



**НИС а.д. Нови Сад / NIS j.s.c. Novi Sad**  
**Народног фронта 12 / Narodnog fronta 12**  
**ОДБОР ДИРЕКТОРА/ BOARD OF DIRECTORS**  
**Број (№):85/OD-iz/ XC -2a**  
**Датум (Date): 19.05.2017**

## **NIS j.s.c. Novi Sad Board of Directors Report for 2016**

Pursuant to Article 399 of the Company Law, with a view to report to shareholders at the regular annual Shareholders' Assembly meeting, 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 of NIS j.s.c. Novi Sad and affiliates NIS j.s.c. Novi Sad (hereinafter referred to as: "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 as well as with their related parties.

### **1. Company's accounting practice and financial reporting practice**

The established Company's accounting policies are compliant with Accounting Law of the Republic of Serbia, which requires financial statements preparation pursuant to all translated 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 were implemented in the preparation of financial statements for 2016 and were disclosed in notes accompanying the financial statements. Principal accounting policies applied in financial statements for 2016 are consistent with the policies applied in the financial statements for 2015.

On 1<sup>st</sup> February 2017, the Independent Auditor expressed an unqualified opinion in respect of the Consolidated Financial Statements compiled in compliance with the International Financial Reporting Standards according and on 28<sup>th</sup> February 2017, the Independent Auditor expressed an unqualified opinion in respect of the Financial and Consolidated Financial Statements of the Company.

At its meeting No. LXXXVII, Board of Directors deliberated, and approved the Company's Financial Statements, Consolidated financial statements and Consolidated Financial Statements of the Company compiled in compliance with the International Financial Reporting Standards for 2016.

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

Board of Directors has regularly monitored the business operations of the Company by reviewing contracts, reports and other documents related to its business operations. Board of Directors has not identified instances of Company's business operations in compliance with law and other regulations.

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

The enterprise for audit, accounting, financial and consulting services PricewaterhouseCoopers Ltd Beograd (hereinafter referred to as: Company's auditor or Independent Auditor) was chosen by the Company with a view to carry out the audit of the Company financial statements in 2016.

Independent Auditor possesses all required professional qualifications and the permit for performing activities, as well as good reputation at the local market and a great number of clients. Appropriate protection measures have been established so as to ensure auditor's independence.

In the written statement of independence signed on 22<sup>nd</sup> March 2016, Company's auditor authorised person confirmed that the audit company is independent from the Company in terms of Company Law. Up to and including the date of submitting this statement, Independent Auditor had been providing to the Company the tax consulting services, which are not directly related to financial reporting, services of analysis and suggestion of KPI for support functions, which are not directly related to financial reporting, as well as services envisaged by audit standards and authorised auditors' services envisaged by Audit Law, Accounting Law and Capital Market Law.

### **4. Contracts concluded between Company and members of the Board of Directors, as well as with their related parties**

Board of Directors reports to Shareholders Assembly the approved related party transactions, through the document: „Information on the approval of related party transactions “, whereby the said document shall be deliberated as a separate item of the agenda at Company's Shareholders Assembly. Furthermore, Board of Directors shall also report to Company's Shareholders Assembly other related party transactions, which will be approved in the forthcoming period.

Chairman of the Board of Directors

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Vadim Yakovlev

(signature and stamp)

Serve to:

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