



**ALKALOID AD SKOPJE
STAND ALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012 AND
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS AND THE MANAGEMENT BOARD OF ALKALOID AD SKOPJE

We have audited the accompanying financial statements (page 4 to 40) of Alkaloid AD Skopje (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements of Alkaloid AD Skopje for the year ended at 31 December 2012 are presented fairly, in all material respects, in accordance with the accounting regulations of the Republic of Macedonia.

Lidija Nanus
Certified Auditor
Director

Aleksandar Arizanov
Certified Auditor

8 March 2013

Deloitte DOO Skopje

(In thousands of Denar)

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2012	2011
Assets			
Non-current assets			
Property, plant and equipment (PP&E)	6	3,770,236	3,781,827
Intangible assets	7	624,108	497,821
Deferred tax assets	19	15,728	8,828
Available-for-sale financial assets	9	4,784	4,442
Investments in subsidiaries	10	99,643	72,519
Other non-current assets	13	29,728	35,323
		4,544,227	4,400,760
Current assets			
Inventories	11	1,309,708	1,220,112
Trade receivables	12	2,528,826	2,230,732
Other current assets	13	235,814	300,220
Cash and cash equivalents	14	62,656	92,556
		4,137,004	3,843,620
Total assets		8,681,231	8,244,380
Equity and liabilities			
Capital and reserves			
Share capital	15	2,205,348	2,206,391
Share premiums	15	(1,127)	493
Legal reserves		596,146	596,146
Other reserves	16	1,305,585	1,304,934
Retained earnings		2,996,621	2,670,470
		7,102,573	6,778,434
Non-current liabilities			
Non-current borrowings	17	168,888	29,541
Retirement benefit obligations	18	20,090	16,560
Deferred tax liabilities	19	7,772	7,868
		196,750	53,969
Current liabilities			
Trade and other payables	20	992,770	974,059
Income tax		11,972	2,495
Current borrowings	17	377,166	435,423
		1,381,908	1,411,977
Total liabilities		1,578,658	1,465,946
Total equity and liabilities		8,681,231	8,244,380

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

These financial statements have been approved for issue by the Managing Board on 19 February 2013.

Approved by:

Zhivko Mukaetov
General Manager

Viktor Stojcevski
Finance Manager

(In thousands of Denar)

INCOME STATEMENT

	Notes	Year ended 31 December	
		2012	2011
Sales	5	5,652,077	5,570,571
Cost of sales		(2,840,572)	(2,822,943)
Gross profit		2,811,505	2,747,628
Research and development expenses		(38,687)	(45,543)
Selling and marketing expenses		(1,883,265)	(1,793,936)
Administrative expenses		(269,327)	(292,637)
Provision for other liabilities and charges	21	(3,530)	(993)
Other operating income	22	132,521	153,044
Other operating expense	23	(76,397)	(100,964)
Operating profit		672,820	666,599
Finance expenses (net)	26	(31,112)	(29,618)
Profit before income tax		641,708	636,981
Income tax	27	(34,055)	(31,431)
Profit for the year		607,653	605,550
Earnings per share (in Denar)			
- Basic	28	427.34	425.66

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

(In thousands of Denar)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2012	2011
Profit for the year		607,653	605,550
Other comprehensive income:			
Fair value of investments	16	651	(946)
Other comprehensive income, net of tax		651	(946)
Total comprehensive income for the year		608,304	604,604

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

(In thousands of Denar)

STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December					Total
	Share capital	Share premiums	Legal reserves	Other reserves	Retained earnings	
As at 1 January 2011	2,206,548	734	596,146	1,278,359	2,337,168	6,418,955
Purchase of treasury shares	(157)	(241)	-	-	-	(398)
Fair value of investments (Note 9)	-	-	-	(946)	-	(946)
Deferred taxes (Note 19)	-	-	-	27,521	-	27,521
Dividends and tax of paid dividend (Note 29)	-	-	-	-	(275,071)	(275,071)
Return of unpaid dividends	-	-	-	-	2,823	2,823
Profit for the year	-	-	-	-	605,550	605,550
As at 31 December 2011	2,206,391	493	596,146	1,304,934	2,670,470	6,778,434
Purchase of treasury shares	(1,043)	(1,620)	-	-	-	(2,663)
Fair value of investments (Note 9)	-	-	-	651	-	651
Dividends and tax of paid dividend (Note 29)	-	-	-	-	(281,502)	(281,502)
Profit for the year	-	-	-	-	607,653	607,653
As at 31 December 2012	2,205,348	(1,127)	596,146	1,305,585	2,996,621	7,102,573

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

(In thousands of Denar)

CASH FLOW STATEMENT

	Year ended 31 December	
	2012	2011
Cash flow from operating activities		
Cash receipts from customers	5,267,326	5,589,893
Cash paid to suppliers and employees	(4,668,508)	(4,983,217)
Cash generated from operations	598,818	606,676
Interest (paid)/received	(1)	567
Net cash generated from operating activities	598,817	607,243
Cash flow from investing activities		
Purchases of property, plant and equipment	(378,088)	(336,866)
Purchases of subsidiaries (Note 10)	(27,124)	(31)
Dividends received	46,348	40,040
Other payments to employees	(52,229)	(48,897)
Payments for bank deposits	-	(20)
Proceeds/(repayments) from loans granted to subsidiary undertakings	11,714	(18,241)
Net cash used in investing activities	(399,379)	(364,015)
Cash flow from financing activities		
Proceeds from borrowings	1,421,770	1,254,558
Repayments of borrowings	(1,340,363)	(1,181,311)
Interest paid	(33,085)	(32,366)
Interest from investments in bonds	326	333
Purchase of treasury shares	(2,663)	(398)
Compensation to shareholders and tax of paid dividend and other allocation of profit	(275,323)	(255,346)
Net cash provided by financing activities	(229,338)	(214,530)
Net (decrease)/increase in cash and cash equivalents	(29,900)	28,698
Cash and cash equivalents at beginning of year	92,556	63,858
Cash and cash equivalents at the end of year	62,656	92,556

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

Aleksandar Makedonski 12
1000 Skopje,
Republic of Macedonia

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation of Financial Statements

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

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

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Annual Financial Statements" (Official Gazette of the Republic of Macedonia no. 52/11 and 174/11). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue, but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation of Financial Statements (Continued)

The Company prepared these unconsolidated financial statements based on and in accordance with the legal requirements and regulations of the Republic of Macedonia and stated investments in associates at cost net of allowance for impairment, if any. More detailed information about the Company's financial position is provided in the Company's consolidated financial statements which the Company prepared and submitted to the Central Register of the Republic of Macedonia on March 31, 2013, as in accordance with the Law on Trade Companies.

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

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

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

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

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

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);
- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording. (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);
- Amendments to IAS 38 "Intangible Assets" (effective for annual periods beginning on or after July 1, 2009);
- Amendments to IFRS 2 "Share-Based Payment": Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- IFRIC 18 “Transfers of Assets from Customers” (effective for annual periods beginning on or after July 1, 2009);
- “Conceptual Framework for Financial Reporting 2010” being an amendments to “Framework for the Preparation and Presentation of Financial Statements” (effective for transfer of assets from customers received on or after September 2010);
- „Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IAS 24 “Related Party Disclosures” – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for Rights Issues (effective for annual periods beginning on or after February 1, 2010);
- Amendments to various standards and interpretations “Improvements to IFRSs” resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);
- Amendments to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction” – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after July 1, 2010).
- Amendments to IFRS 1 “First-Time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);

2.3 Standards and Interpretation in Issue not yet in Effect

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

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2015);

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures (effective for annual periods beginning on or after January 1, 2015);
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 12 “Disclosures of Involvement with Other Entities” (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities: Transition Guidance” (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2013);
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after January 1, 2013);
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Government Loans with a Below-Market Rate of Interest (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 19 “Employee Benefits” - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);
- Annual improvements 2009-2011 cycle issued in May 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after January 1, 2013).

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Exemption from Consolidation of Subsidiaries under IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after January 1, 2014).

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

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

2.4 Subsidiaries

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

2.5 Segment reporting

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

At 31 December 2012, the Company is organized on a worldwide basis into four reportable segments:

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

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

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting (Continued)

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

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

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

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

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

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

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

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

2.6 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

2.8 Intangible assets

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

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

2.11 Inventories

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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'.

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Borrowings

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

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

2.16 Income tax

Current income tax is calculated and paid in accordance with the Income tax Law. The estimated tax is paid in advance on a monthly basis. The final tax is payable at the rate of 10% calculated on the expenses not deductible for tax purposes, adjusted for certain items as defined by the local tax legislation.

Deferred tax

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Income tax (Continued)

Deferred tax (Continued)

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

2.17 Employee benefits

Pension liabilities

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

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

Termination benefits

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

Profit-sharing and bonus plans

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions

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

2.19 Revenue recognition

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

Sales of goods

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

Sales of services

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

Interest income

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

Dividend income

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

2.20 Dividends

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Market risk

a) Foreign exchange risk

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

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

b) Price risks

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

Credit risk

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

Liquidity risk

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

Interest risk

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

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

3.2 Fair value estimation

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation (Continued)

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

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.3 Capital risk management

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

4. ACCOUNTING ESTIMATES

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

Fair value of property, plant and equipment

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

Fair value of financial assets

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

Trade receivables

The Company assessed annually the fair value of trade receivables.

Estimates for accounting for employee benefits

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT REPORTING

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

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

Segments revenues and results as at 31 December 2012:

	Segment revenue		Segment operating profit	
	2012	2011	2012	2011
Pharmaceutical product	4,574,778	4,445,203	621,236	568,613
Chemical products	228,569	306,192	15,063	53,450
Cosmetic products	655,309	621,840	34,513	33,358
Botanical products	193,421	197,336	2,008	11,178
Total	5,652,077	5,570,571	672,820	666,599
Finance costs			(31,112)	(29,618)
Profit before tax			641,708	636,981
Income tax expense			(34,055)	(31,431)
Profit for the year			607,653	605,550

Segment assets and liabilities as at 31 December 2012:

Segment assets

	2012	2011
Pharmaceutical product	7,320,038	7,011,380
Chemical products	350,432	360,227
Cosmetic products	655,982	518,248
Botanical products	354,779	354,525
Total assets	8,681,231	8,244,380

Segment liabilities

	2012	2011
Pharmaceutical product	1,342,398	1,253,564
Chemical products	51,058	50,971
Cosmetic products	150,220	116,426
Botanical products	34,982	44,985
Total liabilities	1,578,658	1,465,946

Other segment information as at 31 December 2012:

	Depreciation and amortization		Addition to non-current assets	
	2012	2011	2012	2011
Pharmaceutical product	285,091	263,614	383,880	487,665
Chemical products	6,320	5,829	12,266	35,258
Cosmetic products	11,349	10,822	21,560	19,947
Botanical products	9,330	9,112	9,304	1,472
Total	312,090	289,377	427,010	544,342

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

Secondary reportable segments - Geographical information

The Company operates in many countries. The Republic of Macedonia is the domicile country of the Company.

	Sales revenue		Non-current assets	
	2012	2011	2012	2011
Macedonia	2,194,108	2,136,659	4,394,344	4,279,648
Serbia	941,358	857,248	-	-
Bosnia and Herzegovina	576,044	603,364	-	-
Croatia	457,294	445,473	-	-
Other countries	1,483,273	1,527,827	-	-
Total	5,652,077	5,570,571	4,394,344	4,279,648

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

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

Information about major customers

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

In the sales of Chemical products, there is one major customer with participation of 42.5% (2011: 58.5%) in direct sales.

In the sales of Cosmetic products, there is one major customer with participation of 14.0% (2011: 13.7%) in direct sales.

In the sales of Botanical products, there is one major customer with participation of 24.3% (2011: 28.1%) in direct sales.

Sales by category	2012	2011
Sales of goods	5,094,562	5,099,247
Sales of commodities	491,333	412,881
Revenue from services	11,070	2,020
Other revenue	55,112	56,423
	5,652,077	5,570,571

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or valuation					
At 1 January 2011	839,838	1,990,928	1,900,962	17,471	4,749,199
Additions	100,515	-	12,666	210,674	323,855
Transfer from construction in progress	-	22,193	191,667	(213,860)	-
Elimination	-	-	(8,933)	(46)	(8,979)
As at 31 December 2011	940,353	2,013,121	2,096,362	14,239	5,064,075
Accumulated depreciation					
At 1 January 2011	-	76,413	992,504	-	1,068,917
Depreciation charge for 2011	-	50,127	171,974	-	222,101
Elimination	-	-	(8,770)	-	(8,770)
As at 31 December 2011	-	126,540	1,155,708	-	1,282,248
Net book value as at 31 December 2011	940,353	1,886,581	940,654	14,239	3,781,827
Cost or valuation					
At 1 January 2012	940,353	2,013,121	2,096,362	14,239	5,064,075
Additions	-	340	10,270	195,264	205,874
Transfer from construction in progress	5,990	23,768	156,169	(185,927)	-
Elimination	-	-	(6,051)	-	(6,051)
As at 31 December 2012	946,343	2,037,229	2,256,750	23,576	5,263,898
Accumulated depreciation					
At 1 January 2012	-	126,540	1,155,708	-	1,282,248
Depreciation charge for 2012	-	50,684	166,581	-	217,265
Elimination	-	-	(5,851)	-	(5,851)
As at 31 December 2012	-	177,224	1,316,438	-	1,493,662
Net book value as at 31 December 2012	946,343	1,860,005	940,312	23,576	3,770,236

The land with surface of 328,429m², in accordance with the latest title deeds issued by AKN is property of Alkaloid AD Skopje.

According to Decisions U.no.26-359/2, issued by the Ministry of Finance - Property and Legal Affairs Office, in accordance with the Law on Privatization and Lease of State-Owned Construction Land (Official Gazette of RM 4/2005, 13/2007, 165/2008 and 146/2009) the state-owned construction land with surface of 13,133m², KO Kisela Voda 2, noted in title deed No.48872 by AKN is now property of Alkaloid AD Skopje. The amount of Denar 4,028 thousand was fully paid.

In accordance with the Law for dealing with illegally built objects (Official Gazette of RM 23/2011 and 54/2011) the procedure for legalization of premises at locality Avtokomanda is finished.in the amount of Denar 1,962 thousand.

Land and buildings were revaluated on 31 December 2009 by independent valuator. The revaluation surplus/deficit was credited to other reserves in shareholders' equity (Note 16). The revaluation methods used are: market value, cost method and discounted cash flow.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

	<u>Trademarks and licenses</u>	<u>Software and Internally generated intangibles</u>	<u>Other assets</u>	<u>Construction in progress</u>	<u>Total</u>
Cost or valuation					
At 1 January 2011	166,132	119,427	15,474	168,202	469,235
Additions	139	51	-	220,297	220,487
Transfer from construction in progress	68,587	145,863	6,553	(221,003)	-
Elimination	-	(627)	(20)	(1,356)	(2,003)
As at 31 December 2011	234,858	264,714	22,007	166,140	687,719
Accumulated depreciation					
At 1 January 2011	51,373	69,577	1,672	-	122,622
Depreciation charge for the year	41,299	23,387	2,590	-	67,276
Elimination	-	-	-	-	-
As at 31 December 2011	92,672	92,964	4,262	-	189,898
Net book value as at 31 December 2011	142,186	171,750	17,745	166,140	497,821
Cost or valuation					
At 1 January 2012	234,858	264,714	22,007	166,140	687,719
Additions	-	493	45	220,598	221,136
Transfer from construction in progress	81,808	141,578	10,911	(234,297)	-
Elimination	-	-	381	(405)	(24)
As at 31 December 2012	316,666	406,785	33,344	152,036	908,831
Accumulated depreciation					
At 1 January 2012	92,672	92,964	4,262	-	189,898
Depreciation charge for the year	56,796	34,414	3,615	-	94,825
Elimination	-	-	-	-	-
As at 31 December 2012	149,468	127,378	7,877	-	284,723
Net book value as at 31 December 2012	167,198	279,407	25,467	152,036	624,108

8. FINANCIAL INSTRUMENTS

Capital risk management

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

	<u>2012</u>	<u>2011</u>
Debt	546,054	464,964
Cash and cash equivalents	(62,656)	(92,556)
Net debt	483,398	372,408
Equity	7,102,573	6,778,434
Net debt to equity ratio	6.81%	5.50 %

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments and risk management objectives

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

Foreign currency risk

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

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

	Liabilities		Assets	
	2012	2011	2012	2011
EUR	412,989	437,397	2,040,871	1,970,299
USD	134,875	158,493	49,184	42,385
CHF	25,172	22,342	164	1,082
Other currencies	942	241	446	533

The Company is mainly exposed to Euro currency.

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

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2012	2011	2012	2011
EUR	(162,788)	(153,290)	162,788	153,290
USD	8,569	11,611	(8,569)	(11,611)
CHF	2,501	2,126	(2,501)	(2,126)
Other currencies	49	(29)	(49)	29
Profit and loss and equity	(151,669)	(139,582)	151,669	139,582

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

Interest rate risk

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

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (Continued)

	Increase of 10%		Decrease of 10%	
	2012	2011	2012	2011
Borrowings	3,128	2,969	(3,128)	(2,969)
Profit and loss and equity	(3,128)	(2,969)	3,128	2,969

If interest rates had been 10% higher the Company's profit for the year ended 31 December 2012 and retained earnings would decrease by Denar 3,128 thousands and opposite if interest rates had been 10% lower the Company's profit for the year ended 31 December 2012 and retained earnings would increase by Denar 3,128 thousands.

Liquidity risk

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

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

	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
31 December 2012					
Trade payables	673,240	180,179	8,076	1,431	862,926
Borrowings	30,737	1,473	344,956	168,888	546,054
	703,977	181,652	353,032	170,319	1,408,980
31 December 2011					
Trade payables	696,010	117,736	1,286	22	815,054
Borrowings	675	43,036	391,712	29,541	464,964
	696,685	160,772	392,998	29,563	1,280,018

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

	Less than 1 month	1 - 3 months	3 - 12 months	12 - 60 months	Total
31 December 2012					
Trade receivables	1,512,436	513,736	502,654	-	2,528,826
Available-for-sale financial assets	-	-	-	4,784	4,784
Cash and cash equivalents	62,656	-	-	-	62,656
	1,575,092	513,736	502,654	4,784	2,596,266

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

31 December 2011	<u>Less than 1 month</u>	<u>1 - 3 months</u>	<u>3 - 12 months</u>	<u>12 - 60 months</u>	<u>Total</u>
Trade receivables	1,320,075	698,139	212,518	-	2,230,732
Available-for-sale financial assets	-	-	-	4,442	4,442
Cash and cash equivalents	92,556	-	-	-	92,556
	<u>1,412,631</u>	<u>698,139</u>	<u>212,518</u>	<u>4,442</u>	<u>2,327,730</u>

Taxation risks

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2012</u>	<u>2011</u>
At 1 January	4,442	5,695
Additions	1,115	217
Disposals	(122)	(2,416)
Fair value adjustment	(651)	946
At 31 December	<u>4,784</u>	<u>4,442</u>

Available-for-sale financial assets consist of:

	<u>2012</u>	<u>2011</u>
Available-for-sale financial assets in non-quoted companies	1,951	2,128
Available-for-sale financial assets in quoted companies	2,218	1,391
Available-for-sale financial assets in bonds	615	923
	<u>4,784</u>	<u>4,442</u>

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

Investments in bonds relates to state bonds for denationalization - third emission with 2% interest rate p.a. and maturity in 2014.

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.

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS IN SUBSIDIARIES

	<u>2012</u>	<u>2011</u>
Alkaloid DOO Zagreb, Croatia	14,822	14,822
Alkaloid DOO Beograd, Serbia	62,566	43,131
Alkaloid INT DOO Ljubljana, Slovenia	557	557
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	39
Alkaloidpharm SA Fribourg, Switzerland	4,285	4,285
Alkaloid EOOD Sofia, Bulgaria	2,748	2,748
ALK&KOS Shpk Prishtina, Kosovo	307	307
Alkaloid Kons DOOEL Skopje, Macedonia	154	154
Alkaloid USA LLC Columbus, Ohio USA	2,365	2,365
Fund "Trajce Mukaetov" Skopje, Macedonia	3,000	3,000
Alkaloid DOO Podgorica, Montenegro	-	-
OOO Alkaloid RUS, Moscow, Russia	619	619
Alkaloid FARM DOO Ljubljana, Slovenia	461	461
Alkaloid Veledrogerija DOO Beograd, Serbia	7,720	31
	<u>99,643</u>	<u>72,519</u>

All subsidiaries are 100% owned by the Company, except investment in Alkaloid USA with the equity share of 49%. During 2010 Alkaloid AD Skopje established a new subsidiary in Slovenia, Alkaloid Farm DOO Ljubljana. The new subsidiary is 100% owed by Alkaloid AD Skopje. The existing subsidiary in Slovenia is rebranded into Alkaloid INT DOO Ljubljana. During 2011 Alkaloid AD Skopje established a new subsidiary in Serbia, Alkaloid Veledrogerija DOO Beograd.

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

11. INVENTORIES

	<u>2012</u>	<u>2011</u>
Raw materials	592,181	575,245
Spare parts	1,422	505
Tools and consumable stores	1,534	2,088
Work in progress	168,882	122,694
Finished goods	435,746	447,281
Commodities	109,943	72,299
	<u>1,309,708</u>	<u>1,220,112</u>

12. TRADE RECEIVABLES

	<u>2012</u>	<u>2011</u>
Trade receivables	2,686,103	2,347,624
Less: provision for impairment of receivables	<u>(157,277)</u>	<u>(116,892)</u>
Trade receivables - net	<u>2,528,826</u>	<u>2,230,732</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE RECEIVABLES (Continued)

Changes in the provision are as follows:

	<u>2012</u>	<u>2011</u>
At beginning of year	116,892	128,657
Provision for the year	42,551	23,580
Collected bad and doubtful debts	(2,166)	(35,345)
At end of year	157,277	116,892

	<u>2012</u>	<u>2011</u>
Up to 1 year	-	35,816
Over 1 year	157,277	81,076
As at 31 December	157,277	116,892

13. OTHER CURRENT ASSETS

	<u>2012</u>	<u>2011</u>
Prepayments	32,198	44,172
Receivables from employees	15,027	15,027
Prepaid VAT	68,366	109,368
Other receivables	149,951	166,976
Less: non-current portion	(29,728)	(35,323)
	<u>235,814</u>	<u>300,220</u>

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

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

	<u>2012</u>	<u>2011</u>
Trade receivables	29,728	35,323

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

	<u>2012</u>	<u>2011</u>
The effective interest rate	5.49%	5.35%

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

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

14. CASH AND CASH EQUIVALENTS

	<u>2012</u>	<u>2011</u>
Cash at banks	62,107	90,136
Cash in hands	549	2,420
	<u>62,656</u>	<u>92,556</u>

15. SHARE CAPITAL

	<u>Number of shares</u>	<u>Ordinary shares</u>	<u>Treasury shares</u>	<u>Total</u>	<u>Share premiums</u>
At 1 January 2011	<u>1,422,696</u>	<u>2,220,127</u>	<u>(13,579)</u>	<u>2,206,548</u>	<u>734</u>
Treasury shares purchased	(100)	-	(157)	(157)	(241)
As at 31 December 2011	<u>1,422,596</u>	<u>2,220,127</u>	<u>(13,736)</u>	<u>2,206,391</u>	<u>493</u>
Treasury shares purchased	(663)	-	(1,043)	(1,043)	(1,620)
As at 31 December 2012	<u>1,421,933</u>	<u>2,220,127</u>	<u>(14,779)</u>	<u>2,205,348</u>	<u>(1,127)</u>

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

During 2012 the Entity acquired 663 of its own shares through Macedonian stock exchange and held as treasury shares. The total number of treasury shares is 9,420. 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.

16. OTHER RESERVES

	<u>Property, plant and equipment</u>	<u>Available- for-sale investments</u>	<u>Fund for shares</u>	<u>Total</u>
At 1 January 2011	<u>1,033,853</u>	<u>(1,132)</u>	<u>245,638</u>	<u>1,278,359</u>
Decrease	-	(946)	-	(946)
Deferred tax	27,521	-	-	27,521
As at 31 December 2011	<u>1,061,374</u>	<u>(2,078)</u>	<u>245,638</u>	<u>1,304,934</u>
Decrease	-	651	-	651
As at 31 December 2012	<u>1,061,374</u>	<u>(1,427)</u>	<u>245,638</u>	<u>1,305,585</u>

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

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

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

17. BORROWINGS

	<u>2012</u>	<u>2011</u>
Non-current borrowings	168,888	29,541
Current borrowings	<u>377,166</u>	<u>435,423</u>
	<u>546,054</u>	<u>464,964</u>

Bank borrowings in amount of Denar 269,149 thousands are secured by the Property plant and equipment in net book value of Denar 248,213 thousands.

The maturity of the borrowings is as follows:

	<u>2012</u>	<u>2011</u>
Up to 1 year	377,166	435,423
Between 1 to 3 years	<u>168,888</u>	<u>29,541</u>
	<u>546,054</u>	<u>464,964</u>

The borrowings are denominated in following currencies:

	<u>2012</u>	<u>2011</u>
EUR	95,110	123,406
MKD	<u>450,944</u>	<u>341,558</u>
	<u>546,054</u>	<u>464,964</u>

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

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	<u>EUR</u>	<u>MKD</u>	<u>EUR</u>	<u>MKD</u>
Interest rates	6 month EURIBOR +3.75 - 4%	5.5 – 6.6%	6 month EURIBOR +3.75% - 4 %	6.5 - 7%

18. RETIREMENT BENEFIT OBLIGATIONS

	<u>2012</u>	<u>2011</u>
Retirement benefits	<u>20,090</u>	<u>16,560</u>

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

The amounts recognized in the Income statement are as follows:

	<u>2012</u>	<u>2011</u>
As at 1 January	16,560	15,567
Increase in calculation	<u>3,530</u>	<u>993</u>
As at 31 December	<u>20,090</u>	<u>16,560</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

18. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The principal actuarial assumptions used were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	4.44%	5.41%

19. DEFERRED TAX

	<u>2012</u>	<u>2011</u>
Deferred tax assets	(15,728)	(8,828)
Deferred tax liabilities	<u>7,772</u>	<u>7,868</u>
	<u>(7,956)</u>	<u>(960)</u>

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

	<u>2012</u>	<u>2011</u>
At 1 January	(960)	16,964
Deferred tax in Income statement	872	9,597
Deferred tax in Equity	-	(27,521)
Realized deferred tax liabilities	<u>(7,868)</u>	<u>-</u>
As at 31 December	<u>(7,956)</u>	<u>(960)</u>

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

	<u>Accruals</u>	<u>Fair value</u>	<u>Total</u>
At 1 January 2011	<u>(10,557)</u>	<u>27,521</u>	<u>16,964</u>
Charged to Income statement	9,597	-	9,597
Charged to Equity	-	(27,521)	(27,521)
As at 31 December 2011	<u>(960)</u>	<u>-</u>	<u>(960)</u>
Charged to Income statement	872	-	872
Realized deferred tax liabilities	(7,868)	-	(7,868)
As at 31 December 2012	<u>(7,956)</u>	<u>-</u>	<u>(7,956)</u>

The deferred income tax charged to Income statement during the year is as follows:

	<u>2012</u>	<u>2011</u>
Impairment of trade receivables	(6,900)	1,729
Accrued expenses	<u>7,772</u>	<u>7,868</u>
	<u>872</u>	<u>9,597</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAX (Continued)

The deferred income tax credited to the statement of financial position during the year is as follows:

	<u>2012</u>	<u>2011</u>
Land and buildings	-	(27,521)
	<u>-</u>	<u>(27,521)</u>

20. TRADE AND OTHER PAYABLES

	<u>2012</u>	<u>2011</u>
Trade payables	862,926	815,054
Customer's prepayments	5,387	1,520
Payables to employees	40,198	35,402
Dividends	6,448	4,305
Other payables	77,811	117,778
	<u>992,770</u>	<u>974,059</u>

21. PROVISION FOR OTHER LIABILITIES AND CHARGES

	<u>2012</u>	<u>2011</u>
Provision for retirement benefits	3,530	993
	<u>3,530</u>	<u>993</u>

22. OTHER INCOME

	<u>2012</u>	<u>2011</u>
Collected written-off receivables	2,127	2,919
Dividends income	46,348	40,040
Interest income	81	924
Foreign exchange transaction gains	32,776	49,559
Other income	51,189	59,602
	<u>132,521</u>	<u>153,044</u>

23. OTHER EXPENSE

	<u>2012</u>	<u>2011</u>
Interest expenses	658	1,164
Foreign exchange transaction loss	36,250	58,028
Other expenses	39,489	41,772
	<u>76,397</u>	<u>100,964</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

24. EXPENSES BY NATURE

	<u>2012</u>	<u>2011</u>
Raw materials	1,595,927	1,627,731
Employee benefit expense	892,345	836,428
Depreciation and amortization	312,090	289,377
Utilities	172,907	169,154
Impairment of trade receivables	42,551	23,580
Transportation	113,115	102,322
Changes in the inventories	(69,516)	(60,232)
Other expenses	1,972,432	1,966,699
	<u>5,031,851</u>	<u>4,955,059</u>

25. EMPLOYEE BENEFIT EXPENSE

	<u>2012</u>	<u>2011</u>
Gross salaries	748,490	671,610
Other employees benefits	143,855	164,818
	<u>892,345</u>	<u>836,428</u>

Number of employees at 31 December	<u>1,105</u>	<u>1,070</u>
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26. FINANCE EXPENSES

	<u>2012</u>	<u>2011</u>
Net foreign exchange transaction gains/(losses) on borrowings	171	67
Interest expense on borrowings	(31,283)	(29,685)
	<u>(31,112)</u>	<u>(29,618)</u>

27. INCOME TAX

	<u>2012</u>	<u>2011</u>
Current income tax	33,183	21,834
Deferred income tax (Note 19)	872	9,597
	<u>34,055</u>	<u>31,431</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

27. INCOME TAX (Continued)

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

	<u>2012</u>	<u>2011</u>
Profit before tax	641,708	636,981
Tax on expenses not deductible for tax purposes	33,396	31,126
Tax allowances	(213)	(9,292)
Tax credits	872	9,597
	<u>34,055</u>	<u>31,431</u>

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

28. EARNINGS PER SHARE

	<u>2012</u>	<u>2011</u>
Basic earnings per share		
Profit attributable to shareholders (in Denar)	607,652,539	605,550,300
Number of shares	<u>1,421,933</u>	<u>1,422,596</u>
Basic earnings per share (in Denar)	<u>427.34</u>	<u>425.66</u>

29. DIVIDENDS

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

The dividends approved by shareholders on 12 April 2012 were Denar 254,466 thousands. Tax of paid dividend for the year 2011 was amounting Denar 27,036 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

30. COMMITMENTS

Capital expenditures which are not yet incurred, relate to signed agreements with contractors for acquisition of property, plant and equipment at balance sheet date in the amount of Denar 4,946 thousands; (2011: Denar 7,406 thousands).

31. CONTINGENCIES

The Company has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 26,526 thousands (2011: Denar 27,188 thousands).

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS

The Company has no ultimate parent. The shares are widely held. Alkaloid AD Skopje has investments in subsidiaries stated in Note 10 above. Sales and purchases of goods and services between related parties are based on regular market terms and prices. The transactions with the related parties are stated below:

Sale of goods and services

	<u>2012</u>	<u>2011</u>
Alkaloid DOO Zagreb, Croatia	362,605	356,593
Alkaloid DOO Belgrade, Serbia	109,198	141,715
Alkaloid EOOD Sofia, Bulgaria	918	762
Alkaloid DOO Ljubljana, Slovenia	253,137	201,842
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	245,044	246,832
Alkaloid Kons DOOEL Skopje, Macedonia	27,375	18,220
OOO Alkaloid RUS, Moscow, Russia	357,067	366,050
Alkaloidpharm SA Fribourg, Switzerland	421	411
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	-	209
Alkaloid Veledrogerija DOO Beograd, Serbia	31,563	-
	<u>1,387,328</u>	<u>1,332,634</u>

Purchase of goods and services

	<u>2012</u>	<u>2011</u>
Alkaloidpharm SA Fribourg, Switzerland	196,986	95,202
Alkaloid DOO Zagreb, Croatia	5,608	2,198
Alkaloid DOO Belgrade, Serbia	130,640	157,604
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	19,808	72,345
Alkaloid EOOD Sofia, Bulgaria	62,053	45,632
Alkaloid DOO Ljubljana INT, Slovenia	20,127	20,950
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	48,083	40,026
Fund "Trajce Mukaetov" Skopje, Macedonia	9,175	8,555
Alkaloid Kons DOOEL Skopje, Macedonia	2,069	58
Alkaloid DOO Podgorica, Montenegro	31,949	34,225
OOO Alkaloid RUS, Moscow, Russia	234,981	320,586
Alkaloid DOO Ljubljana FARM, Slovenia	21,228	19,689
Alkaloid Veledrogerija DOO Beograd, Serbia	19,011	-
	<u>801,718</u>	<u>817,070</u>

(In thousands of Denar)

NOTES TO THE FINANCIAL STATEMENTS

32. 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

	<u>2012</u>	<u>2011</u>
Alkaloid DOO Zagreb, Croatia	142,317	122,693
Alkaloid DOO Belgrade, Serbia	98,083	78,402
Alkaloid EOOD Sofia, Bulgaria	918	562
Alkaloid DOO Ljubljana, Slovenia	99,781	40,195
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	110,383	85,314
Alkaloid Kons DOOEL Skopje, Macedonia	31,917	2,168
OOO Alkaloid RUS, Moscow, Russia	614,407	607,644
Alkaloid Veledrogerija DOO Beograd, Serbia	58,938	-
	<u>1,156,744</u>	<u>936,978</u>

Accounts payables

	<u>2012</u>	<u>2011</u>
Alkaloidpharm SA Fribourg, Switzerland	154,150	181,068
Alkaloid DOO Zagreb, Croatia	1,469	253
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	16,456	4,429
Alkaloid DOO Belgrade, Serbia	16,040	23,323
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	6,650	3,598
Alkaloid EOOD Sofia, Bulgaria	9,442	6,765
Alkaloid DOO Ljubljana, Slovenia	10,244	10,377
OOO Alkaloid RUS, Moscow, Russia	33,597	31,307
Alkaloid Kons DOOEL Skopje, Macedonia	797	-
Alkaloid DOO Podgorica, Montenegro	3,527	2,932
Alkaloid DOO Ljubljana FARM, Slovenia	2,153	-
Alkaloid Veledrogerija DOO Beograd, Serbia	1,538	-
	<u>256,063</u>	<u>264,052</u>

Short-term loans

	<u>2012</u>	<u>2011</u>
Alkaloid Kons DOOEL Skopje, Macedonia	45,525	36,439
Alkaloid DOO Belgrade, Serbia	14,229	13,615
OOO Alkaloid RUS, Moscow, Russia	34,350	47,435
	<u>94,104</u>	<u>97,489</u>

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTY TRANSACTIONS (Continued)

Key management compensations

No compensations were paid to the Management Board members during 2012. In 2012, the amount of Denar 4,203 thousands was paid to the Supervisory Board members (2011: Denar 4,032 thousands).

33. EXCHANGE RATES OF PRINCIPAL CURRENCIES

Closing rates:

	<u>31.12.2012</u>	<u>31.12.2011</u>
EUR	61.50	61.50
USD	46.65	47.53
CHF	50.91	50.60