

„GALENKA – FITOFARMACIJA“ a.d.
Material for the 23th Annual General Meeting
Zemun, May 25th 2018

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 General Meeting, the Board of Directors at its meeting held on May 25th 2018 made the following

D E C I S I O N

1. The regular 23th Annual General Meeting of the Company is hereby **CONVENED**, to be held on June 27th 2018 in the Company's headquarters in Zemun, Batajnički drum bb, starting at 1 pm.
2. The following DRAFT AGENDA of the Annual General Meeting is established:
 1. Adoption of the minutes from the previous Annual General Meeting held on June 23th 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 reward for work to the non-executive members of the Board of Directors
 7. Selection of an independent auditor for 2018
3. The date June 17th 2018 is determined as the shareholders' day.
The date June 27th 2018 is determined as the dividend day.
4. The shareholders or proxies of shareholders who own at least 2,640 shares on the shareholders' day have the right to personal participation in the work of the Annual General Meeting.
5. An integral part of this decision is the Invitation to shareholders for the meeting, to be published at the Company's website, Belgrade Stock Exchange's website, Serbian Business Registers Agency and Securities Commission website.
6. A three member Voting Committee is appointed, comprising of:
 1. Zorica Jeremić, the president
 2. Ivana Petković, member
 3. Božana Crepulja Radivojević, member

The rights and obligations of the Commission are regulated in detail in the Rules of Procedure of the General Meeting.

7. The Chief Corporate Affairs Officer is tasked with organizing and conducting the convening of the Annual General Meeting.

Note: The minutes from the previous Annual General Meeting, which held on June 23th 2017, was published on June 28th 2017 at the Company's website in the section: *For Investors / Corporate Governance / General Meeting*.

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 May 25th 2018 proposed to the General Meeting to make the following

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.

Explanation

The Board of Directors at its meeting held on May 25th 2018 concluded that the Annual Report for 2017:

- is prepared in accordance with Article 50 of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011, 112/2015 and 108/2016) 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, 5/2015 and 24/2017);
- 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 General Meeting makes the decision as set forth in disposition.

Note: The Company's Annual Report for 2017 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 May 25th 2018 proposed to the General Meeting to make the following

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.

Explanation

The Board of Directors at its meeting held on May 25th 2018 concluded that the Annual Consolidated Report for 2017:

- is prepared in accordance with Article 50 of the Law on Capital Market ("Official Gazette of the Republic of Serbia", no. 31/2011, 112/2015 and 108/2016) 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, 5/2015 and 24/2017);
- 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 General Meeting makes the decision as set forth in disposition.

Note: The Company's Annual Consolidated Report for 2017 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 „GALENIKA-FITOFARMACIJA“ a.d. (hereinafter referred to as: The Company), on the session held on May 25th 2018, the Board of Directors proposes to the General Meeting to issue the following

D E C I S I O N

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

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 proposes to the General Meeting 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 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.

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

D E C I S I O N
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
PROFITS FOR DISTRIBUTION	717,635,051.80
<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.

E x p l a n a t i o n

After considering the Annual Report for 2017, the Board of Directors decided to propose to the Annual General Meeting to distribute the profits from 2017 in the manner as shown in the disposition.

Pursuant to Article 13 of the Articles of Association, mandatory reserves make 5% of net profit, until the value of this reserve reaches at least 10% of the fixed capital. By allocation of the amount of RSD 37,770,265.00 into mandatory reserve, the value of these reserves is 8.59% of the value of share capital of the Company.

In accordance with the Company's dividend policy, and taking into account liquidity and planned investments, the Board of Directors proposes that the total gross amount of RSD 211,200,000.00 would be allocated for the payment of dividends, or 29.43% of the total available profits for distribution.

According to the distribution of profits for 2017, the capital of the Company will look like in the table below:

	RSD
FIXED ASSETS ON JANUARY 1 st 2018	3,511,200,000.00
<i>Mandatory reserves on December 31st 2017</i>	<i>263,801,241.00</i>
<i>Increase of mandatory reserves based on the distribution of profit in 2017.</i>	<i>37,770,265.00</i>
MANDATORY RESERVES ON JANUARY 1 st 2018	301,571,506.00
SPECIAL RESERVES FOR DEVELOPMENTAL PURPOSES	500,000,000.00
SPECIAL RESERVES FOR BUY-OFF OF OWN SHARES	158,000,000.00
REVALUATION RESERVES	25,021,700.00
UNREALIZED LOSSES FOR SECURITIES	2,316.77
<i>Undistributed profits from earlier years</i>	<i>1,817,635,201.85</i>
<i>Undistributed profits from the current years</i>	<i>506,435,051.80</i>
UNDISTRIBUTED PROFITS	2,324,070,253.65
TOTAL CAPITAL	6,819,861,142.88

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 May 25th 2018 proposed to the General Meeting to make the following

D E C I S I O N

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.

E x p l a n a t i o n

After review of Annual Report for 2017, the Board of Directors concluded that no business loss was reported, there were no losses transferred from previous years and therefore is no need to cover them.

Since the earned profit is great enough to enable the payment of dividends and taking into consideration the impact of this payment to the Company liquidity, the Board of Directors adopted the decision as in the introduction of this Decision.

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 May 25th 2018, the Board of Directors proposes to the General Meeting to issue the following

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.

E x p l a n a t i o n

In line with the Company's Compensation and Reward Policy, by the Decision of the Annual General Meeting 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 2017, as well as the bonus amount for the year of 2017 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 May 25th 2018 proposed to the General Meeting to make the following

D E C I S I O N
on the selection of an independent auditor for the business year 2018

1. „PKF“ d.o.o. Belgrade, ID No.: 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.

E x p l a n a t i o n

The Board of Directors has considered the Audit Committee's proposal to choose „PKF“ d.o.o. from Belgrade as its independent auditor for business year 2018.

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

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

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