

MINUTES FROM 23rd ANNUAL GENERAL MEETING

23rd Annual General Meeting was held on June 27, 2018 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 25, 2018. The convene of the General Meeting was published on Company's web site, Belgrade Stock Exchange's website and Securities Commission website on May 25, 2018.

Attendees:

- Shareholders and proxies: Zivorad Vojinovic – shareholder and proxy of company Mikend d.o.o., Agromarket d.o.o. and BDD M&V Investments - Dusan Mojsilovic, Nedeljko Puhar, Dragan Nenadovic, Herma investments Co.Ltd. – Danijela Mirkov Arkula, Nevena Ivanovic and Milan Puhar.
- BDD Momentum securities, corporate agent – Darko Tankosic and Nenad Gujanicic;
- UHY REVIZIJA d.o.o., independent auditor – Jasmina Macura;
- The Board of Director members: Mirjana Bogicevic, Branislav Medakovic, Slavica Pekovic;
- Voting Committee: Zorica Jeremic, Bozana Radivojevic Crepulja, Ivana Petkovic;
- Recording secretary: Lidija Nikolic.

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.

Chairman of the General Meeting opened the meeting and Lidija Nikolic (Secretary of the Company) was appointed as the minutes taker.

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

Zorica Jeremic submitted the Voting Committee report:

The General Meeting is attended by the shareholders, i.e. their proxies owning totally 1,673,250 shares, i.e. 63.38% of the total number. Shareholders owning 23,247 shares, i.e. 0.88% voted in writing.

The total number of votes comprising quorum amounts to 1,696,497 shares, i.e. 64.26% of the total number. The Voting Committee acknowledged that there is a quorum for holding the meeting informed all attendees that the session would be recorded for the more credible preparation of the minutes.

President of the General Meeting opened the meeting and acknowledged the following:

AGENDA

1. Adoption of the minutes from the previous Annual General Meeting held on June 23rd 2017
2. Adoption of the Annual Report for 2017
3. Adoption of the Annual Consolidated Report for 2017
4. Adoption of the Board of Directors Report for 2017
5. Making a decision on profit distribution for 2017
6. Making a decision on award for work to the non-executive members of the Board of Directors
7. Selection of an independent auditor for 2018

1st ITEM

Considering the Minutes from 22. Annual General Meeting held on June 23, 2017, the Chairman of General Meeting Z. Vojinovic, who was the Chairman at the previous meeting, noted that the minutes are true to the on-goings of the General Meeting and reflects in real terms each matter that was discussed and the voting and proposed to the participants to adopt it.

With 1,696,497 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:

CONCLUSION

The Minutes from 22. Annual General Meeting of „GALENKA - FITOFARMACIJA“ a.d. held on June 23, 2017 is adopted.

Note: The minutes were area publicly published document and has been available on the website of the Company since June last year and are not included as an integral part of these minutes

2nd ITEM

Chief Executive Officer of the Company, Dragan Nenadovic, expressed satisfaction to propose the adoption of the decision on adoption of the Annual Report of the Company for 2017. The Annual Report of the Company consists of segments that are prescribed by the legal regulations and comprises financial report, an independent auditor's report, an annual report on operations, statements of persons responsible for compiling the Annual Report and two decisions, i.e. notes relating to adoption of the annual report and the distribution of profits. All formal legal conditions have been met for the Annual Report to be found at the Annual General Meeting and to be the subject of a decision on its adoption. The Annual Report has been thoroughly reviewed and approved by the Board of Directors and published in the legally prescribed deadline on the Company's web pages, the Securities Commission and the Belgrade Stock Exchange.

The most important issue to note is that operational efficiency and repeatability have been proven in an essential core business segment. This means that business profit and EBITDA are at the same level as in the previous period. The greatest moving, but in the negative part, was under the influence of negative exchange rate differences and exchange rate differences arising from currency clauses. Those negatively influenced the final result, so we have a 13% decrease in profit before taxation, and the final net result is lower than the previous year by about 16% and it was a consequence that we no longer had tax credit and tax reliefs on the basis of investments our income is taxable at a total nominal rate of 15%.

The prior year, 2017, was specific in terms of climatic conditions that are very important for the realization of our production and sales portfolio. We managed to achieve growth of total revenues of 2%, growth of gross operating revenues of 2%, and consequently growth in margin of gross operating profit. The liquidity status is very good and satisfactory. Unfortunately, the high liquidity that is measured in our country primarily in very pronounced foreign exchange positions has caused a lot of negative exchange rate differences, because we have 15 million euro cash in deposits. We also need to add exchange rate losses on the basis of currency clauses, as practically 80% of the realization was related to the euro clause. We had a RSD gain of over 4 RSD compared to the moment when we billed current sales in the past year.

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A year can be rated as successful if we assess it with regards to the following: realization in the basic part of operating profit, through our market presence and our performance, through the application of our products, production activities that went without any problems and risks. Nevertheless, the part that defects the whole result is the one that relates to foreign exchange losses.

The activities were at the level of the planned ones. The emphasis is on our development in two basic directions, one is the outreach and appearance in the region, the strengthening in that part of performance for which we can show the ability to become a regional firm, and the other one is surely the further strengthening in the part of our presence in the domestic market which nevertheless generates most of the profits and income at this time.

We have demonstrated our ability to complete the process of forming registration files and registration in the EU. Parallel to this, we are now trying to prove the ability to commercialize these products, their further sustainability, and from this position to generate some new business chances and opportunities, to strengthen some forms of cooperation and the formation of a kind of associations with similar-profile companies so that we can continue our path to Europe.

The Operations Report elaborates all segments of our business activities and strategies, operational activities and plans for this year.

Chairman of the General Meeting, Zivorad Vojinovic, after addressing this item on the agenda, asked an independent auditor for comments.

“UHY REVIZIJA” d.o.o., Independent Auditor of the Company, Jasmina Macura, expressed her satisfaction of attending the General Meeting. She further emphasized that what is confirmed in the case of “GALENKA – FITOFARMACIJA” a.d. is that it is one of the companies which each auditor, on the one hand, is satisfied working with in terms of cooperation and expectations, and on the other hand, “UHY REVIZIJA” independently determines the real plan and strategy, i.e. tries to find any issue. In this sense, “GALENKA – FITOFARMACIJA” a.d. is one of the few companies that gives its efforts to comply with all legal provisions, which we know to be very often and quickly occurring, especially in the financial segment, and that there are short deadlines for harmonization with the legal provisions, while a system such as this one is not small and it requires a lot of knowledge and a lot of work. This was confirmed in the case of the financial statements for 2017. “UHY REVIZIJA” has issued an unqualified opinion that reflects the performance of this company, which refers to compliance with all legal provisions concerning financial statements. On the other hand, the development of business that UHY REVISION monitors all this time of cooperation with “GALENKA – FITOFARMACIJA” a.d. shows a strategy that is well-planned, which is not only an idea not being treated with regards to its realization, but the one being well taken care of realization thereof, and the company itself also takes a lot of attention to its value. As it is written in the report of “UHY REVIZIJA”, there are no qualifications, and she welcomed the further work and development of this company.

Representative of the company “Herma Investments”, Danijela Mirkov Arkula, asked the question about the current business of the Company, or what were the results of the season period.

Chief Executive Officer of the Company, Dragan Nenadovic, responded that if we take into consideration the current achievements for the 6-month period, we are at 95% of the sales realized in relation to the previous year. Where we made a breakthrough in relation to the 2017 is the region, where we had about EUR 170,000 realization for the previous year, while now this realization is somewhere from 1,500,000 to 1,600,000. We have increased the number of partners with whom we work on the domestic market, i.e. number of end users, we strive to strengthen our distribution positions and direct sales channels. In the part of the part towards Europe after the commercialization of 4 products that you know are registered, we have further activities to expand the portfolio. We expect that at least 3 more products will be registered for the next sales season.

Representative of the company “Herma Investments”, Danijela Mirkov Arkula, raised the question on the manner of the receivables being secured.

Chief Executive Officer of the Company, Dragan Nenadovic, responded that in most cases these are classic security instruments, we rarely use pledges. We mainly assess the financial position of business partners and determine the level by which it can be a priority. Unfortunately, it is dominant sale with deferred payment and a currency clause, and this is already 84% of the total realization on the domestic market.

Representative of the company “Herma Investments”, Danijela Mirkov Arkula, raised the question of the structure of sales, whether there were more or less profitable products in the sales structure.

Executive Officer of the Company, Slavica Pekovic, replied that the structure of sales will be presented in a six-month report. She pointed out that a 5% reduction relates to invoiced realization in euros. The amounts of billed out realizations in dinars are incomparable, because this year the exchange rate was about RSD 118, and last year we invoiced RSD 123. If you take a look at the realization in dinars, it is pretty inconvenient, but it is basically not the case.

Chief Executive Officer of the Company, Dragan Nenadovic, pointed out that the issue of the currency clause in our country is complex because of the issue of our protection through the foreign exchange position in procurement as well. We have the dominant procurement market where the currency is the dollar, not the euro. On the other hand, in our country, we can only exchange currency through the euro. Although the whole picture was ruined last year due to a currency clause, given that the dollar was rapidly weakening against the euro, we liquidated better.

Chairman of the General Meeting, Zivorad Vojinovic, welcomed the business performance of “GALENKA – FITOFARMACIJA” a.d. in all segments and in the scope of realization and in the form of keeping strategic positions that the company has on the market. The market share was retained, but the profit was slightly decreased, which was due to changes in foreign exchange rates and because no collection of all receivables was made at the moment when the Annual Report was prepared. Finally, an extremely good business performance.

Z. Vojinovic is of the opinion that all shareholders are satisfied with the manner the company was managed, in particular, with retaining the position it had and with having good development plans especially related to the European path with new registrations. Each year it will be shown that this is a good strategic route by which the company has started.

With 1.696.497 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:

DECISION

The Company's Annual Report for 2017 IS ADOPTED. The Report includes:

1. The Annual Financial Report for 2017
2. The Auditor's Report for 2017
3. The Annual Report of the Company's Operations for 2017
4. Statement of persons responsible for preparing the Annual Report
5. Decision of supervisors on the adoption of the Annual Report (note)
6. Decision on profit distribution or loss covering (note)

Annual Report for 2017 is public document and can be found on Company's website, Belgrade Stock Exchange's website and Securities Commission website.

Note: For practical reasons, the Annual Report is not included as an integral part of these minutes. It is published on websites: of the Company (April 26, 2018), Belgrade Stock Exchange and Securities Commission (April 30, 2018).

3rd ITEM

Chief Executive Officer of the Company, Dragan Nenadovic, stated that there is not much difference in comparison to the aforementioned. This is a legal obligation and a formality to be complied with. “GALENKA – FITOFARMACIJA” a.d. in its consolidation has 3 subsidiaries: “HOLDING GALENIKA” d.o.o., “ENVIPACK” d.o.o. and “GALENKA – FITOFARMACIJA” d.o.o. Slovenia. He pointed out that he would not make a review of each of these individual groups making the consolidation, since all present know very well the positions why these three companies appear in such a form. Consolidation itself in relation to the capacity of “GALENKA – FITOFARMACIJA” a.d. is small, with minimal corrections on important balance positions. A complete financial report was prepared in all segments, a complete audit was conducted and the report was submitted within the prescribed deadline.

With 1,696,497 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:

DECISION

The Company's Annual Consolidated Report for 2017 IS ADOPTED. The Report includes:

1. The Consolidated Financial Report for 2017
2. The Auditor's Consolidated Report for 2017
3. The Annual Consolidated Report of the Company's Operations for 2017
4. Statement of persons responsible for preparing the Annual Consolidated Report
5. Decision of supervisors on the adoption of the Annual Consolidated Report (note)
6. Decision on profit distribution or loss covering (note)

Annual Consolidated Report for 2017 is public document and can be found on Company's website, Belgrade Stock Exchange's website and Securities Commission website.

Note: For practical reasons, the Annual Consolidated Report is not included as an integral part of these minutes. It is published on websites: of the Company (April 26, 2018), Belgrade Stock Exchange and Securities Commission (April 30, 2018).

4th ITEM

Executive Officer of the Company, Slavica Pekovic, noted that the material distributed at the General Meeting comprise a brief report on the work of the Board of Directors for 2017, on the activities of the Board of Directors and the basis on which he stated that he considered that the Company operated in accordance with the Law and other regulations. Generally, the Board of Directors has 3 levels, or sources of information on the Company's operations.

The first level refers to direct reporting by executive directors at the Board of Directors meetings held during the year, with the executive management providing standard work reports, current events, current results achieved, comparisons to last year, and the like. This is a regular practice

that has been functioning for years and is the primary source of information that the Board of Directors has about the Company's operations.

The next level of information is the assurance of the legality of work the Board receives from the Audit Committee from the reports that fall within its competence.

The last source of information is the external auditor as the final assurance that the financial statements have been prepared in accordance with the Law.

The first and primary function of the Audit Committee is to monitor the performance of the internal audit of the Company. During the last year, the Company had standard four audit cases, one for each quarter. Although the legislator insists on internal audit to primarily focus on financial operations, this is not the case in our company, i.e. we do not consider it the most important matter. Our internal audit is much more important in the field of production, safety at work, occupational safety and environmental protection, because it is the most risk bearable part of our business. Finances are much less risky and hence much more engagement of internal audit is on the above mentioned processes, rather than on financial operations. Last year, colleague Aleksandar Vučenović passed all the exams and officially got the internal auditor's license, which we did not have until now, even though this was our legal obligation. We have now come to a compliance thereto and in that sense we are complying with all the regulations that our legislator imposes onto a public joint stock company.

The following area of monitoring of the Audit Committee relates to risk management and general functioning of the internal control system. These are the reports that we, as executive management, are submitting to the Audit Commission. Last year, we began to apply the new Risk Management Procedure, and this segment of the business was raised to a higher level.

The third area of business performance controlled by the Audit Committee is the accounting practice and the practice of financial reporting. We have made a lot of progress in that area, because the situation has been exploited that during the entire last year audit company Deloitte was a consultant in the field of accounting, which was used to refresh general acts such as the Rulebook on Accounting, Rulebook on Census, Rulebook on Wastage etc. In principle, we have not changed anything from accounting policies, but we modernized those and adapted to our actual practice.

Based on all the statements that the Audit Committee submits to the Board of Directors, we can say that the Company's operations are fully in line with the Law and with all the positive practices that are currently in force in our country.

What is still the Board of Directors obliged to present to the General Meeting is the qualification and independence of the auditor. During the past year, the audit company "UHY" d.o.o. was an authorized external auditor. They did not provide any other services and in accordance with the Law, they completely fulfilled all the requirements to be independent, as confirmed by their statement provided with the Auditors' report dated at the end of April. Unfortunately, for the year 2018, we can not re-elect the audit company "UHY" because they have been elected thereto for five years now. Namely, the Law does not allow the audit to be carried out by the same company for more than five years in a public joint stock company. That is why we had to choose another company, not because we are dissatisfied, but simply because we have to fulfill the legal norms.

Finally, what the Board of Directors should submit to the General Meeting is also information on contracts concluded between the Company and the Director and their related parties. Concerning contracts with directors, the Company did not enter into any contracts neither with them nor with their related parties, except for the basic contracts for the engagement of persons who are members of the Board of Directors.

The Board of Directors had 4 regular sessions and 10 sessions in writing, which is a well-established practice. Although we are a public joint stock company, we are actually a small company in terms of the number of employees and the number of members of the Board of

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Directors. There is no bicameral management and no unnecessary formalities. We operate very well electronically, so 4 regular sessions are more than enough for our business organization.

With 1,696,497 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:

DECISION

TO ACCEPT the Board of Director's Report for 2017, 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.

5th ITEM

Chief Executive Officer of the Company, Dragan Nenadovic, pointed out that there are actually two decisions in this item of the agenda, one is the decision on the distribution of profit, and the other is the decision to pay dividends. All legal conditions have been met for the General Meeting to consider adopting a decision on the distribution of profit for 2017. Profit subject to distribution is stated in the amount of 755,405,316.80 RSD. To obligatory reserves, in accordance with Article 13 of the Statute, 5% of the profit is allocated, which is 37,770,265.00 RSD, so the profit that remains for the distribution is in the amount of 717,635,051.80 RSD. The proposed portion of this profit for dividend payment is 211,200,000.00 RSD, i.e. 80 RSD being the gross amount of dividend per share. The proposed dividend payment is something that is traditional in our Company, it moves within the limits of the adopted dividend policy stating that the umbrella percentage that can be paid up amounts to 30% of the profit that is being distributed. In this particular case, this would be 29.43% of the profit to be distributed. The amount of dividend per share is somewhat lower, last year it was 86 RSD, which is due primarily to the segment of financial expenses caused by foreign exchange losses, currency clause, and not the decline in business profit and EBITDA. Even with such a defined amount for the dividend, we are one of the few companies on the Belgrade Stock Exchange that continuously distributes the dividend in this way.

D. Nenadovic then used the opportunity to present two new persons, Nenad Gujaničić and Darko Tankosić, who attended the General Meeting, coming from the brokerage house “Momentum securities”, with which the cooperation was established. They will be our corporate agents, and at the same time they have found themselves as very important partners in the process of terminating our prior corporate agent, “Galenika broker”. They were selected as a house with adequate infrastructure, appropriate personnel and knowledge to ensure that shareholders, in any case, overcome the consequences of closure of “Galenika broker” in a simpler manner.

As for the decision on the payment of dividends, in addition to the above mentioned amounts, the date of the dividend was also determined, i.e. is the date of holding the General Meeting, that is, June 27. The deadline for dividend payment is September 30. We are obliged to inform shareholders about the date of dividend payment within 15 days from the date of the General Meeting's holding. The funds have already been separated earlier, the liquidity is good and the payment will be in the period from September 3 – 7, 2018.

Chairman of the General Meeting, Zivorad Vojinovic, asked the representatives of the new brokerage house Momentum securities to present themselves and explain closer how the shareholders transition process is going.

“Momentum securities”, the company's corporate agent, Darko Tankosic, responded that shareholders who had ownership accounts with “Galenika broker” had a deadline to provide information from May 11 to June 11 whether they wanted to change the broker. If they did not, done so, their shares and accounts were automatically transferred to “Momentum securities”. Momentum

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Securities is headquartered in Novi Sad, and the company also has a branch in Belgrade and as such is currently the only brokerage house in Serbia that also has a branch office in addition to the headquarters. “Momentum securities” currently employs 14 employees, including a colleague from “Galenika broker”, Biljana Dordevic, who moved to work with them in the branch office.

D. Tankosic believes that cooperation with “GALENIKA – FITOFARMACIJA” a.d. it will run really smoothly, because he believes that it is one of the best quality companies in our market in relation to the level and quality of corporate governance and reporting.

With 1,696,497 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decisions, as follows:

DECISION
on the distribution of profits for 2017

I The distribution of profits for 2017 is hereby adopted according to the following table:

	RSD
PROFITS FROM THE CURRENT YEAR	755,405,316.80
Distributed into mandatory reserves (Article 13 of the Articles of Association)	37,770,265.00
<i>PROFITS FOR DISTRIBUTION</i>	<i>717,635,051.80</i>
<i>PART FOR PAYMENT OF DIVIDEND</i>	<i>211,200,000.00</i>

II

Pursuant to Article 13 of the Articles of Association, mandatory reserves make 5% of net profit, (RSD 37,770,265.00)

III

Determines a gross dividend of RSD 80.00 per share.

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 Annual General Meeting is held, June 27th 2018.

The dividends will be paid in cash to all shareholders in proportion to their shareholding and nominal value of the shares, who owned on the dividend day.

The deadline for dividends payment is date of September 30th 2018.

DECISION
on the payment of dividends for year 2017

1. For dividend payments a portion of the undistributed profit for 2017 will be allocated, with total gross amount of RSD 211,200,000.00 or a gross dividend of RSD 80.00 per share.

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 27th 2018.

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 30th 2018.

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.

6th ITEM

Chief Executive Officer of the Company, Dragan Nenadovic, points out that this is a traditional point within our regular gatherings. The adopted Policy of Company referring to benefits and awards and the Company's Statute enable us to propose such a decision. He noted that, just as in each case, it is our expression of respect for the engagement and work of non-executive members of the Board of Directors. What is characterized by the Company's business is transparency, consistency, predictability, the appropriate level of corporate culture, publicity, access to information, openness to potential investors, and which is recognized through the position of the securities on the Belgrade Stock Exchange, market capitalization, the level of liquidity no matter how much the Belgrade Stock Exchange is at this time low.

The proposal for compensation is in the amount of 28,500,000.00 RSD. The Chairman of the Board of Directors issues a decision determining individual amounts of compensation. The prize is slightly lower than last year, but this is in correlation with the results that are stated and correlated with the dividend payable, which is also somewhat lower.

With 1,619,631 votes „*FOR*“ (95.47% of the total number of votes), 0 votes „*AGAINST*“ and 76,866 votes „*ABSTAINED*“ (4.53% of the total number of votes), the Council reached a decision, as follows:

D E C I S I O N

On reward for work to the non-executive members of the Board of Directors

A special compensation has been established for the members of the Board of Directors in total amount of RSD 28,500,000.00.

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.

7th ITEM

Non-Executive Director of the Company, Mirjana Bogicevic, points out that from the objective fact that the previous auditor fulfilled the legal limit in the provision of auditing services, for this moment, the Company has timely obtained the bids of three audit companies and, based on their assessment, made a decision as proposed here.

Regarding the Audit Committee, which may have had a harder job because the bids were fairly equalized, in any case, our assessment went in a direction to determine if the request was met that these companies are independent in relation to the Company and none of them bound to the extent that it would be dependent on the level of income, if it had realized any with the Company. Also, our assessment was also aimed at checking the objectivity, i.e. if any of these companies provided any services, advisory or other services during this year. Regarding the methodology and the overall framework for work and reputation, all three companies fulfilled this requirement, which also takes into account the Company's reputation risk. The key difference was in the proposed fees and in that

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sense the Company decided to conclude a contract with the “PKF” d.o.o. on the proposal of the Audit Committee, the audit company from Belgrade, both for the financial report of “GALENKA – FITOFARMACIJA” a.d., as well as for the consolidated financial report for 2018. The amount of the proposed fee is 6,000 EUR net and with the terms 30% of the advance payment after the conclusion of the contract and 70% after the issuance of the draft report on the audited financial statements for 2018. This is at the same time the proposal of the Audit Committee for the General Meeting to accept this decision, i.e., to adopt the contract with the foregoing company PKF d.o.o.

With 1,619,631 votes „*FOR*“ (95.47% of the total number of votes), 0 votes „*AGAINST*“ and 76,866 votes „*ABSTAINED*“ (4.53% of the total number of votes), the Council reached a decision, as follows:

DECISION
on the selection of an independent auditor for the business year 2018

1. „PKF“ d.o.o. Belgrade, MB 08752524, is selected for an independent auditor to perform audit work in the business year 2018.

2. The Chief Executive Officer 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 2:00 pm.

CHAIRMAN OF THE GENERAL MEETING: Zivorad Vojinovic

Recording secretary: Lidija Nikolic

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

BOARD OF DIRECTORS REPORT FOR 2017

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. During the reporting year, the Board of Directors of the Company held five regular meetings and eight meetings in writing.

In accordance with the established practice, at each of the regular meetings of the Board of Directors, an obligatory item on the agenda was the Executive Directors' Report on current operations with interim financial statements for the previous period. Based on these statements, Board members had a continuous and detailed insight in the current operations of the Company. The Board of Directors has also reviewed the regular Reports constituted and submitted for approval by the Audit Committee of the Company in accordance with its responsibilities: the implementation of accounting policies and risk management policies; application of accounting standards; evaluation of the content of financial statements of the Company; supervision over the work of the Internal Audit of the Company; implementation of the procedure of election of the independent auditor of the Company and evaluation of the audit procedure. Based on these reports, members of the Board of Directors had a continuous and detailed insight into the said aspects of Company operations.

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 December 31st 2017.

1. Risk management and functioning of the system of internal controls

During the reporting period, the Internal Audit of the Company performed their duties in accordance with the adopted Work plan for 2017 and the general acts that regulate the domain of internal audit. The Audit Committee has reviewed, approved and submitted to the Board of Directors for adoption the reports on the engagement of internal audit, as well as reports on implementation of previously recommended measures of the internal audit. The Board of Directors has reviewed and approved the following:

- Annual internal audit report for 2017 at the meeting held on March 1st 2017;
- Internal audit report for the first quarter of 2017, at the meeting held on April 12nd 2017;
- Internal audit report for second quarter of 2017, at the meeting held on July 17th 2017;
- Internal audit report for third quarter of 2017, at the meeting held on October 6th 2017;
- Internal audit report for fourth quarter of 2017, at the meeting held on December 21st 2017;
- Annual internal audit plan for 2018, at the meeting held on December 21st 2017.

During the reporting period, the Executive management prepared and submitted to the Audit Committee interim reports on risk management and functioning of the system of internal controls. These reports were approved by the Audit Committee and submitted to the Board of Directors for review and adoption. The Board of Directors has reviewed and approved the following:

- Annual Report on risk management and system of internal controls in 2016, at the meeting held on March, 1st 2017;

- Report on risk management and system of internal controls for the period January - June 2017, at the meeting held on July, 17th 2017;
- Report on risk management and system of internal controls for the period July - December 2017, at the meeting held on December, 21st 2017.

The Board of Directors finds that the Company adequately managed risks of its operations in the reporting period, keeping them at an acceptable level, and that it had a proactive attitude towards the upcoming events and changes in the business environment.

2. 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 estimates 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 2017, on a session held on August 10th 2017;
- Company's individual and Consolidated Annual financial statements for 2017, on a session held on April 25th 2018.

The Company's independent auditor, UHY REVIZIJA d.o.o., Beograd, has expressed its unreserved opinion in his report on annual individual (April 19th 2018) and on Annual Consolidated Company's financial statements for 2017 (April 24th 2018).

3. Company's compliance with Laws and other regulations

The Board of Directors estimates 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 2017, the Board of Directors did not identify any cases of Company's non-compliance with the laws and other regulations.

4. Qualification and independence of the Company's auditor with respect to the Company

By the decision of the Annual General Meeting from June 23th 2017, the Company has contracted UHY REVIZIJA d.o.o., Belgrade, to audit its financial statements for the year of 2017.

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 2017, UHY REVIZIJA d.o.o. did not provide other services to the Company.

5. Contracts concluded between the Company and the directors, as well as related parties

In 2017, the Company did not conclude transactions of personal interest with the directors and related parties.

„GALENKA – FITOFARMACIJA“ a.d.
ANNUAL GENERAL MEETING
Zemun, June 27, 2018

ATTACH 1

Pursuant to Article 270 of the Law on Business Companies and Article 12, 13, 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 May 25th 2018 proposed to the General Meeting to make the following