



**НИС а.д. Нови Сад / NIS a.d. Novi Sad**  
**Народног фронта 12 / 12, Narodnog fronta St.**  
**НАДЗОРНИ ОДБОР / SUPERVISORY BOARD**

## **REPORT ON THE WORK OF THE SUPERVISORY BOARD FOR THE PERIOD APRIL 2011 – APRIL 2012**

Pursuant to Article 332 of the Company Law, Article 15 of the Act of Incorporation of NIS a.d. Novi Sad, for the purpose of reporting to shareholders at the Annual Meeting, the Supervisory Board hereby delivers a report related to the following analyzed segments of business operations, in compliance with its legal authority and competences:

- **Monitoring of accounting practice and financial reporting of NIS a.d. Novi Sad**

The Supervisory Board is familiar with the accounting practice based on application of International Financial Reporting Standards and approved accounting policies. The said policies were applied when preparing financial statements for 2011 and detailed disclosure in annotations referring to financial statements that were positively commented by the auditor.

The applied accounting policies are in compliance with legal regulations of the Republic of Serbia, meaning that the financial statements are in compliance with the regulations. In accordance with the aforesaid, the Supervisory Board approved individual and consolidated financial statements for 2011.

- **Monitoring business operations of NIS regarding correspondence of its business activity with legal and other requirements of regulatory bodies and monitoring contracts concluded with affiliated persons in terms of the Company Law**

The Supervisory Board monitored business operations of NIS on regular basis by means of analysis of documents delivered for review. The said documents included contracts with affiliated persons involving personal interest, as well as other documents in relation to business operations. Based on analysis of the said documents, the Board of Auditors did not encounter business affairs that would be against legal regulations.

- **Monitoring work of the independent auditor regarding competence, independence, and skills of the independent auditor of NIS a.d. Novi Sad**

The Board of Auditors monitored scope of work of independent auditor PricewaterhouseCoopers d.o.o. Belgrade by means of participating in argumentations regarding results which were discussed on regular basis at meetings with management, in which the representative of the Supervising Board participated personally, as well as via conference call. The Supervisory Board also had meetings with the partner and senior managers in charge of auditing at which relevant audit issues were discussed.

The Independent Auditor performed the audit professionally, in compliance with procedures set forth by the International Standards on Auditing. Based on data obtained through work monitoring and cooperation with the Independent Auditor, the Supervisory Board determined that the Independent Auditor conducted the audit efficiently and expressed positive opinion on financial statement for 2011.

The Supervisory Board reviewed tender results regarding election of auditor for financial statements for 2012 and proposed Decision related to the issue, and also established that the prescribed procedure was entirely applied. Considering the aforesaid, the Supervising Board hereby submits recommendation to the Shareholder's Assembly to elect PricewaterhouseCoopers d.o.o. Belgrade as the auditor of financial statements for 2012.

- **Other activities**

In the period between two regular sessions of the Shareholders' Assembly, the Supervising Board analyzed all contracts involving personal interest, i.e. contracts with affiliated persons and granted its approval for signing those contracts.

It also reviewed all quarterly business analysis and annual business reports and gave its approval regarding the same.

For the purpose of monitoring the Modernization Program, in compliance with the Agreement for Sale and Purchase of Shares of NIS a.d. Novi Sad dated 24.12.2008, the Supervising Board monitored work of the engaged expert group on regular basis which daily monitored Program realization.

The Supervising Board regularly informed responsible persons in the management on the results produced by the expert group.

27th April, 2012

PRESIDENT OF THE SUPERVISING  
BOARD

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Milivoje Cvetanovic