

GALENKA – FITOFARMACIJA A.D.

Batajnicky drum bb

11080 Zemun

ID No: 07725531

Tax ID No: 100001046

SIX - MONTH REPORT 2018

GALENKA – FITOFARMACIJA A.D.



Dear shareholders,

here is Six - month Report 2018, 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 2018**
- II Business Reports in the first half of 2018**
- III Statement of persons responsible for the preparation of Six - month Report**

**BALANCE SHEET (IN 000 RSD)**

	30-Jun-17	31-Dec-17	30-Jun-18
ASSETS			
Property, plant and equipment (PP&E)	1.847.920	1.839.735	1.833.132
Intangible assets	1.307	1.001	5.946
LT financial placements	203.010	121.784	122.929
<i>Fixed assets</i>	<u>2.052.237</u>	<u>1.962.520</u>	<u>1.962.006</u>
Prepaid tax, other expenses and accrued revenues	12.142	186.591	17.132
Inventory	963.468	1.962.824	1.250.195
Receivables	2.666.840	538.964	2.794.454
ST financial placements	1.941.850	2.185.935	2.138.127
Cash and cash equivalents	545.039	488.204	580.150
<i>Current assets</i>	<u>6.129.340</u>	<u>5.362.518</u>	<u>6.780.058</u>
<i>Deferred tax assets</i>	25.479	26.783	26.783
<i>Operating assets</i>	<u>8.207.056</u>	<u>7.351.821</u>	<u>8.768.848</u>
Total assets	8.207.056	7.351.821	8.768.848
Off-balance sheet assets	403.770	71.103	415.338
EQUITY AND LIABILITIES			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	921.801	921.801	959.572
Revaluation surplus	25.022	25.022	25.022
Un-realized gains on shares trading	-2	-2	-2
Retained earnings	3.077.985	2.573.040	3.575.804
<i>Equity</i>	<u>7.536.006</u>	<u>7.031.061</u>	<u>8.071.595</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	365.129	212.725	399.869
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	63.144	4.996	30.666
Other ST liabilities	242.777	103.039	266.718
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<u>671.050</u>	<u>320.760</u>	<u>697.253</u>
Liabilities and reserved funds	<u>671.050</u>	<u>320.760</u>	<u>697.253</u>
Total equity and liabilities	8.207.056	7.351.821	8.768.848
Off-balance sheet liabilities	403.770	71.103	415.338

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

	30-Jun-17	31-Dec-17	30-Jun-18	jun18 / jun17
OPERATING REVENUES				
Sales	3.386.539	3.962.212	3.250.056	96%
<i>plant protection products</i>	2.940.026	3.120.546	2.832.338	96%
<i>cold-storage</i>	64.325	89.161	31.363	49%
<i>agriculture</i>	31.140	252.862	45.843	147%
<i>goods</i>	351.048	499.643	340.513	97%
Other operating revenues	10.442	38.636	5.871	56%
<i>Total operating revenues</i>	3.396.981	4.000.848	3.255.928	96%
OPERATING EXPENSES				
Cost of goods sold (COGS)	307.930	436.109	282.413	92%
Cost of material	873.781	1.583.919	912.284	104%
Change in inventory value	621.960	-19.026	526.875	85%
Salaries / Other personal expenses	173.695	425.174	191.969	111%
Cost of production services	117.662	336.053	113.520	96%
Amortization expense	41.404	81.966	39.224	95%
Other operating expenses	81.303	146.536	104.919	129%
<i>Total operating expenses</i>	2.217.734	2.990.730	2.171.203	98%
OPERATING PROFIT	1.179.247	1.010.118	1.084.725	92%
<i>Operating profit margin</i>	35%	25%	33%	
Financial revenues	29.621	49.177	31.530	106%
Financial expenses	121.173	236.310	38.469	32%
<i>Financial profit/loss</i>	-91.552	-187.133	-6.939	8%
Revenues from assets valuation adj.	326.908	494.346	335.232	103%
Expenses from assets valuation adj.	96.978	450.416	105.929	109%
<i>Profit/loss from valuation adjustments</i>	229.929	43.930	229.303	100%
Other revenues	10.386	15.446	16.426	158%
Other expenses	2.324	5.551	5.044	217%
<i>Non-operating profit/loss</i>	8.063	9.895	11.382	141%
Earnings before tax (EBT)	1.325.687	876.811	1.318.470	99%
Tax	70.579	121.406	66.736	95%
NET PROFIT	1.255.108	755.405	1.251.734	100%



SIX – MONTH BUSINESS REPORT
For the period from January 1st to June 30th 2018



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:	www.fitofarmacija.rs ; office@fitofarmacija.rs
Share capital:	RSD 3.511.200.000 at June 30, 2018
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">• ENVIPACK d.o.o., Belgrade, ID No 2080115, Activity Code 7022 Consultancy activities in connection with business and other management;
Subsidiaries:	<ul style="list-style-type: none">• GALENIKA - FITOFARMACIJA zastupanje i trgovina d.o.o. Ljubljana, ID No 6813313000, Activity Code 46.900 Non-specialized wholesale trade• HOLDING GALENIKA d.o.o., Belgrade, ID No 07092920, Activity code 6820 Renting of own or leased real estate and management thereof.
Auditor:	PKF d.o.o., Belgrade, ID No.: 08752524

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). Ownership structure on June 30, 2018 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%	1.174	50	879.758	267.650	33,32%	10,14%
5% to 10%	3		484.100		18,34%	
10% to 25%	2		1.008.492		38,20%	
Total:	1.229		2.640.000		100%	

Type of shareholder	No. shares	%
Owned by individuals	1.348.181	51,07%
Owned by legal entities	910.510	34,49%
Joint (custody) account	381.309	14,44%
Total:	2.640.000	100%

Top ten shareholders by number of shares and votes:

No.	Shareholder	No. shares	%
1.	Vojinović Živorad	569.196	21,56%
2.	Agromarket d.o.o.	439.296	16,64%
3.	Puhar Nedeljko	168.583	6,39%
4.	BDD M&V Investments ad Beograd - zbirni račun	164.567	6,23%
5.	Nenadović Dragan	150.950	5,72%
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.	Societe Generale banka Srbija - kastodi račun - FO	70.214	2,66%
	Total:	1.891.045	71,63%

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 2018 there were no significant departures from established principles in the implementation of the Corporate Governance Code.



2. OPERATIONS IN THE FIRST HALF OF 2018

Significant activities

Corporate Governance

In June 2018 the Annual General Meeting was held, during which the Annual Report for 2017 and the decision on the distribution of profit were adopted. Also, on this occasion the auditor for 2018 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 3rd 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 2018

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 adverse weather conditions caused an unusually long delay in the agricultural season of full four weeks, followed by accelerated vegetative and generative stages of plant growth and — consequently — shortened time of application of some plant protection products. This is also the main reason for the plant protection products sales drop of about 5% in the domestic market. On the other hand, this year saw a significant rise in the export of EU-registered domestic products, making the total sales in the plant protection products segment levelled with last year's.

The domestic plant protection products market encountered now traditional risks related to the price pressure from competing generic companies and the consequent reduction of our profits, as well as to the illiquidity of most stakeholders in the Serbian farming industry — especially individual agricultural producers.

The sales structure is dominated by sales with payment deferred to the autumn (with a currency clause), and their share is increasing every year (84% in comparison with last year's 76%, or 68% the year before last). Most of our customers opt for this form of sales because they do not have enough working capital to finance their agricultural production cycle on their own. The general illiquidity of market participants also caused a gradual change in the agricultural producers are supplied, with just-in-time supply now being prevalent and without storing supplies for the upcoming treatments, which means our logistics costs grow.

EU registration

This season's revenue from the sale of EU-registered products amounted to EUR 1.47 million, which is almost eight times more than last year's results (EUR 185,000). We have closed sales in all the markets we had in plan, except in Bulgaria, where we failed to obtain registrations in time for this agricultural season.



Agricultural production

In 2018, mercantile agricultural production (mercantile wheat, oilseed rape, and sunflower) was organized on the usual area of 688 ha, while seed production (seed wheat) was organized on 890 ha — with an increase of 47%.

The quality and yields of harvested oilseed rape and wheat, both mercantile and seed, were in decline compared with last year's, which was expected considering this year's weather conditions. Sunflower harvest is planned for autumn 2018, where we expect standard yield and quality.

The sales revenue from agricultural products in the first half of 2018 are related to the sale of 2017 wheat stocks, as well as 2018 oilseed rape.

Frozen fruits production

The sales revenue from frozen fruit in the first half of 2018 are related to the sales of 2017 fruit stocks, which were lower than planned. The overall assessment is that the European market demand has reduced and, as a result, a significant quantity of 2017 raspberry stocks remained in Serbia unsold.

The 2018 raspberry yield in Serbia is of poor quality due to unfavourable weather conditions during harvest. We purchased 365 tonnes of raspberries in our cold storage (a growth of 14% in quantity), and considering the already mentioned circumstances, we expect further decline in revenues and profitability in this segment of our business.

Financial results

When analysing the financial results and comparing them with the previous year, it is important to take into account the big negative exchange-rate differences that we reported on June 30, 2017, which almost doubled by the end of the year. The fact of the matter is that the average EUR exchange rate which we applied in invoicing plant protection products with a currency clause last year was RSD 123.54, while this year it was RSD 118.24. On June 30, 2017, the euro exchange rate was RSD 120.85, only to drop to RSD 118,05 by the end of the year.

For this reason, there is a large unreasonable imbalance in our revenue, so this analysis should rely on comparative data on revenues shown in euros, which indicate that the sales are levelled with last year's.

Also, the profitability data should be analysed in the same context. Last year's profit margin is unrealistically higher than this year's because of the negative exchange rate differences that were reported in last year's financial expenses.

The real picture is painted by the net profit in dinars, which is levelled with last year's.

**3. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2018****BALANCE SHEET***(In 000 RSD)*

	30-Jun-17	31-Dec-17	30-Jun-18
ASSETS			
Property, plant and equipment (PP&E)	1.847.920	1.839.735	1.833.132
Intangible assets	1.307	1.001	5.946
LT financial placements	203.010	121.784	122.929
<i>Fixed assets</i>	<u>2.052.237</u>	<u>1.962.520</u>	<u>1.962.006</u>
Prepaid tax, other expenses and accrued revenues	12.142	186.591	17.132
Inventory	963.468	1.962.824	1.250.195
Receivables	2.666.840	538.964	2.794.454
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Cash and cash equivalents	545.039	488.204	580.150
<i>Current assets</i>	<u>6.129.340</u>	<u>5.362.518</u>	<u>6.780.058</u>
<i>Deferred tax assets</i>	25.479	26.783	26.783
<i>Operating assets</i>	8.207.056	7.351.821	8.768.848
Total assets	8.207.056	7.351.821	8.768.848
Off-balance sheet assets	403.770	71.103	415.338
EQUITY AND LIABILITIES			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	921.801	921.801	959.572
Revaluation surplus	25.022	25.022	25.022
Un-realized gains on shares trading	-2	-2	-2
Retained earnings	3.077.985	2.573.040	3.575.804
<i>Equity</i>	<u>7.536.006</u>	<u>7.031.061</u>	<u>8.071.595</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	365.129	212.725	399.869
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	63.144	4.996	30.666
Other ST liabilities	242.777	103.039	266.718
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<u>671.050</u>	<u>320.760</u>	<u>697.253</u>
Liabilities and reserved funds	<u>671.050</u>	<u>320.760</u>	<u>697.253</u>
Total equity and liabilities	8.207.056	7.351.821	8.768.848
Off-balance sheet liabilities	403.770	71.103	415.338



(In EUR)

	30-Jun-17	31-Dec-17	30-Jun-18
ASSETS			
Property, plant and equipment (PP&E)	14.979.071	15.162.230	15.495.863
Intangible assets	10.593	8.250	50.260
LT financial placements	1.645.582	1.003.686	1.039.144
<i>Fixed assets</i>	<u>16.635.245</u>	<u>16.174.167</u>	<u>16.585.267</u>
Prepaid tax, other expenses and accrued revenues	98.424	1.537.795	144.825
Inventory	7.809.786	16.176.672	10.568.174
Receivables	21.617.159	4.441.888	23.622.127
ST financial placements	15.740.462	18.015.448	18.074.054
Cash and cash equivalents	4.418.037	4.023.548	4.904.131
<i>Current assets</i>	<u>49.683.867</u>	<u>44.195.351</u>	<u>57.313.311</u>
<i>Deferred tax assets</i>	206.534	220.733	226.401
<i>Operating assets</i>	<u>66.525.646</u>	<u>60.590.250</u>	<u>74.124.983</u>
Total assets	<u>66.525.646</u>	<u>60.590.250</u>	<u>74.124.983</u>
Off-balance sheet assets	<u>3.272.927</u>	<u>585.997</u>	<u>3.510.945</u>
EQUITY AND LIABILITIES			
Shareholders and Other equity	28.461.466	28.937.659	29.680.939
Reserves	7.472.037	7.597.050	8.111.467
Revaluation surplus	202.824	206.220	211.514
Un-realized gains on shares trading	-19	-16	-19
Retained earnings	24.949.867	21.205.785	30.227.050
<i>Equity</i>	<u>61.086.175</u>	<u>57.946.697</u>	<u>68.230.950</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	2.959.700	1.753.179	3.380.179
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	511.841	41.175	259.230
Other ST liabilities	1.967.928	849.199	2.254.624
Liabilities for income tax	0	0	0
<i>Current (ST) liabilities</i>	<u>5.439.470</u>	<u>2.643.553</u>	<u>5.894.033</u>
Liabilities and reserved funds	<u>5.439.470</u>	<u>2.643.553</u>	<u>5.894.033</u>
Total equity and liabilities	<u>66.525.645</u>	<u>60.590.250</u>	<u>74.124.983</u>
Off-balance sheet liabilities	<u>3.272.927</u>	<u>585.997</u>	<u>3.510.945</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-17	31-Dec-17	30-Jun-18	jun18 / jun17
OPERATING REVENUES				
Sales	3.386.539	3.962.212	3.250.056	96%
<i>plant protection products</i>	2.940.026	3.120.546	2.832.338	96%
<i>cold-storage</i>	64.325	89.161	31.363	49%
<i>agriculture</i>	31.140	252.862	45.843	147%
<i>goods</i>	351.048	499.643	340.513	97%
Other operating revenues	10.442	38.636	5.871	56%
<i>Total operating revenues</i>	3.396.981	4.000.848	3.255.928	96%
OPERATING EXPENSES				
Cost of goods sold (COGS)	307.930	436.109	282.413	92%
Cost of material	873.781	1.583.919	912.284	104%
Change in inventory value	621.960	-19.026	526.875	85%
Salaries / Other personal expenses	173.695	425.174	191.969	111%
Cost of production services	117.662	336.053	113.520	96%
Amortization expense	41.404	81.966	39.224	95%
Other operating expenses	81.303	146.536	104.919	129%
<i>Total operating expenses</i>	2.217.734	2.990.730	2.171.203	98%
OPERATING PROFIT	1.179.247	1.010.118	1.084.725	92%
<i>Operating profit margin</i>	35%	25%	33%	
Financial revenues	29.621	49.177	31.530	106%
Financial expenses	121.173	236.310	38.469	32%
<i>Financial profit/loss</i>	-91.552	-187.133	-6.939	8%
Revenues from assets valuation adj.	326.908	494.346	335.232	103%
Expenses from assets valuation adj.	96.978	450.416	105.929	109%
<i>Profit/loss from valuation adjustments</i>	229.929	43.930	229.303	100%
Other revenues	10.386	15.446	16.426	158%
Other expenses	2.324	5.551	5.044	217%
<i>Non-operating profit/loss</i>	8.063	9.895	11.382	141%
Earnings before tax (EBT)	1.325.687	876.811	1.318.470	99%
Tax	70.579	121.406	66.736	95%
NET PROFIT	1.255.108	755.405	1.251.734	100%



(In EUR)

	30-Jun-17	31-Dec-17	30-Jun-18	jun18 / jun17
OPERATING REVENUES				
Sales	27.450.972	32.654.687	27.473.435	100%
<i>plant protection products</i>	23.831.581	25.718.072	23.942.371	100%
<i>cold-storage</i>	521.413	734.823	265.118	51%
<i>agriculture</i>	252.415	2.083.970	387.517	154%
<i>goods</i>	2.845.564	4.117.823	2.878.429	101%
Other operating revenues	84.644	318.417	49.632	59%
<i>Total operating revenues</i>	27.535.617	32.973.104	27.523.068	100%
OPERATING EXPENSES				
Cost of goods sold (COGS)	2.496.051	3.594.203	2.387.295	96%
Cost of material	7.082.786	13.053.912	7.711.733	109%
Change in inventory value	5.041.552	-156.806	4.453.788	88%
Salaries / Other personal expenses	1.407.958	3.504.087	1.622.754	115%
Cost of production services	953.755	2.769.591	959.608	101%
Amortization expense	335.614	675.522	331.570	99%
Other operating expenses	659.031	1.207.681	886.903	135%
<i>Total operating expenses</i>	17.976.748	24.648.189	18.353.651	102%
OPERATING PROFIT	9.558.869	8.324.915	9.169.417	96%
<i>Operating profit margin</i>	35%	25%	33%	
Financial revenues	240.107	405.294	266.529	111%
Financial expenses	982.219	1.947.553	325.190	33%
<i>Financial profit/loss</i>	-742.112	-1.542.259	-58.661	
Revenues from assets valuation adj.	2.649.885	4.074.167	2.833.788	107%
Expenses from assets valuation adj.	786.098	3.712.117	895.444	114%
<i>Profit/loss from valuation adjustments</i>	1.863.787	362.050	1.938.344	
Other revenues	84.190	127.299	138.851	165%
Other expenses	18.835	45.749	42.641	226%
<i>Non-operating profit/loss</i>	65.354	81.550	96.211	
Earnings before tax (EBT)	10.745.898	7.226.260	11.145.311	104%
Tax	572.109	1.000.571	564.133	99%
NET PROFIT	10.173.789	6.225.689	10.581.177	104%

* 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-17	30-Jun-18	jun18 / jun17	31-Dec-17
Gross profit	1.595.405	1.536.446	96%	2.009.390
Gross profit margin	47,0%	47,2%		50,0%
Operating profit	1.179.247	1.084.725	92%	1.010.118
Operating profit margin	34,7%	33,3%		25,0%
EBITDA	1.220.651	1.123.949	92%	1.092.083
EBITDA margin	35,9%	34,5%		27,0%
EBT	1.325.687	1.318.470	99%	876.811
Net profit	1.255.108	1.251.734	100%	755.405

PROFIT STRUCTURE *	EUR			
	30-Jun-17	30-Jun-18	jun18 / jun17	31-Dec-17
Gross profit	12.932.208	12.987.913	100%	16.560.449
Gross profit margin	47,0%	47,2%		50,2%
Operating profit	9.558.869	9.169.417	96%	8.324.915
Operating profit margin	34,7%	33,3%		25,2%
EBITDA	9.894.483	9.500.986	96%	9.000.437
EBITDA margin	35,9%	34,5%		27,0%
EBT	10.745.898	11.145.311	104%	7.226.260
Net profit	10.173.789	10.581.177	104%	6.225.689

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



4. BUSINESS PLAN FOR THE SECOND HALF OF 2018

Expected operating risks in the second half of 2018

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 2018.

In 000 RSD

Item	ESTIMATE		est.18 / 2017
	31.12.2017.	31.12.2018.	
I. OPERATING REVENUES	4.000.848	4.111.690	103%
1. Sales of goods	510.665	536.572	105%
2. Sales of finished products	3.451.547	3.541.993	103%
3. Services	12.573	3.605	29%
4. Other operating revenues	26.062	29.520	113%
II. DIRECT OPERATING EXPENSES	1.991.457	2.083.084	105%
1. Cost of goods sold (COGS)	436.109	444.498	102%
2. Cost of raw material	1.583.919	1.707.149	108%
3. Income from the use of own products	9.544	9.170	96%
4. Change in inventory value	(19.026)	(59.392)	
III. GROSS PROFIT (I-II)	2.009.390	2.028.606	101%
IV. OTHER OPERATING EXPENSES	999.273	1.117.183	112%
1. Cost of other material	25.004	30.000	120%
2. Fuel and energy costs	35.775	40.000	112%
3. Salaries, contributions	425.174	449.982	106%
4. Production services	336.053	410.800	122%
5. Amortization expense	81.966	80.000	98%
6. Non-production costs	95.301	106.401	112%
V. OPERATING PROFIT (III-IV)	1.010.118	911.423	90%

For the second half of the year we are expecting typical sales volumes for plant protection products and seed wheat. Last year we saw extremely low sales of non-selective herbicides during the summer months, because of the prolonged drought and high temperatures, while this year — at least for the time being — sales remain within typical volumes.

Other operating expenses are within the planned.



Six – month Financial Report 2018, 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 2018 has not been, nor will it be audited by external auditors.

Six – month Report 2018 was approved by Board of Directors on meeting held on July 30th, 2018.

Chief Corporate Affairs Officer,
M.Sc. Slavica Pekovic

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

In Belgrade, July 30th, 2018