



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

**CONSOLIDATED ANNUAL REPORT
ON THE PERFORMANCE OF ALKALOID AD SKOPJE**

FOR THE PERIOD JANUARY - DECEMBER 2015

February 2016

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1. General information

Alkaloid AD Skopje, the Parent Company is a 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.

Production facilities of the Group are located in Skopje and Belgrade.

Major business activity: Alkaloid AD Skopje produces and sells wide range of pharmaceutical, chemical and cosmetic products, as well as goods from herbal origin. According to the Trade Registry, Alkaloid AD Skopje can perform wholesale operations and foreign trading with food and non food products.

The main scope is production of pharmaceutical products.

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

Alkaloid AD Skopje is comprised of sixteen subsidiaries and one foundation in Republic of Macedonia and abroad. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The Company's Annual consolidated report on the performance has been prepared in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 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) and the Rulebook for accounting ("Official Gazette of RM" no.159/09, 164/10 and 107/11). The consolidated report is prepared in accordance with the concept of purchase price, excluding the land property, construction buildings and available-for-sale financial assets, which are presented by their market value.

The presentation of the consolidated report on the performance 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 consolidated report. These estimations and assumptions are based on reasonable information available, as of the date of preparation of the financial statements. However, actual results may vary from these estimates.

2. Financial risk management

Financial risk factors

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The financial risk management is preformed by the Group's financial department, based on Decisions from Managing board.

Market risk

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

To manage the foreign exchange risk the Group provides enough cash in foreign currencies held in banks in order to maintain its future commercial transactions.

b) Price risk

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

Credit risk

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

The Group's interest rate risk arises from borrowings. The Group 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 decreased in respect of previous year.

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 Group is the last traded price.

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 Group for similar financial instruments.

3. Additions to non-current assets

Additions to non-current assets include additions to property, plant and equipment and Intangibles.

Additions to non-current assets - segment reporting

Segments	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Pharmacy	950.775	96	442.779	93	215
Chemistry Cosmetics Botanicals	36.031	4	34.400	7	105
Total:	986.806	100	477.179	100	207

4. Dividends

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

The dividends for 2014 approved by shareholders on 6 April 2015 were Denar 300,584 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Non-current	25.055	7	50.025	10	50
Current	328.683	93	465.178	90	71
Total:	353.738	100	515.203	100	69

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Up to 1 year	328.683	93	465.178	90	71
Between 1 to 3 years	25.055	7	50.025	10	50
Total:	353.738	100	515.203	100	69

6. Major Transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2015.

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

7. Related party transactions

The consolidated annual report on the performance includes the financial results of the parent Company and the following subsidiaries:

Subsidiary	2015	2014
	% of ownership	% of ownership
Alkaloid DOO Zagreb, Croatia	100%	100%
Alkaloid DOO Beograd, Serbia	100%	100%
Alkaloid INT DOO Ljubljana, Slovenia	100%	100%
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100%	100%
Alkaloidfarm SA Fribourg, Switzerland	100%	100%
Alkaloid EOOD Sofia, Bulgaria	100%	100%
ALK&KOS Shpk Prishtina, Kosovo	100%	100%
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	100%	100%
Alkaloid Kons DOOEL Skopje, Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio US	49%	49%
Fund "Trajce Mukaetov" Skopje, Macedonia	100%	100%
Alkaloid DOO Podgorica, Montenegro	100%	100%
OOO Alkaloid RUS, Moscow, Russia	100%	100%
Alkaloid FARM DOO Ljubljana, Slovenia	100%	100%
Alkaloid Veledrogerija DOO Beograd, Serbia	100%	100%
Alkaloid ILAC TLS Istanbul, Turkey	100%	100%
ALKA-LAB DOO Ljubljana, Slovenia	100%	100%

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.

8. Share capital

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
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	-
At 31 December 2014	1.416.612	2.220.127	-23.032	2.197.095	-
Purchase of treasury shares	-	-	-	-	-
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 (Denar 1,551) per share. All issued shares are fully paid.

During 2014 the Entity 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 acquired from the right to dividend payments.

Earning per share

	(In MKD)		
	2015	2014	IND
	Amount	Amount	15/14
Profit attributable to shareholders (in denars)	666.466.522	618.454.482	108
Number of shares	1.416.612	1.416.612	100
Basic earning per share (in denars):	470,47	436,57	108

9. Key management compensations

No compensations were paid to the Management Board members in 2015 and 2014.

In 2015, the amount of Denar 5,006 thousands were paid to the Supervision Board members (2014: Denar 4,208 thousands).

Consolidated production in tons

Segment	(In tons)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Pharmacy	848	7	852	9	100
Chemistry Cosmetics Botanicals	10.651	93	8.223	91	130
Total:	11.499	100	9.075	100	127

The total amount produced for 2015 is 11,499 tons, which compared to last years' production amount of 9,075 tons has increased for 27%.

Total consolidated sales

(In 000 MKD)

Market	2015		2014		IND
	Amount	%	Amount	%	14/13
Domestic market	3.235.800	41	3.175.437	43	102
Foreign market	4.624.614	59	4.222.399	57	110
Total:	7.860.414	100	7.397.836	100	106

The total sales revenues for 2015 are 7,860,414 which compared to last years' 7,397,836 have increased for 6%. The growth in total sales revenues is a result of the increase of sales revenues on domestic market for 2% and foreign market for 10%.

The largest portion of total sales revenues of 59%, is generated on foreign markets.

Total consolidated sales - segment reporting

(In 000 MKD)

Segment	2015		2014		IND
	Amount	%	Amount	%	15/14
Pharmacy	6.591.387	84	6.263.886	85	105
Chemistry Cosmetics Botanicals	1.269.027	16	1.133.950	15	112
Total:	7.860.414	100	7.397.836	100	106

The largest portion in total sales revenues is generated on the Pharmacy segment with 6,591,387 thousand denars or 84%, which compared to last years' 6,263,886 thousand denars indicates an increase of 5%.

Consolidated domestic market sales - segment reporting

(In 000 MKD)

Segment	2015		2014		IND
	Amount	%	Amount	%	15/14
Pharmacy	2.622.723	81	2.588.029	82	101
Chemistry Cosmetics Botanicals	613.077	19	587.408	18	104
Total:	3.235.800	100	3.175.437	100	102

Total sales revenues on domestic market are 3,235,800 thousand denars, which compared to last years' 3,175,437 thousand denars have increased for 2%.

The largest portion in total sales revenues on domestic market is generated on the Pharmacy segment with 2,622,723 thousand denars or 81%.

Consolidated foreign market sales - segment reporting

Segment	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Pharmacy	3.968.664	86	3.675.857	87	108
Chemistry Cosmetics Botanicals	655.950	14	546.542	13	120
Total:	4.624.614	100	4.222.399	100	110

Total sales on foreign market are 4,624,614 thousand denars, which compared to last years' 4,222,399 thousand denars have increased for 10%.

The largest portion of the foreign market sales of 3,968,664 or 86% is generated on the Pharmacy segment.

Consolidated foreign market sales by regions / countries

Region / country	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
South Eastern Europe	2.757.292	60	2.504.760	59	110
Albania	58.015	1	104.104	2	56
Bosnia and Herzegovina	789.721	17	699.441	18	113
Kosovo	326.696	7	308.915	7	106
Serbia	1.391.428	30	1.215.649	29	114
Monte Negro	191.432	4	176.651	4	108
Russia and CIS	452.731	10	380.331	9	119
Russia	381.305	8	343.182	8	111
Armenia	6.424	-	7.681	-	84
Georgia	15.344	-	1.579	-	972
Ukraine	47.048	1	27.594	1	171
Turkmenistan	2.610	-	295	-	-
Western Europe (EU and EFTA)	1.292.796	28	1.242.519	29	104
Bulgaria	222.794	5	205.351	5	108
Croatia	682.906	15	659.575	16	104
Germany	73.041	2	61.513	1	119
Romania	58.391	1	54.792	-	107
Hungary	3.851	-	328	-	-
Czech	7.646	-	9.357	-	82
Slovakia	7.487	-	12.454	-	-
Poland	4.480	-	-	-	-
Slovenia	221.328	5	215.385	5	103
Great Britain	6.846	-	-	-	-
Spain	2.615	-	23.171	-	-
Switzerland	431	-	285	-	151
Lithuania	980	-	308	-	-
Other countries	121.795	3	94.789	2	128
USA	109.263	2	80.644	2	135
Turkey	8.065	-	8.598	-	94
Other countries	4.467	-	5.547	-	81
Total:	4.624.614	100	4.222.399	100	110

The largest portion of foreign market sales of 60% is generated on the South Eastern Europe region, which compared to last year indicates an increase of 10%.

Consolidated Income statement

	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Sales	7.860.414	95	7.397.836	96	106
Cost of sales	-4.289.684	-52	-3.836.683	-50	112
Gross profit	3.570.730	43	3.561.153	46	100
Research and development expenses	-58.942	-1	-47.504	-1	124
Selling and marketing expenses	-2.296.241	-28	-2.182.665	-28	105
Administrative expenses	-308.408	-4	-295.006	-4	105
Provision for other liabilities and charges	-1.200	-	-5.383	-	22
Other income	384.213	5	303.476	4	127
Other expenses	-509.180	-6	-558.447	-7	91
Operating profit	780.972	9	775.624	10	101
Finance expenses (net)	-15.462	-	-29.578	0	52
Profit before income tax	765.510	9	746.046	10	103
Income tax expense	-99.043	-1	-127.592	-2	78
Profit from continuing operations	666.467	8	618.454	8	108
Profit/(Loss) from discontinued operations	-	-	-	-	-
Profit for the year	666.467	8	618.454	8	108
Attributable to the:					
Shareholders of the Parent Company	666.785	8	618.501	8	108
Minority interests	-318	-	-47	-	677
Profit for the year	666.467	8	618.454	8	108

Sales by category

	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Sales					
Sales of goods	6.044.516	73	5.773.184	75	105
Sales of commodities	1.760.638	21	1.550.642	20	114
Other sales revenues	55.260	1	74.010	1	75
Total:	7.860.414	95	7.397.836	96	106

Other income

(In 000 MKD)

Other income	2015		2014		IND
	Amount	%	Amount	%	15/14
Foreign exchange transaction gains	258.103	3	187.644	3	138
Collected written off receivables	612	-	6.106	-	10
Surpluses	3.358	-	2.930	-	115
Interest income	13.673	-	20.078	-	68
Other income	108.467	1	86.718	1	125
Total:	384.213	5	303.476	4	127

Finance income

(In 000 MKD)

Finance income	2015		2014		IND
	Amount	%	Amount	%	15/14
Foreign exchange transaction gains on borrowing	239	-	347	-	-
Interest income on borrowings	-	-	6	-	-
Total:	239	-	353	-	-
Total revenues:	8.244.866	100	7.701.665	100	107

Total revenues for 2015 are 8,244,866 thousand denars, which compared to last year have increased for 7%.

The largest portion of total revenues 95%, belongs to sales of goods, sales of commodities and other sales revenues, which compared to last year have increased for 6%.

Other income have a portion in total revenues of 5% and compared to last year have increased for 27%

Finance income consist of foreign exchange transaction gains on borrowings and interest income on borrowings. The portion in total revenues is insignificant.

Expenses by nature

(In 000 MKD)

Expenses	2015		2014		IND
	Amount	%	Amount	%	15/14
Raw materials	1.932.501	26	1.690.912	24	114
Employee benefit expense	1.525.490	20	1.404.310	20	109
Depreciation and amortization	375.804	5	361.515	5	104
Energy	154.176	2	161.774	2	95
Impairments	60.779	-	22.246	-	273
Transportation	167.335	2	158.667	2	105
Changes in the inventories	5.462	-	-33.228	-	-
Cost of commodities	1.375.183	18	1.264.744	18	109
Other expenses	1.357.745	18	1.336.301	19	102
	6.954.475	93	6.367.241	92	109

Employee benefit expense

Expenses	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Gross salaries	1.327.333	18	1.232.802	18	108
Other employees benefits	198.157	3	171.508	2	116
	1.525.490	20	1.404.310	20	109

Other expenses

Expenses	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Foreign exchange transaction loss	303.407	4	436.925	6	69
Shortages	24.166	-	11.794	-	205
Expenses from last year	28.862	1	20.615	-	140
Other expenses	152.745	2	89.113	1	171
	509.180	7	558.447	8	91

Finance cost

Expenses	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Foreign exchange transaction losses on borrowings	349	-	673	-	52
Interest expense on borrowings	15.352	-	29.257	-	52
Total:	15.701	-	29.930	-	52
Total expenses:	7.479.356	100	6.955.618	100	108

Total expenses in 2015 are 7,479,356 thousand denars, which compared to last years' 6,955,618 thousand denars have increased for 8%.

The largest portion in total expense of 26% belongs to Raw materials. Employee benefit expense has a portion of 20%, Other expenses 7%. Finance costs consist of expenses on borrowings, the portion in total expenses is insignificant.

Consolidated profit before taxes for 2015 is 765,510 thousand denars, which compared to last years' 746,046 thousand denars has increased for 3%. The portion of consolidated profit before taxes in total revenues is 9%.

Consolidated income tax for 2015 is 99,043 thousand denars, which compared to last years' 127,592 thousand denars has decreased for 22%.

Consolidated Net profit for 2015 is 666,467 thousand denars, which compared to last years' 618,454 thousand denars has increased for 8%. The portion of consolidated Net profit in total revenues is 8%.

Consolidated Balance Sheet

	(In 000 MKD)				
	2015		2014		IND
	Amount	%	Amount	%	15/14
Assets					
Non-current assets					
Property, plant and equipment	3.934.917	40	3.631.935	38	108
Intangible assets	1.202.558	12	896.933	9	134
Available-for-sale financial assets	3.514	-	3.721	-	94
Other non current receivables	3.091	-	29.080	-	11
Deferred tax assets	19.507	-	17.547	-	111
Total non-current assets:	5.163.587	53	4.579.216	48	113
Current assets					
Inventories	2.028.759	21	2.041.310	21	99
Trade receivables	1.889.988	19	2.206.720	23	86
Other receivables	268.550	3	208.902	2	129
Cash and cash equivalents	389.921	4	479.300	3	81
Total current assets:	4.577.218	47	4.936.232	52	93
Total assets:	9.740.805	100	9.515.448	100	102
Equity and liabilities					
Equity					
Share capital	2.197.095	23	2.197.095	23	100
Share premiums	-	-	-	-	-
Legal reserves	611.914	6	609.666	6	100
Other reserves	1.319.863	14	1.333.230	14	99
Retained earnings	3.890.742	40	3.529.699	37	110
Minority interests	813	-	1.132	-	72
Total equity:	8.020.427	82	7.670.822	81	105
Liabilities					
Current liabilities					
Trade and other payables	1.320.789	14	1.227.292	13	108
Income taxes	19.948	-	77.341	-	26
Current borrowings	328.683	3	465.178	5	71
Total current liabilities:	1.669.420	17	1.769.811	19	94
Non-current liabilities					
Non-current borrowings	25.055	1	50.025	1	50
Deferred income tax liabilities	25.898	-	24.698	-	105
Non-current provisions	5	-	92	-	5
Total non-currents liabilities:	50.958	1	74.815	1	68
Total liabilities:	1.720.378	18	1.844.626	19	93
Total equity and liabilities:	9.740.805	100	9.515.448	100	102

Performance indicators

Indicators	(In %)		
	2015	2014	IND 15/14
Net profit margin (net profit / total revues)	8,08	8,03	101
Net profit margin (net profit / sales)	8,48	8,36	101
EBITDA	14,72	15,37	96
Current ratio	2,74	2,79	98
Net debt to equity ratio	-0,45	0,47	-96
Return of equity	8,31	8,06	103
Return of assets	6,84	6,50	105

Number of employees on 31 December

Segment	2015		2014		IND 15/14
	%	%	%	%	
Pharmacy	975	61	994	64	98
Chemistry Cosmetics Botanicals	193	12	219	14	88
Corporate unit	442	27	329	21	134
Total:	1.610	100	1.542	100	104

Total number of employees on 31 December 2015 is 1,610, which compared to last year has increased for 4%.

Alkaloid AD Skopje