

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

# **ANNUAL CONSOLIDATED REPORT 2017**



Dear shareholders,

Here is Annual Consolidated Report 2017, 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 2017 was not adopted because the Annual General Meeting has not held yet.

The Annual General Meeting is planned on second half of June 2018.

### ***CONTENT OF ANNUAL REPORT***

- I Financial Consolidated Report 2017**
- II Auditors Reports 2017 (UHY REVIZIJA d.o.o., Belgrade, ID No. 17082175)**
- III Business Report 2017**
- IV Statement of persons responsible for the preparation of Annual Report**
- V Decision of supervisors on the adoption of the Annual Consolidated Report (note)**
- VI Decision on profit distribution or loss covering (note)**



# **I FINANCIAL CONSOLIDATED REPORT 2017**

**BALANCE SHEET (IN 000 RSD)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>ASSETS</b>			
Property, plant, equipment and natural assets	1,879,275	1,878,294	1,861,166
Intangible assets	2,768	1,624	1,001
LT financial placements	258,843	183,897	97,529
<i>Fixed assets</i>	<b>2,140,886</b>	<b>2,063,815</b>	<b>1,959,696</b>
Prepaid tax, other expenses and accrued revenues	58,575	80,256	186,675
Inventory and advanced payments	1,558,601	1,820,839	1,962,971
Receivables	486,845	368,733	544,758
ST financial placements	1,779,662	2,248,719	2,187,975
Cash and cash equivalents	283,768	264,877	494,035
<i>Current assets</i>	<b>4,167,451</b>	<b>4,783,424</b>	<b>5,376,414</b>
<i>Deferred tax assets</i>	25,486	25,480	26,783
<i>Operating assets</i>	6,333,823	6,875,219	7,362,893
<i>Losses in equity excess</i>	0	0	0
<b>Total assets</b>	<b>6,333,823</b>	<b>6,875,219</b>	<b>7,362,893</b>
<b>Off-balance sheet assets</b>	<b>413,092</b>	<b>184,102</b>	<b>71,103</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	3,511,200	3,511,200	3,511,200
Other equity	0	2,500	0
Reserves	833,560	876,802	921,851
Revaluation surplus	25,722	25,092	25,022
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	3	2	2
Retained earnings	1,451,330	2,102,234	2,581,287
Loss	1,518	0	0
<i>Equity</i>	<b>5,820,291</b>	<b>6,517,826</b>	<b>7,039,358</b>
LT reserved funds	0	0	0
LT Debt	0	0	486
Liabilities from business operations and received advances, deposits and caution maney	379,609	232,446	214,224
ST financial liabilities	0	0	394
Liabilities for VAT, accrued expenses and other tax	19,879	14,190	873
Other ST liabilities	96,566	107,897	103,365
Accruals and deferred income	17,478	2,860	4,193
<i>Current (ST) liabilities</i>	<b>513,532</b>	<b>357,393</b>	<b>323,049</b>
<i>LT liabilities</i>	<b>513,532</b>	<b>357,393</b>	<b>323,535</b>
<b>Total equity and liabilities</b>	<b>6,333,823</b>	<b>6,875,219</b>	<b>7,362,893</b>
<b>Off-balance sheet liabilities</b>	<b>413,092</b>	<b>184,102</b>	<b>71,103</b>

**BALANCE SHEET (IN EUR)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>ASSETS</b>			
Property, plant, equipment and natural assets	15,565,571	15,255,799	15,338,855
Intangible assets	22,927	13,190	8,250
LT financial placements	2,143,933	1,493,640	803,788
<i>Fixed assets</i>	<u>17,732,431</u>	<u>16,762,630</u>	<u>16,150,893</u>
Prepaid tax, other expenses and accrued	485,162	651,852	1,538,488
Inventory and advanced payments	12,909,508	14,789,141	16,177,884
Receivables	4,032,417	2,994,907	4,489,639
ST financial placements	14,740,501	18,264,449	18,032,261
Cash and cash equivalents	2,350,380	2,151,373	4,071,604
<i>Current assets</i>	<u>34,517,969</u>	<u>38,851,722</u>	<u>44,309,875</u>
<i>Deferred tax assets</i>	211,094	206,953	220,733
<i>Operating assets</i>	52,461,493	55,841,610	60,681,500
<i>Losses in equity excess</i>	0	0	0
<b>Total assets</b>	<b><u>52,461,493</u></b>	<b><u>55,841,610</u></b>	<b><u>60,681,500</u></b>
<b>Off-balance sheet assets</b>	<u>3,421,539</u>	<u>1,495,305</u>	<u>585,997</u>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	29,082,403	28,518,519	28,937,659
Other equity	0	20,305	0
Reserves	6,904,172	7,121,524	7,597,462
Revaluation surplus	213,049	203,801	206,220
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	25	16	16
Retained earnings	12,021,008	17,074,675	21,273,753
Loss	12,573	0	0
<i>Equity</i>	<u>48,208,035</u>	<u>52,938,808</u>	<u>58,015,077</u>
LT reserved funds	0	0	0
LT Debt	0	0	4,005
Liabilities from business operations and received advances, deposits and caution maney	3,144,208	1,887,963	1,765,533
ST financial liabilities	0	0	3,247
Liabilities for VAT, accrued expenses and other	164,653	115,253	7,195
Other ST liabilities	799,832	876,356	851,886
Accruals and deferred income	144,766	23,229	34,557
<i>Current (ST) liabilities</i>	<u>4,253,459</u>	<u>2,902,802</u>	<u>2,662,418</u>
<i>LT liabilities</i>	<u>4,253,459</u>	<u>2,902,802</u>	<u>2,666,423</u>
<b>Total equity and liabilities</b>	<b><u>52,461,493</u></b>	<b><u>55,841,610</u></b>	<b><u>60,681,500</u></b>
<b>Off-balance sheet liabilities</b>	<u>3,421,539</u>	<u>1,495,305</u>	<u>585,997</u>

**INCOME STATEMENT (IN 000 RSD)**

	2015	2016	2017
<b>OPERATING REVENUES</b>			
Sales	3,824,229	3,936,257	4,001,259
Other operating revenues	28,678	45,837	26,044
<i>Total operating revenues</i>	<b>3,852,907</b>	<b>3,982,094</b>	<b>4,027,303</b>
<b>OPERATING EXPENSES</b>			
Cost of goods sold (COGS)	426,906	451,506	436,109
Income from sales products and services rendered	6,343	4,755	9,544
Change in inventory value	-147,070	-55,251	-19,027
Cost of material	1,782,118	1,666,888	1,645,855
Salaries/Other personal expenses	394,807	420,148	428,433
Amortization expense	74,115	81,460	82,983
Other operating expenses	444,209	402,741	451,033
<i>Total operating expenses</i>	<b>2,968,742</b>	<b>2,962,737</b>	<b>3,015,842</b>
<b>OPERATING PROFIT</b>	<b>884,165</b>	<b>1,019,357</b>	<b>1,011,461</b>
Financial revenues	108,715	101,963	49,368
Financial expenses	47,610	29,946	236,688
<i>Profit/loss financial</i>	<b>61,105</b>	<b>72,017</b>	<b>-187,320</b>
Income from assets valuation adjustments	458,675	467,961	494,723
Expenses from assets valuation adjustments	438,318	556,261	450,434
<i>Profit/loss valuation adjustments</i>	<b>20,357</b>	<b>-88,300</b>	<b>44,289</b>
Other revenues	19,533	17,792	15,479
Other expenses	21,230	11,850	5,571
<i>Nonoperating profit/loss</i>	<b>-1,697</b>	<b>5,942</b>	<b>9,908</b>
Earnings before tax (EBT)	963,930	1,009,016	878,338
Tax	96,821	102,775	122,011
<b>NET PROFIT</b>	<b>867,109</b>	<b>906,241</b>	<b>756,327</b>

**INCOME STATEMENT (IN EUR)**

	<b>2015.</b>	<b>2016.</b>	<b>2017</b>
<b>OPERATING REVENUES</b>			
Sales	31,675,145	31,970,898	32,976,494
Other operating revenues	237,533	372,295	214,642
<i>Total operating revenues</i>	<b>31,912,678</b>	<b>32,343,194</b>	<b>33,191,137</b>
<b>OPERATING EXPENSES</b>			
Cost of goods sold (COGS)	3,535,957	3,667,203	3,594,205
Income from sales products and services rendered	52,538	38,621	78,657
Change in inventory value	-1,218,145	-448,757	-156,812
Cost of material	14,760,844	13,538,726	13,564,363
Salaries/Other personal expenses	3,270,089	3,412,508	3,530,943
Amortization expense	613,876	661,631	683,907
Other operating expenses	3,679,274	3,271,126	3,717,202
<i>Total operating expenses</i>	<b>24,589,358</b>	<b>24,063,816</b>	<b>24,855,151</b>
<b>OPERATING PROFIT</b>	<b>7,323,321</b>	<b>8,279,378</b>	<b>8,335,986</b>
Financial revenues	900,460	828,160	406,868
Financial expenses	394,342	243,226	1,950,671
<i>Profit/loss financial</i>	<b>506,118</b>	<b>584,933</b>	<b>-1,543,803</b>
Income from assets valuation adjustments	3,799,092	3,800,853	4,077,274
Expenses from assets valuation adjustments	3,630,480	4,518,039	3,712,265
<i>Profit/loss valuation adjustments</i>	<b>168,612</b>	<b>-717,186</b>	<b>365,009</b>
Other revenues	161,787	144,509	127,571
Other expenses	175,843	96,248	45,914
<i>Nonoperating profit/loss</i>	<b>-14,056</b>	<b>48,262</b>	<b>81,657</b>
Earnings before tax (EBT)	7,983,994	8,195,387	7,238,849
Tax	801,944	834,755	1,005,557
<b>NET PROFIT</b>	<b>7,182,050</b>	<b>7,360,632</b>	<b>6,233,291</b>

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

in 2017 121,34 RSD/EUR  
in 2016 123,12 RSD/EUR  
in 2015 120,73 RSD/EUR



**II AUDITORS REPORT 2017**  
**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, 2017 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 accompanying 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, 2017 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 2017. 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 2017.

Belgrade, April 24, 2018



*M. K. S. W.*

Certified Auditor



## **III CONSOLIDATED BUSINESS REPORT 2017**



## 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:	<a href="http://www.fitofarmacija.rs">www.fitofarmacija.rs</a> ; <a href="mailto:office@fitofarmacija.rs">office@fitofarmacija.rs</a>
Share capital:	RSD 3.511.200.000 at December 31, 2017
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 at the end of year 2017:**

No.	Shareholder	No. shares	%
1	Vojinović Zivorad	569,196	21.56%
2	Agromarket d.o.o.	439,296	16.64%
3	Puhar Nedeljko	168,583	6.39%
4	Nenadovic 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	Societe Generale banka Srbija - kastodi račun - FO	65,899	2.50%
	<b>Total:</b>	<b>1,844,940</b>	<b>69.88%</b>

**4. General information of subsidiaries**

Company name: ENVIPACK d.o.o., Batajnicketi 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, Republic of Slovenia

ID No.: 6813313000

Tax ID No.: 90008847

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

Legal representative: Slavica Pekovic

GALENIKA – FITOFARMACIJA d.o.o., Slovenia, 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, 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		
	2017	2016.	2015.
Total revenues	4.586.873	4.569.810	4.439.830
Total expenses	3.708.535	3.560.794	3.475.900
Earnings before tax (EBT)	878.338	1.009.016	963.930
Operating revenues	4.027.303	3.982.094	3.852.907
Sales of products	4.001.259	3.936.257	3.824.229
EBITDA	1.094.444	1.100.817	958.280
Return on total equity (ROI)	10.27%	13.18%	13.69%
Return on equity (ROE)	10.74%	13.90%	14.90%
First liquidity ratio	1.53	0.74	0.54
Second liquidity ratio	10.57	8.29	5.08



## 2. Main indicators

	In 000 RSD		
	2017	2016.	2015.
Fixed assets	1.959.696	2.063.815	2.140.886
Current assets	5.376.414	4.783.424	4.167.451
LT Debt	486	0	0
Current (ST) liabilities	323.049	357.393	513.532
Net profit	756.327	906.241	867.109

### 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 reporting year.

### 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 2017 the Company registered 12 new products on the territory of Serbia (1 herbicide, 3 fungicides, 1 insecticide, 4 fertilizers and 3 biocides). Prerequisites for the registration of 4 new products on the territory of Serbia in 2018.

In 2017 the Company registered 1 new product, herbicide, on the EU territory.

Pursuant with their strategic focus, more particularly described in a single Business Report 2017, 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 2017, 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 2017, 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 25, 2018.

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 2017 and a decision on profit distribution for 2017 after the date of the General Meeting.

Chief Corporate Affairs Officer,  
M.Sc. Slavica Pekovic

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