



65 YEARS' TRADITION

THE LARGEST SERBIAN MANUFACTURER OF PLANT PROTECTION PRODUCTS

MEMBER OF THE EUROPEAN CROP CARE ASSOCIATION (WWW.ECCA-ORG.EU)

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 product was manufactured - Monosan
1965	First export to a foreign market (1,000 tonnes of Tritox, powder insecticide, exported to Russian market)
1966	Manufacturing performed at FEMOS site in Novi Beograd was 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	Subsidiary 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.
2016	First EU registrations were obtained for plant protection products Laboratory for physical and chemical testing was certified for its established quality system according to the OECD Principles on Good Laboratory Practice (GLP).
2017	First sales of EU registered products on foreign markets Completed first GLP study for sponsor from EU.
2020	Agromarket d.o.o. Kragujevac became majority shareholder of the Company (82.96%). Board of Directors structure changed to five members.



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1 ABOUT US

General information

Company name:	GALENKA – 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, 2020
Number of issued shares:	2.640.000 (ordinary); ISIN No: RSFITOE21521; CFI code: ESVUFR; BELEX: FITO
Number of own shares:	None
Branches	None
	ENVIPACK d.o.o., Belgrade, ID No 20801115, Activity Code 7022 Consultancy activities in connection with business and other management
Subsidiaries:	GALENKA-FITOFARMACIJA d.o.o., Brezovica pri Ljubljani, Slovenia; ID No 6813313000; Activity Code 46.900 Non-specialized wholesale HOLDING GALENIKA d.o.o., Belgrade, ID No 07092920, Activity code 6820 Renting of own or leased real estate and management thereof.
Auditor:	UHY REVIZIJA d.o.o., Belgrade, ID No.: 17082175

Company Management

Non-executive directors	Dusan Mojsilovic, chairman, owner of the Agromarket d.o.o. Mirjana Bogicevic, independent director Nikola Mojsilovic
Executive directors	Dragan Nenadovic, CEO, owner of 6,79% of the Company shares Slavica Pekovic, Executive Director

Company Secretary: Bojana Mitic



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 on December 31st 2020:

No. of shareholders by share in capital	No. of entities		No. shares		% of total issued	
	local	foreign	local	foreign	local	foreign
0% to 5%	745	34	269,248	6,870	10.20%	0.26%
5% to 10%	1		173,718		6.58%	
75% to 100%	1		2,190,164		82.96%	
Total:	781		2,640,000		100%	

Type of shareholder	No. shares	%
Owned by individuals	390,892	14.81%
Owned by legal entities	2,200,522	83.35%
Nominee or custodial accounts	48,586	1.84%
Total:	2,640,000	100%

Top ten shareholders by number of shares and votes:

No.	Shareholder	No. shares	%
1.	AGROMARKET D.O.O.	2,190,164	82.96%
2.	Nenadović Dragan	173,718	6.58%
3.	OTP BANKA SRBIJA - CUSTODY	27,557	1.04%
4.	Nenadović Milomir	5,544	0.21%
5.	VOJVODJANSKA BANKA A.D. NOVI SAD - NOMINEE	5,002	0.19%
6.	Vukov Boško	4,152	0.16%
7.	Vukov Zoran	3,222	0.12%
8.	Djedović - Živanović Nevenka	3,134	0.12%
9.	KOMERCIJALNA BANKA A.D. - CUSTODY	2,814	0.11%
10.	RAIFFEISEN BANKA AD BEOGRAD - CUSTODY	2,636	0.10%
	Total:	2,417,943	91.59%

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, social and environmental 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, social and environmental topics.

The aim of the Code is to promote good business practices in the domain of corporate, social and environmental 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 reporting year 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. Company owns facilities at following locations:

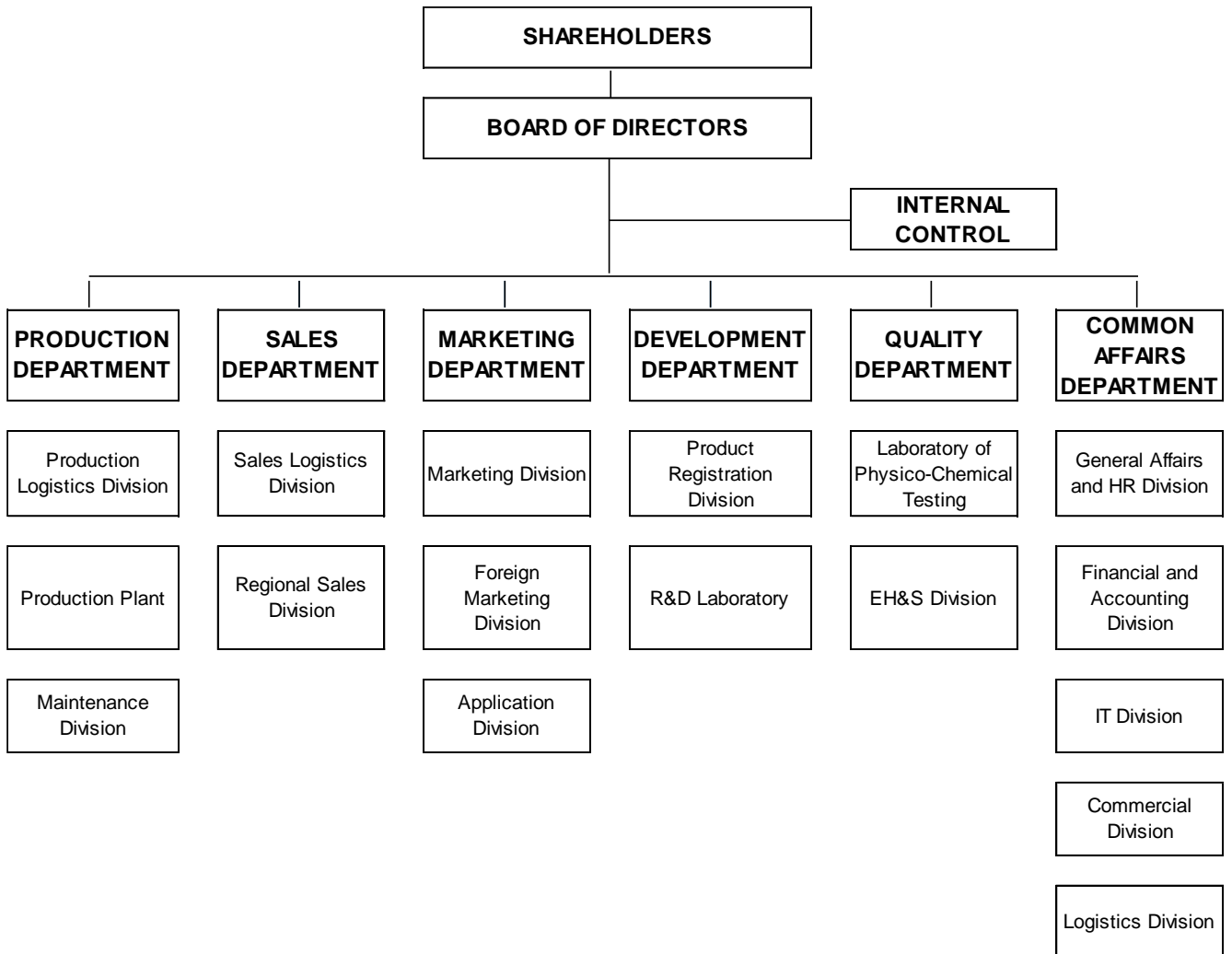
Location	Area in m ²		
	Manufacture	Warehouse	Offices
Zemun, Batajnicketi drum bb	5.549	5.834	1.356
Zemun, Masarikov trg 8a			876
Sremska Mitrovica, Stari Radinački put		1.183	397
Novi Sad, Narodnog fronta 73			129
Ruma, Industrijska zona bb		5.514	
Arilje, the village of Stupcevići		750	

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
Novi Sad, Narodnog fronta 73	Construction land	44	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, Stupčeviči	Land for cultivation	2.166	Ownership
Arilje, Grbavica, Stupčeviči	Construction land	9.455	Ownership
Ruma, Industrijska zona (Industrial zone)	Construction land	76.500	Ownership
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	2.490.930	Ownership



Organization



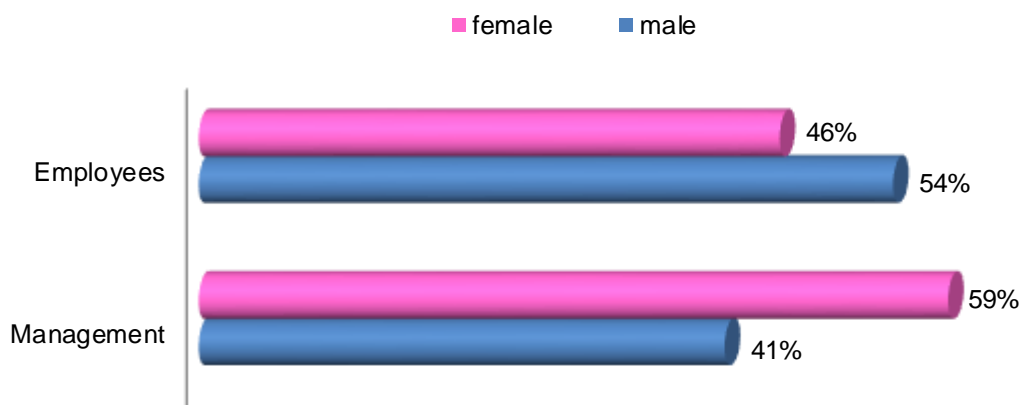
**Employee qualifications**

The table below shows the qualification and age structure of employees as of 31 December 2020.

Org. unit / Qualifications	I	II,III	IV	V,VI	VII,VIII	Total	%	
Management activities	0	0	0	0	4	4	2%	
Quality Department	0	0	4	1	9	14	8%	
Production Department	2	17	28	3	5	55	32%	
Sales and App. Department	0	0	2	2	26	30	17%	
Marketing Department	0	0	0	2	11	13	7%	
Development Department	0	0	2	0	12	14	8%	
Common Affairs Department	2	7	12	7	16	44	25%	
GENDER	F	0	0	8	8	44	60	34%
	M	4	24	40	7	39	114	66%
TOTAL	4	24	48	15	83	174		
%	2%	14%	28%	9%	48%	100%		
Average age	42	41	42	45	42	42		

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 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. In order to improve the production performance, particularly in the area of efficiency, productivity and reduction of losses, we are currently introducing the WCM (World Class Manufacturing) system. 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.

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 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. Within the expansion of the laboratory activities, we have introduced a certified quality system in accordance with the Guidelines of Good Laboratory Practice (GLP), which enabled the implementation of technical material testing, i.e. 5-batch analyses, for the purpose of registration of plant protection products.

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 so called winter schools, 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 fluctuation.

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 ISO 45001 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 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 products has been brought in line with European legislation.

As a quality generic company, we are continuously raising 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 responsibility towards agricultural producers, population, our employees, shareholders and the community we belong to.

Seasonal character of business

Plant protection products (PPP) 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 PPPs.

The beginning and the end of season for use of PPP, 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 particular PPP, whereas during the following year the same PPP 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 PPPs is related to timeframe. Most PPPs may be applied only until a certain point in the course of plant development, e.g. until the first leaf develops. If the PPP 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 around 30 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 25 – 30 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.

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 Methodology, which is adopted by the Board of Directors. This document 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;
 - Relations with customers in the domestic market (business linking trend);
 - Relations with key suppliers from abroad.
- Operational
 - Risks in the production process – technological security and reliability, occupational health and safety;
 - Risks in the application of our products – efficiency of products, safe use, health protection of consumers of agricultural products;
 - Environmental protection;
 - EU registration and sales process management;
 - Adequate staff structure and management of key employees' development;
 - 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 favourable 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*.



3 BUSINESS PERFORMANCE IN 2020

Significant events in 2020

Change in ownership structure

On December 30th, 2019, the process of taking over the Company by the company Agromarket d.o.o., Kragujevac was completed, whereby this company became the owner of 82.96% of the Company's capital. The Commission for Protection of Competition approved the concentration of market participants by its decision of June 19th, 2020.

After the President of the Board of Directors, Mr. Nedeljko Puhar, resigned from the board membership at the beginning of January 2020, Ms. Mirjana Bogicevic, an independent director, has been appointed to the position of the Chairman of the Board. Until the expiry of the four-year term to which he was appointed by the decision of the General Meeting of Shareholders from June 2016, the Board of Directors functioned in a six-member composition.

On July 24th, 2020, the regular General Meeting of Shareholders was held, at which, in addition to the regular decisions related to the meeting, the following decisions were made.

- Decision on amendments and modifications of the Company's Articles of Association
- Decision on Changes to the Dividend Policy
- Appointment of members of the Board of Directors for a period of four years in the composition mentioned in the first chapter of this Report.

The impact of the pandemic caused by the virus COVID-19 on the Company's operations

The declaration of a state of emergency in March 2020 did not significantly affect our business, having in mind our common business practice of being prepared for the agricultural season, i.e. with a high level of stocks of finished products and raw materials. The main business processes took place within the planned framework, with continuous adaptation to new circumstances and minimizing the potential negative effects on the Company's business.

The second half of March and the whole of April 2020 were marked by record high values of sales and production, as a direct consequence of the general atmosphere of uncertainty and aspirations of users of our products to provide all necessary raw materials for agricultural production as soon as possible. We have successfully responded to all the challenges of organizing intensive business activities in extraordinary circumstances, so that the business results in 2020 are better than those achieved in 2019.

Business performance

In 2020, there was a recovery in profit margins thanks to the results of the main business segment of the Company - plant protection products. In this segment, sales revenues grew by 6%, primarily from export of products with EU registrations, where the purchase prices of raw materials for production from the U.S. dollar area had a downward trend in 2020, with a simultaneous increase in the exchange rate of RSD against USD.

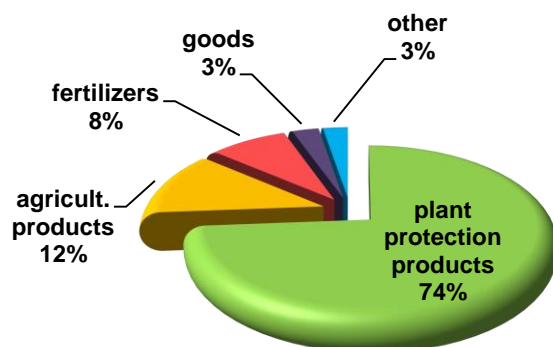
These facts have led to a significant growth in profitability - the gross profit margin increased from 43% in 2019 to 46% in 2020.

The growth in profitability was also achieved in the segment of agricultural production, because a better yield was achieved in 2020.

Operating expenses have been realized within the planned framework, where the highest growth was achieved in the costs of registration in foreign market.

Significant transactions with related parties

During reporting year there were no significant transactions with related parties.

**Gross sales by type of product****Sales of plant protection products**Gross sales by application:

APPLICATION	tons	%	EUR	%
INSECTICIDES	1.278	24%	9.223.838	23%
HERBICIDES	3.372	63%	22.508.142	56%
FUNGICIDES	690	13%	8.185.944	20%
LIMACIDES	1	0,0%	2.641	0,0%
ADJUVANT	37	0,7%	280.189	0,7%
BIOCIDES	10	0,2%	198.212	0,5%
TOTAL	5.388	100%	40.398.966	100%

Gross sales by brand:

BRAND	tons	%	EUR	%
OWN	5.251	97%	39.029.636	97%
PARTNERS	137	3%	1.369.330	3%
TOTAL	5.388	100%	40.398.966	100%

Gross sales by market:

MARKET	tons	%	EUR	%
DOMESTIC	4,673	87%	34,832,175	86%
FOREIGN	715	13%	5,566,791	14%
TOTAL	5,388	100%	40,398,966	100%



Development and registration activities

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), active substances, mastering the formulation of finished products based on these active substances under the laboratory conditions and examination of their characteristics, i.e. biological efficiency.

During the reporting year, the company worked on 7 development projects, in which it invested about 8 million RSD.

Registration of plant protection products in the domestic market

Over the past year, the Company has been working on the registration documentation for the needs of domestic legislation for 15 new products, in which 21 million RSD was invested.

During 2020 we received the authorization for following new products under our brand:

- *Herbicides:*
Ritmix plus (imazamox 22,4 g/l + bentazone 480 g/l, SL)
- *Insecticides:*
Etiol ultra (deltamethrin 25 g/l + synergist piperonyl-butoxide 225 g/l, EC)
- *Fungicides:*
Pylon (a.m. prothioconazole 250 g/l, EC)

Product registration in the foreign market

Foreign registration activities are related to:

- Obtaining national registrations in countries of interest in both EU registration zones, as well as in other countries where the EU file is necessary for the registration of products
- Maintaining existing EU registrations in accordance with changes in regulatory requirements
- Investing in EU registration documentation for new projects
- Investing in the registration documentation for the needs of the Russian market.

All activities related to product registration in the foreign market take place in cooperation with authorized companies from abroad. The required tests were conducted in accredited laboratories in Great Britain, France, the Netherlands, Spain, Germany and Russia, and experiments of biological efficacy in Hungary, Romania, Croatia, Slovenia, Italy, Greece, Poland, Austria, Germany, Czech Republic and Russia. Total costs on this basis in 2020 amounted to around 2.2 million EUR.

Environmental protection

Our company has established and certified Environmental Management System in accordance with the requirements of ISO 14001 standard. Certification of the system was made at the beginning of 2018 in order to new version standard (ISO 14001:2015) compliance confirmation. 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 polluting substances emissions into the air, as well as wastewater and underground water testing.

The 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.

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 fulfil its legal obligations on this basis, we received the approval from the competent Ministry for the



mentioned documents. We started the revision process of these documents in 2017 and received the approval at the beginning of 2019.

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.

126 tonnes of hazardous waste from production process were disposed in 2020, as well as 1,6 tonnes of products which becomes special waste stream after usage. 32.1 tonnes of non-hazardous waste were recycled.

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 and it represents a manner of dealing with emptied packaging from raw materials for production and with emptied packaging after the application 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 2020 ENVIPACK collected from the end-users and disposed of 60.3 tonnes of empty containers issued by our company, which is significantly higher than in 2019, when only 7.26 tonnes were disposed of due to difficulties in disposing of packaging waste. Compared to the reference year 2018, 47% more packaging waste was disposed of during 2020. During the year, a total of about 56 tonnes of packaging from raw materials for the production of PPP was disposed of from our company's location, which is 14.3% higher than the reference year 2018, and twice as higher as in the previous year.

Specification of direct costs related to environmental protection in 2020:

Land monitoring	1.200 €
Wastewater and groundwater monitoring	2.200 €
Air pollution protection	4.300 €
Disposal of hazardous waste from production process	46.000 €
Disposal of packaging waste from the field and location	164.000 €
Regular fee for packaging waste management	11.300 €
Wastewater treatment (production plant)	120.400 €
<i>Total</i>	<i>349.400 €</i>



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 establish 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 basic objectives of ENVIPACK are as follows:

- Establishment of a large number of collection sites and their furnishing with special bags for collection of waste packaging,
- Collection of maximum quantity of generated packaging 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, a concrete solution for storage and disposal of packaging waste generated after proper use of the preparation.

During 2020, ENVIPACK d.o.o. has increased the number of collection sites (from 290 in 2019 to 304 in 2020). The number of agricultural holdings with which a waste management contract has been signed has also increased (in 2019 there were 90 contracts, while in 2020 the number of signed contracts is 151).

The table below shows the structure of collected and disposed waste in 2020:

TYPES OF WASTE	Quantity, 2019 (t)	Quantity, 2020 (t)	2020/2019 (%)
PPPs packaging waste on collection locations	28.16	222.84	791%
Packaging waste of raw materials for the production of PPPs - industrial packaging waste	44.02	105.62	240%
Packaging waste from other industries (rubber, paints and varnishes, pharmaceutical, food,etc)	21.12	7.27	34%
PPP's chemical waste (expired waste pesticides, seed waste dust, etc)	0.00	1.82	
Hazardous industrial waste (oil-soot mix, cloth/filters, contaminated soil, chemical waste)	8.44	27.12	321%
Waste oil and emulsion	23.23	27.46	118%
Non-hazardous waste and special types of waste	17.39	0.44	3%
TOTAL QUANTITY	142.36	392.57	276%

After a break of nine months, temporary storage of hazardous waste was again enabled at Elixir Energy in Sabac. Shortly thereafter Kemis d.o.o. started operating (now Kemeko d.o.o.). However, discontinuous waste reception for treatment and storage throughout the year, high cost of treatment and final waste disposal, have affected the real quantities of packaging waste from PPP, which could potentially be collected, to be halved (generators burn waste or waste ends up in municipal waste).

In the next year, the main goal is to maintain continuity in the takeover of packaging waste from PPP, given that the problem of lack of adequate treatment and limited storage space for receiving hazardous packaging waste is still unresolved in the Republic of Serbia, and high export prices are economically unacceptable.

**4 FINANCIAL PERFORMANCE IN 2020****BALANCE SHEET**

(in EUR)

	2018	2019	2020
ASSETS			
Property, plant and equipment (PP&E)	15,854,947	14,445,951	14,769,727
Intangible assets	45,734	33,203	28,931
LT financial placements	2,349,956	2,352,638	1,691,921
<i>Fixed assets</i>	18,250,636	16,831,791	16,490,579
Prepaid tax, other expenses and accrued revenues	1,272,816	1,066,317	1,324,445
Inventory and advanced payments	18,779,493	19,141,290	21,309,694
Receivables	6,019,467	6,761,763	7,122,798
ST financial placements	19,962,886	23,673,324	30,686,440
Cash and cash equivalents	2,733,512	3,580,360	2,864,213
<i>Current assets</i>	48,768,174	54,223,054	63,307,590
<i>Deferred tax assets</i>	225,352	251,942	269,896
Total assets	67,244,162	71,306,787	80,068,065
Off-balance sheet assets	1,313,071	564,804	1,000,137

EQUITY AND LIABILITIES			
Shareholders' equity	29,687,600	29,793,199	29,862,806
Other equity	0	0	0
Reserves	8,113,292	8,458,708	8,582,580
Revaluation surplus	197,900	195,779	177,832
Un-realized gains on shares trading	0	0	0
Un-realized losses on shares trading	19	17	19
Retained earnings	26,019,721	29,842,549	37,311,548
<i>Equity</i>	64,018,494	68,290,217	75,934,747
LT reserved funds	0	0	0
LT Debt	0	0	0
Trade payables	2,211,900	2,034,027	2,770,932
ST financial liabilities	0	0	0
Tax payable	94,469	58,030	446,437
Other ST liabilities	919,298	924,512	915,949
<i>Current (ST) liabilities</i>	3,225,668	3,016,570	4,133,318
<i>Liabilities and reserved funds</i>	3,225,668	3,016,570	4,133,318
Total equity and liabilities	67,244,162	71,306,787	80,068,065
Off-balance sheet liabilities	1,313,071	564,804	1,000,137

**Profit and loss account**

(in EUR)

	2018	2019	2020
OPERATING REVENUES			
Sales	34,859,924	37,342,982	40,278,862
Other operating revenues	258,338	256,261	1,145,600
<i>Total operating revenues</i>	<i>35,118,262</i>	<i>37,599,243</i>	<i>41,424,462</i>
OPERATING EXPENSES			
Cost of goods sold (COGS)	4,009,603	4,328,847	5,276,911
Cost of material	15,072,610	16,148,674	17,323,753
Change in inventory value	-1,199,025	933,956	-223,639
Salaries/Other personal expenses	3,895,060	4,054,953	3,796,375
Amortization expense	671,358	706,426	664,216
Other operating expenses	4,710,165	4,935,445	6,706,365
<i>Total operating expenses</i>	<i>27,159,772</i>	<i>31,108,302</i>	<i>33,543,980</i>
OPERATING PROFIT	7,958,490	6,490,941	7,880,482
Other revenues	4,577,380	5,695,276	5,561,709
Other expenses	5,097,011	5,328,572	4,643,644
Earnings before tax (EBT)	7,438,858	6,857,646	8,798,548
Tax	1,130,102	1,021,566	1,313,565
NET PROFIT	6,308,755	5,836,080	7,484,982

PROFIT STRUCTURE	EUR			
	2018	2019	2020	20/19
Gross profit	17,318,782	16,278,438	19,170,821	118%
Gross profit margin	49%	43%	46%	
Operating profit	7,958,490	6,490,941	7,880,482	121.4%
Operating profit margin	23%	17%	19%	
EBITDA	8,629,848	7,197,367	8,544,699	119%
EBITDA margin	25%	19%	21%	
EBT	7,438,858	6,857,646	8,798,548	128%
Net profit	6,308,755	5,836,080	7,484,982	128%

**Structure of income and expenses**

REVENUES STRUCTURE	EUR						
	2018	%	2019	%	2020	%	20/19
OPERATING REVENUES	35,118,265	88.5%	37,599,243	86.8%	41,424,462	88.2%	110%
Sales revenues	34,859,927		37,342,982		40,278,862		108%
<i>plant protection products</i>	27,430,144		28,945,741		30,875,072		107%
<i>cold-storage</i>	352,996		809,156		188,879		23%
<i>agriculture</i>	2,385,914		2,527,568		3,273,393		130%
<i>goods</i>	4,690,873		5,060,516		5,941,518		117%
Other operating revenues	258,338		256,261		1,145,600		447%
FINANCIAL REVENUES	624,700	1.6%	516,409	1.2%	597,715	1.3%	116%
Interests received	414,385		403,751		437,056		108%
Exchange rate changes & Currency clause	209,453		111,928		159,069		142%
Other financial revenues	862		730		1,590		218%
ASSETS VALUATION ADJUSTMENTS	3,752,372	9.5%	5,025,133	11.6%	4,815,599	10.2%	96%
OTHER REVENUES	200,307	0.5%	153,735	0.4%	148,395	0.3%	97%
Property and equipment sale & Surpluses	57,245		117,953		116,723		99%
Other revenues	143,062		35,782		31,673		89%
TOTAL REVENUES	39,695,644	100%	43,294,519	100%	46,986,172	100%	109%

EXPENSES STRUCTURE	IN EUR						
	2018	%	2019	%	2020	%	20/19
OPERATING EXPENSES	27,159,772	84.2%	31,108,302	85.4%	33,543,980	87.8%	108%
Cost of material	15,072,610		16,148,674		17,323,753		107%
Cost of goods sold (COGS)	4,009,603		4,328,847		5,276,911		122%
Income from the use of own products	83,708		90,673		123,374		136%
Change in inventory value	-1,199,025		933,956		-223,639		
Other materials	274,713		254,513		251,077		99%
Fuel and energy costs	359,463		380,417		335,497		88%
Salaries, contributions	3,895,060		4,054,953		3,796,375		94%
Production services	3,150,427		3,344,667		5,215,088		156%
Amortization expense	671,358		706,426		664,216		94%
Immaterial costs	1,009,270		1,046,521		1,028,078		98%
FINANCIAL EXPENSES	345,340	1.1%	289,829	0.8%	407,730	1.1%	141%
Interests paid	11,718		51		119		234%
Exchange rate changes & Currency clause	333,622		289,778		407,305		141%
Other financial expenses	0		0		306		
IMPAIRMENT COSTS	4,599,840	14.3%	4,978,380	13.7%	4,170,357	10.9%	84%
Impairment assets, placements, shares	35,851		0		0		
Impairment receivables	4,563,988		4,978,380		4,170,357		84%
OTHER EXPENSES	151,831	0.5%	60,364	0.2%	65,557	0.2%	109%
Disposals & Deficits	96,018		10,878		25,285		232%
Other expenses	55,813		49,486		40,271		81%
TOTAL EXPENSES	32,256,783	100%	36,436,874	100%	38,187,624	100%	105%



5 CURRENT OPERATIONS IN 2021

The offer for taking over the remaining shares of the Company (10.17%) by the majority shareholder, Agromarket d.o.o. from Kragujevac and the persons with whom he jointly operates was published on March 30th 2021. The offered price is 2,550 RSD per share, and the offer will be open until April 19th, 2021.

By the time of compiling this report, marketing authorizations were obtained for the following new products, under our brand.

- *Insecticides:*
Furioso (spirotetramat 100 g/l, SC)
- *Fungicides:*
Mankogal 400 SC (mancozeb 400 g/l, SC)
Vokal C (cymoxanil 120 g/l, SC)
Libreto (fenhexamid 500 g/l, SC)
- *Growth regulators:*
Trident (a.m. trinexapac-ethyl 250 g/l, EC)
Adversis (a.m. ethephon 480 g/l, SL)

By the time of compiling this report, our operations in all other aspects of the business are conducted within the limits of planned activities.