

GALENKA – FITOFARMACIJA A.D.

Batajnicky drum bb

11080 Zemun

ID No: 07725531

Tax ID No: 100001046

SIX - MONTH REPORT 2015

GALENKA – FITOFARMACIJA A.D.



Dear shareholders,

here is Six - month Report 2015, prepared in accordance with Art. 52 of the Capital Market Low („Official Gazette of RS”, no. 31/2011) 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).

CONTENT OF SIX - MONTH REPORT

I Financial Reports for the first half of 2015

II Business Reports in the first half of 2015

III Statement of persons responsible for the preparation of Six - month Report

**BALANCE SHEET (IN 000 RSD)**

	30-Jun-14	31-Dec-14	30-Jun-15
ASSETS			
Property, plant and equipment (PP&E)	1.783.959	1.767.565	1.802.331
Intangible assets	5.660	4.508	4.034
LT financial placements	16.902	16.557	17.387
<i>Fixed assets</i>	<i>1.806.521</i>	<i>1.788.630</i>	<i>1.823.752</i>
Prepaid tax, other expenses and accrued revenues	1.187	66.305	3.160
Inventory	925.125	1.423.256	878.602
Receivables	1.633.871	525.319	2.119.425
ST financial placements	1.665.951	1.817.615	1.989.453
Cash and cash equivalents	295.391	267.022	303.455
<i>Current assets</i>	<i>4.521.525</i>	<i>4.099.517</i>	<i>5.294.095</i>
<i>Deferred tax assets</i>	<i>22.240</i>	<i>24.644</i>	<i>24.644</i>
<i>Operating assets</i>	<i>6.350.286</i>	<i>5.912.791</i>	<i>7.142.491</i>
Total assets	6.350.286	5.912.791	7.142.491
Off-balance sheet assets	290.722	279.922	516.213
EQUITY AND LIABILITIES			
Shareholders and Other equity	1.755.600	1.755.600	3.511.200
Reserves	851.353	851.353	851.353
Revaluation surplus	27.391	27.378	27.378
Un-realized gains on shares trading	-3	-3	-3
Retained earnings	2.731.608	2.520.624	1.679.047
<i>Equity</i>	<i>5.365.949</i>	<i>5.154.952</i>	<i>6.068.975</i>
LT reserved funds	0	0	0
LT Debt	346.000	0	0
Liabilities from business operations	392.301	281.472	636.741
ST financial liabilities	0	346.000	174.684
Liabilities for VAT and other public revenues	34.070	27.206	28.264
Other ST liabilities	211.966	103.161	233.827
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<i>638.337</i>	<i>757.839</i>	<i>1.073.516</i>
Liabilities and reserved funds	984.337	757.839	1.073.516
Total equity and liabilities	6.350.286	5.912.791	7.142.491
Off-balance sheet liabilities	290.722	279.922	516.213

**PROFIT AND LOSS ACCOUNT (In 000 RSD)**

	30-jun-14	31-Dec-14	30-Jun-15
OPERATING REVENUES			
Sales	2.652.220	3.589.758	2.984.593
<i>domestic finished products</i>	2.020.463	2.422.369	2.203.049
<i>foreign finished products</i>	174.591	209.856	152.679
<i>cold-storage</i>	138.167	313.237	195.308
<i>agriculture</i>	0	171.402	31.072
<i>goods</i>	318.999	472.894	402.485
Other operating revenues	51.803	82.592	42.760
<i>Total operating revenues</i>	2.704.023	3.672.350	3.027.353
OPERATING EXPENSES			
Cost of goods sold (COGS)	282.891	441.904	328.964
Cost of material	739.529	1.490.487	878.576
Change in inventory value	459.904	72.104	409.560
Salaries / Other personal expenses	144.071	364.614	162.004
Cost of production services	102.774	296.631	150.390
Amortization expense	40.138	78.210	36.661
Other operating expenses	67.826	122.350	66.342
<i>Total operating expenses</i>	1.837.133	2.866.300	2.032.497
OPERATING PROFIT	866.890	806.050	994.856
<i>Operating profit margin</i>	32%	22%	33%
Financial revenues	50.495	230.978	36.697
Financial expenses	13.800	37.397	36.524
<i>Financial profit/loss</i>	36.695	193.581	173
Revenues from assets valuation adjustments	0	0	0
Expenses from assets valuation adjustments	148.489	495.203	167.053
<i>Profit/loss from valuation adjustments</i>	-148.489	-495.203	-167.053
Other revenues	266.645	350.213	334.209
Other expenses	9.022	13.285	4.354
<i>Non-operating profit/loss</i>	257.623	336.928	329.855
Earnings before tax (EBT)	1.012.719	841.356	1.157.831
Tax	44.299	83.933	43.168
NET PROFIT	968.420	757.423	1.114.663



SIX – MONTH BUSINESS REPORT
For the period from January 1st to June 30th 2015



1. ABOUT US

General information

Company name:	GALENKA - FITOFARMACIJA a.d., Batajnicketi 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 agricultural chemicals, Activity Code 2020
Web site & email:	www.fitofarmacija.rs ; office@fitofarmacija.rs
Share capital:	RSD 3.511.200.000 at June 30, 2015
Number of issued shares:	2.640.000 (ordinary); ISIN No: RSFITOE21521; CFI code: ESVUFR; BELEX: FITO
Number of own shares:	None
Subsidiaries:	<ul style="list-style-type: none">• ENVIPACK d.o.o., Belgrade, ID No 2080115, Activity Code 7022 Consultancy activities in connection with business and other management;• GALENIKA - FITOFARMACIJA zastupanje i trgovina d.o.o. Ljubljana, ID No 6813313000, Activity Code 46.900 Non-specialized wholesale trade
Auditor:	UHY REVIZIJA d.o.o., Belgrade, ID No.: 17082175

Company Management

Board of Directors:

Non-executive directors:

- Nedeljko Puhar from Belgrade, B.A. in Economics, president of the Company. Owner of 6,14% of the Company shares.
- Zivorad Vojinovic from Belgrade, B.A. in Economics, Owner of 75% of Company Mikend and 21,56% of the Company shares.
- Branislav Medakovic from Belgrade, B.A. in Economics, certified internal auditor. Head of the Fund Support and Liquidity Office in Piraeus bank.
- Dusan Mojsilovic from Kragujevac, B. Sc. In Agricultural Engineering, owner of Agromarket d.o.o.

Independent director:

- Mirjana Bogicevic from Belgrade, B.A. in Economics, director of Insurance Company Energoprojekt Garant plc.

Executive directors:

- Dragan Nenadovic from Belgrade, B.A. in Economics, general manager of the Company. Owner of 5,72% of the Company shares.
- Slavica Pekovic from Belgrade, M. Sc. in Management, Executive director for Corporate Affairs.

Company Secretary: Lidija Nikolic, M. Sc. in Management

**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 June 30, 2015 was shown in following tables:

No. of shareholders by share in capital	No. of entities		No. shares		% of total issued	
	local	foreign	local	foreign	local	foreign
0% to 5%	1.225	59	522.210	136.973	39,56%	10,38%
5% to 10%	2		156.571		11,86%	
10% to 25%	2		504.246		38,20%	
Total:	1.288		1.320.000		100%	

Type of shareholder	No. shares	%
Owned by individuals	693.483	52,54%
Owned by legal entities	458.626	34,74%
Joint (custody) account	167.891	12,72%
Total:	1.320.000	100%

Top ten shareholders by number of shares and votes:

No.	Shareholder	No. shares	%
1.	Vojinović Živorad	284.598	21,56%
2.	Agromarket d.o.o.	219.648	16,64%
3.	Puhar Nedeljko	81.096	6,14%
4.	Nenadović Dragan	75.475	5,72%
5.	Unicredit bank Srbija ad - kastodi račun	64.500	4,89%
6.	Mikend d.o.o	50.277	3,81%
7.	Terra capital cayman	41.372	3,13%
8.	Herma investments co., ltd.	40.061	3,03%
9.	Komp. Dunav osiguranje a.d.o.	35.853	2,72%
10.	Sempiola invest limited	22.712	1,72%
	Total:	915.592	69,36%

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



2. OPERATIONS IN THE FIRST HALF OF 2015

Significant activities

Founding a subsidiary in the Republic of Slovenia

In March this year was founded limited liability company GALENIKA-FITOFARMACIJA zastupanje i trgovina d.o.o. Ljubljana with company registered office at: Tržaška cesta 515, Brezovica pri Ljubljani, the Republic of Slovenia, and with registration number 6813313000. GALENIKA-FITOFARMACIJA a.d. Beograd is the only founder of company with 100% share in capital.

Subsidiary was founded for the purpose of registration of products from production line of the GALENIKA – FITOFARMACIJA a.d. in EU member countries. Namely, in accordance with applicable regulations of the EU, in order for a company to be able to submit an application for registration of plant protection product in the EU (the applicant company), it must have its registered office in one of the EU member states, and a company in which the plant protection product is produced (place of production) may be located anywhere in the world.

In March and April of this year GALENIKA – FITOFARMACIJA a.d. applied for registration of three products for plants protection, the two of which in Austria and the one in Slovenia

Corporate Governance

In June 2015 the regular meeting of the Shareholders' Assembly was held, during which the annual report for 2014 and the decision on the distribution of profit were adopted. Also, on this occasion the auditor for 2015 was selected. The detailed report and minutes from the Shareholders' Assembly can be found on Company's web site.

Shareholders' Assembly reached the decision to allocate gross amount of 200,640,000 RSD for dividends, i.e. 152 dinars per share. Dividends will be paid in the week starting on 7th of September to all shareholders with the known payment accounts. The Company will calculate and pay corresponding taxes to relevant accounts of public revenues, and corresponding net amount of dividends will be paid to the shareholders.

At the same session, the Shareholders Assembly made the decision to increase the share capital from internal funds, by converting a part of the retained profit into share capital and by issuing shares free of charge to the existing shareholders. On every existing share that shareholders owned on the dividend day (record date), they have received an additional one from the new issue. In this way, the share capital was increased from RSD 1.755.600.000 to RSD 3.511.200.000, and the number of shares from 1.320.000 to 2.640.000 pieces. Process the registration of shares of the new issue on the issuing account was finished.

Significant transactions with related parties

There were no significant transactions with related parties during the previous period.

Operations in the first half of 2015

Seasonal character

The operations of our Company have a highly expressed seasonal character. Plant protection products are mostly sold in the period from March to May, which is also the period when they are mostly applied. In the first six months we usually achieve about 80% of the total annual income from plant protection products sale.

Our business cycle begins in September, when the production for the following season begins and it ends in August of the following year. Our business policy is such that we strive to go in the new agricultural season with fully prepared stocks of finished products.

For that reason, the last quarter in the calendar year is always marked by intensive procurements and production activities, which is why the stock levels at the end of the year are extremely high.

Sales of plant protection products

The sale of plant protection products in the domestic market has been expectedly higher compared to last year as the heavy rains and floods in May last year resulted in the lack of the possibility of applying corrective foliar herbicides. Weather conditions in the first half of this year were common and made the use of standard agro technical practices for most of agricultural crops possible.



New products are well positioned and have a satisfying profitability level. In the domestic market of plant protection products there is a constant pricing pressure given by the competitive generic companies, which caused reduction of the prices for some of our portfolio products.

Most of our sales are sales with deferred payment in the autumn and with a foreign currency clause. Our customers mostly opt for this kind of sale as they lack working capital in order to finance independently their own cycle of agricultural production. For the same reason the revenue from trade goods increased – with the aim of providing to our customers a complete service of financing agricultural production, we were buying and selling the other raw materials for agricultural production, primarily seeds and fertilizers.

New legislation in the Republic of Macedonia resulted in the loss of registration for our products in this country, and therefore the export of plant protection products has been expectedly lower compared to last year.

Agricultural production

In the season of 2015 the agricultural production was organized on 655 ha of agricultural land in our possession (mercantile wheat, maize and sunflower), as well as joint production on additional 596 ha (wheat seed).

During June and July 2015 wheat harvesting was performed. The achieved crop yields and the quality of both mercantile wheat and wheat seed are satisfying and in accordance with the planned values. It is planned to harvest maize and sunflower, which are in a good condition at the moment, in the autumn of 2015, so we expect to reach the planned crop yields.

Revenues gained from the sale of agricultural products in the first half of 2015 are related to the sale of wheat stock from 2014 crop.

Frozen fruits production

Revenues gained by selling frozen fruit in the first half of 2015 are related to the sale of the fruit gathered in 2014, in which an exceptional purchase of 1,375 tons was recorded.

In the season of 2015 no cooperation with the cold storage outside the area of the municipality of Arilje was established and consequently the quantities of the purchased fresh raspberries (400 tons) were far smaller than last year's. The expected revenue from the sale of frozen fruit in 2015 was approximately 900.000 EUR.

Financial results

Increased sales of plant protection products in the domestic market caused significant growth of the operating profit and profitability in the first half of 2015.

With regard to the structure of the sales, there was an increase in sales with deferred payment in the autumn, so this fact together with the increased sales revenues, resulted in a significant growth of the customers' receivables on 30/06/2015, compared to last year.

Given the fact that about 85% of all raw materials used for our production are imported, we are greatly exposed to a foreign exchange risk. Great depreciation of dinar exchange rate against euro, and especially against US dollar, so far has mostly affected our liquidity, while the real impact on our accounting profitability is expected in the second half of the year.

**3. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2015****BALANCE SHEET***(In 000 RSD)*

	30-Jun-14	31-Dec-14	30-Jun-15
ASSETS			
Property, plant and equipment (PP&E)	1.783.959	1.767.565	1.802.331
Intangible assets	5.660	4.508	4.034
LT financial placements	16.902	16.557	17.387
<i>Fixed assets</i>	<u>1.806.521</u>	<u>1.788.630</u>	<u>1.823.752</u>
Prepaid tax, other expenses and accrued revenues	1.187	66.305	3.160
Inventory	925.125	1.423.256	878.602
Receivables	1.633.871	525.319	2.119.425
ST financial placements	1.665.951	1.817.615	1.989.453
Cash and cash equivalents	295.391	267.022	303.455
<i>Current assets</i>	<u>4.521.525</u>	<u>4.099.517</u>	<u>5.294.095</u>
<i>Deferred tax assets</i>	22.240	24.644	24.644
<i>Operating assets</i>	<u>6.350.286</u>	<u>5.912.791</u>	<u>7.142.491</u>
Total assets	6.350.286	5.912.791	7.142.491
Off-balance sheet assets	290.722	279.922	516.213
EQUITY AND LIABILITIES			
Shareholders and Other equity	1.755.600	1.755.600	3.511.200
Reserves	851.353	851.353	851.353
Revaluation surplus	27.391	27.378	27.378
Un-realized gains on shares trading	-3	-3	-3
Retained earnings	2.731.608	2.520.624	1.679.047
<i>Equity</i>	<u>5.365.949</u>	<u>5.154.952</u>	<u>6.068.975</u>
LT reserved funds	0	0	0
LT Debt	346.000	0	0
Liabilities from business operations	392.301	281.472	636.741
ST financial liabilities	0	346.000	174.684
Liabilities for VAT and other public revenues	34.070	27.206	28.264
Other ST liabilities	211.966	103.161	233.827
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<u>638.337</u>	<u>757.839</u>	<u>1.073.516</u>
Liabilities and reserved funds	<u>984.337</u>	<u>757.839</u>	<u>1.073.516</u>
Total equity and liabilities	6.350.286	5.912.791	7.142.491
Off-balance sheet liabilities	290.722	279.922	516.213

*(In EUR)*

	30-Jun-14	31-Dec-14	30-Jun-15
ASSETS			
Property, plant and equipment (PP&E)	15.424.006	15.067.985	14.900.470
Intangible assets	48.936	38.429	33.350
LT financial placements	146.134	141.144	143.744
<i>Fixed assets</i>	<u>15.619.075</u>	<u>15.247.558</u>	<u>15.077.564</u>
Prepaid tax, other expenses and accrued revenues	10.263	565.231	26.125
Inventory	7.998.577	12.132.849	7.263.694
Receivables	14.126.354	4.478.194	17.521.991
ST financial placements	14.403.715	15.494.646	16.447.469
Cash and cash equivalents	2.553.933	2.276.286	2.508.763
<i>Current assets</i>	<u>39.092.842</u>	<u>34.947.206</u>	<u>43.768.043</u>
<i>Deferred tax assets</i>	192.286	210.083	203.740
<i>Operating assets</i>	<u>54.904.203</u>	<u>50.404.847</u>	<u>59.049.347</u>
Total assets	<u>54.904.203</u>	<u>50.404.847</u>	<u>59.049.347</u>
Off-balance sheet assets	<u>2.513.565</u>	<u>2.386.255</u>	<u>4.267.704</u>
EQUITY AND LIABILITIES			
Shareholders and Other equity	15.178.815	14.965.986	29.028.258
Reserves	7.360.748	7.257.540	7.038.418
Revaluation surplus	236.821	233.390	226.343
Un-realized gains on shares trading	-26	-26	-25
Retained earnings	23.617.324	21.487.597	13.881.239
<i>Equity</i>	<u>46.393.683</u>	<u>43.944.487</u>	<u>50.174.234</u>
LT reserved funds	0	0	0
LT Debt	2.991.496	0	0
Liabilities from business operations	3.391.812	2.399.468	5.264.150
ST financial liabilities	0	2.949.551	1.444.171
Liabilities for VAT and other public revenues	294.567	231.923	233.668
Other ST liabilities	1.832.646	879.418	1.933.126
Liabilities for income tax	0	0	0
<i>Current (ST) liabilities</i>	<u>5.519.025</u>	<u>6.460.360</u>	<u>8.875.114</u>
Liabilities and reserved funds	<u>8.510.520</u>	<u>6.460.360</u>	<u>8.875.114</u>
Total equity and liabilities	<u>54.904.203</u>	<u>50.404.847</u>	<u>59.049.347</u>
Off-balance sheet liabilities	<u>2.513.565</u>	<u>2.386.255</u>	<u>4.267.704</u>

* The balance sheet values have been calculated according to the average middle exchange rate for euro in the period.

**PROFIT AND LOSS ACCOUNT***(In 000 RSD)*

	30-Jun-14	31-Dec-14	30-Jun-15	jun15 / jun14
OPERATING REVENUES				
Sales	2.652.220	3.589.758	2.984.593	113%
<i>domestic finished products</i>	2.020.463	2.422.369	2.203.049	109%
<i>foreign finished products</i>	174.591	209.856	152.679	87%
<i>cold-storage</i>	138.167	313.237	195.308	141%
<i>agriculture</i>	0	171.402	31.072	
<i>goods</i>	318.999	472.894	402.485	126%
Other operating revenues	51.803	82.592	42.760	83%
<i>Total operating revenues</i>	2.704.023	3.672.350	3.027.353	112%
OPERATING EXPENSES				
Cost of goods sold (COGS)	282.891	441.904	328.964	116%
Cost of material	739.529	1.490.487	878.576	119%
Change in inventory value	459.904	72.104	409.560	89%
Salaries / Other personal expenses	144.071	364.614	162.004	112%
Cost of production services	102.774	296.631	150.390	146%
Amortization expense	40.138	78.210	36.661	91%
Other operating expenses	67.826	122.350	66.342	98%
<i>Total operating expenses</i>	1.837.133	2.866.300	2.032.497	111%
OPERATING PROFIT	866.890	806.050	994.856	115%
<i>Operating profit margin</i>	32%	22%	33%	
Financial revenues	50.495	230.978	36.697	73%
Financial expenses	13.800	37.397	36.524	265%
<i>Financial profit/loss</i>	36.695	193.581	173	
Revenues from assets valuation adj.	0	0	0	
Expenses from assets valuation adj.	148.489	495.203	167.053	113%
<i>Profit/loss from valuation adjustments</i>	-148.489	-495.203	-167.053	
Other revenues	266.645	350.213	334.209	125%
Other expenses	9.022	13.285	4.354	48%
<i>Non-operating profit/loss</i>	257.623	336.928	329.855	
Earnings before tax (EBT)	1.012.719	841.356	1.157.831	114%
Tax	44.299	83.933	43.168	97%
NET PROFIT	968.420	757.423	1.114.663	115%



(In EUR)

	30-Jun-14	31-Dec-14	30-Jun-15	jun15 / jun14
OPERATING REVENUES				
Sales	22.930.940	30.601.657	24.674.623	108%
<i>domestic finished products</i>	17.468.805	20.650.001	18.213.339	104%
<i>foreign finished products</i>	1.509.504	1.788.962	1.262.248	84%
<i>cold-storage</i>	1.194.584	2.670.256	1.614.676	135%
<i>agriculture</i>	0	1.461.153	256.883	
<i>goods</i>	2.758.047	4.031.286	3.327.477	121%
Other operating revenues	447.886	704.073	353.511	79%
Total operating revenues	23.378.825	31.305.730	25.028.134	107%
OPERATING EXPENSES				
Cost of goods sold (COGS)	2.445.859	3.767.105	2.719.655	111%
Cost of material	6.393.925	12.705.974	7.263.480	114%
Change in inventory value	3.976.303	614.666	3.385.969	85%
Salaries / Other personal expenses	1.245.629	3.108.230	1.339.341	108%
Cost of production services	888.578	2.528.694	1.243.324	140%
Amortization expense	347.031	666.718	303.089	87%
Other operating expenses	586.420	1.042.999	548.471	94%
Total operating expenses	15.883.745	24.434.385	16.803.329	106%
OPERATING PROFIT	7.495.080	6.871.345	8.224.805	110%
<i>Operating profit margin</i>	32%	22%	33%	
Financial revenues	436.577	1.969.021	303.386	69%
Financial expenses	119.314	318.799	301.956	253%
Financial profit/loss	317.263	1.650.222	1.430	
Revenues from assets valuation adj.	0	0	0	
Expenses from assets valuation adj.	1.283.827	4.221.464	1.381.083	108%
Profit/loss from valuation adjustments	-1.283.827	-4.221.464	-1.381.083	
Other revenues	2.305.397	2.985.465	2.763.017	120%
Other expenses	78.004	113.251	35.996	46%
Non-operating profit/loss	2.227.393	2.872.215	2.727.021	
Earnings before tax (EBT)	8.755.910	7.172.319	9.572.173	109%
Tax	383.007	715.505	356.884	93%
NET PROFIT	8.372.903	6.456.814	9.215.289	110%

* The balance sheet values have been calculated according to the average middle exchange rate for euro in the period.



PROFIT STRUCTURE	000 RSD			
	30-Jun-14	30-Jun-15	jun15 / jun14	31-Dec-14
Gross profit	1,221,699	1,410,253	115%	1,667,855
Gross profit margin	45.2%	46.6%		46.3%
Operating profit	866,890	994,856	115%	806,050
Operating profit margin	32.1%	32.9%		22.4%
EBITDA	907,028	1,031,517	114%	884,260
EBITDA margin	33.5%	34.1%		24.6%
EBT	1,012,719	1,157,831	114%	841,356
Net profit	968,420	1,114,663	115%	757,423

Sales revenues increased by 13%, i.e. 332 million dinars. The only sales segment with the lower achievements compared to last year is the export of plant protection products, while all the other segments had successful sales. Increased sales in our greatest and the most profitable segment, i.e. sale of plant protection products in the domestic market, had a dominant impact on the total business result and profitability.

Gross operating profit increased by 15%, i.e. 188 million dinars, with the margin higher by 1.4 percentage points compared to last year. The dominant part of the raw materials used for production of plant protection products is imported; therefore, the profitability is greatly influenced by the movements of dinar exchange rate against euro and US dollar. Regardless of the fact that US dollar significantly strengthened compared to dinar, it had no effect on profitability. The main reason for such result is the fact that most of the raw materials used for production in the first half of this year had been bought in the last quarter of the previous year when the exchange rates for euro and US dollar were more favorable. We expect the impact of historical accounting prices to decline in the second half of the year and therefore, gross profit margin to decline.

With regard to the operating expenses, the greatest increase was recorded in the expenses of production services (services in agricultural production; frozen fruit processing services; preparation of EU registration files; marketing; transport and forwarding; waste management), as well as the salaries and reimbursements. All the operating expenses have been so far within the planned values for 2015.

Operating profit increased by 15%, i.e. 128 million dinars, with the margin that is higher by 0.8 percentage points compared to last year.

PROFIT STRUCTURE *	EUR			
	30-Jun-14	30-Jun-15	jun15 / jun14	31-Dec-14
Gross profit	10,562,738	11,659,030	110%	14,217,982
Gross profit margin	45.2%	46.6%	103%	46.3%
Operating profit	7,495,080	8,224,805	110%	6,871,342
Operating profit margin	32.1%	32.9%	103%	22.4%
EBITDA	7,842,111	8,527,894	109%	7,538,060
EBITDA margin	33.5%	34.1%	0%	24.6%
EBT	8,755,910	9,572,173	109%	7,172,315
Net profit	8,372,903	9,215,289	110%	6,456,814

* The balance sheet values have been calculated according to the average middle exchange rate for euro in the period.

Calculated in euros the balance sheet values as of 30/06/2015 were not so much better compared to the ones as of 30/06/2014 due to dinar decline against euro in the previous period. The average euro and US dollar middle exchange rates in the first six months of 2014 and 2015 are shown in the table below.

	jan-jun 14	jan-jun 15	15/14
EUR	115,66	120,96	105%
USD	84,38	108,51	129%



4. BUSINESS PLAN FOR THE SECOND HALF OF 2015

Expected operating risks in the second half of 2015

Standard risk we have been facing in the second half of the year is related to the impairment of the receivables from farmers. Debt collection rate in case of this group of buyers directly depends on the yields quality and market prices of the agricultural products. This risk is especially high this year, due to drought in past two months.

Another significant risk, which will influence not only on our performance by the end of 2015, but will have negative influence on our profitability in 2016, is growth of exchange rate of a dollar against euro.

Apart from the abovementioned risk, there are general business risks that are related to the nature of our business activity:

- Risks in the production process – technological safety and reliability, protection of the health of employees, environmental protection;
- Risks in the application of our products – product efficiency, safe application, environmental protection, health protection for consumers of agricultural products.

Plan concerning the results from operations

The table below shows rough estimation of the operating results of the Company at the end of 2015.

I t e m	- IN 000 RSD		
	31.12.14.	estimate 31.12.15.	est. 15 / 2014
I. OPERATING REVENUES	3.672.350	3.714.122	101%
1. Sales of goods	499.833	489.412	98%
2. Sales of finished products	3.089.925	3.155.617	102%
3. Services	49.427	40.312	82%
4. Other operating revenues	33.165	28.781	87%
II. DIRECT OPERATING EXPENSES	2.004.494	1.845.836	92%
1. Cost of goods sold (COGS)	441.904	410.740	93%
2. Cost of material	1.490.486	1.733.102	116%
3. Change in inventory value	72.104	-298.006	
III. GROSS PROFIT (I-II)	1.667.856	1.868.286	112%
IV. OTHER OPERATING EXPENSES	861.806	991.089	115%
1. Cost of other material	20.107	19.838	99%
2. Fuel and energy costs	33.127	33.893	102%
3. Salaries, contributions	364.614	403.317	111%
4. Production services	296.631	381.426	129%
5. Amortization expense	78.210	80.859	103%
6. Immaterial costs	69.117	71.756	104%
V. OPERATING PROFIT (III-IV)	806.050	877.197	109%

Intensive production of plant protection products is planned for the last quarter of 2015, as a preparation for the upcoming sales season. For this reason, we expect that the value of stock of finished products at the end of 2015 will have high value, which is the main reason for the growth of expected gross operating profit against 2014.

Other operating expenditures are within the range of what was planned, except in the case of the costs of EU registration of our products, which will probably exceed the planned values. The main reason concerns the costs related to preparation of registration files for the South EU registration zone, the implementation of which started earlier than the scheduled date.



Six – month 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.

Six – month Financial Report 2015 has not been, nor will it be audited by external auditors.

Six – month Report 2015 was approved by Board of Directors on meeting held on August 27th 2015.

Head of Financial and Accounting Division,
M.Sc.Ecc. Gordana Arlov

Chief Administrative Officer,
M.Sc. Slavica Pekovic

General Manager,
B.Sc.Ecc. Dragan Nenadovic

In Belgrade, August 27th, 2015