

GALENKA – FITOFARMACIJA A.D.

Batajnicky drum bb

11080 Zemun

ID No: 07725531

Tax ID No: 100001046

# **SIX - MONTH REPORT 2016**

## **GALENKA – FITOFARMACIJA A.D.**



Dear shareholders,

here is Six - month Report 2016, prepared in accordance with Art. 52 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).

### ***CONTENT OF SIX - MONTH REPORT***

**I Financial Reports for the first half of 2016**

**II Business Reports in the first half of 2016**

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

**BALANCE SHEET (IN 000 RSD)**

	<b>30-Jun-15</b>	<b>31-Dec-15</b>	<b>30-Jun-16</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.802.331	1.878.942	1.870.724
Intangible assets	4.034	2.768	2.137
LT financial placements	17.387	261.871	271.636
<i>Fixed assets</i>	<i>1.823.752</i>	<i>2.143.581</i>	<i>2.144.497</i>
Prepaid tax, other expenses and accrued	3.160	58.501	1.218
Inventory	878.602	1.558.601	931.869
Receivables	2.119.425	485.234	2.359.954
ST financial placements	1.989.453	1.779.561	2.012.825
Cash and cash equivalents	303.455	278.684	194.653
<i>Current assets</i>	<i>5.294.095</i>	<i>4.160.581</i>	<i>5.500.519</i>
<i>Deferred tax assets</i>	<i>24.644</i>	<i>25.486</i>	<i>25.486</i>
<i>Operating assets</i>	<i>7.142.491</i>	<i>6.329.648</i>	<i>7.670.502</i>
<b>Total assets</b>	<b>7.142.491</b>	<b>6.329.648</b>	<b>7.670.502</b>
<b>Off-balance sheet assets</b>	<b>516.213</b>	<b>413.092</b>	<b>849.960</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	851.353	833.560	876.757
Revaluation surplus	27.378	25.722	25.642
Un-realized gains on shares trading	-3	-3	-3
Retained earnings	1.679.047	1.447.783	2.394.291
<i>Equity</i>	<i>6.068.975</i>	<i>5.818.262</i>	<i>6.807.887</i>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	636.741	378.291	589.460
ST financial liabilities	174.684	0	0
Liabilities for VAT and other public revenues	28.264	36.829	32.503
Other ST liabilities	233.827	96.266	240.652
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<i>1.073.516</i>	<i>511.386</i>	<i>862.615</i>
Liabilities and reserved funds	1.073.516	511.386	862.615
<b>Total equity and liabilities</b>	<b>7.142.491</b>	<b>6.329.648</b>	<b>7.670.502</b>
<b>Off-balance sheet liabilities</b>	<b>516.213</b>	<b>413.092</b>	<b>849.960</b>

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

	<b>30-Jun-15</b>	<b>31-Dec-15</b>	<b>30-Jun-16</b>
<b>OPERATING REVENUES</b>			
Sales	2.984.593	3.764.153	3.089.035
<i>plant protection products</i>	2.355.728	2.770.429	2.637.962
<i>cold-storage</i>	195.308	266.384	79.520
<i>agriculture</i>	31.072	245.969	30.548
<i>goods</i>	402.485	481.371	341.005
Other operating revenues	40.576	69.507	15.867
<i>Total operating revenues</i>	<b>3.025.169</b>	<b>3.833.660</b>	<b>3.104.902</b>
<b>OPERATING EXPENSES</b>			
Cost of goods sold (COGS)	328.964	426.906	275.557
Cost of material	878.576	1.721.105	767.066
Change in inventory value	409.560	-147.070	566.465
Salaries / Other personal expenses	162.004	392.627	167.264
Cost of production services	150.390	351.103	123.513
Amortization expense	36.661	73.949	40.384
Other operating expenses	64.158	134.743	68.291
<i>Total operating expenses</i>	<b>2.030.313</b>	<b>2.953.363</b>	<b>2.008.540</b>
<b>OPERATING PROFIT</b>	<b>994.856</b>	<b>880.297</b>	<b>1.096.362</b>
<i>Operating profit margin</i>	33%	23%	35%
Financial revenues	36.697	108.658	68.421
Financial expenses	36.524	47.178	7.867
<i>Financial profit/loss</i>	<b>173</b>	<b>61.480</b>	<b>60.554</b>
Revenues from assets valuation adj.	0	0	282.054
Expenses from assets valuation adj.	167.053	438.303	190.147
<i>Profit/loss from valuation adjustments</i>	<b>-167.053</b>	<b>-438.303</b>	<b>91.907</b>
Other revenues	334.209	478.067	4.035
Other expenses	4.354	21.228	3.429
<i>Non-operating profit/loss</i>	<b>329.855</b>	<b>456.839</b>	<b>606</b>
Earnings before tax (EBT)	1.157.831	960.313	1.249.429
Tax	43.168	96.363	48.603
<b>NET PROFIT</b>	<b>1.114.663</b>	<b>863.950</b>	<b>1.200.826</b>



**SIX – MONTH BUSINESS REPORT**  
**For the period from January 1<sup>st</sup> to June 30<sup>th</sup> 2016**



## 1. ABOUT US

### **General information**

Company name:	GALENIKA - 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:	<a href="http://www.fitofarmacija.rs">www.fitofarmacija.rs</a> ; office@fitofarmacija.rs
Share capital:	RSD 3.511.200.000 at June 30, 2016
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"><li>• ENVIPACK d.o.o., Belgrade, ID No 2080115, Activity Code 7022 Consultancy activities in connection with business and other management;</li><li>• GALENIKA - FITOFARMACIJA zastupanje i trgovina d.o.o. Ljubljana, ID No 6813313000, Activity Code 46.900 Non-specialized wholesale trade</li></ul>
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 6,39% 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, Chief Executive Officer. Owner of 5,72% of the Company shares.
- Slavica Pekovic from Belgrade, M. Sc. in Management, Chief Corporate Affairs Officer.

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](http://www.crhov.rs)). Ownership structure on June 30, 2016 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%	1,212	53	897,819	414,156	34.01%	15.69%
5% to 10%	2	0	319,533	0	12.10%	
10% to 25%	2	0	1,008,492	0	38.20%	
<b>Total:</b>	<b>1,269</b>		<b>2,640,000</b>		<b>100%</b>	

Type of shareholder	No. shares	%
Owned by individuals	1,385,598	52.48%
Owned by legal entities	1,054,498	39.94%
Joint (custody) account	199,904	7.57%
<b>Total:</b>	<b>2,640,000</b>	<b>100%</b>

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.	Frontaura global frontier fund	129,000	4.89%
6.	Mikend d.o.o	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%
	<b>Total:</b>	<b>1,848,479</b>	<b>70.02%</b>

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



## 2. OPERATIONS IN THE FIRST HALF OF 2016

### ***Significant activities***

#### Corporate Governance

In June 2016 the Annual General Meeting was held, during which the Annual Report for 2015 and the decision on the distribution of profit were adopted. Also, on this occasion the Board of Directors members has been appointed during four years mandate and the auditor for 2016 was selected.

The detailed report and minutes from the Annual General Meeting can be found on Company's web site.

Annual General Meeting reached the decision to allocate gross amount of 211,200,000 RSD for dividends, i.e. 80 dinars per share. Dividends will be paid in the week starting on 5<sup>th</sup> 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.

#### Significant transactions with related parties

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

### ***Operations in the first half of 2016***

#### 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

Weather conditions in the first half of the year were favourable for the timely planting of the spring crops and the standard application of plant protection products for most agricultural crops, thus the sales in this important segment had very good results. Revenues from the sales of plant protection products increased by 12% compared to the same period last year. We had 8 new products in our product portfolio, which are well positioned and have a satisfactory level of profitability.

In the domestic market of the plant protection products, we faced already known risks, which are related to the price pressure of competing generic companies and consequential reduction of our profits, as well as the insolvency of the majority of participants in the Serbian agricultural industry, especially individual farmers.

Sale with deferred payment with the maturity date in the autumn (with the currency clause) prevails in the sales structure, and its participation has been increasing from year to year. Most of our customers opt for this type of selling because they do not have sufficient working capital to fund their own cycle of agricultural production.

#### Agricultural production

Mercantile agricultural production (mercantile wheat, corn and sunflower) in season 2016 was organized on approx. the same area as last year (690 ha, out of which 655 ha in our property). Due to the large yield of seed from the last year and transferred stocks, this year we have a common seed production organized on a smaller area (476 ha, compared to last year's 598 ha).

The achieved crop harvesting 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 2016, so we expect to reach the planned crop yields.

Revenues gained from the sale of agricultural products in the first half of 2016 are related to the sale of wheat stock from 2015 crop.





### Frozen fruits production

Revenues from the sale of frozen fruit in the first half of 2016 relate to the sale of stocks of the yield from 2015. In 2015 we did not cooperate with the cold storage out of Arilje, therefore the amounts of purchased fresh raspberry were far lower than those purchased in the previous season. For this reason, revenue from sales of frozen fruit is lower than in the same period last year.

In 2016 we conducted purchase only in our cold storage facility and we purchased approx. 300 tons of fresh raspberries. The expected proceeds from the sale of frozen fruit of the yield 2016 is approx. EUR 715,000.

### Financial results

The sales growth of 12% in our largest and most profitable segment - the sales of plant protection products had the dominant effect on the overall business results and profitability. Operating profit grew by 10% and its margin to 32.9% in the previous at 35.3% in this year.

The slowdown of growth in gross operating profit margins is notable compared to the trend of sales growth, and it is subject to continuous pressure from generic competition in the selling prices on the one hand and strengthening of USD on the other side.

**3. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2016****BALANCE SHEET***(In 000 RSD)*

	<b>30-Jun-15</b>	<b>31-Dec-15</b>	<b>30-Jun-16</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.802.331	1.878.942	1.870.724
Intangible assets	4.034	2.768	2.137
LT financial placements	17.387	261.871	271.636
<i>Fixed assets</i>	<u>1.823.752</u>	<u>2.143.581</u>	<u>2.144.497</u>
Prepaid tax, other expenses and accrued	3.160	58.501	1.218
Inventory	878.602	1.558.601	931.869
Receivables	2.119.425	485.234	2.359.954
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Cash and cash equivalents	303.455	278.684	194.653
<i>Current assets</i>	<u>5.294.095</u>	<u>4.160.581</u>	<u>5.500.519</u>
<i>Deferred tax assets</i>	<u>24.644</u>	<u>25.486</u>	<u>25.486</u>
<i>Operating assets</i>	<u>7.142.491</u>	<u>6.329.648</u>	<u>7.670.502</u>
<b>Total assets</b>	<b><u>7.142.491</u></b>	<b><u>6.329.648</u></b>	<b><u>7.670.502</u></b>
<b>Off-balance sheet assets</b>	<b>516.213</b>	<b>413.092</b>	<b>849.960</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	851.353	833.560	876.757
Revaluation surplus	27.378	25.722	25.642
Un-realized gains on shares trading	-3	-3	-3
Retained earnings	1.679.047	1.447.783	2.394.291
<i>Equity</i>	<u>6.068.975</u>	<u>5.818.262</u>	<u>6.807.887</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	636.741	378.291	589.460
ST financial liabilities	174.684	0	0
Liabilities for VAT and other public revenues	28.264	36.829	32.503
Other ST liabilities	233.827	96.266	240.652
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<u>1.073.516</u>	<u>511.386</u>	<u>862.615</u>
Liabilities and reserved funds	<u>1.073.516</u>	<u>511.386</u>	<u>862.615</u>
<b>Total equity and liabilities</b>	<b><u>7.142.491</u></b>	<b><u>6.329.648</u></b>	<b><u>7.670.502</u></b>
<b>Off-balance sheet liabilities</b>	<b>516.213</b>	<b>413.092</b>	<b>849.960</b>



(In EUR)

	30-Jun-15	31-Dec-15	30-Jun-16
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	14.900.470	15.562.813	15.215.670
Intangible assets	33.350	22.927	17.381
LT financial placements	143.744	2.169.013	2.209.371
<i>Fixed assets</i>	<u>15.077.564</u>	<u>17.754.753</u>	<u>17.442.422</u>
Prepaid tax, other expenses and accrued revenues	26.125	484.549	9.907
Inventory	7.263.695	12.909.508	7.579.424
Receivables	17.521.991	4.019.074	19.194.858
ST financial placements	16.447.469	14.739.665	16.371.459
Cash and cash equivalents	2.508.763	2.308.271	1.583.224
<i>Current assets</i>	<u>43.768.043</u>	<u>34.461.066</u>	<u>44.738.871</u>
<i>Deferred tax assets</i>	203.740	211.094	207.292
<i>Operating assets</i>	<u>59.049.348</u>	<u>52.426.913</u>	<u>62.388.586</u>
<b>Total assets</b>	<u>59.049.348</u>	<u>52.426.913</u>	<u>62.388.586</u>
<b>Off-balance sheet assets</b>	<u>4.267.704</u>	<u>3.421.539</u>	<u>6.913.212</u>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	29.028.258	29.082.403	28.558.601
Reserves	7.038.418	6.904.172	7.131.167
Revaluation surplus	226.343	213.049	208.561
Un-realized gains on shares trading	-25	-25	-24
Retained earnings	13.881.240	11.991.629	19.474.140
<i>Equity</i>	<u>50.174.234</u>	<u>48.191.229</u>	<u>55.372.444</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	5.264.150	3.133.291	4.794.416
ST financial liabilities	1.444.171	0	0
Liabilities for VAT and other public revenues	233.668	305.046	264.366
Other ST liabilities	1.933.126	797.348	1.957.361
Liabilities for income tax	0	0	0
<i>Current (ST) liabilities</i>	<u>8.875.114</u>	<u>4.235.684</u>	<u>7.016.142</u>
Liabilities and reserved funds	<u>8.875.114</u>	<u>4.235.684</u>	<u>7.016.142</u>
<b>Total equity and liabilities</b>	<u>59.049.348</u>	<u>52.426.913</u>	<u>62.388.586</u>
<b>Off-balance sheet liabilities</b>	<u>4.267.704</u>	<u>3.421.539</u>	<u>6.913.212</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)*

	<b>30-Jun-15</b>	<b>31-Dec-15</b>	<b>30-Jun-16</b>	<b>jun16 / jun15</b>
<b>OPERATING REVENUES</b>				
Sales	2.984.593	3.764.153	3.089.035	103%
<i>plant protection products</i>	2.355.728	2.770.429	2.637.962	112%
<i>cold-storage</i>	195.308	266.384	79.520	41%
<i>agriculture</i>	31.072	245.969	30.548	98%
<i>goods</i>	402.485	481.371	341.005	85%
Other operating revenues	40.576	69.507	15.867	39%
<b>Total operating revenues</b>	<b>3.025.169</b>	<b>3.833.660</b>	<b>3.104.902</b>	<b>103%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	328.964	426.906	275.557	84%
Cost of material	878.576	1.721.105	767.066	87%
Change in inventory value	409.560	-147.070	566.465	138%
Salaries / Other personal expenses	162.004	392.627	167.264	103%
Cost of production services	150.390	351.103	123.513	82%
Amortization expense	36.661	73.949	40.384	110%
Other operating expenses	64.158	134.743	68.291	106%
<b>Total operating expenses</b>	<b>2.030.313</b>	<b>2.953.363</b>	<b>2.008.540</b>	<b>99%</b>
<b>OPERATING PROFIT</b>	<b>994.856</b>	<b>880.297</b>	<b>1.096.362</b>	<b>110%</b>
<i>Operating profit margin</i>	33%	23%	35%	
Financial revenues	36.697	108.658	68.421	186%
Financial expenses	36.524	47.178	7.867	22%
<b>Financial profit/loss</b>	<b>173</b>	<b>61.480</b>	<b>60.554</b>	
Revenues from assets valuation adj.	0	0	282.054	
Expenses from assets valuation adj.	167.053	438.303	190.147	114%
<b>Profit/loss from valuation adjustments</b>	<b>-167.053</b>	<b>-438.303</b>	<b>91.907</b>	
Other revenues	334.209	478.067	4.035	1%
Other expenses	4.354	21.228	3.429	79%
<b>Non-operating profit/loss</b>	<b>329.855</b>	<b>456.839</b>	<b>606</b>	
Earnings before tax (EBT)	1.157.831	960.313	1.249.429	108%
Tax	43.168	96.363	48.603	113%
<b>NET PROFIT</b>	<b>1.114.663</b>	<b>863.950</b>	<b>1.200.826</b>	<b>108%</b>



(In EUR)

	30-Jun-15	31-Dec-15	30-Jun-16	jun16 / jun15
<b>OPERATING REVENUES</b>				
Sales	24.674.623	31.177.551	25.124.891	102%
<i>plant protection products</i>	19.475.587	22.946.780	21.456.054	110%
<i>cold-storage</i>	1.614.676	2.206.393	646.782	40%
<i>agriculture</i>	256.883	2.037.301	248.466	97%
<i>goods</i>	3.327.477	3.987.077	2.773.589	83%
Other operating revenues	335.455	575.709	129.055	38%
<i>Total operating revenues</i>	<b>25.010.078</b>	<b>31.753.260</b>	<b>25.253.946</b>	<b>101%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	2.719.655	3.535.957	2.241.263	82%
Cost of material	7.263.480	14.255.488	6.238.987	86%
Change in inventory value	3.385.969	-1.218.145	4.607.385	136%
Salaries / Other personal expenses	1.339.341	3.252.033	1.360.454	102%
Cost of production services	1.243.324	2.908.100	1.004.602	81%
Amortization expense	303.089	612.501	328.466	108%
Other operating expenses	530.416	1.116.043	555.450	105%
<i>Total operating expenses</i>	<b>16.785.273</b>	<b>24.461.977</b>	<b>16.336.607</b>	<b>97%</b>
<b>OPERATING PROFIT</b>	<b>8.224.805</b>	<b>7.291.283</b>	<b>8.917.340</b>	<b>108%</b>
<i>Operating profit margin</i>	33%	23%	35%	
Financial revenues	303.386	899.987	556.507	183%
Financial expenses	301.956	390.764	63.987	21%
<i>Financial profit/loss</i>	<b>1.430</b>	<b>509.224</b>	<b>492.520</b>	
Revenues from assets valuation adj.	0	0	2.294.107	
Expenses from assets valuation adj.	1.381.083	3.630.356	1.546.574	112%
<i>Profit/loss from valuation adjustments</i>	<b>-1.381.083</b>	<b>-3.630.356</b>	<b>747.532</b>	
Other revenues	2.763.017	3.959.711	32.819	1%
Other expenses	35.996	175.826	27.890	77%
<i>Non-operating profit/loss</i>	<b>2.727.021</b>	<b>3.783.885</b>	<b>4.929</b>	
Earnings before tax (EBT)	9.572.174	7.954.036	10.162.321	106%
Tax	356.884	798.151	395.316	111%
<b>NET PROFIT</b>	<b>9.215.290</b>	<b>7.155.885</b>	<b>9.767.005</b>	<b>106%</b>

\* 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-15	30-Jun-16	jun16 / jun15	31-Dec-15
Gross profit	1.410.253	1.497.242	106%	1.839.062
Gross profit margin	46,6%	48,2%		48,0%
Operating profit	994.856	1.096.362	110%	880.297
Operating profit margin	32,9%	35,3%		23,0%
EBITDA	1.031.517	1.136.746	110%	954.246
EBITDA margin	34,1%	36,6%		24,9%
EBT	1.157.831	1.249.429	108%	960.313
Net profit	1.114.663	1.200.826	108%	863.950

Sales revenue rose by 4%, i.e. for RSD 105 million, whereas the segment of the plant protection products has the biggest growth percentage, as well as in the absolute amount (12%, RSD 282 million). The sales of frozen fruit decreased as expected, i.e. returned to the normal level that we had before the collaboration on the purchase of fresh raspberries with the other cold storage facility. The sales of our own agricultural products is at a similar level as the last year and relates to the sale of the old yield of wheat. The revenues from the sale of this year's yield of agricultural products (wheat, sunflower, corn) will be achieved only in the second half of the year. In the segment of commercial goods we recorded a decrease of 15% (RSD 61 million) due to lower sales of corn seed.

The actual costs of production services (services in agricultural production; frozen fruit processing services; preparation of EU registration files; marketing) make the greatest difference in the operating expenditure, which are lower than in the same period last year, which directly affects the higher growth in the operating profit and its margin. All operating expenses are now within the planned amount for 2016.

PROFIT STRUCTURE *	EUR			
	30-Jun-15	30-Jun-16	jun16 / jun15	31-Dec-15
Gross profit	11.659.030	12.177.926	104%	15.232.497
Gross profit margin	46,6%	48,2%		48,0%
Operating profit	8.224.805	8.917.340	108%	7.291.283
Operating profit margin	32,9%	35,3%		23,0%
EBITDA	8.527.894	9.245.806	108%	7.903.784
EBITDA margin	34,1%	36,6%		24,9%
EBT	9.572.174	10.162.321	106%	7.954.036
Net profit	9.215.290	9.767.005	106%	7.155.885

\* 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 30/06/2016 were not so much better compared to the ones as of 30/06/2015 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 2015 and 2016 are shown in the table below.

	jan-jun 15	jan-jun 16	16/15
<b>EUR</b>	120,96	122,95	102%
<b>USD</b>	108,51	110,19	102%



#### 4. BUSINESS PLAN FOR THE SECOND HALF OF 2016

##### **Expected operating risks in the second half of 2016**

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.

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 2016.

Item	In 000 RSD		
	31.12.2015.	ESTIMATE 31.12.2016.	est.16 / 2015
<b>I. OPERATING REVENUES</b>	<b>3.833.660</b>	<b>3.903.240</b>	<b>102%</b>
1. Sales of goods	493.834	543.706	110%
2. Sales of finished products	3.270.319	3.320.114	102%
3. Services	40.641	13.056	32%
4. Other operating revenues	28.866	26.363	91%
<b>II. DIRECT OPERATING EXPENSES</b>	<b>1.994.598</b>	<b>1.973.441</b>	<b>99%</b>
1. Cost of goods (COGS)	426.906	458.186	107%
2. Cost of raw material	1.721.105	1.602.621	93%
3. Income from the use of own products	6.343	3.723	59%
4. Change in inventory value	(147.070)	(83.643)	57%
<b>III. GROSS PROFIT (I-II)</b>	<b>1.839.062</b>	<b>1.929.798</b>	<b>105%</b>
<b>IV. OTHER OPERATING EXPENSES</b>	<b>958.765</b>	<b>964.200</b>	<b>101%</b>
1. Cost of other material	28.925	24.824	86%
2. Fuel and energy costs	31.792	34.169	107%
3. Salaries, contributions	392.627	419.312	107%
4. Production services	351.103	325.520	93%
5. Amortization expense	73.949	80.768	109%
6. Non-production costs	80.369	79.607	99%
<b>V. OPERATING PROFIT (III-IV)</b>	<b>880.297</b>	<b>965.599</b>	<b>110%</b>

The main cause of the estimated growth in gross operating profit is reflected in the growing sales of the plant protection products, which is our most profitable segment.

Other operating expenses are within the planned, except in the case of non-production costs, where a much higher cost of consulting services related to the EU registration of our products, was planned compared to the actual one.



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

Six – month Financial Report 2016 has not been, nor will it be audited by external auditors.

Six – month Report 2016 was approved by Board of Directors on meeting held on August 9<sup>th</sup> 2016.

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

Chief Corporate Affairs Officer,  
M.Sc. Slavica Pekovic

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

In Belgrade, August 10<sup>th</sup>, 2016