



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-od/CXLIX-6a
Датум (Date): 25.05.2020

NIS j.s.c. Novi Sad Board of Directors Report for 2019

Pursuant to Article 399 of the Law on Companies, 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

The 2019 Financial Statements and Consolidated Financial Statements were prepared in accordance with the Accounting Law of the Republic of Serbia that stipulates that financial statements must be prepared in accordance with 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.

Prepared in accordance with IFRS, the Consolidated Financial Statements, were primarily derived from the statutory books and records with adjustments and reclassifications made to present them in accordance with IFRS.

The accounting policies were updated in order to ensure their compliance with the requirements of the new accounting regulations (IFRS 15 – Revenue from Contracts with Customers, IFRS 9 – Financial Instruments, IFRS 16 – Leases) and accounting evaluation of depreciation of fixed assets. At the proposal of the Audit Commission, the Board of Directors adopted the updated accounting policies at the meeting held on 26 February 2020.

The independent auditor presented his unqualified opinion on the Consolidated Financial Statements (prepared in line with IFRS) on 30 January 2020, while its unqualified opinion on the Financial Statements and the Consolidated Financial Statements of the Company was presented on 26 February 2020.

The Board of Directors considered, and at the session number CXLVI approved the Financial Statements, the Consolidated Financial Statements and the Consolidated Financial Statements (compiled in accordance with IFRS) of the Company for 2019.

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

For the audit of its 2019 financial statements, the Company selected the company for auditing, accounting, financial and consulting services, PricewaterhouseCoopers d.o.o. Beograd (hereinafter: "Independent Auditor").

The independent auditor has all necessary professional qualifications, the operating licence and a large client base.

In the written statement of independence signed on 8th of March 2019, the Independent Auditor's responsible person confirmed that they are independent of the Company in accordance with the Law on Companies. Prior to and including the date of this statement, the Independent Auditor provided the Company with tax advisory services not directly related to financial reporting, other advisory services not directly related to financial reporting, employee training not directly related to financial reporting, services set forth in auditing standards and services of certified auditors stipulated in the Law on Audit, Law on Accounting and the Capital Market Law.

In addition to the Independent Auditor, during the reported period, PricewaterhouseCoopers Consulting d.o.o., a member of the PwC network of companies, also provided consulting services to the Company.

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

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