

GALENKA – FITOFARMACIJA A.D.
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PIB 100001046

ANNUAL REPORT 2015

GALENKA – FITOFARMACIJA A.D.



Dear shareholders,

Here is Annual Report 2015, prepared in accordance with Art.50 of the Capital Market Low („Official Gazette of RS”, no. 31/2011 and 112/2015) 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 and 5/2015).

Annual Report 2015 was not adopted because the Annual General Meeting has not held yet.

The Annual General Meeting is planned on second half of June 2016.

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I FINANCIAL REPORT 2015

**BALANCE SHEET (IN 000 RSD)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS			
Property, plant and equipment (PP&E)	1,814,009	1,767,565	1,878,942
Intangible assets	4,797	4,508	2,768
LT financial placements	17,280	16,557	261,871
	Fixed assets	1,788,630	2,143,581
Prepaid tax, other expenses and accrued revenues	46,335	66,305	58,500
Inventory and advanced payments	1,451,528	1,423,256	1,558,601
Receivables	326,112	525,319	485,234
ST financial placements	1,156,899	1,817,615	1,779,562
Cash and cash equivalents	455,218	267,022	278,684
	Current assets	4,099,517	4,160,581
	<i>Deferred tax assets</i>	<i>22,240</i>	<i>24,644</i>
	Total assets	5,294,418	6,329,648
	Off-balance sheet assets	158,282	413,092
EQUITY AND LIABILITIES			
Shareholders' equity	1,755,600	1,755,600	3,511,200
Other equity	0	0	0
Reserves	851,353	851,353	833,560
Revaluation surplus	27,398	27,378	25,722
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	3	3	3
Retained earnings	1,963,821	2,520,624	1,447,783
	Equity	5,154,952	5,818,262
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	138,054	281,472	378,291
ST financial liabilities	423,691	346,000	0
Tax payable	48,399	27,206	36,828
Other ST liabilities	86,105	103,161	96,267
	Current (ST) liabilities	757,839	511,386
	<i>Liabilities and reserved funds</i>	<i>696,249</i>	<i>511,386</i>
	Total equity and liabilities	5,294,418	6,329,648
	Off-balance sheet liabilities	158,282	413,092

**BALANCE SHEET (IN EUR)**

	2013	2014	2015
ASSETS			
(PP&E)	16,033,752	15,067,985	15,562,813
Intangible assets	42,400	38,429	22,927
LT financial placements	152,735	141,144	2,169,013
<i>Fixed assets</i>	16,228,887	15,247,558	17,754,753
accrued revenues	409,548	565,231	484,541
Inventory and advanced payments	12,829,837	12,132,849	12,909,508
Receivables	2,882,455	4,478,194	4,019,074
ST financial placements	10,225,656	15,494,646	14,739,673
Cash and cash equivalents	4,023,603	2,276,286	2,308,271
<i>Current assets</i>	30,371,099	34,947,206	34,461,066
<i>Deferred tax assets</i>	196,576	210,083	211,094
Total assets	46,796,562	50,404,847	52,426,913
Off-balance sheet assets	1,399,031	2,386,255	3,421,539
EQUITY AND LIABILITIES			
Shareholders' equity	15,517,484	14,965,986	29,082,403
Other equity	0	0	0
Reserves	7,524,981	7,257,540	6,904,172
Revaluation surplus	242,167	233,390	213,049
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	27	26	25
Retained earnings	17,357,918	21,487,597	11,991,629
<i>Equity</i>	40,642,522	43,944,487	48,191,229
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	1,220,238	2,399,468	3,133,291
ST financial liabilities	3,744,941	2,949,551	0
Tax payable	427,791	231,923	305,037
Other ST liabilities	761,069	879,418	797,356
<i>Current (ST) liabilities</i>	6,154,040	6,460,360	4,235,684
<i>Liabilities and reserved funds</i>	6,154,040	6,460,360	4,235,684
Total equity and liabilities	46,796,562	50,404,847	52,426,913
Off-balance sheet liabilities	1,399,031	2,386,255	3,421,539

**INCOME STATEMENT (IN 000 RSD)**

	2013	2014	2015
OPERATING REVENUES			
Sales	3.260.555	3.589.758	3.764.153
Other operating revenues	39.528	75.477	69.507
<i>Total operating revenues</i>	<i>3.300.083</i>	<i>3.665.235</i>	<i>3.833.660</i>
OPERATING EXPENSES			
Cost of goods sold (COGS)	464.775	441.904	426.906
Cost of material	1.403.426	1.490.486	1.721.105
Change in inventory value	-159.399	72.104	-147.070
Salaries/Other personal expenses	364.202	364.614	392.627
Amortization expense	82.312	78.210	73.949
Other operating expenses	345.334	411.867	485.846
<i>Total operating expenses</i>	<i>2.500.650</i>	<i>2.859.185</i>	<i>2.953.363</i>
OPERATING PROFIT	799.433	806.050	880.297
Other revenues	534.879	581.191	586.725
Other expenses	491.715	545.885	506.709
Earnings before tax (EBT)	842.597	841.356	960.313
Tax	83.166	83.933	96.363
NET PROFIT	759.431	757.423	863.950

**INCOME STATEMENT (IN EUR)**

	2013	2014	2015
OPERATING REVENUES			
Sales	28,819,554	30,601,657	31,177,551
Other operating revenues	349,382	643,420	575,709
<i>Total operating revenues</i>	29,168,936	31,245,077	31,753,260
OPERATING EXPENSES			
Cost of goods sold (COGS)	4,108,076	3,767,105	3,535,957
Cost of material	12,404,671	12,705,966	14,255,488
Change in inventory value	-1,408,904	614,666	-1,218,145
Salaries/Other personal expenses	3,219,127	3,108,230	3,252,033
Amortization expense	727,543	666,718	612,501
Other operating expenses	3,052,355	3,511,048	4,024,143
<i>Total operating expenses</i>	22,102,868	24,373,732	24,461,977
OPERATING PROFIT	7,066,068	6,871,345	7,291,283
Other revenues	4,727,715	4,954,487	4,859,698
Other expenses	4,346,195	4,653,513	4,196,946
Earnings before tax (EBT)	7,447,588	7,172,319	7,954,036
Tax	735,092	715,505	798,151
NET PROFIT	6,712,496	6,456,814	7,155,885

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

in 2015	120,73 RSD/EUR
in 2014	117,31 RSD/EUR
in 2013	113,14 RSD/EUR

**STRUCTURE OF REVENUES, EXPENSES AND PROFITS**

REVENUES STRUCTURE	In 000 RSD						
	2013	%	2014	%	2015	%	15/14
OPERATING REVENUES	3,300,083	86%	3,665,235	87%	3,833,660	87%	105%
Sales revenues	3,260,555		3,589,758		3,764,153		105%
<i>plant protection products</i>	2,397,055		2,632,225		2,770,429		105%
<i>cold-storage</i>	283,377		313,237		266,384		85%
<i>agriculture</i>	61,843		171,402		245,969		144%
<i>goods</i>	518,280		472,894		481,371		102%
Other operating revenues	39,528		75,477		69,507		92%
FINANCIAL REVENUES	121,555	3%	230,978	5%	108,658	2%	47%
Interests received	55,304		58,227		59,145		102%
Exchange rate changes & Currency clause	64,368		171,108		49,362		29%
Other financial revenues	1,883		1,643		151		9%
ASSETS VALUATION ADJUSTMENTS	0	0%	0	0%	0	0%	
OTHER REVENUES	413,324	11%	350,213	8%	478,067	11%	137%
Property and equipment sale & Surpluses	997		2,627		11,310		431%
Revenues from previous years	398,882		339,475		458,534		135%
Other revenues	13,445		8,111		8,223		101%
TOTAL REVENUES	3,834,962	100%	4,246,426	100%	4,420,385	100%	104%

REVENUES STRUCTURE	In EUR						
	2013	%	2014	%	2015	%	15/14
OPERATING REVENUES	29,168,936	86%	31,245,077	87%	31,753,260	87%	102%
Sales revenues	28,819,554		30,601,657		31,177,551		102%
<i>plant protection products</i>	21,187,208		22,438,963		22,946,780		102%
<i>cold-storage</i>	2,504,727		2,670,256		2,206,393		83%
<i>agriculture</i>	546,621		1,461,153		2,037,301		139%
<i>goods</i>	4,580,999		4,031,286		3,987,077		99%
Other operating revenues	349,382		643,420		575,709		89%
FINANCIAL REVENUES	1,074,406	3%	1,969,021	5%	899,987	2%	46%
Interests received	488,824		496,368		489,883		99%
Exchange rate changes & Currency clause	568,939		1,458,647		408,853		28%
Other financial revenues	16,644		14,006		1,251		9%
ASSETS VALUATION ADJUSTMENTS	0		0		0		
OTHER REVENUES	3,653,309	11%	2,985,465	8%	3,959,711	11%	133%
Property and equipment sale & Surpluses	8,812		22,394		93,678		418%
Revenues from previous years	3,525,658		2,893,927		3,797,924		131%
Other revenues	118,838		69,144		68,109		99%
TOTAL REVENUES	33,896,651	100%	36,199,564	100%	36,612,959	100%	101%



EXPENSES STRUCTURE	In 000 RSD						
	2013	%	2014	%	2015	%	15/14
OPERATING EXPENSES	2,500,650	84%	2,859,185	84%	2,953,363	85%	103%
Cost of material	1,403,426		1,490,486		1,721,105		115%
Cost of goods sold (COGS)	464,775		441,904		426,906		97%
Income from the use of own products	5,048		7,115		6,343		89%
Change in inventory value	-159,399		72,104		-147,070		
Other materials	19,425		20,107		28,925		144%
Fuel and energy costs	37,520		33,127		31,792		96%
Salaries, contributions	364,202		364,614		392,627		108%
Production services	234,610		296,631		351,103		118%
Amortization expense	82,312		78,210		73,949		95%
Immaterial costs	58,827		69,117		80,369		116%
FINANCIAL EXPENSES	34,432	1%	37,397	1%	47,178	1%	126%
Interests paid	5,782		11,656		9,143		78%
Exchange rate changes & Currency clause	28,650		25,741		38,035		148%
IMPAIRMENT COSTS	453,682	15%	495,203	15%	438,303	13%	89%
Impairment of LT financial investments	18,618		0		964		
Impairment losses	435,064		495,203		437,339		88%
OTHER EXPENSES	3,601	0%	13,285	0%	21,228	1%	160%
Disposals & Deficits	576		5,300		11,243		212%
Other expenses	3,025		7,985		9,985		125%
TOTAL EXPENSES	2,992,365	100%	3,405,070	100%	3,460,072	100%	102%

EXPENSES STRUCTURE	In EUR						
	2013	%	2014	%	2015	%	15/14
OPERATING EXPENSES	22,102,868	84%	24,373,732	84%	24,461,977	85%	100%
Cost of material	12,404,671		12,705,966		14,255,488		112%
Cost of goods sold (COGS)	4,108,076		3,767,105		3,535,957		94%
Income from the use of own products	44,619		60,653		52,538		87%
Change in inventory value	-1,408,904		614,666		-1,218,145		
Other materials	171,695		171,406		239,579		140%
Fuel and energy costs	331,634		282,398		263,325		93%
Salaries, contributions	3,219,127		3,108,230		3,252,033		105%
Production services	2,073,682		2,528,694		2,908,100		115%
Amortization expense	727,543		666,718		612,501		92%
Immaterial costs	519,963		589,203		665,677		113%
FINANCIAL EXPENSES	304,339	1%	318,799	1%	390,764	1%	123%
Interests paid	51,106		99,364		75,729		76%
Exchange rate changes & Currency clause	253,233		219,435		315,035		144%
Other financial expenses	0		0		0		
IMPAIRMENT COSTS	4,010,027	15%	4,221,464	15%	3,630,356	13%	86%
Impairment of LT financial investments	164,562		0		7,985		
Impairment losses	3,845,465		4,221,464		3,622,371		86%
OTHER EXPENSES	31,829	0%	113,251	0%	175,826	1%	155%
Disposals & Deficits	5,091		45,181		93,123		206%
Other expenses	26,738		68,070		82,703		121%
TOTAL EXPENSES	26,449,063	100%	29,027,245	100%	28,658,923	100%	99%



PROFIT STRUCTURE	In 000 RSD			
	2013	2014	2015	15 / 14
Gross profit	1,596,329	1,667,855	1,839,062	110%
Gross profit margin	48%	46%	48%	
Operating profit	799,433	806,050	880,297	109%
Operating profit margin	24%	22%	23%	
EBITDA	881,745	884,260	954,246	108%
EBITDA margin	27%	24%	25%	
EBT	842,597	841,356	960,313	114%
Net profit	759,431	757,423	863,950	114%

PROFIT STRUCTURE	In EUR			
	2013	2014	2015	15 / 14
Gross profit	14,109,711	14,217,982	15,232,497	107%
Gross profit margin	48%	46%	48%	
Operating profit	7,066,068	6,871,342	7,291,283	106%
Operating profit margin	24%	22%	23%	
EBITDA	7,793,611	7,538,060	7,903,784	105%
EBITDA margin	27%	24%	25%	
EBT	7,447,588	7,172,315	7,954,036	111%
Net profit	6,712,496	6,456,814	7,155,885	111%



II AUDITORS REPORT 2015
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of “Galenika Fitofarmacija“, Beograd, Zemun (the “Company”), which comprise the balance sheet as of December 31, 2015, and the related income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 overall presentation of the 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 Financial Statements (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015, 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 annual business report of the Company. The management of the Company is responsible for the preparation and presentation of the annual business report, in accordance with the requirements of the Law on Accounting and the Law on the Capital Market (Official Gazette of Serbia No. 62/2013 and 31/2011). Our responsibility is to express an opinion on the compliance of the annual business report with the financial statements for the 2015. In this respect, our procedures are limited to assessing compliance of accounting information contained in the annual business report with the financial statements which were the audit subject. Accordingly, our procedures did not include a review of other information contained in the annual business report arising from the information and records that were not subject to audit.

In our opinion, the accounting information presented in the annual business report, in all material respects, are consistent with the audited financial statements of the Company for the year ended 31 December 2015.

Belgrade, April 18, 2016



Mira Krža
Certified auditor



III BUSINESS REPORT 2015



60 YEARS' TRADITION

THE LARGEST SERBIAN MANUFACTURER OF PLANT PROTECTION PRODUCTS

OUR VISION

WE STRIVE TO REACH THE PERFORMANCE ACHIEVED BY CONTEMPORARY EUROPEAN FORMULATORS OF PLANT PROTECTION PRODUCTS AND INCREASE OUR EXPORT POTENTIAL

OUR MISSION

SUSTAINABLE PRODUCT PORTFOLIO. We are building our business success by continued adjustment of our products to the customers' demands and needs, as well as to standards and legal regulations governing contemporary manufacture, sales and use of plant protection products.

MODERN TECHNOLOGY. We ensure high quality of our products and their compliance with requirements regarding environment and optimal working conditions within manufacturing process by development and implementation of modern formulation technologies.

RESPONSIBLE BUSINESS. We base our business policy on our responsibility to agricultural producers and business partners, but most of all to the community we live in, the environment and the population coming in contact with our products.



Company development timeline

1955	At the GALENIKA facility, the first plant protection preparation was manufactured - Monosan
1965	First exports to a foreign market (1,000 tons of Tritox, powder insecticide, exported to Russian market)
1966	Manufacturing performed at FEMOS site in Novi Beograd is moved to current location at Batajnicki drum b.b. in Zemun
1970s	Integration with "Sanohemija" from Obrenovac
From 1980	RO AGROHEMIJA becomes a part of SOUR GALENIKA
From 1991	Dependent company, part of the holding company GALENIKA HOLDING
From 1997	Independent, socially-owned, company GALENIKA-FITOFARMACIJA
From 1999	Corporation, with 83% of private capital and over 1900 shareholders
2001	Significant year for the operation, with three important characteristics: <ul style="list-style-type: none">- First trade in shares of Galenika Fitofarmacija a.d. at the Belgrade Stock Exchange- Commencement of intensive investment activity- Ownership consolidation
2004	Certified quality management system in compliance with ISO 9001:2000 Homogenization of shares performed
2005	New issue of shares from distribution of profits for 2004, increasing share capital by 89% Method of share trading at stock exchange changed to continuous trading
2007	The largest trading volume since the start of trading (about € 10.3 million), as well as the largest market capitalization at December 31 (€ 60.8 million).
2008	Accredited laboratory for physical and chemical testing, in line with requirements of SRPS ISO/IEC 17025:2006 standard Verified process of repayment of shares from the II round of ownership transformation, by which the share of socially-owned capital was reduced to 0%
2011	A split of shares has been performed, without causing any change to the value of the basic capital, by replacing each existing share with two new shares of a twice lower nominal value. The share capital has been increased by 50% with an issue of new shares.
2012	The Company management form has been changed into unicameral with seven members Board of Directors. Certified environmental management system, in compliance with ISO 14001:2004.
2014	Certified occupational safety and health management system, in compliance with BSI OHSAS 18001:2007.
2015	The share capital has been increased by 100% with an issue of new shares.



2015 OVERVIEW

According to our estimates, the value of Serbian market of plant protection products in 2015 was lower by about 5% compared to last year, and amounted to 90-92 million € (the level of distributor's prices). Due to the lack of official statistical data, we have made the assessment based on independently conducted research. Based on marketing research conducted in the largest single market segment, corn, we estimate that we have maintained the leading position both by the volume of total sales and individual participation of our brands. On the Serbian market there is still noticeable trend of registering a large number of generic products, as well as the general trend of general price decrease due to strong competition of foreign generic companies.

Weather conditions in 2015 were favorable for the cultivation of wheat, while they were unfavorable for most other field crops, particularly for corn and soybeans. Due to market trends in previous years, in 2015 a historical minimum of cultivated areas under sugar beet were recorded, which eventually led to an increase in purchase prices and maintaining profitability for producers. Wheat and sunflowers were also able to achieve satisfactory earnings, while producers of corn and soybeans were in a very difficult situation. In fruit production, only apples and raspberries achieved good yields and satisfactory purchase prices.

Our sale of plant protection products in the local market in 2015 was higher by 8% compared to the sales in 2014, and is at the planned level. This is a very good result, given the unexpectedly large decline in the area cultivated with sugar beets, as well as great drought during the summer months, which caused the lack of treatment stubble with glyphosates.

Due to the estimate that raspberry yield in 2015 will have low profitability, it was decided not to cooperate in the purchase of raspberries with other refrigerated cars, and only our storage capacity in Arilje was engaged. 386 tons of raspberries were purchased, and the expected proceeds from the sale of frozen raspberries of 2015 yield is approximately € 1.25 million.

Our agricultural production season in 2015 was marked by an unexpectedly high yield of seed wheat, the production of which was contracted on a larger surface area than last year, so the total quantity of seed wheat that we had was 63% higher than last year (4,167 tons compared to 2,556 tons last year). Commercial production (wheat, corn and sunflower) in the season of 2015 was organized on a smaller area, lower yields were realized than last year. The expected proceeds from the sale of agricultural products of 2015 crops is about € 1.97 million.

In the field of EU registration, at the beginning of the year four dossiers for our three products in the central registration zone were completed and submitted. Already in March, applications for registration of our two products were submitted to Austrian regulatory authorities, while in April, applications for registration of one of our products for two different uses were submitted to Slovenian authorities (in greenhouses and outdoors). In December, we submitted to the Greek regulatory authorities the applications for registration of our two products for the southern registration zone. The first EU registrations for our products are expected in mid-2016, in the Central Zone. As in all previous years, all activities related to EU registration files were conducted in cooperation with authorized companies from abroad, because Serbia does not have institutions that meet EU standards for the conducting of these activities.

Despite pronounced currency risk, as well as the increase in operating expenses, in 2015, we not only maintained, but also improved profitability. The main reasons are the increase in income from the sale of plant protection products in the local market, as the most profitable segment of our portfolio, but also in the way in which costs of sold products are calculated in accounting. . In short, our business results in 2015 are as follows:

- Growth in income by 5%;
- Growth in gross operating profit by 10% and its margin by 2 percentage points (from 46% to 48%)
- Growth in operating profit by 9% and its margin by one percentage point (from 22% to 23%)
- Growth in net profit by 14%.

ENVIPACK d.o.o. has had a successful year in which it increased the number of collection sites for waste packaging from plant protection products, as well as the number of clients. Growth of business activities was also continued in the segment of collection and disposal of waste from other industries (rubber, pharmaceutical, food, paints and varnishes, etc.). In 2015, 330 tons of waste was disposed, 73% more than in the previous year.

During 2015, the GLP system as established at the Laboratory for physical-chemical testing, for the testing of technical materials. Pre-evaluation was carried out in December 2015 by the leading GLP inspector from the Slovakian Accreditation Board (SNAS). In our country there is no national accreditation body for this standard, so we were forced to turn to EU member states. Equipment of the laboratory was especially praised, as well as preparedness for pre-evaluation and expertise of the staff. The final accreditation is expected in August 2016.

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1 ABOUT US

General information

Company name:	GALENIKA – FITOFARMACIJA a.d., Batajnički drum bb, 11080 Beograd - Zemun
No. of Decision of Serbian Business Registers Agency:	BD 307/2005 dated January 27, 2005
ID No.:	07725531
Tax ID No.:	100001046
Registered activity:	Manufacture of pesticides and agricultural chemicals, Activity Code 2020
Web site & email:	www.fitofarmacija.rs ; office@fitofarmacija.rs
Share capital:	RSD 3.511.200.000 at December 31, 2015
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 d.o.o., Brezovica pri Ljubljani, Slovenia; ID No 6813313000; Activity Code 46.900 Non-specialized wholesale
Auditor:	UHY REVIZIJA d.o.o., Belgrade, ID No.: 17082175

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 5,69% of shares Slavica Pekovic, Chief Corporate Affairs Officer

Company Secretary: Lidija Nikolic



Ownership structure

Information on ownership structure may be found at the web site of Central Securities Depository and Clearing House (www.crhov.rs). Ownership structure, at the time of preparation of this report:

No. of shareholders by share in capital	No. of entities		No. shares		% of total issued	
	local	foreign	local	foreign	local	foreign
0% to 5%	1.220	53	1.027.276	284.699	38,91%	10,78%
5% to 10%	2		319.533		12,10%	
10% to 25%	2		1.008.492		38,20%	
Total:	1.277		2.640.000		100%	

Type of shareholder	No. shares	%
Owned by individuals	1.388.070	52,58%
Owned by legal entities	924.886	35,03%
Joint (custody) account	327.044	12,39%
Total:	2.640.000	100%

Top ten shareholders by number of shares and votes:

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.	Unicredit bank Srbija a.d. - kastodi račun	129.000	4,89%
6.	Mikend doo	100.554	3,81%
7.	Terra capital cayman	82.744	3,13%
8.	Herma investments co., ltd.	80.122	3,03%
9.	Komp. Dunav osiguranje a.d.o.	71.706	2,72%
10.	Sempiola invest limited	56.328	2,13%
	Total:	1.848.479	70,02%

Statement on the Corporate Governance Code's Implementation

Company implements own Corporate Governance Code, which is published on Company's website in the section *For investors / Corporate Governance / Company's Regulations*.

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.

During 2015 there were no significant departures from established principles in the implementation of the Corporate Governance Code.



**Location**

Company's registered office is located within the Zemun industrial zone, at Batajnicketi drum bb. In addition to the facilities at this location, Company also owns facilities at five other locations:

Location	Area in m ²		
	Manufacture	Warehouse	Offices
Zemun, Batajnicketi drum bb	5.549	5.362	1.356
Zemun, Masarikov trg 8a			760
Sremska Mitrovica, Stari Radinački put		1.078	502
Novi Sad, Narodnog Fronta 73			129
Ruma, Industrijska zona bb	2.157	2.299	948
Arilje, the village of Stupčevici (cold storage)	569		129

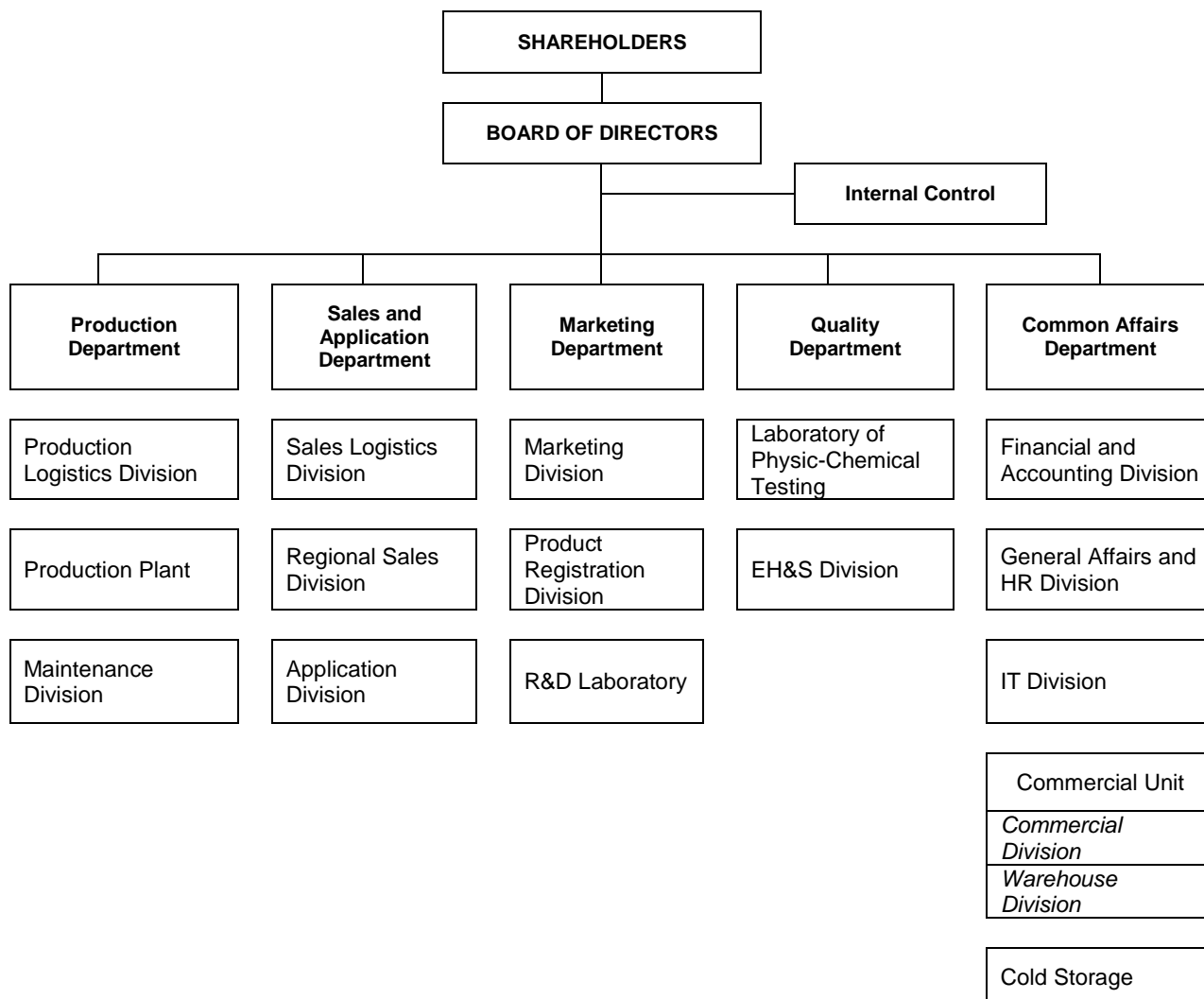
The building in Ruma was bought at the beginning of 2007, in a procedure of enforced collection of tax debt from the taxpayer „Zorka – Zaštita bilja“ a.d. from Šabac, conducted by the Serbian Tax Administration – Branch of the Town of Ruma. The plant facility has not been put into operation.

Land (including land covered with buildings):

Location	Designated use	Surface in m ²	Note
Zemun, Batajnicketi drum bb	Construction land	37.096	Right of use
Zemun, Masarikov trg 8a	Construction land	511	Right of use
Sremska Mitrovica, Stari radinački put	Land for cultivation	43.583	Ownership
Sremska Mitrovica, Stari radinački put	Construction land	6.153	Ownership
Arilje, Grbavica, Stupčevici	Land for cultivation	2.166	Ownership
Arilje, Grbavica, Stupčevici	Construction land	9.455	Ownership
Ruma, Industrijska zona (Industrial zone)	Construction land	76.500	Right of use
Ugrinovci, Zemun Municipality	Land for cultivation	3.860.715	Ownership
Becmen, Surcin Municipality	Land for cultivation	2.693.390	Ownership
Vrbas, Vrbas Municipality	Land for cultivation	3.396.537	Ownership



Organization





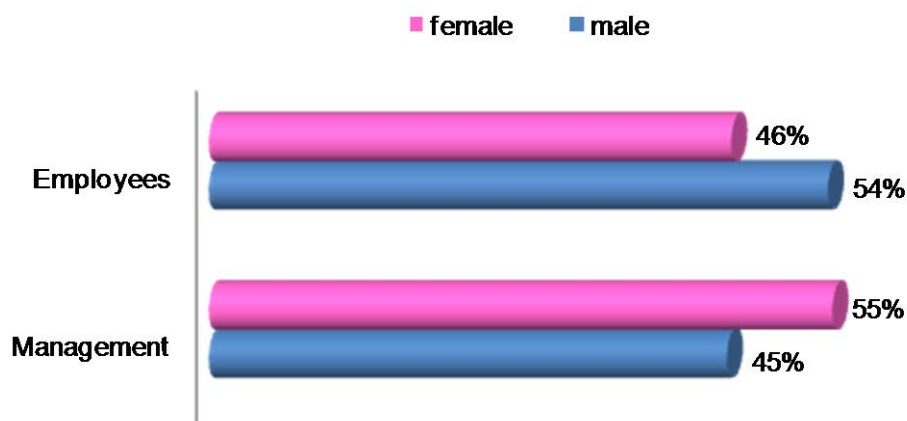
Employee qualifications

The table below shows the qualification and age structure of employees as of 31 December 2015.

Org. unit / Qualifications	I	II,III	IV	V,VI	VII,VIII	Total	%
Management activities	0	0	0	0	3	3	2%
Quality Department	0	0	4	0	6	10	7%
Production Department	2	11	24	3	5	45	32%
Sales and App. Department	1	0	2	1	25	29	20%
Marketing Department	0	0	1	0	11	12	8%
Common Affairs Department	3	1	14	7	18	43	30%
GENDER — F	0	0	11	6	33	50	35%
— M	6	12	34	5	35	92	65%
TOTAL	6	12	45	11	68	142	
%	4%	8%	32%	8%	48%	100%	
Average age	41	41	43	50	43	44	

The table data do not present a realistic picture on gender representation in the Company. According to our policy, we do not employ women in production facilities due to the nature of our production activity.

The chart below presents the average ratio between male and female employees in the last five years, with the exception of employees in the production plant.





Our value chain

Of all the socially-owned companies involved in manufacture of plant protection products at the end of last century in Serbia, our company was the only one to be successfully privatized, overcoming all the pitfalls and problems of a transition economy. By continued organic growth, we increasingly gained a larger market share, developing our own product portfolio and investing significant funds in extension of manufacturing capacity, modernization and reconstruction of equipment and facilities, as well as in improvement of controls and monitoring for the entire system.

Today, Galenika Fitofarmacija a.d. is a modern company, the largest Serbian manufacturer of plant protection products, holding the single largest market share in sales of such products.

Our internal strength is reflected in the quality value chain of all business activities which has been built and improved for many years. At each link of this chain, we demonstrate a high level of control and management, which was verified by a quality management system in line with requirements of ISO 9001:2000 standard. System is designed to provide the required and controlled level of quality at all stages in creating a product, from development, procurement of materials, to formulation and packaging process, to warehousing and shipping.

Automation of the manufacture process at our company is at a high level. Special software system for automated production management (SCADA) has been integrated with the information system, and the quality control system is set to control required parameters at all significant stages of the manufacturing process. Quality control operations are performed by the laboratory for physical and chemical testing which accredited a part of its operations in accordance with requirements of SRPS ISO/IEC 17025:2006 standard. Efficient manufacturing process control system ensures cost control and, at the same time, enables the company to fully manage the traceability of its products, which represents one of basic requirements of modern manufacturing.

Warehouse inventory management and control process is at a high level due to an ordered warehouse space organized in accordance with regulations on storage of hazardous materials and information system with implemented bar-code technology.

Our sales power is reflected in the vast experience and reputation we earned after operating in this market for many years, as well as in competent people assigned to marketing and sales operations. We pay special attention to the education of end-users of our products by organizing various types of promotional activities, visiting their farms and providing advisory services. Past results in monitoring user satisfaction indicate that we have been performing these activities in the right manner.

Our continued investment in development operations resulted in our employment of highly educated and specialized professionals who have mastered the formulation technology for almost all known types of formulations. Such a policy resulted in significant number of newly registered products by which we supplemented our product portfolio, increased sales revenues and operating profit, but also provided our company with a good strategic starting point for a durable operation in the market.

Our insisting on responsible relationship with all stakeholders resulted in a reputation of a dependable partner among our customers and suppliers with which we have developed a "win-win" relationship. By implementing a responsible social policy, the company earned a reputation of a fair employer among our employees, which is further confirmed by their low turnover.

As regards responsible business operation, we should mention a systematic approach in analysing and identifying risks and implementation of all necessary measures in order to reduce these risks to a minimum in the field of environmental protection, health and occupational safety. This is proven by certified system of environmental management in accordance with the requirements of ISO 14001 standards and health and occupational safety management system in accordance with the requirements of BSI OHSAS 18001 standard.

The resulting development of our company speaks of an effective strategic management able to anticipate and adequately respond to all changes occurring within the surrounding environment. Efficient operational management enabled the improvement of management and control in all activities within a value chain, enabling us to gain significant competitive advantage. The quality and ability of management is best proved by



the fact that the company has demonstrated the ability to maintain and repeat good performance, thus continuously increasing its shareholders' wealth.



2 MARKET FOR PLANT PROTECTION PRODUCTS

Modern agricultural production cannot be imagined without the use of agrochemical products, which provide high yields and high quality products. Increasing application of pesticides and other agrochemicals at the beginning of 1960s provided food security of all humanity. Benefits from chemicals use in agriculture experienced both developed and developing countries. Some of those countries managed to break the vicious circle of poverty of rural and agricultural population.

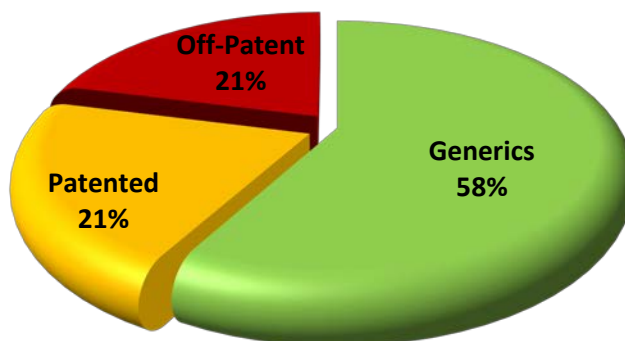
Agrochemical industry is highly profitable and highly competitive industrial sector, which faces great challenges at the beginning of the 21st century. On the one hand, there is the constant need to provide sufficient food for the growing world population through the application of effective and high quality pesticides and mineral fertilizers and on the other hand, there is the endeavour to minimize the impact of chemicals on health of people and animals, as well as on the environment. Therefore, the regulation regarding reevaluation of old and registration of new pesticides has become more severe.

Global market for plant protection products

Global market for plant protection products includes three different groups of products:

- Products under the patent;
- Products with expired patent, which still do not have generic competition (off patent);
- Products without patent protection, which are produced by other manufacturers as well i.e. generic products.

Global market for plant protection products is dominated by six main development and research companies, with about half the market share: Syngenta, Bayer CropScience, BASF, Dow AgroSciences, Monsanto, Du Pont. The greatest generic companies include: Adama (ex Makhteshim Agan), Platform, Amvac, Isagro, Nufarm, United Phosphorus Limited (UPL), etc.



Structure of the global market for plant protection products in 2014¹

The preliminary worth of plant protection products global market in 2015 was approx. USD 51.8 billion, which is a decrease of approx. 8.5% compared to the previous year. If we take into account the use of pesticides for non-agricultural purposes, the total value of the global market was approx. USD 58.2 billion. The highest consumption of agrochemicals was recorded in China, France, Germany, India and the United States.²

Key factors affecting the Crop Protection Market in 2015 are:

- Weakening glyphosate prices,
- Strength of US dollar against most major currencies,
- Weak crop commodity prices,
- High distributor inventory,

¹ The Generic Agrochemical Market 2014 - Phillips McDougall, September 2015

² The Global Agrochemical Market in 2015 - Preliminary Review - Phillips McDougall, November 2015



- Weather conditions,
- Further increase in GM crop area in Brazil.

European market for plant protection products is estimated at approx. 22.3% of the global market value. EU countries have established strict set of rules for pesticides registration (Regulation 1107/2009, adopted in 2011).

Serbian market for plant protection products

Serbian market for plant protection products is completely open and competitive. The following companies are present at the Serbian market: six leading research and development companies, the greatest global generic companies, generic companies from the Far East (China and India) as well as domestic manufacturers of pesticides.

Serbian agricultural production is still based on a modest level of agro technical measures, which results in lower yields of some crops and/or smaller scope than the potential. Therefore, we may conclude that the Serbian market for plant protection products has growth potential.

It is estimated that the value of Serbian market for plant protection products declined, to approx. value 92 million €. In addition to this, Serbian market is still equally divided between the generic and research and development companies in terms of value. It is difficult to precisely determine individual market shares of companies due to the fact that there are no available official data.

The total number of registered pesticides in 2015 in the Serbian market was approx. 1.100. The greatest number of registered products is owned by foreign generic companies (53%), then research and development companies (25%) and domestic manufacturers (22%). Our company, as the largest domestic manufacturer in the Serbian market participates with 118 products or with 47% of the total number of domestic registered products.

Legislation regarding the registration of plant protection products

The process of registration of active substance and finished products in EU is a strictly controlled and organized process whose basic purpose is to reduce environmental risks.

Legislation specifies which data on active substance and finished products should be presented, the manner of data evaluation, risk assessment, protection of commercial information, public access to information on pesticides, maximum allowed pesticide residues in food etc. Active ingredients and products may be sold in the market only if the testing proves that the criteria established by the relevant regulations, are met.

Registration of a finished product made of approved active substance is conducted in each member state individually. The company which registered the product is provided a certain period of exclusive protection of data based on which the registration has been made.

This registration process takes from 5-10 years with estimated costs of up to several dozen million €, depending on the type of active substance and the area of product application.

The process of creation of the registration file for generic product (based on already approved active substance, but from other manufacturer - source) is simpler and it is conducted in two phases:

- Proving the equivalence of the active substance source. This phase includes a series of physical, chemical and toxicological tests which should prove that the potential active substance is not more harmful and toxic than those already permitted for use.
- Product registration. At this phase physical and chemical characteristics of products are tested, as well as their biological efficiency. In addition to this, toxicological and eco toxicological tests are performed, but to a smaller extent than in the procedure of the first registration of a product (the already available data and test results are used, whenever possible).

When both phases are successfully completed, the product gets its registration file. The estimated value of creation of such a registration file is from 250,000 € to 800,000 €, depending on the type of active substance



and the area of product application. The process of file completion lasts min. 3 years and the process of registration takes an additional year.

The registration process for plant protection products in Serbia

Whereas the strategic goal of the Republic of Serbia is to join EU, the compliance process of domestic legislation with EU legislation has been conducted in the last few years. The Ministry of Agriculture, Forestry and Water Management and/or Plant Protection Directorate is responsible for registration and marketing of pesticides.

The applicable Law on Plant Protection Products (*“Official Gazette of the Republic of Serbia”* no. 41/09) adopted in June 2009 is a legal document that is in compliance with the applicable Directive 91/414/EC. The Plant Protection Directorate adopted this Law in a hasty and unnecessary manner, ignoring the fact that it is largely inapplicable in our circumstances. Following the initiative of local producers, the Directorate realized that the Articles 11-25 (related to registration of PPP) are hardly applicable, therefore the application of these articles was postponed until 31 December 2013.

However, in the past six years, the Directorate has neither improved its professional capacities, nor established appropriate institutions, therefore it is unable to perform the assessment of registration files in the manner prescribed by the Law in 2009. Taking into account the ambiguities in Article 86 of the Law, in March 2014, it was decided that the registration procedure can be executed in two ways, and according to the provisions of the applicable law and the provisions of the old law.

We expect that the competent Ministry will soon take steps towards adapting the legislation to the actual possibilities and needs of all participants in the Serbian market for plant protection products.

The Association of domestic manufacturers of plant protection products, which operates under the auspices of the Serbian Chamber of Commerce endeavours to be an equal and constructive partner to the Ministry in the compliance process. The Association particularly insists on the facts that Serbia is not obliged to apply the harmonized legislation in this area until it becomes a member of the EU and that there are justified economic reasons to act accordingly.

At the same time, the Association welcomed the decision adopted by the Ministry on 31 December 2013, according to which the list of permitted active substances in Serbia has been complied with the list applicable in the EU. This decision has a positive effect on the safety of produced food and environmental protection, and ultimately, on the export potential of Serbian agriculture.



3 STRATEGY

General business policy

Sustainable product portfolio

We strive to provide a wide product portfolio of quality plant protection products able to fully meet the needs of producers of various agricultural crops.

Our portfolio is dominated by our own brand, with a smaller share of products of global companies with which we do business through agency, cooperation and distribution.

Our own product range is based on active substances with expired patent terms, while ensuring its sustainability within European regulatory conditions. Selection of active substances is in line with substances allowed for use within the EU, with purities equal to or higher than permitted levels. In addition, selection of auxiliary substances included in our preparations has been brought in line with European legislation.

As a quality generic company, we have continuously raised the level of quality of our products by investing in development of new formulations and improvement of existing ones, as well as by providing highest possible quality of sources of active substances.

Responsible business operation

Since the business activity we are engaged in is a high risk activity, we use significant funds and efforts to implement the latest technologies and standards in every aspect of our business operation and thus efficiently manage the identified risks.

By using a manufacturing process for production of quality plant protection products, at adequate prices, in compliance with safety measures and health protection, as well as protection of the environment, we demonstrate our responsible treatment of agricultural producers, population, our employees, shareholders and the community we belong to.

Seasonal character of business

Plant protection products are mostly sold within the period of March to May, when they are mostly applied. By the end of June, the company usually earns 90% of the total annual sales of plant protection products.

The beginning and the end of season for use of plant protection products, as well as the intensity of their use, is directly influenced by the weather conditions. It may happen that adverse weather conditions during one year cause the lack of use of a preparation, whereas during the following year the same preparation is used to the fullest extent. For this reason, achieved performance and related trends should be viewed within a broader context.

Another limitation to the use of preparations is related to timeframe. Most preparations may be applied only until a certain point in the course of plant development, e.g. until the first leaf develops. If the preparation is not sold within this limited timeframe (and applied to the plants), it remains in stock until the following year.

Business cycle of the company starts in September, when the production for next seasons starts, and ends in August the following year. Due to above timeframes, our business policy requires that we start each season with ready inventories of finished products. For this reason, the last quarter of a calendar year is always marked by intensive procurement and manufacturing activities, which is why our stock levels at year-end are extremely high.

Strategic directions

Our primary strategic objective is to become a significant participant in the regional market of plant protection products. To achieve this, it is necessary to make interim registration files in accordance with the EU regulations for a selected group of products. This will create the conditions for export to the neighbouring countries, but at the same time ensure the survival in the domestic market, given that the European regulations concerning registration of the plant protection products should be applied in Serbia in the near future.

Strategic aim of our company to make an interim sustainable product portfolio in the EU environment, includes the following steps:

- Select about 20 own products that have a future from the perspective of quality of the active substance, market potential and profitability,
- Ensure registration files for the selected products,
- Increase sources of income through export into the EU market.



A strategy formulated in this way requires high investments (about EUR 15 million) into a high risk and long term project of creating registration files. Such strategic commitment will certainly require significant changes in both our medium term and our operational business activities. Our production portfolio will gradually narrow down, as individual authorizations for selling of products for which we will not create registration files expire. Currently, the last selling authorizations expire in 2026.

Further development of the company in the domestic market we see in the diversification of our business in order to achieve synergy with the business activities of our customers and end-users of plant protection products. In other words, diversification will be applied only within agribusiness. Purchase of farming land and organization of agricultural production represent some of the possible forms of implementation of this strategy.

Risk management

Risk management process in our company is formally regulated by the Risk Management Programme, which is adopted by the Board of Directors. This programme defines the form and methodology of the risk management process, as well as the contents and methodology of the Risk register management. Risk portfolio included in the risk management process is designed so that the risks are classified into four main groups, according to the base model of company's targets: strategic, reporting, compliance and operational targets.

The most significant inherent risks are those which are included in the risk management process and are subject to our intensive internal controls:

- Strategic
 - Amendment of legislation in the field of production and trade of plant protection products in Serbia;
 - Entry into the EU market (registration and commercial aspects);
 - Relations with customers in the domestic market (business linking trend)
- Operational
 - Risks in the production process – technological security and reliability, occupational safety, environmental protection;
 - Risks in the application of our products – efficiency of products, safe use, environmental protection, health protection of consumers of agricultural products;
 - Collection of receivables from customers;
 - Adequate staff and key employees;
 - Financial risks.

As a significant source of independent and objective assurance, particularly as regards the issues of management of key operational risks and related internal controls, the Board of Directors considers and uses reports, findings and recommendations of the internal audit function in the implementation of processes within its competence, with the aim of improving these processes and insurance of the overall efficiency of the Company.

Financial risk management

Financial risks are reviewed on a timely basis and primarily are avoided by decreasing the Company's exposure to these risks. Established methodology of the process of financial risks management aims to reduce the potential negative impacts on the financial operations to a minimum in the situation of unpredictable financial markets.

The Company does not use special financial instruments in order to avoid the impact of financial risks on business, since such financial instruments are not widely used, nor is there an organised market for such instruments in the Republic of Serbia.

The Company's risk register identifies the following financial risks:

- Market risks
 - Foreign currency risk
 - Risk of changes in interest rates
 - Price risk
- Credit risk,
- Liquidity risk.

Exposure to currency risk is reflected in liabilities towards foreign suppliers (USD, EUR), loan liabilities, as well as cash and cash equivalents. The risks relating to the impact of changes in exchange rate of the national currency is neutralized through natural hedging of sales prices of finished goods that are adjusted according to changes in the exchange rate. In addition, risk management instruments are used such as depositing funds in



RSD with foreign currency clause, which helps to reduce the negative effect of exchange rate differences related to the depreciation of the national currency.

Exposure to changes in interest rates is analysed within the loan process in banks and free funds investments. The exposure to this risk is not significant, as the Company has a high level of liquidity, thus the revenues and cash flows are largely independent of changes in interest rates.

The greatest exposure to price risk is related to the import of raw materials and it is associated with exposure to foreign currency risk. In addition to the adjustment of sales prices of finished products, the Company implements other measures to reduce or eliminate the impact of this risk to the business, which are generally associated with long-term planning processes of procurement and contracting long term business relationship with foreign suppliers with more favorable payment terms.

Exposure to credit risk is largely related to bad debt receivables. To minimize the impact of this risk, the Company has developed a methodology for determination of credit limits on the basis that defines the level of exposure towards certain customers, as well as to identify cases where it is necessary to obtain specific collaterals from the customers.

Exposure to liquidity risk is reduced by maintaining an appropriate level of cash reserves, continuous monitoring of projected and actual cash flow, as well as by maintaining an appropriate relationship between maturity of financial assets and liabilities. This type of monitoring includes monitoring of the liabilities settlement, compliance with the terms of the contract, compliance with internally set goals, and is based on daily cash flow projections based on which decisions are made regarding the possible use of external loans for what we provide adequate bank financing sources while maintaining the level of unused credit line, so as not to exceed the credit limit allowed by banks.

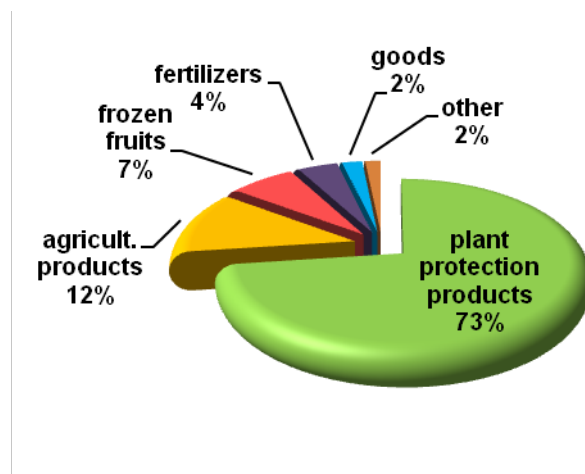
Financial risk management strategy is based on reducing their impact on the Company's financial performance. On the basis of periodic assessment of exposure to the inherent risks within this group, as well as the evaluation of existing internal controls, the Company estimates that the residual financial risks are on acceptable levels and/or that the system of internal controls related to this risk group is very efficient.

A more detailed description and analysis of the impact of individual risk within this group can be found in the notes to the financial statements, in the section Financial instruments and risk management objectives.



4 BUSINESS PERFORMANCE IN 2015

Gross sales by type of product



Sales of plant protection products

Gross sales in 2015 by application:

APPLICATION	tons	%	EUR	%
INSECTICIDES	943	25%	7,700,857	23%
HERBICIDES	2,116	57%	17,549,240	52%
FUNGICIDES	640	17%	8,248,765	24%
ADJUVANT	24	0.6%	197,138	0.6%
DDD	2	0.1%	114,955	0.3%
TOTAL	3,725	100%	33,810,955	100%

Gross sales in 2015 by brand:

BRAND	tons	%	EUR	%
OWN	3,524	95%	30,822,022	91%
PARTNERS	201	5%	2,988,933	9%
TOTAL	3,725	100%	33,810,955	100%

Gross sales in 2015 by market:

MARKET	tons	%	EUR	%
LOCAL	3,402	91%	32,192,790	95%
FOREIGN	323	9%	1,618,165	5%
TOTAL	3,725	100%	33,810,955	100%

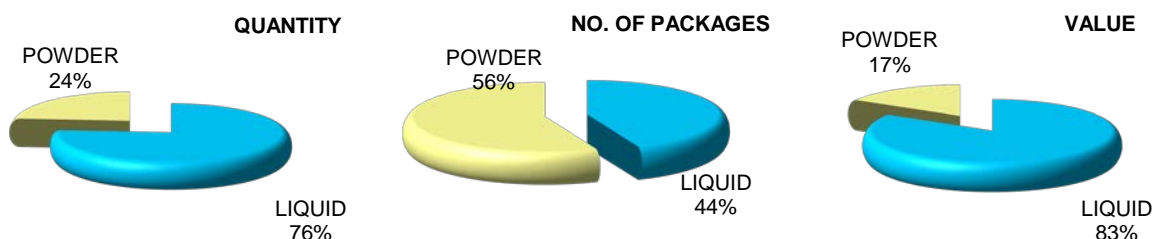


Manufacturing of plant protection products

Product range in 2015 by type of production:

Type of production	No. of preparations	%	No. of packages in thousands	%	tons	%
OWN FORMULATIONS	61	80%	7,034	90%	3,881	94%
FORMULATIONS WITH FOREIGN PARTNERS	2	3%	48	1%	50	1%
FINISHED PRODUCTS OF FOR. PARTNERS	13	17%	716	9%	191	5%
Total	76	100%	7,799	100%	4,122	100%

Product range in 2015 by product form:



Development activities

Registration of plant protection products in the domestic market

Development activities related to the domestic market include finding generic active substances which are sustainable in terms of the EU regulations and which have market potential, finding adequate sources (manufacturers), mastering the formulation of finished products based on these active substances under the laboratory conditions and preparation of necessary documents for the registration in Serbia.

Formulations for eight new products were developed in 2015, which will be under the registration process in the domestic market in 2016. We obtained marketing authorization for five new products of our brands in 2015 (or expecting to obtain very soon, before sales season 2016 starts):

- Herbicide:
Dinamit (glufosinate-ammonium 150 g/l; SL),
- Fungicides:
Azimut (prochloraz 400 g/l; EC),
Ceres (epoxiconazole 310+thiophanate-methyl 187 g/l; SC),
Lunar (kresoxim-metil 500 g/l; SC),
- Insecticide:
Galition forte (chlorpyrifos 75g/kg + cypermethrin 8 g/kg; GR).

Registration of plant protection products in the EU market

In early this year, we filed applications for registration of our three products in the Central EU registration zone:

- For two herbicides, files were submitted to the Austrian regulatory authorities in March;
- For one insecticide, two files were submitted (separately for use in greenhouses, and separately for outdoor use) to Slovenian regulatory authorities in April.

Registrations in the Central Zone re expected in mid-2016, if there is no delay in administration. This will be followed by the activity of registration of our products also in other EU member states that belong to the Central Zone, and which we specified in the application for registration as countries of interest (Hungary, Romania). For the product to be used in greenhouses there are no restrictions with respect to the registration zone, so we will immediately seek registration for it also in the countries of the Southern zone which we specified in the application for registration as countries of interest (Bulgaria, Greece).

We hope that for the sales season of 2017 to have we will have all the conditions to appear in the markets of the EU Member States with our three products.



In parallel to the activities in the Central zone, experiments were made for the purpose of registration of our three products also in the Southern registration EU zone. For two herbicides, the entire work was completed, and in December 2015, we filed applications for registration to the Greek regulatory authorities, and the registration is expected in 2017. For the third product, the insecticide, the file for outdoor use should be completed and submitted for evaluation in the autumn of 2016.

All activities related to EU registration files take place in cooperation with authorized companies from abroad. The required tests were conducted in accredited laboratories in the UK, France, the Netherlands and Germany, and experiments of biological efficacy in Greece, Bulgaria, France and Spain. Total costs on this basis in 2015 amounted to about 700,000 €.

Investment activities

In 2015, we started the earlier planned investment activity of reconstruction of the warehouse of flammable products, which is to a large extent completed. Final testing of the installed equipment are currently in progress, and this will be followed by obtaining the necessary permits and approvals. The second single most valuable investment activity was related to furnishing the laboratory for physical-chemical testing in accordance with the requirements of GLP standards.

Specification of investments in 2015:

Reconstruction of the warehouse of flammable raw materials	551,000 €
GLP laboratory equipment	303,000 €
Production equipment	158,000 €
Other equipment	193,000 €
Infrastructural works	190,000 €
<i>Total</i>	<i>1,395,000 €</i>

Investments related to production equipment were related to the overhaul and improvement of the existing production capacities, as well as the purchase of new production and laboratory equipment. Other equipment includes equipment that is not directly related to production, such as video surveillance equipment, IT equipment, freight vehicles, etc.

Environmental protection

Our company has established and certified Environmental Management System in accordance with the requirements of ISO 14001:2006 standard. This system is based on the identification of environmental aspects and defining of control procedures over any environmental impacts in order to reduce the risk to the lowest possible level.

All identified significant environmental aspects are the subject of regular monitoring and measurement, in accordance with legal regulations. Pursuant to the defined plans and programmes of monitoring in cooperation with the authorised companies, we conduct regular measurements of emissions of harmful substances into the air, ambient air quality testing, as well as wastewater testing.

Aim of the systematic approach in this area is to enable monitoring and measurement in a controlled manner in order to monitor the impact of environmental protection, control over operations and compliance with general and specific objectives, not only in the area of environmental protection, but also occupational safety and health and fire protection.

EMAS registration

As a part of the project "Law enforcement in the field of control of industrial pollution, prevention of chemical accidents and implementation of the EMAS system" which was funded by the EU, and implemented by the Ministry of Agriculture and Environmental Protection of the Republic of Serbia, our company was one of three Serbian companies, which were selected to participate in the project. The main objective of the project is to prepare the company for the introduction and registration of the environmental management system in accordance with EU Regulation 1221/2009 EMAS III. There is not any company in our country which has EMAS, nor is there an institutional framework for the registration in the country.

As a new experience, but also as a challenge, this was an opportunity to improve already existing system of environmental protection management. Specific improvements were achieved in the field of identification of aspects, especially indirect aspects, defining and monitoring of environmental indicators, monitoring of EU legislation etc.



We plan to have our EMAS system verified, when all preconditions are met, by the assessor from Austria. First, it is necessary that Austria adopts legislation that prescribes EMAS registration in countries that are not EU members. A precondition for verification is also the amendment of our Law on Environmental Protection to formalize and define the role of our Ministry in the verification process.

Protection from chemical accidents

In accordance with the prescribed criteria relating to the type and quantity of hazardous materials with which we operate, our company is classified as a SEVESO operator of a higher order, so we were obliged to produce documents relating to the establishment of a system for the management of protection against chemical accident (Safety Report and Accident Protection Plan). In January 2014, as the first SEVESO operator in Serbia to fulfill its legal obligations on this basis, we received the approval from the competent Ministry for the mentioned documents.

For the purpose of control and reducing the risk of chemical accidents, defined measures of prevention are being carried out, monitoring and analysis of the situation, managing changes that may lead to increased risk, as well as regular education of employees through trainings and exercises - simulations of chemical accidents.

Waste management

In the production process we generate a significant amount of non-hazardous and hazardous waste which is managed in accordance with the adopted Plan of waste management. This plan enables the proper waste management, which includes identification of waste types, method and place of its generation. Each type of waste is treated in accordance with its characteristics. The basic principle is that waste is sorted at the source. Non-hazardous waste is separately collected and recycled and hazardous waste is disposed of in an adequate manner in cooperation with the authorized operators.

In 2015 we recycled approx. 14 tonnes of non-hazardous process waste. We also disposed of approx. 55 tonnes of hazardous process waste, which was exported to treatment (incineration), since in Serbia there is no facility for this purpose.

Management of packaging waste

Indirect aspect and/or environmental impact of waste management is very important for all companies which are involved in the production and in the placement of plant protection products.

Our company generates a significant quantity of packaging in the Serbian market, mainly through shipment of finished products, thus the company recognized its role in solving this problem and founded the company ENVIPACK d.o.o. in order to establish the system for controlled collection and management of packaging waste from the plant protection products throughout the country.

In 2015 ENVIPACK collected from the end-users and disposed of 29.4 tons of empty containers issued by our company. 31 tons of packaging materials for the production of PPPs were disposed from the location of our company ENVIPACK in 2015.

Specification of direct costs related to environmental protection in 2015:

Monitoring and measurement of environmental aspects	5,000 €
Export of hazardous waste for incineration	36,000 €
Disposal of packaging waste from the field and location	78,000 €
Regular fee for packaging waste management	4,000 €
<i>Total</i>	<i>123,000 €</i>

Significant transactions with related parties

During 2015, there were no significant transactions with related parties.



Operation of Cold Storage Division

We have been processing frozen fruit, mainly raspberry since 2007, when we bought the cold storage from the previous owner in the village Stupčevići, Municipality of Arilje.

The area surrounding Arilje (western Serbia) is famous for its quality raspberry, with an average yield far above both Serbian and European average. Current storage capacity of cold storages within this area equals about 30,000 tons, far above the production capacity (about 15.000 tons), which is why the competition for raw materials is strong and often unfair. Season for procurement of fresh raspberries in this area starts by mid June and ends in about 45 days.

Our cold storage has two chambers, with a total storage capacity of about 440 tons of frozen fruit and two tunnels for freezing fresh fruit with a total capacity of about 20 tons/ 24h. Procured quantities are frozen and processed, most often in the form of "rollend" variety of raspberry (whole, undamaged berries) and "crumble" variety (ground frozen raspberry). Almost all of the processed products are exported to West European markets.

Raspberry yield in Serbia in 2015 was higher than the yield of 2014, by about 30% according to expert estimates. Exceptionally dry summer reduced the yield, but had positive influence on the quality of raspberries, i.e. the percentage of the whole fruit in the total quantities of frozen raspberries. Better quality led to the increase in purchase prices compared to 2014, and in export to the increase in the sales price of crumbled and whole fruit.

Unlike previous several years (2012 - 2014), when we financed the purchase and processing of raspberries in the refrigerator car outside the territory of the Municipality of Arilje and in that way significantly increased revenues from the sale of frozen fruits, in 2015 we did not continue this practice because we estimated that earnings in this business would not be satisfactory. In 2015, we purchased 392 tons of raspberries, which is 3.5 times less than the quantities purchased last year. By the end of 2015 calendar year, we sold (exported), about 40% of the fruit, while the rest will be realized by the beginning of the new purchase season (June 2016).

If the business year is viewed as a period from June of one year to May of next year, our cold storage revenues from sales of frozen fruit in last five years (in €) are as follows:

	2011	2012	2013	2014	2015*
Raspberry	580.000	1.665.000	1.830.000	2,922,000	1,224,000
Other fruits	5.000	35.000	250.000	58,500	13,000
<i>Total(€)</i>	<i>585.000</i>	<i>1.700.000</i>	<i>2.080.000</i>	<i>2,980,500</i>	<i>1,237,000</i>

For 2015 we have given revenue projections, since the sale of the available quantities still has not been finished.

Agricultural production

We based the agricultural production for the yield of 2015 on our 655 ha of agricultural land in Ugrinovci and Bečmen, as well as the additional 621 ha on which we agreed joint production with our partners (mainly seed production). As in previous years, our range of agricultural products included seed wheat and mercantile wheat, mercantile corn and mercantile sunflower.

Weather conditions in 2015 were extremely unfavorable for corn, and favorable for wheat. By the end of 2015 calendar year, we sold all the sunflower and corn yield, while around 97% of the available quantity of mercantile wheat and around 11% of seed wheat have remained in stock. The table below shows the income from the sale of agricultural products of 2015 yield (with the projection of revenues for the unsold quantities of wheat):

	ha	Yield	Revenues RSD
Mercantile wheat	335	5.8	34,620,000
Mercantile sunflower	290	2.0	23,190,000
Mercantile corn	58	2.9	2,700,000
Seed wheat	593	7.0	178,620,000
Total	1,267		239,620,000



Operation of ENVIPACK

ENVIPACK, a limited liability company, operates as an operator with the integral license for collection and transportation of hazardous and non-hazardous waste. The company was founded in 2012 and it is 100% in our ownership. Since we generate a significant amount of packaging waste annually (mostly through sold finished products – plant protection products), and since in Serbia there was not any operator who was involved in disposal of this waste, we decided to found a company which would offer a systematic solution to this problem.

In order to establish an efficient system for collection and disposal of packaging waste from the plant protection products, ENVIPACK defined the ECO model, which is based on the proper waste management in all phases of its use by all participants in the application chain of plant protection products (importers, producers, end-users). The starting point of the ECO model is the legislation, but also experience and recommendations of the EU and neighbouring countries were used.

The ECO model is based on the procedure of triple-rinsing of containers during use, with the aim of maximum utilization of products. Through this procedure the packaging is transferred from hazardous into non-hazardous waste. Disposal of hazardous waste is much simpler and it may be organized in our country, therefore the management of this type of waste is cheaper. The effectiveness of the procedure of triple-rinsing of used containers of various plant protection products was confirmed by the Study which was done in cooperation with the Public Health Institute Belgrade.

The basic objectives of ENVIPACK are as follows:

- Establishment of a large number of collection sites and their furnishing with container or special bags for collection of waste packaging,
- Collection of maximum quantity of generated packaging waste,
- Increase of percentage of rinsed containers in the total amount of collected waste,
- Raising environmental awareness of all participants in the chain.

The established system enables all manufacturers, importers and distributors of plant protection products to meet legal obligations and meet their customers' needs regarding the transportation of packaging waste. Moreover, this system enables a specific solution for packaging waste management to the end-users of products i.e. farmers.

The results achieved in 2015:

- increase in the number of locations for collection of PPPs waste packaging (from 88 in 2014 to 128 in 2015),
- increasing number of clients for collection of PPPs waste packaging (from 17 in 2014 to 28 in 2015),
- increasing number of clients for the disposal of waste from other industries (from 10 in 2014 to 13 in 2015).

The total amount of collected and disposed waste in 2015 was approx. 301 tonnes, which is 57% more than in 2014, when a total of 191.6 tonnes of waste was disposed. The structure of collected and disposed waste in 2015:

- 69.4 t of PPPs packaging waste on collection locations (an increase of 6.6% compared to 2014),
- 48.8 t of packaging waste of raw materials for the production of PPPs - industrial packaging waste (increase of 96% compared to 2014),
- 145 tonnes of waste from other industries (rubber, paints and varnishes, pharmaceutical, food, etc.) which is an increase of 68% compared to 2014, when 86.3 tonnes of waste from other industries were disposed,
- 37.6 tonnes of non-hazardous waste (paper, metal, plastics).

Based on the results, ENVIPACK provided the system development, achieved the stability as a provider of waste management and recognition in the field.

**5 FINANCIAL PERFORMANCE IN 2015****BALANCE SHEET**

(in EUR)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS			
(PP&E)	16.033.752	15.067.985	15.562.813
Intangible assets	42.400	38.429	22.927
LT financial placements	152.735	141.144	2.169.013
<i>Fixed assets</i>	<u>16.228.887</u>	<u>15.247.558</u>	<u>17.754.753</u>
accrued revenues	409.548	565.231	484.541
Inventory and advanced payments	12.829.837	12.132.849	12.909.508
Receivables	2.882.455	4.478.194	4.019.074
ST financial placements	10.225.656	15.494.646	14.739.673
Cash and cash equivalents	4.023.603	2.276.286	2.308.271
<i>Current assets</i>	<u>30.371.099</u>	<u>34.947.206</u>	<u>34.461.066</u>
<i>Deferred tax assets</i>	196.576	210.083	211.094
Total assets	<u>46.796.562</u>	<u>50.404.847</u>	<u>52.426.913</u>
Off-balance sheet assets	<u>1.399.031</u>	<u>2.386.255</u>	<u>3.421.539</u>

Sales policy in 2015 has resulted in a more efficient collection of receivables compared to 2014. Despite higher invoiced turnover in 2015, total receivables, including those impaired, were lower by EUR 1,06 million (12%) compared to 2014.

Short-term investments related to fixed-term dinar and foreign currencies.



(in EUR)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
EQUITY AND LIABILITIES			
Shareholders' equity	15.517.484	14.965.986	29.082.403
Other equity	0	0	0
Reserves	7.524.981	7.257.540	6.904.172
Revaluation surplus	242.167	233.390	213.049
Un-realized gains on shares trading	0	0	0
Un-realized gains on shares trading	27	26	25
Retained earnings	17.357.918	21.487.597	11.991.629
<i>Equity</i>	<u>40.642.522</u>	<u>43.944.487</u>	<u>48.191.229</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	1.220.238	2.399.468	3.133.291
ST financial liabilities	3.744.941	2.949.551	0
Tax payable	427.791	231.923	305.037
Other ST liabilities	761.069	879.418	797.356
Current (ST) liabilities	<u>6.154.040</u>	<u>6.460.360</u>	<u>4.235.684</u>
<i>Liabilities and reserved funds</i>	<u>6.154.040</u>	<u>6.460.360</u>	<u>4.235.684</u>
Total equity and liabilities	<u>46.796.562</u>	<u>50.404.847</u>	<u>52.426.913</u>
Off-balance sheet liabilities	<u>1.399.031</u>	<u>2.386.255</u>	<u>3.421.539</u>

At the Annual General Meeting, held on 26 June 2015, it was decided to increase the share capital of the Company by an amount of RSD 1,755,600,000 (100%). The capital increase was carried out from own resources, converting the retained profit to equity. 1,320,000 pieces of shares on the account of the capital increase, and they were distributed to the shareholders of the Company free of charge, so that one share of new issue was added to every existing one share owned by the shareholder on the dividend day (26 June 2015).

Operating liabilities have increased due to the different dynamics of procurement of raw materials and goods, as well as non-implemented compensation with our customers.

Other current liabilities - mostly relating to liabilities towards employees for the payment of bonuses, which was completed in January 2016.

**Profit and loss account**

	(in EUR)		
	2013	2014	2015
OPERATING REVENUES			
Sales	28.819.554	30.601.657	31.177.551
Other operating revenues	349.382	643.420	575.709
<i>Total operating revenues</i>	<i>29.168.936</i>	<i>31.245.077</i>	<i>31.753.260</i>
OPERATING EXPENSES			
Cost of goods sold (COGS)	4.108.076	3.767.105	3.535.957
Cost of material	12.404.671	12.705.966	14.255.488
Change in inventory value	-1.408.904	614.666	-1.218.145
Salaries/Other personal expenses	3.219.127	3.108.230	3.252.033
Amortization expense	727.543	666.718	612.501
Other operating expenses	3.052.355	3.511.048	4.024.143
<i>Total operating expenses</i>	<i>22.102.868</i>	<i>24.373.732</i>	<i>24.461.977</i>
OPERATING PROFIT	7.066.068	6.871.345	7.291.283
Other revenues	4.727.715	4.954.487	4.859.698
Other expenses	4.346.195	4.653.513	4.196.946
Earnings before tax (EBT)	7.447.588	7.172.319	7.954.036
Tax	735.092	715.505	798.151
NET PROFIT	6.712.496	6.456.814	7.155.885

PROFIT STRUCTURE	IN EUR			
	2013	2014	2015	15 / 14
Gross profit	14.109.711	14.217.982	15.232.497	107%
Gross profit margin	48%	46%	48%	
Operating profit	7.066.068	6.871.342	7.291.283	106%
Operating profit margin	24%	22%	23%	
EBITDA	7.793.611	7.538.060	7.903.784	105%
EBITDA margin	27%	24%	25%	
EBT	7.447.588	7.172.315	7.954.036	111%
Net profit	6.712.496	6.456.814	7.155.885	111%

Income from the sale of the most profitable segment of our portfolio, plant protection products, increased by 2% compared to last year. The growth was mainly achieved on products that are our own brand, which caused a significant increase in gross profit, as well as profitability.

Given the pronounced strengthening of the exchange rate of USD against RSD in 2015, and the fact that a significant part of the raw materials for the production of plant protection products is linked to this currency, was expected drop in profitability, i.e. bigger increase in material costs. This did not happen for two reasons – one is a decrease in purchase price in USD, and the second is related to the dynamics of the import of raw materials for production and method of calculation of the accounting costs. Namely, much of the raw materials used in the production of the products sold in the 2015 season had been purchased in the last quarter of 2014, when the exchange rate of RSD against USD was far more favorable.

We expect that the effects of the exchange rates from 2015 will have a negative impact on profitability in 2016, because we are not able to increase sales prices to the extent that would neutralize this influence.

**Structure of income and expenses**

REVENUES STRUCTURE	IN EUR						
	2013	%	2014	%	2015	%	15/14
OPERATING REVENUES	29.168.936	86%	31.245.077	87%	31.753.260	87%	102%
Sales revenues	28.819.554		30.601.657		31.177.551		102%
<i>plant protection products</i>	21.187.208		22.438.963		22.946.780		102%
<i>cold-storage</i>	2.504.727		2.670.256		2.206.393		83%
<i>agriculture</i>	546.621		1.461.153		2.037.301		139%
<i>goods</i>	4.580.999		4.031.286		3.987.077		99%
Other operating revenues	349.382		643.420		575.709		89%
FINANCIAL REVENUES	1.074.406	3%	1.969.021	5%	899.987	2%	46%
Interests received	488.824		496.368		489.883		99%
Exchange rate changes & Currency clause	568.939		1.458.647		408.853		28%
Other financial revenues	16.644		14.006		1.251		9%
ASSETS VALUATION ADJUSTMENTS	0		0		0		
OTHER REVENUES	3.653.309	11%	2.985.465	8%	3.959.711	11%	133%
Property and equipment sale & Surpluses	8.812		22.394		93.678		418%
Revenues from previous years	3.525.658		2.893.927		3.797.924		131%
Other revenues	118.838		69.144		68.109		99%
TOTAL REVENUES	33.896.651	100%	36.199.564	100%	36.612.959	100%	101%

Revenues from sales of frozen products were lower than expected last year, because of the lack of financing activity of purchasing raspberries together with other cold-storages.

Revenues from sales of agricultural products grew thanks to higher yield of seed wheat.

Under other operating revenues, the dominant revenue is from services production and repackaging of plant protection and plant nutrition products (EUR 331.000).

Contrary to 2014, when the sudden weakening of RSD against EUR and USD caused high values of income from exchange rate differences and effects of currency clause, in 2015 the situation with the movement of foreign exchange rates was more stable. For this reason, financial income was significantly lower than last year.

In 2015 written-off receivables from customers were collected in a significantly greater extent compared to 2014. The first reason lies in the fact that at the end of 2014, much higher amount of receivables was impaired than at the end of 2013, so it was natural that the amount collection of these receivables was higher. Another reason lies in the fact that some of the residual compensations from previous years were carried out.



EXPENSES STRUCTURE	IN EUR						
	2013	%	2014	%	2015	%	15/14
OPERATING EXPENSES	22.102.868	84%	24.373.732	84%	24.461.977	85%	100%
Cost of material	12.404.671		12.705.966		14.255.488		112%
Cost of goods sold (COGS)	4.108.076		3.767.105		3.535.957		94%
Income from the use of own products	44.619		60.653		52.538		87%
Change in inventory value	-1.408.904		614.666		-1.218.145		
Other materials	171.695		171.406		239.579		140%
Fuel and energy costs	331.634		282.398		263.325		93%
Salaries, contributions	3.219.127		3.108.230		3.252.033		105%
Production services	2.073.682		2.528.694		2.908.100		115%
Amortization expense	727.543		666.718		612.501		92%
Immaterial costs	519.963		589.203		665.677		113%
FINANCIAL EXPENSES	304.339	1%	318.799	1%	390.764	1%	123%
Interests paid	51.106		99.364		75.729		76%
Exchange rate changes & Currency clause	253.233		219.435		315.035		144%
Other financial expenses	0		0		0		
IMPAIRMENT COSTS	4.010.027	15%	4.221.464	15%	3.630.356	13%	86%
Impairment of LT financial investments	164.562		0		7.985		
Impairment losses	3.845.465		4.221.464		3.622.371		86%
OTHER EXPENSES	31.829	0%	113.251	0%	175.826	1%	155%
Disposals & Deficits	5.091		45.181		93.123		206%
Other expenses	26.738		68.070		82.703		121%
TOTAL EXPENSES	26.449.063	100%	29.027.245	100%	28.658.923	100%	99%

The growth of raw materials costs and increase in the cost of productions services have dominant influence on the growth of operating expenses.

Cost of materials grew in the segment of plant protection products, mainly due to increased production, and to a smaller extent due to the rise of input prices of raw materials. Despite the significant drop in the exchange rate of RSD against EUR and USD, the average input RSD prices did not grow as much, because we achieved at the average lower purchase prices in foreign currency.

Production services grew significantly in 2015, largely due to increase in the cost of services related to agricultural production. Unexpectedly large yield on third party production of wheat seed has caused the increase in the cost of production of services, which are contracted per unit of realized yield. In addition to these, costs of registration of plant protection products also increased significantly (mostly because of the EU registrations), as well as marketing costs.

The claim that in 2015 we had a better collection of trade receivables is also reflected in the amount of impaired receivables. Unlike in 2014, when we wrote off 13.8%, in 2015, we wrote off 11.6% revenues generated from sales (EUR 599.000 less than in 2014).

**Ratio analysis**

No.	RATIO	CALCULATION	2013	2014	2015
1	Return on equity (ROE)	$\frac{\text{Net profit}}{\text{Shareholders' equity}}$	16,5%	14,7%	14,8%
2	Return on Assets (ROA)	$\frac{\text{Net profit}}{\text{Total Assets}}$	14,3%	12,8%	13,6%
3	Equity to equity and liabilities	$\frac{\text{Equity+long-term provisions}}{\text{Total equity and liabilities}}$	86,8%	87,2%	91,9%
4	Total debt to equity and liabilities	$\frac{\text{Total debt}}{\text{Total equity and liabilities}}$	13,2%	12,8%	8,1%
5	Long-term debt to total equity and liabilities	$\frac{\text{Equity+LT provisions+LT debt}}{\text{Total equity and liabilities}}$	86,8%	87,2%	91,9%
6	Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	4,94	5,41	8,14
7	First liquidity ratio	$\frac{\text{Cash}}{\text{Short-term Liabilities}}$	0,65	0,35	0,54
8	Second liquidity ratio	$\frac{\text{Current assets - inventory}}{\text{Current Liabilities}}$	2,85	3,53	5,09
9	Net current assets (in 000 EUR)	Current assets - Current Liabilities	24.217	28.487	30.225
10	Net current asset turnover	$\frac{\text{Operating income}}{\text{Net current assets}}$	1,20	1,10	1,05
11	Receivables turnover ratio (RT)	$\frac{\text{Total net sales}}{\text{Receivables}}$	8,67	8,43	7,45
12	Receivables turnover days (RTD)	$\frac{\text{Days in the year}}{\text{Receivables turnover}}$	42	43	49
13	Inventory turnover ratio for produced goods (IT)	$\frac{\text{Cost of goods sold}}{\text{Inventory}}$	1,52	1,81	1,86
14	Inventory turnover days ratio for produced goods (ITD)	$\frac{\text{Days in the year}}{\text{Inventory turnover}}$	242	202	197
15	Inventory turnover ratio for other goods (IT)	$\frac{\text{Cost of goods sold}}{\text{Inventory}}$	4,68	5,94	5,19
16	Inventory turnover days ratio for other goods(ITD)	$\frac{\text{Days in the year}}{\text{Inventory turnover}}$	78	62	71



6 SHARES OF GALENIKA - FITOFARMACIJA A.D.

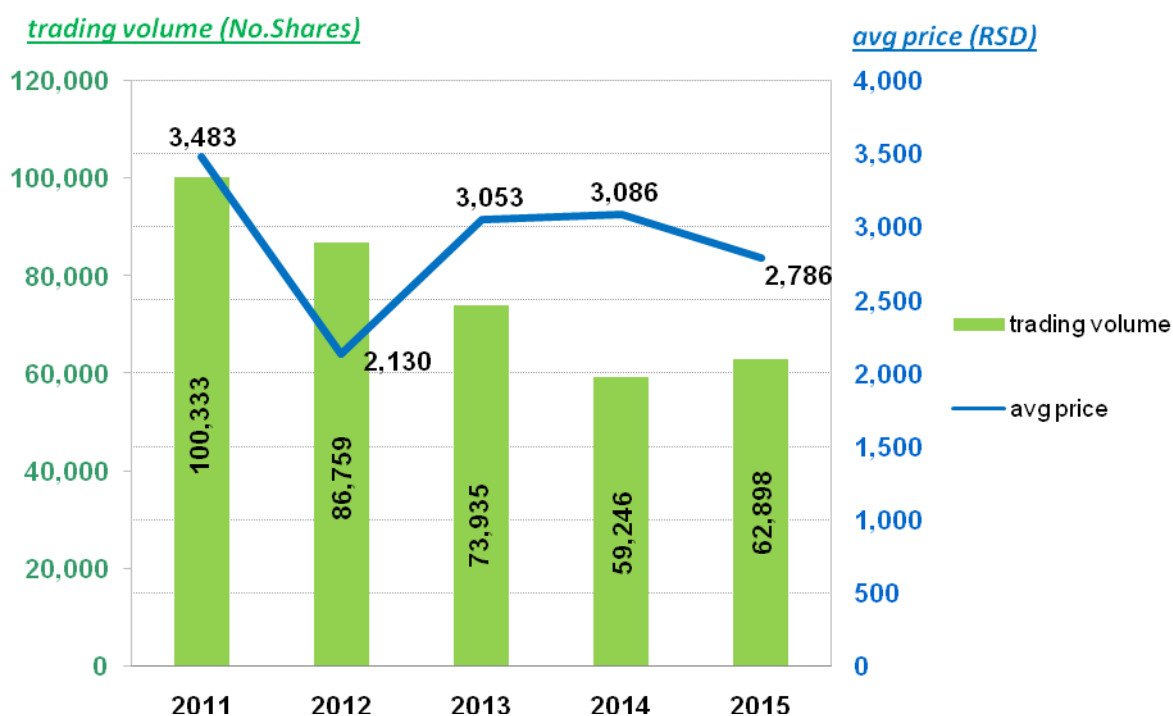
Share capital of Galenika Fitofarmacija a.d. is divided into 2.640.000 ordinary shares (BELEX: FITO), with RSD 1.330,00 par value.

FITO shares have been traded on the Belgrade Stock Exchange since 2001, firstly based on the prevailing price method, and then from 2005 based on the continuous method.

Based on the decision of the General Meeting from 28 October 2011, split of the shares was carried out in November 2011, so that each of the earlier 440,000 shares with a nominal value of RSD 2,660 was replaced by two new shares with a nominal value of RSD 1,330. This has changed the values of all the historical statistical data and indicators that are directly related to the number of shares, and which refer to the years before 2011.

Share trading statistics in last five years

	Price per share (RSD)			Trading volume		At December 31		Market capitalization at Dec 31 (EUR)
	max	min	avg	shares	RSD	No. Shares	price(RSD)	
2011	4,150	1,500	3,483	100,333	349,480,960	1,320,000	1,820	22,958,518
2012	2,820	1,820	2,130	86,759	184,774,906	1,320,000	2,500	29,018,642
2013	3,300	2,350	3,053	73,935	225,750,925	1,320,000	2,961	34,093,235
2014	3,750	2,550	3,086	59,246	182,839,914	1,320,000	3,321	36,241,581
2015	4,990	1,950	2,786	62,898	175,230,139	2,640,000	2,375	51,551,435



**Indicators**

INDICATOR NAME	DESCRIPTION	dec.31, 2013	dec.31, 2014	dec.31, 2015
EPS Earnings per share	Earnings per share (RSD)	575,33	573,81	327,25
PE Price-earings ratio	Share market price / earnings per share	5,15	5,79	7,26
PB Price-book value	Share market price / ABV	0,85	0,85	1,08
ROE Return on equity	Return on equity	16,52	14,69	14,85
ABV Adjusted book value	in RSD	3.483,46	3.905,27	2.203,89
Market capitalization	in 000 RSD	3.908.520	4.383.720	6.270.000

Dividend paid in last ten years

Date of Shareholders meeting	For year	RSD / share	Total		new issue
			RSD	EUR	
June 23, 2006	2005	67.5	53,592,985	619,644	
June 22, 2007	2006	67.5	53,621,595	658,587	0.10
June 20, 2008	2007	67.5	59,400,000	741,911	
June 23, 2009	2008	72.5	63,800,000	684,874	
June 18, 2010	2009	114	100,320,000	967,176	
June 17, 2011	2010	140	123,200,000	1,218,201	
October 28, 2011					0.50
June 25, 2012	2011	145	191,400,000	1,678,843	
June, 28, 2013	2012	160	211,200,000	1,849,849	
June, 26, 2014	2013	152	200,640,000	1,736,011	
June, 26, 2015	2014	152	200,640,000	1,666,657	1.00

Dividend in RSD is stated in gross amount.

The column „new issue" is referring to the increase of capital from Company's own resources, by converting part of the retained earnings into the share capital and by issuing new shares without a public offer, for distribution to existing shareholders. Expressed as a number of newly issued shares per existing share.



7 BUSINESS PLAN FOR 2016

Our long-term business policy, whose main characteristics are consistent, systematic and serious business approach, has led to the fact that we are now one of the few successful manufacturing companies in Serbia, which is in its business philosophy and strategy of the leading domestic companies. Such a way of doing business we intend to continue in the coming years. Our policy will be based on the full responsibility of the users of our products, partners, employees, shareholders, government authorities and all other stakeholders.

In accordance with our strategy, we have defined the main business directions in which our operations will be conducted:

- “European direction” - providing the prerequisites for our appearance in the EU market of plant protection products.
- “Local direction” – further improvement of business efficiency in the primary area of operations.
- Further expanding of subsidiary activities, As a support to business activities in the “local direction”.

In 2016, we expect to obtain registrations in the Central EU registration zone for our three products, two from Austrian and one from Slovenian authorities. For these three products, we simultaneously prepared the registration documentation necessary for the registration in the Southern EU zone, whereby two files were submitted to Greek authorities at the end of 2015, and for the third product we are planning to submit the application in the autumn of 2016. We expect the first registrations in the Southern EU registration zone in 2017. In 2016, we plan to start the preparation of the registration documents in accordance with the EU criteria for at least another new product.

For the upcoming year, we also plan activities on finding adequate business partners in the EU member states of interest.

Significant planned activity within the “European course” for the year 2016 is also the certification of our Laboratory for physical - chemical testing in accordance with GLP standards, for the testing of technical materials. The certification is planned for April 2016, and shall be carried out by the Accreditation Board of the Slovak Republic (SNAS).

For the season of 2016, we plan an increase in sales of plant protection products in the local market by 7.5%, primarily in the group of our own brands. Given the general situation in Serbian agriculture, this plan is ambitious and its realization would be a challenge for us. Also, the big challenge will be maintaining the profitability of our portfolio, given the competition in the market, movements in exchange rates and increasing costs of logistics.

The organization of agricultural production is an activity that naturally arises as a solution to achieve additional connection with the business activities of our customers who are directly related to agricultural production (large agricultural farms, organizers of agricultural production). Besides basing of agricultural production on our 655 ha, regular planned activity also includes contracting and joint production of seed wheat with our business partners who have their own agricultural land.

In order to further strengthen the primary business segment, we also plan further development of trade activities, through the representations and / or distribution of raw materials for agricultural production, primarily for plant nutrition products and seeds.

Operating plan

Our business year lasts from September of the previous year until August the following year. That is why our plans for a calendar year have always had an element of uncertainty in planning for period September – December of the following year, because it directly depends on realization of sales in a season. In this plan, period September – December 2016 was planned under the assumption that sales plan for 2016 season has been achieved, i.e. that in September 2016 there is no stock of finished products to be carried forward into season 2017, but that everything needs to be produced.

There is a high probability that the production plan for period September – December 2016, and therefore the plan of respective costs, will undergo significant changes when it is finally defined, in July 2016.



Item	2014	2015	plan 2016	16/15
I. OPERATING REVENUES	31,245,077	31,753,260	32,741,044	103%
1. Sales of goods	4,260,933	4,090,305	5,016,017	123%
2. Sales of products	26,340,724	27,087,246	27,526,614	102%
3. Services rendered	421,351	336,619	0	0%
4. Other operating revenues	222,069	239,090	198,413	83%
II. OPERATING EXPENSES	17,027,085	16,520,763	17,763,941	108%
1. Costs of goods sold (COGS)	3,767,101	3,535,957	4,430,761	125%
2. Costs of raw material	12,705,972	14,255,488	12,510,180	88%
3. Income from the use of own products	60,653	52,538	34,278	65%
4. Change in inventory value	614,666	-1,218,145	857,278	
III. GROSS PROFIT	14,217,992	15,232,497	14,977,102	98%
IV. OTHER OPERATING EXPENSES	7,346,646	7,941,214	8,089,625	102%
1. Costs of other material	171,402	239,579	205,612	86%
2. Costs of fuel and energy	282,394	263,325	283,009	107%
3. Salaries / Other personal expenses	3,108,236	3,252,033	3,528,147	108%
4. Costs of production services	2,528,693	2,908,100	2,667,989	92%
5. Amortization expense	666,715	612,501	626,867	102%
6. Non-production costs	589,206	665,677	778,000	117%
V. OPERATING PROFIT	6,871,346	7,291,283	6,887,477	94%

The planned increase in sales revenue in 2016 is by 3%, and the structure is as follows:

- *Finished products in the local market*, 2.75 billion dinars. Revenue growth of 7.5% (RSD 194.5 million) is mainly planned on the products of our own trademark.
- *Finished products in the international market*, worth € 1.3 million.
- *Revenue from the sale of agricultural products* in the amount of 250 million dinars. This group includes agricultural products from our country, as well as the products that are the result of joint production with our partners (mercantile goods and seeds). This revenue is planned on the basis of the value of unsold goods from the yields of 2015 as of 31 December 2015, and the assumption that all agricultural products generation of the yields of 2016 will be sold by the end of the calendar year.
- *Revenue from sales of cold storage*, in the amount of € 1 million. These revenues have the greatest negative effect on the overall value of planned revenues, because the planned value was by € 1 million (46%) lower than the revenue generated in 2015.
- *Revenue from sales of goods* in the amount of 606 million RSD. This group of products also includes merchandise that we place in the market as representatives or distributors (plant nutrition products and seeds), as well as various types of commercial goods that we purchase in compensation deals, in order to collect our receivables.

Costs of raw materials, as well purchase value of goods sold, are planned on the basis of known values or estimates of purchasing prices of raw materials and goods, as well as on the basis of the assessment of the exchange rate of RSD against EUR and USD in 2016.

Change of value of inventory has been estimated based on the structure of the planned sales and production in 2016 and it will be subject to change, especially in the last quarter, when the final production plan for this period will be defined.

Other operating expenses have been planned in proportion to the volume of production and sales, as well as the expected inflation for 2016. The most important items in this group of costs are salaries (340 million RSD); production services for agricultural production (105 million RSD); research and product registration services (86 million RSD) and marketing services (49 million RSD).

Scenario analysis

Risks that may adversely affect the financial plan for 2016 are mainly those from the group of operational risks (failed sales plan, inadequate pricing, foreign currency risk, bad debt).

The most significant impact on our business is certainly a failed sales plane of plant protection products in the domestic market, as well as the reduction of sale prices for this group of products due to the competitive pressure. The text below shos the illustrative impact of these two risks.

Option I

This option considers the plan achievement regarding domestic sales of pesticides in 90% value and quantity scope.

Option II

This is the most pessimistic option – it considers achievement of the Option I scenario and average net prices 5% lower than the planned ones.

Item	plan 2016	option I	opt I / plan	option II	opt II / plan
I. OPERATING REVENUES	32,741,044	30,447,120	93%	29,414,857	90%
1. Sales of goods	5,016,017	5,016,019	100%	5,016,019	100%
2. Sales of products	27,526,614	25,232,687	92%	24,200,424	88%
3. Services rendered	0	0		0	
4. Other operating revenues	198,413	198,413	100%	198,413	100%
II. OPERATING EXPENSES	17,763,941	16,484,468	93%	16,484,468	93%
1. Costs of goods sold (COGS)	4,430,761	4,430,759	100%	4,430,759	100%
2. Costs of raw material	12,510,180	12,510,180	100%	12,510,180	100%
3. Income from the use of own products	34,278	34,274	100%	34,274	100%
4. Change in inventory value	857,278	-422,197		-422,197	
III. GROSS PROFIT	14,977,102	13,962,651	93%	12,930,388	86%
IV. OTHER OPERATING EXPENSES	8,089,625	8,089,629	100%	8,089,629	100%
1. Costs of other material	205,612	205,611	100%	205,611	100%
2. Costs of fuel and energy	283,009	283,013	100%	283,013	100%
3. Salaries / Other personal expenses	3,528,147	3,528,151	100%	3,528,151	100%
4. Costs of production services	2,667,989	2,667,991	100%	2,667,991	100%
5. Amortization expense	626,867	626,864	100%	626,864	100%
6. Non-production costs	778,000	777,999	100%	777,999	100%
V. OPERATING PROFIT	6,887,477	5,873,023	85%	4,840,760	70%

The said variant of business result should be taken as a rough illustration of influence of risk factors on company's operating results. It is certain that, in case some of the identified risks should materialize, we would change our business policy in accordance with market conditions, and in this way try to minimize negative influences on our operations.



8 CURRENT OPERATIONS IN 2016

As of the date of this report, our operations were conducted within the scope of planned activities.



III STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF ANNUAL REPORT



Financial Report 2015, 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 2015, 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.

Head of Financial and Accounting Division,
B.SC.Ecc. Gordana Arlov

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 REPORT
(NOTE)**

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



Note:

The Annual Report was approved by Board of Directors, on meeting held on April 22, 2016.

The Annual 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 2015 and a decision on profit distribution for 2015 after the date of the General Meeting.

Head of Financial and Accounting Division,
B.SC.Ecc. Gordana Arlov

Chief Corporate Affairs Officer,
M.Sc. Slavica Pekovic

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