



НИС а.д. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / No. 12 Narodnog fronta St.
ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS

Број (No.): 85/OD-iz/LXX-2a

Датум (Date): 23.05.2016

Report of the Board of Directors of NIS j.s.c. Novi Sad for 2015

Pursuant to Article 399 of the Law on Commercial Entities, and for the purpose of reporting to the shareholders at the ordinary meeting of the Shareholders' Assembly, the Board of Directors hereby submits the report on the following issues from the scope of its authority and responsibility:

1. Accounting practice and financial reporting practice in NIS j.s.c. Novi Sad and affiliated companies of NIS j.s.c. Novi Sad (hereinafter referred to as: "the Company");
2. Compliance of the Company's business activity with the law and other regulations;
3. Qualifications and independence of the Company's auditor in relation to the Company;
4. Contracts concluded between the Company and directors and the related persons.

1. Accounting practice and financial reporting practice

Established accounting policies of the Company are in accordance with the Law on Accounting of the Republic of Serbia, which stipulates that financial statements be prepared in line with all translated International Financial Reporting Standards, as well as with the regulations issued by the Ministry of Finance of the Republic of Serbia.

Established accounting policies were applied in the preparation of financial statements for 2015 and disclosed in notes accompanying the financial statements. Basic accounting policies applied in financial statements for 2015 are consistent with the policies applied in financial statements for 2014.

On 02 and 29 February 2016, the independent auditor gave the opinion with no reservations regarding the Financial and Consolidated Financial Statements of the Company.

The Board of Directors reviewed the Financial and Consolidated Financial Statements of the Company for 2015 and approved them at the meeting held on 31 March 2016.

2. Compliance of the Company's business activity with the law and other regulations

The Board of Directors regularly monitored the Company's business activity by examining the contracts, reports and other documents related to its business activity. The Board of Directors did not identify any case of non-compliance of the Company's business activity with the law and other regulations.

3. Qualifications and independence of the Company's auditor in relation to the Company

For the purpose of auditing financial statements of the Company for 2015, the Company selected the firm for auditing, accounting, financial and consulting services PricewaterhouseCoopers d.o.o. Belgrade (hereinafter referred to as the audit firm and independent auditor).

The independent auditor has all required professional qualifications and licence to perform the business activity, as well as good reputation in the local market and a large number of clients. Appropriate protective measures were established to ensure the auditor's independence.

In a written Statement of Independence, signed on 18 March 2015, the audit firm's authorized person confirmed that the audit firm was independent from the Company in terms of the Law on Companies. Up to the date of submitting the above statement, the independent auditor provided the Company with tax counselling services which are not directly related to financial reporting, KPI analysis and proposal services for support functions which are not directly related to financial reporting, as well as the services stipulated by the auditing standards and authorized auditor services stipulated by the Law on Audit, Law on Accounting and Law on Capital Market.

4. Contracts concluded between the Company and the members of the Board of Directors, as well as the related persons

In the reporting period, i.e. in 2015, no contract was concluded between NIS j.s.c. Novi Sad and the members of the Board of Directors of NIS j.s.c. Novi Sad. The Board of Directors reports to the Shareholders' Assembly on approved related party transactions through the document: "The Information on the approval of related party transactions". The said document is considered as a specific item on the Agenda of the Shareholders' Assembly meeting. The Board of Directors will also report on other related party transactions to Company Shareholders' Assembly, which will be approved in the forthcoming period.

Chairman of the Board of Directors

Vadim Yakovlev

(signature and stamp)

Serve to:

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