

## **MINUTES FROM 24<sup>th</sup> ANNUAL GENERAL MEETING**

24<sup>th</sup> Annual General Meeting was held on June 24, 2019 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 24, 2019. The convene of the General Meeting was published on Company's web site, Belgrade Stock Exchange's website and Securities Commission website on May 24, 2019.

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;
- BDD Momentum securities, corporate agent – Darko Tankosic and Nenad Gujanicic;
- PKF REVIZIJA d.o.o., independent auditor – Radosav Vuksanovic;
- The Board of Director members: Mirjana Bogicevic, Branislav Medakovic, Slavica Pekovic;
- Voting Committee: Zorica Jeremic, Ivana Petkovic and Danka Kolarevic;
- 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), Danka Kolarevic (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 1,671,274 shares, i.e. 63.31% of the total number. Shareholders owning 23,998 shares, i.e. 0.91% voted in writing.

The total number of votes comprising quorum amounts to 1,695,272 shares, i.e. 64.21% 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 27<sup>th</sup> 2018
2. Adoption of the Annual Report for 2018
3. Adoption of the Annual Consolidated Report for 2018
4. Adoption of the Board of Directors Report for 2018
5. Making a decision on profit distribution for 2018
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 2019

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

Considering the Minutes from 23. General Meeting of „GALENIKE - FITOFARMACIJE“ a.d. held on June 27, 2018, 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 1,695,272 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 23. Annual General Meeting of „GALENIKA - FITOFARMACIJA“ a.d. held on June 27, 2018 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

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

Chief Executive Officer of the Company, Dragan Nenadovic, expressed satisfaction to be able to propose again the adoption of the Decision on adoption of the Annual Report of the Company for 2018. The Report comprises all 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 all related decisions given as notes relating to adoption of the annual report and the distribution of profits.

Since the persons present at the General Meeting in a capacity of shareholders representatives, it is stated that it is highly redundant to repeat the fact referring to the previous year and business results, as practically this report was subject to detailed consideration and adoption by the persons currently present at the General Meeting.

All legally formal conditions have been met to have the Annual Report a subject of adoption. The Annual Report was considered and approved by the Board of Directors in an appropriate timeframe, published on the Company's web page, as well as on the web page of the Securities Commission and the Belgrade Stock Exchange. There are all necessary prerequisites for the General Meeting to declare and adopt a proposal for a decision on the adoption of the Annual Report of the Company for 2018.

Chairman of the General Meeting, Zivorad Vojinovic, agreed with the statement made by the Director-General and pointed out that every party had the opportunity to read the entire Annual Report, and then asked an independent auditor for its comments.

“PKF” d.o.o., Independent Auditor of the Company, Radosav Vuksanovic, informed the attendees that they have audited the financial statements for 2018, and that they came to the company on two occasions, on first occasion in December 2018 to check internal controls and business operations of all segments of finance, while on second occasion they checked the business by testing the revenues and expenditures of the Company. As presented in the report, the auditors' opinion is unmodified in relation to the financial statements for 2018, so there were no objections neither to the financial statements, nor to the functioning of internal controls, internal audit and, generally, the functioning of finance segment.

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*With 1,695,272 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 2018 IS ADOPTED. The Report includes:

1. The Annual Financial Report for 2018
2. The Auditor's Report for 2018
3. The Annual Report of the Company's Operations for 2018
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 2018 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, Belgrade Stock Exchange and Securities Commission (April 23, 2019).

## 3<sup>rd</sup> ITEM

Chief Executive Officer of the Company, Dragan Nenadovic, stated that the comment for this point is similar to the previous one. "GALENKA – FITOFARMACIJA" a.d. has 3 subsidiaries: "ENVIPACK" d.o.o., "HOLDING GALENIKA" d.o.o., and a Slovenian company "GALENKA – FITOFARMACIJA" d.o.o. The mother company is predominant and consolidation is quite insignificant in all aspects, but it is a legal obligation.

"PKF REVIZIJA" d.o.o., independent auditor of the Company, Radosav Vuksanovic, stated that there were no objections neither to the consolidation nor to the regular reports.

*With 1,695,272 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 2018 IS ADOPTED. The Report includes:

1. The Consolidated Financial Report for 2018
2. The Auditor's Consolidated Report for 2018
3. The Annual Consolidated Report of the Company's Operations for 2018
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 2018 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, Belgrade Stock Exchange and Securities Commission (April 23, 2019).

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

The Executive Officer of the Company, Slavica Pekovic, stated that this report of the Board of Directors was also a formality, that it was compiled in accordance with Article 399 of the Law on Companies and because it was prescribed that the Board of Directors must explicitly declare on accounting practices, whether the business performance is complied with the laws and regulations and to declare also on the qualifications and independence of the auditor of the Company.

There are several levels of assurance of the Board of Directors in the truthfulness of what was ultimately given in the report as a statement. The first of all, the Board of Directors receives regular information from the executive directors both during the regular sessions and in written form. In accordance with the calendar of meetings, the Board of Directors held four regular sessions in 2018, on which the mandatory agenda item is the current business performance results and current business activities in the reporting period, which in fact represented the first and basic level of informing the Board of Directors on the activities of the Company.

The next level is the Audit Commission which holds its competencies prescribed by law. This is the second level of reporting received by the Board of Directors, which relates to accounting policies and risk management, to accounting standards, internal audit, etc.

The highest level of assurance in the legality of business performance is obtained from the independent auditor. For the current year, it was the auditing company “PKF REVIZIJA” from Belgrade.

The first chapter of the Report of the Board of Directors specifies the activities that bring key assurances of the Board of Directors in the functioning of the Company’s operations, which are the risk management system and the internal control system. The company has an internal auditor and has an internal audit plan that is always adopted at the end of the year. Reports on the engagement of internal audit are prepared at quarterly level, those are submitted to the Audit Commission first and then to the Board of Directors for its adoption. At the beginning of the following year, the internal auditor will also issues a general annual report.

The company has established risk management procedure for the application of which the executive management bears responsibility, and, twice a year, it submits to the Audit Committee the reports on risk management and the functioning of the Company’s internal control system.

The Report of the Board of Directors comprises specific reports and dates of consideration and adaptation of each reports. On the basis of all these reports, the Board of Directors may state that it considers that during the reporting period, the risks were adequately managed and that we had a proactive attitude towards changes in the business environment.

The Board of Directors considers that the accounting practice and practice of financial reporting of the Company are fully in accordance with the law. Accounting practices are described and published in the Notes to the Financial Statements and are publicly available.

“PKF REVIZIJA” has been engaged for auditing the financial statements for 2018 at the previous year General Meeting session. PKF has not been providing the services to the Company other than auditing services and it provided a statement thereof and submitted it to the Audit Committee accompanying the annual report, which is a legally mandatory form.

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Finally, what the Board of Directors should submit to the General Meeting is also information on contracts concluded between the Company and the Director if there is a personal interest involved. As during the prior years, the Company did not enter into any such contracts.

*With 1,695,272 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 2018, 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

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. As already stated in accordance with the continuity of a stable and predictable business, therefore the decisions on the distribution of profits and the payment of dividends were the matter clearly predictable to the investment public and something they could count on. 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 the current year, the object of profit distribution is the amount of RSD 746,147,693. In accordance with the Articles 12 and 13 of the Articles of Association of our Company, the amount of RSD 37,307,384 was allocated to obligatory reserves, 5% of the current year profit, therefore, the profit for distribution amounts to RSD 708,840,309.09. The amount allocated for the dividend payment is at the last year level, if it is to be considered in relation to the amount of the gross dividend per share, amounting to RSD 80 i.e. RSD 211.200.000,00 allocated to the dividend. In accordance with the Articles of Association, we defined the date of dividend, which is the day of the General Meeting i.e. June 24, 2019. If we adopt such a distribution of profit, this would mean that the amount of RSD 497.640.309,09 shall be transferred to the undistributed profits of the current year. The mandatory reserves would increase by the amount of RSD 37,307,384.00. The total unallocated profit from the previous period including this portion added to the current year profit would be RSD 2.828.887.085,46.

A special Decision on the Dividend Payment must be adopted due to the technical concretization of the payment procedure. The deadline for dividend payment is not later than September 30, 2019, however, according to a convenient historic practice, the payment of dividends to shareholders will be made during the first week of September. The allocated funds are available, we will make no borrowings, therefore, we propose adoption of both the decision on profit distribution and decision on payment of dividends for 2018.

*With 1,695,272 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:*

## DECISION

### on the distribution of profits for 2018

I The distribution of profits for 2018 is hereby adopted according to the following table:

	RSD
PROFITS FROM THE CURRENT YEAR	746,147,693.09
Distributed into mandatory reserves (Article 13 of the Articles of Association)	37,307,384.00
<i>PROFITS FOR DISTRIBUTION</i>	<i>708,840,309.09</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 37,307,384.00)

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 24<sup>th</sup> 2019.

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 30<sup>th</sup> 2019.

### **DECISION** **on the payment of dividends for year 2018**

1. For dividend payments a portion of the undistributed profit for 2018 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 24<sup>th</sup> 2019.
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> 2019.
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**

Chief Executive Officer of the Company, Dragan Nenadovic, stated that this decision is similar to the drafts of previous decisions, again confirming the continuity and predictability. In accordance with the Company's Fees and Awards Policy, we strive to be responsive to our employees' work and engagement of management through our operations. Since the management team functions continuously and creates the conditions for stable, predictable and safe business performance of the company, a reward for the achieved results and contribution has been proposed.

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*With 1,695,272 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:*

## **DECISION**

### **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 30,000,000.00.

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.

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

The Non-executive Director of the Company, Mirjana Bogicevic, pointed out that the Audit Committee had three offers and that, considering all the criteria, “UHY REVIZIJA” was appointed the auditor of the financial statements for the business year 2019. The Audit Committee thought that there was not much difference in the offers, nor in the professional quality of the auditing companies. All three companies were familiar with the scope and the manner of our business performance, but, on this occasion, we have elected “UHY REVIZIJA”, i.e. proposed it to the General Meeting for its election.

*With 1,695,272 votes „FOR“ (100% of the total number of votes), 0 votes „AGAINST“, 0 votes „ABSTAINED“, the Council reached a unanimous decision, as follows:*

## **DECISION**

### **on the selection of an independent auditor for the business year 2019**

1. „UHY REVIZIJA“ d.o.o. Belgrade, MB 17082175, is selected for an independent auditor to perform audit work in the business year 2019.
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 1:25 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 2018**

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 four regular meetings and nine 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, PKF 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 31<sup>st</sup> 2018.

### **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 2018 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 February 9<sup>th</sup> 2018;
- Internal audit report for the first quarter of 2018, at the meeting held on April 25<sup>th</sup> 2018;
- Internal audit report for second quarter of 2018, at the meeting held on July 20<sup>th</sup> 2018;
- Internal audit report for third quarter of 2018, at the meeting held on October 17<sup>th</sup> 2018;
- Internal audit report for fourth quarter of 2018, at the meeting held on December 21<sup>st</sup> 2018;
- Annual internal audit plan for 2019, at the meeting held on December 21<sup>st</sup> 2018.

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 2017, at the meeting held on, February 9<sup>th</sup> 2018;



- Report on risk management and system of internal controls for the period January - June 2018, at the meeting held on July, 20<sup>th</sup> 2018;
- Report on risk management and system of internal controls for the period July - December 2018, at the meeting held on December, 21<sup>st</sup> 2018.

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 2018, on a session held on July 30<sup>th</sup> 2018;
- Company's individual and Consolidated Annual financial statements for 2018, on a session held on April 22<sup>nd</sup> 2019.

The Company's independent auditor, PKF d.o.o., Beograd, has expressed its unreserved opinion in his report on annual individual (April 12<sup>nd</sup> 2019) and on Annual Consolidated Company's financial statements for 2018 (April 19<sup>th</sup> 2019).

## **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 2018, 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 27<sup>th</sup> 2018, the Company has contracted PKF d.o.o., Belgrade, to audit its financial statements for the year of 2018.

PKF d.o.o. was founded in 2004 under name Focus Team Revizija. In 2010, it became a member of PKF International, a global association of audit - consultancy companies.

PKF d.o.o. is an independent legal entity with respect to the Company. In 2018, PKF 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 2018, the Company did not conclude transactions of personal interest with the directors and related parties.