



НИС а.д. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / 12 Narodnog fronta St.
ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS
Број (№): 85/OD-iz/XXXIV-4a
Датум (Date): 15.05.2014

Report of the Board of Directors of NIS j.s.c. Novi Sad for 2013

Pursuant to Article 399 of the Law on Commercial Entities and for the purpose of reporting to shareholders at the regular annual meeting of the Shareholders` Assembly, the Board of Directors hereby submits the Report on the following issues within the scope of its authority and responsibility:

1. Accounting practice and financial reporting practice of NIS j.s.c. Novi Sad and affiliated companies of NIS j.s.c. Novi Sad (hereinafter: the Company);
2. Compliance of the Company`s business activities with the Law and other regulations;
3. The Company`s auditor qualifications and its independence in relation to the Company;
4. Contracts concluded between the Company and directors as well as the persons related to them.

1. Accounting practice and financial reporting practice

The Company`s established accounting policies are in accordance with the Accounting Law of the Republic of Serbia and stipulate that financial statements must be prepared in accordance with the International Financial Reporting Standards, as well as with the regulations issued by the Ministry of Finance of the Republic of Serbia.

The established accounting policies have been applied to preparation of the financial statements for 2013 and have been published in the notes to financial statements. The basic accounting policies applied to preparation of the financial statements for 2013 are consistent with the policies applied to preparation of financial statements for 2012.

The independent auditor issued the unqualified audit report on the Company`s financial statements and consolidated financial statements on 13 February 2014 and 25 February 2014, respectively.

The Board of Directors considered financial statements and consolidated financial statements of the Company for 2013 and approved them at its meeting held on 28 March 2014.

2. Compliance of the Company`s business operations with the law and other regulations

The Board of Directors has regularly monitored the Company`s business operations by considering contracts, reports and other documents related to business operations. The Board of Directors has not identified any cases of non-compliance of the Company`s business operations with the Law and other regulations.

3. The Company's auditor qualifications and its independence in relation to the Company

The Company has engaged the Auditing Company PricewaterhouseCoopers d.o.o. Belgrade for auditing the Company's financial statements for 2013.

The auditor has all the required professional qualifications and operating license, as well as a good reputation in the local market and a large number of clients.

The engaged auditor is independent in relation to the Company. The Auditing Company does not own shares in the Company, and the Company holds no equity in the Auditing Company. The licensed certified auditor that signs the auditor's report holds no shares in the Company, nor a management function in the Company, neither such a function is held by his/her first line blood kin, a blood relative by collateral line to the third degree of consanguinity and spouse. The Auditing Company and a licensed certified auditor did not provide the following services to the Company: a) preparation and keeping of the accounting records and preparation of financial statements, b) valuation of assets, equity and/or liabilities, c) representation in a court proceedings regarding tax issues, d) tax assessment and filing of tax returns for financial managers of the Company, e) advisory services in relation to posting of tax liabilities, f) designing a system of internal audit and internal controls and their implementation, g) services of design and implementation of information systems in the area of accounting, h) actuarial services, nor any other services which, in accordance with the Auditing Law, may jeopardize the independence of the auditing company, or licensed and certified auditor or affect the valuation of items in the financial statements. The independent auditor has provided advisory services to the Company which in accordance with the Code of Ethics for Professional Accountants do not pose a threat to the auditor's independence.

4. Contracts concluded between the Company and directors, as well as the persons related to them

The Board of Directors has considered all contracts between the Company and directors, as well as the persons related to them. The transactions featuring personal interest involve the wholesale of oil and heating oil. All contracts featuring personal interest have been approved by the Board of Directors.

Chairmen of the Board of Directors

Vadim Yakovlev

(signature and seal)

To be submitted to:

1. Shareholders
2. Chairman and members of the NIS j.s.c. Novi Sad Board of Directors
3. Corporate Secretary
4. Archives