ALKALOID AD SKOPJE
STAND-ALONE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2023

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

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Independent auditor's report

To the Supervisory Board and Shareholders of Alkaloid AD Skopje

Report on the separate financial statements

We have audited the accompanying separate financial statements of Alkaloid AD Skopje, which comprise the separate statement of financial position as of 31 December 2023 and the separate profit and loss, separate statement of other comprehensive income, separate statement of changes in equity and separate 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 separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with accounting standards applicable in the Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of separate 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 separate financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate financial statements.

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

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Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Alkaloid AD Skopje as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting standards applicable in the Republic of North Macedonia.

Report on other legal and regulatory requirements

Separate annual report was prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the separate annual accounts and separate annual report of Alkaloid AD Skopje, which were approved by the Managing Board and Supervisory Board.

As required by the Audit Law, we report that the historical information presented in the separate annual Report prepared by Management of Alkaloid AD Skopje in accordance with article 384 of the Company Law, is consistent, in all material respects, with the financial information presented in the separate annual accounts and audited separate financial statements of Alkaloid AD Skopje as of 31 December 2023 and for the year then ended.

Dragan Davitkov
General Manager

Dragan Davitkov
Certified Auditor

PricewaterhouseCoopers REVIZIJA DOO Skopje

29 February 2024
Skopje, Republic of North Macedonia

(In thousands of Denar)

STAND-ALONE STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023	2022
Assets			
Non-current assets			
Property, plant and equipment	6	7,881,992	6,800,331
Intangible assets	7	2,145,556	1,973,544
Available-for-sale financial assets	9	9,231	8,551
Investments in subsidiaries	10	554,743	553,512
Other non-current assets	13	78,909	290,835
		10,670,431	9,626,773
Current assets			
Inventories	11	4,135,399	3,906,358
Trade receivables	12	2,965,897	2,299,036
Other receivables	13	461,816	330,733
Cash and cash equivalents	14	117,679	62,077
		7,680,791	6,598,204
Total assets		18,351,222	16,224,977
Equity			
Capital and reserves			
Share capital	15	2,220,127	2,220,127
Treasury shares		(109,285)	(109,285)
Legal reserves		596,146	596,146
Other reserves	16	2,135,482	1,687,920
Retained earnings		8,667,709	7,835,862
		13,510,179	12,230,770
Non-current liabilities			
Non-current borrowings	17	690,834	568,194
Retirement benefit obligations	18	57,343	56,491
		748,177	624,685
Current liabilities			
Trade and other payables	19	3,096,008	2,696,884
Income tax		25,731	22,835
Current borrowings	17	972,627	649,803
		4,094,866	3,369,522
Total liabilities		4,841,043	3,994,207
Total equity and liabilities		18,351,222	16,224,977

The accompanying notes form an integral part of these stand-alone financial statements.

These stand-alone financial statements were approved by the Company's Managing Board on 08 February 2024.

Approved and signed on behalf of Alkaloid AD Skopje by:

Zhivko Mukaetov	Viktor Stojcevski	Goran Minov
General Manager	Finance Manager	Certified accountant
		ID no. 0101521

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

(In thousands of Denar)

STAND-ALONE STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December 2023	2022
Sales	5	12,261,902	10,538,230
Cost of sales	23	(7,622,154)	(6,422,156)
Gross profit		4,639,748	4,116,074
Research and development expenses	23	(189,147)	(163,070)
Selling and marketing expenses	23	(2,068,924)	(1,991,523)
Administrative expenses	23	(805,911)	(660,666)
Other income	21	503,594	1,026,225
Other expenses	22	(395,298)	(777,642)
Operating profit		1,684,062	1,549,398
Finance expenses (net)	26	(32,223)	(16,270)
Profit before income tax		1,651,839	1,533,128
Income tax	27	(131,292)	(121,585)
Profit for the year		1,520,547	1,411,543
Earnings per share (in Denar)			
- Basic	28	1,081.85	1,004.29

The accompanying notes form an integral part of these stand-alone financial statements.

(In thousands of Denar)

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023	2022
Profit for the year		1,520,547	1,411,543
Other comprehensive income:			
Fair value gain/loss on investments	16	680	(316)
Fair value gain/loss on land	6	446,882	-
Other comprehensive income, net of tax		447,562	(316)
Total comprehensive income for the year		1,968,109	1,411,227

The accompanying notes form an integral part of these stand-alone financial statements.

(In thousands of Denar)

STAND-ALONE STATEMENT OF CHANGES IN EQUITY

	For the year ended December 31					
	Share capital	Treasury shares	Legal reserves	Other reserves	Retained earnings	Total
As at January 1, 2022	2,220,127	(109,285)	596,146	1,688,236	7,042,743	11,437,967
Purchase of treasury shares	-	-	-	-	-	-
Dividend payment and tax on dividend paid out	-	-	-	-	(618,424)	(618,424)
Profit for the year	-	-	-	-	1,411,543	1,411,543
Statement of comprehensive income						
Fair value gain on investments (Note 9)	-	-	-	(316)	-	(316)
	-	-	-	(316)	-	(316)
As at December 31, 2022	2,220,127	(109,285)	596,146	1,687,920	7,835,862	12,230,770
Purchase of treasury shares	-	-	-	-	-	-
Dividend payment and tax on dividend paid out	-	-	-	-	(688,700)	(688,700)
Profit for the year	-	-	-	-	1,520,547	1,520,547
Statement of comprehensive income						
Fair value gain on investments (Note 9)	-	-	-	680	-	680
Fair value gain on land				446,882		446,882
	-	-	-	447,562	-	447,562
As at December 31, 2023	2,220,127	(109,285)	596,146	2,135,482	8,667,709	13,510,179

The accompanying notes form an integral part of these stand-alone financial statements.

(In thousands of Denar)

STAND-ALONE STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2023	2022
Cash flows from operating activities		
Cash receipts from customers	12,057,786	10,905,559
Cash paid to suppliers and employees	(10,512,424)	(9,779,987)
Cash generated from operations	1,545,362	1,125,572
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,314,847)	(1,215,809)
Investments in subsidiaries (Note 10)	(1,231)	(40,234)
Dividends received	119,381	119,606
Subsidies received	(4,281)	192,201
Net cash used in investing activities	(1,265,374)	(1,004,913)
Cash flows from financing activities		
Proceeds from borrowings	2,645,894	1,920,920
Repayments of borrowings	(2,214,722)	(1,672,928)
Interest paid	(31,641)	(15,516)
Purchase of treasury shares	-	-
Dividends paid to shareholders, tax on dividends paid out and other profit allocations	(688,313)	(618,905)
Net cash used in financing activities	(288,782)	(386,429)
Net (decrease)/increase in cash and cash equivalents	55,602	(205,093)
Cash and cash equivalents at beginning of year	62,077	267,170
Cash and cash equivalents at the end of year	117,679	62,077

The accompanying notes form an integral part of these stand-alone financial statements.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The shares of 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 stand-alone financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1. Basis of Preparation and Presentation of Stand-alone Financial Statements

Pursuant to the provisions of the Company Law (Official Gazette nos. 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, 13/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18, 120/18, 195/2018, 225/2018, 239/2018, 290/20 and 215/21) legal entities in the Republic of North Macedonia are required to maintain their books of account and to prepare their financial statements in conformity with the International Financial Reporting Standards published in the Official Gazette of the Republic of North Macedonia.

A newly-issued Rulebook for Chart of Accounts (Official Gazette nos. 159/09, 164/10 and 107/11) was adopted on 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 from January 1, 2010.

Until the date of preparation of the accompanying financial statements, the amendments of the International Financial Reporting Standards ("IFRS/ISA") and interpretations of IFRIC in effect for the annual periods beginning on or after January 1, 2009, have not yet been translated and published in the Republic of North Macedonia.

Given the potentially material effects which the departures of accounting regulations applicable in Republic of North Macedonia from the International Financial Reporting Standards may have on the fairness of presentation made in the Company's stand-alone financial statements, the accompanying stand-alone financial statements cannot be treated as a set of stand-alone financial statements prepared in accordance with the International Financial Reporting Standards.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of Preparation and Presentation of the Stand-alone Financial Statements (Continued)

However, the accompanying stand-alone financial statements of the Company 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 North Macedonia no. 60/14). Such statements represent a set of financial statements that differ in some respects from the presentation of certain amounts as required under the provisions of adopted IAS 1 - "Presentation of Financial Statements".

The accompanying stand-alone financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder. In the preparation of the accompanying stand-alone financial statements, the Company adhered to the accounting policies described in Note 2.

All amounts in the Company's stand-alone financial statements are stated in thousands of Macedonian Denars (MKD). The Denar is the official reporting currency in the Republic of North Macedonia.

The preparation of the stand-alone financial statements in accordance with the Law on Trade Companies and the Rulebook on Accounting requires the application of estimates and assumptions by the management of the Company, which affect the positions expressed in the stand-alone financial statements. Although management estimates are based on reasonable information and knowledge of events and activities, the actual results may differ from those estimated. Management estimates are shown in Note 4.

2.2. 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 Company. 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.

2.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board. The Management Board is responsible for strategic decisions for each segment. At December 31, 2023, the Company was organized on a worldwide basis into four reportable segments:

- Pharmaceuticals - Production and sales of medicines for human use, medicines for veterinary use and pharmaceutical raw materials;
- Chemicals - Production and sales of chemicals products;
- Cosmetics - Production and sales of cosmetics;
- Botanicals - Production and sales of botanicals products,

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3. Segment reporting (Continued)

The pharmaceutical overall production program of the products of Alkaloid Pharmaceuticals is comprised 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.

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

Alkaloid Chemical products today is a developed program for the production of chemicals and organic and non-organic reagents, with pa, puriss, purum and with pharmacopeias 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 the 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's net financial assets principally consist of net liquidity (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 managing board for decision making purposes in the field of resource allocation and assessment of segment performance.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4. 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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange differences 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.

2.5. Property, plant and equipment

The property plant and equipment, except the land, are initially recorded at cost. The land is subsequently stated at fair value, based on the appraisal performed by external independent appraisers. 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 consolidated 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	10 - 40	years
Machinery	10 - 20	years
Vehicles	4	years
Furniture, fittings and equipment	3 - 10	years

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

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5. Property, plant and equipment (Continued)

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

The carrying amount of disposed property, plant and equipment items is eliminated from the stand-alone statement of financial position together with the carrying amount of accumulated depreciation. Gains and/or losses on disposals are determined as the difference between the proceeds on disposal and the carrying amount of the assets and included in the stand-alone income statement.

2.6. Intangible assets

Intangible assets are consisted of trademarks, licenses and software. Intangible assets are carried at cost less accumulated amortization. The cost value includes the invoiced expense of purchased intangible assets increased by all expenditures that are 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, maximum of 10 years.

The following are the ranges of useful life of the intangible assets:

Software	5	years
Internally generated assets	10	years
Trademarks and patents	10	years

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, i.e. up to10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognized 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.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Intangible assets (Continued)

The amount initially recognized 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 recognized, development expenditure is recognized 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 amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents

Patents are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives of 10 years.

2.7. 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.

2.8. 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.

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 2,10).

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.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets (Continued)

Regular purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset. 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 consider 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 the impairment losses of the financial assets, calculated interests using the effective interest method and foreign exchange differences which are recognized in the profit and loss statement.

When securities classified as available-for-sale are sold or impaired, 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. 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. The method for evaluation of impairment of trade receivables is explained in Note 2,10.

2.9. 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. The net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and applicable variable selling expenses.

The costs of purchase of inventories include the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), haulage, handling, and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, 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'.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in balances held on bank accounts and cash in hand.

2.12. 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.

2.13. 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 reporting sheet date.

2.14. Trade and other payables

All financial liabilities are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

2.15. Income tax

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

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15. Income tax (Continued)

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 reported in the stand-alone financial statements. However, the deferred income tax is not accounted for, if arising from initial recognition of an asset or a 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 tax is calculated using the current tax rate. Deferred tax liabilities are recognized for all taxable time differences. 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 assets are 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.

2.16. Employee benefits

Pension liabilities

The Company has both defined benefit and defined contribution plans.

- 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 Stand-alone 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.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Employee benefits (Continued)

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 a Managing Board. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17. 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.

2.18. 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 a Company 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.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19. Dividends

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

2.20. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the standalone statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

2.16. Lease

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss on straight-line basis over the period of the lease.

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 sufficient cash in foreign currencies held on bank accounts in order to maintain its future commercial transactions.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

b) Price risks

The Company is exposed to equity securities price risk because of Investments in equity instruments 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 a 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 lower than short term. Interest rates on short term borrowings are decreased in respect of previous year.

3.2. Fair value assessment

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. The fair value of financial instruments that are not traded in an active market is determined by 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 assumptions of the Company are based on past experience and other factors, including the expectation of future events that are probable at the reporting date.

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.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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:

Depreciation and amortization rates

The determination of the useful lives of assets is based on historical experiences with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually. . Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position and results of operations. If depreciation cost is decreased/increased by 10%, this would result in change of annual depreciation expense of approximately 54,905 MKD thousand (2022: MKD 50,752 thousand).

Usefull life of intangible assets

The determination of the useful lives of intangible assets is based on historical experiences with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions. Further, due to the significant weight of depreciable assets in our total assets, the impact of any changes in these assumptions could be material to our financial position and results of operations. If depreciation cost is decreased/increased by 10%, this would result in change of annual depreciation expense of approximately 33,398 MKD thousand (2022: MKD 32,411 thousand).

Fair value of land

The fair value of the land is analysed by the Group at the balance sheet date in order to determine whether any significant changes on the market price have occurred. The fair value of the land is determined by the independent valuator on an annual basis, applying the methodology for valuation of land published in Official Gazette of Republic of North Macedonia. The impact of any changes in these assumptions which are used in the process of valuation of the land could be material to our financial position and results of operations. If the price of the land decreased/increased by 3%, this would result in change of the value of the land/revalorisation reserves annually of approximately 63,587 MKD thousand (2022: MKD 36,015 thousand).

Fair value of financial assets

The available-for-sale financial assets that are not traded in an active market on the Macedonian Stock Exchange 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 taking in consideration that this financial assets are insignificant both in the books in the Company and as a percentage of participation in the issuer capital.

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

4. ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Impairment of Trade and Other Receivables

The allowance for impairment of doubtful receivables is formed based on the estimated losses arising from customer's default. The management's assessment is based on the ageing analysis of accounts receivable, historical write-offs, customer creditworthiness and changes in the terms of sale, identified upon determining the adequacy of allowance for impairment of doubtful receivables. This includes the assumptions on future customer behavior and future collections arising therefrom. The management believes that no allowance for impairment, except for the provisions already included in the financial statements, is necessary.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the financial statement date. The provision charge is recognized in the consolidated profit and loss for the year.

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 are 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.

5. SEGMENT REPORTING

Segment information reported to the Management Board is based on product types and customer categories.

Principal product types are pharmaceutical and non-pharmaceutical products (chemicals, cosmetics and botanicals). The principal customer's category for the Company's products are wholesalers.

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

	Segment revenue		Segment operating profit	
	2023	2022	2023	2022
Pharmaceutical product	10,566,351	8,852,973	1,658,307	1,526,644
Chemical products	314,801	362,673	7,088	16,025
Cosmetic products	1,127,747	1,021,040	17,833	4,523
Botanical products	253,003	301,544	834	2,206
Total	12,261,902	10,538,230	1,684,062	1,549,398
Finance costs			(32,223)	(16,270)
Profit before tax			1,651,839	1,533,128
Income tax expense			(131,292)	(121,585)
Profit for the year			1,520,547	1,411,543

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

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

Segment assets

	2023	2022
Pharmaceutical product	17,165,090	15,210,183
Chemical products	634,309	520,289
Cosmetic products	378,579	313,362
Botanical products	173,244	181,143
Total assets	18,351,222	16,224,977

Segment liabilities

	2023	2022
Pharmaceutical product	4,466,102	3,625,946
Chemical products	144,136	131,475
Cosmetic products	188,730	188,180
Botanical products	42,075	48,606
Total liabilities	4,841,043	3,994,207

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

	Depreciation and amortization		Addition to non-current assets	
	2023	2022	2023	2022
Pharmaceutical product	767,952	728,707	1,550,921	1,263,054
Chemical products	28,668	19,364	33,568	98,319
Cosmetic products	50,824	46,390	83,165	52,274
Botanical products	40,980	37,177	32,741	37,911
Total liabilities	888,424	831,638	1,700,395	1,451,558

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

Geographical information

The Republic of North Macedonia is the domicile country of the Company where the significant part of the business activities have been held.

	Sales revenue	
	2023	2022
Republic of North Macedonia	3,370,337	3,142,726
Serbia	2,096,293	1,741,282
Bosnia and Herzegovina	933,401	844,535
Croatia	570,806	530,599
Kosovo	485,770	457,340
Other countries	4,805,295	3,821,748
Total	12,261,902	10,538,230

Geographical information about sales revenue is based on the customers' origin.
Non-current assets include property, plant and equipment and Intangible assets.

Information about major customers

The sales of Pharmaceutical products are spread over many countries and customers. There are no major customer shares in the direct sales of Pharmaceutical products.

In the sales of Chemical products, there is one major customer with a share of 21.9% (2022: 22.1%) in direct sales.

In the sales of Cosmetic products, there is one major customer with a share of 17.2% (2022: 17.2%) in direct sales.

In the sales of Botanical products, there is one major customer with a share of 26.5% (2022: 40.3%) in direct sales.

Sales by category

	2023	2022
Sales of goods	10,162,768	8,803,117
Sales of commodities	1,902,205	1,572,094
Revenue from services	196,929	163,019
	12,261,902	10,538,230

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Construction in progress	Total
Cost or valuation					
At January 1, 2022	1,672,705	3,837,028	5,712,565	239,150	11,461,448
Reclassification	-	-	-	45	45
Additions	-	59	9,177	1,039,305	1,048,541
Transfer from construction in progress	-	289,297	425,130	(714,427)	-
Elimination of cost	-	(17,088)	(43,721)		(60,809)
As at December 31, 2022	1,672,705	4,109,296	6,103,151	564,073	12,449,225
Accumulated depreciation					
At January 1, 2022	-	2,006,677	3,193,064	-	5,199,741
Reclassification	-				
Depreciation charge	-	97,891	409,632	-	507,523
Elimination of accumulated depreciation	-	(15,400)	(42,970)	-	(58,370)
As at December 31, 2022	-	2,089,168	3,559,726	-	5,648,894
Net book value as at December 31, 2022	1,672,705	2,020,128	2,543,425	564,073	6,800,331
At January 1, 2023	1,672,705	4,109,296	6,103,151	564,073	12,449,225
Reclassification	-	-	310	(4,367)	(4,057)
Additions	-	-	15,533	1,173,852	1,189,385
Transfer from construction in progress	-	312,726	578,981	(891,707)	-
Elimination of cost	-	-	(52,739)	(332)	(53,071)
Revaluation	446,882				446,882
As at December 31, 2023	2,119,587	4,422,022	6,645,236	841,519	14,028,364
Accumulated depreciation					
At January 1, 2023	-	2,089,168	3,559,726	-	5,648,894
Reclassification	-	(19)	19		-
Depreciation charge	-	102,359	446,687	-	549,046
Elimination of accumulated depreciation	-	-	(51,568)	-	(51,568)
As at December 31, 2023	-	2,191,508	3,954,864	-	6,146,372
Net book value as at December 31, 2023	2,119,587	2,230,514	2,690,372	841,519	7,881,992

The fair value of the land was determined by the independent valuator “Drustvo za ulugi Centar za procena DOO Skopje” as at 31 December 2023, applying the methodology for valuation of land published in Official Gazette of Republic of North Macedonia.The revaluation surplus/deficit was credited to other reserves within shareholders’ equity (Note 16).

(In thousands of Denar)

NOTES TO THE STAND-ALONE 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 2022	367,573	3,430,737	103,411	49,232	3,950,953
Reclassification				(45)	(45)
Additions		217		402,800	403,017
Transfer from construction in progress		380,947	10,256	(391,203)	-
Elimination of assets	(23)	(3,076)		(160)	(3,259)
As at 31 December 2022	367,550	3,808,825	113,667	60,624	4,350,666
Accumulated depreciation					
At 1 January 2022	355,050	1,629,251	71,805	-	2,056,106
Depreciation charge	6,482	309,759	7,874	-	324,115
Elimination of accumulated depreciation	(23)	(3,076)			(3,099)
As at 31 December 2022	361,509	1,935,934	79,679	-	2,377,122
Net book value as at 31 December 2022	6,041	1,872,891	33,988	60,624	1,973,544
At 1 January 2023	367,550	3,808,825	113,667	60,624	4,350,666
Reclassification		4,367		(311)	4,056
Additions		9,523	1	501,486	511,010
Transfer from construction in progress		489,122	6,912	(496,034)	-
Elimination of assets		(59)		(3,640)	(3,699)
As at 31 December 2023	367,550	4,311,778	120,580	62,125	4,862,033
Accumulated depreciation					
At 1 January 2023	361,509	1,935,934	79,679	-	2,377,122
Depreciation charge	3,654	328,528	7,196	-	339,378
Elimination of accumulated depreciation		(23)			(23)
As at 31 December 2023	365,163	2,264,439	86,875	-	2,716,477
Net book value as at 31 December 2023	2,387	2,047,339	33,705	62,125	2,145,556

The net book value of software is Denar 57,608 (2022: Denar 71,093 thousand), and the rest of the amount is internally generated intangibles.

(In thousands of Denar)

8. FINANCIAL INSTRUMENTS

Capital risk management

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

	2023	2022
Debt	1,663,461	1,217,997
Cash and cash equivalents	(117,679)	(62,077)
Net debt	1,545,782	1,155,920
Equity	13,510,179	12,230,770
Net debt to equity ratio	11.44%	9.45%

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 North Macedonia.

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

	Liabilities		Assets	
	2023	2022	2023	2022
EUR	828,896	795,967	2,364,747	1,925,582
RUR	13,911	-	593,528	504,799
USD	342,140	257,771	63,702	48,839
CHF	21,800	18,391	1,807	1,878
Other currencies	6,182	(2,048)	1,226	1,389

The Company is mainly exposed to Euro and Russian Ruble currencies.

(In thousands of Denar)

8. FINANCIAL INSTRUMENTS (Continued)

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 amount below indicates an increase in profit and equity, while a negative amount indicates a decrease.

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2023	2022	2023	2022
EUR	(153,585)	(160,298)	153,585	(160,298)
RUR	(57,962)	(38,847)	57,962	(38,847)
USD	27,844	22,375	(27,844)	22,375
CHF	1,999	242	(1,999)	242
Other currencies	496	(173)	(496)	(173)
Impact on the profit or loss and equity	(181,208)	(176,701)	181,208	(176,701)

The Company's sensitivity to foreign currency rates has increased during the current period mainly due to the increase in foreign trade receivables.

Interest rate risk

The Company is exposed to interest risk arising from variable interest rate on borrowings, which depend on the financial market trends.

The sensitivity analyses below have been determined based on the interest rate exposure as a result of a 10% increase or decrease in rates on foreign borrowings at the reporting date. A positive amount below indicates an increase in the profit and equity, while a negative amount indicates a decrease.

	Increase of 10%		Decrease of 10%	
	2023	2022	2023	2022
Borrowings	3,222	1,675	(3,222)	1,675
Profit and loss and equity	(3,222)	(1,675)	3,222	(1,675)

Had the interest rates been 10% higher the Company's profit for the year ended December 31, 2023 and retained earnings would have decreased by Denar 3,222 thousand and vice versa, had the interest rates been 10% lower, the Company's profit for the year ended December 31, 2023 and retained earnings would have increased by Denar 3,222 thousand.

(In thousands of Denar)

8. FINANCIAL INSTRUMENTS (Continued)

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 maturities of its financial liabilities:

2023	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
Trade payables	1,435,377	764,277	66,965	10,879	2,277,498
Borrowings	36,093	78,681	887,690	724,613	1,727,077
	1,471,470	842,958	954,655	735,492	4,004,575

2022	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
Trade payables	1,139,778	708,553	123,482	6,995	1,978,808
Borrowings	22,138	44,278	583,387	568,194	1,217,997
	1,161,916	752,831	706,869	575,189	3,196,805

The following tables detail the Company's remaining contractual maturities of its financial assets:

2023	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
Trade receivables	159,616	1,034,607	1,771,674	-	2,965,897
Cash and cash equivalents	117,679	-	-	-	117,679
	277,295	1,034,607	1,771,674	-	3,083,576

2022	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
Trade receivables	376,909	825,057	1,097,070	-	2,299,036
Cash and cash equivalents	62,077	-	-	-	62,077
	438,986	825,057	1,097,070	-	2,361,113

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Credit risk

(In thousands of Denar)

The following table represents Company exposure to credit risk as of 31 December 2023 and 31 December 2022:

	2023	2022
Cash and cash equivalents	116,831	61,242
Trade receivables	2,965,897	2,299,036
Other receivables	126,019	139,533
	3,208,747	2,499,811

Cash and cash equivalents in the table above excludes cash on hand as no credit risk exists for this category.

The receivables are summarized as follows:

	31 December 2023	31 December 2022
	Trade receivables	Trade receivables
Neither past due nor impaired	2,843,011	2,073,492
Past due but not impaired	122,886	225,544
Impaired	176,582	176,725
Gross	3,142,478	2,475,761
Less: allowance for impairment	176,582	176,725
Net	2,965,897	2,299,036

Neither past due nor impaired

Trade receivables of MKD 2,843,011 (2022: MKD 2,073,492 thousand) were neither past due not impaired. These relate mainly to domestic and foreign customers of which there is no recent history of default and Alkaloid AD has longterm cooperation. Also it relates to intercompany balances and it includes minimal risk.

Past due but not impaired

Trade receivables of MKD 122,886 thousand (2022: MKD 225,544 thousand) were neither past due not impaired. These relate mainly to customers s for which there is no recent history of default and the Group has longterm cooperation.

The ageing structure of the receivables past due, but not impaired as of December 31, 2023 and 2022 is as follows:

	2023	2022
Less than 30 days	78,945	167,935
Between 31 and 60 days	27,063	52,481
Between 61 and 90 days	14,369	-
Over 90 days	2,509	5,128
	122,886	225,544

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Credit risk arising from cash and cash equivalents.

(In thousands of Denar)

Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market. Even though most of the financial institutions and commercial banks in North Macedonia do not have a credit rating assigned by the credit rating companies, the Group prudently chooses the banks for its placements. The Groupy focuses its analyses mainly on the following: net assets, profitability, portfolio, customer base. When the analyses provide positive score, the selection is performed The Company collaborate with reputable banks in Republic of North Macedonia and the main focus are the largest banks (as per the National bank classification).

The following table discloses the cash and cash equivalents:

	2023	2022
Domestic banks	113,565	60,525
Foreign banks	3,266	717
Cash	848	835
	117,679	62,077

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2023	2022
At January 1	8,551	8,867
Additions	1,113	30
Disposals	(433)	(346)
At 31 December	9,231	8,551

Available-for-sale financial assets consist of:

	2023	2022
Available-for-sale financial assets in non-quoted companies	2,679	2,405
Available-for-sale financial assets in quoted companies	6,552	6,146
	9,231	8,551

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 consider that cost approximates their fair value.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

10. INVESTMENTS IN SUBSIDIARIES

(In thousands of Denar)

	2023	2022
Alkaloid DOO Beograd, Serbia	173,256	173,256
Alkaloid DOO Zagreb, Croatia	15,439	15,439
Alkaloid INT DOO Ljubljana, Slovenia	866	866
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	39
Alkaloid EOOD Sofia, Bulgaria	2,748	2,748
ALK&KOS Shpk Prishtina, Kosovo	307	307
Alkaloidpharm SA Fribourg, Switzerland	5,429	5,429
Alkaloid USA LLC Columbus, Ohio USA	3,873	3,873
Alkaloid Kons DOOEL Skopje, N, Macedonia	161,154	161,154
Fund “Trajce Mukaetov” Skopje, N, Macedonia	-	-
Alkaloid DOO Podgorica, Montenegro	3,000	3,000
OOO Alkaloid RUS, Moscow, Russia	119,359	119,359
Alkaloid FARM DOO Ljubljana, Slovenia	461	461
Alkaloid Veledrogerija DOO Beograd, Serbia	7,720	7,720
Alkaloid Bilna apteka DOOEL Skopje, N, Macedonia	2,616	2,616
Alkaloid ILAC TLS Istanbul, Turkiye	308	308
ALKA-LAB DOO Ljubljana, Slovenia	43,081	43,081
Alkaloid Shpk Tirana, Albania	308	308
Alkaloid Kiev CO, LTD, Ukraine	2,157	2,157
Alkaloid LGL DOO, Zagreb	2,157	2,157
Alkaloid UK Limited	-	-
HC Alkaloid Handball Skopje	1,542	1,542
HC Multi Essence Skopje	1,542	1,542
Alkaloid Buchurest SRL Romania	6,150	6,150
Alkaloid SEE DOO Beograd	1,231	-
	554,743	553,512

All subsidiaries are solely (100%) owned by the Company, except for the investment in Alkaloid USA which is an equity share of 49%. Although the investment of Alkaloid AD Skopje in Alkaloid USA LLC Columbus, Ohio USA is 49%, the Company exercises control over this entity.

In 2023 a new subsidiary was established in Serbia with a name Alkaloid SEE DOO Beograd. In 2022 a new subsidiary was established in Romania with a name Alkaloid Buchurest SRL. The subsidiaries are 100% owned by the Company.

Alkaloid’s representative offices in Russia, and Ukraine are included in the stand-alone financial statements of the Company.

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

11. INVENTORIES

(In thousands of Denar)

	2023	2022
Raw materials	1,793,547	1,703,485
Spare parts	1,029	1,104
Tools and consumable supplies	1,676	2,357
Work in progress	413,589	353,901
Finished goods	1,422,377	1,384,096
Commodities	503,181	461,415
	4,135,399	3,906,358

12. TRADE RECEIVABLES

	2023	2022
Trade receivables	3,142,478	2,475,761
Less: provision for impairment of receivables	(176,582)	(176,725)
Trade receivables – net	2,965,897	2,299,036

Changes in the provision are as follows:

	2023	2022
At January 1	176,725	176,725
Collected bad and doubtful debts	(143)	-
As at December 31	176,582	176,725

	2023	2022
Up to 1 year	-	-
Over 1 year	176,582	176,725
As at December 31	176,582	176,725

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

13. OTHER RECEIVABLES

	2023	2022
Prepayments	39,026	66,055
Prepaid taxes	212,810	191,200
Government grants	122,987	-
Other receivables	86,993	73,478
	461,816	330,733

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

	2023	2022
Other receivables - financial	126,019	139,533
Other receivables - non financial	335,797	191,200

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES (Continued)

Other non-current receivables

(In thousands of Denar)

Non-current receivables relates to prepayments for property, plant and equipment that are due in more than 1 year.

The fair values of non-current receivables are as follows:

	2023	2022
Prepayments for property, plant and equipment	78,909	290,835

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

	2023	2022
The effective interest rate	5.25%	1.75%

14. CASH AND CASH EQUIVALENTS

	2023	2022
Cash balances held with banks	116,831	61,242
Cash in hand	848	835
Other	-	-
	117,679	62,077

15. SHARE CAPITAL

	Ordinary shares	Treasury shares	Total
At 1 January 2022	2,220,127	(35,007)	2,185,120
Purchase of treasury shares	-	-	-
As at 31 December 2022	2,220,127	(35,007)	2,185,120
Purchase of treasury shares	-	-	-
As at 31 December 2023	2,220,127	(35,007)	2,185,120

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. As of 31.12.2023, the number of voting shares is 1,405,509 shares.

During 2023 and 2022 no shares were acquired. The total number of treasury shares is 22,557. The number of 3,287 shares is reserved for former proprietors of which 3,228 are priority shares and 59 are ordinary shares.

(In thousands of Denar)

16. OTHER AND LEGAL RESERVES

	Land	Available-for-sale investments	Fund for shares	Total
At January 1, 2022	1,471,688	4,416	212,132	1,688,236
Increase	-	30	-	30
Decrease	-	(346)	-	(346)
As at December 31, 2022	1,471,688	4,100	212,132	1,687,920
Increase	446,882	1,113	-	447,995
Decrease	-	(433)	-	(433)
As at December 31, 2023	1,918,570	4,780	212,132	2,135,482

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

- Revaluation reserves for land 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 the relevant decisions of the Shareholder assembly and are distributable to shareholders if not utilized.

	Legal reserves
At January 1, 2022	596,146
Increase	-
Decrease	-
As at December 31, 2022	596,146
Increase	-
Decrease	-
As at December 31, 2023	596,146

The company shall have a mandatory general reserve as a general reserve fund established by retaining funds from the net profit. This reserve shall be calculated and allocated as percentage determined in the company's agreement, that is, the statute and cannot be less than 5% of the profit until the reserve of the company reach an amount equal to one tenth of the basic capital. If the reserve generated in this way decreases, it has to be supplemented in the same manner.

(In thousands of Denar)

17. BORROWINGS

	2023	2022
Non-current borrowings	690,834	568,194
Current borrowings	972,627	649,803
	1,663,461	1,217,997

The maturity of the borrowings is as follows:

	2023	2022
Up to 1 year	972,627	649,803
Between 1 and 3 years	690,834	568,194
	1,663,461	1,217,997

The borrowings are denominated in following currencies:

	2023	2022
EUR	-	-
MKD	1,663,461	1,217,997
	1,663,461	1,217,997

The effective interest rates at the reporting date were as follows:

	MKD	
	December 31, 2023	December 31, 2022
Interest rates	1.6-3.4%	1.1-3.0%

As at 31 December 2023, the Parent Company maintains the financial ratios (debt ratio in relation to equity and ebitda and total equity/total assets) determined based on the agreement signed with the banks.

(In thousands of Denar)

18. RETIREMENT BENEFIT OBLIGATIONS

	2023	2022
Retirement benefits	57,343	56,491

The retirement benefits are calculated based on the Company's legal obligation to pay two monthly net salaries to a vesting employee on the retirement date according to the actuarial calculation.

The amounts recognized in the Income statement are as follows:

	2023	2022
As at January 1	56,491	56,502
Increase in calculation	852	-
Decrease in calculation	-	(11)
As at December 31	57,343	56,491

The principal actuarial assumptions used were as follows:

- Average monthly salary based on public available data in Republic of North Macedonia in the last three months of the year 2023;
- Retirement condition: 64 years (men) and 62 years (women) as well as 15 years working experience;
- Nominal annual increase of the salary

	2023	2022
Discount rate	3.58%	3.00%

19. TRADE AND OTHER PAYABLES

	2023	2022
Trade payables	2,277,499	1,978,808
Customer's prepayments	6,077	11,783
Payables to employees	127,901	100,345
Dividends	9,304	9,304
Deferred income from subsidies	403,743	385,447
Provisions and other payables	271,484	211,197
	3,096,008	2,696,884

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

20. OTHER INCOME

	2023	2022
Collected written-off receivables	143	-
Dividends income	181,809	119,606
Interest income	2,213	843
Foreign exchange transaction gains	192,144	756,735
Subsidies received	100,410	89,565
Other income	26,875	59,476
	503,594	1,026,225

21. OTHER EXPENSES

	2023	2022
Interest expenses	36	38
Foreign exchange transaction losses	277,279	758,072
Write-off of inventories	82,223	6,812
Other expenses	35,760	12,720
	395,298	777,642

22. EXPENSES BY NATURE

	2023	2022
Raw materials	3,976,458	3,478,900
Cost of goods sold and raw materials	1,207,163	985,780
Employee benefit expenses	2,448,537	2,116,749
Depreciation and amortization	888,424	831,638
Utilities	274,618	376,815
Transportation	176,858	156,373
Changes in the inventories	(143,165)	(394,106)
Marketing and sponsorship	915,434	919,562
Maintenance expenses	120,506	106,879
Lease expenses	42,150	41,051
Insurance expenses	108,989	84,219
Temporary employment costs	70,004	44,979
Other expenses	600,160	488,576
	10,686,136	9,237,415

In the category “Other expenses” an amount of MKD 31,002 thousands is related to the solidarity tax. In accordance with the Solidarity tax law published in Official Gazzette at 25 September 2023, this represent one-off tax for 2023.The calculation and payment of the solidarity tax for the year 2023 the Parent Company has performed in accordance with the Solidarity Tax Law.

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

23. EMPLOYEE BENEFIT EXPENSES

	2023	2022
Gross salaries	2,066,818	1,764,602
Other employees benefits	381,719	352,147
	2,448,537	2,116,749
Number of employees at December 31	2,103	1,975

24. OPERATING LEASING

Operating leasing refers to the rental of business premises and vehicles. The usual rental period ranges from 3-5 years. The company has no option to buy the business premises and vehicles.

Expenses recorded in the Income statement are:

Minimum operating leasing	2023	2022
	42,150	41,051
	42,150	41,051

Future irrevocable liabilities	2023	2022
Up to 1 year	15,602	33,777
Between 2 - 5 years	5,550	15,799
	21,152	49,576

25. FINANCE EXPENSES

	2023	2022
Net foreign exchange transaction gains/(losses) on borrowings	-	-
Interest expense on borrowings	(32,223)	(16,270)
	(32,223)	(16,270)

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

26. INCOME TAX

	2023	2022
Current income tax	132,792	121,585
	132,792	121,585

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

	2023	2022
Profit before tax	1,651,839	1,533,128
Tax calculated at tax rate of 10%	165,184	153,313
Tax on expenses not deductible for tax purposes	(3,026)	(2,755)
Expenditure reconciliation	61,696	51,011
Tax allowances	(92,562)	(79,984)
Income tax	131,292	121,585
Effective tax rate	7.95%	7.93%

27. EARNINGS PER SHARE

	2023	2022
Basic earnings per share		
Profit attributable to the shareholders (in Denar)	1,520,546,813	1,411,542,911
Number of shares	1,405,509	1,405,509
Basic earnings per share (in Denar)	1,081.85	1,004.29

28. DIVIDENDS

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

The dividends approved by shareholders on April 3, 2023 amounted to Denar 701,363 thousands for the year ended December 31, 2022. The approved dividends were paid and retained earnings appropriately decreased. The dividend and the tax related to the dividend are disclosed as decrease of retained earnings.

29. COMMITMENTS

Capital expenditures contracted for acquisition of property, plant and equipment at the reporting date but not yet incurred amount to Denar 175,728 thousand; (2022: Denar 657,379 thousand).

30. CONTINGENT LIABILITIES

The Company has contingent liabilities with respect to the guaranties issued to third parties in the amount of Denar 55,954 thousand (2022: Denar 187,661 thousand).

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

31. 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

Sales of goods and services	2023	2022
Alkaloid DOO Belgrade, Serbia	250,009	176,101
Alkaloid DOO Zagreb, Croatia	-	1,631
Alkaloid INT DOO Ljubljana, Slovenia	1,808,261	1,392,164
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	300,216	282,072
Alkaloidpharm SA Fribourg, Switzerland	-	59
Alkaloid Kons DOOEL Skopje, N. Macedonia	163,653	137,577
OOO Alkaloid RUS, Moscow, Russia	1,983,059	1,507,493
Alkaloid Veledrogerija DOO Beograd, Serbia	1,324,897	1,072,149
Alkaloid Bilna apteka DOOEL Skopje, N. Macedonia	6,156	6,084
	5,836,251	4,575,330

Purchases of goods and services	2023	2022
Alkaloid DOO Belgrade, Serbia	20,139	15,296
Alkaloid DOO Zagreb, Croatia	11,895	6,008
Alkaloid INT DOO Ljubljana, Slovenia	13,426	7,087
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	180,884	128,248
Alkaloid EOOD Sofia, Bulgaria	1,148	1,231
ALK&KOS Shpk Prishtina, Kosovo	5,318	5,684
Alkaloidpharm SA Fribourg, Switzerland	223,688	328,041
Alkaloid Kons DOOEL Skopje, N. Macedonia	438	2,334
Alkaloid DOO Podgorica, Montenegro	51,735	47,841
Fund “Trajce Mukaetov” Skopje, N, Macedonia	10,287	10,237
OOO Alkaloid RUS, Moscow, Russia	-	153,733
Alkaloid FARM DOO Ljubljana, Slovenia	1,199	2,009
Alkaloid Veledrogerija DOO Beograd, Serbia	-	729
Alkaloid ILAC TLS Istanbul, Turkiye	6,750	6,788
Alkaloid Bilna apteka DOOEL Skopje, N. Macedonia	3,353	3,155
ALKA-LAB DOO Ljubljana, Slovenia	7,005	3,280
Alkaloid Shpk Tirana, Albania	20,837	19,818
Alkaloid Kiev CO, LTD, Ukraine	172,422	156,335
Alkaloid LGL DOO, Zagreb	9,970	9,352
HC Alkaloid Handball Skopje	85,800	21,700
HC Multi Essence Skopje	9,950	5,300
Alkaloid SEE DOO Beograd	1,174	-
	837,418	934,206

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

31. RELATED PARTY TRANSACTIONS (Continued)

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	2023	2022
Alkaloid DOO Belgrade, Serbia	159,922	14,803
Alkaloid INT DOO Ljubljana, Slovenia	654,048	311,780
ALK&KOS Shpk Prishtina, Kosovo	85,446	76,381
Alkaloidpharm SA Fribourg, Switzerland	-	92
Alkaloid Kons DOOEL Skopje, N. Macedonia	-	9,871
OOO Alkaloid RUS, Moscow, Russia	489,908	366,335
Alkaloid Veledrogerija DOO Beograd, Serbia	660,232	571,043
Alkaloid Bilna apteka DOOEL Skopje, N. Macedonia	2,078	1,547
	2,051,634	1,351,852

Accounts payables	2023	2022
Alkaloid DOO Belgrade, Serbia	1,144	1,551
Alkaloid DOO Zagreb, Croatia	2,381	3,787
Alkaloid INT DOO Ljubljana, Slovenia	26,939	43,530
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	27,442	21,905
Alkaloid EOOD Sofia, Bulgaria	257	49
ALK&KOS Shpk Prishtina, Kosovo	1,420	2,148
Alkaloidpharm SA Fribourg, Switzerland	111,285	140,749
Alkaloid Kons DOOEL Skopje, N. Macedonia	605	64
Alkaloid DOO Podgorica, Montenegro	12,810	10,145
OOO Alkaloid RUS, Moscow, Russia	8,996	-
Alkaloid FARM DOO Ljubljana, Slovenia	645	504
Alkaloid ILAC TLS Istanbul, Turkiye	-	1,476
Alkaloid Bilna apteka DOOEL Skopje, N. Macedonia	1,130	1,062
ALKA-LAB DOO Ljubljana, Slovenia	2,314	248
Alkaloid Shpk Tirana, Albania	307	91
Alkaloid Kiev CO, LTD, Ukraine	39,395	39,347
Alkaloid LGL DOO, Zagreb	1,156	1,148
HC Multi Essence Skopje	-	2,050
Alkaloid SEE DOO Beograd	559	-
	238,785	269,854

Побарувања за дадени аванси, позајмици и кредити	2023	2022
Alkaloid Shpk Tirana, Albania	1,323	1,845
	1,323	1,845

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

31. RELATED PARTY TRANSACTIONS (Continued)

Key management compensations

The management team of Alkaloid consists of 160 individuals (2022: 116 individuals) including members of the Management Board. In the reporting year, the total allowances for gross salaries and awards, annual leave allowance, New Year's bonus, management insurance, severance pay, jubilee awards, and private health insurance for the management team amounted to a total of MKD 580.4 million (2022: 548.7 million). This amount comprises MKD 463.4 million (2022: 433.4 million) fixed compensation and MKD 117 million (2022: 115.3 million) variable compensation. No compensations were paid to the Management Board members for the purpose of participation in the Management Board. In 2023, the amount of MKD 4,799 thousand (2022: 4,438 thousand).

32. EXCHANGE RATES OF PRINCIPAL CURRENCIES

The official exchange rate for the significant currency used in expressing the balance sheet items denominated in foreign currency is as follows:

	31.12.2023	31.12.2022
EUR	61.50	61.49
RUR	0.61	0.78
USD	55.65	57.65
CHF	66.41	62.45

33. TAXATION RISK

The Republic of North Macedonia currently has several tax laws in effect, as imposed by the Ministry of Finance of the Republic of North Macedonia. The applicable taxes include: value added tax, corporate income tax, and personal income tax, among others. Apart from that, the regulations governing these taxes were not enforced for substantial periods of time; in contrast to similar legislation in more developed market economies. Moreover, the regulations defining the implementation of these laws are often unclear or non-existent. Hence, few precedents with regard to tax issues have been established in the Republic of North Macedonia. Often, contrary opinions pertaining to legal interpretations exist both among, and within, governmental ministries and organizations, thus creating uncertainties and areas of legal contention. Tax returns, together with all other areas regulated by the law (such as customs) are reviewed and controlled by competent authorities by several authorized vested in powers to assess severe fines and penalties.

The Company performs significant transactions with its related parties. Although the management believes that the Company possesses sufficient and adequate documentation on transfer prices, it is still uncertain whether the tax and other authorities' requirements and interpretations of the tax legislation will differ from those of the management. The management believes that any varying interpretations will have no material effects on the Company's stand-alone financial statements.

(In thousands of Denar)

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

34. TAXATION RISK (Continued)

The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. 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 periods remain open to review by the tax and customs authorities with respect to tax liabilities for five years. The abovementioned explanations pose tax risks in the Republic of North Macedonia which are materially more significant than those common in the countries with more developed tax systems.

35. EVENTS AFTER THE REPORTING PERIOD

There have been no other events that would require additional disclosures in or any adjustments to the stand-alone financial statements (adjusting events) until the date of their issuance.

On 24 February 2022, Russia engaged in military actions on Ukraine territory.

Following these events, the Company has taken necessary measures to protect its employees, and tries to provide safety conditions.

As of 31 December 2022, the Company has 100% owned subsidiary in Russia OOO Alkaloid RUS, Moscow and 100% owned TOV Alkaloid Kiev. Carrying value of investments in question as of 31 December 2022 are disclosed in the note 10 “Investments in subsidiaries”.

In addition, the Company had trade receivables and sales to the third parties in the above-mentioned countries as of 31 December and for the year then ended, in the following amounts:

In MKD 000	Ukraine (third parties)	
	Trade receivables	Sales
Balance as of 12/31/2023	63,850	386,010
Subsequent collections of receivables	(59,258)	N/A
Net exposure	4,592	N/A

Apart from the transactions disclosed above there are no other transactions occurred with third parties in Ukraine and Russia.

As the conflict continues to evolve, it is challenging to predict the full extent and duration of its business and economic implications. Consequently, these circumstances may impact the Company with challenges relating to the investments and business operations mostly in Russia and Ukraine due to the respective governmental bodies measures and policies which have already been implemented or might be implemented in the future.

The Group management is closely monitoring developments that may impact trading activities including sanctions, actions by governments and developments in Ukraine itself. Management will further assess the impact on the investments and business operations and will take any potential actions needed, as facts and circumstances are subject to change and may be influencing trading strategies and barriers in the markets affected by the conflict. At this stage, management is not able to reliably estimate prolonged impact on the Company’s future revenues and investments since the events are unfolding day-by-day.

APPENDIX 1 - STAND-ALONE ANNUAL REPORT

APPENDIX 2 - STAND-ALONE ANNUAL ACCOUNTS