



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

**ANNUAL REPORT
ON THE PERFORMANCE OF ALKALOID AD SKOPJE
FOR THE PERIOD JANUARY - DECEMBER 2017**

February 2018

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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 preformed 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.

2. Financial risk management (continued)

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)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Pharmacy	774,989	93	584,201	84	133
Chemistry Cosmetics Botanicals	56,578	7	114,109	16	50
Total:	831,567	100	698,310	100	119

4. Dividends

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

The dividends for 2016 approved by shareholders on 3 April 2017 were Denar 357,838 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Non-current	268,624	57	25,802	8	1,041
Current	200,078	43	288,054	92	69
Total:	468,702	100	313,856	100	149

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Up to 1 year	200,078	43	288,054	92	69
Between 1 to 3 years	268,624	57	25,802	8	1,041
Total:	468,702	100	313,856	100	149

6. Major transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2017.

7. Related party transactions

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

Alkaloid AD Skopje has investments in eighteen 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)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
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
Alkaloid Shpk Tirana, Albania	308	-	308	-	100
Alkaloid Kiev CO. LTD., Ukraine	2,157	-	615	-	351
Total:	374,691	100	373,149	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 2017 the company has increased its investment in Alkaloid Kiev CO. LTD., Ukraine by EUR 25 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)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Alkaloid DOO Belgrade, Serbia	143,967	6	120,537	5	119
Alkaloid DOO Zagreb, Croatia	14,759	1	-	-	-
Alkaloid INT DOO Ljubljana, Slovenia	997,889	40	746,080	34	134
Alkaloid EOOD Sofia, Bulgaria	-123	-	-	-	-
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	197,861	8	232,717	11	85
Alkaloidpharm SA Fribourg, Switzerland	128	-	184	-	70
Alkaloid Kons DOOEL Skopje, Macedonia	171,495	7	160,844	7	107
OOO Alkaloid RUS, Moscow, Russia	350,266	14	267,001	12	131
Alkaloid DOO Ljubljana FARM, Slovenia	-	-	-	-	-
Alkaloid Veledrogerija DOO Beograd, Serbia	600,454	24	675,278	30	89
Alkaloid ILAC TLS Istanbul, Turkey	3,882	-	4,905	-	79
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	6,623	-	7,253	-	91
Total:	2,487,201	100	2,214,799	100	112

Purchase of goods and services

Subsidiary	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Alkaloid DOO Belgrade, Serbia	15,227	2	11,391	2	134
Alkaloid DOO Zagreb, Croatia	9,338	2	13,217	2	71
Alkaloid DOO Ljubljana INT, Slovenia	35,093	6	22,770	4	154
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	94,167	15	69,497	13	135
Alkaloid EOOD Sofia, Bulgaria	50,649	8	94,587	17	54
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	30,710	5	34,593	6	89
Alkaloidpharm SA Fribourg, Switzerland	181,570	29	180,267	33	101
Alkaloid Kons DOOEL Skopje, Macedonia	2,057	-	2,084	-	99
Alkaloid DOO Podgorica, Montenegro	40,426	7	34,093	6	119
Fund "Trajce Mukaetov" Skopje, Macedonia	9,372	2	9,906	2	95
OOO Alkaloid RUS, Moscow, Russia	82,527	13	66,596	12	124
Alkaloid Veledrogerija DOO Beograd, Serbia	3,985	1	-	-	-
Alkaloid ILAC TLS Istanbul, Turkey	9,574	2	10,472	2	91
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	2,600	-	2,550	-	102
Alkaloid Shpk Tirana, Albania	3,814	1	1,967	-	194
Alkaloid Kiev CO. LTD., Ukraine	44,800	7	-	-	-
Total:	615,909	100	553,990	100	111

Accounts receivables

Subsidiary	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Alkaloid DOO Belgrade, Serbia	72,723	6	74,690	6	97
Alkaloid DOO Zagreb, Croatia	14,758	1	-	-	-
Alkaloid DOO Ljubljana INT, Slovenia	342,360	29	266,279	23	129
Alkaloid EOOD Sofia, Bulgaria	131	-	253	-	52
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	80,163	7	85,811	7	93
Alkaloidpharm SA Fribourg, Switzerland	-	-	3	-	-
Alkaloid Kons DOOEL Skopje, Macedonia	61,511	5	56,878	5	108
OOO Alkaloid RUS, Moscow, Russia	333,153	29	346,287	29	96
Alkaloid Veleđrogerija DOO Beograd, Serbia	247,376	21	337,442	29	73
Alkaloid ILAC TLS Istanbul, Turkey	7,001	1	3,743	-	187
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	2,481	-	3,033	-	82
ALKA-LAB DOO Ljubljana, Slovenia	-	-	2,041	-	-
Total:	1,161,657	100	1,176,460	100	99

Accounts payables

Subsidiary	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Alkaloid DOO Belgrade, Serbia	241	-	156	-	154
Alkaloid DOO Zagreb, Croatia	1,896	1	1,564	1	121
Alkaloid DOO Ljubljana INT, Slovenia	18,085	14	32,186	14	56
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	13,684	10	10,718	5	128
Alkaloid EOOD Sofia, Bulgaria	4,987	4	27,345	12	18
ALK&KOS Pharmaceuticals Shpk Pristine, Kosovo	4,815	4	4,313	2	112
Alkaloidpharm SA Fribourg, Switzerland	69,892	53	154,241	66	45
Alkaloid Kons DOOEL Skopje, Macedonia	933	1	544	-	172
Alkaloid DOO Podgorica, Montenegro	6,904	5	2,773	1	249
Alkaloid Veleđrogerija DOO Beograd, Serbia	1,006	1	-	-	-
Alkaloid Bilna apteka DOOEL Skopje, Macedonia	708	1	826	-	86
Alkaloid Shpk Tirana, Albania	123	-	123	-	100
Alkaloid Kiev CO. LTD., Ukraine	8,005	6	-	-	-
Total:	131,279	100	234,789	100	56

Prepayments and short-term loans

Subsidiary	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Alkaloid DOO Beograd, Serbia	1,928	3	1,928	100	100
Alkaloidpharm SA Fribourg, Switzerland	66,410	97	-	-	-
Total:	68,338	100	1,928	100	3,545

8. Share capital

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2016	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	-
Purchase of treasury shares	-	-	-	-	-
At 31 December 2017	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)		
	2017	2016	IND
	Amount	Amount	17/16
Profit attributable to shareholders (in denars)	765,954,710	704,269,882	109
Number of shares	1,416,612	1,416,612	100
Basic earning per share (in denars):	540.69	497.15	109

9. Key management compensations

No compensations were paid to the Management Board members in 2017 and 2016.

In 2017, the amount of Denar 4,207 thousands were paid to the Supervisory Board members (2016: Denar 4,207 thousands).

10. Production and sales

Production in tons

Segment	(In tons)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Pharmacy	932	7	864	7	108
Chemistry Cosmetics Botanicals	12,923	93	11,919	93	108
Total:	13,855	100	12,783	100	108

The total amount produced for 2017 is 13,855 tons, which indicates 8% growth compared to last years' production amount of 12,783 tons.

Total sales of goods and services

Market	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Domestic market	2,654,759	38	2,509,795	39	106
Foreign market	4,277,417	62	3,908,786	61	109
Total:	6,932,176	100	6,418,581	100	108

The total sales revenues for 2017 are 6,932,176 thousand denars which indicates 8% growth compared to the sales revenues from 2016 (6,418,581 thousand denars). The growth in total sales revenues is a result from the increase of sales revenues on domestic market for 6%, and the increase on foreign market sales for 9%.

The largest portion of total sales revenues, 62% is generated on foreign markets.

Total sales - segment reporting

Segment	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Pharmacy	5,535,481	80	5,034,633	78	110
Chemistry Cosmetics Botanicals	1,396,695	20	1,383,948	22	101
Total:	6,932,176	100	6,418,581	100	108

The largest portion in total sales revenues, amounting 5,535,481 thousand is generated on the Pharmacy segment with 80%, which compared to last years' 5,034,633 thousand denars is an increase of 10%.

Domestic market sales - segment reporting

Segment	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Pharmacy	1,989,983	75	1,853,817	74	107
Chemistry Cosmetics Botanicals	664,776	25	655,978	26	101
Total:	2,654,759	100	2,509,795	100	106

Total sales revenues on domestic market are 2,654,759 thousand denars, which compared to last years' 2,509,795 have increased for 6%.

The largest portion in total sales revenues is generated on the Pharmacy segment, amounting 1,989,983 thousand denars or 75%.

Foreign market sales - segment reporting

Segment	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Pharmacy	3,545,498	83	3,180,816	81	111
Chemistry Cosmetics Botanicals	731,919	17	727,970	19	101
Total:	4,277,417	100	3,908,786	100	109

Total sales revenues on foreign market are 4,277,417 thousand denars, which compared to last years' 3,908,786 have increased for 9%.

The largest portion in total sales revenues is generated on the Pharmacy segment, amounting 3,545,498 thousand denars or 83%.

Foreign market sales by regions/countries

Region/Country	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
South Eastern Europe	2,482,014	58	2,483,273	64	100
Albania	87,096	2	83,811	2	104
Bosnia and Herzegovina	778,615	18	752,467	19	103
Kosovo	295,803	7	325,922	8	91
Serbia	1,097,115	26	1,116,541	29	98
Monte Negro	223,385	5	204,532	5	109
Russia and CIS	459,867	11	328,395	8	140
Russia	350,266	8	267,001	7	131
Georgia	10,814	-	7,168	-	151
Armenia	10,644	-	9,851	-	108
Azerbaijan	-	-	870	-	-
Ukraine	88,143	2	43,505	1	203
Western Europe (EU and EFTA)	1,216,372	28	936,424	24	130
Bulgaria	175,274	4	193,661	5	91
Croatia	464,260	11	413,233	11	112
Germany	74,103	2	70,766	2	105
Spain	-	-	1,234	-	-
Romania	87,665	2	62,143	2	141
Slovenia	172,953	4	143,937	4	120
Czech	13,187	-	8,168	-	161
Poland	18,737	-	10,218	-	183
Slovakia	2	-	1,772	-	-
Hungary	28,110	1	7,729	-	364
Lithuania	831	-	1,649	-	50
Finland	-	-	2,147	-	-
Great Britain	175,440	4	14,729	-	1,191
Netherlands	250	-	537	-	47
Sweden	48	-	-	-	-
Switzerland	5,512	-	4,501	-	122
Other countries	119,164	3	160,694	4	74
Jordan	2,465	-	2,652	-	93
USA	102,367	2	142,137	4	72
Turkey	14,310	-	14,950	-	96
Other countries	22	-	955	-	2
Total:	4,277,417	100	3,908,786	100	109

The largest portion of 58% of the total sales in foreign markets is generated in the South Eastern Europe region.

Total revenues

Revenues	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
1. Revenues from sales of goods and services	6,932,176	95	6,418,581	96	108
-Domestic market	2,654,758	37	2,509,795	38	106
Sales of goods	1,922,166	26	1,848,012	28	104
Sales of commodities	677,659	9	618,063	9	110
Other sales revenues	54,933	1	43,720	1	126
-Foreign market	4,277,418	59	3,908,786	58	109
Sales of goods	3,626,175	50	3,355,090	50	108
Sales of commodities	587,029	8	501,120	7	117
Other sales revenues	64,214	1	52,576	1	122
2. Other operating income	323,338	5	272,583	4	119
Collected written off receivables	646	-	724	-	89
Income from previous years	5,316	-	1,698	-	313
Dividends income	153,546	2	63,601	1	241
Interest income	822	-	481	-	171
Foreign exchange transaction gains	114,012	2	148,171	2	77
Other income	48,996	1	57,908	1	85
3. Finance income	13,279	-	725	-	1,832
Foreign exchange transaction gains on borrowings	13,278	-	705	-	1,883
Interest income on borrowings	1	-	20	-	5
Total:	7,268,793	100	6,691,889	100	109

Total revenues for 2017 amounting 7,268,793 thousand denars have increased for 9%, compared to last years' 6,691,889 thousand denars.

The largest portion of 95% in the total revenues belongs to the sales revenues, which compared to last year have increased for 8%.

Other operating income has a portion of 5% in total revenues. Compared to last year other operating income has increased for 19%.

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)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Sales of goods	5,548,341	80	5,203,102	81	107
Sales of commodities	1,264,688	18	1,119,183	7	113
Other sales revenues	119,147	2	96,296	2	124
Total:	6,932,176	100	6,418,581	100	108

Total expenses by nature

Expenses	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
1. Changes in the inventories	-53,454	-	-186,512	-	29
2. Raw and other materials	2,194,210	34	2,167,858	37	101
Raw materials	2,032,118	32	2,030,655	34	100
Energy	134,430	2	113,694	2	118
Spare parts	22,467	-	18,533	-	121
Written off small items	5,195	-	4,976	-	104
3. Cost of commodities	853,429	13	775,841	13	110
4. Services	417,719	6	390,965	7	107
Transport	192,437	3	173,905	3	111
Maintenance	48,181	1	43,292	1	111
Rent	30,114	-	25,277	-	119
Utilities	146,987	2	148,491	3	99
5. Depreciation and amortization	480,967	7	421,743	7	114
6. Provision for impaired trade receivables	1,314	-	1,189	-	111
7. Employee benefits	1,317,604	20	1,192,317	20	111
Gross salaries	1,101,439	17	998,026	17	110
Food allowances	32,126	1	28,251	1	114
Holiday allowances	68,978	1	65,043	1	106
Termination benefits	24,498	-	11,204	-	219
Short-term benefits	88,700	1	87,800	1	101
Retirement benefits	429	-	692	-	62
Other expenses	1,434	-	1,301	-	110
8. Other operating expenses	1,218,937	19	1,140,757	19	107
Cost of business trips	42,871	1	34,960	1	123
Advertising and marketing	677,559	11	648,131	11	105
Insurance	28,515	-	25,288	-	113
Taxes and contributions	21,015	-	13,444	-	156
Bank charges and memberships	15,247	-	14,201	-	107
Interest	139	-	2	-	6,950
Exchange differences from receivables and payables	104,641	2	72,689	1	144
Expenses from previous years	11,087	-	17,360	-	64
Other expenses	317,863	5	314,682	5	101
9. Finance costs (borrowings)	14,780	-	9,687	-	153
Foreign exchange transaction losses on borrowings	2,671	-	1,912	-	140
Interest expense on borrowings	12,109	-	7,775	-	156
Total:	6,445,506	100	5,913,845	100	109

The Total expenses for 2017 amounting 6,445,506 thousand denars have increased 9% compared to last years' 5,913,845 thousand denars.

The largest portion in the total expenses belongs to Raw and other materials, 34%. 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	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Total revenues	7,268,793	100	6,691,889	100	109
Domestic market	2,654,758	37	2,509,795	38	106
Foreign market	4,277,418	59	3,908,786	58	109
Other operating income	323,338	4	272,583	4	119
Finance income	13,279	-	725	-	1,832
Total expenses	-6,445,506	89	-5,913,845	88	109
Inventories	53,454	-	186,512	-	29
Raw materials	-2,194,210	30	-2,167,858	32	101
Cost of commodities	-853,429	12	-775,841	12	110
Services expenses	-417,719	6	-390,965	6	107
Gross salaries	-1,101,439	13	-998,026	15	110
Depreciation and amortization	-480,967	7	-421,743	6	114
Provision for impaired trade receivables	-1,314	-	-1,189	-	111
Other operating expenses	-1,435,102	20	-1,335,048	20	107
Finance cost	-14,780	-	-9,687	-	153
Profit before income tax	823,287	11	778,044	12	106
Income tax	-57,332	1	-73,774	1	78
Profit for the year	765,955	11	704,270	11	109

Profit before income tax for 2017 is 823,287 thousand denars, which compared to last years' 778,044 thousand denars has increased for 6%. The portion of profit before income tax in the total revenue in 2017 is 11%.

The calculated Income tax for 2017 is 57,332 thousand denars, which compared to last years' 73,774 thousand denars has decreased for 22%.

Profit for the year 2017 is 765,955 thousand denars, which compared to last years' 704,270 thousand denars has increased for 9%. The portion of net income in the total revenue in 2017 is 11%.

Income statement - expenses by function

Income statement	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Sales	6,932,176	95	6,418,581	96	108
Cost of sales	-4,207,768	-58	-3,785,049	-57	111
Gross profit	2,724,408	37	2,633,532	39	103
Research and development expenses	-76,421	-1	-71,498	-1	107
Selling and marketing expenses	-1,632,818	-22	-1,524,521	-23	107
Administrative expenses	-356,110	-5	-385,509	-6	92
Provisions for liabilities and charges	-2,438	-	-1,091	-	223
Other income	323,338	4	272,583	4	119
Other expenses	-155,171	-2	-136,490	-2	114
Operating profit	824,788	11	787,006	12	105
Net foreign exchange transaction (losses) / gains	10,607	-	-1,207	-	-879
Net interest	-12,108	-	-7,755	-	156
Profit before income tax	823,287	11	778,044	12	106
Income tax	-57,332	-1	-73,774	-1	78
Profit for the year	765,955	11	704,270	11	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 58% belongs to Cost of sales, which have increased for 11%.

Selling and marketing expenses have a portion of 22% in total revenues. Compared to last year Selling and marketing expenses have increased for 7%.

Administrative expenses have a portion in total revenues of 5% and have decreased for 8% compared to last year.

Balance sheet

	(In 000 MKD)				
	2017		2016		IND
	Amount	%	Amount	%	17/16
Assets					
Non-current assets					
Property, plant and equipment	4,212,549	40	3,979,777	40	106
Intangibles	1,452,689	14	1,335,395	13	109
Investments in subsidiaries and associates	374,691	4	373,149	1	100
Available-for-sale financial assets	5,110	-	4,649	-	110
Other non-current receivables	80,296	1	7,991	-	1,005
Deferred tax assets	17,817	-	17,817	-	100
Total non-currents assets:	6,143,152	58	5,718,778	57	107
Current assets					
Inventories	2,049,857	19	1,954,086	20	105
Trade receivables	2,079,731	20	2,065,705	21	101
Other receivables	211,020	2	173,083	2	122
Cash and cash equivalents	77,220	1	76,047	1	102
Total current assets:	4,417,828	42	4,268,921	43	103
Total assets:	10,560,980	100	9,987,699	100	106
Equity and liabilities					
Equity					
Share capital	2,197,095	21	2,197,095	22	100
Legal reserves	596,146	6	596,146	6	100
Other reserves	1,122,110	11	1,121,649	11	100
Retained earnings	4,776,836	45	4,365,329	44	109
Total equity:	8,692,187	82	8,280,219	83	105
Liabilities					
Current liabilities					
Trade and other payables	1,364,578	13	1,353,765	14	101
Current borrowings	200,078	2	288,054	3	69
Income taxes	6,345	-	13,130	-	48
Total current liabilities:	1,571,001	15	1,654,949	17	95
Non-current liabilities					
Non-current borrowings	268,624	3	25,802	-	1,041
Deferred tax liabilities	-	-	-	-	-
Non-current provisions	29,168	-	26,729	-	109
Total non-current liabilities:	297,792	3	52,531	1	567
Total liabilities:	1,868,793	18	1,707,480	17	109
Total equity and liabilities:	10,560,980	100	9,987,699	100	106

Performance indicators

Indicators	(In %)		
	2017	2016	IND 17/16
Revenue / expense ratio	112.77	113.16	100
Net profit margin	10.54	10.52	100
EBITDA (%)	18.84	18.83	100
Current ratio	2.81	2.58	109
Net debt to equity ratio	0.05	0.04	142
Return of equity	8.81	8.51	104
Return of assets	7.25	7.05	103

Number of employees on 31 December

Segment	2017		2016		IND 17/16
	%	%	%	%	
Pharmacy	754	53	698	51	108
Chemistry Cosmetics Botanicals	199	14	193	14	103
Corporate unit	477	33	468	34	102
Total:	1,430	100	1,359	100	105

The total number of employees on 31 December 2017 is 1,430, which compared to 2016 is an increase of 5%.

Alkaloid AD Skopje