



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/CCXXI-2a
Датум (Date): 23.05.2024

Report of the Board of Directors of NIS j.s.c. Novi Sad for 2023

Pursuant to Article 399 of the Law on Companies, and for the purpose of reporting to shareholders at the regular session of the Shareholders' Assembly, the Board of Directors of NIS j.s.c. Novi Sad (hereinafter: the Board of Directors) submits a report on the following issues within the scope of its competence and responsibility, in the following order:

1. Accounting and Financial Reporting Practices of NIS j.s.c. Novi Sad and the Affiliates of NIS j.s.c. Novi Sad (hereinafter referred to as the "Company");
2. Compliance of the Company's operations with the law and other regulations;
3. Suitability of the Company's auditor's qualifications and its independence of the Company;
4. Agreements concluded between the Company and directors, and with the related persons.

1. Accounting practices and financial reporting practices of the Company

The basis for the preparation of the financial statements and consolidated financial statements for the year that ended on 31 December 2023 is the Law on Accounting of the Republic of Serbia, which requires the preparation of the financial statements in accordance with all translated International Financial Reporting Standards (IFRS) and other regulations issued by the Ministry of Finance of the Republic of Serbia, according to which the attached financial statements for the year that ended on 31 December 2023 have been prepared.

The translation of IFRS, validated and published by the Ministry of Finance, consists of the basic texts of International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board, including interpretations issued by the International Financial Reporting Interpretations Committee in the form in which they have been published and which do not include a basis for conclusions, illustrative examples, guidelines, comments, conflicting opinions, developed examples and other additional explanatory materials that may be adopted with regard to the standards or interpretations, unless they have explicitly stated to be an integral part of the standards or interpretations. Additionally, the Law on Accounting established Dinar (RSD) is defined as the official reporting currency (functional and presentation currency). Additionally, the Law stipulates a certain manner of representation and treatment of accounts and balances, which results in the following deviations from IFRS:

- The Company has prepared these financial statements in the format prescribed by the Ministry of Finance of the Republic of Serbia.
- "Off-balance Sheet Assets and Liabilities" are provided on the balance sheet form. According to the IFRS definition, these items are neither assets nor liabilities.

Accordingly, the provided financial statements may not be considered financial statements prepared in full compliance with IFRS, which is disclosed in the basis for the preparation of these financial statements.

The basis for the preparation of consolidated financial statements that have been prepared in accordance with the International Financial Reporting Standards (IFRS) are statutory books and accounting records that have been corrected and reclassified in order to make their presentation in accordance with IFRS.

The independent auditor FinExpertiza d.o.o. Belgrade expressed its opinion on 29 February 2024 without reservations on the Company's Financial Statements and Consolidated Financial Statements, while on 30 January 2024, it expressed its opinion without reservations on the Company's Consolidated Financial Statements prepared in accordance with IFRS.

At the CCXVI correspondence meeting of 14 March 2024, the Board of Directors reviewed and approved the Company's Consolidated Financial Statements prepared in accordance with IFRS for 2023 and the Company's Financial Statements and Consolidated Financial Statements for 2023 - at the CCXIX correspondence meeting.

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

The Company has internal controls in place to identify potential risks of business compliance with the law and provide measures to eliminate potential non-compliances.

3. Suitability of the Company's auditor's qualifications and its independence of the Company

The authorized person of the independent auditor FinExpertiza d.o.o. Belgrade, in a written declaration of independence, signed on 24 March 2023 confirmed its independence in terms of the provisions of Articles 44 and 45 of the Law on Audit in relation to the Company and its subsidiaries, as well as independence in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) issued by the Committee for International Ethical Standards for Accountants (IESBA Code) and the ethical requirements of the Law on Audit of the Republic of Serbia.

At the CCII correspondence meeting held on 24 May 2023, the Board of Directors of the Company harmonized the proposal of the Audit Commission for the selection and proposal of the Commission for Fees, for the fee of the independent auditor FinExpertiza d.o.o. Belgrade and proposed to the Assembly of Shareholders of NIS j.s.c. Novi Sad (hereinafter: the Shareholders' Assembly) to select the auditor FinExpertiza d.o.o. Belgrade and approve the auditor's fee for the audit of financial and consolidated financial statements of NIS j.s.c. Novi Sad for a period of 3 years (2023-2025).

On 18 September 2023, the Company signed a Contract on the performance of services of auditing financial statements for 2023 with the auditor FinExpertiza d.o.o. Belgrade. The subject of the contract includes the audit of individual and consolidated financial statements of the Company prepared in accordance with the accounting regulations of the Republic of Serbia and the consolidated financial statements of the Company prepared in accordance with IFRS, as well as the obligation to submit a letter to the management, in which the auditor will also provide recommendations for the improvement of the accounting system and the internal control system of the Company, if he/she finds certain weaknesses in the audit procedure. In addition to the above, this contract defines the obligation of the auditor to perform audit of the Report on Remuneration of Members of the Board of Directors for the year 2023, and on the basis of results of the performed

audit, to draw up a relevant report in accordance with provisions of the Law on Companies of the Republic of Serbia.

4. Agreements concluded between the Company and members of the Board of Directors, and with the related persons

According to Article 66 of the Law on Companies, it is necessary to approve a legal transaction or action in case of personal interest in the event that the value of the subject of that transaction or legal action is 10% or more than 10% of the book value of the total assets of the Company stated in the last annual balance sheet.

In the event that the Board of Directors approves a legal transaction in which there is a personal interest, the Shareholders' Assembly shall be informed at the first subsequent session.

During the observed period, the Board of Directors did not approve legal transactions or legal actions in which there is a personal interest, since they were not identified according to the above criteria.

Chairman of the Board of Directors

Vadim Yakovlev
(signature and stamp)

Distribution list:

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