

„GALENKA – FITOFARMACIJA“ a.d.  
Material for the 20<sup>th</sup> Assembly meeting  
Zemun, 25 May 2015

Pursuant to Articles 22 and 23 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company) and Article 5 and 7 of the Rules of Procedure of the Shareholders Assembly, the Board of Directors at its meeting held on 25 May 2015 made the following

## DECISION

1. The regular 20<sup>th</sup> Assembly meeting of the Company is hereby **CONVENED**, to be held on 26 June 2015 in the Company's headquarters in Zemun, Batajnički drum bb, starting at 13:00.

2. The following DRAFT AGENDA of the regular Assembly meeting is established:

1. Adoption of the minutes from the previous Assembly meeting held on 26 June 2014.
2. Adoption of the Annual Report for 2014
3. Adoption of the Annual Consolidated Report for 2014
4. Adoption of the Board of Directors Report for 2014
5. Making a decision on profit distribution for 2014
6. Making a decision on the award of the Board of Directors
7. Making a decision on the acquisition of own shares
8. Selection of an independent auditor for 2015
9. Verification of the Board of Directors' decision on founding a subsidiary in the Republic of Slovenia

3. The date 16 June 2015 is determined as the shareholders' day.

The date 26 June 2015 is determined as the dividend day.

4. The shareholders or proxies of shareholders who own at least 1,320 shares on the shareholders' day have the right to personal participation in the work of the Assembly meeting.

5. An integral part of this decision is the Invitation to shareholders for the meeting, to be published at the website of the Company on the same day after the meeting of the Board of Directors.

6. A three member Voting Committee is appointed, comprising of:

1. Zorica Jeremić, the president
2. Ivana Petković, member
3. Gordana Arlov, member

The rights and obligations of the Commission are regulated in detail in the Rules of Procedure of the Shareholders Assembly.

7. The Executive Director for Corporate Affairs is tasked with organizing and conducting the convening of the Assembly meeting.

## **MINUTES**

### **FROM 19<sup>th</sup> ANNUAL GENERAL MEETING**

19<sup>th</sup> Annual General Meeting was held on June 26, 2014 at the Company headquarters in Zemun, Batajnicki drum bb, beginning at 1 pm.

The meeting was convened by the Board of Directors' decision dated May 23, 2014. The convene of the General Meeting was published on Company's web site on the same day, and on Belgrade Stock Exchange's web site on May 27, 2014.

Attendees:

- Shareholders and proxies: Zivorad Vojinovic, Nedeljko Puhar, Dragan Nenadovic, Zivojin Maletic, Agromarket - Dusan Mojsilovic; UniCredit bank Srbija a.d. – Stevo Delic;
- Galenika Broker – Snezana Zobec;
- UHY REVIZIJA - Jasmina Macura and Branka Samardzic;
- The Board of Director members: Mirjana Bogicevic, Branislav Medakovic, Slavica Pekovic;
- Voting Committee: Gordana Arlov, Ivana Petkovic;
- Recording secretary: Aleksandra Korac.

The chairman of the Board of directors proposed Zivorad Vojinovic for the chairman of the General Meeting, which was approved by all attending shareholders and proxies.

The chairman of the General Meeting started the meeting and appointed Aleksandra Korac as a recording secretary.

The Voting Committee was formed by the decision of the Board of Directors on convene the General Meeting as follows: Zorica Jeremic (Chairman), Gordana Arlov (Member), Ivana Petkovic (Member).

Ivana Petkovic submitted the Voting Committee report:

The General Meeting is attended by the shareholders, i.e. their proxies owning totally 777.352 shares, i.e. 58,89% of the total number. Shareholders owning 13.386 shares, i.e. 1,01% voted in writing.

The total number of votes comprising quorum amounts to 790.738, i.e. 59,90%, thus the Voting Committee acknowledged that there is a quorum for holding the meeting.

The Chairman of the General Meeting opened the meeting and noted the following:

### **AGENDA**

1. Adoption of the minutes from the previous Assembly meeting held on 28 June 2013
2. Adoption of the Annual Report for 2013
3. Adoption of the Annual Consolidated Report for 2013
4. Adoption of the Board of Directors Report for 2013
5. Making a decision on profit distribution for 2013
6. Making a decision on the award of the Board of Directors
7. Making a decision on amendments and modifications of the Company's Articles of Association
8. Making a decision on amendments and modifications of the Company's Rules of Procedure of the Shareholders Assembly
9. Making a decision on the appointment of the executive director of the Company for the Legal (Statutory) Representative of a Company
10. Making a decision on the approval of the acquisition of own shares.
11. Selection of an independent auditor for 2014

### **1<sup>st</sup> ITEM**

Considering the Minutes from 18<sup>th</sup> General Meeting held on June 28, 2013, the Chairman of General Meeting Z. Vojinovic, who was the Chairman at the previous meeting, has ascertained that all discussions from the meeting are inscribed into minutes and proposed to the attendees to adopt it.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

### **C O N C L U S I O N**

The Minutes from 18<sup>th</sup> General Meeting of „GALENKA - FITOFARMACIJA“ a.d. held on June 28, 2013 is adopted.

### **2<sup>nd</sup> ITEM**

The Company's managing director, Dragan Nenadovic, briefly presented the contents of the Annual report and concluded that the Company successfully continued its business practice, and successfully answered to all requirements of state, management, shareholders and employees. The Company kept strategic business focus and answered to all market demands. All the regulatory and legal preconditions had been met for the compiling of this report and the Company's business results were presented in an objective manner.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

*D E C I S I O N*

The Company's Annual Report for 2013 IS ADOPTED.

The Report includes:

1. The Annual Financial Report for 2013
2. The Auditor's Report for 2013;
3. The Annual Report of the Company's Operations for 2013;
4. Statement of persons responsible for preparing the Annual Report;

According to the attachment that is an integral part of this decision.

Note: Due to practical reasons, the Annual Report will not comprise an integral part of this Minutes. It was published on Company's web site on April 29, 2014 and on Belgrade Stock Exchange's web site on May 7, 2014.

**3<sup>rd</sup> ITEM**

The Company's managing director, Dragan Nenadovic, briefly presented the contents of the Annual consolidated report and concluded that the balance position of the dependent company, ENVIPACK d.o.o., was insignificant compared to the position presented in the individual financial report of GALENIKA - FITOFARMACIJA a.d., meaning that the Annual consolidated report did not sharply differ from the Annual report, approved in the previous point.

Representative of the independent auditor Mrs. Branka Samardzic noted that the Company operates with no major problems. After checking the entire business of the Company, she estimated that all Company's financial statements are in accordance with the Law on the Capital Market and demands of Serbian Business Registers Agency.

The expert opinion of the independent auditor was "unreservedly".

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

*D E C I S I O N*

The Company's Annual Consolidated Report for 2013 IS ADOPTED.

The Report includes:

1. The Consolidated Financial Report for 2013;
2. The Auditor's Consolidated Report for 2013;
3. The Annual Consolidated Report of the Company's Operations for 2013;
4. Statement of persons responsible for preparing the Annual Consolidated Report;

According to the attachment that is an integral part of this decision.

Note: Due to practical reasons, the Annual Consolidated Report will not comprise an integral part of this Minutes. It was published on Company's web site on April 29, 2014 and on Belgrade Stock Exchange's web site on May 07, 2014.

#### **4<sup>th</sup> ITEM**

The Company's executive director, Slavica Pekovic, briefly presented this point and emphasized that the Report of the Board of Directors was the one that needed to be in line with the legislation (Article 399 of the Law on Companies). Objectively, the majority of the facts presented in the Report had already been included in the previous two reports (Annual report and Annual consolidated report). The Board of Directors held regular sessions throughout the year, during which the executive directors notified the Board about the current operations and events in the Company. Moreover, the Board of Directors considered and approved the Annual report of the Company's Audit Committee. This report gave a positive grade to the business aspects from the Committee's domain and to the report of the Company's independent auditor who openly expressed his opinion regarding the financial reports. The company has been striving to fulfill the legal and other regulations not only in the sense of financial reports but also regarding work safety, health care and environmental protection, since the Company is engaged in an activity involving serious risk. As far as the agreements with directors are concerned, the Company hasn't signed any agreements with them, nor with their related parties.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

#### ***D E C I S I O N***

TO ACCEPT THE Board of Director's Report for 2013, in accordance with the Appendix which is an integral part of this decision.

Note: The Board of Director's Report is enclosed in Attach 1 of this Minutes.

#### **5<sup>th</sup> ITEM**

The Company's managing director, Dragan Nenadovic, briefly explained the proposal on the distribution of profit in 2013.

In accordance with the Company's Statute, 5% of the profit, will be allocated to required reserves, until their value reached at least 10% of the share capital. Since the present value of reserves is 10% of the share capital, Company's managing director suggested that Company does not apply distribution of earnings from 2013. required in reserves.

We are utilizing a responsible dividend politics and are consistent in our dividend payments. 200.640.000,00 RSD shall be allocated to dividends (26,40% of the total profit for distribution), that is 152 RSD of gross amount per share. We are obliged to notify the shareholders about the payment of dividends 30 days from the dividend day. Our plan is to perform this in the first week of September.

Snezana Zobec joined the praise, for succesful, clear and transparent Company's buissnes, which certainly affects on the shares price.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

## *DECISION*

### *on the distribution of profits for 2013*

The distribution of profits for 2013 is hereby adopted according to the following table:

		RSD
I	PROFITS FROM THE CURRENT YEAR	759.431.513,71
	Distributed into mandatory reserves	0,00
II	PROFITS FOR DISTRIBUTION	759.431.513,71
III	PART FOR PAYMENT OF DIVIDEND (152 RSD gross per share)	200.640.000,00
	Undistributed profits from earlier years	1.204.389.590,65
	Undistributed profits from the current years	558.791.513,71
IV	<b>TOTAL UDISTRIBUITED PROFITS</b>	<b>1.763.181.104,36</b>

According to the distribution of profits for 2013, the capital of the Company will look like in the table below:

		RSD
I	<i>FIXED ASSETS ON 1 JANUARY 2014</i>	1.755.600.000,00
II	<i>MANDATORY RESERVES ON 31 DECEMBER 2013</i>	175.560.000,00
III	<i>STATUTORY RESERVES</i>	17.792.982,47
IV	<i>STATUTORY RESERVES FOR DEVELOPMENTAL PURPOSES</i>	500.000.000,00
V	<i>SPECIAL RESERVES FOR BUY-OFF OF OWN SHARES</i>	158.000.000,00
VI	<i>REVALUATION RESERVES</i>	27.397.600,00
VII	<i>UNREALIZED LOSSES FOR SECURITIES</i>	3.029,39
VIII	<i>UNDISTRIBUTED PROFITS</i>	1.763.181.104,36
	<b>TOTAL CAPITAL</b>	<b>4.397.528.657,44</b>

## *DECISION*

### *on the payment of dividends for year 2013*

1. For dividend payments a portion of the undistributed profit for 2013 will be allocated, with total gross amount of RSD 200.640.000,00 or a gross dividend of RSD 152,00 per share for 2013.
2. The allocated amount will be paid to the shareholders confirmed as such on the dividend day (record date), in accordance with the shareholders list determined by the Central Securities Depository. In line

with the Article 15 of the Company's Articles of Association, the dividend day is the date the General Meeting is held, being June 26th 2014.

3. The dividends will be paid in cash to all shareholders in proportion to their shareholding and nominal value of the shares.

4. The management will, within 30 days from the General Meeting date at latest, inform the shareholders on the dividend payment date through the Company's webpage. The deadline for dividends payment is date of September 30th 2014.

5. In case after the record date and before the payment of dividend, the shareholder transfers the shares on the basis of which he was entitled to dividend, he will keep the right to receive dividends payment.

### **6<sup>th</sup> ITEM**

The Company's managing director, Dragan Nenadovic, noted that the decision to pay up awards to the members of the Board of Directors was a matter of continuity and fine practice, implemented since 2006 and that it represented a direct correlation between the work of the Board and the achieved business results.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

#### ***D E C I S I O N***

##### ***on award for work to the members of the Board of Directors***

A special compensation has been established for the members of the Board of Directors in total amount of 25.500.000,00 RSD. Upon the proposal of the President of the Board, the Board of Directors is hereby authorized to decide on the compensation amount for each member of the Board.

### **7<sup>th</sup> ITEM**

The Company's executive director, Slavica Pekovic, highlighted that from January 01<sup>st</sup> 2014, according to the Article 344 paragraph 9 of the Law on Companies, all public joint-stock companies must allow electronic issuing of voting proxy. If proxy is issued electronically, it must be signed by a qualified electronic signature in accordance with the law governing electronic signature.

In order to conform Articles of Association of „GALENKA-FITOFARMACIJA“ a.d. with the Law on Companies, the Board of Directors proposed amendments and modifications in Article 26 of Articles of Association.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

## *D E C I S I O N*

### *on amendments and modifications of the Articles of Association*

#### *of „GALENKA-FITOFARMACIJA“ a.d.*

Articles of Association of „GALENKA-FITOFARMACIJA“ a.d. from October 28th 2010. changes in Article 26, so that it now reads:

“

#### **Article 26.**

A shareholder is entitled to issue a power of attorney for someone to participate in the work of the Assembly on his/her behalf, and vote on his/her behalf (hereinafter referred to: authority to vote).

Authority to vote is given in writing so that it makes it possible to give instructions to the attorney for voting on each item of the agenda, on a form which is made available by the Company on its internet page.

Authority to vote given by a natural entity must be certified in line with the law regulating certification of signatures.

Authority to vote may be given by electronic means, provided that contains a qualified electronic signature that ensures the authenticity of the statement, in accordance with the law governing electronic signatures.

Authority for electronic voting is given on the form that the Company makes available on its website.

Rules of procedure of the Assembly define more closely the content of the form, the procedure for issuing powers of attorney, manner of notifying the Company about the given power of attorney and other relevant issues.

The Company's managing director, is hereby authorized to sign consolidated version of Articles of Association of „GALENKA-FITOFARMACIJA“ A.D.Beograd.

## **8th ITEM**

The Company's executive director, Slavica Pekovic, highlighted that amendments of the Rules of Procedure of Shareholders Assembly are consequences of amendments and modifications of the Company's Articles of Association and compliance with the Law on Companies

Amendments and modifications refer to the Article 28 and Article 29 of the Rules of Procedure of Shareholders Assembly, and now provide possibility for electronic issuing of voting proxy. If proxy is issued electronically, it must be signed by a qualified electronic signature.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

## *D E C I S I O N*

### *on amendments and modifications of the Procedure of Shareholders Assembly*

#### *of „GALENKA-FITOFARMACIJA“ a.d.*

Procedure of Shareholders Assembly of „GALENKA-FITOFARMACIJA“ a.d. from January 1st 2012. changes in Article 28 and Article 29, so that it now reads:

“

#### **Article 28**

The shareholder may vote at the Shareholders Assembly by a proxy.



The authorization for voting is given in writing and contains especially:

1. name, or commercial name of the shareholder, with all the data in accordance with the Law;
2. name of the proxy, with all the data in accordance with the Law;
3. number, type and class of shares for which the authorization is issued

If the natural person gives an authorization for voting, it should be authenticated in accordance with the Law regulating the signature authentication.

If the proxy is a legal person, it exercises the voting right through its legal representative or another person authorized for it, who can solely be a member of that legal person's organs or its employee.

If proxy is issued electronically, it must be signed by a qualified electronic signature in accordance with the law governing electronic signatures.

The authorization for voting is not transferrable.

### **Article 29**

The prescribed Company's form for giving the authorization, is available on the Company's web page. Use of the written form is mandatory.

A notice of a Shareholders Assembly session sent to shareholders, contains detail instructions for the way of delivering a voting proxy.

The shareholder or proxy is obligated to submit the copy of the authorization to the Company within three working days prior to the day of holding the session at the latest.

If the shareholder or proxy fails to submit the copy of the authorization for voting within the term from the paragraph 3 of this Article, it shall be deemed that they do not participate in work of the Shareholders Assembly.

The Company's managing director, is hereby authorized to sign consolidated version of Procedure of Shareholders Assembly of GALENIKA-FITOFARMACIJA a.d. Beograd. “

### **9<sup>th</sup> ITEM**

The Company's managing director, Dragan Nenadovic, noted that the appointment executive director of the Company Slavica Pekovic for the Legal (Statutory) Representative of a Company is necessary step for faster and more efficient Company's business and for compliance with the Low on Companies and demands of Serbian Business Registers Agency.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

### **D E C I S I O N**

Executive director Slavica Pekovic from Belgrade, with personal number 2112969715163 is appointed for the Legal (Statutory) Representative of a Company, with authority to represent the Company without restraint.

### 10<sup>th</sup> ITEM

The Company's executive director, Slavica Pekovic, highlighted that this decision was purely an operative matter that had been put into practice earlier at the proposal of the Company's corporate agent. The essence is that if need be, for example, if prices of shares plummet, we can purchase our own shares and thus prevent the further fall of prices. The authorization granted by the Shareholders Assembly by the Board of Directors' decision is of operative nature so that the Board of Directors can react quicker in such events. Own shares grant no Council voting rights, are not included in the quorum and don't grant the right to dividends.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

#### *D E C I S I O N*

##### *on the approval of the acquisition of own shares for the business year 2014*

1. The Company will, when needed, conduct the acquisition of own shares in the amount of up to 10% (132,000 shares) of the total amount of fixed capital (1,320,000 shares).
2. The shares from item 1 of this Decision are ordinary shares issued in all previous issues of the Company, labeled with CFI code: ESVUFR and with ISIN number: RSFITOE21521, non-voting shares, and they are not counted in the quorum for the decision-making at the Shareholders' Assembly, nor do they give the right to dividends.
3. The nominal value of these shares will continue to be included in the fixed capital of the Company.
4. The Board of Directors is hereby authorized to make decisions, as necessary, determining the day for activating this decision, the minimum number of shares for acquisition in a single cycle, the minimum and maximum cost of acquiring shares, the method, time and place of trading, as well as the disposition and the price, i.e., the method of determining the price when disposing with shares, if own shares are to be alienated with a compensation, in accordance with the Law.
5. The offer for the acquisition of own shares will be sent to all shareholders of the Company according to the pro-rata method.
6. The acquisition of shares will take place in one or more cycles, depending on the response of shareholders, in the period before the adoption of the Annual Report for 2014.
7. The Company's Board of Directors is under obligation to inform the Shareholders' Assembly about the conducted acquisition in accordance with point 6 of this Decision.

### 11<sup>th</sup> ITEM

The president of the Audit Committee, Mirjana Bogicevic, pointed out that the Audit Committee made a suggestion, which the Board of Directors accepted, to select UHY REVIZIJA d.o.o. in 2014 for independent auditor. The suggested independent auditor was undoubtedly fulfilled basic conditions which are objectivity and independence in work. The decisive factors behind this suggestions were satisfaction of previous cooperation and lower price of the offered service.

Mrs. Jasmina Macura from UHY REVIZIJA d.o.o. expressed gratefulness for the trust invested in his company and emphasized that the financial reports which were the subject of the audit seem viable and that there were no irregularities in any materially significant points. She expressed pleasure with our cooperation and openness to any future collaboration. She also announced novelties in further audit process, and indicated that in 2014 the audit will means also the control of the entire business and making so called "management Letter".

At the end of the business year, the “management Letter” will be delivered to the Securities Commission.

With 790,738 votes AYE, the Council reached a unanimous decision, as follows:

*D E C I S I O N*

*on the selection of an independent auditor for the business year 2014*

1. UHY REVIZIJA d.o.o. Belgrade, MB 17082175, is selected for an independent auditor to perform audit work in the business year 2013.

2. The General Manager of the Company is authorized to conclude the Contract on the performance of an audit work, which will specify the mutual rights and obligations of the contractor with the selected auditor from this Decision.

Then the meeting was completed at 1:45 pm.

Chairman of the Shareholders Assembly: Zivorad Vojinovic

Recording secretary: Aleksandra Korac

Pursuant to Article 399 of the Law on Business Companies, and for the purpose of reporting to the shareholders at the regular Annual Assembly Meeting, the Board of Directors of „GALENKA-FITOFARMACIJA“ a.d. (hereinafter referred to as: The Company) submits the

## **BOARD OF DIRECTORS REPORT FOR 2013**

This report has been prepared on the basis of direct and indirect insights and analysis of all major aspects of the Company's business, which were performed by the Board of Directors during the reporting period.

In addition to executive management's detailed reporting, the Board of Directors has, for their assurance, considered and adopted the Company's Audit Committee Annual Report, which includes all business aspects from the area of reports of the Audit Committee positively evaluated.

The findings in this report have been finally formed also on the basis of the Company independent Auditor's report, UHY REVIZIJA d.o.o. in which it is assessed that the individual and consolidated financial statements have been prepared in accordance with the accounting regulations of the Republic of Serbia and that they objectively present the state of assets and liabilities as of 31 Dec 2013.

### **1. Accounting and financial reporting practice**

Accounting policies which are being applied by the Company are described and disclosed in the notes, together with the financial statements.

The Company's Board of Directors believes that the Company's accounting policies have been established in accordance with the legislation of the Republic of Serbia.

The Board of Directors has reviewed and approved:

- Company's individual and consolidated six month financial Reports, on a session held on 27 August 2013
- Company's individual financial statements, on a session held on 31 Jan 2014
- Company's consolidated financial statements, on a session held on 22 Apr 2014

The Company's independent auditor, UHY REVIZIJA d.o.o., Beograd, has expressed its unreserved opinion in his report both on individual (26 March 2014) and consolidated (28. April 2014) Company's financial statements.

### **2. Company's compliance with Laws and other regulations**

The Board of Directors believes that the Company's business is in compliance with Laws and other regulations and that the established internal control mechanisms are efficient and effective. As the Company's activity is of high risk, the Company pays special attention to safety at work, health and environmental protection.

During the 2013, the Board of Directors did not identify any cases of Company's non-compliance with the laws and other regulations.

### **3. Qualification and independence of the Company's auditor with respect to the Company**

By the decision of the Shareholders Assembly from 28 June 2013, the Company has contracted UHY REVIZIJA d.o.o., Beograd, to audit its financial statements for the year of 2013 UHY REVIZIJA d.o.o., Beograd (previously EKI REVIZIJA d.o.o.) was established in 2000 by Belgrade. Economics Institute.

Since 2012, UHY REVIZIJA d.o.o Beograd, becomes a member of a UHY International, global network of independent accounting and consulting firms, and provides audit, accounting, tax and business consulting services.

UHY REVIZIJA d.o.o Beograd. is an independent legal entity with respect to the Company.

In 2013 , UHY REVIZIJA d.o.o Beograd, did not provide other services to the Company.

### **4. Contracts concluded between the Company and the directors, as well as related parties**

In 2013, the Company did not conclude transactions of personal interest with the directors and related parties.

Pursuant to Article 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

## **D E C I S I O N**

The Company's Annual Report for 2014 IS ADOPTED. The Report includes:

1. The Annual Financial Report for 2014;
2. The Auditor's Report for 2014;
3. The Annual Report of the Company's Operations for 2014;
4. Statement of persons responsible for preparing the Annual Report;

Annual Report for 2014 is public document and can be found on Company's website and on Belgrade Stock Exchange's website.

## **E x p l a n a t i o n**

The Board of Directors at its meeting held on 25 May 2015 concluded that the Annual Report for 2014:

- is prepared in accordance with Article 50 of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011) and in accordance with the Rules on the content, form and manner of publication of annual, semi-annual and quarterly reports of public companies ("Official Gazette of the Republic of Serbia", no.14/2012 and 5/2015);
- is approved by the Board of Directors;
- is published within the legally set deadline at the Company's website;
- is submitted to the Securities Commission and the Belgrade Stock Exchange (BSE) within the legally set deadline,

and therefore suggested that the Assembly makes the decision as set forth in disposition.

**Note:** The Company's Annual Report for 2014 was published at the Company's website in the section: *For Investors - Information - Annual / Six month Reports.*

Pursuant to Article 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

## **D E C I S I O N**

The Company's Annual Consolidated Report for 2014 IS ADOPTED. The Report includes:

1. The Consolidated Financial Report for 2014;
2. The Auditor's Consolidated Report for 2014;
3. The Annual Consolidated Report of the Company's Operations for 2014;
4. Statement of persons responsible for preparing the Annual Consolidated Report;

Annual Consolidated Report for 2014 is public document and can be found on Company's web site and on Belgrade Stock Exchange's web site.

## **E x p l a n a t i o n**

The Board of Directors at its meeting held on 25 May 2015 concluded that the Annual Report for 2015:

- is prepared in accordance with Article 50 of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011) and in accordance with the Rules on the content, form and manner of publication of annual, semi-annual and quarterly reports of public companies ("Official Gazette of the Republic of Serbia", no.14/2012 and 5/2015);
- is approved by the Board of Directors;
- is published within the legally set deadline at the Company's website;
- is submitted to the Securities Commission and the Belgrade Stock Exchange (BSE) within the legally set deadline,

and therefore suggested that the Assembly makes the decision as set forth in disposition.

**Note:** The Company's Annual Consolidated Report for 2014 was published at the Company's website in the section: *For Investors - Information - Annual / Six month Reports*.

Pursuant to Article 339 of the Law on Business Companies (Official Gazette 36/2011, 99/2011, 83/2014 and 5/2015) and Article 47 of the Articles of Association of „GALENKA-FITOFARMACIJA“ a.d. (hereinafter referred to as: The Company), on the session held on 25 May 2015, the Board of Directors proposes to the General Assembly to issue the following

### **D E C I S I O N**

TO ACCEPT THE Board of Director's Report for 2014, in accordance with the Appendix which is an integral part of this decision.

### **E x p l a n a t i o n**

In line with the obligations stated in the Article 399 of the Law on Business Companies, the Board of Directors has prepared the Report for 2014.

The submitted report particularly contains reports on accounting practice and Company's reporting practice, reports on compliance of the Company's business with the laws and other regulations, on the qualifications and independence of the Company's auditors.

The Board of Directors has notified the Assembly that directors' mandate expires on February 1, 2016 and that it would not be effective to convene an extraordinary general meeting, only because of directors' appointment. Pursuant to Article 42 of the Company Statute, and Article 394 of the Company Law, directors whose mandate has expired will continue performing their function until the first following general meeting in 2016.

The Board of Directors proposes to the Assembly to decide as stated above.



Pursuant to Article 399 of the Law on Business Companies, and for the purpose of reporting to the shareholders at the regular Annual Assembly Meeting, the Board of Directors of „GALENKA-FITOFARMACIJA“ a.d. (hereinafter referred to as: The Company) submits the

## **BOARD OF DIRECTORS REPORT FOR 2014**

This report has been prepared on the basis of direct and indirect insights and analysis of all major aspects of the Company's business, which were performed by the Board of Directors during the reporting period.

In addition to executive management's detailed reporting, the Board of Directors has, for their assurance, considered and adopted the Company's Audit Committee Annual Report, which includes all business aspects from the area of reports of the Audit Committee positively evaluated.

The findings in this report have been finally formed also on the basis of the Company independent Auditor's report, UHY REVIZIJA d.o.o., in which it is assessed that the individual and consolidated financial statements have been prepared in accordance with the accounting regulations of the Republic of Serbia and that they objectively present the state of assets and liabilities as of 31 Dec 2013.

The Board of Directors has also considered the fact that the mandate of the current directors expires in February 2016 and effectiveness of convening extraordinary general meeting of the Shareholders' Assembly only for the purpose of appointment of directors.

### **1. Accounting and financial reporting practice**

Accounting policies which are being applied by the Company are described and disclosed in the notes, together with the financial statements.

The Board of Directors believes that the Company's accounting policies have been established in accordance with the legislation of the Republic of Serbia, and that the Company's Annual and Six-month Reports are prepared and disclosed in accordance with legislation and internal Company's rules.

The Board of Directors has reviewed and approved:

- Company's individual and consolidated six-month financial statements for 2014, on a session held on 28 Aug 2014
- Company's individual and Consolidated Annual financial statements for 2014, on a session held on 24 Apr 2015

The Company's independent auditor, UHY REVIZIJA d.o.o., Beograd, has expressed its unreserved opinion in his report both on annual individual and annual consolidated Company's financial statements for 2014 (28 April 2015).

### **2. Company's compliance with Laws and other regulations**

The Board of Directors believes that the Company's business is in compliance with Laws and other regulations and that the established internal control mechanisms are efficient and effective.

As the Company's activity is of high risk, the Company pays special attention to safety at work, health and environmental protection.

During the 2014, the Board of Directors did not identify any cases of Company's non-compliance with the laws and other regulations.

### **3. Qualification and independence of the Company's auditor with respect to the Company**

By the decision of the Shareholders Assembly from 26 June 2014, the Company has contracted UHY REVIZIJA d.o.o., Belgrade, to audit its financial statements for the year of 2014.

UHY REVIZIJA d.o.o. (formerly EKI REVIZIJA d.o.o.) was founded in 2000 by the Institute of Economy in Belgrade. In 2012, it became a member of UHY International, a global network of independent accounting and consultancy companies, which provide auditing, accounting and tax and business consulting services.

UHY REVIZIJA d.o.o. is an independent legal entity with respect to the Company. In 2014, UHY REVIZIJA d.o.o. did not provide other services to the Company.

### **4. Contracts concluded between the Company and the directors, as well as related parties**

In 2014, the Company did not conclude transactions of personal interest with the directors and related parties.

### **5. Mandate of Company directors**

The Board of Directors was appointed in the decision of the Shareholders' Assembly at the extraordinary meeting that took place on January 19, 2012. The extraordinary meeting was convened for harmonization of Company operations with provisions of the Company Law.

Since its establishment, the Board of Directors has worked with the same composition. The mandate of current directors expires on February 1, 2016.

In view of the positive operating results in the past three years, the Board of Directors believes that it is effective to apply Article 394 of the Company Law, and 42 of the Company Statute, which envisage that a director whose mandate has expired will continue performing his/her function until the first following meeting of the Shareholders' Assembly.

For this reason, the Board of Directors will not convene an extraordinary general meeting for appointing the directors of Company, but the appointment of directors will take place at the first following general meeting in 2016.

Pursuant to Article 270 of the Law on Business Companies and Article 12, 13 and 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

**DECISION**  
**on the distribution of profits for 2014**

The distribution of profits for 2014 is hereby adopted according to the following table:

		RSD
I	PROFITS FROM THE CURRENT YEAR	757.423.931,05
	<i>Distributed into mandatory reserves</i>	0
II	PROFITS FOR DISTRIBUTION	757.423.931,05
III	PART FOR PAYMENT OF DIVIDEND (152 dinars gross per share)	<b>200.640.000,00</b>
	<i>Undistributed profits from earlier years</i>	1.763.200.404,36
	<i>Converting statutory reserves into undistributed profit</i>	17.792.982,47
	<i>Undistributed profits from the current years</i>	556.783.931,05
IV	TOTAL UNDISTRIBUTED PROFITS	<b>2.337.777.317,88</b>
V	INCREASING OF FIXED ASSETS	<b>1.755.600.000,00</b>
VI	UNDISTRIBUTED PROFITS	<b>582.177.317,88</b>

According to the distribution of profits for 2014, the capital of the Company will look like in the table below:

		RSD
	<i>Fixed assets on December 31<sup>st</sup> 2014</i>	1.755.600.000,00
	<i>Increasing of fixed assets</i>	1.755.600.000,00
I	FIXED ASSETS ON JANUARY 1 <sup>st</sup> 2015	<b>3.511.200.000,00</b>
II	MANDATORY RESERVES ON JANUARY 1 <sup>st</sup> 2015	175.560.000,00
III	STATUTORY RESERVES	0
IV	STATUTORY RESERVES FOR DEVELOPMENTAL PURPOSES	500.000.000,00
V	SPECIAL RESERVES FOR BUY-OFF OF OWN SHARES	158.000.000,00
VI	REVALUATION RESERVES	27.397.600,00
VII	UNREALIZED LOSSES FOR SECURITIES	3.029,39
VIII	UNDISTRIBUTED PROFITS	582.177.317,88
	<b>TOTAL CAPITAL</b>	<b>4.954.331.888,49</b>

### **E x p l a n a t i o n**

After considering the Annual Report for 2014, the Board of Directors decided to propose to the Shareholders' Assembly to distribute the profits from 2014 in the manner as shown in the disposition.

Pursuant to Article 13 of the Articles of Association, statutory reserves make 5% of net profit, until the value of this reserve reaches at least 10% of the fixed capital. Since the current value of those reserves is 10% of the fixed capital, there is no additional proposed value for this reserves.

In accordance with the Company's dividend policy, and taking into account liquidity and planned investments, the Board of Directors proposes that the dividend per share in the gross amount is 152 dinars, the same amount as in previous year. The total gross amount that is allocated for the payment of dividends is 200.640.000,00 dinars, or 26,5% of the total available profits for distribution. The dividend will be paid in cash, to all shareholders, in proportion to the number of shares that they own at the dividend day, i.e., on 26 June 2015.

The Board of Directors proposes to the Assembly to cancel the statutory reserves in the amount of RSD 17,792,982.47 to the credit of retained profit, because neither legal nor Statutory obligation to keep those reserves no longer exists. These reserves were created in 2001, in accordance with then applicable legal regulations related to distribution of profit in joint stock companies, a part of which consists of socially owned capital. Later, a part of the remaining capital as added to them, related to the joint consumption fund fond for the needs of housing and solidary housing development.

Taking into account the amount of retained profit, the Board of Directors proposes that a part of it is turned into share capital by issuing new shares, in such a manner that one new share would be issued on every one existing share. In this way, the share capital of Company would amount to RSD 3,511,200,000, divided into 2,640,000 pieces of shares with nominal value RSD 1,330. All shareholders shall have the right to the new issuance of shares, in proportion to the number of shares they hold ion the dividend day, namely on June 26, 2015.

Pursuant to Articles 271, 272 of the Law on Business Companies and Articles 14, 15 and 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

## **DECISION**

### **on the payment of dividends for year 2014**

1. For dividend payments a portion of the undistributed profit for 2014 will be allocated, with total gross amount of RSD 200.640.000,00 or a gross dividend of RSD 152,00 per share for 2014.
2. The allocated amount will be paid to the shareholders confirmed as such on the dividend day (record date), in accordance with the shareholders list determined by the Central Securities Depository. In line with the Article 15 of the Company's Articles of Association, the dividend day is the date the General Meeting is held, being June 26<sup>th</sup> 2015.
3. The dividends will be paid in cash to all shareholders in proportion to their shareholding and nominal value of the shares.
4. The management will, within 15 days from the General Meeting date at latest, inform the shareholders on the dividend payment date through the Company's webpage. The deadline for dividends payment is date of September 30<sup>th</sup> 2015.
5. In case after the record date and before the payment of dividend, the shareholder transfers the shares on the basis of which he was entitled to dividend, he will keep the right to receive dividends payment.

Pursuant to Articles 294, 305 to 308 of the Company Law (the “RS Official Gazette”, no. 36/2011 and 99/2011), Article 47, and Article 12 of the Statute of “GALENKA-FITOFARMACIJA” a.d. (hereinafter the: Company), the Board of Directors, at the meeting held on May 25, 2015, proposes to the Shareholders’ Assembly of the Company to, within its area of competence defined in Article 20 of the Statute adopt the following:

**DECISION  
ON CAPITAL INCREASE  
BY CONVERTING THE RETAINED PROFIT INTO SHARE CAPITAL**

1. Before making this decision on capital increase, the following has been established:

Share capital of the Company amounts to: RSD 1,755,600,000.00 and, according to the data from the Central Registry, Depository and Clearing of Securities, it is divided into 1,320,000 ordinary shares, with individual nominal value of RSD 1,330.00.

In the Registry of Business Entities with the Business Registers Agency, the share capital of the Company is reconciled with the balance in the Central Registry and is registered as subscribed and paid in the amount of RSD 1,755,600,000.00.

On the basis of the adopted Financial Statements for 2014 and Decision on adoption of the Auditor’s Report for 2014 with positive opinion, and in accordance with the Decision on distribution of profit, total retained profit as of December 31, 2014 amounts to RSD 2,337,777,317.88.

2. This is to increase the share capital of the Company from Company assets, by converting a part of the retained profit from previous years into share capital, as follows:

for the amount of RSD 1,755,600,000.00

3. After the increase of the share capital, total value of the share capital of the Company in the competent registries will amount to:

RSD 3,511,200,000.00.

4. On the basis of this decision, the Company will issue shares without public offer, by issuing shares of closed type without the obligation to publish prospectus.

5. On the basis of capital increase, 1,320,000 pieces of shares will be issued with nominal value of RSD 1,330.00 per share, and the total number of shares after the increase will amount to 2,640,000 pieces.

6. The right to acquire shares is vested in shareholders of the Company in proportion to the number of shares they hold, and who are registered as shareholders in the Uniform Registry of Shareholders of the Company in the Central Registry, Depository and Clearing of Securities, with status as of June 26, 2015. For every share they already hold, the shareholders will acquire, free of charge, one share from the new emission.

7. The shares are ordinary and registered shares and are considered paid. The shares bear marks (CFI code and ISIN number) which will be subsequently assigned by the Central Registry.

8. Every share of this emission gives the same right to the shareholders in accordance with the law, articles of association and Statute, and especially:

- the right to participate in the General Meeting and the right to vote,
- the right to share in the distribution of profit,

- the right to a part of the liquidation and bankruptcy estate,
- the preemptive right to purchase shares from new emission and
- the right to free disposal of shares.

**9.** Registration and publishing of this decision shall be made in accordance with the legal regulations, and the shareholders will be notified individually in writing.

**10.** On the basis of this decision, registry of the increase of share capital will be made with the Business Registers Agency, and registration of emission of shares and shareholders will be made in the Central Registry in accordance with the Rules of Business Operations of the Central Registry.

**11.** Everything not regulated in this decision shall be subject to the applicable legal regulations in this area.

**12.** This Decision shall come into force on the day when it was made, and will be published on the website of the Company, BRA and Belgrade Stock Exchange.

Pursuant to Article 47 of the Statute of “GALENKA-FITOFARMACIJA” a.d. (hereinafter the: Company), the Board of Directors of the Company, at the meeting held on May 25, 2015, made a decision to propose to the Shareholders’ Assembly to, pursuant to Articles 245 and 248 of the Company Law (the “RS Official Gazette”, no. 36/2011, 99/2011, 83/2014 and 5/2015), Article 12, paragraph 2, clause 9) of the Law on Capital Market (the “RS Official Gazette”, no. 31/2011) and Articles 8, 12, 20 of the Statute, at the meeting of the Shareholders’ Assembly scheduled for June 26, 2015, adopt the following:

**DECISION**  
**ON ISSUING SHARES WITHOUT PUBLIC OFFER**  
**for the purpose of converting retained profit into share capital**

1. The Company will issue ordinary shares of the 6<sup>th</sup> emission, without public offer, for the purpose of capital increase from the Company assets, by converting the retained profit into share capital.
2. Emission of shares is of closed type, without the obligation to publish public prospectus and intended for the existing shareholders who will receive the shares free of charge.
3. The shares are issued, transferred and registered in dematerialized form in the form of electronic record in the information system of the Central Registry, Depository and Clearing of Securities.
4. The right to acquire shares is vested in shareholders of the Company who are registered as shareholders in the Uniform Registry of Shareholders of the Company in the Central Registry, Depository and Clearing of Securities, with status as of June 26, 2015, in proportion to the number of shares they hold, i.e. their pro rata share in the Company
5. According to the Financial Statements for 2014, which were confirmed by the auditor, the share capital amounts to RSD 1,755,600,000.00, and total retained profit with balance as of December 31, 2014 amounts to RSD 2,337,777,317.88. A part of the retained profit, in the amount of RSD 1,755,600,000.00, was allocated for capital increase pursuant to the Decision of the Shareholders’ Assembly.
6. The Company will issue the 6<sup>th</sup> emission of shares for the purpose of capital increase in total value of RSD 1,755,600,000.00 and total number of shares 1,320,000 pieces of shares with nominal value of RSD 1,330.00 per share. The shares will bear marks (*CFI code*) and series mark (*ISIN number*) which will be assigned by the Central Registry, Depository and Clearing of Securities.
7. The number of shares is determined for every shareholder individually in the Tabular view in the appendix to this decision and constitutes an integral part thereof. Tabular view contains the number of shares and percentage share in the share capital before and after the issuing of shares of this emission.
8. The shares are considered fully paid **and** each share of this emission gives the right to one vote at the General Meeting in accordance with provisions of the Statute that regulate the right of the shareholders to participate in the work of the Assembly.
9. The shareholders from this Decision shall also have the following rights:
  - management right in proportion to the share in capital;
  - the right to share in the distribution of profit, in proportion to the share in capital;



- the right to a part of the liquidation and/or bankruptcy estate of the Company, after payments to the creditors, in case of liquidation of the Company;
- the right to equality with shareholders who hold shares of the same class;
- the right to dispose of the shares without limitations;
- the preemptive right to purchase shares from the subsequent emission;
- other rights envisaged by the law, Statute and Articles of Association of the Company.

**10.** The shareholders shall bear the risk of operations of the Company in proportion to their share in capital.

**11.** The shareholders have the right to receive dividends, the distribution and amount of which shall be decided by the Shareholders' Assembly when adopting financial statements. Payment of dividends shall be made within deadlines defined in the Statute of the Company.

**12.** The shareholders will be notified on the implemented procedure of issuing new shares within eight days from the day of registration of the new emission with the Central Registry.

**13.** Registration of the emission with the Central Registry and notifying the Commission for Securities shall be performed by the corporate agent of the Company, and professional departments of the Company will also complete the necessary registration with the Business Registers Agency.

**14.** Within three days from the day of receipt of notification from the Central Registry on completed registration of the emission, the Company will submit a request for inclusion of these shares in the organized market of the Belgrade Stock Exchange, where shares of this Company are already listed.

**15.** This Decision shall come into force on the day when it was made. The Board of Directors is authorized to, for the purpose of enforcement of this Decision, perform technical amendments thereof.

Pursuant to Article 47 of the Articles of Association of „GALENKA-FITOFARMACIJA“ a.d. (hereinafter referred to as: The Company) and Compensation and Rewards Policy, at the meeting held on 25 May 2015, the Board of Directors proposes to the General Assembly to issue the following

### **D E C I S I O N**

#### **On award for work to the members of the Board of Directors**

A special compensation has been established for the members of the Board of Directors in total amount of 27,000,000.00 RSD.

Upon the proposal of the President of the Board, the Board of Directors is hereby authorized to decide on the compensation amount for each member of the Board.

### **E x p l a n a t i o n**

In line with the Company's Compensation and Awards Policy, by the Decision of the Assembly a special cash compensation (incentive bonus) can be approved to the members of the Board of Directors, as a reward for a special contribution to the Company's business results.

Given the business results for 2014, as well as the bonus amount for the year of 2014 paid off to the Company's employees, the Board of Directors has proposed as stated above.

Pursuant to Article 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

**D E C I S I O N**  
**on the acquisition of own shares for the business year 2015**

1. The Company will, when needed, conduct the acquisition of own shares in the amount of up to 10% of the total amount of fixed capital.
2. The shares from item 1 of this Decision are ordinary shares issued in all previous issues of the Company, they are non-voting shares, and they are not counted in the quorum for the decision-making at the Shareholders' Assembly, nor do they give the right to dividends.
3. The nominal value of these shares will continue to be included in the fixed capital of the Company.
4. The Board of Directors is hereby authorized to make decisions, as necessary, determining the day for activating this decision, the minimum number of shares for acquisition in a single cycle, the minimum and maximum cost of acquiring shares, the method, time and place of trading, as well as the disposition and the price, i.e., the method of determining the price when disposing with shares, if own shares are to be alienated with a compensation, in accordance with the Law.
5. The offer for the acquisition of own shares will be sent to all shareholders of the Company according to the pro-rata method.
6. The acquisition of shares will take place in one or more cycles, depending on the response of shareholders, in the period before the adoption of the Annual Report for 2015.
7. The Company's Board of Directors is under obligation to inform the Shareholders' Assembly about the conducted acquisition in accordance with point 6 of this Decision at its next meeting.
8. Exceptionally, pursuant to Article 282 of the Company Law, Board of Directors is authorized for acquisition and estrangement of own shares on regulated market in case of market instability or instability of Company's share prices.

Pursuant to Article 47 of the Articles of Association of „GALENKA - FITOFARMACIJA" a.d. (hereinafter referred to as: the Company), the Board of Directors at its meeting held on 25 May 2015 proposed to the Company Assembly to make the following

**D E C I S I O N**  
**on the selection of an independent auditor for the business year 2015**

1. UHY REVIZIJA d.o.o. Belgrade, MB 17082175, is selected for an independent auditor to perform audit work in the business year 2015.
2. The General Manager of the Company is authorized to conclude the Contract on the performance of an audit work, which will specify the mutual rights and obligations of the contractor with the selected auditor from this Decision.

**E x p l a n a t i o n**

The Board of Directors has considered the Audit Committee's proposal to choose UHY REVIZIJA d.o.o. from Belgrade as its independent auditor for business year 2015.

The Audit Committee, in its proposal, has determined that the offer submitted by UHY REVIZIJA d.o.o. has met the most professional and economic demands established by the Company for external audit.

At the same time, UHY REVIZIJA d.o.o. meets legal requirements of professionalism and independence, which are required from an independent Auditor of the public corporation.

UHY REVIZIJA d.o.o. has also confirmed their independence with respect to the Company in their statement submitted to the Company's Audit Committee, in line with the Article 453 of the Company Law (the "RS Official Gazette" no. 36/2011 and 99/2011, 83/2014, 5/2015).

Based on the above, it has been decided as in the enacting terms.

Pursuant to Article 399 of the Company Law (the “RS Official Gazette”, no. 36/2011, 99/2011, 83/14 and 5/2015) and Article 47 of the Statute of “GALENKA-FITOFARMACIJA” a.d. (hereinafter the: Company), the Board of Directors, at the meeting held on May 25, 2015, proposes to the Shareholders’ Assembly of the Company to adopt the following

### **DECISION**

TO CONFIRM the Decision of the Board of Directors no. 1/3/15 from March 12, 2015 on founding the limited liability company “GALENKA-FITOFARMACIJA” zastupanje i trgovina d.o.o. Ljubljana.

### **Explanation**

In accordance with authorizations from Article 398, paragraph 1, clause 2 of the Company Law (the “RS Official Gazette”, no. 36/2011, 99/2011, 83/14) and Article 47, paragraph 1, clause 2 of the Company Statute, the Board of Directors, at the meeting held on March 12. 2015 adopted the Decision to establish limited liability company “GALENKA-FITOFARMACIJA” zastupanje i trgovina d.o.o. Ljubljana with company registered office at: Tržaška cesta 515, Brezovica pri Ljubljani, the Republic of Slovenia, and with registration number 6813313000.

Company “GALENKA-FITOFARMACIJA” zastupanje i trgovina d.o.o. Ljubljana was founded for the purpose of registration of products from production line of the Company in EU member countries. Namely, in accordance with applicable regulations of the EU, in order for a company to be able to submit an application for registration of plant protection product in the EU (the applicant company), it must have its registered office in one of the EU member states, and a company in which the plant protection product is produced (place of production) may be located anywhere in the world.

Since “GALENKA-FITOFARMACIJA” a.d. Beograd - Zemun is the only founder of company “GALENKA-FITOFARMACIJA” zastupanje i trgovina d.o.o. Ljubljana, with 100% share in capital, the Board of Directors proposes that the Company Assembly verifies the Decision **on** founding the limited liability company, as explained in the enacting terms.