



NIS j.s.c. Нови Сад / NIS j.s.c. Novi Sad
Народног фронта 12 / Narodnog fronta 12
ОДБОР ДИРЕКТОРА / BOARD OF DIRECTORS
Број (№): 85/OD-iz/CCXLII-1a
Датум (Date): 20.05.2025

Report of the Board of Directors of NIS j.s.c. Novi Sad for 2024

In accordance with 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: 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: "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 2024 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 2024 have been prepared.

The translation of IFRS, approved and published by the Ministry of Finance, consists of the main texts of International Accounting Standards (IAS) and IFRS published by the International Accounting Standards Board, including interpretations issued by the International Committee for the Interpretation of Financial Reporting in the form in which they are published and which do not include the basis for conclusions, illustrative examples, guidelines, comments, dissenting opinions, developed examples, and other explanatory supplemental material that may be adopted with respect to the standard or interpretation, unless expressly stated to be an integral part of the standard or interpretation. And also, the Accounting Law establishes the dinar (RSD) as the official reporting currency (functional and presentation currency). In addition to the above, the Law requires certain disclosures and certain treatment of accounts and balances, which results in additional deviations from IFRS as follows:

- The Company compiled these financial statements in the format prescribed by the Ministry of Finance of the Republic of Serbia.
- "Off-Balance Sheet Assets and Liabilities" are presented in the Balance Sheet. According to the definition of IFRS, these items represent neither assets nor liabilities.

Accordingly, the attached financial statements cannot 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 positive opinion regarding the Financial Statements, Consolidated Financial Statements and the Company's Consolidated Financial Statements prepared in accordance with IFRS on 7 March 2025, drawing attention to the material uncertainty associated with the continuity of operations due to the introduction of sanctions.

At its 237th session on 27 March 2025, the Board of Directors reviewed and approved the Company's Financial Statements and Consolidated Financial Statements for 2025, while the Company's Consolidated Financial Statements for 2024 prepared in accordance with IFRS will be reviewed and approved at the session scheduled for April 2025.

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

At the 202nd written session held on 24 May 2023, the Board of Directors of the Company approved the proposal of the Audit Committee 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 Shareholders' Assembly 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).

The authorized person of the independent auditor FinExpertiza d.o.o. Belgrade, in a written declaration of independence, signed on 27 September 2024 and 7 March 2025, confirmed their independence in relation to the Company in terms of the provisions of the Law on Audit, Law on Companies and the Law on the Capital Market for the purpose of auditing Financial and Consolidated Financial Statements of NIS j.s.c. Novi Sad for 2024.

On 24 September 2024, the Company concluded a Contract to perform services of auditing the financial statements for 2024 with the auditor FinExpertiza d.o.o. Belgrade. The subject of the contract includes the audit of regular and consolidated financial statements of the Company and drafting a report following the completed audit prepared in accordance with the Law on Audit of the Republic of Serbia and in accordance with IFRS, indicating audit opinion. Furthermore, the obligation of submitting a letter to the management, in which the auditor would also provide recommendations for the improvement of the accounting and the internal control systems of the Company, should they find any weaknesses in the audit procedure. Finally, the auditor shall also be obliged by the contract in question to audit the Report on the remuneration of the members of the Board of Directors of the Company for 2024 and prepare a report on the audit in accordance with the Law on Companies of the Republic of Serbia.

4. Agreements concluded between the Company and the 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.

If 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 any legal transactions or legal actions in which there is a personal interest, since they were not identified according to the above criteria.

There are Agreements concluded between the current members of the Board of Directors and the Company, the subject of which is the regulation of the mutual rights, obligations and responsibilities of the Company and the member of the Board of Directors based on membership in the Board of Directors/Committee of the Board of Directors of the Company.

Chairperson of the Board of Directors

Vadim Yakovlev
(signature and stamp)

Serve to:

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