



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

**ANNUAL REPORT
ON THE PERFORMANCE OF ALKALOID AD SKOPJE
FOR THE PERIOD JANUARY - DECEMBER 2016**

February 2017

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1. General information

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

Aleksandar Makedonski 12 1000 Skopje, Republic of Macedonia.

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

The main scope is production of pharmaceutical products.

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

The annual report on the performance of Alkaloid AD Skopje has been prepared in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16 and 61/16) and the Rulebook for accounting ("Official Gazette of the Republic of Macedonia" no. 159/09, 164/10 and 107/11). The report is prepared in accordance with the concept of purchase price, excluding the land property, construction buildings and available-for-sale financial assets, which are presented by their market value.

The presentation of the 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 reasonable information available, as of the date of preparation of the financial statements. However, actual results may vary from these estimates.

2. Financial risk management

Financial risk factors

The 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 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 risk

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 decreased in respect of previous year.

Fair value estimation

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

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

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

3. Additions to non-current assets

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

Additions to non-current assets - segment reporting

Segments	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Pharmacy	584,201	84	936,670	96	62
Chemistry Cosmetics Botanicals	114,109	16	36,031	4	317
Total:	698,310	100	972,701	100	72

4. Dividends

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

The dividends for 2015 approved by shareholders on 4 April 2016 were Denar 329,211 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Non-current	25,802	8	5,133	2	503
Current	288,054	92	223,172	98	129
Total:	313,856	100	228,305	100	137

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Up to 1 year	288,054	92	223,172	98	129
Between 1 to 3 years	25,802	8	5,133	2	503
Total:	313,856	100	228,305	100	137

6. Major transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2016.

7. Related party transactions

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

Alkaloid AD Skopje has investments in seventeen subsidiaries and one foundation in Macedonia and abroad. Sales and purchases of goods and services between related parties are based on regular market terms and prices.

Investments in subsidiaries and associates

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Zagreb, Croatia	15,439	4	15,439	4	100
Alkaloid DOO Beograd, Serbia	62,566	17	62,566	17	100
Alkaloid INT DOO Ljubljana, Slovenia	866	-	866	-	100
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	-	39	-	100
Alkaloidfarm SA Fribourg, Switzerland	4,285	1	4,285	1	100
Alkaloid EOOD Sofia, Bulgaria	2,748	1	2,748	1	100
ALK&KOS Shpk Prishtina, Kosovo	307	-	307	-	100
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	308	-	308	-	100
Alkaloid Kons DOOEL Skopje, Macedonia	130,154	35	130,154	35	100
Alkaloid USA LLC Columbus, Ohio US	3,873	1	3,873	1	100
Fund "Trajce Mukaetov" Skopje, Macedonia	3,000	1	3,000	1	100
Alkaloid DOO Podgorica, Montenegro	-	-	-	-	-
OOO Alkaloid RUS, Moscow, Russia	119,359	32	119,359	32	100
Alkaloid FARM DOO Ljubljana, Slovenia	461	-	461	-	100
Alkaloid Veledrogerija DOO Beograd, Serbia	7,720	2	7,720	2	100
Alkaloid ILAC TLS Istanbul, Turkey	2,616	1	2,616	1	100
ALKA-LAB DOO Ljubljana, Slovenia	18,485	5	18,485	5	100
	308	-	-	-	-
	615	-	-	-	-
Total:	373,149	100	372,226	100	100

All subsidiaries are 100% owned by the Company, except investment in Alkaloid USA with the equity share of 49%. Although the investment of Alkaloid AD Skopje in Alkaloid USA LLC Columbus, Ohio USA is 49%, the Company exercises control

During 2016, Alkaloid AD Skopje established a new subsidiary in Tirana, Albania, and a new subsidiary in Kiev, Ukraine.

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

The Company has representative offices in Russia, Bosnia and Herzegovina and Albania. The operational results of the representation offices are included in the financial statements of the Company.

Sale of goods and services

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Belgrade, Serbia	120,537	5	151,690	8	79
Alkaloid INT DOO Ljubljana, Slovenia	746,080	34	693,917	35	108
Alkaloid EOOD Sofia, Bulgaria	-	-	254	-	-
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	232,717	11	246,046	12	95
Alkaloidpharm SA Fribourg, Switzerland	184	-	434	-	42
Alkaloid Kons DOOEL Skopje, Macedonia	160,844	7	143,054	7	112
OOO Alkaloid RUS, Moscow, Russia	267,001	12	254,192	13	105
Alkaloid DOO Ljubljana FARM, Slovenia	-	-	113	-	-
Alkaloid Veleadrogerija DOO Beograd, Serbia	675,278	30	507,032	25	133
Alkaloid ILAC TLS Istanbul, Turkey	4,905	-	1,131	-	434
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	7,253	-	6,430	-	113
Total:	2,214,799	100	2,004,293	100	111

Purchase of goods and services

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Belgrade, Serbia	11,391	2	10,968	2	104
Alkaloid DOO Zagreb, Croatia	13,217	2	14,183	2	93
Alkaloid DOO Ljubljana INT, Slovenia	22,770	4	13,613	2	167
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	69,497	13	34,925	5	199
Alkaloid EOOD Sofia, Bulgaria	94,587	17	94,346	14	100
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	34,593	6	43,483	7	80
Alkaloidpharm SA Fribourg, Switzerland	180,267	33	321,342	49	56
Alkaloid Kons DOOEL Skopje, Macedonia	2,084	-	2,267	-	92
Alkaloid DOO Podgorica, Montenegro	34,093	6	33,762	5	101
Fund "Trajce Mukaetov" Skopje, Macedonia	9,906	2	10,261	2	97
OOO Alkaloid RUS, Moscow, Russia	66,596	12	62,042	10	107
Alkaloid ILAC TLS Istanbul, Turkey	10,472	2	9,188	1	114
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	2,550	-	2,560	-	100
Alkaloid Shpk Tirana, Albania	1,967	-	-	-	-
Total:	553,990	100	652,940	100	85

Accounts receivables

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Belgrade, Serbia	74,690	6	63,815	6	117
Alkaloid DOO Ljubljana INT, Slovenia	266,279	23	306,174	30	87
Alkaloid EOOD Sofia, Bulgaria	253	-	254	-	100
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	85,811	7	83,112	8	103
Alkaloidpharm SA Fribourg, Switzerland	3	-	51	-	6
Alkaloid Kons DOOEL Skopje, Macedonia	56,878	5	50,425	5	113
OOO Alkaloid RUS, Moscow, Russia	346,287	29	213,688	21	162
Alkaloid DOO Ljubljana FARM, Slovenia	-	-	114	-	-
Alkaloid Veledrogerija DOO Beograd, Serbia	337,442	29	299,213	29	113
Alkaloid ILAC TLS Istanbul, Turkey	3,743	-	1,132	-	331
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	3,033	-	2,134	-	142
ALKA-LAB DOO Ljubljana, Slovenia	2,041	-	-	-	-
Total:	1,176,460	100	1,020,112	100	115

Accounts payables

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Belgrade, Serbia	156	-	1	-	-
Alkaloid DOO Zagreb, Croatia	1,564	1	1,529	1	102
Alkaloid DOO Ljubljana INT, Slovenia	32,186	14	16,127	7	200
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	10,718	5	7,595	4	141
Alkaloid EOOD Sofia, Bulgaria	27,345	12	18,600	9	147
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	4,313	2	5,651	3	76
Alkaloidpharm SA Fribourg, Switzerland	154,241	66	161,781	75	95
Alkaloid Kons DOOEL Skopje, Macedonia	544	-	556	-	98
Alkaloid DOO Podgorica, Montenegro	2,773	1	3,264	2	85
Alkaloid ILAC TLS Istanbul, Turkey	-	-	773	-	-
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	826	-	826	-	100
Alkaloid Shpk Tirana, Albania	123	-	-	-	-
Total:	234,789	100	216,703	100	108

Prepayments and short-term loans

Subsidiary	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Alkaloid DOO Beograd, Serbia	1,928	100	1,932	81	100
Alkaloid Kons DOOEL Skopje, Macedonia	-	-	465	-	-
Total:	1,928	100	2,397	100	80

8. Share capital

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2015	1,416,612	2,220,127	23,032	2,243,159	-
Purchase of treasury shares	-	-	-	-	-
At 31 December 2015	1,416,612	2,220,127	23,032	2,243,159	-
Purchase of treasury shares	-	-	-	-	-
At 31 December 2016	1,416,612	2,220,127	23,032	2,243,159	-

The total authorized number of ordinary shares is 1,431,353 with a par value of EUR 25.56 (Denar 1,551) per share. All issued shares are fully paid.

The total number of treasury shares is 14,741. The number of 3,287 shares is reserved for former proprietors of which 3,228 are priority shares and 59 are ordinary shares.

Earning per share

	(In MKD)		
	2016	2015	IND
	Amount	Amount	16/15
Profit attributable to shareholders (in denars)	704,269,882	645,653,544	109
Number of shares	1,416,612	1,416,612	100
Basic earning per share (in denars):	497.15	455.77	109

9. Key management compensations

No compensations were paid to the Management Board members in 2016 and 2015.

In 2016, the amount of Denar 4,207 thousands were paid to the Supervisory Board members (2015: Denar 5,006 thousands).

10. Production and sales

Production in tons

Segment	2016		2015		IND
	Amount	%	Amount	%	16/15
Pharmacy	864	7	817	7	106
Chemistry Cosmetics Botanicals	11,919	93	10,651	93	112
Total:	12,783	100	11,468	100	111

The total amount produced for 2016 is 12,783 tons, which indicates a 11% growth compared to last years' production amount of 11,468 tons.

Total sales of goods and services

Market	2016		2015		IND
	Amount	%	Amount	%	16/15
Domestic market	2,509,795	39	2,394,855	40	105
Foreign market	3,908,786	61	3,623,083	60	108
Total:	6,418,581	100	6,017,938	100	107

The total sales revenues for 2016 are 6,418,581 thousand denars which indicates 7% growth compared to the sales revenues from 2015 (6,017,938 thousand denars). The growth in total sales revenues is a result from the increase of sales revenues on domestic market for 5%, and the increase on foreign market sales for 8%.

The largest portion of total sales revenues, 61% is generated on foreign markets.

Total sales - segment reporting

Segment	2016		2015		IND
	Amount	%	Amount	%	16/15
Pharmacy	5,034,633	78	4,748,918	79	106
Chemistry Cosmetics Botanicals	1,383,948	22	1,269,020	21	109
Total:	6,418,581	100	6,017,938	100	107

The largest portion in total sales revenues, amounting 5,034,633 thousand is generated on the Pharmacy segment with 78%, which compared to last years' 4,748,918 thousand denars is an increase of 6%.

Domestic market sales - segment reporting

Segment	2016		2015		IND
	Amount	%	Amount	%	16/15
Pharmacy	1,853,817	74	1,783,048	74	104
Chemistry Cosmetics Botanicals	655,978	26	611,807	26	107
Total:	2,509,795	100	2,394,855	100	105

Total sales revenues on domestic market are 2,509,795 thousand denars, which compared to last years' 2,394,855 have increased for 5%.

The largest portion in total sales revenues is generated on the Pharmacy segment, amounting 1,853,817 thousand denars or 74%.

Foreign market sales - segment reporting

Segment	2016		2015		IND
	Amount	%	Amount	%	16/15
Pharmacy	3,180,816	81	2,965,870	82	107
Chemistry Cosmetics Botanicals	727,970	19	657,213	18	111
Total:	3,908,786	100	3,623,083	100	108

Total sales revenues on foreign market are 3,908,786 thousand denars, which compared to last years' 3,623,083 have increased for 8%.

The largest portion in total sales revenues is generated on the Pharmacy segment, amounting 3,180,816 thousand denars or 81%.

Foreign market sales by regions/countries

Region/Country	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
South Eastern Europe	2,483,273	64	2,327,016	64	107
Albania	83,811	2	58,015	2	144
Bosnia and Herzegovina	752,467	19	789,721	22	95
Kosovo	325,922	8	336,466	9	97
Serbia	1,116,541	29	951,382	26	117
Monte Negro	204,532	5	191,432	6	107
Russia and CIS	328,395	8	313,692	8	105
Russia	267,001	7	254,192	7	105
Georgia	7,168	-	6,424	-	112
Armenia	9,851	-	8,427	-	117
Turkmenistan	-	-	2,610	-	-
Azerbaijan	870	-	-	-	-
Ukraine	43,505	1	42,039	1	103
Western Europe (EU and EFTA)	936,424	24	861,023	24	109
Bulgaria	193,661	5	179,753	5	108
Croatia	413,233	11	424,951	12	97
Germany	70,766	2	73,659	2	96
Spain	1,234	-	2,615	-	47
Romania	62,143	2	33,261	1	187
Slovenia	143,937	4	123,181	3	117
Czech	8,168	-	4,290	-	190
Poland	10,218	-	4,329	-	236
Slovakia	1,772	-	3,593	-	49
Hungary	7,729	-	3,277	-	236
Lithuania	1,649	-	834	-	198
Finland	2,147	-	-	-	-
Great Britain	14,729	-	6,846	-	215
Netherlands	537	-	-	-	-
Switzerland	4,501	-	434	-	1,037
Other countries	160,694	4	121,352	3	132
Jordan	2,652	-	4,153	-	64
USA	142,137	4	109,263	3	130
Turkey	14,950	-	7,622	-	196
Other countries	955	-	314	-	304
Total:	3,908,786	100	3,623,083	100	108

The largest portion of 64% of the total sales in foreign markets is generated in the South Eastern Europe region.

Total revenues

Revenues	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
1. Revenues from sales of goods and services	6,418,581	96	6,017,938	95	107
-Domestic market	2,509,795	38	2,394,855	38	105
Sales of goods	1,848,012	28	1,839,524	29	100
Sales of commodities	618,063	9	515,550	8	120
Other sales revenues	43,720	1	39,781	1	110
-Foreign market	3,908,786	58	3,623,083	57	108
Sales of goods	3,355,090	50	3,206,621	51	105
Sales of commodities	501,120	7	393,048	6	127
Other sales revenues	52,576	-	23,414	-	225
2. Other operating income	272,583	4	330,181	5	83
Collected written off receivables	724	-	6	-	-
Income from previous years	1,698	-	422	-	402
Dividends income	63,601	1	58,702	1	108
Interest income	481	-	2,247	-	21
Foreign exchange transaction gains	148,171	2	191,480	3	77
Other income	57,908	1	77,324	1	75
3. Finance income	725	-	704	-	103
Foreign exchange transaction gains on borrowings	705	-	239	-	295
Interest income on borrowings	20	-	465	-	4
Total:	6,691,889	100	6,348,823	100	105

Total revenues for 2016 amounting 6,691,889 thousand denars have increased for 5%, compared to last years' 6,348,823 thousand denars.

The largest portion of 96% in the total revenues belongs to the sales revenues, which compared to last year have increased for 7%.

Other operating income has a portion of 4% in total revenues. Compared to last year other operating income has decreased for 17%.

Finance income only includes income on borrowings. The portion of finance income in total revenue is insignificant.

Sales by category

Sales revenue	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Sales of goods	5,203,102	81	5,046,145	84	103
Sales of commodities	1,119,183	17	908,598	7	123
Other sales revenues	96,296	2	63,195	1	152
Total:	6,418,581	100	6,017,938	100	107

Total expenses by nature

Expenses	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
1. Changes in the inventories	-186,512	-	-2,086	-	8,941
2. Raw and other materials	2,167,858	37	1,866,038	33	116
Raw materials	2,030,655	34	1,718,709	30	118
Energy	113,694	2	130,635	2	87
Spare parts	18,533	-	15,299	-	121
Written off small items	4,976	-	1,395	-	357
3. Cost of commodities	775,841	13	637,013	11	122
4. Services	390,965	7	365,678	6	107
Transport	173,905	3	149,327	3	116
Maintenance	43,292	1	40,689	1	106
Rent	25,277	-	26,330	-	96
Utilities	148,491	3	149,332	3	99
5. Depreciation and amortization	421,743	7	353,303	6	119
6. Provision for impaired trade receivables	1,189	-	10,077	-	12
7. Employee benefits	1,192,317	20	1,081,048	19	110
Gross salaries	998,026	17	914,318	16	109
Food allowances	28,251	1	25,490	1	111
Holiday allowances	65,043	1	57,006	1	114
Termination benefits	11,204	-	6,032	-	186
Short-term benefits	87,800	1	75,000	1	117
Retirement benefits	692	-	68	-	1,018
Other expenses	1,301	-	3,134	-	42
8. Other operating expenses	1,140,757	19	1,320,255	23	86
Cost of business trips	34,960	1	36,481	1	96
Advertising and marketing	648,131	11	667,124	12	97
Insurance	25,288	-	24,558	-	103
Taxes and contributions	13,444	-	16,428	-	82
Bank charges and memberships	14,201	-	15,568	-	91
Interest	2	-	61	-	3
Exchange differences from receivables and payables	72,689	1	234,694	4	31
Expenses from previous years	17,360	-	8,299	-	209
Other expenses	314,682	5	317,042	6	99
9. Finance costs (borrowings)	9,687	-	8,817	-	110
Foreign exchange transaction losses on borrowings	1,912	-	349	-	548
Interest expense on borrowings	7,775	-	8,468	-	92
Total:	5,913,845	100	5,640,143	100	105

The Total expenses for 2016 amounting 5,913,845 thousand denars have increased 5% compared to last years' 5,640,143 thousand denars.

The largest portion in the total expenses belongs to Raw and other materials, 37%. Employee benefits have a portion of 20%, Other operating expenses have a portion of 19%. Finance costs include only expenses on borrowings. The portion of finance costs in total expenses is insignificant.

Income statement - expenses by nature

Income statement	2016		2015		IND
	Amount	%	Amount	%	16/15
	(In 000 MKD)				
Total revenues	6,691,889	100	6,348,823	100	105
Domestic market	2,509,795	38	2,394,855	38	105
Foreign market	3,908,786	58	3,623,083	57	108
Other operating income	272,583	4	330,181	5	83
Finance income	725	-	704	-	103
Total expenses	-5,913,845	88	-5,640,143	89	105
Inventories	186,512	-	2,086	-	8,941
Raw materials	-2,167,858	32	-1,866,038	29	116
Cost of commodities	-775,841	12	-637,013	10	122
Services expenses	-390,965	6	-365,678	6	107
Gross salaries	-998,026	13	-914,318	14	109
Depreciation and amortization	-421,743	6	-353,303	6	119
Provision for impaired trade receivables	-1,189	-	-10,077	-	12
Other operating expenses	-1,335,048	20	-1,486,985	23	90
Finance cost	-9,687	-	-8,817	-	110
Profit before income tax	778,044	12	708,680	11	110
Income tax	-73,774	1	-63,026	1	117
Profit for the year	704,270	11	645,654	10	109

Profit before income tax for 2016 is 778,044 thousand denars, which compared to last years' 708,680 thousand denars has increased for 10%. The portion of profit before income tax in the total revenue in 2016 is 12%.

The calculated Income tax for 2016 is 73,774 thousand denars, which compared to last years' 63,026 thousand denars has increased for 17%.

Profit for the year 2016 is 704,270 thousand denars, which compared to last years' 645,654 thousand denars has increased for 9%. The portion of net income in the total revenue in 2016 is 11%.

Income statement - expenses by function

Income statement	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Sales	6,418,581	96	6,017,938	95	107
Cost of sales	-3,785,049	-57	-3,410,893	-54	111
Gross profit	2,633,532	39	2,607,045	41	101
Research and development expenses	-71,498	-1	-58,942	-1	121
Selling and marketing expenses	-1,524,521	-23	-1,544,195	-24	99
Administrative expenses	-385,509	-6	-308,408	-5	125
Provisions for liabilities and charges	-1,091	-	-1,041	-	105
Other income	272,583	4	330,180	5	83
Other expenses	-136,490	-2	-307,846	-5	44
Operating profit	787,006	12	716,793	11	110
Net foreign exchange transaction (losses) / gains	-1,207	-	-110	-	1,097
Net interest	-7,755	-	-8,003	-	97
Profit before income tax	778,044	12	708,680	11	110
Income tax	-73,774	-1	-63,026	-1	117
Profit for the year	704,270	11	645,654	10	109

The income statement by function model presents the expenses as: Production costs, Research and development expenses, Selling and marketing expenses and Administrative expenses. The finance costs are presented in net values.

The largest portion in total revenues 57% belongs to Cost of sales, which have increased for 11%.

Selling and marketing expenses have a portion of 23% in total revenues. Compared to last year Selling and marketing expenses have decreased for 1%.

Administrative expenses have a portion in total revenues of 6% and have increased for 25% compared to last year.

Balance sheet

	(In 000 MKD)				
	2016		2015		IND
	Amount	%	Amount	%	16/15
Assets					
Non-current assets					
Property, plant and equipment	3,979,777	40	3,841,306	42	104
Intangibles	1,335,395	13	1,197,399	13	112
Investments in subsidiaries and associates	373,149	4	372,226	1	100
Available-for-sale financial assets	4,649	-	3,514	-	132
Other non-current receivables	7,991	-	2,355	-	339
Deferred tax assets	17,817	-	17,817	-	100
Total non-currents assets:	5,718,778	57	5,434,617	59	105
Current assets					
Inventories	1,954,086	20	1,642,266	18	119
Trade receivables	2,065,705	21	1,810,300	20	114
Other receivables	173,083	2	197,994	2	87
Cash and cash equivalents	76,047	1	152,004	2	50
Total current assets:	4,268,921	43	3,802,564	41	112
Total assets:	9,987,699	100	9,237,181	100	108
Equity and liabilities					
Equity					
Share capital	2,197,095	22	2,197,095	24	100
Legal reserves	596,146	6	596,146	6	100
Other reserves	1,121,649	11	1,120,514	12	100
Retained earnings	4,365,329	44	3,987,539	43	109
Total equity:	8,280,219	83	7,901,294	86	105
Liabilities					
Current liabilities					
Trade and other payables	1,353,765	14	1,074,046	12	126
Current borrowings	288,054	3	223,172	2	129
Income taxes	13,130	-	7,898	-	166
Total current liabilities:	1,654,949	17	1,305,116	14	127
Non-current liabilities					
Non-current borrowings	25,802	-	5,133	-	503
Deferred tax liabilities	-	-	-	-	-
Non-current provisions	26,729	-	25,638	-	104
Total non-current liabilities:	52,531	-	30,771	-	171
Total liabilities:	1,707,480	17	1,335,887	14	128
Total equity and liabilities:	9,987,699	100	9,237,181	100	108

Performance indicators

Indicators	(In %)		
	2016	2015	IND 16/15
Revenue / expense ratio	113.16	112.56	101
Net profit margin	10.52	10.17	103
EBITDA (%)	18.83	17.78	106
Current ratio	2.58	2.91	89
Net debt to equity ratio	0.04	0.03	131
Return of equity	8.51	8.17	104
Return of assets	7.05	6.99	101

Number of employees on 31 December

Segment	2016		2015		IND 16/15
	%	%	%	%	
Pharmacy	698	51	630	50	111
Chemistry Cosmetics Botanicals	193	14	193	15	100
Corporate unit	468	34	442	35	106
Total:	1,359	100	1,265	100	107

The total number of employees on 31 December 2016 is 1,359, which compared to 2015 is an increase of 7%.

Alkaloid AD Skopje