



**ANNUAL REPORT 2004**



**ALKALOID  
SKOPJE**

PHARMACEUTICAL CHEMICAL COSMETIC INDUSTRY



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# ALKALOID GROUP

## KEY FINANCIAL INDICATORS

	<i>All amounts in 000 MK denars</i>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total revenues	3,261,657	3,319,447	3,432,038
Sales	3,167,112	3,196,214	3,182,848
Operative profit	1,246,913	1,206,801	990,462
Earnings before tax	351,535	365,150	355,154
Profit before tax	302,104	275,115	264,114
Profit after tax	266,361	236,454	220,802
Net profit	266,361	236,454	220,347
Total assets	5,679,110	5,540,132	5,556,475
Shareholders' capital	4,809,144	4,541,872	4,348,992
Net cash flow	27,186	-106,272	-49,010
Investments in fixed assets	175,926	74,793	132,467
Average number of employees	1,224	1,337	1,378
Sales per employee	2,588	2,391	2,310
Current ratio	2.66	2.64	3.13
Indebtedness / Capital	0,00	2.92	11.39
ROE - Return of earnings	5.54	5.21	5.07
EPS - Earnings per share (in MK Denars)	204.70	181.72	169.34
DPS - Dividend per share (in MK Denars)	70.50	70.50	70.50
Number of shares at the end of the year	1,301,230	1,301,230	1,301,230
EURO/MKD (31 December)	61.3100	61.2931	61.0707

*The Management Board suggested DPS for 2003 amounting to 70.50 denars*

## FINANCIAL HIGHLIGHTS

	<i>In 000 EURO</i>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Total revenues	53,199	54,157	56,198
Sales	51,657	52,146	52,117
EBIT	5,734	5,957	5,815
Net profit	4,344	3,858	3,608
EPS (in EURO)	3.34	2.96	2.77



## ALKALOID AD IN 2004

### **PC Pharmaceuticals**

New packaging department for finished pharmaceutical solid dosage forms and Line for pharmaceutical non-sterile liquid dosage forms were launched, an investment totaling EUR 5 mil.

Relocation and modernization of morphine based active pharmaceutical ingredients production plant took place in the beginning of 2004.

Alkaloid - Pharmaceuticals participated at CPhI/ICSE Exhibition 2004.

78 new marketing authorizations were granted, out of which 70 were for our export markets.

The net profit in Alkaloid - Pharmaceuticals was 33 % higher compared to 2003.

**PC Chemistry and Cosmetics and PC Botanicals** were merged into one profit centre uniting the range of wide consumer goods.

In the Botanicals programme, new herbal tea was introduced produced by Alkaloid and sold under the brand of Aveda. This tea is intended for the markets in USA, Canada, Japan and the EU.

**PC Coatings** continued its trend of stability in the business operations.



# ORGANIZATIONAL CHART

SHAREHOLDER'S ASSEMBLY

SUPERVISORY BOARD

MANAGEMENT BOARD

CEO

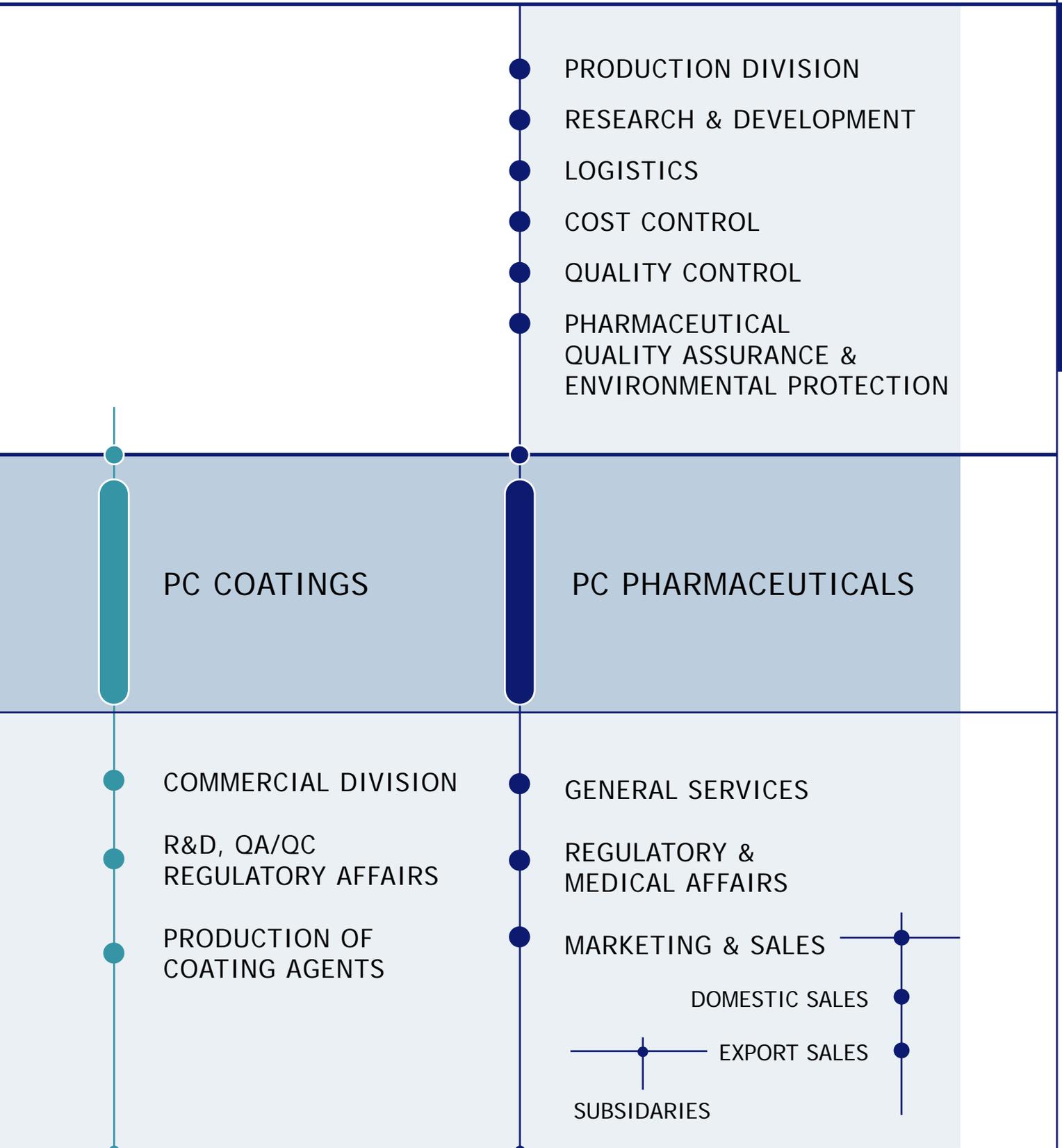
OU STRATEGIC INVESTMENTS, FINANCES, IT, GENERAL AFFAIRS,

PC CHEMISTRY  
COSMETICS  
BOTANICALS

COMMERCIAL DIVISION

R&D, QA/QC  
REGULATORY AFFAIRS

PRODUCTION OF CHEMICALS,  
COSMETIC PRODUCTS,  
HERBAL PRODUCTS  
& SEASONINGS



## REPORT ON THE WORK OF THE SUPERVISORY BOARD

In accordance with the existing laws in the Republic of Macedonia and the Statute of the Company, the Supervisory Board conducts supervision of the Company's management activities, since its establishment in 1998.

The Supervisory Board of Alkaloid AD-Skopje has members with relevant expertise in different fields of importance:



**Prof. D-r Miodrag Micajkov**

President of the Supervisory Board, Ph. D in law.

Born on 27 August 1944 in Kavadarci, Republic of Macedonia.

Former Dean and professor at the Faculty of Law Justinijan I in Skopje.

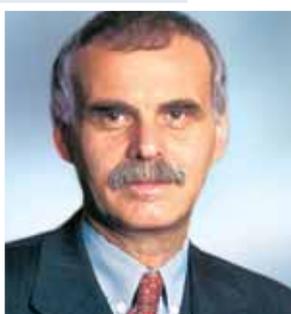


**Prof. D-r Ilija Dzonov**

Member of the Supervisory Board, MD, Dr. Sci. med.

Born on 24 November 1943 in Stip, Republic of Macedonia.

Employed at the Clinic for Neurology at the Clinical Center in Skopje, former Dean and professor at the Medical Faculty in Skopje.



**Mr. Bojanco Krlevski**

Member of the Supervisory Board, B. Sc. in Chemical Engineering.

Born on 8 March 1951 in Skopje, Republic of Macedonia.

Employed in Alkaloid AD-Skopje, PC Coatings, in charge of the production segment.

During 2004 the Supervisory Board held its meetings regularly and was continuously informed about all issues regarding the conduct of the Company by the Managing Board.

In this regard, the Supervisory Board, in the framework of its competencies, performed follow-up, consultancy, supervision and gave directions for the business operations of Alkaloid AD-Skopje and Alkaloid Group.

According to the laws on corporate governance and trading companies, an organizational restructuring of the Managing Board was done, which was approved by the Supervisory Board. With the new organizational structure, each of the three Profit Centers and the only Organizational Unit have their own representative in the Management Board.

In the course of the fiscal 2004, the Supervisory Board reviewed and discussed the quarterly, half year and annual financial reports, the proposed business plan of the Company which includes annual budgets and development and financial projections, and gave certain suggestions.

The Supervisory Board reviewed the audited Financial Reports for Alkaloid AD-Skopje and the consolidated Report for Alkaloid Group, together with the Independent Auditor's Report prepared by PricewaterhouseCoopers DOO-Skopje, as well as the proposal submitted by the Management Board for the use of the distributable net profit gained in 2004, and proposed them for adoption to the Shareholders Assembly.

Based on the performed analysis on the Company's management, the Supervisory Board concluded its success according to the international standards and submitted a proposal to the Shareholders Assembly for approval of the Report on the work of the Management Board.

Skopje, April 2005  
Supervisory Board  
*Prof. D-r Miodrag Micajkov*  
President



## MANAGEMENT BOARD



### MESSAGE FROM THE PRESIDENT OF THE MANAGEMENT BOARD

The year 2004 was very important in the development process of Alkaloid AD-Skopje and its efforts for approaching towards its strategic goals.

In respect to the sales and gained profit, we have continued with the permanent endeavor especially aimed at export markets, not neglecting the domestic market at the same time. Thus, the exports showed an increase of 12,7 % compared with last year, a result that mostly belongs to the achieved export figures in the Pharma business. The net profit of the Company reached an increase of 12,6 %, when compared to 2003.

One of the basic elements of the Company policy is the constant care for our most valuable part - the Alkaloid highly qualified and trustworthy personnel. This year a group of well educated young staff joined our team, a group which we expect to take an important part in building an Alkaloid prepared to meet the challenges of the modern business conduct in an effective and high-quality manner. At the same time, we have continued with the education of the existing personnel in order to follow the latest events and processes in the fields of our interest.

Led by the idea that investment is not a choice, but necessity, we continued with our investments in line with the international experience. Thereby, in 2004 in PC Pharmaceuticals, three important projects were completed those being: relocation and modernization of the facility for morphine-based active pharmaceutical ingredients, new packaging department for finished pharmaceutical solid dosage forms and a line for pharmaceutical non-sterile liquid dosage forms. The total value of the three projects amounts to EUR 5mil.

As far as the other profit centres are concerned, following the reorganization, PC Chemistry & Cosmetics was merged with PC Botanicals thus creating one profit centre that unites the overall assortment of products for wide consumption (a wide range of cosmetic and food products) as well as various chemical products and X-Ray materials for the healthcare sector. In this direction, I would like to emphasize the permanent growth of the Becutan brand that reached almost 9% sales increase compared to 2003 as well as the promising operations of our Botanical Pharmacy that should be the core focus in this programme for the forthcoming period. In the Botanicals programme, we introduced a new herbal tea in filter bags intended for the markets in the USA, Canada, Japan and the EU market. Alkaloid-Botanicals manufactures the tea, whereas the product is sold under the brand of Aveda. This is a strategic step forward that is of crucial importance for both, this Centre and the brand of Alkaloid as a whole.

As far as the coatings business is concerned, PC Coatings still holds a strong position on the Macedonian market and slightly outgrew the level of sales of its leading coating agents compared to 2003 due to successfully implemented customer loyalty programmes.

In July 2004, Alkaloid managed to effectuate bullet pre-payment of the EBRD and IFC loans. With this step we advanced in and expressed preparedness to enter into new projects that should aim at conquering new markets and increasing the regional share in the placement of Alkaloid's brands. The cooperation with the IFIs was immensely significant for Alkaloid since by means of this collaboration we have built modern facilities, provided maximum transparency in our operations and promoted our credibility. The IFIs provided not only crediting, but also financial engineering, stimulation of restructuring, permanent managerial consultancy, credibility in the negotiations with foreign investors thus the Company was in a way prepared to go off the state borders and become equal player with numerous competitors.

The listing on the Macedonian Stock Exchange and the data presented are realistic indicator for our successful rating. Namely, in the course of 2004, Alkaloid's shares stood for the most traded and most liquid shares on the Macedonian stock exchange market. 109 080 shares were traded being 8.38% of the company's share capital.

At the end, I would like to emphasize that Alkaloid remains open for investments as long as these are consistent with all tools of market economy such as, valorization of the facilities and the brands, attracting new foreign investments and utilization of financial and production-managerial consultancy services.

**Trajce Mukaetov**

CEO, President of the Management Board



## MANAGEMENT BOARD MEMEBERS

### **Trajce Mukaetov**

Chairman of the Management Board and CEO of the Company, B. Sc. in Electro-technical Engineering. Born on 20 September 1945 in Kavadarci, Republic of Macedonia. He has 34 years of professional experience. In charge of the overall operations of the Company.

### **Cvetanka Simonovska**

MB member for OU Finances, Strategic Investments IT & General Affairs, CFO of the Company, B. Sc. in Economy. Born on 27 November 1953 in Gevgelija, Republic of Macedonia. She has 26 years of professional experience, and is in charge of the financial operations of the Company's organizational unit Strategic Investments, Financies, IT & General Affairs.

### **Zivko Mukaetov**

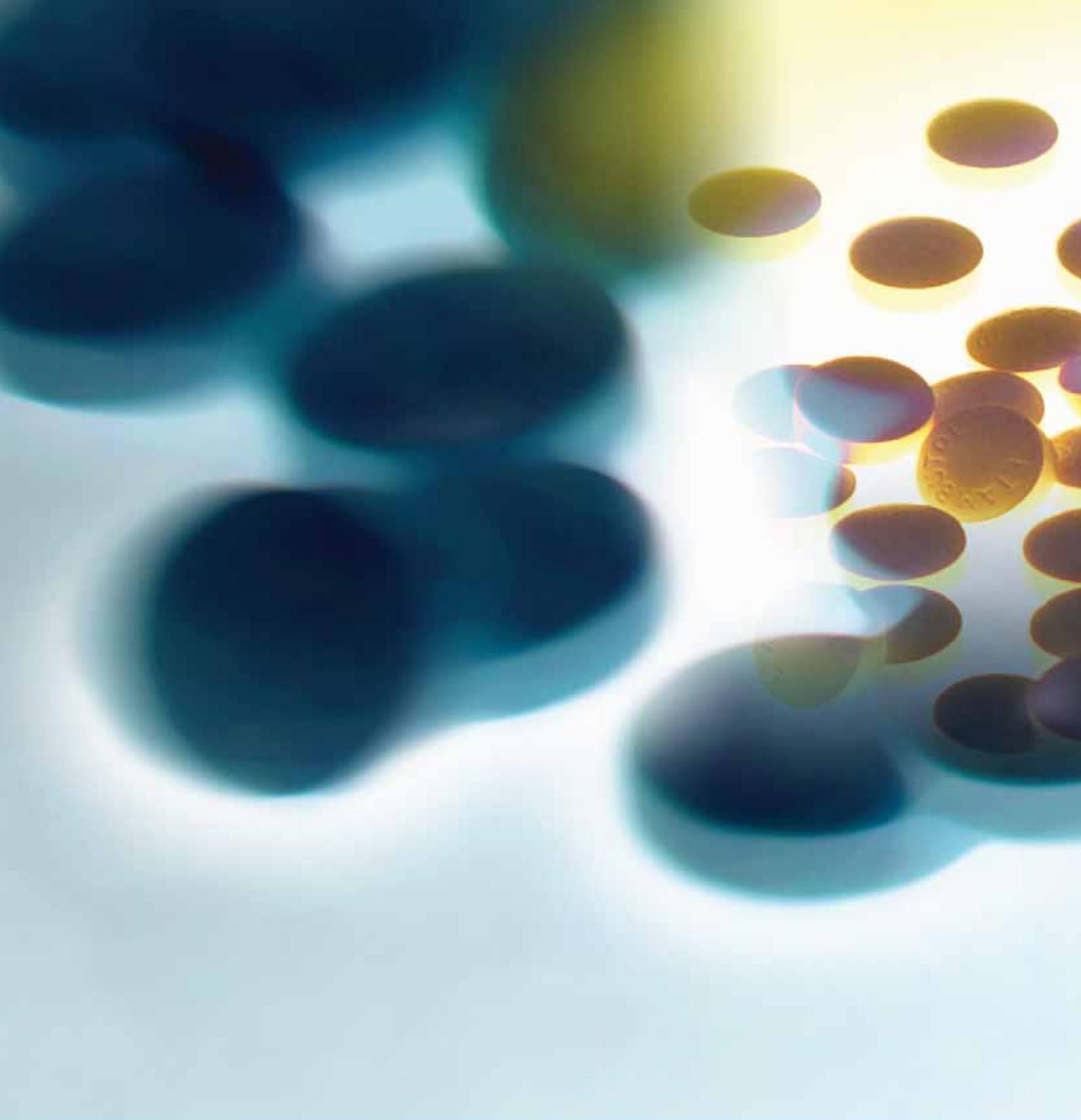
Deputy of the MB President / CEO and Director of PC Pharmaceuticals. Graduated Mech. Engineer continued his studies in London where he obtained MA in Marketing at the Chartered Institute of Marketing. Born on 3 May 1974 in Skopje, R. Macedonia. He has 12 years of professional experience. In charge of the overall operations of the profit centre Pharmaceuticals.

### **Zorka Zlatanovic**

MB member for PC Chemistry, Cosmetics & Botanicals, B. Sc. Tech. Engineering. Born on 13 January 1947 in Gevgelija, Republic of Macedonia. She has 34 years of professional experience and is in charge of the overall operations of PC Chemistry, Cosmetics & Botanicals.

### **Dimitar Pejcinovski**

MB member for PC Coatings, B. Sc. in Electro-technical Engineering. Born on 22 December 1946 in Skopje, Republic of Macedonia. He has 32 years of professional experience and is in charge of the overall operations of PC Coatings.





We provide tools for healthier life because  
**HEALTH IS ABOVE ALL**





## **P.C. PHARMACEUTICALS Completed 2004 Successfully**

Relying upon its broadrange of finished pharmaceutical products from various pharmacotherapeutic groups; regulatory, marketing and sales know-how in the SEE and CIS regions; work of art solid dosage forms and solid-dosage-form cephalosporines manufacturing facilities and a microbiological laboratory, all cGMP and cGLP compliant - Alkaloid Pharmaceuticals managed to successfully complete its third year in a role ever since its restructuring.

In 2004 we continued the trend of investing in our manufacturing facilities thus completed three important projects, those being: relocation and modernization of morphine-based active pharmaceutical ingredients production plant; new packaging department for finished pharmaceutical solid dosage forms and a line for pharmaceutical non-sterile liquid dosage forms. The total value of the three projects amounts to EUR 5 mil.

In the forthcoming period we will focus mostly on development of new high-quality drugs that will expand our portfolio. We worked on a strong pipeline until now, and we shall continue towards the same goal even harder.

It is our professional determination to make drugs procurement transparent, efficient and always safeguarding the patients' interests. Alkaloid Pharmaceuticals strongly supports the collaboration with the regulatory authorities so as to meet the challenge of assuring the quality of drugs and trade internationally. That is why every process in this Centre from the phase of production/purchase of raw materials to the placement of the product in the market is strictly monitored and in compliance with all regulations required by certain specific domain.

Our marketing and sales team is impeccably operating on the domestic markets and our markets of export. In 2004, Alkaloid held nearly 18% of the total domestic drugs market whereas our export sales have increased by 23 % within one year compared to 2003. In 2004 our products were marketed in 15 countries. Alkaloid Pharmaceuticals shall focus on its export orientation through development of partnerships in contract manufacturing, co-development, registration, co-marketing and sales.

What is of major importance for us in 2004, as an international achievement was our first appearance at CPhI / ISCE Exhibition. For us, this exhibition was an excellent opportunity to present the Company to the world and to come a step forward to achievement of our vision and present Alkaloid as a stabile partner for the future, an export oriented company dedicated to preserving the health of each individual.

Being the leading company in the Republic of Macedonia is not easy, since the competition and the market conditions impose rough playing rules, but to be present outside of Macedonia and to make the others aware of your presence and activities is a challenge Alkaloid is ready to face.

A proof of our maturity are the excellent business results we managed to achieve. While the profit was 33% higher compared to 2003, we managed to raise the level of efficiency by reducing our costs. In future, Pharmaceuticals shall remain on this course, i.e. maintain the high level of professionalism in the business operations in synergy with advanced technology; continue investing in technology and people; implement aggressive proactive marketing strategy while protecting the interest of the employees, the customers and the business partners.

Zivko Mukaetov  
Deputy of MB President/CEO



## **NEW MARKETING AUTHORIZATIONS IN 2004**

## REPUBLIC OF MACEDONIA

Registered name, INN (generic)	Presentation
<b>AMLODIPIN ALKALOID</b>	5 mg, tablets, pack: 30 tablets 10 mg, tablets, pack: 30 tablets
<b>GLU-ROS</b> rosiglitazone	4 mg film coated tablets, pack: 30 tablets
<b>HOLLESTA</b> simvastatin	10 mg film coated tablets, pack: 30 tablets
<b>LAMAL</b> lamotrigine	25 mg tablets, pack: 30 tablets 50 mg tablets, pack: 30 tablets 100 mg tablets, pack: 30 tablets 200 mg tablets, pack: 30 tablets
<b>METADON</b>	10 mg/ml peroral solution, pack: 100 ml solution
<b>NOVAMORF</b> morphine sulphate	30 mg, sublingual tablets, pack: 20 tablets, 60 tablets
<b>SKOPRYL</b> lisinopril	5 mg, tablets, pack: 20 tablets
Agency	
<b>TELFAST</b> fexofenadine	120 mg film coated tablets, pack: 10 tablets 180 mg film coated tablets, pack: 10 tablets

## REPUBLIC OF CROATIA

<b>CEFIXIM (PANCEF)</b> cefixime	400 mg film coated tablets, pack: 10 tablets 100 mg/5 ml powder for oral suspension, pack: 100 ml
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## SERBIA AND MONTENEGRO

<b>ANALGIN</b> metamizole sodium	500 mg tablets, pack: 500 tablets
<b>CEFACLOR ALKALOID</b>	250 mg/5 ml granules for oral suspension, pack: 60 ml 125 mg/5 ml granules for oral suspension, pack: 60 ml 500 mg capsules, pack: 16 capsules
<b>ETOLAC</b> etodolac	200 mg film coated tablets, pack: 20 tablets
<b>PANCEF</b> cefixime	400 mg film coated tablets, pack: 10 tablets 100 mg/5 ml powder for oral suspension, pack: 100 ml
<b>PTU</b> propiltiouracil	100 mg tablets, pack: 45 tablets
<b>RISSAR</b> risperidon	1 mg film coated tablets, pack: 20 tablets 2 mg film coated tablets, pack: 20 tablets 3 mg film coated tablets, pack: 20 tablets
<b>SKOPRYL</b> lisinopril	10 mg, tablets, pack: 20 tablets 20 mg, tablets, pack: 20 tablets
<b>SOLCOSERYL</b>	4,15 mg/g gel, pack: 20 g gel 2,07 mg/g ointment, pack: 20 g cream 8,3 mg/g eye gel, pack: 5g eye gel

## BOSNIA AND HERZEGOVINA (FEDERATION)

<b>GYNIPRAL</b> hexoprenaline	0,01 mg/2 ml injection solution, pack: 5 ampules 0,5 mg tablets, pack: 20 tablets
<b>MENDILEX</b> biperiden	2 mg tablets, pack: 50 tablets
<b>MORPHINI HYDROCHLORIDUM ALKALOID</b>	4 mg/ml injection solution, pack: 10 ampules
<b>MORPHINI HYDROCHLORIDUM ALKALOID</b>	20 mg/ml injection solution, pack: 10 ampules
<b>SUMETRIN</b> sumatriptan	50 mg, film coated tablets, pack: 3 tablets

## BOSNIA AND HERZEGOVINA (REPUBLIKA SRPSKA)

<b>ACIKLOVIR ALKALOID</b>	3%, eye ointment, pack: 5 g ointment
<b>ALDIZEM</b> diltiazem	60 mg, tablets, pack: 30 tablets 90 mg, tablets, pack: 30 tablets
<b>ALKADIL</b> captopril	25 mg tablets, pack: 40 tablets 50 mg tablets, pack: 40 tablets

Registered name, INN (generic)	Presentation
<b>ALMACIN</b> amoxicillin	250 mg/5 ml powder for oral suspension, pack: 100 ml 500 mg capsules, pack: 16 capsules
<b>AMPICILIN ALKALOID</b>	250 mg/5 ml powder for oral suspension, pack: 100 ml 500 mg capsules, pack: 16 capsules, 100 capsules
<b>ANALGIN</b> metamizole sodium	500 mg tablets, pack: 500 tablets 1 g/2 ml injection solution, pack: 50 ampoules 2,5 g/5 ml injection solution, pack: 50 ampoules
<b>AQUA AD INIECTABILIA ALKALOID</b>	5 ml, diluent, pack: 50 ampoules
<b>ATENOLOL ALKALOID</b>	100mg film coated tablets; pack x 15, x 30 tablets
<b>BETADINE</b> povidone-iodine	1 %, mouth and throat wash, pack: 100 ml 7.5 %, skin disinfecting solution, pack: 100 ml, 1000 ml 10 % solution, pack: 100 ml 200 mg, vaginal pessaries, pack: 14 vaginal pessaries 10 %, ointment, pack: 20 g ointment
<b>BRONLES</b> carbocisteine	375 mg capsules, pack: 30 capsules 250 mg/5 ml syrup, 150 ml 125 mg/5 ml syrup for children, 150 ml
<b>CAFFETIN</b>	tablets, pack: 500 tablets
<b>CEFALEXIN ALKALOID</b>	500 mg capsules, pack: 16 capsules (blister) 500 mg capsules, pack: 16 capsules (bottle) 250 mg/5 ml powder for oral suspension, pack: 100 ml
<b>CHLORAMPHENICOL ALKALOID</b>	1 %, eye ointment, pack: 5 g ointment
<b>CINEDIL</b> ccinnarizine	75 mg tablets, pack 50 tablets
<b>CITERAL</b> ciprofloxacin	250 mg film coated tablets, pack: 10 tablets 500 mg film coated tablets, pack: 10 tablets 100 mg/10 ml concentrate for infusion solution, pack: 5 ampoules
<b>CITERAL</b> ciprofloxacin	0.3%, eye drops, pack: 5 ml solution
<b>CODEINI PHOSPHATIS ALKALOID</b>	30 mg, tablets, pack: 10 tablets
<b>DIABINESE</b> chlorpropamide	250 mg tablets, pack: 30 tablets
<b>DIAZEPAM ALKALOID</b>	2 mg coated tablets, pack: 30 coated tablets 5 mg coated tablets, pack: 30 coated tablets 10mg/2ml injection solution, pack: 10 ampoules
<b>EGLONYL</b> sulpiride	50 mg capsules, pack: 30 capsules 100 mg/2 ml injection solution, pack: 30 ampoules 25mg/5ml oral solution, pack: 120 ml forte tablets, 200 mg tablets, pack: 12 tablets
<b>ETAMBUTOL ALKALOID</b>	400 mg tablets, pack: 100 tablets
<b>ETOLAC</b> etodolac	200 mg film coated tablets, pack: 20 tablets
<b>FLUOXETIN ALKALOID</b>	20 mg capsules, pack 30 capsules
<b>GENTAMICIN ALKALOID</b>	20 mg/2 injection solution, pack: 10 ampoules 40 mg/2 ml injection solution, pack: 10 ampoules 80 mg/2 ml injection solution, pack: 10 ampoules 120 mg/2 ml injection solution, pack: 10 ampoules
<b>GLIBEDAL</b> glibenclamide	5 mg, tablets, pack: 30 tablets
<b>GYNIPRAL</b> hexoprenaline	0,01 mg/2 ml injection solution, pack: 5 ampoules 0,5 mg tablets, pack: 20 tablets
<b>HEFEROL</b> ferrous fumarate	350 mg capsules, pack: 30 capsules
<b>HEPARIN ALKALOID</b>	5.000 IU/ml injection solution; pack:10 ampoules 25.000 IU/5 ml injection solution; pack:50 ampoules
<b>KALCIUM KARBONAT ALKALOID</b>	1 g, tablets, pack: 50 tablets
<b>KOMPENSAN (DASK)</b>	300 mg tablets; pack: 20 tablets
<b>LEGOFER</b> Iron proteinesuccinylate	800 mg/15 ml (40 mg Fe3+) oral solution, pack: 150 ml
<b>LEXILIUM</b> bromazepam	1,5 mg tablets, pack: 30 tablets 3 mg tablets, pack: 30 tablets 6 mg tablets, pack: 30 tablets

Registered name, INN (generic)	Presentation
<b>MENDILEX</b> biperiden	2 mg tablets, pack: 50 tablets
<b>MORPHINI HIDROCHLORIDUM ALKALOID</b>	20 mg/ml injection solution, pack: 10 ampoules
<b>NIFADIL retard</b> nifedipine	20 mg, film coated tablets with prolonged release, pack: 30 tablets
<b>OMEZOL</b> omeprazole	20 mg, capsules, pack: 14 capsules
<b>PARSEDIL</b> dipyridamole	75 mg coated tablets; pack: 15 tablets
<b>PENTOKSIFILIN ALKALOID</b>	100 mg/5 ml injection solution, pack: 5 ampoules
<b>PHOLCODIN ALKALOID</b>	10 mg capsules, pack: 20 capsules 15 mg/15 ml oral solution, pack: 150 ml 4 mg/5 ml oral solution for children, pack: 60 ml
<b>PROCULIN</b> naphazoline	eye drops, pack: 10 ml ðàñðàì ð
<b>PROPAFENON ALKALOID</b>	35 mg/10 injection solution, pack: 10 ampoules
<b>PROPILTIOURACIL ALKALOID</b>	50 mg tablets, pack: 20 tablets 100 mg tablets, pack: 45 tablets
<b>REGLAN</b> metoclopramide	10 mg tablets, pack: 40 tablets 10 mg/2 ml injection solution, pack: 30 ampoules 5mg/5ml oral solution, pack; 120 ml solution
<b>REMOXICAM</b> piroxicam	10 mg, capsules, pack: 20 capsules 20 mg, capsules, pack: 20 capsules
<b>RIFAMPICIN ALKALOID</b>	300 mg capsules, pack: 100 capsules
<b>RISSAR</b> risperidon	2 mg film coated tablets, pack: 20 tablets 3 mg film coated tablets, pack: 20 tablets
<b>SKOPRYL</b> lisinopril	10 mg, tablets, pack: 20 tablets 20 mg, tablets, pack: 20 tablets
<b>SKOPRYL Plus</b> (lisinopril + HCTZ)	(20 mg + 25 mg), tablets, pack: 20 tablets
<b>TRAMADOL ALKALOID</b>	50 mg capsules, pack: 20 capsules 50 mg/1 ml injection solution, pack: 50 ampoules
<b>ULCODIN</b> ranitidine	50 mg/10 ml injection solution, pack: 5 ampoules
<b>VERAPAMIL ALKALOID</b>	40 mg coated tablets; pack:30 tablets 80 mg coated tablets; pack:50 tablets 240 mg film coated tablets with prolonged release pack: 20 tablets
<b>VITAMIN B1 ALKALOID</b>	100 mg/ ml injection solution, pack: 50 ampoules

## REPUBLIC OF BULGARIA

<b>CEFACLOR ALKALOID</b>	500 mg capsules, pack: 16 capsules 125 mg/5 ml, granules for oral suspension, pack: 60 ml 250 mg/5 ml, granules for oral suspension, pack: 60 ml
<b>PANCEF</b> cefixime	400 mg, film coated tablets, pack: 10 tablets 100 mg/5 ml, granules for oral suspension: pack: 100 ml
<b>PROPAFENON ALKALOID</b>	150 mg film-coated tablets, pack: 40 tablets 35 mg/10 ml injection solution, pack: 10 ampoules

## RUSSIAN FEDERATION

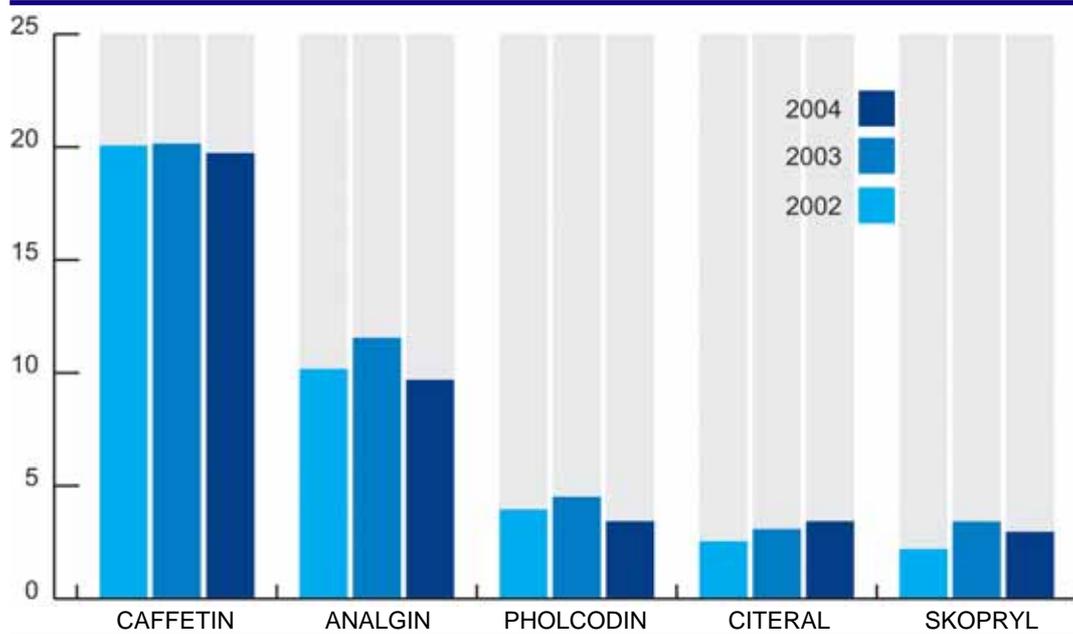
<b>LISINOPRIL ALKALOID</b>	10 mg tablets, pack: 20 tablets, 20 000 tablets - in bulk 20 mg tablets, pack: 20 tablets, 20 000 tablets - in bulk
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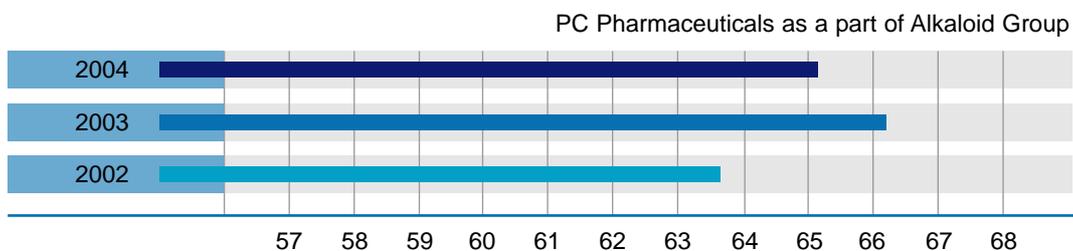
## SALES

In 2004, the net sales of this Center amounted to MK Den. 2,062 bil which is 65.13% of the overall sales of Alkaloid Group.

Product	% Share in the overall sales of PC Pharmaceuticals		
	2004	2003	2002
CAFFETIN	19.73	20.15	20.06
ANALGIN	9.69	11.55	10.17
PHOLCODIN	3.43	4.51	3.95
CITERAL	3.43	3.08	2.54
SKOPRYL	2.96	3.42	2.19
Animal Health	1.08	1.15	1.15
Others	59.68	56.14	59.94

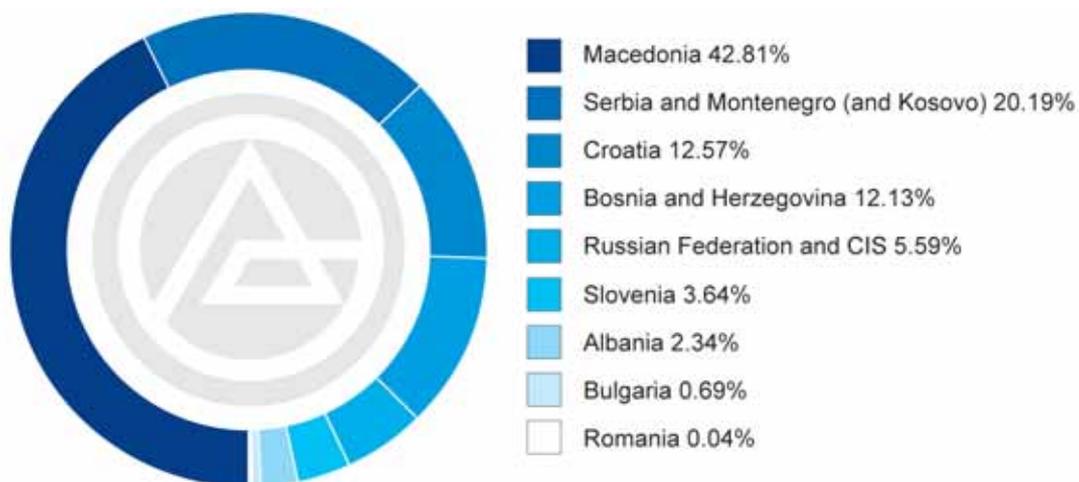
Top 5 products of PC Pharmaceuticals and their level of sales





In 2004, export sales of the Pharma unit exceeded the domestic and participated with 57.39% in the total sales of this centre.

Sales structure by countries in 2004





## PRODUCTION OF PHARMACEUTICAL RAW MATERIALS

At the very beginning of the operations of Alkaloid, the main activity of the company was production of alkaloids from opium. During that period, and even before, Macedonia was familiar by the production of high quality opium from poppy which was brought in the region from Turkey in the first half of the 19th century. The processing of opium was stopped in 1973 when the United Nations passed a Convention which banned cutting of poppy capsules for extraction of opium. In 1968, a new technology was introduced for water extraction of uncut poppy capsules and further isolation of morphine via ionic exchange. This technology for processing poppy capsules was used up to year 1995 when Macedonia had vast production of poppy capsules bought out by Alkaloid, which was the only company specialized in this type of production in the Balkans. From 1995, a new technology was implemented for extraction and isolation of morphine and other alkaloids via organic diluents, a technology that enables expansive usage i.e. rendering. Simultaneously, a new sort of poppy was introduced (*Papaver somniferum*), an alkaloid 1 with high contents of morphine. The favorable climate in the Republic of Macedonia enables high-level of exploitation of this type of poppy, a rare characteristic of a small number of countries in the world.

Presently, the wide production assortment of Alkaloid also contains products obtained via extraction poppy capsules in an extraction plant and through synthesis in a multi purpose production plant - flexible synthesis.

Alkaloid has two plants for extraction and processing of poppy capsules. The first is water based extraction with annual capacity of 2000 kg of morphine but with low utilization and no other by-products are obtained, whereas the second is organic solvents based extraction with capacity of at most 500 kg of morphine per year with high utilization and obtaining certain quantity of by-products such as natural codeine, thebaine and narcotine.

Semi-synthetic alkaloids and other synthetic pharmaceutical raw materials and organic chemicals are produced in our multi function API plant via various organic reactions and technological operations. For the products obtained via morphine based synthesis domestic morphine is used, but in case of lack of poppy capsules, it is imported and further synthesized in products such as codeine phosphate, pholcodine and others.

In the period from the beginning of January until the end of March 2004, the plant for synthesis was relocated from the municipality of Avtokomanda to Gjorce Petrov, which is 15 km away from the city boundaries. New equipment was also installed thus changing the production technology for major part of our synthetic products and thereby the efficiency and production capacity and the quality of the products were highly improved.

In the production of APIs, where the manufacture is performed continuously, we have 40 employees and our own process control that completely monitors all processes in each segment. The plants are constantly maintained and closely supervised. The plant for flexible synthesis is placed in an anti-explosive area with sophisticated equipment due to the presence and utilization of flammable diluents. Within the plant, we also have auxiliary storage area where the narcotic products and raw materials are kept under strict supervision.

During 2004 the following quantities of APIs are produced:

	In kilograms		In kilograms
<b>Codeine phosphate sesquihydrate</b>	1.383,42	<b>Methyl salicylate</b>	7,34
<b>Pholcodine</b>	37,20	<b>Morphine base</b>	260,65
<b>Morphine hydrochloride</b>	2,68	<b>Codeine sulphate tehn</b>	7,23
<b>Sodium citrate dehydrate</b>	330,90		

Besides these products, we also produce the following semi-products: thebaine bitartrate and narcotine base, which are further crystallized into pure products.

The present production capacity is as follows:

	In kilograms		In kilograms
<b>Codeine phosphate</b>	8.000,00	<b>Sulpiride</b>	1.000,00
<b>Pholcodine</b>	400,00	<b>Methoclopramid monochlorhydrate</b>	150,00
<b>Morphine hydrochloride</b>	400,00	<b>Sodium citrate dehydrate</b>	1.000,00
<b>Morphine sulphate</b>	400,00	<b>Methyl salicylate</b>	200,00
<b>Narcotine hydrochloride</b>	400,00		

The quality of all these products is in conformity with the existing world pharmacopoeias.

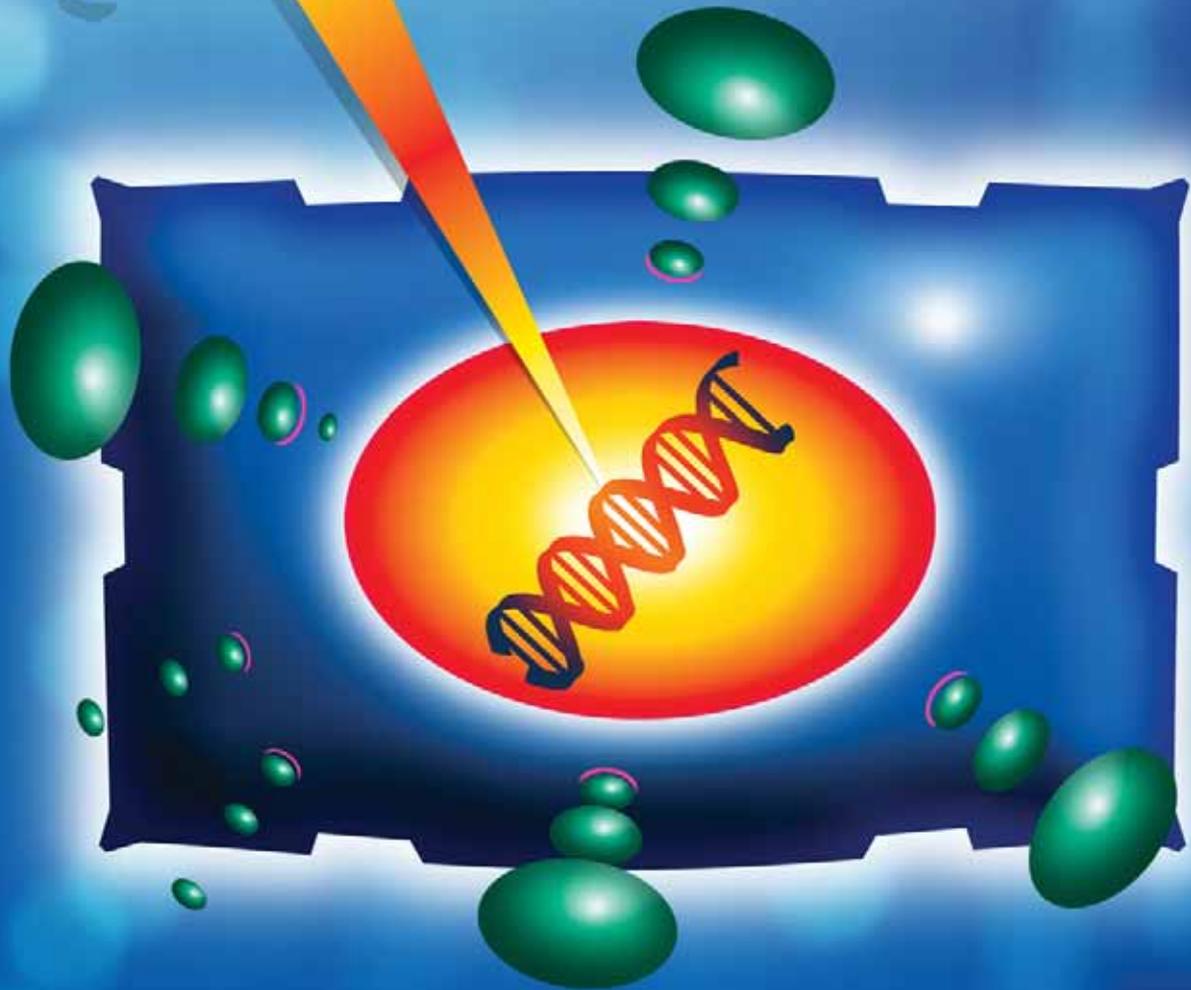
BETTER CONTROL OF GLYCEMIA  
BY IMPROVED INSULIN SENSITIVITY

# GLU-ROS®

rosiglitazon

film-tablets

ACTIVATOR OF CORRESPONDING GENES IN  
MUSCLE AND FAT CELLS NUCLEI



## GLU-ROS® NEW ORAL HYPOGLIKEMIC

GLU-ROS® - rosiglitazone is an oral antidiabetic, representative of the new class - thiazolidindion (TZD) or so called PPAR gamma agonists.

The basic indication of GLU-ROS® is the treatment of diabetes mellitus type 2. Its specific mechanism of action, i.e. with the activation of paroxysm proliferator gamma activating receptors, the transcription in the genes that are responsible for glucose production, the transport and metabolism of glucose and FFA are regulated. In that way, GLU-ROS® increases the insulin sensitivity in the muscular and oil tissues, reduces the insulin resistance and hepatic glucose production.

The advantages of GLU-ROS® compared to other oral antidiabetic drugs are:

- GLU-ROS® is the only drug that acts on two basic inducers of diabetes mellitus type 2: the insulin resistance and B-cell dysfunction;
- Reduces the glycemia without food intake for 1.4-2.7 mmol/l and HbA1c for 0.5 - 1%;
- Has neutral effect on the level of triglycerides and does not change the ratio of LDL/HDL;
- Permanently reduces the FFA;
- Reduces the cardiovascular risk factors such as: microalbuminuria, peripheral vascular resistance, diastolic blood pressure and the activity of PAI-1;
- The major advantage of GLU-ROS® is that it can be administered in patients with renal insufficiency;
- Can be administered as monotherapy and in combination with other oral antidiabetics;
- During the treatment with GLU-ROS® the occurrence of adverse drug reactions is comparable to placebo, thus it is rated as safe drug proven efficient in all clinical studies.

GLU-ROS® is a preparation that improves the metabolic control, slows down the progression of the disease and minimizes the risk for occurrence of chronic complications.

Rosiglitazone is registered and used in many countries with developed pharmacotherapy and in the Republic of Macedonia GLU-ROS® is the first and the only representative of its class.



# CAFFETIN

Analgesic

**COMPOSITION**  
Each tablet contains:-  
Paracetamol  
Propyphenazone  
Caffeine  
Codeine phosphate

## ACTION

The combination of the analgesic and antipyretic effect of paracetamol, the analgesic effect of propyphenazone and the analgesic effect of codeine phosphate, together with the stimulant effect of caffeine, produces a synergistic effect. The combination of the analgesic effect of paracetamol, the analgesic effect of propyphenazone and the analgesic effect of codeine phosphate, together with the stimulant effect of caffeine, produces a synergistic effect. The combination of the analgesic effect of paracetamol, the analgesic effect of propyphenazone and the analgesic effect of codeine phosphate, together with the stimulant effect of caffeine, produces a synergistic effect.



of CAFFETIN® are paracetamol, propyphenazone, codeine phosphate and caffeine. The combination of the analgesic effect of paracetamol, the analgesic effect of propyphenazone and the analgesic effect of codeine phosphate, together with the stimulant effect of caffeine, produces a synergistic effect.

## CAFFETIN®

The leading product of PC Pharmaceuticals, a renowned painkiller is known as drug against all types of pain, with more than 10 bil. tablets sold, aiming at 10 mil. Euro sales in 2005.

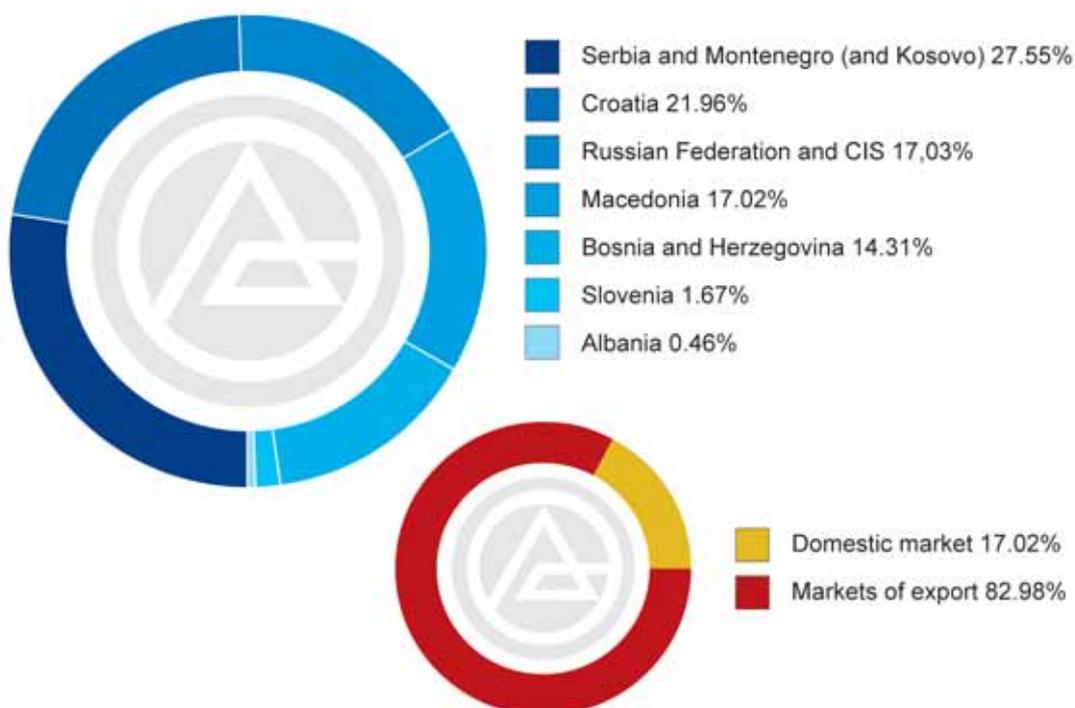
Caffetin is a drug that was launched in 1957. Since then, over 10 billion tablets were sold. Main advantages of this drug are that it is a combination of 4 ideally balanced substances, and in some countries it is registered as OTC.

In the overall sales of PC Pharmaceuticals in 2004, Caffetin participated with 19.73 % mostly effected in the foreign markets.

In October 2002, Alkaloid has entered into License Agreement for Caffetin with the Russian company ZAO "FarmFirm SOTEX" from Moscow. This Agreement refers to exclusive supplies, and only the company SOTEX owns the right to import, sales and affirmation of Alkaloid's preparation in the territory of the Russian Federation.

In 2004 we developed merchandising teams, currently operating in the markets where our product has significant market-share as well as in the markets where we do not have the dominant position. Also, we are building such teams in the markets where we are just starting our business with this product in order to build the brand-awareness and influence the corporate image.

Our strategy regarding extension (differentiation and segmentation) of this brand started with the development and the registration of Caffetin SC (codeine free) this year that would enable targeting the markets in Albania, Bulgaria, Romania and others.





## PHARMACEUTICAL QUALITY ASSURANCE (PQA)

### 1. Concept and responsibilities

In order to achieve the objective of assuring utmost quality of its products, we have established a reliable comprehensively designed and correctly implemented system of Pharmaceutical Quality Assurance, that is fully documented and its effectiveness is regularly monitored, with the participation and commitment by staff in many different departments and at all levels within the PC, by the company's suppliers and by the distributors.

PQA is a wide ranging concept, appropriate for the manufacture of medical products, which covers all issues, which individually or collectively influence the quality of a product. It is a summary of the all organised arrangements compiled for the purpose of ensuring that all medical products are quality, safe and efficient for their required and intended use and also comply with the requirements of the Marketing Authorisation.

The organisational unit Pharmaceutical Quality Assurance encompasses the following activities:

- Proper implementation of the Batch Release Procedure in accordance with the Macedonian law on drugs;
- Issuing of Certificate of quality accordingly;
- Preparing Annual review of the medical products;
- Implementation, maintenance, monitoring and improvement of Quality and environmental system, according to cGMP, ISO 9001:2000 and ISO 14001:1996;
- Managing the Document system at all levels of document hierarchy;
- Preparing and conducting internal quality audit which regularly assesses the efficiency and applicability of the Pharmaceutical Quality Assurance System;
- Approving the pharmaceutical, chemical and biological registration documentation;
- Managing the Change Control procedure;
- Approving the Validation and Qualification documentation;
- Handling and investigating deviations and out-of-specification results (if any);
- Handling complaints and product recalls (if any);
- Assigning and handling corrective/preventive actions;
- Assessment, audit and approval of suppliers;
- Ensuring that the training program, basic and intermediary, were appropriately performed (efficiency periodically assessed);
- Participation in preparing and approval of Quality agreements in case of Contract manufacturing and analysis;
- Escorting External GMP Inspections / Quality audits.



## QUALITY CONTROL IN PC PHARMACEUTICALS

The QC segment of PC Pharmaceuticals encompasses coordinated activities for quality control of all input materials, through the production process up to obtaining finished product with defined expiry date under specified storage conditions and specification that is in conformity with the most strict European and international standards. Quality Control consists of several coordinated activities.

### **Raw materials control, contact and secondary packaging**

Control of the active components, other ingredients, contact packaging includes activities for control of their physical and chemical characteristics pursuant to the European and internationally recognized standards. These activities are performed with modern validation instruments such as: infrared spectroscopy with close area of identification for each container of input raw materials; infrared spectroscopy; analysis of the total organic carbon in the water as media for pharmaceutical production; gas chromatography, automatic titrators etc.

#### **Phase production control and finished product control**

The products are monitored in all their production phases with all specifics until a finished product is obtained, which from the aspect of physical, chemical and pharmaceutical technologic characteristics corresponds to the specifications compiled based on the strict international regulations. Stability monitoring is performed during the declared validity period. All activities are performed with modern validation instruments such as: high pressure liquid chromatography, spectrophotometric instruments connected with a line of dilution apparatus, instruments for high pressure liquid chromatography connected with line of dilution apparatus etc.

#### **Microbiological control**

This control functions within the frames of the new microbiological laboratory built in accordance with the most sophisticated cGMP norms. In classified rooms, appropriate equipment is installed such as: biosafety cabinets, incubators, dry sterilizers, autoclaves, refrigerators/freezers, microscopes, vitek instrument for identification of microorganisms etc. Via coordinated and strictly determined procedures the following activities are performed: product control, systems, media for pharmaceutical production purity monitoring of the rooms and the equipment and all other activities in compliance with the GMP standards. As a part of the biological tests, bacteria endotoxins are monitored in the input materials, the contact packaging, the phase production and the finished product, which are specific for sterile production.

#### **Validation activities and monitoring**

In the frames of GMP operations, analysis are rendered connected with: validation of analytical methods, validation of production processes, validation of neatness of the area and the equipment, validation of the water systems for pharmaceutical application, compressed air, steam, space and equipment cleanness etc.

Quality production inputs as well as all other controlled conditions for pharmaceutical production are preconditions for obtaining safe and high quality finished product.

#### **Analytical development of new products and stability**

All new products of Alkaloid-Pharmaceuticals are monitored in the Quality Control Laboratories through development of analytical methods, validation methods, comparative studies with parallel products, stability studies etc.

#### **Registration activities**

The QC segment prepares the analytical parts of the documentation required for the registration files, which are integral parts of our CTD files.



## OUR EMPLOYEES – THE MOST VALUABLE ASSET

All reorganization processes that occurred in the past years threatened creation of incoherent working atmosphere. One of the long term objectives of Alkaloid's Management Team is building team spirit i.e. creating a real compact team, a group of committed individuals working together towards a common vision, and clear goals, in an atmosphere of mutual trust, support and focused action.

One of the ways to achieve this objective was organizing social gatherings for our employees, their continual training in various fields, granting various incentives and other forms of motivation. Mutual trust, support and team work were highly improved.



That is one of the reasons Alkaloid Pharmaceuticals allocated funds for organization of the expert gathering such as Alkaloid's Days that is and will continue to be held annually.

Our employees from the HQ and the branch offices were able to exchange valuable information, knowledge, skills, insights, improve relationship links and develop their sense for coping as a group dedicated to achievement of mutually shared goals.

As a part of this determination, Alkaloid granted funds for obtaining master degree to several young employees and conducted expert training in marketing and sales for our M&S team as well as management training on improvement leadership skills both conducted by the consulting firm Mercuri International. These trainings helped our M&S team master their commercial skills whereas managers were assisted in development of efficiency and improvement of communication skills.

Alkaloid also supports its employees in their decisions for educational upgrading, attendance of expert courses and courses for improvement of computer literacy thus enabling them to cope in a highly competitive environment.

In an environment of constant changes, knowledge exchange and management as well as their effective application are crucial to maintaining a competitive and profitable organization. The company aims to treat the employees not as tools for realization of posed results but as social beings that function in a highly dynamic environment of technological changes and motivate them to head towards improved results and performances.



## SOCIAL ACTIVITIES

Always when we speak about events and actions involving children, patients and people who need to be assisted in certain way - Alkaloid tends to be present and aid as much as possible, and as much as affordable all with one single goal: to provide quality life for all people because they deserve it.

In May 2004 following the initiative of the spouses of the Swiss Ambassador, the US Ambassador and the Greek Ambassador in Macedonia, Alkaloid aided a human event and donated products from its production programme of drugs and teas to the Association of Bodily Disabled Persons.



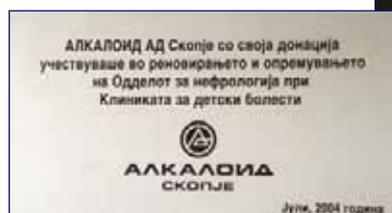
Alkaloid also prepared New Year's gifts for the home of children without parents. Joy was endless.

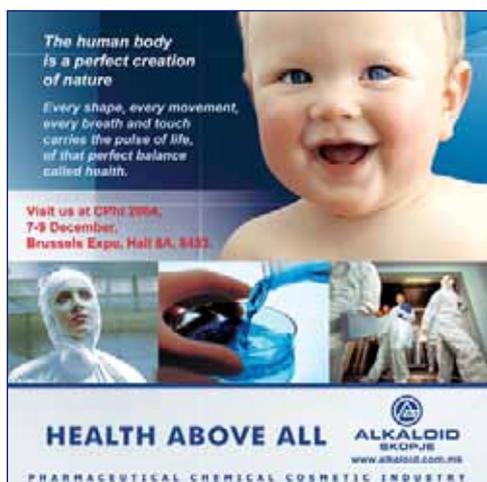
In May 2004, on the day of the fosters for children without parental care, Alkaloid donated symbolic gifts for those children.



As a part of the project "Friends of the Clinic for Pediatric Diseases" Alkaloid AD Skopje donated EUR 30.000 for reconstruction and equipping of the Department for Nephrology. With this donation, Alkaloid significantly contributed the realization of the campaign, all with one single goal: to provide quality healthcare for the young patients.

At the press conference held for that occasion on 6<sup>th</sup> of July 2004, Prof. d-r Dafina Kuzmanovska emphasized the importance of this donation and rendered it as major improvement of the conditions of this department that hospitalizes 300 to 400 children suffering from various renal diseases, where the frequency of out-patients is 3000 to 4000 per year, and it is also the only institution in this state that provides for dialysis for the youngest patients suffering from renal insufficiency and who are prepared for transplantation.





## CPHI 2004, BRUSSELS, BELGIUM Alkaloid Presented the Colors of Macedonia in Brussels

From 7<sup>th</sup> to 9<sup>th</sup> December 2004, Brussels, Belgium hosted the most prestige exhibition CPhI 2004, with participation of more than 8000 pharmaceutical companies around the world. For the first time, at its 15<sup>th</sup> Anniversary, a Macedonian company participated as exhibitor.

CPhI Worldwide is the greatest exhibition of its type, hosting numerous visitors and exhibitors. The twenty-thousand visitors who came from different parts of the world had the opportunity to meet with the latest achievements in the field of pharmaceuticals and to visit the booths of almost all world renowned pharmaceutical companies thus the three days provided for the exhibition were not sufficient. The enormous offer of active substances, finished formulations, specialized services were utilized by Alkaloid for establishment of quality contact and exchange of information that would be of crucial importance for the further operations of the Company. The organization and the overall event were highly skilfully arranged. Brussels Expo with its location and size mastered all requirements of the exhibitors and the visitors.

Alkaloid managed to be selected and presented with its own editorial among thousands of sent articles in the CPhI Show Daily.

For us, this exhibition was an excellent opportunity to present the Company to the world and to come a step to achievement of our vision to make Alkaloid an exort oriented company dedicated to preserving the health of each individual.

Or, as the editor of CPhI Show Daily entitled it: **"Alkaloid is Dedicated to Providing Quality Health Care Tools"**



### Alkaloid is Dedicated to Providing Quality Health Care Tools

Alkaloid for almost seven decades is the leading company on the Macedonian pharmaceutical market; keeping pace with the latest technological discoveries, creating products that satisfy standards of highest quality. Alkaloid pursues its objective of establishing itself as a reliable partner for the future. Leading product, caffeine, a renowned painkiller with over 10 billion tablets sold. In this new millennium, a new work-of-art manufacturing facility, cGMP- and cGLP-compliant; dedicated to our mission to provide health, quality health care tools, and environmental protection.

Alkaloid was established in 1936 with only 15 employees. Today it is a joint stock company with private ownership status, with more than 2,000 shareholders. It operates through several business segments: pharmaceuticals (core activity), chemicals, cosmetics and botanicals, and coatings. The company employs nearly 1,300 people and operates through its subsidiaries located in eight countries. Alkaloid Pharmaceuticals offers a broad range of finished pharmaceutical products from various pharmacotherapeutic groups manufactured and tested in state-of-the-art facilities.

Alkaloid has been recognized as a partner of choice by Pfizer, F. Hoffmann La Roche, Sanofi Aventis, Italfarmaco, Valeant, Nycomed, Pharmacia, and others to act as their licensee, exclusive agent and/or consigner. We have managed to increase the level of export sales by 22% within one year, and we are an export-oriented company open for new partnerships in contract manufacturing, co-development, registration, co-marketing, and sales in both our traditional and new markets.

One of our achievements in 2003 is our U.S. patent for the invention of a pharmaceutical formulation for sublingual dosage form comprising a morphine salt.

What Alkaloid mostly relies upon is its strong proactive marketing concept, permanent investments in people and technology, and launching new, inexpensive but high quality pharmaceutical products. ✪



**BECUTAN BABY POWDER**  
moist and protects the  
irritations. Its active addi  
tender skin, espec  
in the area of the groins. It is  
recommended for adults with  
or inflamed s

**BECUTAN BABY CREAM**  
Exquisitely formulated to prote  
and pamper the tender infant ski

dječja krema  
**BECUTAN**  
BECUTAN



WDER  
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**BECUTAN TOOTHPASTE**  
Protects the teeth against  
and tenderly removes stains  
from the teeth.  
Wild strawberry flavor

**BECUTAN**  
Does not  
which makes the



## **P.C. CHEMISTRY, COSMETICS & BOTANICALS**

Following the reorganization processes that occurred in Alkaloid in 2004, PC Chemistry, Cosmetics and Botanicals now unites the overall assortment of products for wide consumption (a wide range of cosmetic and food products) as well as various chemical products and X-Ray materials for the healthcare sector.

Permanent monitoring and implementation of the latest scientific and technological achievements in the area of cosmetology enable the creation of world class cosmetic products with top quality and recognizable design, being the leading range of this profit centre participating with 40.09% of its sales.

All high quality carefully selected products skilfully blended and branded under the name BECUTAN are the leading products of this profit centre. In the sales of the cosmetics range, this product participated with 47.72% noting almost 9% sales increase compared to 2003. The expert development team is working on extension and differentiation of the products of this programme. We expect the first novelties of this umbrella brand to be launched in 2005.

The range of cosmetic products of this PC was extended with a new shampoo against saeboreic dermatitis. Our hair care collection was extended with new hair gels of the VAL collection.

During 2004, emphasis was given to the operations of our Botanical Pharmacy. The expert personnel employed in this Pharmacy rendered free expert advices on correct administration of medicinal herbal products. As far as the products from the botanicals programme are concerned, emphasis was given on their quality improvement, establishing successful professional relations with the buyers, sales promotions in the existing markets and conquering new ones.

In 2004, in the Botanicals programme, we introduced a new Herbal tea in filter bags intended for the markets in the USA, Canada, Japan and the EU market.

Taking into consideration the rapid technical-technological development as well as the fierce competition in this market, in 2005 this Profit centre plans to undertake various investment activities for the purpose of modernization of the production processes.

**Zorka Zlatanovic**

MB member for PC Chemistry,  
Cosmetics & Botanicals,

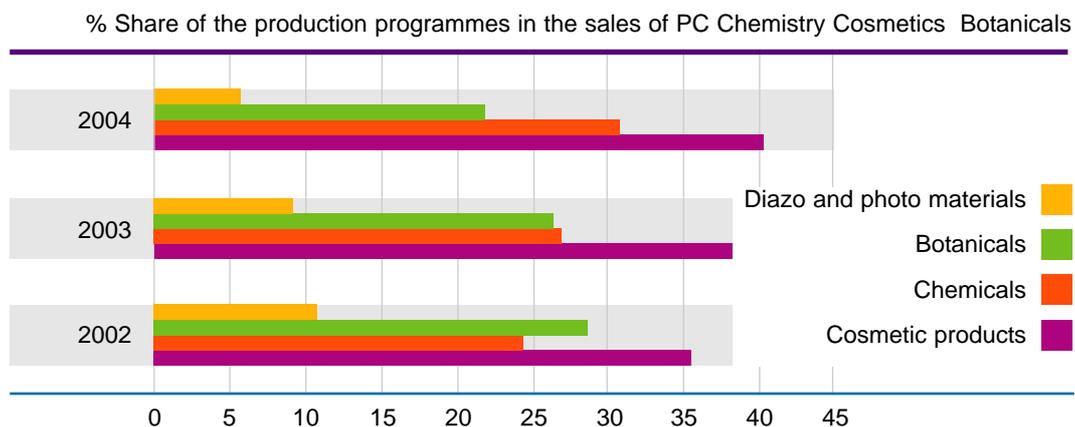


## SALES

Sales in 2004 reached MK Den 780 mil. which is 24,64% participation in the overall sales of Alkaloid Group.

% Share of the production programmes  
in the sales of PC Chemistry and Cosmetics:

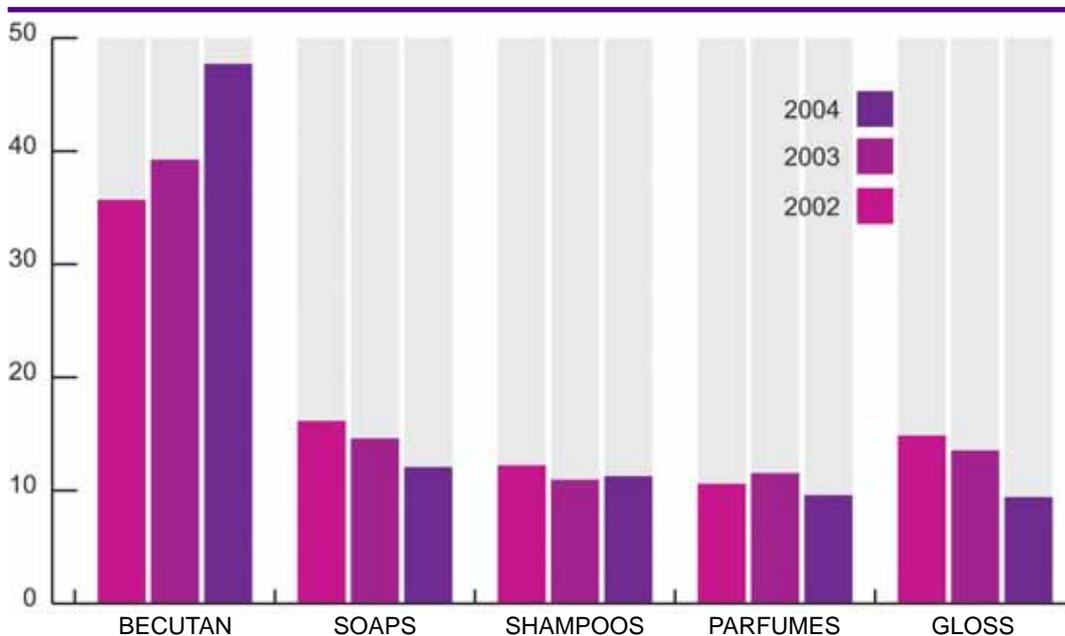
	2004	2003	2002
<b>COSMETICS</b>	40.09	37.87	35.45
<b>CHEMICALS</b>	31.37	26.77	24.87
<b>BOTANICALS</b>	21.99	26.68	28.71
<b>DIAZO AND PHOTO</b>	6.55	8.68	10.97



Sales structure of  
Cosmetic products and programmes:

Product	2004	2003	2002
<b>BECUTAN</b>	47.72	39.25	35.69
<b>SOAPS</b>	12.07	14.61	16.15
<b>SHAMPOOS</b>	11.25	10.95	12.22
<b>PARFUMES</b>	9.58	11.52	10.59
<b>GLOSS</b>	9.41	13.54	14.86
<b>Others</b>	9.97	10.13	10.49

Top 5 cosmetic programmes and their level of sales



Sales structure of  
of chemicals, diazo and photo materials:

Product	2004	2003	2002
HAEMODIALYSIS SOL.	33.72	29.51	19.89
ARGENTUM SALTS	18.37	13.33	19.40
ACIDUM ACETICUM	5.03	6.47	6.04
Others	42.88	50.69	54.67

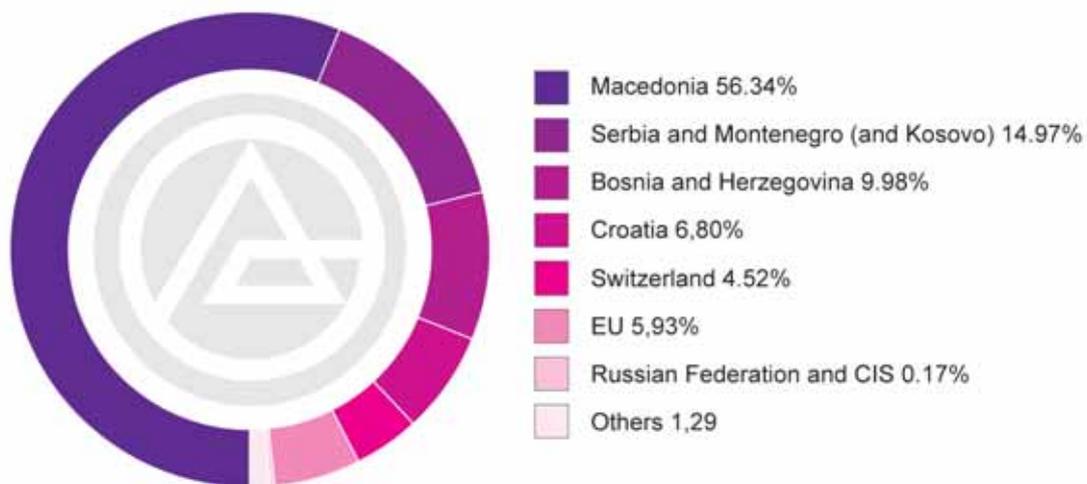
Product	2004	2003	2002
X-RAY FILM	48.64	32.46	29.09
AMOKOP	21.00	14.90	10.53
XEROX PAPER	14.04	15.81	15.67
Others	16.32	36.83	44.71

Sales structure of  
Botanicals products and programmes:

Product	2004	2003	2002
GOOD NATURE	47.48	37.80	37.11
ZACINAL	19.27	17.87	15.58
WHOLESALE HERBS	16.16	23.77	24.90
Others	17.09	20.56	22.41

56,34% of the overall sales in 2003 were effectuated on the domestic market, whereas 43.66% were for the export markets.

Sales structure by countries in 2004







...  
...remaza  
...m<sup>2</sup> za jedan  
...na  
...65 ± 5%

ДОВИ ДРВО

kvalitetnih sintetskih smola,  
tamniju zaštitu. Dobro se  
...opal razrjeđivačem za  
...četkom ili valjkom.  
...dodir.  
...pos



## P.C. COATINGS

The profit centre Coatings, an integral part of Alkaloid AD Skopje. It deals with production and trade of coating agents since 1946, presently controlling nearly 60% of the domestic coatings market.

It is located in the East Industrial Zone of the city of Skopje and covers a surface of 50.621 m<sup>2</sup> out of which 8.543 m<sup>2</sup> are in objects.

The production programme of PC Coatings includes wide range of coating agents, raisins, plasterers, glues etc.

This profit centre is managed by skilful, high qualified, professional team dedicated to creating products that satisfy all standards for highest quality with developed ability to cope with the latest trends in the coating industry. The quality of our operations is verified according to the international standards with ÖQS ISO 9001: 2000 Certificate

The domestic and foreign competition induced several changes in the design of our products. Therefore, in order to satisfy the customer demands and the environmental requirements, we have changed the obsolete glass with new tin containers.

The market in this region underwent major changes in the past decade. Main factors that influence these changes were the disintegration of the Macedonian civil construction industry, inducing reduction of wholesales and redirecting sales towards smaller buyers. In order to cope with these changes, PC Coatings made several customer loyalty programmes so as to stimulate sales that turned successful in the case of our two leading products that preserved and slightly outgrown the level of sales compared to 2003.

The quality of our products and positive customer feedback are basic postulates for Alkaloid-Coatings. The business plan of this centre directs future operations towards preserving the level of quality and professionalism in our operations, creating product with highest level of quality and protecting the environment.

**Dimitar Pejcinovski**

MB member for PC Coatings

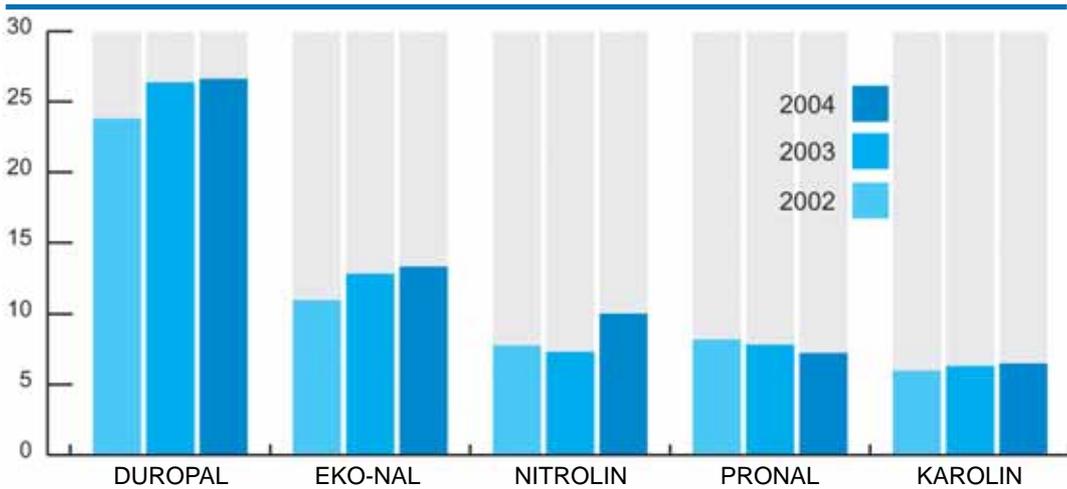


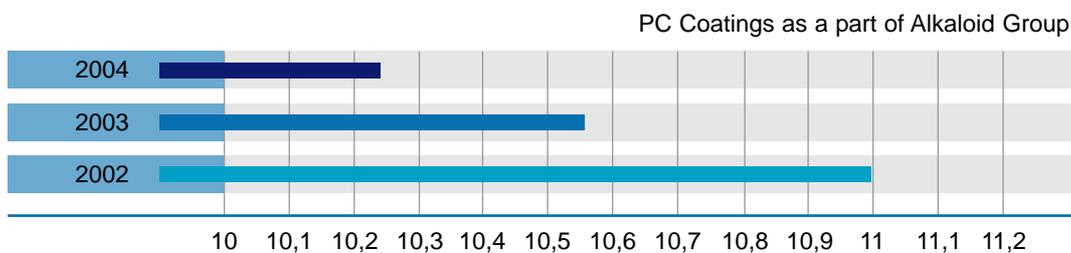
## SALES

Sales in 2004 reached MK Den 324 mil. which is 10.23% participation in the overall sales of Alkaloid Group.

Product	% Share in the overall sales of PC Coatings		
	2004	2003	2002
<b>DUROPAL</b>	26.62	26.37	23.80
<b>EKO-NAL</b>	13.37	12.86	10.98
<b>NITROLIN</b>	10.03	7.31	7.77
<b>PRONAL</b>	7.24	7.85	8.31
<b>KAROLIN</b>	6.49	6.34	6.00
<b>Others</b>	36.25	39.27	43.14

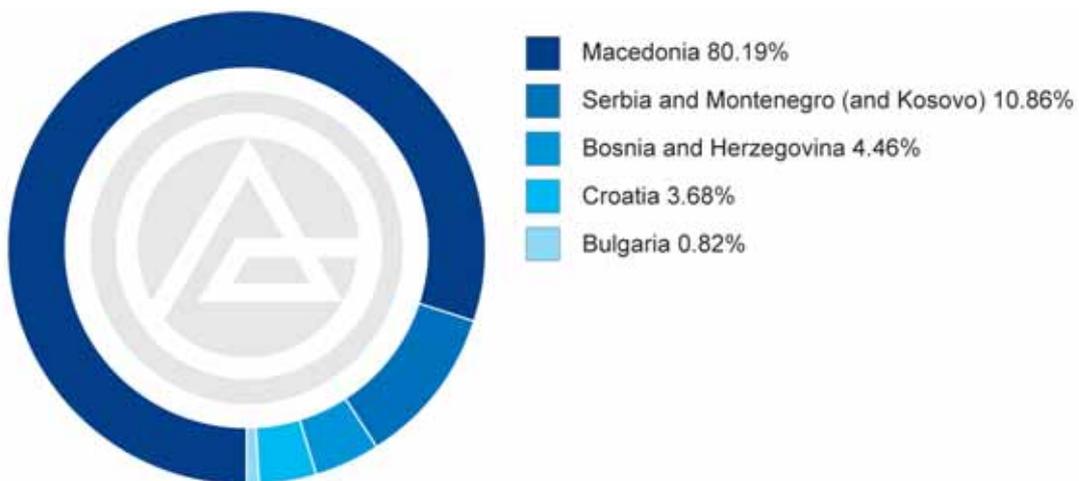
Top 5 products of PC Coatings and their level of sales





80.19% of the overall sales in 2004 were effectuated on the domestic market, whereas 19.81% were for the export markets.

Sales structure by countries in 2004



## STANDARDS

The overall assortment of PC Coatings is manufactured under DIN, ISO and MKS quality standards for the starting raw materials as well as for the finished product. Certificate of quality is issued for each product.



## **OU STRATEGIC INVESTMENTS, FINANCES, IT AND GENERAL AFFAIRS**

The rapid changes in the economy, the complexity of our operations, fierce competition, turbulent and dynamic business environment and the vision of Alkaloid to grow into an export oriented company with stable positions opened to new markets and new partnerships - determine the goals and operations of this strategically significant unit of Alkaloid AD.

In 2004, following the rendered reorganization processes several priority demands were imposed, and the first one was upgrading of the existing and installation of modern information system, which is a rather complex and voluminous project, that imposes significant assets and enters into all segments of the operations of the Company. Due to these reasons, it will be performed in several phases.

In 2004, specialized and adjusted computer training was performed for nearly 10% of the employees in all levels. We also initiated the upgrading of the computer infrastructure with eight new servers thus integrating and consolidating our network.

This organizational unit also initiated a project system for document management that will enable transfer from manual into computer operated document management. It shall be completely implemented in 2005.

In 2004 we initiated preparation activities for a new data information system. Its integral part is the complete system for planning of internal information resources of the company - for which Alkaloid is to elect the most suitable solution out of several best opted. This will assure maximization of all business processes, unification of our procedures, controlled approach via external network and rapid as well as simple information access.

In 2004, the Law on Trade Companies was enforced in the Republic of Macedonia according to which all trade companies are obliged to prepare their financial reports in accordance with the International Financial Reporting Standards (IFRS), thus activities were initiated for complying our accounting evidence pursuant to these standards.

The financial reports provide information regarding the financial standing and the solvency of the Company and are beneficial for a wide range of users such as investors, shareholders, lenders, suppliers, buyers, employees and others. IFRS require presentation of the financial categories according to certain estimations for the purpose of presenting the actual condition of the company's operations.

In accordance with this legal requirement, the accounting segment of this unit implemented several basic activities in its operations in the field of: basic assets, liabilities on behalf of buyers, bank investments, assuring conformity of the account value of the capital with the registered value, assuring conformity and elimination of the internal liabilities between Alkaloid AD Skopje and its branch offices especially in the area of compiling the consolidated balance sheet on Alkaloid Group, elimination of incomes from the realization of connected subjects, evaluation of stocks in accordance with maturity analysis, calculation of the production in accordance with IFRS, many activities connected with the cash flow, capital changes, deferred taxes and others.

**Cvetanka Simonovska**

MB member for OU Finances,  
Strategic Investments IT & General Affairs



## PERSONNEL STRUCTURE

The educational structure of the employees was as follows:

	2004	2003	2002
MASTER OF ARTS	5	5	6
UNIVERSITY DEGREE	281	298	305
JUNIOR COLLEGE DEGREE	30	36	39
HIGH SCHOOL DEGREE	511	526	531
QUALIFIED WORKERS	254	294	330
JUNIOR HIGH SCHOOL DEGREE	64	72	78
<b>TOTAL</b>	<b>1145</b>	<b>1231</b>	<b>1294</b>

Number of employees in organizational locations:

	2004	2003	2002
PC PHARMACEUTICALS	721	762	717
PC CHEMISTRY AND COSMETICS	262	208	245
PC BOTANICALS	102	78	115
PC COATINGS	102	115	124
OU STRATEGIC INVESTMENTS, IT & GENERAL AFFAIRS	60	27	48
FINANCES		41	45
<b>SUBSIDIARIES</b>	<b>79</b>	<b>73</b>	<b>70</b>

## ENVIRONMENTAL PROTECTION

Permanent care for the environment is one of the basic principles in determining the objectives and the directions for fulfilment of the business strategy and long-term policy of Alkaloid AD, defined in our Environmental Policy.

Pursuant to the Environmental Action Plan, the legislative and the requirements of EMS ISO 14001, Alkaloid AD Skopje regularly monitors the following: waste waters, exhaust gas emission, microclimate conditions, noise and respiratory dust in the production areas as well as waste management.

Improvement was made in the field of waste management with the following activities:

- Permanent selection of the medical waste that is handed over for further treatment to an authorized institution;
- Waste obtained in microbiological analysis undergoes thermal treatment before it is to be deposited by an authorized institution;
- Selected paper waste is handed over to a company that recycles it and delivers collective packaging boxes finished products.

In the course of 2004, Alkaloid's representatives participated in several seminars and workshops in the area of environmental protection and environmental management, those being:

- Implementation of food safety system;
- Support of the Macedonian Legal System with the International EIA Procedures;
- Production and use of phosphate free powders in the Republic of Macedonia.

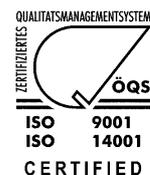
In 2004, representatives of Alkaloid AD Skopje participated in the realization of the following projects:

- Improvement of the Capacities of the Ministry of Environmental Protection and Physical Planning - parts:
  - Preparation of Air Emission Registry, setting up filled in questionnaires;
  - Preparation of Waste Water Registry, submission of additional information.
- LEAP for the City of Skopje - part: Promotion of the Environmental Management System in Organizations in the City of Skopje;
- Support was given in the preparation of the Waste Management National Plan and preparation of feasibility studies with submission of questionnaires on solid industrial waste.

Within the frames of the project: LEAP for the City of Skopje representatives of ALKALOID AD Skopje visited German companies and extinguished experts regarding mutual experience in the implementation of environmental management systems.



ОРГАНСКО ПРОИЗВОДСТВО

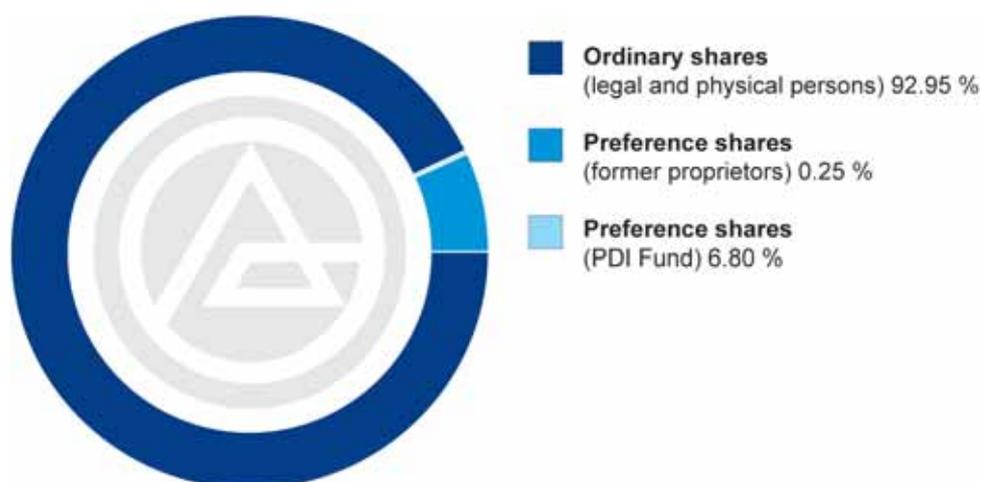


## SHAREHOLDING

The nominal capital of the Company amounts to 1,301,230 shares with par value of EUR 25.56 per share or total sum of EUR 33,273,657.72.

The shares are freely transferable. All individuals included in the Shareholders Registry, which in compliance with the existing regulations is kept with the Central Depository for Securities, shall be deemed as shareholders. The shareholders shall enjoy equal status and shall retain the voting right at the Company's Assembly i.e. one vote for every ordinary share, as well as the right to a dividend.

As of 31st December 2004, ALKALOID AD Skopje has totally 2,557 shareholders holding regular shares. 92.95% (1,209,550) of the shares are ordinary shares; 6.8% (88,452) are preference shares held by the Pension and Disability Insurance Fund of the Republic of Macedonia and 0.25% (3,228) are preference shares, reserved for former proprietors and proprietors who need to prove their ownership right of inheritance for estate now belonging to ALKALOID AD Skopje.



Shareholders	Type of shares	Number of shares
Legal and Physical persons	Ordinary	1,209,550
Pension and Disability Insurance Fund of the Republic of Macedonia	Preference	88,452
Former proprietors	Preference	3,228
<b>Total</b>		<b>1,301,230</b>

According to the evidence of the Macedonian Stock Exchange, the shares of ALKALOID AD Skopje in the course of 2004 stood for the most traded and most liquid shares. 1,495 transactions were made (which is 75% increase over 2003), 109,080 shares were traded (being 8.38% of the overall share capital of ALKALOID AD Skopje), with total amount of EUR 3,481,264.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 13.3% of the total trade effectuated on the first official market of the Macedonian Stock Exchange.

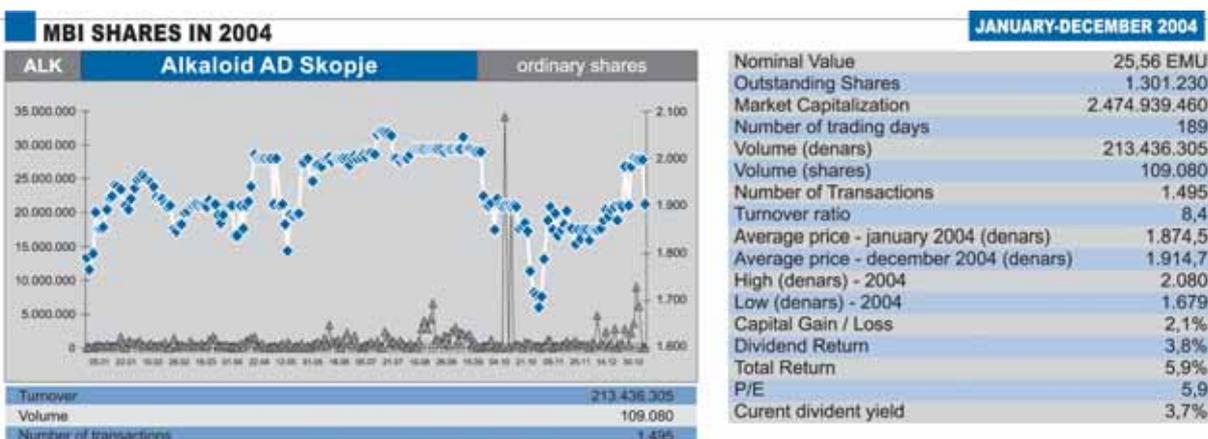
The price of Alkaloid's shares ranged from MKD 1,679 to MKD 2,080 with average of MKD 1,894.60. The capital gain on Alkaloid's shares in December 2004 compared to January 2004 was 2.14% while the capital gain on the average price of Alkaloid's shares in 2004 compared with 2003 was 10.15%.

Commencing from 1995, the year when the company was restructured, ALKALOID AD Skopje is regularly effectuating the dividends on annual basis.

Net dividend per share from 2004 amounted MKD 70.50 and the fixed date for performing the right to a dividend is 16<sup>th</sup> May 2005.

The amount of the dividend per share in the past three years ranged as follows:

In MK Denars	2004	2003	2002
Net dividend per share	70.50	70.50	70.50





## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders and Managing Board of Alkaloid Group

1. We have audited the accompanying consolidated balance sheet of Alkaloid Group as of 31 December 2004, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements set out on pages 3 to 31 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of Alkaloid Group as of 31 December 2004, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS 

Skopje  
30 March 2005

*PricewaterhouseCoopers*

## GENERAL

Alkaloid AD - Skopje was established in 1936 and in the past 68 years grows in contemporary industrial capacity with wide pallets of products. Production program consists of the variety of pharmacy, chemistry and cosmetics products, as well as paints and polishes for the construction and wood processing industry.

The Alkaloid Group, consist of 8 (eight) subsidiaries, in different countries. The names of the subsidiaries are stated in Note 11, from the Notes to the financial statements.

Alkaloid AD - Skopje, the parent company is the joint stock company, established and with head office in Republic of Macedonia.

The registered address of the company is:

Aleksandar Makedonski 12  
1000 Skopje,  
Republic of Macedonia

Commencing the 2002, the shares of the Alkaloid Group became listed on the Macedonian Stock Exchange, above their par value.

As of 31 December 2004 Alkaloid Group employed 1,224 people (31 December 2003 1,337).

The names of the members of Managing Board of Alkaloid Group serving during the financial year and to the date of this report are as follows:

- Trajce Mukaetov - Chairman
- Zivko Mukaetov
- Cvetanka Simonovska
- Zorka Zlatanovic
- Dimitar Pejcinovski

The names of the Directors of Alkaloid Group serving during the financial year and to the date of this report are as follows:

- Trajce Mukaetov  
*General Manager*
- Cvetanka Simonovska  
*Member of Management Board in charge of OU Strategic investments,  
General affairs, Finance and IT*
- Zivko Mukaetov  
*Member of Management Board in charge of PC Pharmaceuticals*
- Zorka Zlatanovic  
*Member of Management Board in charge of PC Chemicals Cosmetics Botanicals*
- Dimitar Pejcinovski  
*Member of Management Board in charge of PC Coatings*

## CONSOLIDATED INCOME STATEMENT

(all amounts in thousands of Denars)	Notes	Year ended 31 December	
		2004	2003
Sales	2	3,167,112	3,196,214
Cost of sales		(1,920,199)	(1,989,413)
<b>Gross profit</b>		<b>1,246,913</b>	<b>1,206,801</b>
Other operating income		94,545	123,233
Administrative and distribution costs		(680,681)	(628,685)
Other operating expenses		(309,242)	(336,199)
<b>Operating profit</b>	3	<b>351,535</b>	<b>365,150</b>
Finance (expenses) income	5	(49,431)	(90,035)
<b>Profit before tax</b>		<b>302,104</b>	<b>275,115</b>
Income Tax	6	(35,743)	(38,661)
<b>Net profit</b>		<b>266,361</b>	<b>236,454</b>
<b>Earnings per share</b>			
Basic (in Denars)	7	204.70	181.72
Diluted (in Denars)	7	204.70	173.13

## CONSOLIDATED BALANCE SHEET

(all amounts in thousands of Denars)

Year ended 31 December

	Notes	2004	2003
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3,325,830	3,224,259
Intangible assets	10	2,993	4,026
Advances for investments		1,517	4,240
Available-for-sale Investments	11	17,113	10,474
Other long term receivables		15,027	15,027
Deferred tax assets	18	6,820	409
<b>Total non-current assets</b>		<b>3,369,300</b>	<b>3,258,435</b>
<b>Current assets</b>			
Inventories	12	977,547	983,981
Payments in advance	13	24,810	7,947
Trade receivables	14	917,227	962,731
Other current assets	15	108,547	72,545
Cash and cash equivalents	16	281,679	254,493
<b>Total current assets</b>		<b>2,309,810</b>	<b>2,281,697</b>
<b>TOTAL ASSETS</b>		<b>5,679,110</b>	<b>5,540,132</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	23	2,016,057	2,016,057
Treasury shares	24	(41,333)	(2,583)
Legal reserves		291,625	234,298
Other reserves		1,645,194	1,416,604
Retained earnings		897,601	877,496
<b>Total capital and reserves</b>		<b>4,809,144</b>	<b>4,541,872</b>
<b>Minority interest</b>	25	<b>834</b>	<b>834</b>
<b>Long term liabilities</b>			
Long term borrowings	17	2,100	132,512
<b>Total long term liabilities</b>	18	<b>2,100</b>	<b>132,512</b>
<b>Current liabilities</b>			
Trade payables	19	365,234	465,752
Customer prepayments	20	13,002	9,902
Short term borrowings	21	382,707	191,059
Current portion of long term borrowings	17	-	100,762
Other current liabilities	22	106,089	97,439
<b>Total current liabilities</b>		<b>867,032</b>	<b>864,914</b>
<b>Total liabilities</b>		<b>869,132</b>	<b>997,426</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,679,110</b>	<b>5,540,132</b>

**Trajce Mukaetov**  
General Manager



**Cvetanka Simonovska**

Member of Management Board in charge of  
OU Strategic investments, General affairs, Finance and IT



## CONSOLIDATED CASH FLOW STATEMENT

(all amounts in thousands of Denars)	Year ended 31 December	
	2004	2002
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2,605,004	2,935,439
Cash paid to suppliers and employees	(2,054,095)	(2,401,229)
<b>Cash generated from operations</b>	<b>550,909</b>	<b>534,210</b>
Interest received	12,621	5,815
Income taxes paid	(35,870)	(22,921)
(Payment in advance) / Advances received (net)	(12,548)	(5,216)
(Payments to) / Proceeds from insurance company	(20,730)	(25,188)
Loans to Employees	(54,677)	(54,103)
<b>Net cash from operating activities</b>	<b>439,705</b>	<b>432,597</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(175,926)	(74,793)
Sale of fixed assets	3,348	2,737
Advances for fixed assets	(19,959)	-
Dividends received	1,059	702
<b>Net cash used in investing activities</b>	<b>(191,478)</b>	<b>(71,354)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from / (payment) of short-term borrowings	234,268	100,000
Proceeds from / (payment) of long-term borrowings	(233,138)	(322,746)
Interest paid	(36,492)	(72,604)
Acquisition of treasury shares	(73,727)	(61,725)
Dividends paid	(112,758)	(110,440)
<b>Net cash used in financing activities</b>	<b>(221,847)</b>	<b>(467,515)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>26,380</b>	<b>(106,272)</b>
<b>Movements in the cash and cash equivalents</b>		
At the beginning of the year	254,493	360,765
Net Increase / (Decrease) in cash	26,380	(106,272)
Translation differences	806	-
<b>At the end of the year</b>	<b>281,679</b>	<b>254,493</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the Notes all amounts are shown in Denars thousands)

### 1 Segment information

Primary reporting format - business segments

<b>31 December 2004</b>	<b>Pharmaceuticals</b>	<b>Chemicals Cosmetics Botanicals</b>	<b>Coatings</b>	<b>Total</b>
<b>Sales</b>	<b>2,062,748</b>	<b>780,266</b>	<b>324,098</b>	<b>3,167,112</b>
Segment result	397,893	15,882	694	414,469
Valuation's expenses			(83,229)	(83,229)
Unallocated profit				20,295
<b>Profit from operations</b>				<b>351,535</b>
Finance costs (net)				(49,431)
<b>Profit before tax</b>				<b>302,104</b>
Income tax				(35,743)
<b>Net profit</b>				<b>266,361</b>
Segment assets	3,887,953	1,347,122	444,035	5,679,110
<b>Total assets</b>				<b>5,679,110</b>
Segment liabilities	(690,433)	(119,501)	(59,198)	(869,132)
<b>Total liabilities</b>				<b>(869,132)</b>
<b>31 December 2003</b>	<b>Pharmaceuticals</b>	<b>Chemicals Cosmetics Botanicals</b>	<b>Coatings</b>	<b>Total</b>
<b>Sales</b>	<b>2,114,701</b>	<b>745,591</b>	<b>335,922</b>	<b>3,196,214</b>
Segment result	353,870	(13,198)	8,429	349,101
Unallocated profit				16,049
<b>Profit from operations</b>				<b>365,150</b>
Finance costs (net)				(90,035)
<b>Profit before tax</b>				<b>275,115</b>
Income tax				(38,661)
<b>Net profit</b>				<b>236,454</b>
Segment assets	3,070,229	1,737,978	731,925	5,540,132
<b>Total assets</b>				<b>5,540,132</b>
Segment liabilities	(719,386)	(167,888)	(110,151)	(997,425)
<b>Total liabilities</b>				<b>(997,425)</b>

## 1 Segment information (continued)

At 31 December 2004, the Group is organised on a worldwide basis into three main business segments:

- **Pharmaceuticals** - Production of medicines for human use, medicines for veterinary use and pharmaceutical raw materials;
- **Chemicals Cosmetics Botanicals** - production of chemicals, diazo, X-rays; cosmetics and soaps; teas, food products, medicines and herbal raw materials;
- **Coatings** - production of coatings and synthetic resins.

### Secondary reporting format - geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in five main geographical areas.

The Republic of Macedonia is the home country of the parent company, which is also the main operating company. The sales by the main geographical areas are as follows:

Sales	2004	2003
Republic of Macedonia	1,590,652	1,777,675
Central and Eastern Europe	1,423,192	1,291,068
Russian Federation and other countries in CIS	106,993	48,569
Western Europa (EU and EFTA)	43,486	76,537
Other countries	2,789	2,365
<b>Total Sales:</b>	<b>3,167,112</b>	<b>3,196,214</b>

With the exception of Republic of Macedonia, no other individual country contributed more than 13.7 % of consolidated sales.

Sales are based on the country in which the customer is located.

### 2 Analysis of sales

	2004	2003
Sale on domestic market	1,588,350	1,777,675
Sale on foreign market	1,576,460	1,398,536
Other	2,302	20,003
<b>Total Sales:</b>	<b>3,167,112</b>	<b>3,196,214</b>

### 3 Operating profit

	2004	2003
Sales	3,167,112	3,196,214
Other operating income	94,545	123,233
Materials	(1,076,469)	(1,180,186)
Energy	(94,369)	(101,542)
Transport costs	(59,681)	(64,350)
Depreciation (Note 9)	(167,057)	(141,278)
Employee costs (Note 4)	(792,754)	(754,427)
Changes in Work in progress and finished goods	22,180	34,451
Provision for bad and doubtful debts	(141,927)	(128,460)
Other expenses	(600,045)	(618,505)
<b>Total Operating costs:</b>	<b>(2,910,122)</b>	<b>2,954,297</b>
<b>Operating profit</b>	<b>351,535</b>	<b>365,150</b>

**4 Employee costs**

	<b>2004</b>	<b>2003</b>
Gross wages and salaries	628,315	597,803
Transport expenses	25,550	29,195
Food allowances	32,629	28,605
Holiday allowances	14,527	15,214
Termination costs	48,742	47,831
Costs for business trip	37,781	29,137
Other benefits	5,210	6,642
<b>Total Employee costs:</b>	<b>792,754</b>	<b>754,427</b>

**5 Finance costs**

	<b>2004</b>	<b>2003</b>
Interest income	6,080	5,817
Dividend income	1,059	702
Other finance income	6,607	2,029
<b>Finance income:</b>	<b>13,746</b>	<b>8,548</b>
Net foreign exchange transaction gains / (losses)	(25,252)	(32,008)
Interest expense	(36,000)	(62,957)
Other finance costs	(1,557)	-
Less: Provision	(368)	(3,618)
<b>Finance expenses:</b>	<b>(37,925)</b>	<b>(66,575)</b>
<b>Total Finance costs:</b>	<b>(49,431)</b>	<b>(90,035)</b>

**6 Income tax**

	<b>2004</b>	<b>2003</b>
Current income tax	37,868	30,228
Deferred income tax (Note 18)	(2,125)	8,433
	<b>35,743</b>	<b>38,661</b>

The income tax differs from the amount that would arise using the base tax rate of the home country of the Company as follows:

<b>Profit before tax</b>	<b>302,104</b>	<b>275,115</b>
Tax calculated at a tax rate of 15%	45,316	41,267
Income not subject to tax	(172)	(5,375)
Expenses not deductible for tax purposes	-	11,186
Costs adjustments	(8,731)	-
Reduction of the tax base	-	(8,530)
Tax assets	(670)	(457)
Effect of different tax rates in other countries	-	570
<b>Tax charge</b>	<b>35,743</b>	<b>38,661</b>
<b>Effective tax rate</b>	<b>11.83 %</b>	<b>14.05 %</b>

Tax authorities can audit the documents and reports at any time, for a period of five years after the year the audit has been performed and can make adjustments and stipulate penalties. Management of the Group does not expect any material consequences.

### 7 Earnings per share

	2004	2002
Net profit attributable to shareholders	266,361	236,454
Weighted average number of shares	1,301,230	1,301,230
<b>Basic earnings per share (in Denars)</b>	<b>204.70</b>	<b>181.72</b>
	<b>2004</b>	<b>2003</b>
Net profit attributable to shareholders	266,361	236,454
Interest expense on convertible debt	-	14,901
Net profit used to determine diluted earnings per share	266,361	251,355
Weighted average number of shares	1,301,230	1,301,230
Assumed conversion of convertible debt	-	150,596
Weighted average number of shares for diluted earnings per share	1,301,230	1,451,826
<b>Diluted earnings per share (in Denars)</b>	<b>204.70</b>	<b>173.13</b>

### 8 Dividend per share

Liabilities for dividends will be recorded in the Group financial statements for 2005, after approving by shareholder on annual meeting.

At the Annual General Meeting during the 2004, a dividend and other benefits in respect of 2003 of MKD 167,436,181 are approved and paid. The amount of net paid dividend per share is MKD 70.50. The dividend declared is disclosed in the equity as an appropriation of the retained earnings.

**9 Property, plant & equipment**

(all amounts in thousands of Denars)	Land and buildings	Equipment	Construction in progress	Total
<b>Cost or valuation</b>				
At 1 January 2004	3,197,984	1,201,176	300,892	4,700,052
Valuation of assets	786,317	-	(157,605)	628,712
<b>Balance after valuation</b>				
<b>at 1 January 2004</b>	<b>3,984,301</b>	<b>1,201,176</b>	<b>143,287</b>	<b>5,328,764</b>
Additions in the year	3,849	6,507	163,581	173,937
Transfer from construction in progress	50,333	53,188	(103,521)	-
Disposal in the year	(1,480)	(6,144)	-	(7,624)
Translation differences	1,190	278	(5)	1,463)
<b>At 31 December 2004</b>	<b>4,038,193</b>	<b>1,255,005</b>	<b>203,342</b>	<b>5,496,540</b>
<b>Depreciation</b>				
At 1 January 2004	751,644	724,149	-	1,475,793
Valuation of assets	535,075	-	-	535,075
<b>Balance after valuation</b>				
<b>at 1 January 2004</b>	<b>1,286,719</b>	<b>724,149</b>	<b>-</b>	<b>2,010,868</b>
Charge for the year 2004	94,410	72,607	-	167,017
Disposal in the year	(1,140)	(6,456)	-	(7,596)
Translation differences	91	332	(2)	421
<b>At 31 December 2004</b>	<b>1,380,080</b>	<b>790,632</b>	<b>(20)</b>	<b>2,170,710</b>
<b>Net book value at 31 December 2004</b>	<b>2,658,113</b>	<b>464,373</b>	<b>203,344</b>	<b>3,325,830</b>
<b>Net book value at 31 December 2003</b>	<b>2,446,340</b>	<b>477,027</b>	<b>300,892</b>	<b>3,224,259</b>

In April 2004, The Group engaged in the valuation of tangible assets (Land, Buildings and Construction in progress) by independent valuers. Results of the valuation are registered in the current period of 2004.

According the short-term agreement with Stopanska banka - Bitola the Group has pledged as the loan securities the facility "New coatings and enamels factory", in total amount of MKD 244,000,000.

According the short-term agreement with Komercijalna banka - Skopje the Group has pledged as the loan securities the facility "Cosmetics and soaps" Production department and transformer station inside the facility, in total amount of MKD 434,301,000.

In July 2004, were fully paid in advance the liabilities of the loans towards EBRD and IFC.

## 10 Intangible assets

Intangible assets consist of seals for registration of trademarks for medicaments, chemistry and cosmetics, botanicals and coatings.

	2004	2003
<b>Cost or valuation</b>		
At 1 January	10,509	10,615
Additions in the year	2,017	338
Disposal in the year	-	(425)
Translation differences	(2)	(19)
<b>At 31 December</b>	<b>12,524</b>	<b>10,509</b>
<b>Depreciation</b>		
At 1 January	6,483	4,474
Charge for the year	3,049	2,024
Disposal in the year	1	-
Translation differences	(20)	(15)
<b>At 31 December</b>	<b>9,531</b>	<b>6,483</b>
<b>Net book value at 31 December</b>	<b>2,993</b>	<b>4,026</b>

## 11 Investments

	2004	2003
Investments in banks	18,308	17,806
Investments in insurance company	1,116	1,116
Investments in enterprises	3,718	3,732
<b>Total:</b>	<b>23,142</b>	<b>22,654</b>
Less: Provision	(6,029)	(12,180)
<b>Total Investments:</b>	<b>17,113</b>	<b>10,474</b>

The investments are carried at fair value.

<b>Investments in banks:</b>	2004	2003
Komercijalna Banka AD - Skopje	14,759	14,758
Stopanska Banka - Skopje	2,550	2,550
Invest Banka	440	439
I K Banka - Skopje	500	-
Other	59	59
<b>Total:</b>	<b>18,308</b>	<b>17,806</b>
Less: Provision	(4,209)	(11,178)
<b>Total Investments in banks:</b>	<b>14,099</b>	<b>6,628</b>

**11 Investments** (continued)

<i>Investments in insurance companies:</i>	<b>2004</b>	<b>2003</b>
QBE Macedonia	1,116	1,116
Less: Provision	(817)	(1,002)
<b>Total Investments in insurance companies:</b>	<b>299</b>	<b>114</b>

Held-to-maturity investments, comprising of investments in subsidiaries and other companies not controlled by the Group.

<i>Investment in subsidiaries</i>	%	<b>2004</b>	%	<b>2003</b>
Alkaloidfarm SA Fribourg, Switzerland	100	5,474	100	5,474
Alkaloid DOO Ljubljana, Slovenia	100	557	100	557
Alkaloid DOO Zagreb, Croatia	100	29,441	100	29,441
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100	56	100	56
Alkaloid DOO Beograd, Serbia and Montenegro	100	2,256	100	2,132
Alkaloid EOOD Sofia, Bulgaria	100	901	100	901
Albalkaloid Sh,p,k, Tirana, Albania	51	199	51	199
Alkaloid Kons DOOEL Skopje, Macedonia	100	154	-	-
<b>Total Investment in subsidiaries:</b>		<b>39,038</b>		<b>38,760</b>

During the 2004, the Group has investments in new subsidiary. On 19 February 2004 is registered Alkaloid Kons DOOEL - Skopje, Republic of Macedonia, with 100 % ownership. The seat of the company is in Skopje, Boulevard Aleksandar Makedonski 12.

During the 2004 there are no sales of existing subsidiaries.

Alkaloid's representative offices in Prishtina, Kosovo (Serbia and Montenegro) and in Moscow, Russia are included in the financial statements of the Company.

**12 Inventories**

	<b>2004</b>	<b>2003</b>
Raw materials	375,265	426,416
Spare parts	22,022	10,803
Tools and consumable stores	22,411	21,797
Work in progress	58,104	68,798
Finished goods	486,215	463,633
Commodities	31,948	11,710
<b>Total:</b>	<b>995,965</b>	<b>1,003,157</b>
Less: Provision	(18,418)	(19,176)
<b>Total Inventories:</b>	<b>977,547</b>	<b>983,981</b>
<b>Provision on inventories relates to:</b>	<b>2004</b>	<b>2003</b>
Provision on tools and consumable stores	(18,418)	(19,176)
<b>Total Provision:</b>	<b>(18,418)</b>	<b>(19,176)</b>

**13 Payments in advance**

	<b>2004</b>	<b>2003</b>
Payments in advance for raw materials	24,810	7,947
<b>Total Payments in advance:</b>	<b>24,810</b>	<b>7,947</b>

Payments in advance to foreign suppliers are made for purchasing of raw materials.

**14 Trade receivables**

	<b>2004</b>	<b>2003</b>
Domestic customers	630,797	745,747
Foreign customers	628,171	549,277
<b>Total:</b>	<b>1,258,968</b>	<b>1,295,024</b>
Less: Provision	(341,741)	(332,293)
<b>Total Trade receivables:</b>	<b>917,227</b>	<b>962,731</b>

**15 Other current assets**

	<b>2004</b>	<b>2003</b>
Receivables from employees	54,677	54,121
Prepaid expenses	11,427	185
Receivables for prepaid VAT	8,850	12,779
Other current assets	33,593	5,460
<b>Total Other current assets:</b>	<b>108,547</b>	<b>72,545</b>

In 2004 short-term no interest rate loan has been granted to the employees, for acquisition of treasury shares in amount of MKD 54,677,480. Loan is due within 8 months. Users of this credit are also a part of the management in amount of MKD 20,724,480.

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

**16 Cash and cash equivalents**

	<b>2004</b>	<b>2003</b>
Bank accounts - in denars	29,228	3,095
Bank accounts - in foreign currency	248,435	243,474
Letters of credit in foreign currency	(24)	695
Cash in hand - in foreign currency	2,345	6,263
Cash in hand - in denars	138	243
Other	1,557	723
<b>Total Cash and cash equivalents:</b>	<b>281,679</b>	<b>254,493</b>

**17 Long term borrowings**

Banks	Due date	Interest rate	2004	2003
Volksbank BH Sarajevo	2009	9 % Annual	2,100	-
EBRD	2002	Variable	-	118,180
IFC	2002	Libor (6 months)	-	115,094
<b>Total:</b>			<b>2,100</b>	<b>233,274</b>
Less: Current portion of long term borrowings			-	(100,762)
<b>Total Long-term borrowings:</b>			<b>2,100</b>	<b>132,512</b>

In July 2004 the borrowings from EBRD and IFC have been repaid before the due date and consequently the issued convertible bonds were drawn.

The Group entered into long-term agreement with Volksbank BH Sarajevo in total amount of MKD 2,100,000 for purchasing of fixed assets.

The carrying amount of the liabilities as of 31 December 2004 is approximate to their fair value.

The maturity of the long-term borrowings are as follows:

Bank	Up to 1 year	1 - 3 years	Over 3 years	Total
Volksbank BH Sarajevo	-	-	2,100	2,100
<b>Total:</b>	-	-	<b>2,100</b>	<b>2,100</b>

**18 Deferred taxes**

	2004	2003
Deferred tax asset	(37,680)	(17,873)
Deferred tax liability	30,860	9,440
	<b>(6,820)</b>	<b>8,433</b>
	<b>2004</b>	<b>2003</b>
At 1 January 2004	(409)	7,855
Deferred income tax in Income statement	(2,125)	8,433
Deferred income tax in Equity	(4,286)	(16,697)
<b>At 31 December 2004</b>	<b>(6,820)</b>	<b>(409)</b>
Deferred taxes credited to equity are as follows:		
	<b>2004</b>	<b>2003</b>
Tangible assets	4,286	16,633
Intangible assets	-	64
<b>At 31 December</b>	<b>4,286</b>	<b>16,697</b>

Deferred tax credited to equity represents deferred tax on the difference between the revalued value of the tangible and intangible assets in accordance with local requirements and their cost.

**19 Trade payables**

	<b>2004</b>	<b>2003</b>
Domestic suppliers	133,325	222,167
Foreign suppliers	201,047	225,734
Uninvoiced suppliers (goods in transit)	30,862	6,410
Commission sale	-	11,441
<b>Total Trade payables:</b>	<b>365,234</b>	<b>465,752</b>

**20 Customer prepayments**

	<b>2004</b>	<b>2003</b>
Prepayments from domestic customers	5,675	7,980
Prepayments from foreign customers	7,327	1,922
<b>Total Customer prepayments:</b>	<b>13,002</b>	<b>9,902</b>

**21 Short-term borrowings**

	<b>2004</b>	<b>2003</b>
Stopanska banka AD - Bitola, Macedonia	144,500	120,000
Komercijalna banka AD - Skopje, Macedonia	170,306	28,000
Erste & Steiermarkische Bank dd - Rijeka, Croatia	-	43,059
LHB Banka AD - Zagreb, Croatia	67,901	-
<b>Total Short-term borrowings:</b>	<b>382,707</b>	<b>191,059</b>

Effective interest rates for short-term loans on 31 December are as follows:

	<b>2004</b>	<b>2003</b>
Effective interest rates:	<b>6.5 - 13 %</b>	<b>8.5 - 15 %</b>

**22 Other current liabilities**

	<b>2004</b>	<b>2003</b>
Liabilities to the employees for salaries and wages	33,981	30,433
Dividends payable	6,710	7,262
Accrued expenses	41,545	36,000
Taxes	11,247	12,333
VAT	1,862	-
Interest	3,008	1,305
Other	7,736	10,106
<b>Total Other current liabilities:</b>	<b>106,089</b>	<b>97,439</b>

### 23 Shares

The shareholder structure is:

Owners structure	S h a r e s			31 December 2004	
	Type of Share	No. shares	%	Value in EUR	Value in MKD'000
Shareholders	Ordinary	1,209,550	92.95	30,929,133.92	1,874,002
Pension fond	Preference	88,452	6.80	2,261,983.91	137,054
Ex-owners	Preference	3,228	0.25	82,539.89	5,001
<b>Total:</b>		<b>1,301,230</b>	<b>100.00</b>	<b>33,273,657.72</b>	<b>2,016,057</b>

The total number of authorised and issued shares is 1,301,230 with nominal value of EUR 25.56 per share. The issued shares are fully paid.

During the 2004, the Group has not issued new shares.

### 24 Treasury shares

In 2004, the Group purchased 46,957 treasury shares (3.61 % of all shares) in total amount of MKD 93,239,178. Part of the shares were disposed during the same year, of which 28,051 shares in total amount of MKD 54,677,480 were given to the employees as participation in profit. According to the Trade Company Law, the remaining shares will be disposed within 12 months.

### 25 Minority interest

	2004	2003
At 1 January	834	834
Appropriation of net profit	-	-
Payment of the minority interest	-	-
<b>Total:</b>	<b>834</b>	<b>834</b>

### 26 Related party transactions

Alkaloid Ad - Skopje has investments in eight subsidiaries stated in Note 11 above. Sales and purchases of goods and services are based on regular market terms and prices.

The transactions with the related parties are stated below:

#### Sale of goods and services

	2004	2003
Alkaloidfarm, Switzerland	25,355	60,845
Alkaloid, Croatia	316,478	299,792
Albalkaloid, Albania	35,575	33,284
Alkaloid, Serbia and Montenegro	13,548	17,425
Alkaloid, Bosnia and Herzegovina	36,698	32,080
Alkaloid, Bulgaria	22,368	20,081
Alkaloid, Slovenia	3,001	4,091
Alkaloid Kons DOOEL - Skopje	-	-
<b>Total:</b>	<b>453,023</b>	<b>467,597</b>

**26 Related party transactions (continue)****Purchases of goods and services**

	<b>2004</b>	<b>2003</b>
Alkaloidfarm, Switzerland	120,570	68,734
Alkaloid, Croatia	62,389	41,362
Albalkaloid, Albania	6,604	3,968
Alkaloid, Serbia and Montenegro	49,240	31,004
Alkaloid, Bosnia and Herzegovina	35,036	29,856
Alkaloid, Bulgaria	3,655	2,635
Alkaloid, Slovenia	30,993	24,655
Alkaloid Kons DOOEL - Skopje	-	-
<b>Total:</b>	<b>308,487</b>	<b>202,214</b>

Outstanding balances arising from the transactions mentioned above are presented below:

**Accounts receivable**

	<b>2004</b>	<b>2003</b>
Alkaloidfarm, Switzerland	3,331	23,583
Alkaloid, Croatia	185,144	168,627
Albalkaloid, Albania	9,741	20,433
Alkaloid, Serbia and Montenegro	105,335	108,858
Alkaloid, Bosnia and Herzegovina	29,171	26,181
Alkaloid, Bulgaria	15,808	11,882
Alkaloid, Slovenia	1,107	3,179
Alkaloid Kons DOOEL - Skopje	-	-
<b>Total:</b>	<b>349,637</b>	<b>362,743</b>

**Accounts payable**

	<b>2004</b>	<b>2003</b>
Alkaloidfarm, Switzerland	96,600	106,450
Alkaloid, Croatia	21,580	22,247
Albalkaloid, Albania	470	1,221
Alkaloid, Serbia and Montenegro	34,310	27,590
Alkaloid, Bosnia and Herzegovina	7,118	5,445
Alkaloid, Bulgaria	-	-
Alkaloid, Slovenia	4,856	6,591
Alkaloid Kons DOOEL - Skopje	-	-
<b>Total:</b>	<b>164,934</b>	<b>169,544</b>

**Receivables from the Management**

	<b>2004</b>	<b>2003</b>
Loan	20,468	20,468
<b>Total:</b>	<b>20,468</b>	<b>20,468</b>

See Note 15.

**26 Related party transactions (continue)****Advances received**

	2004	2003
Alkaloidfarm, Switzerland	6,748	7,537
<b>Total:</b>	<b>6,748</b>	<b>7,537</b>

**Profit Transfer**

	2004	2003
Alkaloid - Zagreb	-	46,253
Alkaloidfarm, Switzerland	18,205	-
<b>Total:</b>	<b>18,205</b>	<b>46,253</b>

During 2004 the retained earning from Alkaloidfarm, Switzerland was transferred

**Liabilities for received loans**

	2004	2003
Alkaloidfarm, Switzerland	61,310	61,293
<b>Total:</b>	<b>61,310</b>	<b>61,293</b>

In November 2003, Alkaloidfarm - Switzerland granted long-term loan in amount of EUR 1,000,000.00 with annual interest rate 3.5 % and greys period of 40 months. Loan is due on 1 April 2007.

**Management compensation**

In 2004, the amount of MKD 2,418,111 (2003, MKD 2,160,470) was paid to the Management Board members.

In 2004, the amount of MKD 1,735,730 (2003, MKD 1,253,404) was paid to the Supervision Board members.

**27 Commitments**

The Group has committed liabilities according supplier agreements for construction and maintenance of fixed assets in total amount of MKD 36,631,490.

**28 Contingencies**

At 31 December 2004, The Group had issued guaranties to the banks in amount MKD 679,301,000.

**29 Post balance sheet event**

At the beginning of 2005, The Group is undertaking an activity in order to establish a new subsidiary "ALK - KOS PHARMACEUTICALS" - Prishtina with 100 % own capital.

At the beginning of 2005, existing subsidiary "ALBALKALOID DOO" - Tirana was terminated and new subsidiary with 100 % own capital was established.

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All mentions and descriptions of Alkaloid products are intended solely to inform the shareholders of the general nature of Group's activities and are not intended to indicate the advisability of administering any product in any particular instance.

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