

GALENKA – FITOFARMACIJA A.D.
Batajnicket drum bb
11080 Zemun
MB 07725531
PIB 100001046

ANNUAL CONSOLIDATED REPORT 2016



Dear shareholders,

Here is Annual Consolidated Report 2016, prepared in accordance with Art.50 of the Capital Market Law („Official Gazette of RS”, no. 31/2011, 112/2015 and 108/16) and in accordance with the Rules on the content, form and the way of publication annual, six-month and quarterly reports of public companies („Official Gazette of RS”, no. 14/2012, 5/2015 and 24/2017).

Annual Consolidated Report 2016 was not adopted because the Annual General Meeting has not held yet.

The Annual General Meeting is planned on second half of June 2017.

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I FINANCIAL CONSOLIDATED REPORT 2016

**BALANCE SHEET (IN 000 RSD)**

	2014	2015	2016
ASSETS			
Property, plant and equipment (PP&E)	1.768.064	1.879.275	1.878.294
Intangible assets	4.508	2.768	1.624
LT financial placements	14.442	258.843	183.897
<i>Fixed assets</i>	1.787.014	2.140.886	2.063.815
Prepaid tax, other expenses and accrued	66.333	58.575	80.256
Inventory and advanced payments	1.423.256	1.558.601	1.820.839
Receivables	527.309	486.845	368.733
ST financial placements	1.817.615	1.779.662	2.248.719
Cash and cash equivalents	267.586	283.768	264.877
<i>Current assets</i>	4.102.099	4.167.451	4.783.424
<i>Deferred tax assets</i>	24.644	25.486	25.480
<i>Operating assets</i>	5.913.757	6.333.823	6.875.219
<i>Losses in equity excess</i>	0	0	0
Total assets	5.913.757	6.333.823	6.875.219
Off-balance sheet assets	279.922	413.092	184.102
EQUITY AND LIABILITIES			
Shareholders' equity	1.755.600	3.511.200	3.511.200
Other equity	0	0	2.500
Reserves	851.353	833.560	876.802
Revaluation surplus	27.378	25.722	25.092
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	3	3	2
Retained earnings	2.522.433	1.451.330	2.102.234
Loss	2.939	1.518	0
<i>Equity</i>	5.153.822	5.820.291	6.517.826
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	283.301	379.609	232.446
ST financial liabilities	346.000	0	0
Liabilities for taxes, contributions and duties	8.315	19.879	14.190
Other ST liabilities	103.329	96.566	107.897
Accruals and deferred income	18.990	17.478	2.860
<i>Current (ST) liabilities</i>	759.935	513.532	357.393
<i>LT liabilities</i>	759.935	513.532	357.393
Total equity and liabilities	5.913.757	6.333.823	6.875.219
Off-balance sheet liabilities	279.922	413.092	184.102

**BALANCE SHEET (IN EUR)**

	2014	2015	2016
ASSETS			
Property, plant and equipment (PP&E)	15.072.251	15.565.571	15.255.799
Intangible assets	38.429	22.927	13.190
LT financial placements	123.114	2.143.933	1.493.640
<i>Fixed assets</i>	15.233.795	17.732.431	16.762.630
Prepaid tax, other expenses and accrued	565.470	485.162	651.852
Inventory and advanced payments	12.132.859	12.909.508	14.789.141
Receivables	4.495.162	4.032.417	2.994.907
ST financial placements	15.494.660	14.740.501	18.264.449
Cash and cash equivalents	2.281.096	2.350.380	2.151.373
<i>Current assets</i>	34.969.247	34.517.969	38.851.722
<i>Deferred tax assets</i>	210.083	211.094	206.953
<i>Operating assets</i>	50.413.125	52.461.493	55.841.610
<i>Losses in equity excess</i>	0	0	0
Total assets	50.413.125	52.461.493	55.841.610
Off-balance sheet assets	2.386.257	3.421.539	1.495.305
EQUITY AND LIABILITIES			
Shareholders' equity	14.965.999	29.082.403	28.518.519
Other equity	0	0	20.305
Reserves	7.257.546	6.904.172	7.121.524
Revaluation surplus	233.390	213.049	203.801
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	26	25	16
Retained earnings	21.503.036	12.021.008	17.074.675
Loss	25.054	12.573	0
<i>Equity</i>	43.934.892	48.208.035	52.938.808
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	2.415.062	3.144.208	1.887.963
ST financial liabilities	2.949.553	0	0
Liabilities for taxes, contributions and duties	70.883	164.653	115.253
Other ST liabilities	880.851	799.832	876.356
Accruals and deferred income	161.884	144.766	23.229
<i>Current (ST) liabilities</i>	6.478.233	4.253.459	2.902.802
<i>LT liabilities</i>	6.478.233	4.253.459	2.902.802
Total equity and liabilities	50.413.125	52.461.493	55.841.610
Off-balance sheet liabilities	2.386.257	3.421.539	1.495.305

**INCOME STATEMENT (IN 000 RSD)**

	2014	2015	2016
OPERATING REVENUES			
Sales	3.654.346	3.824.229	3.936.257
Other operating revenues	25.898	28.678	45.837
<i>Total operating revenues</i>	3.680.244	3.852.907	3.982.094
OPERATING EXPENSES			
Cost of goods sold (COGS)	441.904	426.906	451.506
Income from sales products and services rendered	7.115	6.343	4.755
Change in inventory value	72.104	-147.070	-55.251
Cost of material	1.543.985	1.782.118	1.666.888
Salaries/Other personal expenses	366.774	394.807	420.148
Amortization expense	78.376	74.115	81.460
Other operating expenses	375.743	444.209	402.741
<i>Total operating expenses</i>	2.871.771	2.968.742	2.962.737
OPERATING PROFIT	808.473	884.165	1.019.357
Financial revenues	231.209	108.715	101.963
Financial expenses	37.532	47.610	29.946
<i>Profit/loss financial</i>	193.677	61.105	72.017
Income from assets valuation adjustments	0	0	0
Expenses from assets valuation adjustments	496.128	438.318	556.261
<i>Profit/loss valuation adjustments</i>	-496.128	-438.318	-556.261
Other revenues	350.431	478.208	485.753
Other expenses	13.288	21.230	11.850
<i>Nonoperating profit/loss</i>	337.143	456.978	473.903
Earnings before tax (EBT)	843.165	963.930	1.009.016
Tax	83.933	96.821	102.775
NET PROFIT	759.232	867.109	906.241

**INCOME STATEMENT (IN EUR)**

	2014.	2015.	2016.
OPERATING REVENUES			
Sales	31.152.278	31.675.145	31.970.898
Other operating revenues	220.773	237.533	372.295
<i>Total operating revenues</i>	31.373.051	31.912.678	32.343.194
OPERATING EXPENSES			
Cost of goods sold (COGS)	3.767.108	3.535.957	3.667.203
Income from sales products and services rendered	60.653	52.538	38.621
Change in inventory value	614.666	-1.218.145	-448.757
Cost of material	13.162.040	14.760.844	13.538.726
Salaries/Other personal expenses	3.126.646	3.270.089	3.412.508
Amortization expense	668.133	613.876	661.631
Other operating expenses	3.203.104	3.679.274	3.271.126
<i>Total operating expenses</i>	24.481.045	24.589.358	24.063.816
OPERATING PROFIT	6.892.006	7.323.321	8.279.378
Financial revenues	1.970.992	900.460	828.160
Financial expenses	319.950	394.342	243.226
<i>Profit/loss financial</i>	1.651.042	506.118	584.933
Income from assets valuation adjustments	0	0	0
Expenses from assets valuation adjustments	4.229.352	3.630.480	4.518.039
<i>Profit/loss valuation adjustments</i>	-4.229.352	-3.630.480	-4.518.039
Other revenues	2.987.326	3.960.879	3.945.362
Other expenses	113.276	175.843	96.248
<i>Nonoperating profit/loss</i>	2.874.050	3.785.036	3.849.115
Earnings before tax (EBT)	7.187.746	7.983.994	8.195.387
Tax	715.505	801.944	834.755
NET PROFIT	6.472.241	7.182.050	7.360.632

Values are presented in RSD and in EUR, using average value for RSD middle exchange rate:

in 2016 123,12 RSD/EUR

in 2015 120,73 RSD/EUR

in 2014 117,31 RSD/EUR



II AUDITORS REPORT 2016
INDEPENDENT AUDITOR: UHY REVIZIJA d.o.o.,
Belgrade, ID No. 17082175

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INDEPENDENT AUDITORS' REPORT

**To the Shareholders and Management of the Shareholding Company “Galenika Fitofarmacija“,
Beograd, Zemun**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Shareholding Company Galenika Fitofarmacija, Beograd, Zemun (the "Group" or “Parent Company”) and its related parties (the "Subsidiaries"), which comprise the consolidated balance sheet as at December 31, 2016 and the related consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and notes to consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting regulations of the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Audit of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued)

INDEPENDENT AUDITORS' REPORT

**To the Shareholders and Management of the Shareholding Company "Galenika Fitofarmacija",
Beograd, Zemun (continued)**

Report on the Consolidated Financial Statements (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia.

Report on Other Legal and Regulatory Requirements

We performed a review of the consolidated annual business report of the Group. The annual business report of the Parent company is integral part of the consolidated annual business report of the Group. The management of the Group is responsible for the preparation and presentation of the consolidated annual business report, in accordance with the requirements of the Law on Accounting (Official Gazette of Serbia No. 62/2013) and the Law on the Capital Market (Official Gazette of Serbia No. 31/2011, 112/2015, 108/2016). Our responsibility is to express an opinion on the compliance of the consolidated annual business report with the consolidated financial statements for the 2016. In this respect, our procedures are limited to assessing compliance of accounting information contained in the consolidated annual business report with the consolidated financial statements. Accordingly, our procedures did not include a review of other information contained in the consolidated annual business report arising from the information and records that were not subject to audit.

In our opinion, the accounting information presented in the consolidated annual business report, in all material respects, are consistent with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Belgrade, April 27, 2017



Marina Dimitrijević
Certified Auditor



III CONSOLIDATED BUSINESS REPORT 2016



I GENERAL INFORMATION

1. Basic info

Company name:	GALENIKA – FITOFARMACIJA a.d., Batajnicki drum bb, 11080 Belgrade - Zemun
No. Of Decision of serbian Business Registers Agency:	BD 307/2005 dated January 27, 2005
ID No.:	7725531
Tax ID No.:	100001046
Registered activity:	Manufacture of agricultural chemicals, Activity Code 2020
Web site & email:	www.fitofarmacija.rs ; office@fitofarmacija.rs
Share capital:	RSD 3.511.200.000 at December 31, 2016
Number of issued shares:	2.640.000 (ordinary); ISIN No.: RSFITOE21521; CFI code: ESVUFR; BELEX: FITO
Number of own shares:	None
Subsidiaries:	ENVIPACK d.o.o., Belgrade, ID No. 2080115, Activity Code 7022 Consultancy activities in connection with business and other management GALENIKA – FITOFARMACIJA zastupanje i trgovina d.o.o., Ljubljana, Slovenia; ID No. 6813313000; Activity Code 46.900 Non-specialized wholesale trade HOLDING GALENIKA d.o.o., Belgrade, ID No 07092920, Activity code 6820 Renting of own or leased real estate and management thereof.
Auditor:	UHY REVIZIJA d.o.o., Belgrade, ID No.: 17082175

2. Company Management

Members of Board of Directors:

non-executive:	Nedeljko Puhar, Chairman, owner of 6,39% of Company shares Mirjana Bogicevic, independent director, Branislav Medakovic, Dusan Mojsilovic, owner of Agromarket d.o.o., Zivorad Vojinovic, owner of 21,56% of shares, owner of 75% of Mikend d.o.o.
executive:	Dragan Nenadovic, Chief Executive Officer, owner of 5,72% of shares Slavica Pekovic, Chief Corporate Affairs Officer

Company Secretary: Lidija Nikolic

**3. Top ten shareholders by number of shares and votes on the time of preparation of this report:**

No.	Shareholder	No. shares	%
1.	Vojinović Živorad	569.196	21,56%
2.	Agromarket d.o.o.	439.296	16,64%
3.	Puhar Nedeljko	168.583	6,39%
4.	Nenadović Dragan	150.950	5,72%
5.	Frontaura Global Frontier Fund	122.777	4,65%
6.	Mikend doo	100.554	3,81%
7.	Terra capital cayman	79.115	3,00%
8.	Herma investments co., ltd.	76.866	2,91%
9.	Komp. Dunav osiguranje a.d.o.	71.704	2,72%
10.	Sempiola invest limited	56.328	2,13%
	<i>Total:</i>	1.835.369	69,52%

4. General information of subsidiaries

Company name: ENVIPACK d.o.o., Batajnicki drum bb, Belgrade - Zemun

ID No.: 20801115

Tax ID No.: 107430272

Registered activity: Consultancy activities in connection with business and other management, Activity Code 7022

Legal representative: Aleksandar Sosevic

Web site & email: www.envipack.rs; office@envipack.rs

ENVIPACK d.o.o was founded in February 2012. godine in 100% owned by GALENIKA – FITOFARMACIJA a.d..

ENVIPACK operates as a specialized subsidiary, under the already authorized operator for packaging waste management EKOSTAR PAK. The primary focus of ENVIPACK is the management for pesticide packaging.

Company name: GALENIKA - FITOFARMACIJA, zastupanje i trgovina, d.o.o., Tržaška cesta 515, 1351 Brezovica pri Ljubljani, Republica of Slovenia

ID No.: 6813313000

Tax ID No.: 90008847

Registered activity: Non-specialized wholesale trade, Activity Code 46.900

Legal representative: Slavica Pekovic

GALENKA – FITOFARMACIJA d.o.o., Slovenija, was founded in March, 2015 in 100% owned by GALENIKA – FITOFARMACIJA a.d., for administrative purposes of registration of the products from the parent company product range in the EU member countries.

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.



Company name:	HOLDING GALENIKA d.o.o., Masarikov trg 8a, 11080 Zemun
ID No:	07092920
Tax ID No.:	100096575
Registered activity:	Renting of own or leased real estate and management thereof, Activity code 6820
Legal representative:	Slavica Pekovic

GALENIKA HOLDING doo is the legal successor of the SOE Holding company Galenika DP in bankruptcy.

In June 2016, as the only bidder at the public tender for the sale of a debtor, GALENIKA – FITOFARMACIJA a.d. became the owner of this company. After completing legal formalities of suspension of bankruptcy, in early November we registered changes in the Business Registers Agency of Serbia. The holding company “Galenika” dp in bankruptcy had no employees and did not have any business activities. The primary motive for purchasing this entity was the fact that it is the owner of commercial property in a building on street Masarikov trg 8a in Zemun, which is majority owned by GALENIKA-FITOFARMACIJA a.d..

II BUSINESS PERFORMANCE

A detailed Business Report 2016, which includes a review of Company’s development, the general policies, a description of global and domestic market for crop protection products, development activities and Company’s plans, main business risks and plan for the future, as well as activities of ENVIPACK d.o.o., can be found on Company’s website, in the section: For investors / Information. Also, this Business Report is an integral part of the individual Company’s Annual Report which is published on Company’s website and website of the Belgrade Stock Exchange and Securities Commission.

1. Business analysis

	in 000 RSD		
	2016.	2015.	2014.
Total revenues	4.569.810	4.439.830	4.196.895
Total expenses	3.560.794	3.475.900	3.353.730
Earnings before tax (EBT)	1.009.016	963.930	843.165
Operating revenues	3.982.094	3.852.907	3.615.255
Sales of products	3.936.257	3.824.229	3.654.346
EBITDA	1.100.817	958.280	886.849
Return on total equity (ROI)	13.18%	13.69%	12,84%
Return on equity (ROE)	13.90%	14.90%	14,73%
First liquidity ratio	0.74	0.54	0,35
Second liquidity ratio	8.29	5.08	3,53



2. Main indicators

	In 000 RSD		
	2016.	2015.	2014.
Fixed assets	2.063.815	2.140.886	1.787.014
Current assets	4.783.424	4.167.451	4.102.099
LT Debt	0	0	0
Current (ST) liabilities	357.393	513.532	759.935
Net profit	906.241	867.109	759.232

III SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

There were no significant transactions with related parties, last year.

IV STATEMENT ON THE IMPLEMENTATION THE CORPORATE GOVERNANCE CODE

Board of Directors adopted the Corporate Governance Code of Company, which is published on Company's website.

With its own Code of Corporate Governance, the Company established the principles of corporate governance practices and organizational culture in line with which the Company's corporate governance holders are acting. Principles in particular regard to the openness and transparency of operations of the Company, exercising the shareholders' rights, the framework and modus operandi of the Company's corporate governance holders and control of their of work.

The aim of the Code is to promote good business practices in the domain of corporate governance, which should ensure an effective system of control over the operations of the Company and increase confidence of investors and shareholders in the Company, with a view of securing a long-term business development of the Company.

In the implementation of the Corporate Governance Code there were no significant departures from established principles during 2016.

V INFORMATION ON THE ACQUISITION OF OWN SHARES

The Company does not have and it didn't acquire own shares from the creation of the previous Annual Report.

VI RESEARCH AND DEVELOPMENT ACTIVITIES

In 2016 the Company registered 4 new products on the territory of Serbia (2 fungicides and 2 insecticides). Prerequisites for the registration of 4 new products on the territory of Serbia in 2017.

Pursuant with their strategic focus, more particularly described in a single Business Report 2016, the Company currently manages the activities of the establishment of the registration file according on EU criteria for products from own portfolio. All necessary laboratory tests and field trials are taking place abroad.

VII SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, there were no significant events that would affect the credibility of the financial consolidated statements or the Company's business.

CHIEFF CORPORATE
AFFAIRS OFFICER

M. Sc. Slavica Pekovic



IV STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF ANNUAL CONSOLIDATED REPORT



Financial Consolidated Report 2016, according to the best of our knowledge, have been prepared with the application of relevant International Financial Reporting Standards and give us a true and objective information about the assets, liabilities, financial position and operations, profits and losses, cash flows and changes in equity.

Annual Report 2016, according to the best of our knowledge, give us credible review of the development, operating results and financial position, as well as a credible description of the expected development of the Company, the most significant risks and uncertainties which the Company's operations are exposed.

Chief Corporate Affairs Officer,
M.Sc. Slavica Pekovic

Chief Executive Officer,
B.Sc.Ecc. Dragan Nenadovic



**V DECISION OF SUPERVISORS ON THE ADOPTION
OF THE ANNUAL CONSOLIDATED REPORT
(NOTE)**

**VI DECISION ON PROFIT DISTRIBUTION
OR LOSS COVERING
(NOTE)**



Note:

The Annual Consolidated Report was approved by Board of Directors, on meeting held on April 27, 2017.

The Annual Consolidated Report was not adopted by supervisors, General Meeting, because the Annual General Meeting has not held yet.

The Annual General Meeting will make a decision on profit distribution.

The Company will issue a decision on the adoption of the Annual Report for 2016 and a decision on profit distribution for 2016 after the date of the General Meeting.

Chief Corporate Affairs Officer,
M.Sc. Slavica Pekovic

Chief Executive Officer,
B.Sc.Ecc. Dragan Nenadovic