



НИС а.д. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / Narodnogfronta12
ОДБОР СКУПШТИНЕ АКЦИОНАРА / SHAREHOLDERS' ASSEMBLYBOARD
Број (№): 70-3/SA-iz/36-7a
Датум (Date): 15.05.2015

**REPORT OF THE SHAREHOLDERS' ASSEMBLY BOARD
FOR SUPERVISION OF OPERATIONS AND PROCEDURES FOR REPORTING TO THE
SHAREHOLDERS OF NIS j.s.c. NOVI SAD
FOR THE PERIOD JULY 2014 – MARCH 2015**

Pursuant to Article 329, paragraph 1, item 16, of the Law on Commercial Entities, and Article 8.26 of the Act of Incorporation of NIS j.s.c. Novi Sad, for the purpose of reporting to Shareholders at the Shareholders' Annual General Meeting, the Shareholders' Assembly Board for Supervision of Operations and Procedures for Reporting to the Shareholders, within the scope of its authorizations and competencies, hereby submits the following report for the NIS j.s.c. Novi Sad Shareholders' Annual Meeting (hereinafter "Shareholders' Meeting"), scheduled for June 2015:

- **Reporting on accounting and financial reporting practices in NIS j.s.c. Novi Sad and in its subsidiaries**

Shareholders' Assembly Board for Supervision of Operations and Procedures for Reporting to the Shareholders (hereinafter "SA Board") monitored the application of the accounting practice and financial reporting practice, analyzed annual and quarterly financial and consolidated financial statements and reports on business operations, giving its opinion and approving those reports. Financial reports are prepared in compliance with the regulations of the Republic of Serbia, as well as with the International Financial Reporting Standards, and the reports on business operations in compliance with the Corporate Governance Code. Accounting policies applied during preparation of the annual and quarterly financial reports for 2014, were specified in the remarks with financial reports, on which the independent auditor gave its positive opinion. The applied accounting policies were aligned with the legal regulations of the Republic of Serbia and, correspondingly, the financial reports were aligned with the regulations as well. Based on the aforesaid, SA Board passes its opinion to the Shareholders' Assembly that all financial reports for 2014, to be adopted by the Shareholders' Assembly, are valid and complete.

The Audit Commission is in charge of supervision of the reporting on accounting practice and financial reporting practice, which, in compliance with the Law on Commercial Entities, was appointed by the NIS j.s.c. Novi Sad Board of Directors. SA Board members attended the Audit Commission meetings and provided the Commission members with information relevant for decision-making.

The SA Board analyzed financial statements of NIS's subsidiaries in the Republic of Serbia and abroad, and gave its opinion on those statements, as well as recommendation to the Board of Directors and the Audit Commission with respect to improvement of the financial situation. The SA Board also analyzed proposals on approval of loan agreements and increases of registered share capital of some subsidiaries, and approved the proposed loan

agreements and increase of registered share capital.

- **Reporting on NIS's business operations and compliance of its business activity with legal and other requirements of regulatory bodies and monitoring of the contracts entered into with subsidiaries in terms of the Law on Commercial Entities**

The SA Board monitored business operations of NIS on regular basis, by means of analyzing documents delivered for review. The aforesaid documents include reports on business operations, contracts with subsidiaries involving personal interest, contracts in the value exceeding EUR 5 million, as well as other documents related to business operations. Based on the analysis of the aforesaid documents, the SA Board did not find any business affairs that could be against legal regulations or the Corporate Governance Code.

When analyzing reports on business operations, the SA Board gave its recommendations for improving these reports, by indicating key elements which have an impact on business results. When performing this operation, the SA Board cooperated with the Audit Commission.

- **Monitoring work of the Independent Auditor in terms of competence, independence, and skills of the Independent Auditor of NIS j.s.c. Novi Sad**

The SA Board monitored the performance of Independent Auditor KPMG d.o.o. Belgrade and PricewaterhouseCoopers d.o.o. Belgrade, by attending meetings with the auditors and the management, directly or via conference calls, where audit results were discussed.

The Independent Auditor performed the audit professionally, in compliance with procedures set forth by the International Auditing Standards. Based on the data obtained through the work monitoring and cooperation with the Independent Auditors, the SA Board determined that the Independent Auditors conducted the audit efficiently and expressed positive opinion on annual and quarterly individual and consolidated financial statements for 2014, prepared in compliance with the regulations of the Republic of Serbia, as well as on financial statements prepared in accordance with the International Auditing Standards. The Independent Auditors prepared a special report on findings and observations made through the audit, which are considered relevant for improvement of business operations.

The Audit Commission, with which the SA Board cooperated on a regular basis, is in charge of monitoring the work of the Independent Auditor as well. The Audit Commission prepared the activity report in which it was stated that the Independent Auditor was qualified and independent of the management, as well as that it performed a high-quality audit in compliance with the International Auditing Standards.

The Supervisory Board reviewed the management's proposal on the election of the auditor of 2015 financial reports, whereby it was proposed to appoint PricewaterhouseCoopers d.o.o. Belgrade auditing company as the auditor of 2015 financial reports. The SA Board agreed with the proposal under the Decision on the election and gave recommendations to the NIS j.s.c. Novi Sad Shareholders' Assembly to elect PricewaterhouseCoopers d.o.o. Belgrade auditing company as the auditor of 2015 financial reports.

- **Decision on Profit Distribution for 2014**

The SA Board reviewed the proposal under the Decision on Profit Distribution for 2013, dividend payment, and determining the total amount of retained profits of NIS j.s.c. Novi Sad, whereby it was proposed to pay up dividends to shareholders in the amount of 25% of the generated profits shown in the income statement. The Contract of Purchase and Sale of NIS' Shares stipulates that the payment of the dividends shall be in made the amount of up to minimum 15 % of the generated profit, therefore the proposed decision was in accordance with the regulations and Contract of Purchase and Sale of NIS' Shares.

- **Other activities of SA Board**

For the purpose of monitoring the Company's business activity, the SA Board engaged a group of experts who prepared layouts for financial report analysis, 2015 Business Plan analysis, analysis of proposed investment decisions and post-investment monitoring reports, as well as for regular business operations monitoring. The SA Board reported to the members of the Board of Directors on its findings and opinions, by attending the Board of Directors' meetings, including those of the Audit Commission, Remunerations Commission, Commission for Crude Oil Purchase/Sale, as well as by attending other meetings to which it was invited.

15 May 2015

CHAIRMAN OF SA BOARD

Nenad Mijailovic