liabilities	179,883	329,352	614,492
<b>V. DEFERRED TAX LIABILITIES</b>			
<b>G. CURRENT LIABILITIES</b>	<b>4,172,528</b>	<b>2,975,733</b>	<b>1,874,365</b>
<b>I. SHORT-TERM FINANCIAL LIABILITIES</b>	<b>2,377,283</b>	<b>1,599,933</b>	<b>841,975</b>
Short-term loans from parent companies and subsidiaries	17,135	12,462	1,973
Other current financial liabilities	2,360,148	1,587,471	840,002
<b>II. PREPAYMENTS, DEPOSITS AND GUARANTEES</b>	<b>72,125</b>	<b>70,587</b>	<b>40,054</b>
<b>III. ACCOUNTS PAYABLE</b>	<b>809,454</b>	<b>670,353</b>	<b>588,582</b>
Suppliers - parent and subsidiaries in the country	60,468	36,625	90,129
Suppliers - parent and subsidiaries abroad	17,909	17,164	20,090
Suppliers - other related parties in the country	2,068	2,039	2,159
Suppliers - other related parties abroad			
Suppliers in the country	334,104	289,104	289,905
Foreign suppliers	394,905	323,408	185,260
Other liabilities		2,013	1,039
<b>IV. OTHER CURRENT LIABILITIES</b>	<b>842,654</b>	<b>580,383</b>	<b>364,384</b>
<b>V. LIABILITIES FOR VALUE ADDED TAX</b>			
<b>VI. OTHER TAXES, CONTRIBUTIONS AND OTHER FEES</b>	<b>5,491</b>	<b>5,490</b>	<b>1,772</b>
<b>VII. ACCRUALS</b>	<b>65,521</b>	<b>48,987</b>	<b>37,598</b>
<b>D. THE LOSS IN EXCESS OF CAPITAL</b>	<b>939,604</b>	<b>720,574</b>	<b>2,441,840</b>
<b>D. TOTAL LIABILITIES</b>	<b>5,317,299</b>	<b>5,289,777</b>	<b>5,524,944</b>
<b>G. OFF BALANCE SHEET LIABILITIES</b>	<b>391,583</b>	<b>510,565</b>	<b>624,162</b>

4. Financial Statement of Tigar AD Pirot for the year 2018 together with the Independent Auditor's Report is published on the web page of the Joint Stock Company Tigar, in both Serbian and English.

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



	<b>TIGAR AD Pirot SUPERVISORY BOARD</b>
<b>MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY</b>	<b>2019-05-28</b>

### Explanation

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 2018 is presented a negative operating result (EBIT) of RSD 204.6 million, whereas in 2017 was reported operating loss of 250.5 million. The negative operating result before depreciation and provisions (EBITDA) amounts to RSD 88.5 million, whereas in 2017 it amounted to 123 million dinars. Net loss for the period I-XII 2018 amounts to RSD 427.2 million, whereas in 2017 net loss amounted to 29 million dinars. The main reason for worse net result in relation to the comparative period comes as a result of weakening of national currency, increased interest expense as well as lifting longterm reserves for customs for which was obtained valid decision by the Magistrates Court.

The Decision on covering the loss reported in the Financial Statement for 2018 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 2018, and it was made in accordance with the law governing the capital market. “

**Chairman of Tigar AD Pirot  
Supervisory Board**

**Jelena Bečanović sr**



PREDUZEĆE ZA REVIZIJU I KONSALTING

**Stanišić audit d.o.o.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the submitted consolidated financial statements of the Tigar Joint Stock Company, Pirot (hereinafter: the Group), which include the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of the remaining result, the consolidated report on the cash flows and a consolidated statement of changes in equity for the year then ended, as well as an overview of significant accounting policies and notes to the consolidated financial statements.

#### *Management's Responsibility*

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards and the Accounting Regulations of the Republic of Serbia, as well as those internal controls that the management determines as necessary in the preparation of consolidated financial statements that do not contain material misstatement, arising out of unauthorized action or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on the performed audit. We conducted the audit in accordance with the International Standards on Auditing and the Law on Auditing of the Republic of Serbia. Due to the importance of the issues raised in the Basis for Restrictive Opinion paragraph, we were not able to obtain sufficient audit evidence to provide the basis for the expression of the audit opinion.

#### ***Basis for Disclaimer of Opinion***

- As at 31<sup>st</sup> of December 2018, the Group recorded intangible investments in the amount of RSD 96,131 thousand. Within the position of intangible investments, the net present value of investments in the development of products with effect over one year in the net amount of 87,770 thousand dinars is presented.

From the presented documentation, we were not able, by audit or alternative methods, to make sure that during this period, these intangible investments will generate future economic benefits.

Although the Parent Company made an impairment in the total net amount of RSD 250,737 thousand (as at 31<sup>st</sup> of December 2014 in the net amount of RSD 105,250 thousand, as at 31<sup>st</sup> of December 2015 in the net amount of RSD 79,723 thousand, as at 31<sup>st</sup> of December 2016, in the net amount of RSD 22,648 thousand, as at 31<sup>st</sup> of December 2017 in the net amount of RSD 33,197 thousand, as at December 31<sup>st</sup> of 2018 in the net amount of RSD 9,919 thousand), there is an indication that intangible assets are stated in business books at a value higher than their recoverable amount, which would be contrary to the requirements of IAS 36 - Impairment of Assets.

Bearing in mind the foregoing, it is necessary for the Parent Company to continue to produce additional analyzes of the value of the intangible asset, or to further impair intangible assets in order to reduce the value to the recoverable amount.



**INDEPENDENT AUDITOR'S REPORT (continued)**

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

***Basis for Disclaimer of Opinion (continued)***

- As at 31<sup>st</sup> of December 2018, the stocks of finished goods and goods of the Group, were reported in the amount of 448,904 thousand dinars (AOP 0047 and AOP 0048). This amount includes inventories with a slow turnover period - stocks in which there were no movements in over a one year period, in the amount of at least 281,449 thousand dinars for which the Group did not provide us with a complete and adequate analysis of the usable value and the possibility of market realization and, consequently, ties, balances on net recoverable value or impairment of these inventories. As a result, we could not be convinced of the possible impact of unrecognized stock value correction and the effects of reducing inventories of finished goods and goods at their net recoverable amount as of December 31, 2018 on the consolidated income statement and consolidated accumulated losses.
- On 31<sup>st</sup> of December 2018, the Group did not consolidate the data of the subsidiary Tigar Americas, Florida, USA, in which Tigar Holding Company owns 100% of the share capital, due to the lack of communication and financial information from this company. 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 Basis for Disclaimer of Opinion, we were not able to obtain sufficient audit evidence to provide the basis for the audit opinion. Consequently, we do not express an opinion on the consolidated financial statements of the Tigar Group Joint Stock Company, Pirot, on December 31, 2018.

***Emphasis of Matter***

***Mortgages and pledges***

As disclosed in Note 20 to the consolidated financial statements and item 4.1. Annual Report The Group as an instrument for securing liabilities towards creditors has registered mortgages on real estate owned by the Group in the amount of 2,455,913 thousand dinars of net present value,  
As disclosed in Note 36 to the consolidated financial statements and item 4.1. Annual Report of the Group As an instrument for securing liabilities towards creditors, inventories of inventories in the amount of 391,583 thousand dinars have been registered.

As disclosed in Note 20 to the consolidated financial statements and item 4.1. Annual Report The Group as an instrument for securing liabilities towards creditors, based on a loan, has inventories of equipment in the amount of 349,465 thousand dinars of net present value.

In the analytical records, there are items of equipment that do not have the present value at 31 December 2018 (they are depreciated in the total amount) and are subject to inventory.



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

#### ***Court disputes***

According to the records of lawyers and legal services, the total value of court litigation against the parent company amounts to about 38,851 thousand dinars. Workers disputes against which the value can not be predicted are also initiated against the parent company. As at 31 December 2018, provisions for potentially negative outcomes of court disputes were recorded in the business books of the parent company in the amount of RSD 29,308 thousand. The management of the parent company considers that the outcome of litigation will not have a material effect on the Group.

The parent company also manages several disputes in which it appears as a prosecutor. The estimated value of these disputes is around 54,937 thousand dinars. For most of these disputes there are executive court records but their collection has not been executed.

#### ***Going Concern Principle***

As disclosed in Note 2.3. with the consolidated financial statements, the Group reported a net loss of 568,619 thousand dinars for the year ended December 31, 2018.

The Group's short-term liabilities, as at December 31<sup>st</sup> 2018, are higher than current assets for RSD 2,599,855 thousand. The Group has liquidity problems (net outflow of cash). The Group's current accounts with commercial banks have been blocked over the past three years ("Tigar" ad 373 days, of which 349 days are based on the security of previous bankruptcy proceedings, "Tigar Incon" doo 540 days, "Tigar Security" doo 558 days, "Tigar Catering" doo 635 days, "Tigar Business Service" doo for 26 days and "Tigar Inter Risk" Ltd. 1 day). The ratio of total debt to equity is negative. Loss above the Group's equity is expressed in the amount of RSD 1,635,970 thousand.

The above-mentioned facts point to the existence of material uncertainties, which raise doubts that the Group will be able to continue its operations in accordance with the provisions of ISA 570-Principle of Continuity and will be able to realize its assets and settle liabilities in the normal course of business.

In order to continue the business in accordance with the principle of continuity of operations, the decision-making bodies of the Parent Company adopted the decision on the necessity of creating a new Pre-prepared Reorganization Plan with a cross-section of the balance as at 31<sup>st</sup> of December 2018.

The draft of the new Pre-prepared Reorganization Plan text was adopted at the Supervisory Board held on March 8, 2019. year, when the decision was made to convene the Extraordinary General Meeting of Shareholders of the Tigar Pirot Joint Stock Company. At the extraordinary Assembly, which was held on March 29<sup>th</sup> , In the same year, a decision was made to submit a proposal for initiating a bankruptcy proceeding by reorganization, in accordance with the Prepared Reorganization Plan. In accordance with the adopted decision, on April 1<sup>st</sup> , 2019, a Pre-prepared Reorganization Plan was submitted to the Commercial Court in Nis.

Our opinion is not qualified in respect of these matters.



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## **INDEPENDENT AUDITOR'S REPORT (continued)**

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

#### ***Other issues***

On April 13th 2017, the Government of the Republic of Serbia passed the Conclusion 05 No. 023-3255 / 2017 on the initiation of the privatization initiative of the Joint-stock Company "Tigar" Pirot and the subsidiaries Tigar Incon doo, Tigar Ugostiteljstvo doo, Tigar Poslovni servis "doo," Tigar Obezbeđenje "doo and "Ti car trgovine" d.o.o.

On January 15th 2019. In the Central Securities Depository, 2.790 ordinary shares of X issue were entered, with a nominal value of 374.00 dinars (the volume of issue was 1.043.460,00 dinars).

On February 18th 2019. By the decision of the Belgrade Stock Exchange a.d. Belgrade (pursuant to Article 63, paragraph 2, and in relation to Articles 64-66b of the Rules of the Belgrade Stock Exchange), the Director of the Belgrade Stock Exchange issued a decision on the inclusion of a new issue of 2,790 shares on the Open Market.

In accordance with the provisions of Articles 491 and 495 of the Law on Business Companies ("Official Gazette of the Republic of Serbia" No. 36/2011, 99/2011, 83/2014, 5/2015, and 44/2018), on January 15th 2019. The contract was signed on the status change (merger) between Joint Stock Company Tigar, Pirot (Company of acquirer), Tigar Ugostiteljstvo doo, Pirot (transmission company1), Commercial company for trade of Ti-Car trade doo, Pirot transporter 2) and Tgar Incon doo, Pirot (transmission company 3).

On January 23rd 2019. In the decision no.4333 / 2019, the data was changed in the Register of Business Entities of the Business Registers Agency at Tigar Pirot Joint Stock Company.

On January 23rd 2019. In the decision no.4326 / 2019, a change of data was registered in the Register of Business Entities of the Business Registers Agency with the company Tigar Catering Ltd., Pirot.

On January 23rd 2019. In the decision no.4331 / 2019, the data was changed in the Register of Business Entities of the Business Registers Agency with the trade company Ti-Car trgovina doo, Pirot.

On January 23rd 2019. In the decision no.4337 / 2019, a change of data was registered in the Register of Business Entities of the Business Registers Agency at the Engineering and Consulting Company Tgar Incon doo, Pirot.

On February 11th 2019. On the proposal of the Ministry of Finance, the Tax Administration of Montenegro, the Commercial Court of Montenegro issued the decision of the Ministry of Finance. no. 293/19 on the initiation of a previous bankruptcy proceeding over the bankruptcy debtor "Tigar Montenegro" d.o.o., Podgorica.

#### ***Report on other legal and regulatory requirements***

The Group is responsible for the preparation of the Annual Business Report, in accordance with the requirements of the Accounting Law of the Republic of Serbia ("Official Gazette of the Republic of Serbia" No. 62/2013). Our responsibility is to express an opinion on the compliance of the annual consolidated business report with the consolidated financial statements for the business year 2018. In this regard, our procedures are conducted in accordance with International Standards on Auditing 720 - Auditors' Responsibility for Other Information in the Documents containing the Financial Statements Audited, and we are limited to assessing the compliance of the financial statements with the financial statements.

In our opinion, the Annual Consolidated Business Report is in accordance with the consolidated financial statements of the Group that were audited.

Belgrade, April 24, 2019

Licensed Certified Auditor





**TIGAR AD Pirot  
SUPERVISORY BOARD**

**MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY**

**2019-05-28**

**DRAFT DECISION ACCORDING TO ITEM 2 ON 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, 5/15, 44/18 and 95/18) and to the Article 49 paragraph 1 items 5 and 7 of the By-Laws of the Joint Stock Company Tigar Pirot and Executive Board Decision no. 43/19 as of 24.05.2019, the Supervisory Board of Tigar AD Pirot, at its regular session held on 27.05.2019 proposes that the General Assembly of Tigar AD Pirot at its regular session convened for June 27<sup>th</sup> 2019 make the following:

**“DECISION**

**on adopting the Consolidated Financial Statement of the Joint Stock Company Tigar Pirot for the year 2018 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 2018, and the reports related to the Consolidated Financial Statement, including:

- Report of the Executive Board on business operations of Tigar AD Pirot for 2018
- Report of the Supervisory Board of Tigar AD Pirot for 2018
- Report by the auditor Stanišić Audit doo Beograd

2. According to the Consolidated Financial Statement for the period January-December 2018, Joint Stock Company Tigar Pirot reported the following results:

<b>Income statement in thousands of RSD</b>	<b>January-December 2018</b>	<b>January-December 2017</b>
<b>INCOME FROM OPERATIONS</b>		
<b>A. OPERATING INCOME</b>	<b>2,477,962</b>	<b>2,386,491</b>
I. Sales of goods	17,814	53,049
II. Sales of products and services	2,434,536	2,307,678
III. Revenues from premiums, subsidies, donations, grants etc.		
IV. Other operating income	25,612	25,764
<b>EXPENSES FROM OPERATIONS</b>		
<b>B. OPERATING EXPENSES</b>	<b>2,709,366</b>	<b>2,643,866</b>
I. Cost of commercial goods sold	12,296	47,574
II. Work performed by the company and capitalized	26,157	21,215
III. Increase in inventories of finished products and work in progress	36,087	
IV. Decrease in inventories of finished products and work in progress		115,582
V. Material consumed	852,450	650,269
VI. Fuel and energy consumed	176,093	155,493
VII. Staff costs	1,129,048	1,070,575
VIII. Production expenses	345,836	381,899
IX. Amortization	136,029	149,360
X. Costs of long-term provisions	1,978	752
XI. Intangible costs	117,880	93,577
<b>V. PROFIT FROM OPERATIONS</b>		
<b>G. LOSS FROM OPERATIONS</b>	<b>231,404</b>	<b>257,375</b>
<b>D. FINANCE INCOME</b>	<b>15,056</b>	<b>237,082</b>
I. Financial income from related persons and other financial income		228
II. Interest income (from third parties)	664	10,517

**Tigar**®**TIGAR AD Pirot  
SUPERVISORY BOARD****MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY****2019-05-28**

III. Gains and positive effects of currency clause	14,392	226,337
<b>Đ. FINANCE EXPENSES</b>	<b>260,810</b>	<b>228,084</b>
I. Financial expenses related party transactions and other financial expenses	1,904	3,644
II. Interest expenses (by third parties)	242,580	204,544
III. Foreign exchange losses and negative effects of currency clause	16,326	19,896
<b>E. PROFIT FROM FINANCING</b>		<b>8,998</b>
<b>Ž. LOSS FROM FINANCING</b>	<b>245,754</b>	
<b>Z. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT</b>	6,726	7,404
<b>I. LOSS ADJUSTMENT OTHER PROPERTY CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT</b>	24,601	8,475
<b>J. OTHER INCOME</b>	117,556	1,225,668
<b>K. OTHER EXPENSES</b>	183,301	706,754
<b>L. OPERATING PROFIT BEFORE TAX</b>		<b>269,466</b>
<b>LJ. LOSS FROM OPERATIONS BEFORE TAX</b>	<b>560,778</b>	
<b>M. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD</b>		
<b>N. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS FROM PREVIOUS PERIOD</b>	402	5,684
<b>NJ. PROFIT BEFORE TAXATION</b>		<b>263,782</b>
<b>O. LOSS BEFORE TAXATION</b>	<b>561,180</b>	
<b>P. INCOME TAX</b>		
I. Current tax expense	7,998	16,724
II. Deferred income tax expense	66	413
III. Deferred income tax benefit	625	534
<b>R. EARNINGS OF EMPLOYER</b>		
<b>S. NET PROFIT</b>		<b>247,179</b>
<b>T. NET LOSS</b>	<b>568,619</b>	

3. According to the Consolidated balance sheet as of 31.12.2018 , the Joint Stock Company Tigar Pirot reported the following balance sheet items:

<b>BALANCE SHEET IN THOUSANDS OF RSD</b>			
<b>ASSETS</b>	<b>31.12.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>
<b>A. SUBSCRIBED CAPITAL UNPAID</b>			
<b>B. NON-CURRENT ASSETS</b>	<b>3,045,923</b>	<b>3,166,615</b>	<b>4,308,171</b>
I. INTANGIBLE ASSETS	96,131	135,809	208,762
Investment in development	87,770	127,993	199,364
Concessions, patents , licenses , trademarks , software and other rights	1,700	4,065	5,663
Goodwill			
Other intangible assets			
Intangible assets under construction	6,661	3,751	3,735
Advances for intangible assets			
II. PROPERTY, PLANT AND EQUIPMENT	2,943,638	3,023,655	4,090,752
Land	520,943	453,227	490,421
Buildings	1,725,244	1,689,160	2,578,484



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Plant and equipment	550,534	575,323	640,380
Investment property	83,252	198,694	266,181
Other property, plant and equipment			
Property, plant and equipment construction	62,184	85,585	94,371
Investments in others property, plants and equipment	1,481	1,726	679
Advances for property , plant and equipment		19,940	20,236
<b>III. BIOLOGICAL AGENTS</b>			
<b>IV. LONG-TERM FINANCIAL PLACEMENTS</b>	6,154	7,151	8,657
Shares in subsidiaries			
Shares in associated companies and joint ventures	491	492	491
Equity investments in other companies and other securities	466	92	94
Other long-term investments	5,197	6,567	8,072
<b>V. LONG-TERM RECEIVABLES</b>			
<b>V. DEFERRED TAX ASSETS</b>	<b>3,425</b>	<b>2,864</b>	
<b>G. CURRENT ASSETS</b>	<b>1,751,946</b>	<b>1,758,613</b>	<b>2,015,966</b>
<b>I. INVENTORIES</b>	1,184,249	1,275,695	1,480,316
Supplies , spare parts , tools and supplies	188,025	176,869	183,353
Unfinished production and unfinished services	202,141	169,947	134,653
Finished Products	281,107	281,314	392,638
Goods	167,797	253,504	362,736
Fixed assets held for sale	316,780	334,100	386,004
Advances paid for supplies and services	28,399	59,961	20,932
<b>II. RECEIVABLES FROM SALE</b>	265,811	242,474	341,512
Customers in the country - the parent and subsidiaries			
Customers abroad - parent and subsidiaries			
Customers in the country - other related parties	1,412	1,471	2,126
Customers abroad - other related parties			
Customers in the country	126,214	141,074	174,868
Customers abroad	138,185	99,929	164,518
Other receivables from sales			
<b>III. RECEIVABLES FROM SPECIFIC OPERATIONS</b>			
<b>IV. OTHER RECEIVABLES</b>	80,563	64,775	53,208
<b>V. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT</b>			
<b>VI. SHORT-TERM FINANCIAL PLACEMENTS</b>			
Short-term loans and investments - parent and subsidiaries			
Short-term loans and investments - other related parties			
<b>VII. CASH AND CASH EQUIVALENTS</b>	120,114	125,118	95,408
<b>VIII. VALUE ADDED TAX</b>	76,018	12,017	10,214
<b>IX. PREPAYMENTS</b>	25,191	38,534	35,308
<b>D. TOTAL ASSETS -</b>	<b>4,801,294</b>	<b>4,928,092</b>	<b>6,324,137</b>
<b>Đ. OFF BALANCE SHEET ASSETS</b>	<b>437,465</b>	<b>548,065</b>	<b>661,662</b>
<b>EQUITY AND LIABILITIES</b>	<b>31.12.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>
<b>A. EQUITY</b>			
<b>I. OSNOVNI KAPITAL</b>	3,049,389	2,866,890	1,115,014
Share Capital	3,049,389	2,866,890	1,115,014
<b>II. SUBSCRIBED CAPITAL UNPAID</b>			
<b>III. TREASURY SHARES</b>			
<b>IV. RESERVES</b>	3,946	3,631	3,642
V. Revaluation reserves based on the revaluation of intangible assets, property , plant and equipment	231,427	205,958	1,509,376




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VI. UNREALIZED GAINS ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS	102,541	100,298	101,672
VII. UNREALIZED LOSSES ON SECURITIES VALUE AND OTHER COMPONENTS OF OTHER COMPREHENSIVE RESULTS	4,646	4,312	4,146
VIII. RETAINED EARNINGS		227,137	
Retained profit from previous years			
Retained profit from financial year		227,137	
IX. PARTICIPATION RIGHTS WITHOUT CONTROL	102,158	98,093	98,303
X. LOSS	5,120,785	4,780,491	4,780,492
Loss of previous years	4,542,278	4,780,491	4,361,843
Loss for the year	578,507		418,649
<b>B. LONG-TERM PROVISIONS AND LIABILITIES</b>	<b>2,085,463</b>	<b>3,036,320</b>	<b>6,120,270</b>
I. LONG-TERM PROVISIONS	82,000	83,303	252,742
Provision for retirement and other employee benefits	52,692	53,994	39,898
Provision for lawsuits	29,308	29,308	212,844
Other long-term provisions			
II. LONG-TERM LIABILITIES	2,003,463	2,953,017	5,867,528
Liabilities that can be converted into equity	1,043		1,751,876
Long-term loans and loans in the country			
Long-term loans and loans abroad	1,455,254	2,073,432	2,715,403
Liabilities arising from finance lease	378,426	561,388	774,834
Liabilities arising from finance lease		1,400	6,621
Other long-term liabilities	168,740	316,797	618,794
<b>V. DEFERRED TAX LIABILITIES</b>			<b>103,786</b>
<b>G. CURRENT LIABILITIES</b>	<b>4,351,801</b>	<b>3,174,568</b>	<b>2,056,712</b>
I. SHORT-TERM FINANCIAL LIABILITIES	2,360,159	1,592,379	848,014
Short-term loans from parent companies and subsidiaries			
Short-term loans from other related parties			
Short-term loans and loans in the country			
Short-term loans and loans abroad			
Liabilities in respect of fixed assets and resources discontinued operations held for sale			
Other current financial liabilities	2,360,159	1,592,379	848,014
II. PREPAYMENTS, DEPOSITS AND GUARANTEES	79,127	78,777	46,027
III. ACCOUNTS PAYABLE	856,164	759,951	652,289
Suppliers - parent and subsidiaries in the country			
Suppliers - parent and subsidiaries abroad			
Suppliers - other related parties in the country	2,566	2,234	2,287
Suppliers - Other related legal entities abroad			
Suppliers in the country	415,449	394,600	413,639
Foreign suppliers	434,205	357,216	230,851
Other liabilities	3,944	5,901	5,512
IV. OTHER CURRENT LIABILITIES	945,574	659,367	436,296
V. LIABILITIES FOR VALUE ADDED TAX	8,267	8,527	11,444
VI. OTHER TAXES, CONTRIBUTIONS AND OTHER FEES	6,293	6,054	5,894
VII. ACCRUALS	96,217	69,513	56,748
<b>D. THE LOSS IN EXCESS OF CAPITAL</b>	<b>1,635,970</b>	<b>1,282,796</b>	<b>1,956,631</b>
<b>D. TOTAL LIABILITIES</b>	<b>4,801,294</b>	<b>4,928,092</b>	<b>6,324,137</b>
<b>G. OFF BALANCE SHEET LIABILITIES</b>	<b>437,465</b>	<b>548,065</b>	<b>661,662</b>

	<b>TIGAR AD Pirot SUPERVISORY BOARD</b>
<b>MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY</b>	<b>2019-05-28</b>

4. Consolidated Financial Statement of Tigar AD Pirot for the year 2018 together with the Independent Auditor's Report is published on the web page of the Joint Stock Company Tigar [www.tigar.com](http://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

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 2018, 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.

In the consolidated income statement for the year 2018 was reported negative operating result in the amount of RSD 231.4 million, whereas in 2017 was reported negative operating result in the amount of RSD 257.4 million. The reported operating loss before the depreciation (EBITDA) in 2017 amounts to RSD 93.4 million, while in the same period last year there was recorded the operating loss before the depreciation in the amount of RSD 107.3 million. Net loss for the period I – XII 2018 amounts to RSD 568.6 million, while the net profit reported in the same period in 2017 amounted to RSD 247.2 million.


Reasons for the above stated net profit in 2018 in relation to reference period are: negative financing result which amounts to RSD 245.8 million, whereas in 2017 was reported financing profit of RSD 8.9 million which comes as a result of weakening of national currency and increased interest expenses; in 2017 were entered the effects of appraisal for the new PPOr in consolidated balances through depreciation of fixed assets (land, buildings, investment property), at the same time lifting previously formed revaluation reserves based on this grounds in accordance with Company's accounting policies, whereas the said effects were not present in the book entry in 2018 since these are entered for a period longer than 5 years.

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 2018 was also 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 2018, 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  
Jelena Bečanović sr**

	<b>TIGAR AD Pirot SUPERVISORY BOARD</b>
<b>MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY</b>	<b>2019-05-28</b>

### DRAFT DECISION ACCORDING TO ITEM 3 ON THE AGENDA

Pursuant to Article 441 paragraph 1 item 15 of the Companies Law (Official Gazette of the RS, nos.36/11, 99/11, 83/14, 5/15, 44/18 and 95/18) and to Article 49 paragraph 1 item 7 of the Articles of Association of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 27.05.2019, and at the proposal of Executive Board (Decision no.44/19 as of 24.05.2019) proposes that the General Assembly of Tigar AD Pirot at its regular session convened for June 27<sup>th</sup> 2019 make the following:

#### “ **DECISION** of the Joint Stock Company on election of an independent auditor Tigar Pirot for 2019

1. As for the independent auditor of the Joint Stock Company Tigar Pirot for the year 2019 is hereby elected **Audit and Consulting Company Stanišić Audit Ltd.**
2. By Agreement on carrying out auditing, 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 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 three years. This company provided its services in accordance with contractual obligations, within the given terms and in a quality manner. Given that this company is familiar with the situation regarding assets and liabilities and that the same company has insight into Tigar’s current operations, it is deemed that the audit procedure itself would be simpler and more efficient.


Given the above mentioned, in proposing the independent auditor to carry out the audit of individual and consolidated financial statements of Tigar AD Pirot for the year 2019, the Supervisory Board opted for “Audit and Consulting Company - Stanisic Audit ltd. Belgrade“, after the analysis of submitted bids for the provision of such type of services.

Having accepted the proposal by Supervisory Board, the General Assembly made decision on electing the independent auditor of Joint Stock Company Tigar Pirot for 2019 “

**Chairman of the Supervisory Board**

**Jelena Bečanović sr**



	<b>TIGAR AD Pirot SUPERVISORY BOARD</b>
<b>MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY</b>	<b>2019-05-28</b>

## **DRAFT DECISION ACCORDING TO ITEM 4 ON THE AGENDA**

Pursuant to Article 441, paragraph 1 item 15 of the Law on companies ("Official Gazette of RS" no.36/11, 99/11, 83/14, 5/15, 44/18 and 95/18) and Article 49 paragraph 1, item 7 of the Articles of Association of Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar AD Pirot, at its session held on 27.05.2019, and at the proposal of Executive Board (Decision no.44/19 as of 24.05.2019) proposes that the General Assembly of Tigar AD Pirot at its regular session convened for June 27<sup>th</sup> 2019 make the following:

### **"D E C I S I O N on changes and amendments of the Articles of Association of Tigar AD Pirot**

1. In the Articles of Association of Joint Stock Company Tigar Pirot as of 2018-03-29 are made changes and amendments in its provisions as follows:

#### **Article 1.**

In **Article 17.**

- **in paragraph 1.** 2.866.889.894 RSD is deleted, and written 3.050.432.264 RSD so that it now reads: " The total share capital of the Company amounts to 3.050.432.264 RSD. "

- **in paragraph 2** 7.665.481 is deleted, and written 8.156.236 so that it now reads:

"Share capital of the Company is divided into 8.156.236 of issued and subscribed ordinary shares."

#### **Article 2.**

In **Article 18.**

- **paragraph 3. item 2.** is amended so that it now reads:

"2) conditional (conditional increase) :

- to the extent necessary for holders of convertible bonds to exercise the right to convert them into company shares;

- achieving warrants' rights to purchase Company shares

- achieving employees, directs, Supervisory Board members, Company, i.e.related party's right to purchase Company shares."

#### **Article 3.**

In **Article 20**

- **in paragraph 1** 7.665.481 is deleted, and written 8.156.236, so that it now reads:

"The Company has issued a total 8.156.236 shares registered with the Central Securities Depository and Clearing House AD Belgrade (hereinafterwards: CSDCH)."

#### **Article 4.**

In **Article 21.**

- from the article name is deleted "non-voting", so that the name now reads: "Preferred shares"



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- in **paragraph 2.** "30% (thirty percent) is deleted ", and is written "50% (fifty percent) ", so that it now reads:

" The aggregate nominal value of issued and authorized preferred shares shall not exceed 50% (fifty percent) of the share capital."

- is added **paragraph 3.** which reads:

"Preferred shareholder is entitled to participate in the work of General Assembly, with no right to vote except in case where the law foresees it. "

### **Article 5.**

In **Article 22.**

- **paragraph 1.** "by these Articles of Association" is deleted so that it now reads:

" The shares shall be issued, transferred and registered in the form of an electronic record pursuant to the Law, stock exchange regulations and CRS regulations. "

- **paragraph 2.** " non-voting " is deleted so that it now reads:

"All ordinary voting shares and all preferred shares shall have a nominal value.

### **Article 6.**

In **Article 23.**

- new **paragraph 2.** is added which reads: "Authorized shares shall be issued when Company capital is increased through new stakes or to exercise the rights of convertible bonds holders and warrants."

- **paragraph 3.** is deleted, and paragraph 2 becomes paragraph 3, also

- **paragraph 4.** is deleted and new paragraph 4 is written which reads: "The time period stated in paragraph 3 of this article shall not be longer than 5 years from the date of the decision and may be extended by amendments in articles of association or by a decision of the Shareholders' Assembly, prior to its expiration, provided that such an extension is for a period which shall not be longer than five years. ",


- **paragraph 5.** the part which reads: "Such authorization is given for the purpose of issuance of new shares to increase the capital by additional contributions and shall be valid for a period of 5 years following the date of determination of the authorized shares in the Bylaws, 22 June 2012." is deleted, and

- **paragraph 6.** of this article is added, which reads: "Decision stated in paragraph 3 of this article is registered in line with Registration Act. "

so that **article 23.** now reads as follows:

"In addition to issued shares, the Company is also entitled to have authorized shares of a certain type and class, provided that the number of authorized shares shall always be less than half the number of issued ordinary shares.

Authorized shares shall be issued when Company capital is increased through new stakes or to exercise the rights of convertible bonds holders and warrants.

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The Shareholders' Assembly shall resolve on authorized shares and its resolution shall contain significant elements of the authorized shares; it may also empower the Supervisory Board to issue such authorized shares within the time period stated in the resolution.

The time period stated in paragraph 3 of this article shall not be longer than 5 years from the date of the decision and may be extended by amendments in articles of association or by a decision of the Shareholders' Assembly, prior to its expiration, provided that such an extension is for a period no longer than five years.

Pursuant to Article 313, Paragraph 3 of the Law on companies, the Shareholders' Assembly authorizes the Supervisory Board to decide on the number, time and other conditions of issuance of authorized shares, including any restriction or exclusion of pre-emptive rights of subscription at their issuance.

Decision stated in paragraph 3 of this article is registered in line with Registration Act. "

### Article 7.

#### In Article 24

- **paragraph 1.**

- **item 1.**" access to legal and other documents and information of the Company, pursuant to the Law " is to be deleted and written new item 1 which reads: " 1. right to participate and vote at the Shareholders' Assembly, on the basis that one share always entitles to one vote;"

- **item 2.** " participation in the Shareholders' Assembly"; is to be deleted

- **item 3.** " Voting at the Shareholders' Assembly, on the basis that one share always entitles to one vote", is to be deleted

- from **item 4.** which reads as follows: " Receiving dividends, upon any dividends in connection with any issued preferred shares having been fully paid; " is deleted " upon any dividends in connection with any issued preferred shares having been fully paid" and it becomes item 2 which now reads: "2. Receiving dividends; " ,

- **item 5** which reads: "3.Receiving a distribution on the residual proceeds from liquidation the Company, upon payments to any creditors or holders of preferred shares having been made; " now item 3., amends and now reads: "3. participating and receiving a distribution on the residual proceeds from liquidation or bankruptcy estate in accordance with the Law governing bankruptcy; " , item 6 which reads: "6. Pre-emptive right to acquire newly-issued shares and convertible bonds; " is item 4., which amends and now reads: "4. Pre-emptive right to acquire ordinary shares and other financial instruments convertible for newly-issued ordinary shares; " , item 7 which reads: "7.Disposal of the shares of any type pursuant to the law." is deleted, and is added item 5 which reads: "5. other rights according to the law. " ,

- **item 3** which reads: "Shareholders may contractually transfer the rights referred to in Paragraph 1, Items 4 and 5 of this article to third parties. " is deleted

so that now article 24 reads as follows:

" Each ordinary share of the Company grants the same rights to the shareholder, as provided for under the Law, the Articles of Association of the Company and these Bylaws, including in particular:

1. right to participate and vote at the Shareholders' Assembly, on the basis that one share always entitles to one vote;



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2. receiving dividends;
3. participating and receiving a distribution on the residual proceeds from liquidation or bankruptcy estate in accordance with the Law governing bankruptcy;
4. pre-emptive right to acquire ordinary shares and other financial instruments convertible for newly-issued ordinary shares;
5. other rights according to the law.

Ordinary shares may not be converted into preferred shares or other securities. "

**Article 8.**

In **Article 25.** is added paragraph 9. which reads:

" Preferred shares may be issued only for financial investment. "

**Article 9.**

In **Article 29**

- **paragraph 3.** after the word "dividend" is added " and the time limit for dividend distribution", and after the words " (Dividend Distribution Resolution) is added " which may not be longer than 6 (six) months from the date of decision on dividend distribution. " so that it now reads:

" The distribution of dividends to shareholders shall be approved by such a resolution passed at an ordinary session of the Shareholders' Assembly, which shall determine the amount of the dividend and the time limit for dividend distribution (Dividend Distribution Resolution) which may not be longer than 6 (six) months from the date of decision on dividend distribution. ";

- **paragraph 5.** after the word "Supervisory Board ." is added "in accordance with the Law." so that it now reads:

" The Company may pay dividends (interim dividends) during the business year, at any time between ordinary sessions of the Shareholders' Assembly, under such a decision of the Supervisory Board, in accordance with the Law. "

**Article 10.**

In **Article 35.**

- **paragraph 3.** word " included " is deleted and is written the word "determined", and behind the word "Supervisory Board " is added "if necessary in order to facilitate organizing Shareholders' Assembly sessions" so that it now reads:

" The Shareholders' Assembly may deliberate and resolve solely on matters determined in the agenda. As a rule, the Shareholders' Assembly shall hold its sessions at the Company's headquarters, but may also meet elsewhere if so decided by the Supervisory Board, if necessary in order to facilitate organizing Shareholders' Assembly sessions. "



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**Article 11.**

In **Article 36.**

- **paragraph 1.** after the word "Shareholders' Assembly " is deleted "shall be convened" , and after the word "annual" is deleted (annual Shareholders' Assembly) so that it now reads:

" Ordinary session of the Shareholders' Assembly is held once a year, not later than six months after the end of the business year. "

- **paragraph 2.** following the word "General Assembly" is added "shall be convened by the Supervisory Board and" so that it now reads:

" An ordinary session of the Shareholders' Assembly shall be convened by the Supervisory Board on such date and at such time as determined by the Supervisory Board decision pursuant to the Law and these Articles of Association."

**Article 12.**

In **Article 37.**

- **paragraph 1.**

1) - **item 2.** following the word "vote" is deleted " on the matter proposed for the extraordinary session. ", and is written " on items on the Agenda. "

so that it now reads:

"- on request of shareholders who hold at least 5% (five percent) of shares which entitle them to vote on on items on the Agenda. "

**Article 13.**

In **Article 38.**

- **paragraph 2.** " to their addresses stated in the unified record of shareholders" is deleted so that it now reads:

" Notice shall be sent to persons who are the Company's shareholders on the date the Supervisory Board made a decision on convening the Shareholders' Assembly.",

- **paragraph 3:** " Delivery shall be deemed made on the date of mailing of registered mail to the address of the shareholder, or of electronic mail if the shareholder has agreed in writing to be notified by electronic mail. " is deleted,

- **paragraph 4** is now paragraph 3., following the word " posting " is deleted "on the website",

- **item 1.** of paragraph 4. before the word "Company" is added "on the website of " so that it now reads: "- on the website of Company, ",

- **item 2.** before the word "Business Register" is added "on the website of " so that it now reads:



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"- on the website of the Business Register",

- new **item 3.** is added and it reads: "- on the website of Central Securities and", and
- **item 3.** is now item 4. which is amended and now reads: "- on the website of multilateral trading platform ".so that it now reads:

"Notice of a session of the Shareholders' Assembly shall also be given by posting on:

- on the website of Company,
- on the website of the Business Register,
- on the website of Central Securities and
- on the website of multilateral trading platform"

- **paragraph 5** becomes paragraph 4. and new item 9 is added: "- notification on decesions which constitute disposal of assets of great value. " so that it now reads:

"Any such notice shall include, in particular:

- The date of the notice;
- The time and place of the session;
- The proposed agenda for the session, including a clear indication of the items on the agenda on which a resolution of the Shareholders' Assembly is proposed, and stating the class and total number of shares that can vote on such resolution and the majority required to pass the resolution;
- Instructions for obtaining materials for the session;
- Instructions about shareholders' rights in connection with their participation in the proceedings of the Shareholders' Assembly, and clear and precise information about the rules for exercising such rights;
- Power-of-attorney (voting) form and warning that a power of attorney may be issued using only that form, and that its copy must be submitted to the Company not later than three business days prior to the date of the session;
- Absentee voting form;
- Notification of the shareholders record date and explanation that only shareholders who are shareholders of record on that day shall be entitled to participate in the proceedings of the Shareholders' Assembly
- Notification on decesions which constitute disposal of assets of great value. "

**Article 14.**


In **Article 39.**

**paragraph 1** amends and now reads:

" One or more shareholders holding at least 5% of the voting shares may propose to the Supervisory Board:

1. additional items on the agenda for deliberation on the Shareholders' Assembly, provided that such proposal is explained;
2. additional items on the agenda on which they propose a resolution of the Shareholders' Assembly, provided that such proposal is explained and draft of the proposed resolution provided;
3. different resolutions based on existing items on the agenda provided that such proposal i explained and draft of the resolutions provided. "



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- **paragraph 4** is amended so that after the word "agenda " is added "and draft resolutions ", and following the word "the Law" is also added "and these Articles of Association. " so that now it reads:

"If the Supervisory Board accepts the proposal referred to in Paragraph 1 of this article, the Company is required to convey an updated agenda and draft resolutions without delay to all shareholders entitled to take part in the proceedings of the Shareholders' Assembly, in the manner provided under the Law and these Articles of Association "

#### **Article 15.**

##### **Article 44.**

- **paragraph 1.** is amended in such a manner that after the word "majority " is deleted "of", and added "which is calculated in relation to " so that it now reads:

" The quorum of any session of the Shareholders' Assembly shall be composed of shareholders who hold a simple majority which is calculated in relation to the total number of the class of shares entitled to vote on the matter concerned."

- **paragraph 3.** is amended in such a manner that after the word "agenda" is added " so that it is held ", and following the word "15 days" is deleted "from the date of adjournment ", and is written "counting from the date of the session deferred", in the second line within the same paragraph after the word "number" is added the word "of votes" , after the word "voting", is added "on the subject matter." so that paragraph 3. now reads:

"If any Shareholders' Assembly is adjourned due to a lack of quorum, it may be reconvened with the same agenda so that it is held not later than 30 days, and at the earliest 15 days counting from the date of the session deferred. The quorum required at such a reconvened session shall be 1/3 (one third) of the total number of votes of voting shares on the subject matter."

#### **Article 16.**

##### **Article 45.**

- **paragraph 3.** is amended in such a manner that following the word " less " is deleted "1/4 (one fourth) " and written "1/3 (one third) " and after the words "matter concerned" are deleted words: " unless the law requires a larger number of votes. " so that it now reads:

"The majority referred to in the previous paragraph shall also apply to the reconvened session, provided that it cannot be less than 1/3 (one third) of the number of shares entitled to vote on the matter concerned. "

#### **Article 17.**

##### **Article 48.**

- **paragraph 4.** is amended in such a manner that following the word Supervisory Board is deleted "and", and written " , ", and after the word "Nomination Committee" is added "and



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shareholders entitled to propose the agenda of the Shareholders' Assembly ", so that it now reads:

" Candidates for the Supervisory Board shall be nominated by the then current Supervisory Board, the Nomination Committee and shareholders entitled to propose the agenda of the Shareholders' Assembly ",

- **paragraph 10.** new line is added: "The Company is obliged to elect new independent Supervisory Board member within 60 days from the date when other Supervisory Board members learned about the reasons for the termination of the status of an independent member of the Supervisory Board. " so that it now reads:

"If the Company is left without at least one independent member of the Supervisory Board, the remaining members, if they do not co-opt the missing independent member, shall convene, within 30 days of becoming aware of the reasons for cessation of Supervisory Board membership of the independent member, an extraordinary session of the Shareholders' Assembly to appoint such a member. The Company is obliged to elect new independent Supervisory Board member within 60 days from the date when other Supervisory Board members learned about the reasons for the termination of the status of an independent member of the Supervisory Board. "

- **paragraph 11.** after the word "Board" is written " following the stipulated election procedure, with or without stating the reasons for such removal. ", and is written "even prior to the expiration of the term, without stating reasons for such removal. " so that it now reads:

" The Shareholders' Assembly may remove any member of the Supervisory Board even prior to the expiration of the term, without stating the reasons for such removal. "

**Article 18.**

**Article 49.**

- **paragraph 2.** amends so that it now reads:

"Matters within the competence of the Supervisory Board:

- may not be transferred to Company's executive directors,
- may be transferred to the competence of the Shareholders' Assembly by a decision of the Supervisory Board. "

**Article 19.**

**In Article 50.**

- **paragraph 4.** the word "absence" is exchanged with the word "absence" so that it now reads:

"In the event of absence of the Chairperson of the Supervisory Board, any member may convene a meeting of the Supervisory Board and one of its members shall be appointed by a majority vote, at the beginning of the meeting, to preside at that meeting. "

**Article 20.**

**In Article 51.**



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- **paragraph 1.** after the word "times" is deleted " during the year (ordinary meetings of the Supervisory Board) " and added the word "se reč "a year. " so that it now reads:

" The Supervisory Board shall work and decide at meetings which shall be held at least four times a year. ", and

- **paragraph 4.** is amended so that after the word "Board" is added "stating the agenda and materials for the session " so that it now reads:

" Written notice of any meeting of the Supervisory Board stating the agenda and materials for the session shall be sent to all members not later than eight days, and in urgent cases not later than two days, prior to the date of the meeting. "

**Article 21.**

**In Article 54.**

- **paragraph 3.** becomes paragraph 4., whereas a new paragraph 3. is added which reads:  
" If committees mentioned in paragraph 2 of this Article are not formed the Supervisory Board performs tasks which fall within the competences of these committees. ",

- **paragraph 4.** becomes paragraph 5. and after the word "provisions" is erased "of these Articles of Association and " so that paragraph 5. now reads:

" The provisions of the Law on Company shall apply to the composition of the committees of the Supervisory Board, their competence, procedures and other matters.",

-a new **paragraph 6.** is added which reads: "The said committees help in the work of Supervisory Board, particularly to prepare decisions which it makes, that is, monitor over implementation of certain decision or to carry out expert tasks for the purposes of the Supervisory Board. ", whereas paragraph 6. becomes paragraph 7. so that article 54 now reads:

" The Supervisory Board must have an Audit Committee.


In addition to the above, the Supervisory Board shall have a Nomination Committee, a Remuneration Committee, and any other committees needed by the Company.

If committees mentioned in paragraph 2 of this Article are not formed the Supervisory Board performs tasks which fall within the competences of these committees.

Committee members may include directors and other individuals who possess knowledge and experience relevant to the duties of the respective committee.

The provisions of the Law on Company shall apply to the composition of the committees of the Supervisory Board, their competence, procedures and other matters

The said committees help in the work of Supervisory Board, particularly to prepare decisions which it makes, that is, monitor over implementation of certain decision or to carry out expert tasks for the purposes of the Supervisory Board.

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The committees may not decide on matters which fall within the competence of the Supervisory Board."

#### **Article 22.**

##### **In Article 60.**

- **paragraph 2.** after the word "Nominating Committee" is added "if there is such a committee, and if the Company did not form Nominating Committee, each member of the Supervisory Board may propose a candidate for executive director. " so that it now reads :

The Supervisory Board shall appoint the executive directors at the proposal of Nominating Committee, if there is such a committee, and if the Company did not form Nominating Committee, each member of the Supervisory Board may propose a candidate for executive director. ",

- paragraph 4. amends so that it now reads:

" Any executive director may be removed by the Supervisory Board even prior to the expiration of the term, without stating a reason. "

#### **Article 23.**

##### **In Article 62.**

- **paragraph 2.**

- **item 7.** after the word "Articles of Association" is deleted "and", and following the word "decisions" is deleted "Company's bodies. ", and is written " Shareholders' Assembly and the decisions of the Supervisory Board.. " so that it now reads:

"- performs other duties and takes decisions consistent with the Law, these Articles of Association, decisions of the Shareholders' Assembly and the decisions of the Supervisory Board."

#### **Article 24.**

##### **Article 63.**

- paragraph 6. amends so that it now reads:


" In the event of absence of the Chief Executive Officer, each of the executive directors may convene the Executive Committee, where the majority of the executive directors present shall elect one of the executive directors, at the beginning of the meeting, to preside at that meeting."

#### **Article 25.**

##### **In Article 64.**

- **paragraph 1** it is deleted " coordinate the work of the executive directors and organize the business operations of the Company." so that it now reads: " The Chief Executive Officer shall be the legal representative of the Company." and

- a new **paragraph 2.** is written which reads: " The Chief Executive Officer of the Company shall coordinate the work of the executive directors and organize the business operations of

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the Company. ", and paragraph 2. becomes paragraph 3.,

- **paragraph 3** becomes paragraph 4. and after the word law is deleted briše se " which governs the registration of legal entities ", and is written "on registration. " so that it now reads:

" The Chief Executive Officer shall be registered as a legal representative of the Company, as provided for under the law on registration.",

- **paragraph 4.** becomes paragraph 5., and

- **paragraph 5.** becomes paragraph 6. in which after the word "Law" is deleted "and these Articles of Association " so that it now reads: " In addition to the criteria set forth in the Law, the Chief Executive Officer shall hold a university degree, know one major foreign language and possess work, professional and organizational abilities and skills."

So that article 64. reads as follows:

" The Chief Executive Officer shall be the legal representative of the Company.

The Chief Executive Officer of the Company shall coordinate the work of the executive directors and organize the business operations of the Company

The Chief Executive Officer shall convene any meetings of the Executive Committee, preside at such meetings and propose the respective agenda.

The Chief Executive Officer of the Company shall coordinate the work of the executive directors and organize the business operations of the Company.

The Chief Executive Officer shall be registered as a legal representative of the Company, as provided for under the law on registration.

The Chief Executive Officer shall be appointed by the Supervisory Board from among the executive directors for a period of four years.

In addition to the criteria set forth in the Law, the Chief Executive Officer shall hold a university degree, know one major foreign language and possess work, professional and organizational abilities and skills.

#### **Article 26.**

#### **Article 65.**

**paragraph 1.** after the word "powers" is deleted " consistent with the Law and these Articles of Association ", so that it now reads: "On behalf of the Company and within his powers, the Chief Executive Officer of the Company is authorized to:", and

- **item 1.** amends so that it now reads:


1. coordinate the work of executive directors and organize the business operations of the Company; "

#### **Article 27.**

#### **Article 67.**

- **paragraph 1.**

- **item 4.** amends so that it reads as follows:

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"4. communication of the Company with shareholders and enabling access to acts and documents mentioned in item 3. of this paragraph in accordance with the provisions of article 465 of the Law on Companies. "

#### **Article 28.**

##### **Article 69.**

- **paragraph 1** amends so that it reads as follows:

" The Supervisory Board may issue a proxy. The Proxy may be individual or joint, as provided for under the Law on Companies. ",

- in **paragraph 2.** after the word reči "Board" is added "by its decision" so that it reads as follows:

" The Supervisory Board by its decision may revoke any proxy at any time. ",

- in **paragraph 3.** after the word "Law" is added "on registration ." so that it reads as follows:

" The proxy shall be registered pursuant to the Law on registration. "

#### **Article 29.**

##### **Article 76.**

- **paragraph 1.** amends in the sense that after the word "market" is added "purchase and/or selling", and after the word "value" is added "total" so that it now reads:

" The acquisition or disposal of major assets is any transfer or a series of related transfers which results in the acquisition or disposal by the Company of assets whose market, purchase and/or selling total value, at the time of the relevant decision, is at least 30% (thirty percent) of the book value of such assets reported in the most recent annual balance sheet."

- **paragraph 3.** amends in the sense that after the word " contract rights " is deleted the word "shares" and is written "securities", so that it now reads:

" Assets, as contemplated in Paragraphs 1 and 2 of this article, include but are not limited to real estate, movables, property and other rights including industrial property rights or contract rights, securities, as well as other interests in other companies, or money."

#### **Article 30.**

##### **In Article 77.**

- **paragraph 2.** after the word "resolution" is written "of the Supervisory Board" so that it reads as follows:


"The session of the Shareholders' Assembly at which any proposed resolution of the Supervisory Board on the disposal of major assets it to be considered, shall be convened per applicable legislation governing sessions of shareholders' assemblies of joint-stock companies."

#### **Article 31.**

##### **Article 78.**

- **paragraph 1.** item 4. is added which reads as follows:



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" 4. Provisions of Article 472 of the Law on Company shall apply accordingly on the consequences of violations of provisions on the disposal of high value asset. "

**Article 32.**

**Article 79.**

- **paragraph 1.** amends so that it reads as follows:

" The Articles of Association, as well as amendments to it, shall be adopted by the Shareholders' Assembly by means of a simple majority vote of the voting shareholders, on recommendation of the Supervisory Board. "

**Article 33.**

**In Article 81.**

- **paragraph 1**

- **item 11.** after the word " addresses " is added " executive directors and" so that it now reads:  
"11. A list of full names and addresses of executive directors and all members of the Supervisory Board; ",

- and in **paragraph 2.** after the word "all" is added "executive directors and " so that paragraph 2. now reads:

"The Company shall keep the documents and acts referred to in Paragraph 1 of this article at its headquarters or another place known and accessible to all executive directors and members of the Supervisory Board. "

**Article 34.**

**In Article 83.**

- **paragraph 1.** is amended so that it now reads:

"Trade secret represents any information whose disclosure to a third party might cause damage to the Company, as well as information that is or might be of economic value due to not being generally known nor is readably available to third parties which might derive economic benefit by using or communicating such information protected by appropriate measures by the Company in order to preserve its confidentiality .

- in **paragraph 2.** is deleted " Any person who under the law which governs companies belongs to the group of persons with special duties to the Company, as well any employee of the Company, " and is written "Executive directors, members of the Supervisory Board, representatives, proxy, shareholders with significant share in share capital, persons employed in the Company and other persons in accordance with the Law on Companies" so that paragraph 2. of this article reads as follows:

" Executive directors, members of the Supervisory Board, representatives, proxy, shareholders with significant share in share capital, persons employed in the Company and other persons in accordance with the Law on Companies, pursuant to the Law on Companies are required to keep Company's trade secret.",



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- in **paragraph 3.** after the word " for a period of " are deleted words " five years " and is written "two years ", so that paragraph 3. now reads:

" The persons referred to in Paragraph 2 of this article shall abide by these confidentiality provisions even after their capacity has ceased, for a period of two years of cessation of such capacity. "

**Article 35.**

**In Article 86.**

- **paragraph 1.** following the word "law" is deleted " and the collective bargaining agreement (general, sectoral, and employer's).", and is written "on work, general and sectoral collective bargaining agreement, as well as employer's collective agreement. " so that it reads as follows:

" The labor union shall have the role, authority and obligations consistent with the on work, general and sectoral collective bargaining agreement, as well as employer's collective agreement. ",

- **paragraph 2.** after the word "contact" is written "with the employer ", and following the word "law" is written "on labour"so that it reads as follows :

" The Company shall conduct negotiations, enter into the collective bargaining agreement with the employer, and discuss labor union/employee relationships with the representative labor union pursuant to the law on labour."

**Article 36.**

**In Article 87.**

- **paragraph 2.** after the word "adopted" is deleted " 8 September 2005. " and it is written "29. 3. 2018. " and after the word "year" is written "and any and all amendments thereto" so that it reads as follows:

" Upon the entry into force of these Articles of Association, the Articles of Association adopted on 29.03.2018 shall become null and void."

**E x p l a n a t i o n**

Given the adopted changes and amendments to the Law on Companies published in the Official Gazette of the Republic of Serbia no. 44/2018 and 95/18, it is necessary to harmonize the Company's Articles of Association with it. In addition, the Articles of Association are amended in sections on Company share capital and number of released shares, provisions of the Articles of Association are harmonized with the new values following an increase in share capital through conversion of creditors' claims into a permanent stake in Company's capital.

This represents the essence of changes and amendments to the Articles of Association which at the proposal of the Supervisory Board, the Shareholders' Assembly adopted and made a Decision as in the wording. "

**Chairman of Tigar AD Pirot  
Supervisory Board**

**Jelena Bečanović sr**



**TIGAR AD Pirot  
CHAIRMAN OF GA**

**THE RULES OF PROCEDURE OF GENERAL ASSEMBLY OF JSC TIGAR  
PIROT**

**2019-05-10**

**TO THE SUPERVISORY BOARD OF TIGAR AD**

**Draft text of changes and amendments to the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot as of 20.06.2012**

The Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot shall specify the method of work and decision making of the Shareholders' Assembly pursuant to the Law on Companies and Company Articles of Association.

With a view to harmonize the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot with Amendments to the Law on Companies published in Official Gazette of the Republic of Serbia nos. 44/2018 and 95/2018 and with Company Articles of Association.

Pursuant to article 334 paragraph 1 of the same law, as the Chairman of the Shareholders' Assembly of Joint Stock Company Tigar Pirot I propose that the said act is harmonized with the Law on Companies and Company Articles of Association as well as that the Supervisory Board include this item on the agenda within its preparations for the regular annual Shareholders' Assembly of Tigar AD Pirot, on the occasion of which changes and amendments to the Rules of procedure of General Shareholders' Assembly shall be adopted.

**ENCLOSED:** Draft proposal on changes and amendments to the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot.

Proposed changes and amendments shall enter the text of to the Rules of procedure of General Shareholders' Assembly of Joint Stock Company Tigar Pirot.

**Chairman of the General Assembly of Tigar AD  
Slavoljub Stanković**



**TIGAR AD Pirot  
SUPERVISORY BOARD**

**MATERIAL FOR THE SESSION OF THE GENERAL ASSEMBLY**

**2019-05-28**

**DRAFT DECISION ACCORDING TO ITEM 5 ON 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, 5/15, 44/18 and 95/18) and to the Article 49 paragraph 1 item 7 of the Articles of Association of the Joint Stock Company Tigar Pirot, the Supervisory Board of Tigar Pirot, at its session held on 27.05.2018, at the proposal of the Executive Board (Decision no. 47/19 as of 2019-05-24) proposes that the General Assembly of Tigar AD Pirot at its regular session convened for June 27<sup>th</sup> 2019 make the following:

**DECISION**

**on changes and amendments to the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot**

“ It is hereby adopted the changes and amendments to the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot:

1) In article 4. paragraph 2. item 2 is deleted the word "tasks", and is written "Rules of procedure " so that article 4 paragraph 2 now reads:

"Right to participate in the discussion on items on the agenda of the General Assembly, including the right to submit proposals, pose questions related to the agenda of the General Assembly and obtaining answer conforming to the Company's Articles of Association and these Rules of procedure "

2) In article 5. paragraph 3. is deleted the word "included", and is written "determined" so that article. 5. paragraph 3. now reads:

General Assembly shall make decisions and discuss only items determined on the agenda.


3) In article 5. paragraph 4. is added " if necessary in order to facilitate organizing Shareholders' Assembly sessions " so that article 5 paragraph 4 reads as follows:

"As a rule, the Shareholders' Assembly shall hold its sessions at the Company's headquarters, but may also meet elsewhere if so decided by the Supervisory Board, if necessary in order to facilitate organizing Shareholders' Assembly sessions. "

4) In article 6 is deleted paragraph 2. An ordinary session of the Shareholders' Assembly shall be convened by the Supervisory Board on such date and at such time as determined by the Supervisory Board decision pursuant to the Law and these Articles of Association., and is written new paragraph 2 and paragraph 3 so that article 6 paragraph 2.and 3. now read as follows :

" An ordinary session of the Shareholders' Assembly shall be convened by the Supervisory Board on such date and at such time as determined by the Supervisory Board decision pursuant to the Law and these Articles of Association.

Notice of an ordinary session of the Shareholders' Assembly shall be sent not later than 30 days prior to the session"

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5) In article 7 is added paragraph 3, so that article 7 paragraph 3 reads as follows

" Notice of on extraordinary session of the Shareholders' Assembly shall be sent not later than 21 days prior the session."

6) In article 8

- from paragraph 2 is deleted : to their addresses stated in the unified record of shareholders,
- paragraph 3 is deleted: Delivery shall be deemed made on the date of mailing of registered mail to the address of the shareholder, or of electronic mail if the shareholder has agreed in writing to be notified by electronic mail
- in paragraph 4 is added on the website of the Business Register and it becomes paragraph 3 ,

so that article 8 paragraph 3 now reads as follows:

" Notice of an ordinary session of the Shareholders' Assembly shall be sent not later than 30 (thirty) days prior to the session, while notice of an extraordinary session of the Shareholders' Assembly shall be sent not later than 21 (twenty-one) days prior to the session.

Notice shall be sent to persons who are the Company's shareholders on the date the Supervisory Board issued a decision convening the Shareholders' Assembly.

Notice of a session of the Shareholders' Assembly shall be given by posting on the Company's website, on the website of the Business Register, on the website of the Central securities and the website of regulated market, or multilateral trading platform. "

7) In article 9 :

- in paragraph 1 is added item 9. which reads as follows: Notification on decesions which constitute disposal of assets of great value.
- in paragraph 4 is deleted " In parallel with the notice given ", so that article 9 now reads:

" Any such notice for Shareholders' Assembly shall include, in particular:

1. The date of the notice;
2. The time and place of the session;
3. The proposed agenda for the session, including a clear indication of the items on the agenda on which a resolution of the Shareholders' Assembly is proposed, and stating the class and total number of shares that can vote on such resolution and the majority required to pass the resolution;
4. Instructions for obtaining materials for the session;
5. Instructions about shareholders' rights in connection with their participation in the proceedings of the Shareholders' Assembly, and clear and precise information about the rules for exercising such rights conforming to the Law, Articles of Association and these Rules of procedure;
6. Power-of-attorney (voting) form and warning that a power of attorney may be issued using only that form, and that its copy must be submitted to the Company not later than 3 (three) business days prior to the date of the session
7. Absentee voting form;
8. Notification of the shareholders record date and explanation that only shareholders who are shareholders of record on that day shall be entitled to participate in the proceedings of the Shareholders' Assembly
9. Notification on decesions which constitute disposal of assets of great value. "



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**2019-05-28**

Notification from paragraph 1. item 8 of this article particularly contains information regarding shareholders' rights to propose agenda as well as their right to pose questions, stating the time limits within which those rights shall be exercised, description of voting by proxy procedure, as well as description of voting in absence.

The notification from paragraph 1 of this article shall be accompanied by the financial reports, along with the independent auditor's report, Supervisory Board report, Executive Board report on Company's operation, draft text of amendments to the Articles of Association, description of a contract or other legal acts proposed for approval, as well as other acts in accordance with the Law and the Articles of Association.

Material for the Shareholders' Assembly shall be made available to the shareholders by posting on the Company's website, so that shareholders can download them completely from the Company's website.

The Company shall use its website to publish the total number of shares and voting rights on the day of publishing the notice, including the number of shares of each voting class per items on the agenda. "

8) In article 11 paragraph 2. is deleted "from amongs the present", and is added "and members of Voting Committee ", so that article 11 paragraph 2 now reads as follows :

"Chairman of the Shareholders' Assembly shall appoint the recording secretary and Voting committee members."

9) Article 13 paragraph 1 is amended so that is now reads:

" The quorum for Shareholders' Assembly session shall be the simple majority calculated in relation to the total number of votes of the class of voting shares on the subject matter. "

**II This Decision shall enter into force on the day of its adoption.**

**E x p l a n a t i o n**

The Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot shall specify the method of work and decision making of the Shareholders' Assembly pursuant to the Law on Companies and Company Articles of Association.

With a view to harmonize the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot with Amendments to the Law on Companies published in Official Gazette of the Republic of Serbia nos. 44/18 and 95/18 and with Company Articles of Association, pursuant to article 334 paragraph 1 of the same law, Chairman of the Shareholders' Assembly of Joint Stock Company Tigar Pirot submits a draft proposal for harmonizing the said act with the Law on Companies and Company Articles of Association.

Having considered the proposed changes and amendments to the Rules of procedure of General Shareholders' Assembly, at the session held on 2019-06-27, General Assembly of the Company adopted changes and amendments to the Rules of procedure of General Assembly of Joint Stock Company Tigar Pirot and and made a Decision as in the wording. "

**Chairman of Tigar AD Pirot Supervisory Board**

**Jelena Bečanović sr**