



**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/CXXXII-1a**  
**Датум (Date): 27.05.2019**

## **NIS j.s.c. Novi Sad Board of Directors Report for 2018**

Pursuant to Article 399 of the Law on Commercial Entities, with a view to report to shareholders at the ordinary 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**

Financial Statements and Consolidated Financial Statements for 2018 have been prepared in accordance with the Accounting Law of the Republic of Serbia, which requires financial statements preparation pursuant to all translated International Financial Reporting Standards (hereinafter: IFRS), as well as with the regulations issued by the Ministry of Finance of the Republic of Serbia. In addition to the aforementioned, the Law requires certain disclosures and a certain treatment of accounts and balances, resulting in additional deviations from IFRS, such as:

- a) The financial statements were prepared in the format prescribed by the Ministry of Finance of the Republic of Serbia,
- b) Off-balance sheet assets and liabilities are shown in the balance sheet form. These items, by IFRS definition, are neither assets nor liabilities.

Accordingly, these financial statements can be considered as financial statements prepared in accordance with the Accounting Law of the Republic of Serbia.

Consolidated financial statements prepared in accordance with IFRS were primarily derived from statutory books and accounting records with adjustments and reclassifications made to present them in accordance with IFRS. These reports were prepared in accordance with the principle of business continuity, and the accounting policies and estimates applied do not deviate from those applied in the preparation of the financial statements for 2017, except for changes caused by the application of the new accounting standards of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue under Contracts with customers'.

On January 31, 2018 an independent auditor expressed his unqualified opinion on the consolidated financial statements (composed in accordance with IFRS), and on February 28, 2018 he expressed his unqualified opinion on the financial statements and consolidated financial statements of the Company.

The Board of Directors considered, and at the session number CXXVI approved the Financial Statements, the Consolidated Financial Statements and the Consolidated Financial Statements (compiled in accordance with IFRS) of the Company for 2018.

## **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 incompliance 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 2018.

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 14<sup>th</sup> of March 2018, Company's auditor authorised person confirmed that the Company's auditor is independent from the Company in terms of Company Law. Up to the date of issue of this statement, the independent auditor provided the Company with tax consultation services that are not directly related to financial reporting, other consulting services that are not directly related to financial reporting, employee training, which is not directly related to financial reporting, as well as services prescribed by audit standards and services of certified auditors prescribed by the Auditing Law, the Accounting Law and the 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)

Deliver to:

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