

GALENKA – FITOFARMACIJA A.D.

Batajnicky drum bb

11080 Zemun

ID No: 07725531

Tax ID No: 100001046

# **SIX - MONTH REPORT 2017**

## **GALENKA – FITOFARMACIJA A.D.**



Dear shareholders,

here is Six - month Report 2017, prepared in accordance with Art. 52 of the Capital Market Low („Official Gazette of RS”, no. 31/2011, 112/2015 and 108/2016) and in accordance with the Rules on the content, form and the way of publication annual, six - month and quarterly reports of public companies („Official Gazette of RS“, no. 14/2012, 5/2015 and 24/2017).

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

**I Financial Reports for the first half of 2017**

**II Business Reports in the first half of 2017**

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

**BALANCE SHEET (IN 000 RSD)**

	<b>30-Jun-16</b>	<b>31-Dec-16</b>	<b>30-Jun-17</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.870.724	1.857.903	1.847.920
Intangible assets	2.137	1.624	1.307
LT financial placements	271.636	205.690	203.010
<i>Fixed assets</i>	<u>2.144.497</u>	<u>2.065.217</u>	<u>2.052.237</u>
Prepaid tax, other expenses and accrued	1.218	80.180	12.142
Inventory	931.869	1.820.429	963.468
Receivables	2.359.954	366.772	2.666.840
ST financial placements	2.012.825	2.248.719	1.941.850
Cash and cash equivalents	194.653	259.139	545.039
<i>Current assets</i>	<u>5.500.519</u>	<u>4.775.239</u>	<u>6.129.340</u>
<i>Deferred tax assets</i>	25.486	25.480	25.479
<i>Operating assets</i>	<u>7.670.502</u>	<u>6.865.936</u>	<u>8.207.056</u>
<b>Total assets</b>	<b><u>7.670.502</u></b>	<b><u>6.865.936</u></b>	<b><u>8.207.056</u></b>
<b>Off-balance sheet assets</b>	849.960	184.102	403.770
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	876.757	876.757	921.801
Revaluation surplus	25.642	25.092	25.022
Un-realized gains on shares trading	-3	-2	-2
Retained earnings	2.394.291	2.094.891	3.077.985
<i>Equity</i>	<u>6.807.887</u>	<u>6.507.938</u>	<u>7.536.006</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	589.460	234.062	365.129
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	32.503	16.557	63.144
Other ST liabilities	240.652	107.380	242.777
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<u>862.615</u>	<u>357.998</u>	<u>671.050</u>
Liabilities and reserved funds	<u>862.615</u>	<u>357.998</u>	<u>671.050</u>
<b>Total equity and liabilities</b>	<b><u>7.670.502</u></b>	<b><u>6.865.936</u></b>	<b><u>8.207.056</u></b>
<b>Off-balance sheet liabilities</b>	849.960	184.102	403.770

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

	<b>30-Jun-16</b>	<b>31-Dec-16</b>	<b>30-Jun-17</b>	<b>jun17 / jun16</b>
<b>OPERATING REVENUES</b>				
Sales	3.089.035	3.897.680	3.386.539	110%
<i>plant protection products</i>	2.637.962	3.033.767	2.940.026	111%
<i>cold-storage</i>	79.520	120.323	64.325	81%
<i>agriculture</i>	30.548	212.293	31.140	102%
<i>goods</i>	341.005	531.297	351.048	103%
Other operating revenues	15.867	60.275	10.442	66%
<i>Total operating revenues</i>	<b>3.104.902</b>	<b>3.957.955</b>	<b>3.396.981</b>	<b>109%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	275.557	451.506	307.930	112%
Cost of material	767.066	1.605.943	873.781	114%
Change in inventory value	566.465	-55.251	621.960	110%
Salaries / Other personal expenses	167.264	417.642	173.695	104%
Cost of production services	123.513	311.968	117.662	95%
Amortization expense	40.384	81.113	41.404	103%
Other operating expenses	68.291	132.261	81.303	119%
<i>Total operating expenses</i>	<b>2.008.540</b>	<b>2.945.181</b>	<b>2.217.734</b>	<b>110%</b>
<b>OPERATING PROFIT</b>	<b>1.096.362</b>	<b>1.012.774</b>	<b>1.179.247</b>	<b>108%</b>
<i>Operating profit margin</i>	35%	26%	35%	
Financial revenues	68.421	101.838	29.621	43%
Financial expenses	7.867	29.914	121.173	1540%
<i>Financial profit/loss</i>	<b>60.554</b>	<b>71.924</b>	<b>-91.552</b>	
Revenues from assets valuation adj.	282.054	467.903	326.908	
Expenses from assets valuation adj.	190.147	556.305	96.978	51%
<i>Profit/loss from valuation adjustments</i>	<b>91.907</b>	<b>-88.402</b>	<b>229.929</b>	
Other revenues	4.035	17.788	10.386	257%
Other expenses	3.429	11.415	2.324	68%
<i>Non-operating profit/loss</i>	<b>606</b>	<b>6.373</b>	<b>8.063</b>	
Earnings before tax (EBT)	1.249.429	1.002.670	1.325.687	106%
Tax	48.603	101.794	70.579	145%
<b>NET PROFIT</b>	<b>1.200.826</b>	<b>900.876</b>	<b>1.255.108</b>	<b>105%</b>



**SIX – MONTH BUSINESS REPORT**  
**For the period from January 1<sup>st</sup> to June 30<sup>th</sup> 2017**



## 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, 2017
Number of issued shares:	2.640.000 (ordinary); ISIN No: RSFITOE21521; CFI code: ESVUFR; BELEX: FITO
Number of own shares:	None
	<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></ul>
Subsidiaries:	<ul style="list-style-type: none"><li>• GALENIKA - FITOFARMACIJA zastupanje i trgovina d.o.o. Ljubljana, ID No 6813313000, Activity Code 46.900 Non-specialized wholesale trade</li><li>• HOLDING GALENIKA d.o.o., Belgrade, ID No 07092920, Activity code 6820 Renting of own or leased real estate and management thereof.</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, 2017 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%	1.214	70	908.689	403.286	34,42%	15,28%
5% to 10%	2		319.533		12,10%	
10% to 25%	2		1.008.492		38,20%	
<b>Total:</b>	<b>1.288</b>		<b>2.640.000</b>		<b>100%</b>	

Type of shareholder	No. shares	%
Owned by individuals	1.376.849	52,15%
Owned by legal entities	1.037.425	39,30%
Joint (custody) account	225.726	8,55%
<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	122.777	4,65%
6.	Mikend doo	100.554	3,81%
7.	Terra capital cayman	79.115	3,00%
8.	Herma investments co., ltd.	76.866	2,91%
9.	Komp. Dunav osiguranje a.d.o.	71.704	2,72%
10.	Sempiola invest limited	56.328	2,13%
	<b>Total:</b>	<b>1.835.369</b>	<b>69,52%</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 2017 there were no significant departures from established principles in the implementation of the Corporate Governance Code.



## 2. OPERATIONS IN THE FIRST HALF OF 2017

### ***Significant activities***

#### Corporate Governance

In June 2017 the Annual General Meeting was held, during which the Annual Report for 2016 and the decision on the distribution of profit were adopted. Also, on this occasion the auditor for 2017 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 227,040,000 RSD for dividends, i.e. 86 dinars per share. Dividends will be paid in the week starting on 4<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 2017***

#### 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 11% compared to the same period last year. We had three 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.

#### EU registration

The plan for the sale of three products with EU registrations was achieved in the volume of only 30%, because the administrative process of registration in EU member states in the region lasted much longer than we expected. For the 2017 season, in most countries, we did not have registered products in time and we could not perform sales there. In countries where registration was obtained in time, the sales plan was realized at 100%. We expect that we will complete all planned registrations for the 2018 season.

We are currently working on new EU registrations for our three products and the earliest they could reach the EU market is 2020.





### Agricultural production

Mercantile agricultural production (mercantile wheat, corn, oilseed rape and sunflower) in season 2017 was organized on approx. the same area as last year (688 ha, out of which 655 ha in our property). After last year's decrease in the surface areas under seed wheat due to the transferred stock, this season we have organized seed production over the usual surface area (592 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 in the autumn of 2017, with lower crop yields than planned due to long term drought.

Revenues gained from the sale of agricultural products in the first half of 2017 are related to the sale of wheat stock from 2016 crop as well as oilseed rape from 2017 crop.

### Frozen fruits production

Revenues from the sale of frozen fruit in the first half of 2017 relate to the sale of stocks of the yield from 2016. Amount of these revenues are in accordance with planned.

In 2017 we conducted purchase only in our cold storage facility and we purchased approx. 320 tons of fresh raspberries. The expected proceeds from the sale of frozen fruit of the yield 2017 is approx. EUR 675,000.

### Financial results

The sales growth of 11% in our largest and most profitable segment - the sales of plant protection products had the dominant effect on the overall business results. The decline in profit margins is notable as it is subject to continuous pressure from generic competition in the selling prices on the one hand and rising raw material prices on the other side.

An important difference in the structure of invoiced realization, i.e. further increase in sales with foreign currency clause, most often with the payment term in the fall, caused significant differences in the segment of expenses from the adjustment of the assets value. Namely, this position shows all unpaid trade receivables older than 60 days. Given the different maturity of the invoiced realization, it is logical that we currently have significantly less outstanding receivables.

The strengthening of the RSD against the EUR in the second quarter of this year resulted in large financial expenditures. The effects of exchange rate differences and foreign currency clause are calculated on the basis of the RSD exchange rate against EUR as of 30 June 2017, which amounted to 120.8486 RSD/EUR. On the other hand, sales were realized in the period when the RSD exchange rate was significantly higher (February-May), which has now led to negative effects of the foreign currency clause.

A significant difference also appears in the segment of income tax, which is significantly higher this year, which results in a lower growth of net profit than growth in profit before tax. In previous years, taxes were lower because our company exercised the right to tax incentive on the basis of realized investments.

**3. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2017****BALANCE SHEET***(In 000 RSD)*

	<b>30-Jun-16</b>	<b>31-Dec-16</b>	<b>30-Jun-17</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.870.724	1.857.903	1.847.920
Intangible assets	2.137	1.624	1.307
LT financial placements	271.636	205.690	203.010
<i>Fixed assets</i>	<b>2.144.497</b>	<b>2.065.217</b>	<b>2.052.237</b>
Prepaid tax, other expenses and accrued	1.218	80.180	12.142
Inventory	931.869	1.820.429	963.468
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ST financial placements	2.012.825	2.248.719	1.941.850
Cash and cash equivalents	194.653	259.139	545.039
<i>Current assets</i>	<b>5.500.519</b>	<b>4.775.239</b>	<b>6.129.340</b>
<i>Deferred tax assets</i>	<b>25.486</b>	<b>25.480</b>	<b>25.479</b>
<i>Operating assets</i>	<b>7.670.502</b>	<b>6.865.936</b>	<b>8.207.056</b>
<b>Total assets</b>	<b>7.670.502</b>	<b>6.865.936</b>	<b>8.207.056</b>
<b>Off-balance sheet assets</b>	<b>849.960</b>	<b>184.102</b>	<b>403.770</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	876.757	876.757	921.801
Revaluation surplus	25.642	25.092	25.022
Un-realized gains on shares trading	-3	-2	-2
Retained earnings	2.394.291	2.094.891	3.077.985
<i>Equity</i>	<b>6.807.887</b>	<b>6.507.938</b>	<b>7.536.006</b>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	589.460	234.062	365.129
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	32.503	16.557	63.144
Other ST liabilities	240.652	107.380	242.777
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<b>862.615</b>	<b>357.998</b>	<b>671.050</b>
Liabilities and reserved funds	<b>862.615</b>	<b>357.998</b>	<b>671.050</b>
<b>Total equity and liabilities</b>	<b>7.670.502</b>	<b>6.865.936</b>	<b>8.207.056</b>
<b>Off-balance sheet liabilities</b>	<b>849.960</b>	<b>184.102</b>	<b>403.770</b>

*(In EUR)*

	30-Jun-16	31-Dec-16	30-Jun-17
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	15.215.670	15.090.437	14.979.071
Intangible assets	17.381	13.192	10.593
LT financial placements	2.209.371	1.670.674	1.645.582
<i>Fixed assets</i>	<u>17.442.422</u>	<u>16.774.303</u>	<u>16.635.245</u>
Prepaid tax, other expenses and accrued revenues	9.907	651.243	98.424
Inventory	7.579.424	14.786.062	7.809.786
Receivables	19.194.858	2.979.031	21.617.159
ST financial placements	16.371.459	18.264.763	15.740.462
Cash and cash equivalents	1.583.224	2.104.806	4.418.037
<i>Current assets</i>	<u>44.738.871</u>	<u>38.785.904</u>	<u>49.683.867</u>
<i>Deferred tax assets</i>	207.292	206.956	206.534
<i>Operating assets</i>	<u>62.388.586</u>	<u>55.767.163</u>	<u>66.525.646</u>
<b>Total assets</b>	<u>62.388.586</u>	<u>55.767.163</u>	<u>66.525.646</u>
<b>Off-balance sheet assets</b>	<u>6.913.212</u>	<u>1.495.331</u>	<u>3.272.927</u>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	28.558.601	28.519.005	28.461.466
Reserves	7.131.167	7.121.283	7.472.037
Revaluation surplus	208.561	203.802	202.824
Un-realized gains on shares trading	-24	-19	-19
Retained earnings	19.474.140	17.015.324	24.949.867
<i>Equity</i>	<u>55.372.444</u>	<u>52.859.396</u>	<u>61.086.175</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	4.794.416	1.901.121	2.959.700
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	264.366	134.477	511.841
Other ST liabilities	1.957.361	872.169	1.967.928
Liabilities for income tax	0	0	0
<i>Current (ST) liabilities</i>	<u>7.016.142</u>	<u>2.907.767</u>	<u>5.439.470</u>
Liabilities and reserved funds	<u>7.016.142</u>	<u>2.907.767</u>	<u>5.439.470</u>
<b>Total equity and liabilities</b>	<u>62.388.586</u>	<u>55.767.163</u>	<u>66.525.645</u>
<b>Off-balance sheet liabilities</b>	<u>6.913.212</u>	<u>1.495.331</u>	<u>3.272.927</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-16</b>	<b>31-Dec-16</b>	<b>30-Jun-17</b>	<b>jun17 / jun16</b>
<b>OPERATING REVENUES</b>				
Sales	3.089.035	3.897.680	3.386.539	110%
<i>plant protection products</i>	2.637.962	3.033.767	2.940.026	111%
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<i>agriculture</i>	30.548	212.293	31.140	102%
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<b>Total operating revenues</b>	<b>3.104.902</b>	<b>3.957.955</b>	<b>3.396.981</b>	<b>109%</b>
<b>OPERATING EXPENSES</b>				
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Cost of material	767.066	1.605.943	873.781	114%
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<b>OPERATING PROFIT</b>	<b>1.096.362</b>	<b>1.012.774</b>	<b>1.179.247</b>	<b>108%</b>
<i>Operating profit margin</i>	35%	26%	35%	
Financial revenues	68.421	101.838	29.621	43%
Financial expenses	7.867	29.914	121.173	1540%
<b>Financial profit/loss</b>	<b>60.554</b>	<b>71.924</b>	<b>-91.552</b>	
Revenues from assets valuation adj.	282.054	467.903	326.908	
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Other expenses	3.429	11.415	2.324	68%
<b>Non-operating profit/loss</b>	<b>606</b>	<b>6.373</b>	<b>8.063</b>	
Earnings before tax (EBT)	1.249.429	1.002.670	1.325.687	106%
Tax	48.603	101.794	70.579	145%
<b>NET PROFIT</b>	<b>1.200.826</b>	<b>900.876</b>	<b>1.255.108</b>	<b>105%</b>



(In EUR)

	30-Jun-16	31-Dec-16	30-Jun-17	jun17 / jun16
<b>OPERATING REVENUES</b>				
Sales	25.124.891	31.658.110	27.450.972	109%
<i>plant protection products</i>	21.456.054	24.641.153	23.831.581	111%
<i>cold-storage</i>	646.782	977.299	521.413	81%
<i>agriculture</i>	248.466	1.724.307	252.415	102%
<i>goods</i>	2.773.589	4.315.351	2.845.564	103%
Other operating revenues	129.055	489.571	84.644	66%
<b>Total operating revenues</b>	<b>25.253.946</b>	<b>32.147.681</b>	<b>27.535.617</b>	<b>109%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	2.241.263	3.667.266	2.496.051	111%
Cost of material	6.238.987	13.043.941	7.082.786	114%
Change in inventory value	4.607.385	-448.765	5.041.552	109%
Salaries / Other personal expenses	1.360.454	3.392.213	1.407.958	103%
Cost of production services	1.004.602	2.533.896	953.755	95%
Amortization expense	328.466	658.820	335.614	102%
Other operating expenses	555.450	1.074.263	659.031	119%
<b>Total operating expenses</b>	<b>16.336.607</b>	<b>23.921.635</b>	<b>17.976.748</b>	<b>110%</b>
<b>OPERATING PROFIT</b>	<b>8.917.340</b>	<b>8.226.046</b>	<b>9.558.869</b>	<b>107%</b>
<i>Operating profit margin</i>	35%	26%	35%	
Financial revenues	556.507	827.158	240.107	43%
Financial expenses	63.987	242.970	982.219	1535%
<b>Financial profit/loss</b>	<b>492.520</b>	<b>584.188</b>	<b>-742.112</b>	
Revenues from assets valuation adj.	2.294.107	3.800.447	2.649.885	
Expenses from assets valuation adj.	1.546.574	4.518.474	786.098	51%
<b>Profit/loss from valuation adjustments</b>	<b>747.532</b>	<b>-718.027</b>	<b>1.863.787</b>	
Other revenues	32.819	144.479	84.190	257%
Other expenses	27.890	92.716	18.835	68%
<b>Non-operating profit/loss</b>	<b>4.929</b>	<b>51.763</b>	<b>65.354</b>	
Earnings before tax (EBT)	10.162.321	8.143.979	10.745.898	106%
Tax	395.316	826.801	572.109	145%
<b>NET PROFIT</b>	<b>9.767.005</b>	<b>7.317.178</b>	<b>10.173.789</b>	<b>104%</b>

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



Growth was achieved in all segments of income from sale, except in the segment of frozen fruit sales, which had the expected fall this year due to the smaller purchased quantities of fresh raspberries harvested in 2016. The highest growth, both in terms of percentage and in absolute amount, was achieved in the segment of plant protection products, which is at the same time our most profitable segment. The segment of sales of agricultural products is at a similar level and with similar dynamics as last year, as the main sales activity is expected in the fall. The merchandise segment had a slight increase in income from sale with a significant drop in profitability.

There are no significant differences in operating expenses among two periods. All operating expenses are within the planned amount for 2017 for now.

PROFIT STRUCTURE	000 RSD			
	30-Jun-16	30-Jun-17	jun17 / jun16	31-Dec-16
Gross profit	1.497.242	1.595.405	107%	1.960.512
Gross profit margin	48,2%	47,0%		50,0%
Operating profit	1.096.362	1.179.247	108%	1.012.774
Operating profit margin	35,3%	34,7%		26,0%
EBITDA	1.136.746	1.220.651	107%	1.093.886
EBITDA margin	36,6%	35,9%		28,0%
EBT	1.249.429	1.325.687	106%	1.002.670
Net profit	1.200.826	1.255.108	105%	900.876

PROFIT STRUCTURE *	EUR			
	30-Jun-16	30-Jun-17	jun17 / jun16	31-Dec-16
Gross profit	12.177.926	12.932.208	106%	15.923.858
Gross profit margin	48,2%	47,0%		50,0%
Operating profit	8.917.340	9.558.869	107%	8.226.046
Operating profit margin	35,3%	34,7%		26,0%
EBITDA	9.245.806	9.894.483	107%	8.884.866
EBITDA margin	36,6%	35,9%		28,0%
EBT	10.162.321	10.745.898	106%	8.143.979
Net profit	9.767.005	10.173.789	104%	7.317.178

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

The average euro and US dollar middle exchange rates in the first six months of 2016 and 2017 are shown in the table below.

	jan-jun 16	jan-jun 17	17/16
<b>EUR</b>	122,95	123,37	100%
<b>USD</b>	110,19	113,86	103%



#### 4. BUSINESS PLAN FOR THE SECOND HALF OF 2017

##### **Expected operating risks in the second half of 2017**

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 2017.

Item	In 000 RSD		
	31.12.2016.	ESTIMATE 31.12.2017.	est.17 / 2016
<b>I. OPERATING REVENUES</b>	<b>3.957.955</b>	<b>4.250.354</b>	<b>107%</b>
1. Sales of goods	537.432	550.012	102%
2. Sales of finished products	3.360.248	3.661.794	109%
3. Services	14.299	8.637	60%
4. Other operating revenues	45.976	29.911	65%
<b>II. DIRECT OPERATING EXPENSES</b>	<b>1.997.443</b>	<b>2.197.972</b>	<b>110%</b>
1. Cost of goods sold (COGS)	451.506	470.667	104%
2. Cost of raw material	1.605.943	1.601.820	100%
3. Income from the use of own products	4.755	9.177	193%
4. Change in inventory value	(55.251)	134.662	
<b>III. GROSS PROFIT (I-II)</b>	<b>1.960.512</b>	<b>2.052.382</b>	<b>105%</b>
<b>IV. OTHER OPERATING EXPENSES</b>	<b>947.740</b>	<b>1.000.027</b>	<b>106%</b>
1. Cost of other material	26.707	27.967	105%
2. Fuel and energy costs	33.475	31.570	94%
3. Salaries, contributions	417.642	424.552	102%
4. Production services	311.969	343.535	110%
5. Amortization expense	81.113	82.808	102%
6. Non-production costs	76.834	89.596	117%
<b>V. OPERATING PROFIT (III-IV)</b>	<b>1.012.772</b>	<b>1.052.355</b>	<b>104%</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 Production services costs, where a higher cost of services related to the EU registration of our products, was planned compared to the actual one.



Six – month Financial Report 2017, according to the best of our knowledge, have been prepared with the application of relevant International Financial Reporting Standards and give us a true and objective information about the assets, liabilities, financial position and operations, profits and losses, cash flows and changes in equity.

Six – month Financial Report 2017 has not been, nor will it be audited by external auditors.

Six – month Report 2017 was approved by Board of Directors on meeting held on August 10<sup>th</sup>, 2017.

Chief Corporate Affairs Officer,  
M.Sc. Slavica Pekovic

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

In Belgrade, August 11<sup>th</sup>, 2017