

GALENKA – FITOFARMACIJA A.D.

Batajniki drum bb

11080 Zemun

ID No: 07725531

Tax ID No: 100001046

# **SIX - MONTH REPORT 2019**

## **GALENKA – FITOFARMACIJA A.D.**



Dear shareholders,

here is Six - month Report 2019, 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 2019**
- II Business Reports in the first half of 2019**
- III Statement of persons responsible for the preparation of Six - month Report**

**BALANCE SHEET (IN 000 RSD)**

	<b>30-Jun-18</b>	<b>31-Dec-18</b>	<b>30-Jun-19</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.833.131	1.875.191	1.735.927
Intangible assets	5.946	5.409	4.586
LT financial placements	122.928	277.933	661.233
<i>Fixed assets</i>	<i>1.962.005</i>	<i>2.158.533</i>	<i>2.401.746</i>
Prepaid tax, other expenses and accrued revenues	17.133	150.538	10.599
Inventory	1.250.195	2.221.081	1.385.949
Receivables	2.794.453	711.931	2.785.067
ST financial placements	2.138.127	2.361.042	2.122.419
Cash and cash equivalents	580.150	323.297	365.337
<i>Current assets</i>	<i>6.780.058</i>	<i>5.767.889</i>	<i>6.669.371</i>
<i>Deferred tax assets</i>	<i>26.783</i>	<i>26.653</i>	<i>26.653</i>
<i>Operating assets</i>	<i>8.768.846</i>	<i>7.953.075</i>	<i>9.097.770</i>
<b>Total assets</b>	<b>8.768.846</b>	<b>7.953.075</b>	<b>9.097.770</b>
<b>Off-balance sheet assets</b>	<b>415.338</b>	<b>155.299</b>	<b>196.558</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	959.572	959.572	996.879
Revaluation surplus	25.022	23.406	23.406
Un-realized gains on shares trading	-2	-2	-2
Retained earnings	3.575.803	3.077.394	3.959.796
<i>Equity</i>	<i>8.071.595</i>	<i>7.571.570</i>	<i>8.491.279</i>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	399.867	261.605	307.580
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	30.666	11.173	31.270
Other ST liabilities	266.718	108.727	267.641
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<i>697.251</i>	<i>381.505</i>	<i>606.491</i>
Liabilities and reserved funds	697.251	381.505	606.491
<b>Total equity and liabilities</b>	<b>8.768.846</b>	<b>7.953.075</b>	<b>9.097.770</b>
<b>Off-balance sheet liabilities</b>	<b>415.338</b>	<b>155.299</b>	<b>196.558</b>

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

	<b>30-Jun-18</b>	<b>31-Dec-18</b>	<b>30-Jun-19</b>	<b>jun19 / jun18</b>
<b>OPERATING REVENUES</b>				
Sales	3.250.056	4.122.940	3.177.684	98%
<i>plant protection products</i>	2.832.338	3.244.207	2.779.926	98%
<i>cold-storage</i>	31.363	41.749	25.081	80%
<i>agriculture</i>	45.843	282.186	38.646	84%
<i>goods</i>	340.513	554.797	334.032	98%
Other operating revenues	5.872	30.553	11.415	194%
<b>Total operating revenues</b>	<b>3.255.929</b>	<b>4.153.493</b>	<b>3.189.099</b>	<b>98%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	282.413	474.222	269.661	95%
Cost of material	912.284	1.782.662	908.469	100%
Change in inventory value	526.875	-141.811	631.194	120%
Salaries / Other personal expenses	191.969	460.675	198.983	104%
Cost of production services	113.520	372.606	125.108	110%
Amortization expense	39.224	79.403	41.870	107%
Other operating expenses	104.921	184.473	99.279	95%
<b>Total operating expenses</b>	<b>2.171.205</b>	<b>3.212.230</b>	<b>2.274.564</b>	<b>105%</b>
<b>OPERATING PROFIT</b>	<b>1.084.724</b>	<b>941.263</b>	<b>914.535</b>	<b>84%</b>
<i>Operating profit margin</i>	33%	23%	29%	
Financial revenues	31.530	73.884	15.857	50%
Financial expenses	38.469	40.844	13.404	35%
<b>Financial profit/loss</b>	<b>-6.939</b>	<b>33.040</b>	<b>2.453</b>	<b>-35%</b>
Revenues from assets valuation adj.	335.232	443.799	405.649	121%
Expenses from assets valuation adj.	105.929	544.030	126.198	119%
<b>Profit/loss from valuation adjustments</b>	<b>229.303</b>	<b>-100.231</b>	<b>279.451</b>	<b>122%</b>
Other revenues	16.426	23.691	4.648	28%
Other expenses	5.044	17.957	3.438	68%
<b>Non-operating profit/loss</b>	<b>11.382</b>	<b>5.733</b>	<b>1.211</b>	<b>11%</b>
Earnings before tax (EBT)	1.318.469	879.806	1.197.650	91%
Tax	66.736	133.659	66.741	100%
<b>NET PROFIT</b>	<b>1.251.733</b>	<b>746.147</b>	<b>1.130.909</b>	<b>90%</b>



**SIX – MONTH BUSINESS REPORT**  
**For the period from January 1<sup>st</sup> to June 30<sup>th</sup> 2019**



## 1. ABOUT US

### **General information**

Company name:	GALENIKA - FITOFARMACIJA a.d., Batajnicki 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, 2019
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, president, owner of 6,39% of the Company shares;
- Zivorad Vojinovic, owner of 75% of company Mikend d.o.o. and 21,56% of the Company shares;
- Branislav Medakovic;
- Dusan Mojsilovic, owner of Agromarket d.o.o.

##### Independent director:

- Mirjana Bogicevic;

##### Executive directors:

- Dragan Nenadovic, Chief Executive Officer, owner of 6,58% of the Company shares;
- Slavica Pekovic, Chief Corporate Affairs Officer.

Company Secretary: Lidija Nikolic



## 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, 2019 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%	1.145	45	759.376	77.801	28,76%	2,95%
5% to 10%	4		794.331		30,09%	
10% to 25%	2		1.008.492		38,20%	
<b>Total:</b>	<b>1.196</b>		<b>2.640.000</b>		<b>100%</b>	

Type of shareholder	No. shares	%
Owned by individuals	1.351.224	51,18%
Owned by legal entities	724.728	27,45%
Joint (custody) account	564.048	21,37%
<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.	BDD M&V Investments ad Beograd - Omnibus Account	232.103	8,79%
4.	BDD M&V Investments ad Beograd - Omnibus Account	219.927	8,33%
5.	Nenadović Dragan	173.718	6,58%
6.	Puhar Nedeljko	168.583	6,39%
7.	Mikend doo	100.554	3,81%
8.	Komp. Dunav osiguranje a.d.o.	72.026	2,73%
9.	Sempiola Invest Limited	56.328	2,13%
10.	Akcionarski fond ad Beograd	32.832	1,24%
	<b>Total:</b>	<b>2.064.563</b>	<b>78,20%</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, as well as respecting human rights, occupational health and safety and environmental protection.

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



## 2. OPERATIONS IN THE FIRST HALF OF 2019

### ***Significant activities***

#### Corporate Governance

In June 2019 the Annual General Meeting was held, during which the Annual Report for 2018 and the decision on the distribution of profit were adopted. Also, on this occasion the auditor for 2019 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 2<sup>nd</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 2019***

#### 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 revenue 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

Sales of plant protection products on the domestic market for the current year were marked by a further fall in sales prices due to strong generic competition. In relative terms, for the current year, the sales of plant protection products as of June 30 was higher by 1% in comparison to the same period of the previous year, while the average sales prices were lower by 3%. The fall in average sales prices was the main reason for the 4% fall in the sales of plant protection products on the domestic market. On the other hand, the export of our products was increasing by 17%, which cumulatively resulted in a fall behind of the total sales of the plant protection products segment to 2%.

In addition to the aforementioned risk of price pressure from the competing generic companies that led to decrease in revenues and profitability, in the domestic market of plant protection products, we also encountered the traditional risk associated with the illiquidity of most participants in the Serbian agrarian sector, especially individual agricultural producers. The general illiquidity of market participants has also led to a gradual change in the manner of agricultural producers supply, which is now dominated by supplies in the moment of need, with no stocking up for subsequent treatments, which results in a further increase in our logistics costs.

#### EU registration

This season's revenue from the sale of EU-registered products amounted to EUR 1.75 million, which is 19% higher than last year's results. We realized sales of 6 our products, in 11 countries. We have closed sales in all the markets we had in plan, except in Poland, where we failed to obtain registrations in time for this agricultural season.

#### Agricultural production

Mercantile agricultural production (mercantile wheat, oilseed rape and sunflower) was organized on the usual area of 688 ha in the season of 2019, while the seed agricultural production (seed wheat) was organized on approximately the same surface as last year (878 ha in comparison to 890 ha for the previous year).

The quality and yields of the harvested mercantile wheat were in line with the plan, while the yield generated from the rapeseed was lower than in the previous year due to bad weather at the time of sowing. The harvest of mercantile





sunflower is planned for autumn 2019, where we expect standard yield and quality. Seed wheat yields are lower than in the previous year, again due to adverse weather conditions.

The sales revenue from agricultural products in the first half of 2019 referred to sales of inventories of wheat crop from 2018.

#### Frozen fruits production

The sales revenue from frozen fruit in the first half of 2019 referred to sales of fruit inventories from 2018 and 2017, and it was lower than planned and at lower prices than in the previous years. Since we had great amount of inventories carried forward from the previous years and since we have estimated a significant loss in this segment, we decided not to buy up the fresh raspberries from the 2019 crop.

#### Financial results

In the first half of the current year, we generated significantly lower gross profit (decrease by 10%) and operating profit (decrease by 16%), as well as corresponding profit margins. Such a result was crucially influenced by the changes in our most profitable segment, i.e. Plant Protection and Nutrition Products (PPNP):

- 3% decrease in average sales prices;
- 2% lower sales revenue;
- Increase in average purchase prices in USD of raw materials for production by 7% with simultaneous increase in exchange rates of USD to RSD;
- Increase in operating expenses directly related to strengthening of direct sales (staff costs and expenses of production services, primarily logistics services).

**3. FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2019****BALANCE SHEET***(In 000 RSD)*

	<b>30-Jun-18</b>	<b>31-Dec-18</b>	<b>30-Jun-19</b>
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	1.833.131	1.875.191	1.735.927
Intangible assets	5.946	5.409	4.586
LT financial placements	122.928	277.933	661.233
<i>Fixed assets</i>	<i>1.962.005</i>	<i>2.158.533</i>	<i>2.401.746</i>
Prepaid tax, other expenses and accrued revenues	17.133	150.538	10.599
Inventory	1.250.195	2.221.081	1.385.949
Receivables	2.794.453	711.931	2.785.067
ST financial placements	2.138.127	2.361.042	2.122.419
Cash and cash equivalents	580.150	323.297	365.337
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<i>Deferred tax assets</i>	<i>26.783</i>	<i>26.653</i>	<i>26.653</i>
<i>Operating assets</i>	<i>8.768.846</i>	<i>7.953.075</i>	<i>9.097.770</i>
<b>Total assets</b>	<b>8.768.846</b>	<b>7.953.075</b>	<b>9.097.770</b>
<b>Off-balance sheet assets</b>	<b>415.338</b>	<b>155.299</b>	<b>196.558</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	3.511.200	3.511.200	3.511.200
Reserves	959.572	959.572	996.879
Revaluation surplus	25.022	23.406	23.406
Un-realized gains on shares trading	-2	-2	-2
Retained earnings	3.575.803	3.077.394	3.959.796
<i>Equity</i>	<i>8.071.595</i>	<i>7.571.570</i>	<i>8.491.279</i>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	399.867	261.605	307.580
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	30.666	11.173	31.270
Other ST liabilities	266.718	108.727	267.641
Liabilities for income tax			
<i>Current (ST) liabilities</i>	<i>697.251</i>	<i>381.505</i>	<i>606.491</i>
Liabilities and reserved funds	697.251	381.505	606.491
<b>Total equity and liabilities</b>	<b>8.768.846</b>	<b>7.953.075</b>	<b>9.097.770</b>
<b>Off-balance sheet liabilities</b>	<b>415.338</b>	<b>155.299</b>	<b>196.558</b>



(In EUR)

	30-Jun-18	31-Dec-18	30-Jun-19
<b>ASSETS</b>			
Property, plant and equipment (PP&E)	15.495.856	15.854.956	14.700.919
Intangible assets	50.263	45.734	38.837
LT financial placements	1.039.137	2.349.956	5.599.736
<i>Fixed assets</i>	<u>16.585.256</u>	<u>18.250.645</u>	<u>20.339.492</u>
Prepaid tax, other expenses and accrued revenues	144.829	1.272.816	89.759
Inventory	10.568.171	18.779.496	11.737.086
Receivables	23.622.120	6.019.459	23.585.695
ST financial placements	18.074.053	19.962.882	17.973.976
Cash and cash equivalents	4.904.134	2.733.513	3.093.903
<i>Current assets</i>	<u>57.313.308</u>	<u>48.768.166</u>	<u>56.480.419</u>
<i>Deferred tax assets</i>	226.403	225.354	225.714
<i>Operating assets</i>	<u>74.124.966</u>	<u>67.244.165</u>	<u>77.045.626</u>
<b>Total assets</b>	<u>74.124.966</u>	<u>67.244.165</u>	<u>77.045.626</u>
<b>Off-balance sheet assets</b>	<u>3.510.943</u>	<u>1.313.071</u>	<u>1.664.577</u>
<b>EQUITY AND LIABILITIES</b>			
Shareholders and Other equity	29.680.939	29.687.600	29.735.045
Reserves	8.111.471	8.113.292	8.442.197
Revaluation surplus	211.516	197.900	198.217
Un-realized gains on shares trading	-17	-17	-17
Retained earnings	30.227.042	26.019.721	33.534.038
<i>Equity</i>	<u>68.230.952</u>	<u>64.018.496</u>	<u>71.909.480</u>
LT reserved funds	0	0	0
LT Debt	0	0	0
Liabilities from business operations	3.380.163	2.211.900	2.604.780
ST financial liabilities	0	0	0
Liabilities for VAT and other public revenues	259.226	94.469	264.814
Other ST liabilities	2.254.625	919.299	2.266.552
Liabilities for income tax	0	0	0
<i>Current (ST) liabilities</i>	<u>5.894.015</u>	<u>3.225.669</u>	<u>5.136.146</u>
Liabilities and reserved funds	<u>5.894.015</u>	<u>3.225.669</u>	<u>5.136.146</u>
<b>Total equity and liabilities</b>	<u>74.124.966</u>	<u>67.244.165</u>	<u>77.045.626</u>
<b>Off-balance sheet liabilities</b>	<u>3.510.943</u>	<u>1.313.071</u>	<u>1.664.577</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-18</b>	<b>31-Dec-18</b>	<b>30-Jun-19</b>	<b>jun19 / jun18</b>
<b>OPERATING REVENUES</b>				
Sales	3.250.056	4.122.940	3.177.684	98%
<i>plant protection products</i>	2.832.338	3.244.207	2.779.926	98%
<i>cold-storage</i>	31.363	41.749	25.081	80%
<i>agriculture</i>	45.843	282.186	38.646	84%
<i>goods</i>	340.513	554.797	334.032	98%
Other operating revenues	5.872	30.553	11.415	194%
<b>Total operating revenues</b>	<b>3.255.929</b>	<b>4.153.493</b>	<b>3.189.099</b>	<b>98%</b>
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Change in inventory value	526.875	-141.811	631.194	120%
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Cost of production services	113.520	372.606	125.108	110%
Amortization expense	39.224	79.403	41.870	107%
Other operating expenses	104.921	184.473	99.279	95%
<b>Total operating expenses</b>	<b>2.171.205</b>	<b>3.212.230</b>	<b>2.274.564</b>	<b>105%</b>
<b>OPERATING PROFIT</b>	<b>1.084.724</b>	<b>941.263</b>	<b>914.535</b>	<b>84%</b>
<i>Operating profit margin</i>	33%	23%	29%	
Financial revenues	31.530	73.884	15.857	50%
Financial expenses	38.469	40.844	13.404	35%
<b>Financial profit/loss</b>	<b>-6.939</b>	<b>33.040</b>	<b>2.453</b>	<b>-35%</b>
Revenues from assets valuation adj.	335.232	443.799	405.649	121%
Expenses from assets valuation adj.	105.929	544.030	126.198	119%
<b>Profit/loss from valuation adjustments</b>	<b>229.303</b>	<b>-100.231</b>	<b>279.451</b>	<b>122%</b>
Other revenues	16.426	23.691	4.648	28%
Other expenses	5.044	17.957	3.438	68%
<b>Non-operating profit/loss</b>	<b>11.382</b>	<b>5.733</b>	<b>1.211</b>	<b>11%</b>
Earnings before tax (EBT)	1.318.469	879.806	1.197.650	91%
Tax	66.736	133.659	66.741	100%
<b>NET PROFIT</b>	<b>1.251.733</b>	<b>746.147</b>	<b>1.130.909</b>	<b>90%</b>



(In EUR)

	30-Jun-18	31-Dec-18	30-Jun-19	jun19 / jun18
<b>OPERATING REVENUES</b>				
Sales	27.473.436	34.859.929	26.910.621	98%
<i>plant protection products</i>	23.942.370	27.430.146	23.542.158	98%
<i>cold-storage</i>	265.118	352.996	212.397	80%
<i>agriculture</i>	387.517	2.385.914	327.277	84%
<i>goods</i>	2.878.431	4.690.873	2.828.788	98%
Other operating revenues	49.641	258.331	96.670	195%
<b>Total operating revenues</b>	<b>27.523.077</b>	<b>35.118.260</b>	<b>27.007.291</b>	<b>98%</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold (COGS)	2.387.295	4.009.603	2.283.659	96%
Cost of material	7.711.733	15.072.610	7.693.486	100%
Change in inventory value	4.453.788	-1.199.025	5.345.348	120%
Salaries / Other personal expenses	1.622.754	3.895.060	1.685.114	104%
Cost of production services	959.608	3.150.428	1.059.489	110%
Amortization expense	331.570	671.359	354.582	107%
Other operating expenses	886.920	1.559.736	840.757	95%
<b>Total operating expenses</b>	<b>18.353.668</b>	<b>27.159.771</b>	<b>19.262.435</b>	<b>105%</b>
<b>OPERATING PROFIT</b>	<b>9.169.409</b>	<b>7.958.489</b>	<b>7.744.856</b>	<b>84%</b>
<i>Operating profit margin</i>	33%	23%	29%	
Financial revenues	266.529	624.698	134.288	50%
Financial expenses	325.190	345.341	113.513	35%
<b>Financial profit/loss</b>	<b>-58.661</b>	<b>279.357</b>	<b>20.774</b>	
Revenues from assets valuation adj.	2.833.788	3.752.374	3.435.291	121%
Expenses from assets valuation adj.	895.444	4.599.839	1.068.727	119%
<b>Profit/loss from valuation adjustments</b>	<b>1.938.344</b>	<b>-847.466</b>	<b>2.366.564</b>	
Other revenues	138.851	200.308	39.362	28%
Other expenses	42.641	151.831	29.111	68%
<b>Non-operating profit/loss</b>	<b>96.211</b>	<b>48.477</b>	<b>10.251</b>	
Earnings before tax (EBT)	11.145.303	7.438.858	10.142.446	91%
Tax	564.133	1.130.103	565.202	100%
<b>NET PROFIT</b>	<b>10.581.169</b>	<b>6.308.755</b>	<b>9.577.244</b>	<b>91%</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-18	30-Jun-19	jun19 / jun18	31-Dec-18
Gross profit	1.536.446	1.382.042	90%	2.048.320
Gross profit margin	47,2%	43,3%		49,3%
Operating profit	1.084.724	914.535	84%	941.263
Operating profit margin	33,3%	28,7%		22,7%
EBITDA	1.123.948	956.405	85%	1.020.666
EBITDA margin	34,5%	30,0%		24,6%
EBT	1.318.469	1.197.650	91%	879.806
Net profit	1.251.733	1.130.909	90%	746.147

PROFIT STRUCTURE *	EUR			
	30-Jun-18	30-Jun-19	jun19 / jun18	31-Dec-18
Gross profit	12.987.913	11.703.997	90%	17.318.781
Gross profit margin	47,2%	43,3%		49,3%
Operating profit	9.169.409	7.744.856	84%	7.958.489
Operating profit margin	33,3%	28,7%		22,7%
EBITDA	9.500.979	8.099.439	85%	8.629.848
EBITDA margin	34,5%	30,0%		24,6%
EBT	11.145.303	10.142.446	91%	7.438.858
Net profit	10.581.169	9.577.244	91%	6.308.755

\* 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 2019

##### **Expected operating risks in the second half of 2019**

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 2019.

In 000 RSD

Item		ESTIMATE	est.19 /
	31.12.2018.	31.12.2019.	2018
<b>I. OPERATING REVENUES</b>	<b>4,153,493</b>	<b>4,216,161</b>	<b>102%</b>
1. Sales of goods	558,190	529,358	95%
2. Sales of finished products	3,564,750	3,661,130	103%
3. Services	4,444	9,398	211%
4. Other operating revenues	26,110	16,275	62%
<b>II. DIRECT OPERATING EXPENSES</b>	<b>2,105,173</b>	<b>2,336,655</b>	<b>111%</b>
1. Cost of goods sold (COGS)	474,222	435,709	92%
2. Cost of raw material	1,782,662	1,901,110	107%
3. Income from the use of own products	9,900	10,928	110%
4. Change in inventory value	(141,811)	10,764	
<b>III. GROSS PROFIT (I-II)</b>	<b>2,048,320</b>	<b>1,879,505</b>	<b>92%</b>
<b>IV. OTHER OPERATING EXPENSES</b>	<b>1,107,057</b>	<b>1,159,129</b>	<b>105%</b>
1. Cost of other material	32,491	30,781	95%
2. Fuel and energy costs	42,514	42,526	100%
3. Salaries, contributions	460,675	454,147	99%
4. Production services	372,606	420,846	113%
5. Amortization expense	79,403	83,740	105%
6. Non-production costs	119,368	127,089	106%
<b>V. OPERATING PROFIT (III-IV)</b>	<b>941,263</b>	<b>720,376</b>	<b>77%</b>

For the second half of the year, we plan a regular amount of sales of plant and seed wheat protection products, as well as standard production activity in preparation for the new sales season.

We expect the majority of other operating expenses increase in the area of production services, specifically of services related to EU registration of our products. Other operating expenses should range within the planned limits.



Six – month Financial Report 2019, 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 2019 has not been, nor will it be audited by external auditors.

Six – month Report 2019 was approved by Board of Directors on meeting held on August 14<sup>th</sup>, 2019.

Chief Corporate Affairs Officer,  
M.Sc. Slavica Pekovic

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

In Belgrade, August 14<sup>th</sup>, 2019