

**BOSNALIJEK D.D. SARAJEVO**

Financial statements for the year  
ended 31 December 2016 and  
Independent Auditor's report

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## Responsibility for the financial statements

The Management is responsible for preparation of the accounting statements for each financial period in accordance with the statutory financial reporting framework in Federation of Bosnia and Herzegovina, which give a true and fair view of the state of affairs and results of Bosnalijek d.d. Sarajevo (the "Company") for that period.

After making enquiries, the Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, Management continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The Management must also ensure that the financial statements comply with the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management

  
Nedim Uzunović, Director

Bosnalijek d.d.  
Jukićeva 53  
71 000 Sarajevo  
Bosna i Hercegovina



10 April 2017

## Independent Auditor's Report

### To the Shareholders of Bosnalijek d.d. Sarajevo:

We have audited the accompanying financial statements of Bosnalijek d.d. Sarajevo (the "Company"), set out on pages 3 to 35, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other 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 notes to the financial statements.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the statutory financial reporting framework in Federation of Bosnia and Herzegovina, and for such internal controls 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 the Law on Accounting and Auditing, and standards on auditing applicable in Federation of Bosnia and Herzegovina. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the Company'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 Company's internal controls. 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 opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and the results of its performance and its cash flows for the year then ended, in accordance with the statutory financial reporting framework in Federation of Bosnia and Herzegovina.

#### **Deloitte d.o.o.**

Sead Bahtanović, director and licensed auditor

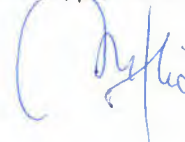


Sarajevo, Bosnia and Herzegovina

10 April 2017



Sabina Softić, partner and licensed auditor



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Bosnalijek d.d. Sarajevo

Statement of profit and loss and other comprehensive income  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Note	2016	2015
Sales	5	136,164	126,667
Selling, administrative and general expenses	6	(112,220)	(107,391)
Other operating income	7	1,369	721
Other operating expenses	8	(12,983)	(7,208)
Financial income		176	179
Financial expenses	9	(1,140)	(1,696)
Foreign exchange differences, net		460	(116)
<b>Profit before tax</b>		<b>11,826</b>	<b>11,156</b>
Income tax expense	10	(2,350)	-
<b>NET PROFIT</b>		<b>9,476</b>	<b>11,156</b>
<i>Other comprehensive income</i>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>9,476</b>	<b>11,156</b>
<b>Basic earnings per share (in KM)</b>	11	<b>1.22</b>	<b>1.44</b>

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

Bosnalijek d.d. Sarajevo

Statement of financial position  
as of 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	92,048	98,377
Intangible assets	13	19,405	8,173
Financial assets available-for-sale		835	301
Deposits	14	2,089	2,148
		<b>114,377</b>	<b>108,999</b>
<b>Current assets</b>			
Given loans	15	9,009	-
Deferred tax assets	10	867	-
Inventories	16	21,205	20,307
Trade and other receivables	17	70,520	57,883
Other assets	18	1,456	1,483
Prepaid income tax		-	1,400
Cash and cash equivalents	19	10,547	21,685
		<b>113,604</b>	<b>102,758</b>
<b>TOTAL ASSETS</b>		<b>227,981</b>	<b>211,757</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity and reserves</b>			
Share capital	20	78,300	78,300
Own shares		(991)	(829)
Share premium		6,548	6,608
Statutory reserves		45,821	45,821
Retained earnings		23,181	16,043
		<b>152,859</b>	<b>145,943</b>
<b>Non-current liabilities</b>			
Borrowings	21	4,816	8,138
Financial lease liabilities	22	253	252
Provisions	25	16,912	14,875
		<b>21,981</b>	<b>23,265</b>
<b>Current liabilities</b>			
Financial lease liabilities	22	280	225
Trade and other payables	23	22,598	19,420
Borrowings	21	16,303	19,839
Income tax liability		1,677	-
Accrued expenses	24	11,285	2,915
Provisions	25	998	150
		<b>53,141</b>	<b>42,549</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>227,981</b>	<b>211,757</b>

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

Signed on behalf of the Company on 10 April 2017:



Nedim Uzunović  
Director




Adnan Hadžić  
Acting Executive Director for Finance

Bosnalijek d.d. Sarajevo

Statement of changes in equity  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

	Share Capital	Treasury shares	Share premium	Statutory reserves	Retained earnings	Total
<b>Balance as at 31 December 2014</b>	<b>78,300</b>	<b>(758)</b>	<b>6,608</b>	<b>45,821</b>	<b>(7,148)</b>	<b>127,018</b>
Net profit	-	-	-	-	11,156	11,156
Other comprehensive income	-	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	-	11,156	11,156
Treasury shares	-	(71)	-	-	71	-
Published dividends	-	-	-	-	(2,332)	(2,332)
<b>Balance as at 31 December 2015</b>	<b>78,300</b>	<b>(829)</b>	<b>6,608</b>	<b>45,821</b>	<b>16,043</b>	<b>145,943</b>
Net profit	-	-	-	-	9,476	9,476
Other comprehensive income	-	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	-	9,476	9,476
Treasury shares	-	(162)	(60)	-	222	-
Published dividends	-	-	-	-	(2,560)	(2,560)
<b>Balance as at 31 December 2016</b>	<b>78,300</b>	<b>(991)</b>	<b>6,548</b>	<b>45,821</b>	<b>23,181</b>	<b>152,859</b>

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

Bosnalijek d.d. Sarajevo  
Statement of cash flows  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

	2016	2015
<b>Operating activities</b>		
<b>Profit before taxation</b>	<b>11,826</b>	<b>11,156</b>
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	8,066	8,026
Amortization of intangible assets	857	820
(Gain) / loss from disposal of property, plant and equipment, net	(178)	368
Loss from disposal of intangible assets, net	-	264
Increase of impairment losses of trade receivables, other receivables and given loans, net	-	1,122
Impairment of fixed assets	874	563
Impairment of spare parts inventories	246	700
Write-off of obsolete and unused raw materials	158	146
Write-off of work in progress and finished products	647	672
Write-off of merchandise goods	1	15
Surplus of finished products, net	-	(2)
Increase in provisions	3,109	991
Increase / (release) of accrued expenses	8,370	(105)
Interest income recognized in the statement of profit or loss and other comprehensive income	(176)	(179)
Interest expenses recognized in the statement of profit or loss and other comprehensive income	1,140	1,696
<i>Operating cash flows before changes in assets and liabilities:</i>	<i>34,940</i>	<i>26,253</i>
Increase in inventories	(1,950)	(1,391)
(Increase) / decrease in trade and other receivables	(12,637)	12,376
Decrease / (increase) in other assets	27	(242)
Increase in trade and other payables	6,425	2,987
<i>Cash flows from operating activities</i>	<i>26,805</i>	<i>39,983</i>
Interest paid	(1,173)	(1,587)
<b>Net cash generated in operating activities</b>	<b>25,632</b>	<b>38,396</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(6,446)	(7,713)
Purchase of intangible assets	(12,103)	(4,672)
Proceeds from property, plant and equipment sold	416	6
Given loans	(9,000)	-
Investments in financial assets available-for-sale	(534)	(185)
Decrease / (increase) in deposits	59	(83)
Interest received	167	179
<b>Net cash used in investing activities</b>	<b>(27,441)</b>	<b>(12,448)</b>
<b>Financing activities</b>		
Dividend paid	(2,560)	(2,332)
Increase / (repayment of) finance lease arrangements	56	(1,320)
Repayments of long-term borrowings, net	(3,322)	(5,901)
(Repayment of) / proceeds from short-term borrowings, net	(3,503)	1,587
<b>Net cash used in financing activities</b>	<b>(9,329)</b>	<b>(7,966)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(11,138)</b>	<b>17,942</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>21,685</b>	<b>3,743</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10,547</b>	<b>21,685</b>

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



# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

*(All amounts are expressed in thousands of KM, unless otherwise stated)*

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### 1. GENERAL

Bosnalijek d.d. (the "Company") is a joint-stock company incorporated in the Federation of Bosnia and Herzegovina with the registered address Jukićeva 53, 71 000 Sarajevo. The Company is primarily engaged in the production and wholesale trade of pharmaceuticals, veterinary medicine products, disinfectants and similar products.

As of 31 December 2016, the Company had 681 employees (31 December 2015: 674 employees).

#### Management

##### **Supervisory board**

Edin Dizdar	Chairman since 22 December 2016; member until 21 December 2016
Konstantin Zevlov	Chairman until 21 December 2016; member since 22 December 2016
Vedad Tuzović	Member
Bernadin Alagić	Member
Mirna Sijerčić	Member

##### **Management Board**

Nedim Uzunović	Director
Hadžić Adnan	Acting Executive director for finance
Kešo Admir	Acting Executive director for marketing and sales
Razija Peco	Acting Executive director for administration since 4 March 2016
Mirela Spahić	Acting Executive director for operations since 4 March 2016
Nermin Zubčević	Executive director for quality and regulations until 3 March 2016
Belma Abazović	Executive director for production and development until 3 March 2016
Milan Lazarević *	Acting Executive director for operations until 3 March 2016

\* Member of Management Board not registered within the court register

##### **Audit committee**

Haris Jahić	Chairman since 23 June 2016
Belma Ahmagić	Member since 23 June 2016
Adnan Smajlović	Chairman until 22 June 2016
Džahid Huseinbegović	Member until 22 June 2016
Hadis Šuvalija	Member until 22 June 2016

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

*(All amounts are expressed in thousands of KM, unless otherwise stated)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The financial statements have been prepared in accordance with the statutory financial reporting framework in Federation of Bosnia and Herzegovina.

The statutory financial reporting framework includes the Law on Accounting and Auditing in FBiH ("Official Gazette of FBiH", no. 83/09) and the accounting standards applicable in FBiH, as published by the Association of Accountants, Auditors and Financial Workers in FBiH (based on the authorization of the Accounting and Auditing Committee of BiH, no. 5/07), which are applicable to the financial statements for the year ended 31 December 2016.

#### Going concern

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

#### Basis for presentation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date; indicators of fair value are those derived from quoted prices on active markets;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Convertible marks since that are the functional currency of the Company. The Convertible mark (KM) is officially tied to the Euro (EUR 1 = KM 1.95583).

The preparation of financial statements in conformity with the statutory financial reporting framework in FBiH requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed further in the Note 3.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Revenue recognition**

Revenue is measured at fair value of fee received or fee receivable. Revenue is reduced for estimated return from customers and rebates.

Sales of finished products and merchandise goods are recognised when they are delivered and title has passed. Sales of services are recognized net of sales taxes and discounts when the services have been provided.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of profit or loss and other comprehensive income in the period when they incurred.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Company as lessee***

Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss and other comprehensive income in the period to which they relate.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

### **Foreign currencies**

Transactions in currencies other than Convertible Marks are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the reporting period date due to official exchange rate of Central Bank of Bosnia and Herzegovina. Profits and losses arising on exchange are included in the statement of profit or loss and other comprehensive income for the period when they incur.

### **Employee benefits**

On behalf of its employees, the Company pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Company pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina, on federal and cantonal level. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recorded in the statement of profit or loss and other comprehensive income in the period in which the salary expense is incurred.

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

*(All amounts are expressed in thousands of KM, unless otherwise stated)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Employee benefits (continued)

##### *Retirement severance payments*

According to the local legislation and internal rulebook, the Company makes retirement severance payments in the amount of at least four average employee's salary or four average salaries in Federation of Bosnia and Herzegovina in the period preceding the date of retirement, according to the latest data published by the Federal Bureau of Statistics, depending on what is more favourable to the employee. The Company has no other plans related to payments to employees or Management after the date of retirement in Bosnia and Herzegovina.

The Company records the costs of retirement severance payment when they are due.

##### **Agreements on share-based payment**

The Company grants shares to employees in accordance with local regulations. The fair value of commitments to employees in relation to the assigned shares that will be settled in cash is recognized as an employee expense with increasing obligations during the period when the employee is unconditionally entitled to the dividend payment. The obligation is reviewed again at the date of the reporting period and the date of execution. Changes in the fair value of liabilities are recognized as an expense in the statement of profit or loss and other comprehensive income.

##### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current income tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

##### *Deferred income tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

Depreciation is charged from the moment the fixed asset is ready for its intended use. It is calculated in the basis of the estimated useful life of the asset, using the straight-line method as follows:

	The estimated useful lives	Rate
Buildings	7 to 33 years	3% - 14.3%
Property, plant and software	3 to 15 years	6.7% - 33.3%

Based on the revised estimate of useful lives of certain production and other equipment, the Management increased their useful lives from 5 years to 6 years and 8 months, thus depreciation rates for that equipment are lower since 1 January 2016. Had there been no change in estimated useful lives, net result of the Company would be lower for KM 939 thousand.

Gains or losses on the retirement or disposal of property, plant and equipment are included in the statement of profit or loss and other comprehensive income in the period they occur.

### Impairment

At each reporting period date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. If it is not possible to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash-generating unit which the asset belongs to.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

*(All amounts are expressed in thousands of KM, unless otherwise stated)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Intangible assets

Intangible assets with definite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is measured on a straight-line basis over the estimated useful lives. The estimated useful lives and depreciation method are reviewed at the end of each reporting period.

The calculation of depreciation is used following useful lives:

Capitalised development	5 years
Patents	5 years
Trademarks	5 years
Licenses	5 years

Gains and losses on the disposal of intangible assets are included in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

#### Cash and cash equivalents

Cash and cash equivalents encompass demand deposits and short-term deposits with maturity dates up to three months.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are released only for such expenditure in respect of which provisions are recognized at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss and other comprehensive income.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Financial instruments (continued)**

#### **a) Financial assets**

Financial assets are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS), 'held-to-maturity, and 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### ***Effective interest rate method***

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial instruments that are "loans and receivables" recognize income based on effective interest rate.

#### ***Available-for-sale financial assets***

Unlisted shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of financial assets available for sale denominated in a foreign currency is determined in that foreign currency and translated at the spot rate on the date of the reporting period. Change in fair value attributable to changes in exchange rates, and which result from a change in amortized cost of the asset is recognized in the statement of profit or loss and other comprehensive income, while other changes are recognized in equity.

#### ***Loans and receivables***

Loans, trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Financial instruments (continued)**

#### **a) Financial assets (continued)**

##### ***Impairment of financial assets (continued)***

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss and other comprehensive income.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of profit or loss and other comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

##### ***Derecognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognise the financial asset.

#### **b) Financial liabilities and equity instruments issued by the Company**

##### ***The classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.



## Bosnalijek d.d. Sarajevo

### Notes to the financial statements for the year ended 31 December 2016

*(All amounts are expressed in thousands of KM, unless otherwise stated)*

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### b) Financial liabilities and equity instruments issued by the Company (continued)

##### Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities". Currently, the Company has no financial liabilities at FVTPL

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

##### Equity and reserves

##### **Share capital**

Share capital represents the nominal value of paid-in ordinary shares and is expressed in KM.

##### **Treasury shares**

When a company buys its shares, paid amount is deducted from total shareholders' equity as treasury shares until they are cancelled. When these shares are subsequently sold or reissued, any received fee, transaction costs in net, are included in the issued share capital.

##### **Statutory reserves**

Reserves are formed allocating at least 10% of the profit, as reported in the annual report, until they reach a minimum amount of 25% of the share capital of the Company.

##### **Earnings per share**

The Company publishes basic and diluted earnings per share.

Basic earnings per share is calculated by dividing the profit or loss for the current period intended to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

### **3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 2, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### ***Useful lives of property, plant and equipment, and intangible assets***

As described at Note 2 above, the Company reviews the estimated useful lives of property, plant and equipment, and intangible assets at the end of each annual reporting period.

#### ***Court proceedings provisions***

The amount recognized as a provision for court proceedings is the best estimate of the consideration required to settle the present obligation at the balance sheet date, when the probability that the settlement will occur is greater than that it will not.

#### ***Impairment of trade and other receivables***

The Management recognizes impairment for doubtful accounts based on estimated losses resulting from the inability of our customers to make required payments. The Company's management bases their estimate on the aging of account receivables balance and historical write-off experience when evaluating the adequacy of the impairment loss for doubtful accounts.

#### ***Severance payment***

The present value of liabilities for severance payment depends on many factors determined on an actuarial basis using numerous assumptions. Changes in these assumptions could impact the carrying amount of liabilities.

Assumptions used in determining the net amount of expense for severance payment include discount rate. The Company determines the appropriate discount rate at the end of each year (2016: 5.105% and 2015: 4.624%), which represents the interest rate that should be applied when determining the present value of expected future cash payments that are expected to be needed in order to settle liabilities for pensions. In determining the appropriate discount rate, the Company takes into consideration interest rates for long term bank deposits. Other key assumptions for retirement benefits are partly based on existing market conditions.

#### ***Revenue recognition***

The Company has made provision for financial and other rebates. These provisions are based on the analyses of the contractual obligations, historical trade and management experience. Management is of the opinion that the provision for financial and other rebates is adequate based on the available information.

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### Key sources of estimation uncertainty (continued)

##### *Impairment of spare parts inventories*

The Management of the Company has recognised impairment of spare parts inventories based on their usability and aging structure of inventories. The Company impaired spare parts at the following rates:

- 25% for spare parts without movements for over 2 years,
- 50% for spare parts without movements for over 3 years,
- 75% for spare parts without movements for over 4 years,
- 100% for spare parts without movements for over 5 years.

### 4. SEGMENT INFORMATION

The Company operates in four principal geographic areas:

- Bosnia and Herzegovina
- South-eastern Europe Region
- Eastern Europe and Russia
- Middle East and Africa

For management purposes, the Company is currently organised into the abovementioned principal geographical areas, and these areas are the basis on which the Company reports its primary segment information.

The Company's revenue from external customers and inter-segment revenues, as well as balance sheets by the geographical location which represent the reportable segments are detailed below:

#### Revenues for the year ended 31 December 2016 per segment

	Bosnia and Herzegovina	South-eastern Europe Region	Eastern Europe and Russia	Middle East and Africa	Total
Total revenue	45,513	13,489	79,958	204	136,164
	<b>45,513</b>	<b>13,489</b>	<b>79,958</b>	<b>204</b>	<b>136,164</b>

#### Statement of financial position as of 31 December 2016 per segment

	Bosnia and Herzegovina	South-eastern Europe Region	Eastern Europe and Russia	Middle East and Africa	Total
Non-current assets	113,091	977	309	-	114,377
Current assets	61,530	45,955	5,549	570	113,604
<b>Total assets</b>	<b>174,621</b>	<b>46,932</b>	<b>5,858</b>	<b>570</b>	<b>227,981</b>
<b>Total liabilities</b>	<b>75,096</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>75,122</b>
<b>Net assets per segment</b>	<b>99,525</b>	<b>46,906</b>	<b>5,858</b>	<b>570</b>	<b>152,859</b>

#### Revenues for the year ended 31 December 2015 per segment

	Bosnia and Herzegovina	South-eastern Europe Region	East Europe and Russia	Middle East and Africa	Total
Total revenue	42,721	12,317	71,629	-	126,667
	<b>42,721</b>	<b>12,317</b>	<b>71,629</b>	<b>-</b>	<b>126,667</b>

Bosnalijek d.d. Sarajevo

Notes to the financial statements  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

Statement of financial position as of 31 December 2015 per segment

	Bosnia and Herzegovina	South-eastern Europe Region	East Europe and Russia	Middle East and Africa	Total
Non-current assets	107,737	893	369	-	108,999
Current assets	47,677	25,021	29,890	170	102,758
<b>Total assets</b>	<b>155,414</b>	<b>25,914</b>	<b>30,259</b>	<b>170</b>	<b>211,757</b>
<b>Total liabilities</b>	<b>65,759</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>65,814</b>
<b>Segment net assets</b>	<b>89,655</b>	<b>25,859</b>	<b>30,259</b>	<b>170</b>	<b>145,943</b>

5. SALES

	2016	2015
Foreign sales	92,651	79,292
Domestic sales	41,363	42,748
Income from release of accrued rebates to customers	2,137	4,622
Services rendered	13	5
	<b>136,164</b>	<b>126,667</b>

6. SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2016	2015
Employee expenses	35,777	32,972
Material used	22,792	22,489
Marketing	15,626	14,814
Depreciation (Notes 12 and 13)	8,923	8,846
Professional and other services	7,757	9,208
Merchandise	7,588	8,975
Energy	2,172	2,658
Transport	1,659	1,270
Maintenance	1,653	1,892
Rent	1,192	954
Travel expenses	1,179	1,009
Insurance	883	814
Education	829	921
Registration and drug control	609	273
Telephone costs	458	467
Bank services	343	332
Utilities	247	219
Change in WIP and finished goods	716	(2,587)
Other expenses	1,817	1,865
	<b>112,220</b>	<b>107,391</b>

**Bosnalijek d.d. Sarajevo****Notes to the financial statements  
for the year ended 31 December 2016***(All amounts are expressed in thousands of KM, unless otherwise stated)***7. OTHER OPERATING INCOME**

	<b>2016</b>	<b>2015</b>
Collected previously impaired receivables (Note 17)	422	-
Proceeds from sales of property, plant and equipment, net	178	-
Surplus of finished products	-	2
Release of accrued expenses	-	105
Other income	769	614
	<b>1,369</b>	<b>721</b>

**8. OTHER OPERATING EXPENSES**

	<b>2016</b>	<b>2015</b>
Accrued expenses	7,191	-
Provisions for court proceedings, net (Note 25)	1,513	757
Impairment of property, plant and equipment (Note 12)	874	563
Provision for unused vacation days, net (Note 25)	849	-
Write-off of production in progress and finished goods	647	672
Provisions for penalties and fines (Note 25)	483	-
Donations and sponsorships	329	349
Impairment of spare parts inventories, net	246	700
Provisions for retirement severance payments, net (Note 25)	200	222
Written-off raw materials	158	146
Provisions for repurchase of shares, net (Note 25)	64	12
Written-off merchandise inventories	1	15
Loss on disposal of tangible and intangible assets, net	-	632
Impairment of trade receivables, net (Note 17)	-	1,122
Other expenses	428	2,018
	<b>12,983</b>	<b>7,208</b>

**9. FINANCIAL EXPENSES**

	<b>2016</b>	<b>2015</b>
Interest on borrowings	964	1,519
Interest on finance leases	18	64
Other interest expenses	158	113
	<b>1,140</b>	<b>1,696</b>

**10. INCOME TAX EXPENSE**

	<b>31 December 2016</b>	<b>31 December 2015</b>
Current income tax	3,217	-
Deferred income tax	(867)	-
	<b>2,350</b>	<b>-</b>

**Bosnalijek d.d. Sarajevo****Notes to the financial statements  
for the year ended 31 December 2016***(All amounts are expressed in thousands of KM, unless otherwise stated)***10. INCOME TAX EXPENSE (CONTINUED)**

	<b>2016</b>	<b>2015</b>
<b>Profit before tax</b>	<b>11,826</b>	<b>11,156</b>
Income tax at the rate of 10%	1,183	1,116
Effect of tax non-deductible expenses	2,034	564
Income tax relief based on the exports	-	(1,680)
<b>Current income tax</b>	<b>3,217</b>	<b>-</b>
<b>Effective income tax rate for the year (%)</b>	<b>27%</b>	<b>-</b>

Since the Company realized more than 30% of total revenues on the basis of export of goods, in accordance with the old Corporate Income Tax Act in the Federation of Bosnia and Herzegovina, valid for the year ended 31 December 2015, it was exempt from the payment of the income tax.

Movement in deferred tax assets can be presented as follows:

	<b>2016</b>	<b>2015</b>
<b>Balance at the beginning of the year</b>	-	-
Increase for deferred income	867	-
<b>Balance at the end of the year</b>	<b>867</b>	<b>-</b>

**11. BASIC EARNINGS PER SHARE**

	<b>2016</b>	<b>2015</b>
Net profit (in KM)	9,475,585	11,155,865
Weighted average number of ordinary shares for the purposes of earnings per share calculation	7,779,215	7,770,600
<b>Basic earnings per share (in KM)</b>	<b>1.22</b>	<b>1.44</b>

Bosnalijek d.d. Sarajevo

Notes to the financial statements  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

**12. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Plant and equipment	Assets in progress	Advances	Total
<b>COST</b>					
<b>As at 31 December 2014</b>	<b>77,001</b>	<b>81,723</b>	<b>33,537</b>	<b>2,292</b>	<b>194,553</b>
Additions	-	-	5,122	2,591	7,713
Disposals	-	(1,136)	-	-	(1,136)
Impairment allowances (Note 8)	-	(111)	(452)	-	(563)
Transfers (from) / to	12,540	6,938	(19,478)	-	-
Realised advances	-	-	-	(2,636)	(2,636)
<b>At 31 December 2015</b>	<b>89,541</b>	<b>87,414</b>	<b>18,729</b>	<b>2,247</b>	<b>197,931</b>
Additions	-	-	2,868	3,578	6,446
Disposals	(14)	(2,998)	-	-	(3,012)
Impairment allowances (Note 8)	-	-	(874)	-	(874)
Transfers (from) / to	183	1,611	(1,794)	-	-
Realised advances	-	-	-	(3,713)	(3,713)
<b>At 31 December 2016</b>	<b>89,710</b>	<b>86,027</b>	<b>18,929</b>	<b>2,112</b>	<b>196,778</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 31 December 2014</b>	<b>40,655</b>	<b>51,635</b>	-	-	<b>92,290</b>
Depreciation charge for the year (Note 6)	2,699	5,327	-	-	8,026
Disposals	-	(762)	-	-	(762)
<b>At 31 December 2015</b>	<b>43,454</b>	<b>56,200</b>	-	-	<b>99,554</b>
Depreciation charge for the year (Note 6)	2,926	5,140	-	-	8,066
Disposals	(14)	(2,876)	-	-	(2,890)
<b>At 31 December 2016</b>	<b>46,266</b>	<b>58,464</b>	-	-	<b>104,730</b>
<b>NET BOOK VALUE</b>					
<b>At 31 December 2016</b>	<b>43,444</b>	<b>27,563</b>	<b>18,929</b>	<b>2,112</b>	<b>92,048</b>
<b>At 31 December 2015</b>	<b>46,187</b>	<b>31,214</b>	<b>18,729</b>	<b>2,247</b>	<b>98,377</b>

There are assets held under finance leases with a net book value of KM 374 thousand (2015: KM 8,181 thousand) that are included in machinery and equipment (Note 22).

The Company has pledged land, buildings, machinery and equipment with a carrying amount of approximately KM 34,862 thousand (2015: KM 29,439 thousand) to secure borrowings (Note 21).

Bosnalijek d.d. Sarajevo

Notes to the financial statements  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

13. INTANGIBLE ASSETS

	Licences	Software	Drug registration	Leasehold improvements	Investments in progress	Total
<b>COST</b>						
<b>At 31 December 2014</b>	<b>8,011</b>	<b>3,575</b>	<b>634</b>	-	<b>1,565</b>	<b>13,786</b>
Additions	-	-	-	-	4,692	4,692
Disposals	(601)	(319)	(12)	-	(16)	(948)
Transfers (from) / to	177	45	275	-	(497)	-
<b>At 31 December 2015</b>	<b>7,587</b>	<b>3,302</b>	<b>897</b>	-	<b>5,744</b>	<b>17,530</b>
Additions	-	-	-	-	12,103	12,103
Disposals	(89)	(14)	(34)	-	-	(137)
Transfers (from) / to	820	204	309	52	(1,385)	-
<b>At 31 December 2016</b>	<b>8,318</b>	<b>3,492</b>	<b>1,172</b>	<b>52</b>	<b>16,462</b>	<b>29,496</b>
<b>ACCUMULATED AMORTIZATION</b>						
<b>At 31 December 2014</b>	<b>6,163</b>	<b>2,794</b>	<b>265</b>	-	-	<b>9,222</b>
Depreciation charge for the year (Note 6)	396	265	159	-	-	820
Disposals	(478)	(200)	(7)	-	-	(685)
<b>At 31 December 2015</b>	<b>6,149</b>	<b>2,858</b>	<b>350</b>	-	-	<b>9,357</b>
Depreciation charge for the year (Note 6)	436	237	176	8	-	857
Disposals	(89)	(3)	(31)	-	-	(123)
<b>At 31 December 2016</b>	<b>6,496</b>	<b>3,093</b>	<b>494</b>	<b>8</b>	-	<b>10,091</b>
<b>NET BOOK VALUE</b>						
<b>At 31 December 2016</b>	<b>1,822</b>	<b>399</b>	<b>678</b>	<b>44</b>	<b>16,462</b>	<b>19,405</b>
<b>At 31 December 2015</b>	<b>1,438</b>	<b>444</b>	<b>547</b>	-	<b>5,744</b>	<b>8,173</b>

14. LONG – TERM DEPOSITS

	31 December 2016	31 December 2015
Sparkasse Bank d.d. BiH (specific deposit given as a security for the repayment of a long-term loan; matures on 20 August 2017)	1,600	1,600
Intesa SanPaolo Banka d.d. BiH (specific deposit given as a security for the repayment of loans that bank approved to employees; matures on 31 December 2030)	600	600
Reduction to amortised cost	(177)	(149)
	<b>2,023</b>	<b>2,051</b>
Other deposits	66	97
	<b>2,089</b>	<b>2,148</b>

Annual interest rates on long term deposits were within the range 0.5% - 2.7%



# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 15. GIVEN LOANS

Given loans are related to short-term loans to unrelated legal entities, with maturities from 3 to 8 months and annual interest rate of 3.5%, which are secured by bills of exchange. There were no movements in impairment of given loans for the year ended 31 December 2016 and 2015.

### 16. INVENTORIES

	31 December 2016	31 December 2015
Raw materials and materials	11,496	9,620
Finished products	6,710	8,577
Merchandise	1,995	1,269
Work-in-progress	1,004	841
	<u>21,205</u>	<u>20,307</u>

### 17. TRADE AND OTHER RECEIVABLES

	31 December 2016	31 December 2015
<b>Trade receivables:</b>		
Trade receivables, domestic	19,071	22,484
Trade receivables, abroad	12,767	15,613
Bad and doubtful trade receivables	12,799	13,213
Less: allowance for impairment of trade receivables	<u>(12,799)</u>	<u>(13,213)</u>
	<b>31,838</b>	<b>38,097</b>
<b>Other receivables:</b>		
Receivables on factoring arrangement	32,925	19,559
Receivables on cession	5,769	255
Receivables from state	221	152
Receivables from employees	23	19
VAT receivables	-	49
Other	-	7
Less: allowance for impairment of other receivables	<u>(255)</u>	<u>(255)</u>
	<b>38,982</b>	<b>19,786</b>
	<u><b>70,520</b></u>	<u><b>57,883</b></u>

The average credit period on sales of goods is 94 days (2015: 160 days). As at 31 December 2016, out of the total balance of trade receivables, the amount of KM 8,925 thousand relates to trade receivables from Phoenix Pharma d.o.o. Srbija, currently the largest buyer (as at 31 December 2015: out of the total balance of trade receivables the amount of KM 9,779 thousand relates to trade receivables from Grama LLC Russia).

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impairment of trade and other receivables were as follows:

	2016	2015
<b>Balance at the beginning of the year</b>	<b>13,213</b>	<b>12,091</b>
Impairment losses on trade receivables (Note 8)	-	1,122
Amounts recovered during the year (Note 7)	(422)	-
Amounts written off as uncollectable	8	-
<b>Balance at the end of the year</b>	<b>12,799</b>	<b>13,213</b>

There were no movements in impairment of other receivables. Management of the Company believes that no additional impairment allowance should be made.

Aging of overdue unimpaired trade receivables was as follows:

	31 December 2016	31 December 2015
0 – 15 days	27,324	31,507
15 – 30 days	3,772	1,675
31 – 90 days	292	1,019
91 - 180 days	183	1,858
181 – 360 days	267	2,038
Over 360 days	-	-
	<b>31,838</b>	<b>38,097</b>

### 18. OTHER ASSETS

	31 December 2016	31 December 2015
Advances given	1,095	885
Prepaid expenses	361	598
	<b>1,456</b>	<b>1,483</b>

### 19. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash at bank accounts, foreign currencies	6,206	11,515
Cash at bank accounts, KM	4,301	9,915
Cash in hand	40	291
	<b>10,547</b>	<b>21,685</b>

## Bosnalijek d.d. Sarajevo

### Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

#### 20. SHARE CAPITAL

	31 December 2016	31 December 2015
7,829,987 common shares with nominal value of KM 10	78,300	78,300
	<b>78,300</b>	<b>78,300</b>
Less: Treasury shares	(991)	(829)
	<b>77,309</b>	<b>77,471</b>

The ownership structure as of 31 December 2016 and 2015 can be summarized as follows:

	% share	31 December 2016	% share	31 December 2015
Haden S.A, Luksemburg	29.95	23,451	29.95	23,451
KBC Euro Credit Capital, Malta	19.26	15,081	-	-
The Economic and Social Development Fund, Libya	8.78	6,875	8.78	6,875
Federation of Bosnia and Herzegovina	-	-	19.26	15,081
Others	42.01	32,893	42.01	32,893
	<b>100.00</b>	<b>78,300</b>	<b>100.00</b>	<b>78,300</b>

Based on Article 80 Paragraph (1) Point (o), in relation to Article 18 Paragraph (2) point (a), Paragraphs (3) and (4) of the Statute of Bosnalijek d.d. (no. 1376/16, dated 23 June 2016, hereinafter: Statute of the Company), and Article 130 Paragraph (1) Point (a), Articles 131 and 140 of the Companies Act ("Official Gazette of FBiH", no 81/15), the Supervisory Board of Bosnalijek d.d. Sarajevo adopted the Decision on issuance of 1,000,000 shares in a closed offering, for the purpose of ensuring funds required for Company's investments in 2017.

Based on the Decision no. 03/1-19-428/16 of the Securities Commission of Federation of Bosnia and Herzegovina, dated 20 January 2017, pursuant to the Law the Company informed its shareholders on participation in the issuance by the right of priority purchase to retain the same percent of ownership. The nominal value of the issuance is KM 10.00 by issuing 1,000,000 shares with selling – registering value of KM 12.00. The planned issuance period initially was from 23 January 2017 to 10 February 2017, however based on the Supervisory Board's decision, dated 8 February 2017, the period was extended till 20 February 2017.

On 25 February 2017, the total amount of KM 12 million was paid in. The Securities Commission of Federation of Bosnia and Herzegovina approved the registration of increase of Company's core capital based on share issuance on 22 February 2017, based on the Decision no. 03/2-19-46/17. The process of share issuance registration with the Securities Register of Federation of Bosnia and Herzegovina was completed on 28 February 2017. Since 1 March 2017, the shareholders with registered shares acquired through the recapitalization have been on the Shareholders list.

The changed ownership structure can be presented as follows:

	% share	31 December 2015
Haden S.A, Luksemburg	26.56	23,452
KBC Euro Credit Capital, Malta	24.23	21,395
The Economic and Social Development Fund, Libya	7.78	6,870
Others	41.43	36,583
	<b>100.00</b>	<b>88,300</b>

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 21. BORROWINGS

	31 December 2016	31 December 2015
<b>Long-term borrowings:</b>		
Intesa SanPaolo banka d.d. BiH (KM 11,700,000; matures on 1 December 2018)	4,667	7,021
UniCredit Bank d.d. Mostar (KM 11,700,000; matures on 1 December 2018)	4,630	6,982
Sparkasse Bank d.d. BiH (KM 1,170,000; matures on 16 March 2018)	979	-
	<u>10,276</u>	<u>14,003</u>
Less: Current portion of long-term loans	<u>(5,460)</u>	<u>(5,865)</u>
	<b>4,816</b>	<b>8,138</b>
<b>Short-term borrowings:</b>		
Intesa SanPaolo Banka d.d. BH (3 short-term revolving loans in amounts of KM 1,000,000; maturity date 27 March 2017)	3,002	-
UniCredit Banka d.d. Mostar (2 short-term revolving loans in amounts of KM1,000,000; maturity date 24 February 2017)	2,006	-
UniCredit Banka d.d. Mostar (short-term revolving loan in amount of KM1,000,000; maturity date 29 March 2017)	1,003	-
Intesa SanPaolo Banka d.d. BH (short-term revolving loan in amount of KM 1,000,000; maturity date 12 January 2017)	1,003	-
Intesa SanPaolo Banka d.d. BH (short-term revolving loan in amount of KM 1,000,000; maturity date 4 February 2017)	1,003	-
Intesa SanPaolo Banka d.d. BH (short-term revolving loan in amount of KM 1,000,000; maturity date 26 March 2017)	1,001	-
Intesa SanPaolo Banka d.d. BH (short-term revolving loan in amount of KM 1,000,000; maturity date 30 March 2017)	1,000	-
Sparkasse Bank d.d. BiH (KM 3,500,000; matures on 20 August 2017)	825	2,012
Intesa SanPaolo Banka d.d. BH (4 short-term revolving loans in amounts of KM 1,000,000; maturity date 15 March 2016)	-	4,012
UniCredit Bank d.d. Mostar (2 short-term revolving loans in amounts of KM 1,000,000; maturity date 2 March 2016)	-	2,005
Intesa SanPaolo Banka d.d. BH (2 short-term revolving loans in amounts of KM 1,000,000; maturity date 12 February 2016)	-	2,001
Intesa SanPaolo Banka d.d. BH (2 short-term revolving loans in amounts of KM 1,000,000; maturity date 13 February 2016)	-	2,000
UniCredit Bank d.d. Mostar (short-term revolving loan in the amount of KM 1,000,000; maturity date 18 February 2016)	-	1,000
Hypo Alpe Adria Bank d.d. Mostar (short-term revolving loan in the amount of KM 1,000,000; maturity date 1 August 2016)	-	673
Vakufska banka d.d. Sarajevo (short-term revolving loan in the amount of KM 260,000; maturity date 14 November 2016)	-	261
UniCredit Bank d.d. Mostar (short-term revolving loan in the amount of KM 10,000; maturity date 17 February 2016)	-	10
	<u>10,843</u>	<u>13,974</u>
Add: Current portion of long-term loans	<u>5,460</u>	<u>5,865</u>
	<b>16,303</b>	<b>19,839</b>
	<u>21,119</u>	<u>27,977</u>

Bosnalijek d.d. Sarajevo

Notes to the financial statements  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

**21. BORROWINGS (CONTINUED)**

Annual interest rates on long term borrowings were within the range 6M EURIBOR+4.80% - 6M EURIBOR+3.65%, and on short term loans interest rates were from 2.70% to 3.50%.

	<b>31 December 2016</b>	<b>31 December 2015</b>
Long-term loans are due for settlement as follows:		
- within one year	16,303	17,827
- in the second year	4,816	8,138
- in the third to fifth years inclusive	-	-
- after five years	-	-
	<b>21,119</b>	<b>16,049</b>

**22. FINANCE LEASE LIABILITIES**

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Financial lease liabilities:				
Up to one year	288	244	280	225
In the second to fifth years inclusive	271	252	253	252
	559	496	533	477
Less: future finance charges	(26)	(19)	-	-
Present value of finance lease liability	<b>533</b>	<b>477</b>	<b>533</b>	<b>477</b>
Disclosed in financial statements:				
- amounts due within 12 months	-	-	253	225
- amounts due after 12 months	-	-	280	252

The Company has 8 (2015: 14 arrangement) leasing arrangement for machines: automatic line for filling, closing and labelling of non-sterile liquid forms, and vehicles with a net book value of KM 374 thousand (2015: KM 8,181 thousand) – Note 12. The average term of finance leases entered into is 3 years.

The average effective interest rate contracted was 4.34% (2015: 5.03%). Interest rates are fixed as of the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in EUR.

The fair value of the Company's finance lease liabilities approximates their carrying amount.

The Company's finance lease liabilities are secured by the lessor's charge over the leased assets.

Bosnalijek d.d. Sarajevo

Notes to the financial statements  
for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

**23. TRADE AND OTHER PAYABLES**

	31 December 2016	31 December 2015
<b>Trade payables:</b>		
Trade payables – foreign	8,675	8,021
Trade payables – domestic	3,484	2,598
	<u>12,159</u>	<u>10,619</u>
<b>Other payables:</b>		
Employee payables	5,838	5,325
Payables to shareholders	4,355	3,268
Payables for VAT	35	-
Other payables	212	208
	<u>10,440</u>	<u>8,801</u>
	<u>22,599</u>	<u>19,420</u>

The average credit period towards suppliers is 65 days (2015 – 61 days). No interest is charged on the trade payables. The Company has given no collateral for timely repayment of liabilities.

**24. ACCRUED EXPENSES**

	31 December 2016	31 December 2015
Invoices not yet received	9,496	2,595
Other	1,789	320
	<u>11,285</u>	<u>2,915</u>

**25. PROVISIONS**

	Short-term		Long-term	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Unused vacations	849	-	-	-
Repurchase of employee shares	149	150	1,648	1,583
Fees and penalties	-	-	10,483	10,000
Court proceedings	-	-	4,017	2,509
Retirement severance payments	-	-	764	783
	<u>998</u>	<u>150</u>	<u>16,912</u>	<u>14,875</u>

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 25. PROVISIONS (CONTINUED)

Movement in provisions can be presented as follows:

	Employee share repurchase	Fines and penalties	Court proceedings	Retirement severance payments	Unused vacations	Total
<b>Balance at 31 December 2014</b>	<b>1,721</b>	<b>10,000</b>	<b>1,968</b>	<b>680</b>	<b>-</b>	<b>14,369</b>
Additional provision recognised (Note 8)	12	-	757	222	-	991
Reductions due to payments	-	-	(216)	(119)	-	(335)
<b>Balance at 31 December 2015</b>	<b>1,733</b>	<b>10,000</b>	<b>2,509</b>	<b>783</b>	<b>-</b>	<b>15,025</b>
Additional provision recognised (Note 8)	64	483	1,513	200	849	3,109
Reductions due to payments	-	-	(5)	(219)	-	(224)
<b>Balance at 31 December 2016</b>	<b>1,797</b>	<b>10,483</b>	<b>4,017</b>	<b>764</b>	<b>849</b>	<b>17,910</b>

#### Share based payments

As at 28 June 2008, the Shareholders' Assembly made decision to increase the share capital by issuing 233,731 shares to employees from the profits. At grant date, the fair value of shares amounted to KM 6,250 thousand at fair value of KM 26.74 per share. Own shares were issued to all employees employed permanently at the date of decision.

The Company is obliged to repurchase the employee shares if the following conditions are met: employees must remain employed for 6 years after the issue of shares and be employed at retirement date. Employees that meet these conditions can sell these shares per weighted average price in previous six months only to the Company. The same method of price calculation for repurchase is used for those employees that retire before the 6-year period.

Employees that terminate employments due to reorganization or restructuring before the 6-year period expires must sell shares only to the Company before the mentioned period expires. Employees that terminate employment due to breach of work obligations lose the right on shares and have to return them.

Above mentioned perio of 6 years has expired on 28 June 2014.

During 2016, the Company recognized expense in the amount of KM 64 thousand, net, and release of corresponding liability arising from share-based payments (2015: expense of KM 12 thousand, net, and increase in corresponding liability arising from share-based payments). This represents the part of the shares fair value accumulated to employees until 31 December 2016. The Company estimates that 100% (2015: 100%) of employees that participate in mentioned payment will fulfil all conditions.

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 26. COMMITMENTS

At 31 December 2016, the Company's rental commitments amount to KM 487 thousand (31 December 2015: KM 487 thousand).

At 31 December 2016, the Company had commitments toward the supplier Ans Drive d.o.o, Sarajevo for the reconstruction and building of the new Administrative and quality control building in the amount of KM 2,234 thousand (2015: KM 50 thousand).

### 27. RELATED PARTY TRANSACTIONS

The remunerations of directors and Supervisory Board members during the year were as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Gross salaries	1,731	1,076
Bonuses	1,004	1,111
Other benefits	83	125
	<u><b>2,818</b></u>	<u><b>2,312</b></u>

### 28. FINANCIAL INSTRUMENTS

#### 28.1 Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The general Company's strategy did not change in comparison to 2015. The financial structure of the Company consists of borrowings and financial lease liabilities.

##### 28.1.1 Gearing (solvency) ratio

The Management reviews the capital structure on a monthly basis. As part of this review, the Management considers the cost of capital and the risks associated with each class of capital,

The gearing ratio at the year-end was as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Borrowings and financial lease	21,652	28,454
Cash and cash equivalents	(10,547)	(21,685)
<b>Net debt</b>	<u><b>11,105</b></u>	<u><b>6,822</b></u>
<b>Equity</b>	<u><b>152,859</b></u>	<u><b>145,943</b></u>
<b>Debt to equity ratio</b>	<u><b>7.26%</b></u>	<u><b>4.67%</b></u>



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## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### 28.2 Categories of financial instruments

	31 December 2016	31 December 2015
<b>Financial assets</b>		
Loans and receivables:		
- Cash and cash equivalents	10,547	21,685
- Deposits and loans given	11,098	2,148
- Trade and other receivables	70,299	57,682
Financial assets available-for-sale	835	301
	<b>92,779</b>	<b>81,816</b>
<b>Financial liabilities</b>		
At amortized cost:		
- Borrowings	21,119	27,977
- Financial lease liabilities	533	477
- Trade and other payables	24,276	19,420
	<b>45,928</b>	<b>47,874</b>

#### 28.3 Financial risk management objectives

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

#### 28.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

#### 28.5 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<i>(in thousands of foreign currencies)</i>				
RUB	186,351	-	-	-
EUR	31,583	28,876	4,231	3,850
USD	123	123	207	269
GBP	1	1	4	1
SEK	1	1	-	-
HRK	-	1	2	-
CHF	-	-	3	2

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### 28.5 Foreign currency risk management (continued)

##### 28.5.1 Foreign currency sensitivity analysis

Since the Convertible Mark (KM) is tied to the Euro, the Company is not exposed to the risk of changes in EUR rates.

The Company is mainly exposed to foreign currency risk related to USD, GBP, CHF, HRK, SEK and RUB. The following table details the Company's sensitivity to a 10% increase and decrease in KM against the relevant foreign currencies, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where KM strengthens 10% against the relevant currency. For a 10% weakening of KM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	USD		GBP		CHF		HRK		SEK		RUB	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Profit or loss (in KM)	16	26	< 1	< 1	< 1	< 1	< 1-	< 1-	< 1-	< 1-	567	-

#### 28.6 Interest rate risk management

The Company is exposed to interest rate risk as it places and borrows funds at both fixed and floating interest rates. The Company's exposures to interest rates on financial assets and financial liabilities are detailed in Note 28.8. Liquidity risk management section.

##### 28.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the reporting period date. The analysis is prepared assuming the amount of financial instruments outstanding at the reporting period date was outstanding for the whole year. Increase or decrease of 50 basis point (0.5%) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2016 would decrease / increase by KM 52 thousand (2015: KM 131 thousand), based on exposure to interest rate risk.

#### 28.7 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management annually.

Trade receivables, net, consist of a large number of customers, spread across diverse industries and geographical areas. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

Bosnalijek d.d. Sarajevo

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(All amounts are expressed in thousands of KM, unless otherwise stated)

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**28.7 Interest rate risk management (continued)**

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

As of 31 December 2016 trade receivables in the amount of KM 15,823 thousand (2015: KM 27,392 thousand) are secured by blank promissory notes, and trade receivables in the amount of KM 1,494 thousand are secured by bank guarantees.

**28.8 Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**28.8.1 Liquidity and interest risk tables**

The following table details the Company's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted cash flows of financial assets including interest on these assets that will be earned, except for the assets for which the Company expects that will occur in cash flow of next period.

*Maturity for non-derivative financial assets*

	<b>Weighted average effective interest rate</b>	<b>Less than 1 month</b>	<b>1 - 2 Months</b>	<b>2 - 3 months</b>	<b>3 - 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>Total</b>
<b>31 December 2016</b>								
Non-interest bearing	-	17,462	5,720	7,319	42,415	7,879	886	81,681
Fixed interest rate instruments	3.23%	606	2,006	4	11	7,144	1,794	11,565
		<b>18,068</b>	<b>7,726</b>	<b>7,323</b>	<b>42,426</b>	<b>15,023</b>	<b>2,680</b>	<b>93,246</b>
<b>31 December 2015</b>								
Non-interest bearing	-	25,488	3,822	3,803	11,409	34,845	222	79,589
Fixed interest rate instruments	3.00%	606	4	4	11	22	1,794	2,442
		<b>26,094</b>	<b>3,826</b>	<b>3,807</b>	<b>11,420</b>	<b>34,867</b>	<b>2,016</b>	<b>82,030</b>

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

# Bosnalijek d.d. Sarajevo

## Notes to the financial statements for the year ended 31 December 2016

(All amounts are expressed in thousands of KM, unless otherwise stated)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### 28.8 Liquidity risk management (continued)

##### 28.8.1 Liquidity and interest risk tables (continued)

Maturity for non-derivative financial liabilities

	Weighted average effective interest rate	Less than 1 month	1 - 2 months	2 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total
<b>31 December 2016</b>								
Non-interest bearing	-	14,082	2,872	1,425	3,919	1,980	-	24,278
Variable interest rate instruments	5.81%	474	474	474	1,423	2,847	5,233	10,925
Fixed interest rate instruments	4.01%	3,537	3,537	3,537	523	632	142	11,908
		<b>18,093</b>	<b>6,883</b>	<b>5,436</b>	<b>5,865</b>	<b>5,459</b>	<b>5,375</b>	<b>47,111</b>
<b>31 December 2015</b>								
Non-interest bearing	-	6,211	1,518	1,518	4,871	5,310	-	19,427
Variable interest rate instruments	3.74%	402	402	402	1,206	2,412	9,686	14,510
Fixed interest rate instruments	4.67%	1,100	1,092	1,092	3,280	6,571	825	13,960
		<b>7,713</b>	<b>3,012</b>	<b>3,012</b>	<b>9,357</b>	<b>14,293</b>	<b>10,511</b>	<b>47,897</b>

### 29. FAIR VALUE MEASUREMENT

#### 29.1 Fair value of financial assets and liabilities of the Company measured at fair value on a recurring basis, from period to period

Some financial position of the Company's assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets (in particular, the valuation techniques and inputs used) are determined.

Financial assets	Fair value	Fair value hierarchy	Valuation techniques and inputs used
Non-derivative Financial assets available-for- sale	<b>31 December 2016</b> Equity instruments not quoted on the stock exchange in Bosnia and Herzegovina: • MF Invest d.o.o, Sarajevo – KM 1 thousand Equity instruments not quoted on the stock exchange in other countries: • Macedonia – KM 91 thousand • Croatia – KM 5 thousand • Serbia – KM 213 thousand • Russia – KM 525 thousand	Level 2	Prices are not quoted in an active market. Recognized at cost in the financial statements.
	<b>31 December 2015</b> Equity instruments not quoted on the stock exchange in Bosnia and Herzegovina: • MF Invest d.o.o, Sarajevo – KM 1 thousand Equity instruments not quoted on the stock exchange in other countries: • Macedonia – KM 82 thousand • Croatia – KM 5 thousand • Serbia – KM 213 thousand		

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29. FAIR VALUE MEASUREMENT (CONTINUED)

29.2 Fair value of financial assets and liabilities of the Company that are not measured based on fair value on a recurring basis, from period to period (but the disclosure of their fair value is required)

Except information presented in the following table, the Management believes that the carrying amounts of financial assets and liabilities recognized in the financial statements approximately correspond their fair values.

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
- given loans	9,009	8,972	-	-
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
- borrowings	21,119	21,377	27,977	27,778


Fair value hierarchy as of 31 December 2016

	Fair value hierarchy as of 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
- given loans	-	8,972	-	8,972
<b>Financial liabilities</b>				
<i>Financial liabilities held at amortised cost:</i>				
- borrowings	-	(21,377)	-	(21,377)
<b>Total</b>	<b>-</b>	<b>(12,405)</b>	<b>-</b>	<b>(12,405)</b>

The fair value of financial liabilities included in the above category for Level 2 was determined according to generally accepted models of assessment based on an analysis of discounted cash flows, with the discount rate as the most important input data, which reflects the credit risk of counterparties.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and authorised for issue on 10 April 2017.

  
Nedim Uzunović  
Director



  
Adnan Hadžić  
Acting Executive Director for Finance