



НИС а.д. НовуСад / NIS j.s.c. Novi Sad
Народног фронта 12 / 12 Narodnogfronta St.
ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS
Број (№):85/OD-iz/LVII-4a
Датум (Date):15.05.2015

Report of the Board of Directorsof NIS j.s.c. Novi Sad for 2014

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 submitstheReport 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 theLaw and other regulations;
3. The Company`s auditor qualifications and itsindependence 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 which stipulates that financial statements must be compiled in accordance with all translated International Financial Reporting Standards, as well as with the regulations adopted by the Ministry of Finance of the Republic of Serbia.

The established accounting policies were applied in the preparation of the financial statements for 2014 and disclosed in the notes to the financial statements. Besides amendments resulting from the respective amendments to the International Financial Reporting Standards, the basic accounting policies applied in the preparation of the financial statements for 2014 were consistent with the policies applied in the preparation of financial statements for 2013.

On 4 March 2015 the independent auditor expressed an unqualified opinion on the stand-alone and consolidated financial statements of the Company.

The Board of Directors considered financial statements and consolidated financial statements of the Company for 2014 and approved them at its meeting held on 26 March 2015.

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 initially engaged the Auditing Company - Ernst & Young d.o.o. Belgrade for auditing the Company's financial statements for 2014. However, although the certificate on auditor independence was submitted, Ernst & Young d.o.o. Belgrade subsequently established that it was not independent and accordingly that it could not be able to audit the Company's financial statements.

Due to the above, the auditor selection procedure was repeated and the Company engaged the Consulting and Auditing Company - KPMG d.o.o. Belgrade (hereinafter referred to as: the auditing company or an independent auditor) to audit the financial statements of the Company for 2014.

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 auditing company is independent of the Company. The Director of the auditing company confirmed in a written Statement of Independence, signed on 22 September 2014, under penalty and material and moral responsibility that the auditing company, including licensed authorized auditors and other employees of the auditing company to be engaged to audit the Company's financial statements, were independent of the Company, in accordance with the requirements of the Audit Law, the Capital Market Law, the Company Law and the Professional Accountants Code of Ethics. The independent auditor provided advisory services to the Company that did not pose a threat to the independence of the auditor. In addition, based on the analysis of the services provided by the audit company, the Company determined that the services rendered were not prohibited and not compromising the independence of the auditor.

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 purchase and sale of oil, jet fuel and electrical energy. 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