ALKALOID AD SKOPJE
STAND ALONE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

This is an English translation of the original report issued in Macedonian language

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF ALKALOID AD SKOPJE

We have audited the accompanying financial statements (page 3 to 39) of Alkaloid AD Skopje (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations prevailing in the Republic of Macedonia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and Audit Law of the Republic of Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alkaloid AD Skopje as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations prevailing in the Republic of Macedonia.

(Continues)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF ALKALOID AD SKOPJE (continued)

Report on other legal and regulatory requirements

Management is responsible for the preparation of the Company's annual report and the Company's annual account in accordance with the Company Law, which were adopted and approved by the management of the Company on February 4, 2016. Our responsibility is to express an opinion on the consistency of the annual report with the annual account and the financial statements of the Company. We have performed our audit procedures in accordance with the Audit Law of the Republic of Macedonia and International Standard on Auditing 720 – The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. In our opinion, the historical financial information disclosed in the annual report is consistent with the annual account and the accompanying audited financial statements of the Company for the year ended December 31, 2015.

Lidija Nanus
Certified Auditor
Director

Aleksandar Arizanov
Certified Auditor

4 March 2016

Deloitte DOO Skopje

(In thousands of Denar)

STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 December 2015	2014
Assets			
Non-current assets			
Property, plant and equipment	6	3,841,306	3,532,675
Intangible assets	7	1,197,399	886,800
Deferred tax assets	19	17,817	17,548
Available-for-sale financial assets	9	3,514	3,721
Investments in subsidiaries	10	372,226	163,615
Other non-current assets	13	2,355	16,472
		5,434,617	**4,620,831**
Current assets			
Inventories	11	1,642,266	1,574,759
Trade receivables	12	1,810,300	2,444,840
Other current assets	13	197,994	138,436
Cash and cash equivalents	14	152,004	124,922
		3,802,564	**4,282,957**
Total assets		**9,237,181**	**8,903,788**
Equity and liabilities			
Capital and reserves			
Share capital	15	2,197,095	2,197,095
Legal reserves		596,146	596,146
Other reserves	16	1,120,514	1,120,315
Retained earnings		3,987,539	3,640,491
		7,901,294	**7,554,047**
Non-current liabilities			
Non-current borrowings	17	5,133	1,648
Retirement benefit obligations	18	25,638	24,598
		30,771	**26,246**
Current liabilities			
Trade and other payables	20	1,074,046	951,387
Income tax		7,898	67,287
Current borrowings	17	223,172	304,821
		1,305,116	**1,323,495**
Total liabilities		**1,335,887**	**1,349,741**
Total equity and liabilities		**9,237,181**	**8,903,788**

The accompanying notes are an integral part of these financial statements.

These financial statements have been approved for issue by the Managing Board on 4 February 2016.

Approved by:

Zhivko Mukaetov
General Manager

Viktor Stojcevski
Finance Manager

(In thousands of Denar)

INCOME STATEMENT

	Notes	Year ended 31 December 2015	2014
Sales	5	6,017,938	5,783,738
Cost of sales	24	(3,410,893)	(3,056,790)
Gross profit		**2,607,045**	**2,726,948**
Research and development expenses	24	(58,942)	(47,504)
Selling and marketing expenses	24	(1,544,195)	(1,670,000)
Administrative expenses	24	(308,408)	(295,007)
Provision for other liabilities and charges	21	(1,041)	(5,383)
Other operating income	22	330,180	148,828
Other operating expense	23	(307,846)	(112,468)
Operating profit		**716,793**	**745,414**
Finance expenses (net)	26	(8,113)	(21,507)
Profit before income tax		**708,680**	**723,907**
Income tax	27	(63,026)	(94,780)
Profit for the year		**645,654**	**629,127**
Earnings per share (in Denar)			
- Basic	28	455.77	444.11

The accompanying notes are an integral part of these financial statements.

(In thousands of Denar)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2015	2014
Profit for the year		**645.654**	**629,127**
Other comprehensive income:			
Fair value of investments	16	199	839
Revaluation of assets		-	(168,839)
Other comprehensive income, net of tax		**199**	**(168,000)**
Total comprehensive income		**645.853**	**461,127**

The accompanying notes are an integral part of these financial statements.

(In thousands of Denar)

STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December					
	Share capital	**Share premiums**	**Legal reserves**	**Other reserves**	**Retained earnings**	**Total**
As at 1 January 2014	**2,205,348**	**-**	**596,146**	**1,303,910**	**3,327,349**	**7,432,753**
Purchase of treasury shares	(8,253)	-	-	(15,595)	-	**(23,848)**
Fair value of investments (Note 9)	-	-	-	839	-	**839**
Dividends and tax of paid dividend (Note 29)	-	-	-	-	(315,985)	**(315,985)**
Revaluation of assets (Note 16)	-	-	-	(168,839)	-	**(168,839)**
Profit for the year	-	-	-	-	629,127	**629,127**
As at 31 December 2014	**2,197,095**	**-**	**596,146**	**1,120,315**	**3,640,491**	**7,554,047**
Fair value of investments (Note 9)	-	-	-	199	-	**199**
Dividends and tax of paid dividend (Note 29)	-	-	-	-	(298,606)	**(298,606)**
Profit for the year	-	-	-	-	645,654	**645,654**
As at 31 December 2015	**2,197,095**	**-**	**596,146**	**1,120,514**	**3,987,539**	**7,901,294**

The accompanying notes are an integral part of these financial statements.

(In thousands of Denar)

CASH FLOW STATEMENT

	Year ended 31 December 2015	2014
Cash flow from operating activities		
Cash receipts from customers	6,377,624	5,691,542
Cash paid to suppliers and employees	(5,016,064)	(4,799,824)
Cash generated from operations	**1,361,560**	**891,718**
Interest paid	-	(1)
Net cash generated from operating activities	**1,361,560**	**891,717**
Cash flow from investing activities		
Purchases of property, plant and equipment	(774,817)	(366,402)
Investments in subsidiaries (Note 10)	(208,611)	(61,355)
Dividends received	58,702	59,418
Other payments to employees	(70,033)	(68,441)
Proceeds from loans granted to subsidiary undertakings	46,884	42,426
Net cash used in investing activities	**(947,875)**	**(394,354)**
Cash flow from financing activities		
Proceeds from borrowings	1,388,681	1,238,766
Repayments of borrowings	(1,492,485)	(1,374,776)
Interest paid	(9,305)	(21,031)
Proceeds from investments in bonds	-	308
Purchase of treasury shares	-	(23,848)
Compensation to shareholders and tax of paid dividend and other allocation of profit	(273,494)	(283,729)
Net cash used in financing activities	**(386,603)**	**(464,310)**
Net increase in cash and cash equivalents	**27,082**	**33,053**
Cash and cash equivalents at beginning of year	124,922	91,869
Cash and cash equivalents at the end of year	**152,004**	**124,922**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Alkaloid AD Skopje (the Company) produces and sells wide range of pharmaceutical, chemical and cosmetic products, as well as goods from herbal origin. The Company has sixteen subsidiaries and one Foundation in the Republic of Macedonia and other countries. For the list of the subsidiaries refer to Note 10.

Alkaloid AD Skopje, the parent company is the joint stock company, established and with head office in the Republic of Macedonia. The registered address of the Company is:
Aleksandar Makedonski 12
1000 Skopje,
Republic of Macedonia

The shares of the Alkaloid AD Skopje have been listed on the Macedonian Stock Exchange, since 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented.

2.1 Basis of preparation of Financial Statements

Pursuant to the provisions of the Company Law (Official Gazette of the Republic of Macedonia no. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11,21/11, 24/11 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15 and 192/15) legal entities in Macedonia are required to maintain their books of account and to prepare their financial statements in conformity with the International Financial Reporting Standards officially adopted in the Republic of Macedonia and published in the Official Gazette of the Republic of Macedonia.

A newly-issued Rulebook for chart of accounts (Official Gazette of the Republic of Macedonia no. 159/09, 164/10 and 107/11) was adopted as of December 29, 2009. It contains: the International Accounting Standards (“IAS”), International Financial Reporting Standards (“IFRS”) and related interpretations issued by the Standing Interpretation Committee (“SIC”) and the International Financial Reporting Interpretations Committee (“IFRIC”) determined and issued by the International Accounting Standards Board (“IASB”) as of January 1, 2009. This Rulebook has been effective as from January 1, 2010.

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the “Guidelines on the Prescribed Form and Content of the Annual Financial Statements” (Official Gazette of the Republic of Macedonia no. 60/14). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, “Presentation of Financial Statements,” and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

In accordance with the afore described, and given the potentially material effects which the departures of accounting regulations of the Republic of Macedonia from IAS and IFRS may have on the fairness presentations made in the financial statements, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation of Financial Statements (Continued)

The financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 2.

All amounts in the Company's financial statements are stated in thousands of Macedonian Denars. The Denar is the official reporting currency in the Republic of Macedonia.

2.2 Standards and Interpretation in Issue, but not yet Translated and Adopted

As of the financial statements issuance date, the following standards, amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of Macedonia:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009;

- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);

- Amendments to IAS 38 "Intangible Assets" (effective for annual periods beginning on or after July 1, 2009);

- Amendments to IFRS 2 "Share-Based Payment": Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);

- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009);

- "Conceptual Framework for Financial Reporting 2010" being an amendments to "Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010);

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Standards and Interpretation in Issue, but not yet Translated and Adopted (Continued)

- „Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);

- Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for Rights Issues (effective for annual periods beginning on or after February 1, 2010);

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);

- Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after July 1, 2010);

- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012).

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after January 1, 2013);

- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after January 1, 2013);

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Standards and Interpretation in Issue, but not yet Translated and Adopted (Continued)

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities: Transition Guidance" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after January 1, 2013);
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013);
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial instruments: presentation";
- Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"
- Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Standards and Interpretation in Issue, but not yet Translated and Adopted (Continued)

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

2.3 Standards and Interpretation in Issue not yet in Effect

At the date of issuance of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),

- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealized losses (effective for annual periods beginning on or after 1 January 2017),

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards and Interpretation in Issue not yet in Effect (Continued)

- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),

- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The management is assessing the impact of the changes to the IAS, the newly-issued IFRS and to the interpretations to the financial statements. Although the majority of these changes are not applicable to the Company’s operations, the Company’s management does not express an explicit and unreserved statement in the accompanying financial statements of compliance with IAS and IFRS, which have been applied in the periods presented in the accompanying financial statements.

The presentation of the financial statements in accordance with the Trade Companies Law and the Rulebook for Accounting requires management to make best estimates and reasonable assumptions that affect the amounts presented in the financial statements. These estimations and assumptions are based on information available, as of the date of preparation of the financial statements. However, actual results may vary from these estimates. The management assessments are stated in Note 4.

2.4 Subsidiaries

Subsidiaries are all legal entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The cost of acquisition is measured at fair value of the assets given. The investments in subsidiaries are recorded at cost less any eventual impairment.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Board. Managing Board is responsible for strategic decisions for each segment.

At 31 December 2015, the Company is organized on a worldwide basis into four reportable segments:

- **Pharmaceuticals** – Production and sale of medicines for human use, pharmaceutical raw materials and veterinary drugs.
- **Chemicals** - Production and sale of chemicals products;
- **Cosmetics** - Production and sale of cosmetics;
- **Botanicals** - Production and sale of botanicals products.

The pharmaceutical overall production program of the products of Alkaloid Pharmaceuticals is consisted of the following pharmaceutical forms:

- Oral hard dosage forms: Tablets - conventional and modified release, film-tablets, coated tablets, sub-lingual tablets, capsules, dry powder for oral suspension.
- Liquid dosage forms for oral administration: Solutions for oral administration, syrups and suspensions.
- Topical preparations: Ointments, creams, solutions, gels, sprays, vaginal pessaries, suppositories.
- Sterile dosage forms: Parenteral small-volume, eye drops and ointments for eyes.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting (Continued)

Besides the capacities for manufacturing finished pharmaceutical products, Alkaloid-Pharmaceuticals has also facilities for extraction of opioids which include production of morphine and its derivatives as pharmaceutical raw materials.

Alkaloid Chemical products today are developed programme for the production of chemicals and organic and non-organic reagents, with pa, puriss, purum and with pharmacopeial qualities. They are suitable for laboratories within institutions, faculties, clinics, the pharmaceutical and cosmetic industry, as well as in the production processes of other industries.

Alkaloid's Cosmetics Unit develops and produces skincare products, children's skincare, soaps, hair care products, dental care products, men's perfume collection, women's perfume collection, as well as household cleaners. The ingredients that are used in the products are purchased from suppliers that satisfy our high-quality standards and are in accordance with the requirements of the European directive for quality cosmetic products.

The activities in Botanical unit consists of Processing blending and packing herbal materials like roots, leaves, fruits, seeds etc.

Segment revenue is revenue reported in the company's income statement that is directly attributable to a segment and the relevant portion of the company income that can be allocated on a reasonable basis to a segment.

Segment expense is an expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis.

Net operating assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables less operating liabilities. Company net financial assets principally consist of cash, cash equivalents and other current financial assets less financial debts and deferred and current taxes.

The accounting policies of the reportable segments are the same as the Company's accounting policies. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

2.6 Foreign currency translation

Functional and presentation currency

The stand-alone financial statements are presented in thousands of Macedonian Denar, which is the Company's functional and presentation currency. The amounts included in the financial statements are presented in thousands of Denar, unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into Macedonian Denar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences of monetary securities denominated in foreign currency classified as available-for-sale are recognized in equity.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property plant and equipment were initially recorded at cost. Land, buildings and part of equipment are stated at fair value, based on appraisal performed by external independent valuers, less subsequent depreciation. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognized in other comprehensive income, credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. The revaluation surplus is transferred to retained earnings upon ultimate disposal of revaluated asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 - 40	Years
Production equipment	10 - 20	Years
Vehicles	4	Years
Furniture, fittings and other equipment	4 - 10	Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The carrying amount of disposed PP&E is eliminated from the statement of financial position together with the carrying amount of accumulated depreciation. Gains and losses on these disposals are included in the income statement.

2.8 Intangible assets

Intangible assets consist of trademarks licenses and software. Intangible assets are carried at cost less accumulated amortization. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortization is calculated using the straight-line method to allocate the cost of trademarks, licenses and software over their estimated useful lives up to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, up to 10 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

• the technical feasibility of completing the intangible asset so that it will be available for use or sale;
• the intention to complete the intangible asset and use or sell it;
• the ability to use or sell the intangible asset;
• how the intangible asset will generate probable future economic benefits;
• the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
• the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the Statement of financial position (Note 2.12).

Available-for-sale financial assets

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date. The purchase value of investments includes transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets are stated at cost, because the Company considers that cost approximates their fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets are presented in the equity and statement of comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in equity are included in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Company’s right to receive payments is established.

The fair values of quoted investments are based on last traded prices on the Macedonian stock exchange. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost, less impairment.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement. Method for evaluation of impairment of trade receivables is explained in Note 2.12.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the actual cost method. The cost of finished goods and work in progress comprises direct production costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Trade receivables

Trade receivables are recognized initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'Selling and marketing costs'.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand.

2.14 Share capital

Ordinary shares are classified as equity. Purchases of the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and are included in equity attributable to the Company's equity holders.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Income tax

Current income tax is calculated and paid in accordance with the Income tax Law. The estimated tax is paid in advance on a monthly basis. The final tax is payable at the rate of 10% calculated based on the profit as determined in the Statement of comprehensive income adjusted for certain tax deductible items as defined by the local tax legislation.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Income tax (Continued)

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising on investments in subsidiaries excepts where timing of the reversal of temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

Pension liabilities

The Company has an obligation to pay compensations to the employees which are classified as "Defined benefit" and "Defined contribution". The Company has both defined as:.

- Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Company pays contributions into publicly and privately administered pension plans on a mandatory, basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the Statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a decision of the Managing Board. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown, net of value-added tax, estimated returns, discounts and rebates. Revenue is recognized as follows:

Sales of goods

Sales of goods are recognized when an entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognized when the right to receive payment is established.

2.20 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The financial risk management is performed by the Company's financial department, based on Decisions from Managing Board.

Market risk

a) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. To manage the foreign exchange risk the Company provides enough cash in foreign currencies held in banks in order to maintain its future commercial transactions.

b) Price risks

The Company is exposed to equity securities price risk because of available-for-sale investments held by the Company. The Company is not exposed to commodity price risk.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Trade receivables consist of large number of balances. The Company has policies that limit the amount of credit exposure.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Interest risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flow are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from borrowings. The Company has no specific policy, but in direct negotiation with lenders attempts to reduce interest rate risk. Interest rates of long-term borrowings are significantly lower than short term. Interest rates on short term borrowings are increased in respect of previous year.

3.2 Fair value estimation

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the last traded price.

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market is determined by makes assumptions that are based on public information for recent arm’s length transactions or reference to other instruments that are substantially the same.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.3 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4. ACCOUNTING ESTIMATES

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of property, plant and equipment

The Company tests annually whether fair value of property, plant and equipment has suffered material changes compared with their fair value as assessed in the last appraisal. The Company estimation is that the difference between their fair value recorded into the books and the current market value is not material, and do not affect the result.

Fair value of financial assets

The available-for-sale financial assets that are not traded in an active market are stated at their cost. The Company estimation is that the difference between their fair value and cost is not material, and do not affect the result. This financial assets are insignificant both in the books in the Company and as a percentage of participation in the issuer capital.

Trade receivables

The Company assessed annually the fair value of trade receivables.

Estimates for accounting for employee benefits

IAS19, Employee Benefits, requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations. These mainly actuarial assumptions such as expected inflation rates, long-term increase in health care costs, employee turnover and discount rates. Substantial changes in the assumed development of any one of these variables may change the Company’s retirement benefit obligation.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT REPORTING

Segment information reported to the Management Board is based on goods and category of customers.

Principal categories of goods are pharmaceutical and non-pharmaceutical products (chemicals, cosmetics and botanicals). Principal categories of customers for the goods of the Company are wholesalers.

Segments revenues and results as at 31 December are as follows:

	Segment revenue		Segment operating profit	
	2015	**2014**	**2015**	**2014**
Pharmaceutical products	4,748,918	4,650,410	675,934	684,554
Chemical products	218,138	188,200	11,241	10,390
Cosmetic products	785,988	716,320	9,881	32,084
Botanical products	264,894	228,808	19,737	18,386
Total	**6,017,938**	**5,783,738**	**716,793**	**745,414**
Finance costs			(8,113)	(21,507)
Profit before tax			**708,680**	**723,907**
Income tax expense			(63,026)	(94,780)
Profit for the year			**645,654**	**629,127**

Revenue reported above represents revenue generated from external customers.

Segment assets and liabilities for the year ended 31 December are as follows:

Segment assets

	2015	**2014**
Pharmaceutical products	7,746,504	7,372,156
Chemical products	39,676	244,272
Cosmetic products	974,433	883,257
Botanical products	476,568	404,103
Total assets	**9,237,181**	**8,903,788**

Segment liabilities

	2015	**2014**
Pharmaceutical products	1,088,354	1,129,663
Chemical products	62,931	56,698
Cosmetic products	141,043	127,367
Botanical products	43,559	36,013
Total liabilities	**1,335,887**	**1,349,741**

Other segment information for the year ended 31 December are as follows:

	Depreciation and amortization		Addition to non-current assets	
	2015	**2014**	**2015**	**2014**
Pharmaceutical products	312,655	302,722	936,670	399,760
Chemical products	8,812	7,591	9,064	8,895
Cosmetic products	18,632	17,164	16,445	11,862
Botanical products	13,204	10,872	10,522	13,643
Total	**353,303**	**338,349**	**972,701**	**434,160**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

Secondary reportable segments - Geographical information

The Republic of Macedonia is the domicile country of the Company.

	Sales revenue		Non-current assets	
	2015	**2014**	**2015**	**2014**
Macedonia	2,394,855	2,354,085	5,038,705	4,419,475
Serbia	951,382	857,216	-	-
Bosnia and Herzegovina	789,721	699,441	-	-
Croatia	424,951	432,290	-	-
Other countries	1,457,029	1,440,706	-	-
Total	**6,017,938**	**5,783,738**	**5,038,705**	**4,419,475**

Geographical information about sales revenue is based on the customers' origin.

Non-current assets including PP&E and Intangible assets.

Information about major customers

The sales of Pharmaceutical products are spread over many countries and customers. No major customer participates in the direct sales of Pharmaceutical products.

In the sales of Chemical products, there is one major customer with participation of 33.5% (2014: 32.5%) in direct sales.

In the sales of Cosmetic products, there is one major customer with participation of 15.2% (2014: 13.1%) in direct sales.

In the sales of Botanical products, there is one major customer with participation of 41.0% (2014: 34.6%) in direct sales.

Sales by category	**2015**	**2014**
Sales of goods	5,046,145	4,840,238
Sales of commodities	908,598	851,760
Revenue from services	11,900	10,849
Other revenue	51,295	80,891
	6,017,938	**5,783,738**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Construction in progress	Total
Cost or valuation					
At 1 January 2014	**931,933**	**2,089,580**	**2,382,284**	**38,344**	**5,442,141**
Additions	-	-	24,229	156,629	180,858
Transfer from construction in progress	14,041	46,241	119,505	(179,787)	-
Elimination	(9,251)	-	(17,576)	-	(26,827)
Revaluation	(138,312)	(284,114)	-	-	(422,426)
As at 31 December 2014	**798,411**	**1,851,707**	**2,508,442**	**15,186**	**5,173,746**
Accumulated depreciation					
At 1 January 2014	**-**	**228,201**	**1,454,462**	**-**	**1,682,663**
Depreciation charge for 2014	-	52,602	176,920	-	229,522
Elimination	-	-	(17,527)	-	(17,527)
Revaluation	-	(253,587)	-	-	(253,587)
As at 31 December 2014	**-**	**27,216**	**1,613,855**	**-**	**1,641,071**
Net book value as at 31 December 2014	**798,411**	**1,824,491**	**894,587**	**15,186**	**3,532,675**
Cost or valuation					
At 1 January 2015	**798,411**	**1,851,707**	**2,508,442**	**15,186**	**5,173,746**
Additions	-	1,166	7,045	527,110	535,321
Transfer from construction in progress	34,535	20,063	140,147	(194,745)	-
Elimination	-	-	(9,156)	-	(9,156)
As at 31 December 2015	**832,946**	**1,872,936**	**2,646,478**	**347,551**	**5,699,911**
Accumulated depreciation					
At 1 January 2015	**-**	**27,216**	**1,613,855**	**-**	**1,641,071**
Depreciation charge for 2015	-	53,069	173,453	-	226,522
Elimination	-	-	(8,988)	-	(8,988)
As at 31 December 2015	**-**	**80,285**	**1,778,320**	**-**	**1,858,605**
Net book value as at 31 December 2015	**832,946**	**1,792,651**	**868,158**	**347,551**	**3,841,306**

Land and buildings were revaluated as at 31 December 2014 by independent appraiser. The revaluation effect was credited to other reserves in shareholders' equity (Note 16).

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

	Trademarks and licenses	Software and Internally generated intangibles	Other assets	Construction in progress	Total
Cost or valuation					
At 1 January 2014	**340,864**	**595,380**	**46,437**	**145,836**	**1,128,517**
Additions	-	10,146	-	243,156	253,302
Transfer from construction in progress	26,496	213,121	6,934	(246,551)	-
Elimination	-	(89)	-	-	(89)
As at 31 December 2014	**367,360**	**818,558**	**53,371**	**142,441**	**1,381,730**
Accumulated depreciation					
At 1 January 2014	**209,630**	**164,055**	**12,507**	**-**	**386,192**
Depreciation charge for the year	50,228	52,450	6,149	-	108,827
Elimination	-	(89)	-		(89)
As at 31 December 2014	**259,858**	**216,416**	**18,656**	**-**	**494,930**
Net book value as at 31 December 2014	**107,502**	**602,142**	**34,715**	**142,441**	**886,800**
Cost or valuation					
At 1 January 2015	**367,360**	**818,558**	**53,371**	**142,441**	**1,381,730**
Additions	-	-	-	437,381	437,381
Transfer from construction in progress	10,238	475,853	13,999	(500,090)	-
Elimination	-	-	-	-	-
As at 31 December 2015	**377,598**	**1,294,411**	**67,370**	**79,732**	**1,819,111**
Accumulated depreciation					
At 1 January 2015	**259,858**	**216,416**	**18,656**	**-**	**494,930**
Depreciation charge for the year	45,410	74,555	6,817	-	126,782
Elimination	-	-	-	-	-
As at 31 December 2015	**305,268**	**290,971**	**25,473**	**-**	**621,712**
Net book value as at 31 December 2015	**72,330**	**1,003,440**	**41,897**	**79,732**	**1,197,399**

8. FINANCIAL INSTRUMENTS

Capital risk management

The management of the Company reviews the capital structure on a regular basis.

	2015	**2014**
Debt	228,305	306,469
Cash and cash equivalents	(152,004)	(124,922)
Net debt	76,301	181,547
Equity	7,901,294	7,554,047
Net debt to equity ratio	0,97%	2.40%

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments and risk management objectives

The Company's principal financial instruments are cash and cash equivalents and trade receivables, as well as, borrowings and trade payables. In the normal course of operations the Company is exposed to the following risks:

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currency in respect of sales of goods and services, purchase of raw materials, services and equipment and obtaining borrowings. The Company does not use any special financial instruments to hedge against this risk since no such instruments are in common use in the Republic of Macedonia.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2015	2014	2015	2014
EUR	518,962	351,989	1,276,956	2,070,540
RUR	-	-	332,777	-
USD	140,956	146,660	66,397	68,396
CHF	44,082	37,620	168	-
Other currencies	252	146	1,493	345

The Company is mainly exposed to Euro currency.

The following table details the Company's sensitivity analysis to a 10% increase and decrease in the Macedonian Denar against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number below indicates an increase in profit and equity, and negative number below indicates a decrease.

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2015	2014	2015	2014
EUR	(75,799)	(171,855)	75,799	171,855
RUR	(33,278)	-	33,278	-
USD	7,456	7,826	(7,456)	(7,826)
CHF	4,391	3,762	(4,391)	(3,762)
Other currencies	(124)	(20)	124	20
Profit and loss and equity	**(97,354)**	**(160,287)**	**97,354**	**160,287**

The Company's sensitivity to foreign currency has decreased in the current period mainly due to combine effect of decrease of foreign trade receivables and decrease of borrowings.

Interest rate risk

The Company is exposed to interest risk arising from variable interest rate on borrowings.

The sensitivity analyses below have been determinate based on the exposure to interest rates as a result of a 10% increase or decrease for foreign borrowings at the balance sheet date. A positive number below indicates an increase in profit and equity, and negative number below indicates a decrease.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (Continued)

	Increase of 10%		Decrease of 10%	
	2015	**2014**	**2015**	**2014**
Borrowings	800	2,138	(800)	(2,138)
Profit and loss and equity	**(800)**	**(2,138)**	**800**	**2,138**

If interest rates had been 10% higher the Company's profit for the year ended 31 December 2015 and retained earnings would decrease by Denar 800 thousands and opposite if interest rates had been 10% lower the Company's profit for the year ended 31 December 2015 and retained earnings would increase by Denar 800 thousands.

Liquidity risk

The management of the Company has responsibility for maintaining adequate liquidity. In certain cases the Company uses short-term and long-term funding for liquidity purposes. The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows. At any time, the Company can draw additional borrowings from banks with relatively low interest rates, which reduce further liquidity risk.

The following tables detail the Company's remaining contractual maturity for its financial liabilities.

31 December 2015	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**12 - 60 months**	**Total**
Trade payables	576,219	249,412	79,352	10.270	**915,253**
Borrowings	-	1,649	221,253	5,133	**228,305**
	576,219	**251,061**	**300,875**	**15,403**	**1,143,558**

31 December 2014	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**12 - 60 months**	**Total**
Trade payables	502,507	233,058	67,153	12.357	**815,075**
Borrowings	-	-	304,821	1,648	**306,469**
	502,507	**233,058**	**371,974**	**14,005**	**1,121,544**

The following tables detail the Company's remaining contractual maturity for its financial assets:

31 December 2015	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**12 - 60 months**	**Total**
Trade receivables	699,485	556,331	554,484	-	1,810,300
Available-for-sale financial assets	-	-	-	3,514	3,514
Cash and cash equivalents	152,004	-	-	-	152,004
	851,489	**556,331**	**554,484**	**3,514**	**1,965,818**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

31 December 2014	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
Trade receivables	1,271,985	627,847	545,008	-	2,444,840
Available-for-sale financial assets	-	-	-	3,721	3,721
Cash and cash equivalents	124,922	-	-	-	124,922
	1,396,907	**627,847**	**545,008**	**3,721**	**2,573,483**

Taxation risks

Macedonian tax legislation is subject to varying interpretations and changes that occur frequently. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant. The period that remains open for review by the tax and customs authorities with respect to tax liabilities is five years.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
At 1 January	**3,721**	**3,191**
Additions	657	886
Disposals	(665)	483
Fair value adjustment	(199)	(839)
At 31 December	**3,514**	**3,721**

Available-for-sale financial assets consist of:

	2015	2014
Available-for-sale financial assets in non-quoted companies	1,863	2,144
Available-for-sale financial assets in quoted companies	1,651	1,577
	3,514	**3,721**

Investments in securities available-for-sale consist of shares in companies and banks. Participation in their shares is below 10% of the registered equity.

Available-for-sale financial assets of quoted shares are presented by market value. The unlisted shares that are not traded in an active market are stated at cost, because the Company considers that cost approximates their fair value.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS IN SUBSIDIARIES

	2015	2014
Alkaloid DOO Zagreb, Croatia	15,439	14,822
Alkaloid DOO Beograd, Serbia	62,566	62,566
Alkaloid INT DOO Ljubljana, Slovenia	866	866
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	39
Alkaloidpharm SA Fribourg, Switzerland	4,285	4,285
Alkaloid EOOD Sofia, Bulgaria	2,748	2,748
ALK&KOS Pharmaceuticals Shpk Pristina, Kosovo	307	307
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	308	308
Alkaloid Kons DOOEL Skopje, Macedonia	130,154	50,154
Alkaloid USA LLC Columbus, Ohio USA	3,873	3,873
Fund “Trajce Mukaetov” Skopje, Macedonia	3,000	3,000
Alkaloid DOO Podgorica, Montenegro	-	-
OOO Alkaloid RUS, Moscow, Russia	119,359	619
Alkaloid FARM DOO Ljubljana, Slovenia	461	461
Alkaloid Veledrogerija DOO Beograd, Serbia	7,720	7,720
Alkaloid ILAC TLS Istanbul, Turkey	2,616	2,616
ALKA-LAB DOO Ljubljana, Slovenia	18,485	9,231
	372,226	**163,615**

All subsidiaries are 100% owned by the Company, except investment in Alkaloid USA with the equity share of 49%. Although the investment of Alkaloid AD Skopje in Alkaloid USA LLC Columbus, Ohio USA is 49%, the Company exercises control. During 2014, Alkaloid AD Skopje established a new subsidiary in Slovenia, ALKA-LAB DOO Ljubljana, Slovenia and a new subsidiary in Macedonia, Alkaloid Bilna apteka DOOEL Skopje.

In 2014, The Company has increased its investment in Alkaloid Kons DOOEL Skopje, Macedonia by Denar 50,000 thousand. In 2015 the company has increased its investment in four of its subsidiaries, in Alkaloid Kons DOOEL Skopje, Macedonia by Denar 80,000 thousand, ALKA-LAB DOO Ljubljana, Slovenia by EUR 150 thousand, OOO Alkaloid RUS, Moscow, Russia by RUR 120 million and in Alkaloid DOO Zagreb, Croatia by EUR 10 thousand.

Alkaloid’s representative offices in Russia, Ukraine, Bosnia and Herzegovina and Albania are included in the financial statements of the Company.

11. INVENTORIES

	2015	2014
Raw materials	737,990	667,152
Spare parts	519	1,569
Tools and consumable stores	1,613	1,575
Work in progress	248,386	231,006
Finished goods	478,633	540,167
Commodities	175,125	133,290
	1,642,266	**1,574,759**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE RECEIVABLES

Trade receivables:	**2015**	**2014**
Trade receivables	1,988,474	2,614,669
Less: provision for impairment of receivables	(178,174)	(169,829)
Trade receivables - net	**1,810,300**	**2,444,840**

Changes in the provision are as follows:

	2015	**2014**
At beginning of year	**169,829**	**175,476**
Provision for the year	10,077	594
Direct write off	-	(194)
Collected bad and doubtful debts	(1,732)	(6,047)
At end of year	**178,174**	**169,829**

	2015	**2014**
Up to 1 year	-	-
Over 1 year	178,174	169,829
As at 31 December	**178,174**	**169,829**

13. OTHER CURRENT ASSETS

	2015	**2014**
Prepayments	23,470	27,806
Receivables from employees	-	15,027
Prepaid VAT	119,240	72,569
Other receivables	57,639	39,506
Less: non-current portion	(2,355)	(16,472)
	197,994	**138,436**

Non-current receivables relate to loans to employees and prepayments for property, plant and equipment that are due within 3 years.

The fair value of non-current trade and other receivables are as follows:

	2015	**2014**
Non-current receivables	2,355	16,472

The effective interest rate on non-current receivables was as follows:

	2015	**2014**
The effective interest rate	3.25%	3.36%

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, internationally dispersed.

Prepayments for VAT are refunded from the Tax authorities on regular basis.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

14. CASH AND CASH EQUIVALENTS

	2015	2014
Cash at banks	151,484	124,302
Cash in hands	520	620
	152,004	**124,922**

15. SHARE CAPITAL

	Number of shares	Ordinary shares	Treasury shares	Total	Share premiums
At 1 January 2014	**1,421,933**	**2,220,127**	**(14,779)**	**2,205,348**	**-**
Purchase of treasury shares	(5,321)	-	(8,253)	(8,253)	-
As at 31 December 2014	**1,416,612**	**2,220,127**	**(23,032)**	**2,197,095**	**-**
Purchase of treasury shares	-	-	-	-	-
As at 31 December 2015	**1,416,612**	**2,220,127**	**(23,032)**	**2,197,095**	**-**

The total authorized number of ordinary shares is 1,431,353 with a par value of EUR 25.56 per share. All issued shares are fully paid.

During 2014 the Company acquired 5,321 of its own shares through Macedonian stock exchange and held as treasury shares. The total number of treasury shares is 14,741. The number of 3,287 shares is reserved for former proprietors of which 3,228 are priority shares and 59 are ordinary shares.

16. OTHER RESERVES

	Property, plant and equipment	Available-for-sale investments	Fund for shares	Total
At 1 January 2014	**1,061,374**	**(1,975)**	**244,511**	**1,303,910**
Increase	-	839	-	**839**
Revaluation of assets	(168,839)	-	-	**(168,839)**
Purchase of treasury shares	-	-	(15,595)	**(15,595)**
As at 31 December 2014	**892,535**	**(1,136)**	**228,916**	**1,120,315**
Increase	-	199	-	**199**
As at 31 December 2015	**892,535**	**(937)**	**228,916**	**1,120,514**

The nature and rights of distribution of each class of other reserves are:

- Revaluation reserves for Property, plant and equipment are created based on valuation of PP&E. These reserves are not distributable to shareholders.
- The Reserve for Available-for-sale investments is created based on valuation of investments. These reserves are not distributable to shareholders.
- Funds for shares are created from retained earnings based on decision from Shareholder assembly and are distributable to shareholders if not utilized.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS

	2015	2014
Non-current borrowings	5,133	1,648
Current borrowings	223,172	304,821
	228,305	**306,469**

Bank borrowings in amount of Denar 4,649 thousands are secured by the Property plant and equipment in net book value of Denar 21,365 thousands.

The maturity of the borrowings is as follows:

	2015	2014
Up to 1 year	223,172	304,821
Between 1 to 3 years	5,133	1,648
	228,305	**306,469**

The borrowings are denominated in following currencies:

	2015	2014
EUR	128,480	50,285
MKD	99,825	256,184
	228,305	**306,469**

The effective interest rates at the balance sheet date were as follows:

	31 December 2015		31 December 2014	
	EUR	**MKD**	**EUR**	**MKD**
Interest rates	6 month EURIBOR +3.55 – 4.06%	4.2– 6%	6 month EURIBOR +3.75 – 5.5%	4.7 – 6.5%

18. RETIREMENT BENEFIT OBLIGATIONS

	2015	2014
Retirement benefits	**25,638**	**24,598**

The retirement benefits are calculated based on legal obligation for payment of two net-monthly salaries on the retirement date according to actuarial calculation.

The amounts recognized in the Income statement are as follows:

	2015	2014
As at 1 January	**24,598**	**19,215**
Increase in calculation	1,041	5,383
Decrease in calculation	(1)	-
As at 31 December	**25,638**	**24,598**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

18. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	4.04%	3.95%

19. DEFERRED TAX

	2015	2014
Deferred tax assets	(17,817)	(17,548)
Deferred tax liabilities	-	-
	(17,817)	**(17,548)**

Deferred income tax is determined using tax rates of 10%.

	2015	2014
At 1 January	**(17,548)**	**(10,635)**
Deferred tax in Income statement	(269)	-
Realized deferred tax liabilities	-	(6,913)
As at 31 December	**(17,817)**	**(17,548)**

The movement in deferred tax assets and liabilities is as follows:

	Accruals	Fair value	Total
At 1 January 2014	**(10,635)**	**-**	**(10,635)**
Charged to Income statement	-	-	-
Realized deferred tax liabilities	(6,913)	-	(6,913)
As at 31 December 2014	**(17,548)**	**-**	**(17,548)**
Charged to Income statement	(269)	-	(269)
Realized deferred tax liabilities	-	-	-
As at 31 December 2015	**(17,817)**	**-**	**(17,817)**

20. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	915,253	815,075
Customer’s prepayments	2,490	2,491
Payables to employees	52,665	46,863
Dividends	9,571	7,763
Other payables	94,067	79,195
	1,074,046	**951,387**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

21. PROVISION FOR OTHER LIABILITIES AND CHARGES

	2015	2014
Provision for retirement benefits	1,041	5,383
	1,041	**5,383**

22. OTHER INCOME

	2015	2014
Collected written-off receivables	6	6,047
Dividends income	58,702	59,418
Interest income	2,247	1,334
Foreign exchange transaction gains	191,480	24,285
Other income	77,745	57,744
	330,180	**148,828**

23. OTHER EXPENSE

	2015	2014
Interest expenses	61	151
Foreign exchange transaction loss	234,694	45,230
Write-off of non-current assets	108	12,711
Write-off of inventories	48,058	45,560
Other expenses	24,925	8,816
	307,846	**112,468**

24. EXPENSES BY NATURE

	2015	2014
Raw materials	1,735,403	1,564,364
Employee benefit expense	1,081,048	982,744
Depreciation and amortization	353,303	338,349
Utilities	130,635	134,620
Impairment of trade receivables	10,077	594
Transportation	149,327	134,404
Changes in the inventories	(2,086)	(119,290)
Other expenses	1,864,731	2,033,516
	5,322,438	**5,069,301**

25. EMPLOYEE BENEFIT EXPENSE

	2015	2014
Gross salaries	914,318	833,132
Other employees benefits	166,730	149,612
	1,081,048	**982,744**
Number of employees at 31 December	**1,265**	**1,192**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCE EXPENSES

	2015	2014
Net foreign exchange transaction (losses)/gains on borrowings	(110)	(128)
Interest expense on borrowings	(8,003)	(21,379)
	(8,113)	**(21,507)**

27. INCOME TAX

	2015	2014
Current income tax	63,295	94,780
Deferred income tax (Note 19)	(269)	-
	63,026	**94,780**

The income tax differs from the theoretical amount that would arise using the tax rate applicable to profit as follows:

	2015	2014
Profit before tax	**708,680**	**723,907**
Tax calculated at tax rate of 10%	70,868	72,391
Income not subject to tax	(2,949)	(3,015)
Tax on expenses not deductible for tax purposes	29,774	27,547
Tax allowances	(34,398)	(1,538)
Deferred tax in income statement	(269)	(605)
Income tax	**63,026**	**94,780**

As a result of the anti-crisis measures, Income tax law was amended in 2009, whereas the profit for the year ended 2009 - 2013 was not taxable and the rate of 10% was applied only on the expenses not deductible for tax purposes.

Income tax law was amended in 2014, whereas the final tax is calculated at the rate of 10% on the profit reported in the income statement, adjusted for certain items as defined by the local tax legislation.

28. EARNINGS PER SHARE

	2015	2014
Basic earnings per share		
Profit attributable to shareholders (in Denar)	645,653,544	629,127,309
Number of shares	1,416,612	1,416,612
Basic earnings per share (in Denar)	**455.77**	**444.11**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

29. DIVIDENDS

The Company does not recognize the dividend payable before it is approved on the Annual General Meeting.

The dividends approved by shareholders on 6 April 2015 were Denar 300,584 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

30. COMMITMENTS

Capital expenditures which are not yet incurred, relate to signed agreements with contractors for acquisition of property, plant and equipment at balance sheet date in the amount of Denar 38,213 thousands; (2014: Denar 2,429 thousands).

31. CONTINGENCIES

The Company has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 37,007 thousands (2014: Denar 37,275 thousands).

32. RELATED PARTY TRANSACTIONS

The Company has no ultimate parent. The shares are widely held.

Alkaloid AD Skopje has investments in subsidiaries stated in Note 10 above. Sales and purchases of goods and services between related parties are based on regular market terms and prices.

The transactions with the related parties are stated below:

Sale of goods and services

	2015	**2014**
Alkaloid DOO Belgrade, Serbia	151,690	99,356
Alkaloid EOOD Sofia, Bulgaria	254	539
Alkaloid INT DOO Ljubljana, Slovenia	693,917	692,982
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	246,046	242,719
Alkaloid Kons DOOEL Skopje, Macedonia	143,054	123,138
OOO Alkaloid RUS, Moscow, Russia	254,192	296,492
Alkaloidpharm SA Fribourg, Switzerland	434	282
Alkaloid Veledrogerija DOO Beograd, Serbia	507,032	556,025
Alkaloid DOO Ljubljana FARM, Slovenia	113	94
Alkaloid ILAC TLS Istanbul, Turkey	1,131	490
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	6,430	3,652
	2,004,293	**2,015,769**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (Continued)

Purchase of goods and services

	2015	2014
Alkaloidpharm SA Fribourg, Switzerland	321,342	130,850
Alkaloid DOO Zagreb, Croatia	14,183	18,608
Alkaloid DOO Belgrade, Serbia	10,968	12,184
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	34,925	33,465
Alkaloid EOOD Sofia, Bulgaria	94,346	102,645
Alkaloid DOO Ljubljana INT, Slovenia	13,613	25,368
ALK&KOS Pharmaceuticals Shpk Pristina, Kosovo	43,483	58,132
Fund “Trajce Mukaetov” Skopje, Macedonia	10,261	8,985
Alkaloid Kons DOOEL Skopje, Macedonia	2,267	1,677
Alkaloid DOO Podgorica, Montenegro	33,762	32,660
OOO Alkaloid RUS, Moscow, Russia	62,042	135,966
Alkaloid DOO Ljubljana FARM, Slovenia	-	20,644
Alkaloid ILAC TLS Istanbul, Turkey	9,188	10,647
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	2,560	850
	652,940	**592,681**

Balances and transactions between the Company and its subsidiaries arising from the sales and purchases of goods and services, advances and other transactions are presented below:

Accounts receivables

	2015	2014
Alkaloid DOO Belgrade, Serbia	63,815	77,183
Alkaloid EOOD Sofia, Bulgaria	254	537
Alkaloid DOO Ljubljana INT, Slovenia	306,174	245,933
ALK&KOS Pharmaceuticals Shpk Pristina, Kosovo	83,112	91,569
Alkaloidpharm SA Fribourg, Switzerland	51	55
Alkaloid Kons DOOEL Skopje, Macedonia	50,425	86,249
OOO Alkaloid RUS, Moscow, Russia	213,688	513,459
Alkaloid Veledrogerija DOO Beograd, Serbia	299,213	505,795
Alkaloid DOO Ljubljana FARM, Slovenia	114	94
Alkaloid ILAC TLS Istanbul, Turkey	1,132	488
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	2,134	4,089
	1,020,112	**1,525,451**

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (Continued)

Accounts payables

	2015	2014
Alkaloidpharm SA Fribourg, Switzerland	161,781	135,677
Alkaloid DOO Zagreb, Croatia	1,529	3,240
ALK&KOS Pharmaceuticals Shpk Pristina, Kosovo	5,651	16,130
Alkaloid DOO Belgrade, Serbia	1	1,295
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	7,595	10,769
Alkaloid EOOD Sofia, Bulgaria	18,600	20,643
Alkaloid DOO Ljubljana INT, Slovenia	16,127	26,820
Alkaloid Kons DOOEL Skopje, Macedonia	556	645
Alkaloid DOO Podgorica, Montenegro	3,264	3,572
Alkaloid DOO Ljubljana FARM, Slovenia	-	3,996
Alkaloid ILAC TLS Istanbul, Turkey	773	-
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	826	1,003
	216,703	**223,790**

Short-term loans	**2015**	**2014**
Alkaloid DOO Belgrade, Serbia	1,932	1,929
Alkaloid Kons DOOEL Skopje, Macedonia	465	-
	2,397	**1,929**

Key management compensations

No compensations were paid to the Management Board members during 2015. In 2015, the amount of Denar 5,006 thousands was paid to the Supervisory Board members (2014: Denar 4,208 thousands).

33. EXCHANGE RATES OF PRINCIPAL CURRENCIES

Closing rates:

	31.12.2015	31.12.2014
EUR	61.59	61.48
USD	56.37	50.56
CHF	56.96	51.12