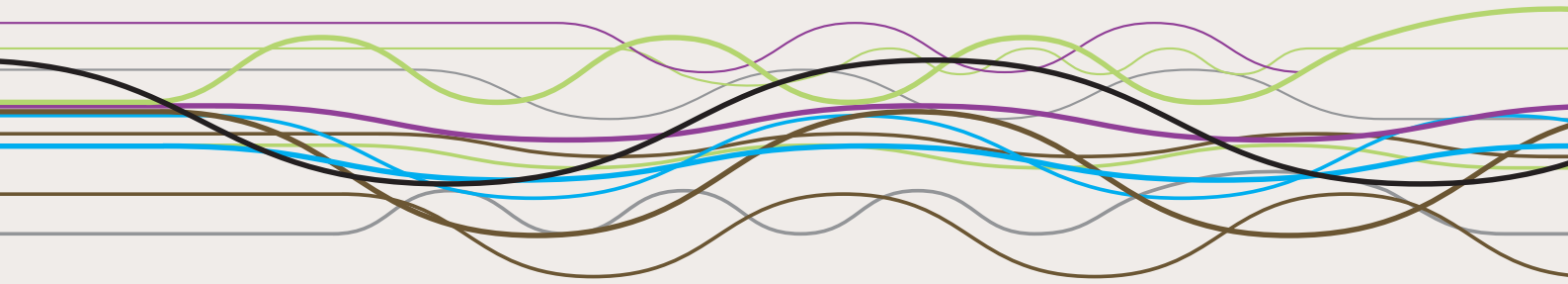


ANNUAL

REPORT







# ANNUAL REPORT '06

Key Financial Indicators	5
Highlights 2006	6
Organizational Chart	8
Supervisory Board	10
Management Board	12
In Memoriam	16
Corporate information	18
PC Pharmaceuticals	32
PC Chemistry, Cosmetics and Botanicals	54
Daughter Companies	62
Investor Information	66
Financial Report	74
Contacts / Subsidiaries	110






# Alkaloid Group /

## Key Financial Indicators

	(In 000 MKD)		
	Index		
	2006	2005	06/05
Total Revenues	3,746,284	3,483,442	107.55
Sales	3,535,687	3,249,699	108.80
Gross Profit	1,405,563	1,289,478	109.90
Operative Profit	452,528	371,128	121.93
Profit Before Tax	396,660	335,412	118.26
Net Profit	341,578	322,542	105.90
Total Assets	6,508,238	6,184,897	105.23
Capital	5,183,818	4,958,273	104.55
Net Cash Flow	30,916	-108,076	
Investments in Fixed Assets	503,525	380,647	132.28
Average Number of Employee	1,152	1,200	96.00
Sales per Employee	3,069	2,708	113.33
Current Ratio	2.90	2.38	122.11
Long-term Debts	0.09	0.03	303.99
ROE Return of Earnings	6.59	6.51	101.29
EPS Earnings per Share	239.22	237.72	100.63
DPS Dividend per Share (Net amount in MK Denars)	80.50	70.50	114.18
Number of Shares	1,431,353	1,431,353	100.00
1 EUR / 1 MKD (31 December 2006)	61.1741	61.1779	99.99

### FINANCIAL HIGHLIGHTS

	(In 000 EUR)		
	Index		
	2006	2005	06/05
Total Revenues	61,240	56,940	107.55
Sales	57,797	53,119	108.81
EBIT	7,397	6,066	121.94
Net Profit	5,584	5,272	105.91
EPS (in EURO)	3.91	3.89	100.64



## 2006

# Highlights

From financial aspect, we ended 2006 above planned, with more than 7.6% growth in the overall incomes.

PC Pharmaceuticals noted more than 9% overall incomes growth in 2006. 73.4% in the overall sales of Alkaloid were effectuated by PC Pharmaceuticals, out of which, 61.4% are export sales.


In June 2006, Zivko Mukaetov, Chief Executive Officer and present president of the Management Board was awarded the prize Top Manager of Bosnia and Herzegovina and Southeastern Europe for quality of products, investments and successful financial operations.

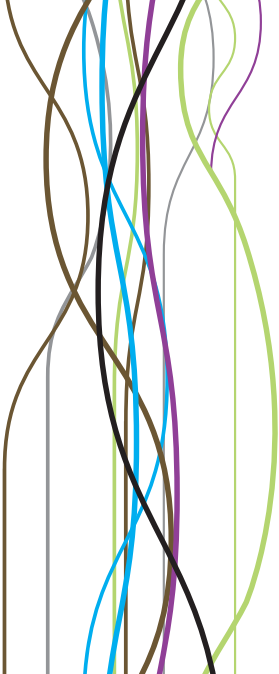
In June 2006 on public stock auction, Alkaloid acquired 25% share in the public healthcare institution Gradski Apteki Skopje, the pharmacy chain in Skopje.

In September 2006, Alkaloid celebrated 70 years from its establishment, a jubilee the company is proud of, worth of respect and admiration.

On the occasion of the celebration of the 70 years jubilee, in September 2006 Alkaloid held extraordinary shareholders' assembly for the purpose of passing several strategically important decisions for the company, among which was allocation of anticipative dividend for 2006 for all shareholders.

Alkaloid initiated the construction of the Institute for Development and Quality control, a scientific research centre that would enable improved capacity control of the quality of the drugs.





The development strategy of Alkaloid AD Skopje is primarily focused on its main activity, the pharmaceuticals segment and the activities complementary to it. The strategic alliance between Alkaloid AD Skopje and Zorka Color AD Sabac and the signing of the Memorandum for Understanding and Strategic Partnership are unification of tradition, knowledge and experience in the realization of the vision for improving the positions on the existing and entering new markets.

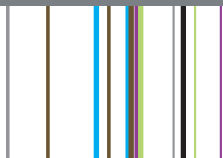
The SAP system is one of the capital investments the company is presently working on, which is an integral part of the defined strategy for modernization and computerization of the company operations. Alkaloid AD Skopje is the first and only company in Macedonia that implements this system individually.

In December 2006 Alkaloid Zagreb was granted the prestigious Gazelle award as one of the companies with continuous growth in Croatia in June 2006.

Alkaloid was granted an award for achievements on behalf of the Finance Central Europe Magazine for being the best company in Macedonia by capital strength.

The production program of Botanicals was granted the HACCP certificate on behalf of the certification body OQS Quality Austria from Austria, for production of safe food including teas, food seasonings, spices, dried vegetables, salt and the food seasoning Zacinal.

The compliance with the strict EU Directives and fulfillment of the set provisions for production are confirmed with the CE mark for compliance of medical X-ray films granted on behalf of the Holland company KEMA Quality B.V.



Shareholders Assembly  
Supervisory Board  
Management Board  
Chief Executive Officer

Internal Audit and Control

PC PHARMACEUTICALS    Production of Pharmaceuticals    MARKETING AND SALES  
Domestic Market    Medical Marketing  
Export Markets    OTC DIVISION

PC CHEMISTRY, COSMETICS AND BOTANICALS    Production Division  
Chemicals (Industry chemicals, dialysis, X-ray and diazo)  
Cosmetics    Commercial Department  
Botanicals    Chemicals    R&D Department  
Cosmetics  
Botanicals

CORPORATE SERVICES    Finances    Logistics    Corporate Development Department    Legal and Personnel Affairs  
Human Resources

Domestic Daughter Companies and Subsidiaries Abroad

Legal and Medical Affairs,  
Intellectual Property  
Protection

R&D, Validation,  
GMP Education

Quality Control  
Department

Pharmaceutical Quality  
Assurance,  
Environmental Protection

Quality Control  
Chemicals  
Cosmetics  
Botanicals

Business Planning  
and Reporting

Informatics and  
Telecommunications

Marketing  
Communications

Shareholding,  
Property Issues

General Services

# Report on the work of the Supervisory Board

In accordance to the existing Macedonian legislation 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 consists of three members with relevant expertise in different fields of importance:

In 2006, the Supervisory Board operated as follows:

**Prof. D-r Miodrag Micajkov**

President of the Supervisory Board, Ph. D in law.  
Born on August 27, 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 November 24, 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.

---



**Bojanco Krlevski**

Member of the Supervisory Board,  
B. Sc. in Chemical Engineering.  
Born on March 8, 1951, in Skopje, Republic of Macedonia.  
Employed in Alkaloid AD-Skopje in Alkaloid Coatings.

---



The operations of the Supervisory Board are conducted in accordance with the Law on Trade Companies, the Statute of Alkaloid AD Skopje and the Operation Guidebook.

In the course of 2006 the Supervisory Board held six regular meetings. Great attention was paid to the defined annual company plans and the development strategy of Alkaloid connected with the mid-term plan.

The Supervisory Board passed a decision on changing the decision No. 0202-2 dated 11.03.2003 referring to authorized representatives, wherein the Member of the Management Board authorized for representation is entitled as General Director, as well as decision on election of new member of the Management Board instead of the member who resigned.

The circumstances connected with the untimely death of Trajce Mukaetov, imposed changes in the structure of the Management Board discussed on the session of the Supervisory Board held on 3rd April 2007. Kire Icev was assigned for a new member of the Management Boards, whereas Zivko Mukaetov, was assigned from acting president into President of the Management Board.

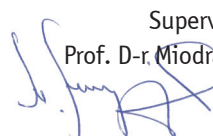
The Supervisory Board, superintending the management of the Company i.e. the work of the Management Board; reviewed and discussed the quarterly, half-year and annual financial reports for the period of January to December 2006.

The Supervisory Board assessed that the operations of the Company and its management were successful, as presented in the achieved results reported in the statement of accounts, confirmed by the authorized auditor Deloitte within their report presented to the Management Board and the Shareholders of Alkaloid AD Skopje.

In this regard, the Supervisory Board proposed to the Shareholders Assembly to endorse the work of the Management Board and the company operations for year 2006, as well as to approve the Annual Report on the company operations.

The Supervisory Board reviewed the financial documentation of the Company, the statement of assets, securities and assessed that Alkaloid performed its operations successfully and in compliance with the existing legislation.

Supervisory Board  
Prof. D-r. Miodrag Micajkov  
President



# Report on the work of the Management Board of Alkaloid AD Skopje

The Management Board has ample authorizations in the management of the company, i.e. the implementation of all effects connected with the company operations and ongoing activities and acts on all issues on behalf of the company within the frames of the subjected processes.

In the course of 2006, the Management Board worked with the following structure:

Up to 30th November 2006:

**Trajce Mukaetov**, President  
**Zivko Mukaetov**, MB Member  
**Cvetanka Simonovska**, MB Member  
**Zorka Zlatanovic**, MB Member  
**Milkica Gligorova**, MB Member

From 1st December 2006:

**Trajce Mukaetov**, President  
**Zivko Mukaetov**, MB Member  
**Cvetanka Simonovska**, MB Member  
**Gjorgi Jovanov**, MB Member  
**Milkica Gligorova**, MB Member

As of 3rd April 2007, the Management Board worked with the following structure:

**Zivko Mukaetov**, President  
**Cvetanka Simonovska**, MB Member  
**Gjorgi Jovanov**, MB Member  
**Milkica Gligorova**, MB Member  
**Kire Icev**, MB Member





**Zivko Mukaetov**, President

President of the Management Board and Chief Executive Officer of Alkaloid AD Skopje. B.Sc. in Mechanical Engineering, mastered in London obtaining an MBA at the Chartered Institute of Marketing. Born on 3 May 1974 in Skopje, R. Macedonia. He has 14 years of professional experience, in charge of the overall operations of Alkaloid Group.



**Cvetanka Simonovska**, MB Member

Member of the Management Board, Chief Financial Officer Born on 27 November 1953 in Gevgelija, R. Macedonia. She has 28 years professional experience and is in charge of the financial operations of Alkaloid Group.



**Gjorgi Jovanov**, MB Member

Member of the Management Board, Director of Finances. B. Sc in Economy. Born on 20 August 1964 in Stip, R. Macedonia. He has 19 years of professional experience and is in charge of the operations in the organizational unit Finances, the shareholding segment.



**Milkica Gligorova**, MB Member

Member of the Management Board, Director of the Production segment of PC Pharmaceuticals. B. Sc. in Pharmaceuticals, Specialist in Pharmaceutical Technology. Born on 10 April 1959 in Skopje, R. Macedonia. She has 24 years professional experience and is in charge of the production operations in PC Pharmaceuticals.



**Kire Icev**, MB Member

Member of the Management Board, Director of the General Services Department. B. Sc. in Mechanical Engineering. Born on 19 June 1974 in Kavadarci, R. Macedonia. He has 7 years of professional experience. In the Management Board, he is in charge for the operations of this corporate department.

In compliance with the existing legislation and the Statute of the Company, the Management board reports on its operations in the course of year 2006.

Within the reporting period, the Management Board performed its activities within the frames of its competences, in compliance with the legislation and the Statute of the Company and passed decisions concerning the business policy and the operations of the Company.

The Management Board held its sessions on regular basis, at least once per week.

Within the reporting period, the Management Board passed 158 decisions/conclusions, among which we would emphasize the following:

- The Management Board approved the Work Program and the Business Plan of the Company and gave its directions for implementation. The Management Board also approved the work of Alkaloid's daughter companies abroad and the Statements of accounts;
- The Management Board prepared the Annual Accounts and the Operating Report of the Company and passed a decision on surveying the principal assets;
- On the session held 13th February 2006, the Management Board approved the foundation of limited liability company in Ohio, USA, named Alkaloid USA;
- In accordance with the provision of the Labor Law, the Management Board passed the Guidelines on organizational behavior. A Collective Agreement was entered into between the Management Board and the Trade Union of Alkaloid AD Skopje;
- The Management Board passed a decision on purchasing license services for implementation of SAP (Enterprise Resource Planning System);
- The Management Board approved the protocol for celebration of the jubilee 70 years Alkaloid;
- In regard with the strategic partnership of PC Coatings, Letter of Intent was accepted from Zorka Color AD Sabac;
- The Management Board passed the new internal organization of Alkaloid;
- The Management Board passed a decision for formation of Alkaloid- Coatings Ltd. Skopje.

April, 2007

Management Board  
**Zivko Mukaetov**  
President





## In Memoriam

On 29th March 2007, with great sorrow, we departed from our Management Board President, the man who dedicated all his life, whole 34 years of his being to Alkaloid. The man who raised Alkaloid to a range of renown pharmaceutical industry, Alkaloid as it is today.

He was born on 20th September 1945. His career commenced after the graduation from the Electro-technical Faculty in Belgrade as B.S. Specialist in organization of processes and informatics when he was assigned as first director of the Macedonian State Office of Informatics.

He continued his career in Alkaloid, where in 1974 he formed the Computer Centre of this Company, which was declared to be the leading computer centre in Macedonia, under his governance.

As of 1985, Trajce Mukaetov performed the function of CEO (Chief Executive Officer) of Alkaloid AD Skopje. This period is marked by the major investment cycle of the Company, as well as its ownership transformation within the system reforms of the state. Albeit the radical changes, Alkaloid remained one of the few companies in the state that managed to maintain the positive trend of growth and development and even improve the operation performances.

As great strategist and visionary, in 1996, he initiated the construction of the new pharmaceutical facilities, equipped with new automatic production lines and increased production capacity. During this period, Alkaloid's cooperation with the European Bank for Reconstruction and Development and the International Finance Corporation was traced, when for the first time, a Macedonian company was granted a loan without an escrow given on behalf of the state.



Intensification of growth, expansion and development of Alkaloid into leading pharmaceutical company in the region is the benchmark of the managing mandate of Trajce Mukaetov. His contribution in the development and the affirmation of Alkaloid, defining of the business strategy and long-term policy of the Company continued from the position of President of the Management Board in the course of the last year of his career.

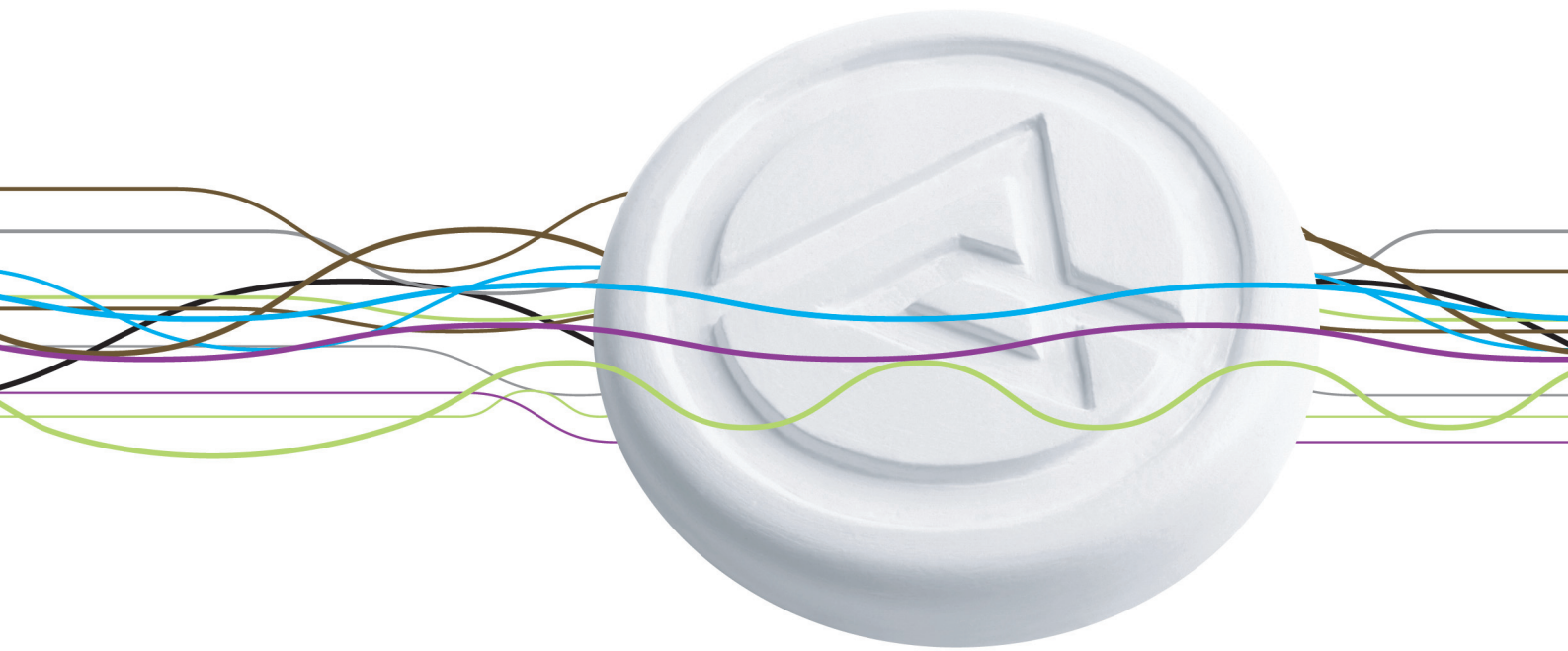
His charisma, visionarism and immense efforts greatly contributed the Macedonian economy. Trajce Mukaetov was awarded many acknowledgments for his achievements. He was member of the managing boards of various eminent organizations in the healthcare sphere, the pharmacy and the sports. He was awarded with Manager of the Republic of Macedonia in 1993 and Manager of the Decade for the period from year 1985 to year 1995.

His biography according to all criteria was undoubtedly the main reason for the granting of the title Consul General for the Kingdom of Denmark in Macedonia, honor and trust given only to extraordinary persons.

In the sphere of diplomacy, he invested great efforts for intensification of the cooperation between Macedonia and the Kingdom of Denmark. His merits in this sphere were awarded with the medal Knight of the Order of the Danish Flag, granted by the Queen Margarethe II of Denmark for exceptional achievements.

For the employees of Alkaloid, he was an example of sacrifice, diligence and honesty and shall remain in the remembrance as man of high professionalism and preparedness for immense support for his colleagues and all employees of Alkaloid.

Trajce Mukaetov dearly loved his country, Alkaloid and his family. It was our immense pleasure and great honor to have been his collaborators.



# CORPORATE INFORMATION



# Zivko Mukaetov

## Chief Executive Officer /

## President of the Management Board

Companies with long and successful tradition as the one of Alkaloid are rare. 70 years Alkaloid is a jubilee of exceptional importance for the employees and the stakeholders. It is a proof of a tradition, of a company that managed to sustain all turmoil in the system and continue to work successfully.

Since 1936 Alkaloid passed through several development stages to become what it is today. The leading pharmaceutical company in Macedonia and one of the leading industries in the region, with ambitions to further expand. A company that besides the pharmaceuticals successfully operates the other activities in the field of cosmetics, botanicals, chemicals, coatings, chemo dialysis solutions, X-ray films etc.

### Continuous Growth and Development

From financial aspect, we ended 2006 above planned, with 7.6% growth in the overall incomes. In Alkaloid's main activity - the Pharmaceuticals, the results are even better, i.e. the growth amounts to around 9%.

Nevertheless, pharmaceuticals segment remains our long-term orientation. In 2006, PC Pharmaceuticals participated with 73.4% in the overall sales of Alkaloid AD Skopje with tendency to retain the growth trend noted in the past four years.

Besides the continuous trend of growth, I would emphasize the growth in the export sales in PC Pharmaceuticals, which this year amounted to 64.1% of the overall pharmaceutical sales, meaning 15.8% increase compared to 2005, and twofold growth observed from the aspect of the past three years.

I would hereby underline the growth on the strategically important markets, as the Russian Federation, Croatia and Serbia.

From the aspect of the quality of the pharmaceutical products, we are regularly passing the inspections on behalf of Pfizer H.C.P and F. Hoffmann La Roche and we also passed the GMP inspections on behalf of the Slovenian and Romanian Ministry of Health, the Jordan Drugs Administration. Alkaloid Pharmaceuticals also successfully passed the pre-inspection on behalf of the US Food and Drugs Administration. This is another confirmation that Alkaloid is competitive even for the most selective markets.

The Company is present in the markets in 27 countries. Alkaloid stably holds its positions in the markets where present and enters new ones. We soon expect the arrangements for the Kingdom of Jordan to start, as well as the endorsement of the first ventures for the United States of America where from February 2006 we opened our own subsidiary.

In 2006 Pharmaceuticals had nearly 150 new marketing authorizations, out of which 130 were intended for the markets of export.



In 2006 PC Pharmaceuticals managed to increase the overall level of sales for 14% compared to 2005. That was mostly due to the growth in the export sales which have surpassed the domestic sales and have risen for nearly 16% compared to 2005, mostly effectuated in the markets of Bosnia and Herzegovina, Serbia and Montenegro, Croatia and Russia.

Profit Center Chemistry Cosmetics and Botanicals also noted trend of growth during 2006 mostly due to increase of export. Export sales amounted to 44.5% of the overall placement of this centre, which is a slight increase compared to last year.

The development strategy of Alkaloid AD Skopje is primarily focused on its main activity - the Pharmaceuticals and the activities that are complementary to it. The strategic partnership and the process of divestment of PC Coatings is made for the purpose of creating consistency in all activities.

This merger was made official with the signing of the Memorandum for Understanding and Strategic Partnership, uniting the tradition, the knowledge and the experience in the realization of the vision for consolidation the existing and entering new markets. The synergy between Zorka Color AD Sabac and Alkaloid Coatings is a new stage in the development and improvement of the leading position in the paints and lacquers business in the country and the region.

The exchange of experiences and technologies as well as mutual marketing approach should provide significant progress in the overall operations of the coatings segment.

### Shareholding

On the occasion of the celebration of the 70 years jubilee, in September 2006 Alkaloid held extraordinary shareholders' assembly for the purpose of passing several strategically important decisions for the company, among which was allocation of anticipative dividend for 2006 for all shareholders.

According to the analysis made on behalf of internationally established financial institutions, the stock price of Alkaloid's shares is realistic according to all parameters. Alkaloid has nearly 3600 shareholders, 14% being foreign investors.

### Investments

For the past two decades Alkaloid invested nearly 60 million euros mostly in the production facilities, quality control, the laboratories and warehouses, all in compliance with the strict cGMP norms. The projects, supported by the World Bank and EBRD were successfully completed, but Alkaloid did not cease the investments cycle. In the pharmaceuticals industry such thing is not allowed, as otherwise, one would lose its competitiveness.

In the pharmaceuticals segment, Alkaloid provided for construction of an Institute for Development and Quality Control, a scientific research centre that should provide qualitatively development and improved control of the quality of the pharmaceutical products.

This institute is formed as additional value in the sense of constant improvement of the quality of our products and providing conformity with the strict requirements posed on behalf of the EU and US regulatory institutions accepted worldwide.

One of Alkaloid's ongoing capital investments, being an integral part of the long term strategy for modernization and computerization of the operations of the Company is the implementation of the SAP system.

The project was branded under the name - AlkaSAP. It is an ERP (Enterprise Resource Planning), integrated system for complete management of the data information system in Alkaloid, which is a complex system for processing and monitoring all the data necessary for efficient and effective performance of the business processes. The investment is worth over 2 million Euros, provided by Alkaloid's own funds.

SAP is world leader in providing ERP solutions, and its implementation should provide fast and easy access to the data, linkage of all the segments of Alkaloid, reduction of costs, improved control, more precise planning and commercial information. That means it enters all segments of the corporate operations. Researches have shown that the implementation of the system increases the value of the companies by 5% to 10%.

Alkaloid AD is the first Macedonian company that introduced SAP independently, as its own ERP solution.

### Awards and Acknowledgments

The leading product of PC Pharmaceuticals - Caffetin was nominated for Superbrand in the category of pharmaceutical products based on the public opinion research organized on behalf of the prestigious Superbrands International in cooperation with Medium Gallup.

This acknowledgement is of exceptional importance for Alkaloid as it is another confirmation of the tradition and the quality of our products.

Our company in Croatia, Alkaloid Ltd. Zagreb in December 2006 was awarded the prestigious "Gazelle" as company with continuous growth in Croatia. This event was organized by the most popular Croatian business magazine "Bussines hr" in cooperation with the Institute for Business Researches. The grading was made on the basis of the following criteria: number of employees, profit and turnover. For the past three years Alkaloid Ltd. Zagreb notes increase in its profit for over 20%, a result noted in only 1% of the Croatian companies.

A proof that the accomplishments speak for themselves is the international award I received in June 2006: Top Manager for Bosnia and Herzegovina and South Eastern Europe for quality of the products, investments in successful financial operations.

Alkaloid was granted another prize for its achievements on behalf of Finance Central Europe magazine dealing with the markets of CEE for being the best company in Macedonia according to capital strength in 2006.

### Our Priorities

In future, Alkaloid will continue the trend of growth and development of the company. Primarily maintain its leading position in the Republic of Macedonia, will focus on the intensification of export sales and conquering new markets.

A global growth of Alkaloid from the aspect of both, sales and value of the brand and the Company as a whole.

In future, we will be more focused on the pharmaceuticals business, satisfying the needs of the consumers, the employees, the shareholders and we will also strive to improve our contribution towards the social needs of the population.

**Zivko Mukaetov**

Chief Executive Officer / President of the Management Board of Alkaloid AD Skopje



# 70 YEARS ALKALOID

*Health above all*

Year 2006 marked 70 years of dedication to creation of products that are synonyms of highest quality. Seven decades of research, development and investments in our dream for healthier life of each individual.

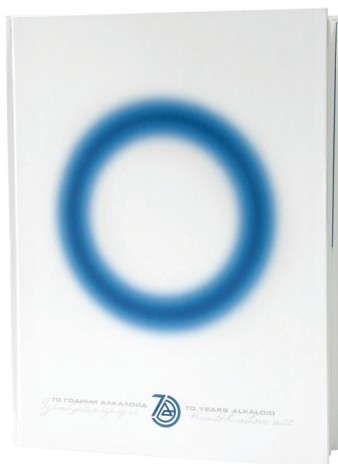
The story about Alkaloid, one of the most successful Macedonian companies, from many aspects is an inseparable part of the mosaic of the overall economic image of the country. Alkaloid is a Macedonian success story that sheds light of prosperity and gives hope for the times and challenges to come. The jubilee 70 years Alkaloid is a moment worth of respect and honor. Tradition of seven decades is a rarity in this region.

The story begun in 1936, modestly, with the establishment of the first processing facility, but during the 70-year period of growth and rise - Alkaloid has become a modern pharmaceutical, chemical and cosmetic industry, with wide range of products; a brand recognized not only in the country, but also in the most discerning world markets.

The factory represented a starting point of a new industrial branch, not only in the region but broader. The rise and growth of the Company note continuously progressive trend. Behind the success story, there is a multitude of extinguished workers who significantly contributed to the development of the Company to the range it is today, a renowned pharmaceutical industry.

Alkaloid's moments of importance are marked together with our friends, business partners, stakeholders ... whose presence at the celebration of the jubilee confirmed the determination of the Company for achievement of the defined mission for healthier world, superior quality of the products and services, and firm determination for improved quality of life for each individual, the environment, the healthcare system.

Alkaloid shall continue its investments and direct all its efforts to provide for healthier life of each individual because we believe that HEALTH IS ABOVE ALL.



Promotional materials from the campaign "70 Years Alkaloid"



Highlights from the celebration of the jubilee "70 Years Alkaloid" held on 20.09.2006



# Human Resources

## Alkaloid's days 2006

Each year at Alkaloid days, our professionals from diverse disciplines and countries where we operate, gather together to discuss business, to explore new possibilities and to have a fun.

Ohrid was the site of the 2006 Alkaloid's days from 18-20 September. Beside the official (working) part of the event, this city offered to our employees and guests their choice to see an authentic culture, to enjoy amazing landscape and to be a part of nightlife.

With more than 30 presentations, knowledge-shared meetings, as well as plenary and topical lectures, no other meeting brings together the business and social life in the way we did at Alkaloid's days.

Through this traditional event we have learned more about the latest results of our company and its subsidiaries and we acquired new skills, ideas, and innovations that we can carry in daily activities and our life as well.

Marketing plans presentations and Business plans meetings were additional value to Alkaloid's days and gain valuable insight to our employee's confidence. Finally, to meet colleagues who are willing to share experience, knowledge and interests, means to be prepared for new challenges and to recognize the prospect opportunities.

Our Alkaloid's days show once again that we manage creatively within a framework of business objectives and shared values.

## Human Resources Management

Alkaloid employs more than 1100 people in its headquarters and subsidiaries worldwide - a diverse workforce committed to our vision. As a company, Alkaloid stands with its individual employees, supporting their efforts, providing structure and guidance, and offering tools and resources.

Our Human Resources Policy is based on the recognition and development of skills, which encourages training and mobility both internally and in the Alkaloid's international operations and subsidiaries.

Our corporate aim is to encourage every employee in order to realize agreed objectives with sense of personal success and commitment by developing their professional skills and talents, and by helping them build their careers within the company.

Our pharmaceuticals company is based on several key values that guarantee a common attitude and a cohesive HR Policy.

Being a part of Alkaloid means having these qualities:

We promote a culture and commitment to mutually respect our employees, our customers and community:

- We care for others with dignity and respect
- Encourage new ideas
- Develop individual talents
- Promote an environment of trust
- Support open and honest dialogue
- Celebrate achievements

We appreciate teamwork - working together to achieve common goals is the foundation of our success:

- Think and work across boundaries
- Be flexible and responsive
- Share knowledge and information freely
- Seek input and listen
- Take personal ownership for collaborating with others

We grow as a company by developing our people. This insight is behind all our efforts to keep our people satisfied and loyal. It's also why we stay connected with and connect together our employees wherever we conduct the business.

### Professional Development and Training

To perform our mainstay values, Alkaloid seeks ways to bring out the best in our employees and help them reach their goals. Continuous Professional development is crucial to this effort. Managers and co-ordinators work with employees to help them set and achieve goals. We offer training reimbursement and a variety of educational opportunities to encourage continued learning.

We invest in every Alkaloid employee by providing effective training to help people do the best job they can. For example, at our manufacturing facilities, operators typically receive between 40 and 80 hours of training annually, depending on the demands of their position and other factors.

### Environmental and Occupational Health and Safety Management

Environmental, Occupational health and safety management (EOSH) at Alkaloid is about putting the Alkaloid's values into practice each and every day. Managing EOSH is the responsibility of every employee across all functional areas and geographies. Our expectations are embodied in the Company's EOSH Policy. Our policy and procedures allow us to integrate EOSH considerations into strategic planning, operational decisions and day-to-day activities.

The way we manage our EOSH impacts is core to the way Alkaloid conducts its activities.

One of Alkaloid's top priorities is making sure our employees and our guests stay safe every day and that our facilities operate in a manner that is harmonious with the community and kind on the environment.







## Personnel Structure

PROFIT CENTRE / ORGANIZATIONAL UNIT	As at 31 Dec./ No. of employees		
	2006	2005	2004
Pharmaceuticals	675	692	721
Chemistry, Cosmetics and Botanicals	234	253	262
Coatings	66	92	102
Corporate Services	33	32	60
<b>TOTAL:</b>	<b>1,008</b>	<b>1,069</b>	<b>1,145</b>
Subsidiaries	111	99	79

QUALIFICATION STRUCTURE	As at 31 Dec./ No. of employees		
	2006	2005	2004
Master of arts	4	5	5
University Degree	285	275	281
Junior College Degree	25	25	30
High School Degree	467	487	511
Qualified Worker	187	227	254
Non-qualified workers	40	50	64
<b>TOTAL:</b>	<b>1,008</b>	<b>1,069</b>	<b>1,145</b>

# Environmental Protection

One of the basic principles in defining the business strategy and the long-term policy of Alkaloid is the continuous care for the environment. Alkaloid attaches high priority to the environmental management system and along with the quality management system it is part of the strategy for continuous improvement of the production processes.

Within the frames of the defined corporate environmental policy, prevention and direct intervention on the spot are the basic concepts applied to resolving pollution issues.

Alkaloid sets a positive example with its approach to resolving environmental issues. By realizing the environmental strategy, the Company has become the pioneer in implementing the environmental standards in the Republic of Macedonia.

Pursuant to the regulations on Integrated prevention and control of pollution, Alkaloid has submitted for A-licence for conformity with the operation plan.

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.

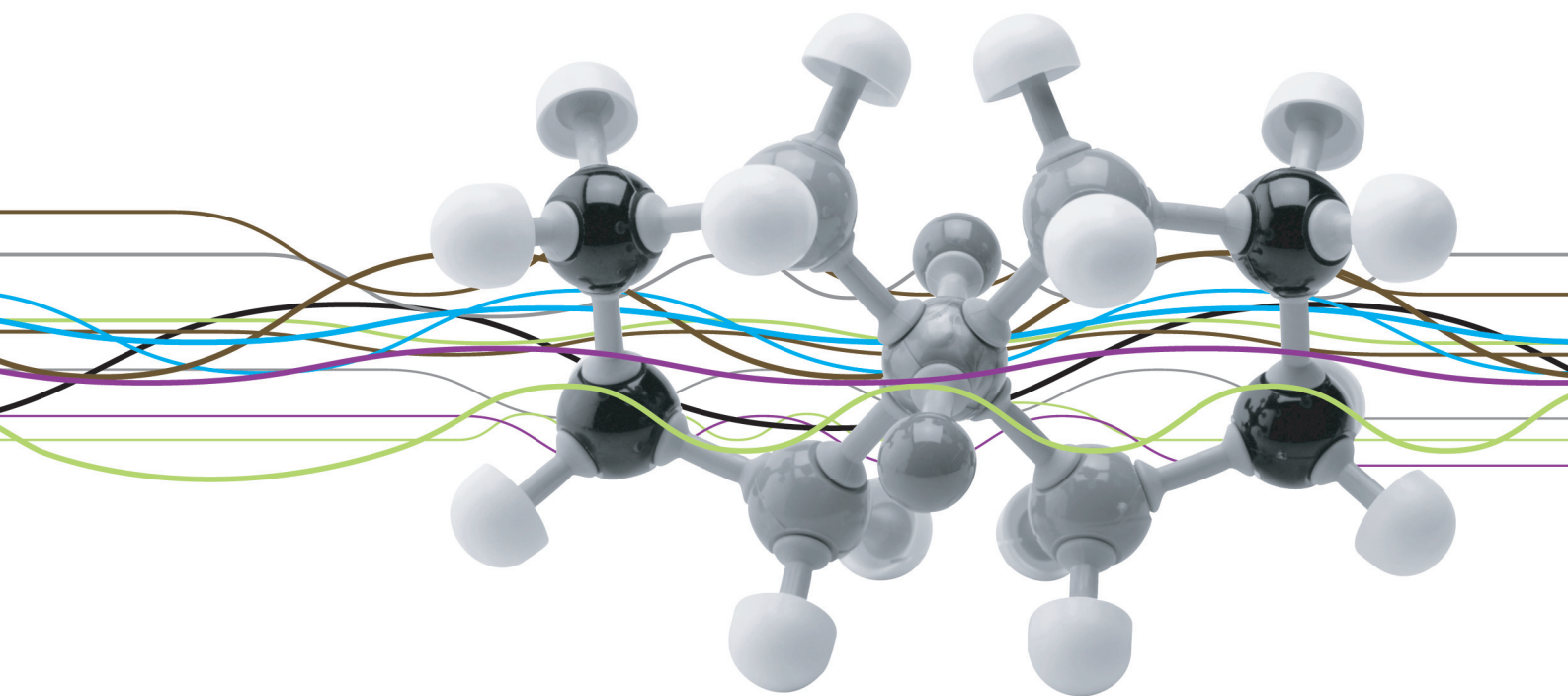
Waste water monitoring is executed with company's own resources, whereas exhaust gas emission, microclimate conditions, noise and respiratory dust in the production areas are performed by the central environmental laboratory of the Ministry of Environment and Environmental Planning of the Republic of Macedonia in accordance with the cooperation agreement.

The waste management processes is subject of constant improvements. In 2006, besides the existing list created for waste from the production areas, an additional list is created that would enable more correct insight of the waste creation and its management.

In 2006, Alkaloid's representatives participated in the project: Improvement of Environmental Management, Elaboration of National Strategy for Environmental Approximation in the Republic of Macedonia

Alkaloid's representatives also participated in the creation of the standardization, i.e. the creation of the national MKS standards at the Institute for Standardization of the Republic of Macedonia.





PC CHEMISTRY, COSMETICS  
and BOTANICALS





## 2006 Sales

# PC Chemicals, Cosmetics and Botanicals

**The Profit Centre Chemistry Cosmetics and Botanicals, comprises wide range of products for mass consumption (cosmetic products, assortments of teas and seasonings and chemical products).**

**In 2006, the focus of P.C. Chemistry, Cosmetics and Botanicals was centered on manufacturing high quality products, building up good customer and supplier relations, promotions of sales on the existing markets and entering new ones.**

Profit Center Chemicals Cosmetics and Botanicals noted trend of growth during 2006 mostly due to increase of export, which is a trend that is going to continue in 2007.

Due to the nature of the business and creating coherency in all activities of Alkaloid AD Skopje, this profit center has undergone certain restructuring. In line with this strategy, the chemodialysis solutions unit, X-Ray films sales departments, as well as the commercial department dealing with OTC products from the Botanicals division have been moved to PC Pharmaceuticals starting from January 2007.

The compliance with the strict EU Directives and fulfilment of the set provisions for production are confirmed with the CE mark for compliance of medical X-ray films granted on behalf of the Holland company KEMA Quality B.V.

The production program of Botanicals was granted the HACCP certificate on behalf of the certification body ÖQS Quality Austria from Austria, for production of safe food including teas, food seasonings, spices, dried vegetables, salt and the food seasoning Zacinal.

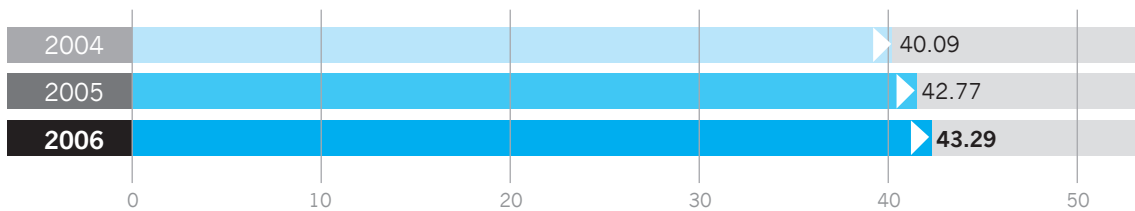
**Nikola Mizo**

Director of PC Chemistry, Cosmetics and Botanicals

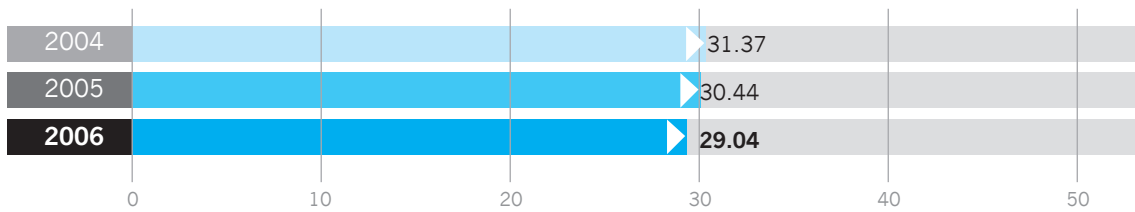


**% participation of the production programmes  
in the sales of PC Chemistry, Cosmetics and Botanicals**

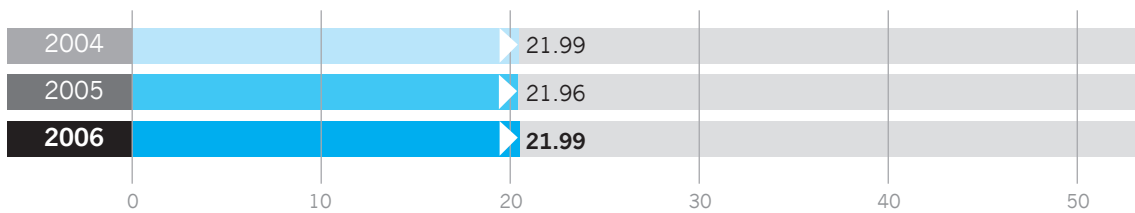
**▶ COSMETICAL PRODUCTS**



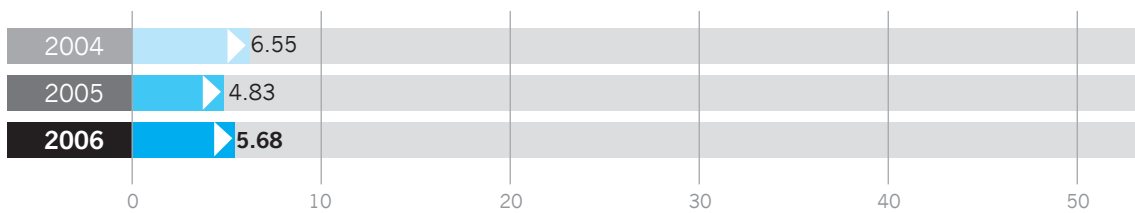
**▶ CHEMICALS**



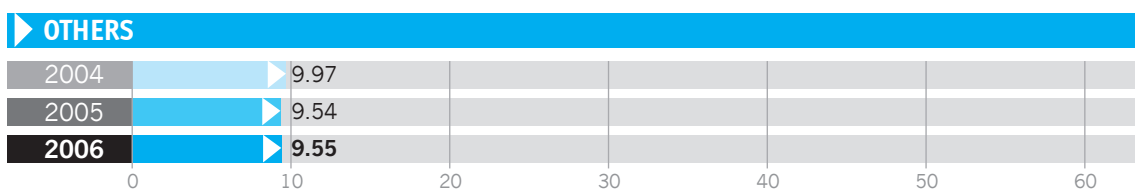
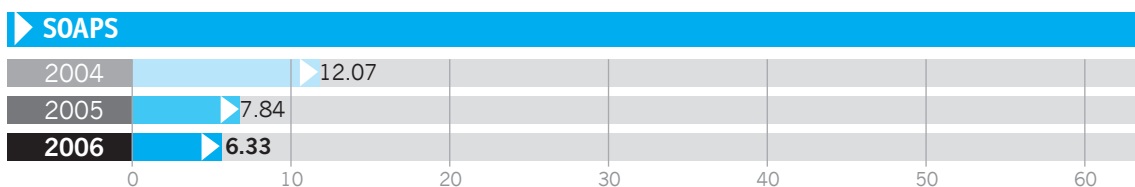
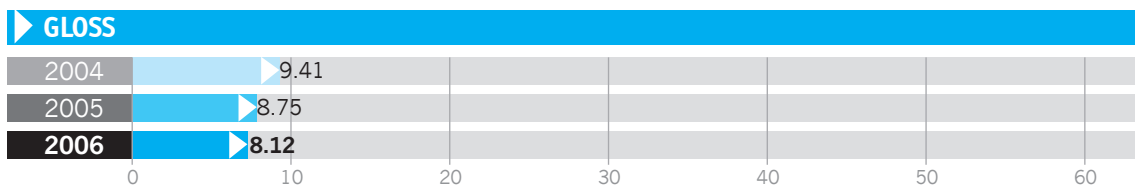
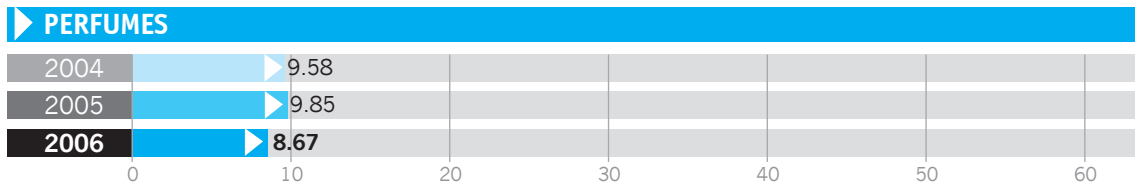
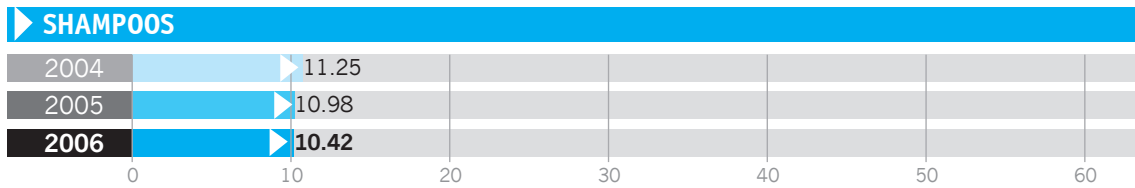
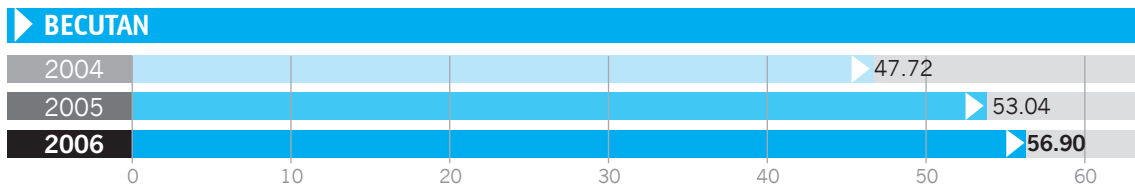
**▶ BOTANICALS**



**▶ X-RAY AND DIAZO MATERIALS**



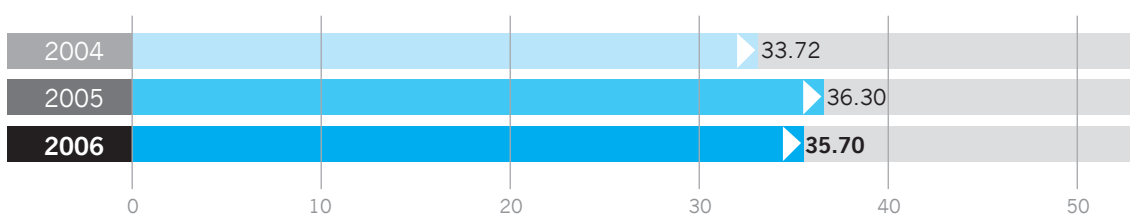
Sales structure  
Cosmetic products



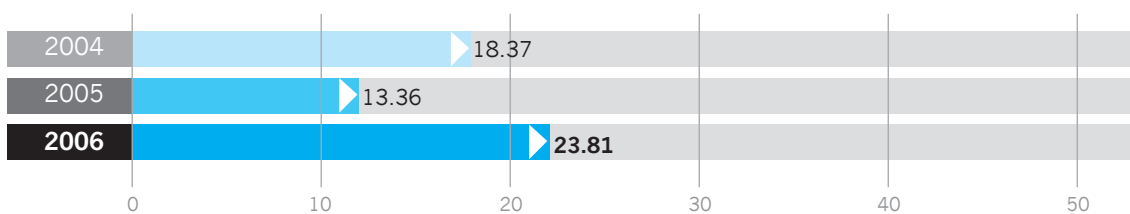


Sales structure  
Chemicals

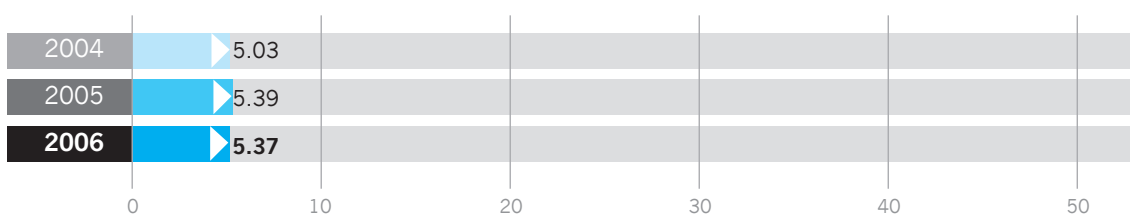
▶ HAEMODIALYSIS SOLUTIONS



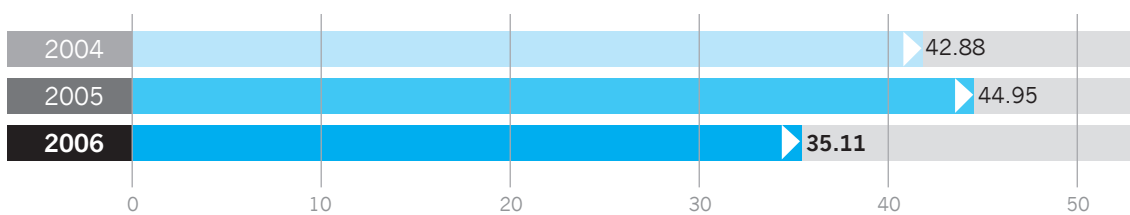
▶ ARGENTUM SALTS



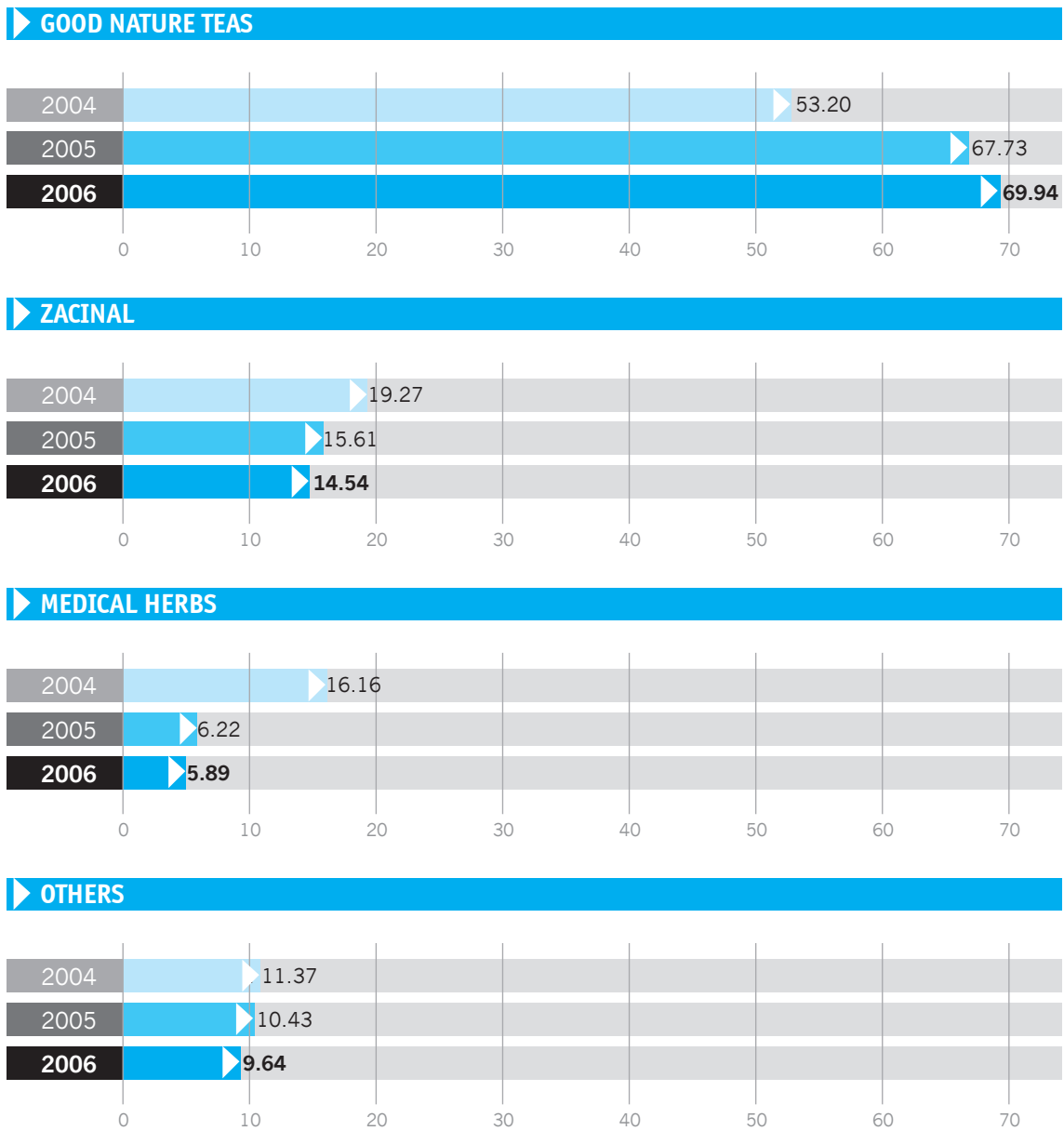
▶ ACIDIUM ACETICUM



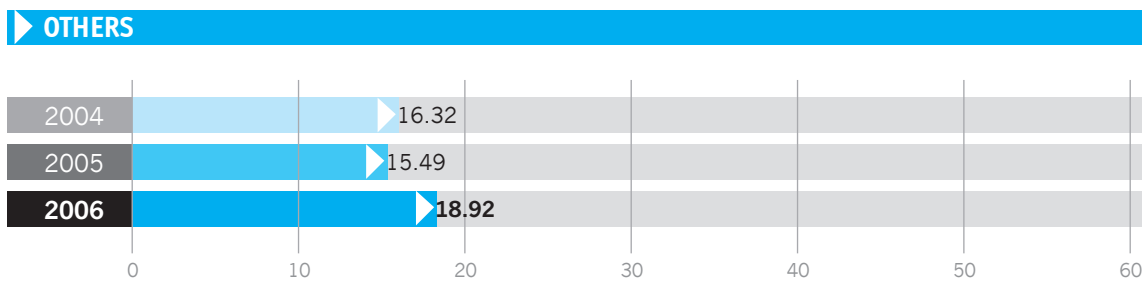
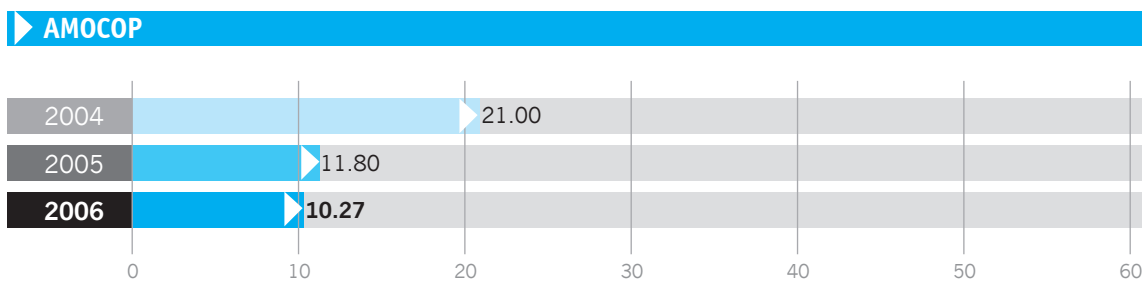
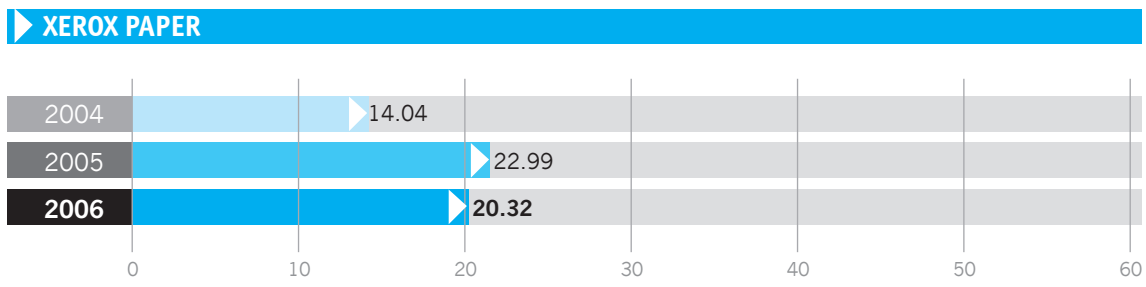
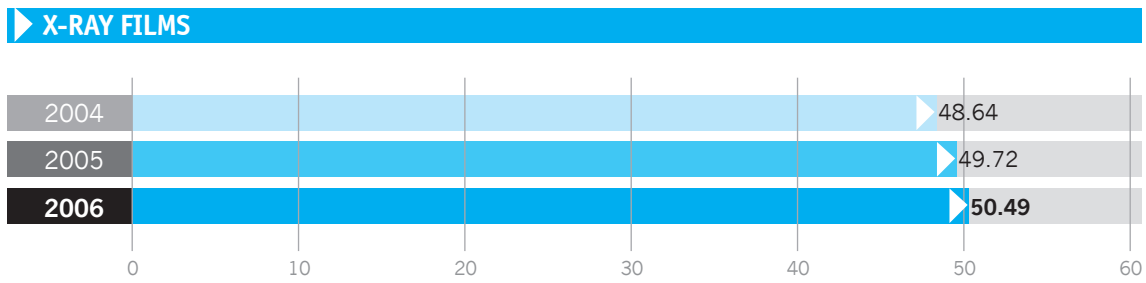
▶ OTHERS



## Sales structure Botanicals



Sales structure  
X-ray and diazo materials





# PC PHARMACEUTICALS



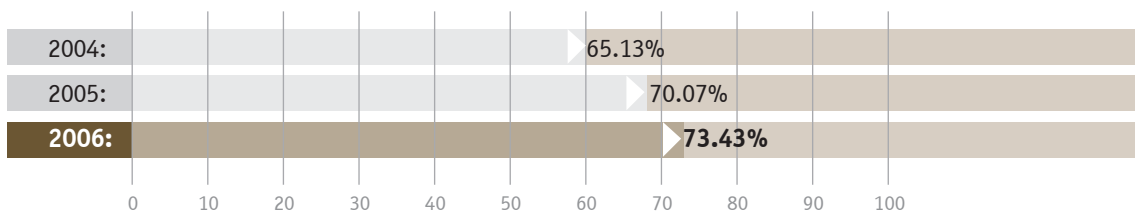
# Marketing and Sales

In 2006, PC Pharmaceuticals had 675 employees working in the headquarters, and 111 employed abroad.

The overall net sales in PC Pharmaceuticals reached MK Den 2.596 bil., which is 73.4% in the overall sales of Alkaloid Group.

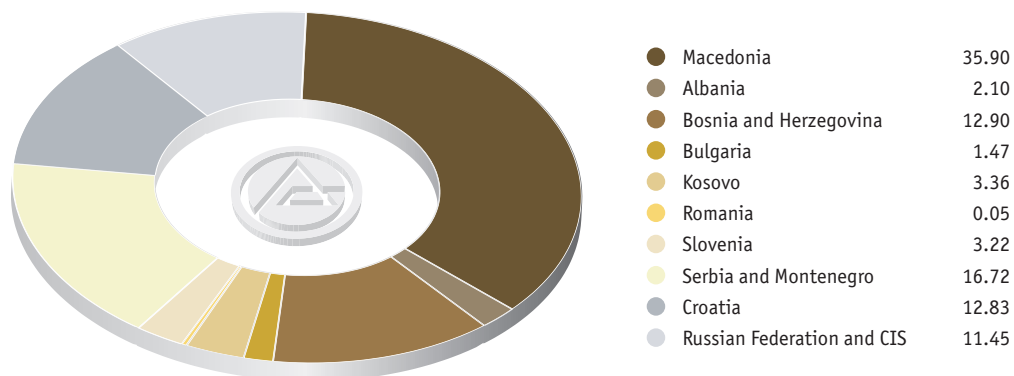
In 2006, the products of Alkaloid were placed in the markets of 27 countries. We have obtained more than 150 drug marketing authorizations, out of which 130 were for the foreign markets.

## PC Pharmaceuticals as a part of Alkaloid Group

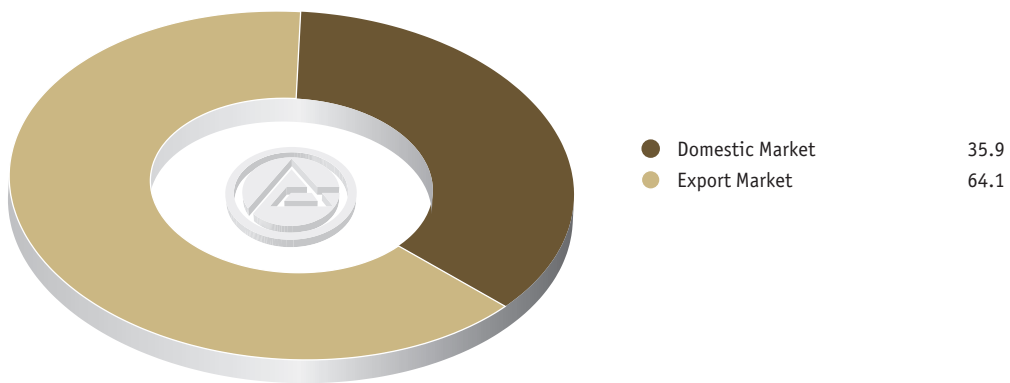


In 2006 we have managed to increase the overall level of sales for 14% compared to last year. That was mostly due to the growth in the export sales which have surpassed the domestic sales and have risen for nearly 16% compared to 2005, mostly effectuated in the markets of Bosnia and Herzegovina, Serbia and Montenegro, Croatia and Russia.

## Sales per markets in PC Pharmaceuticals

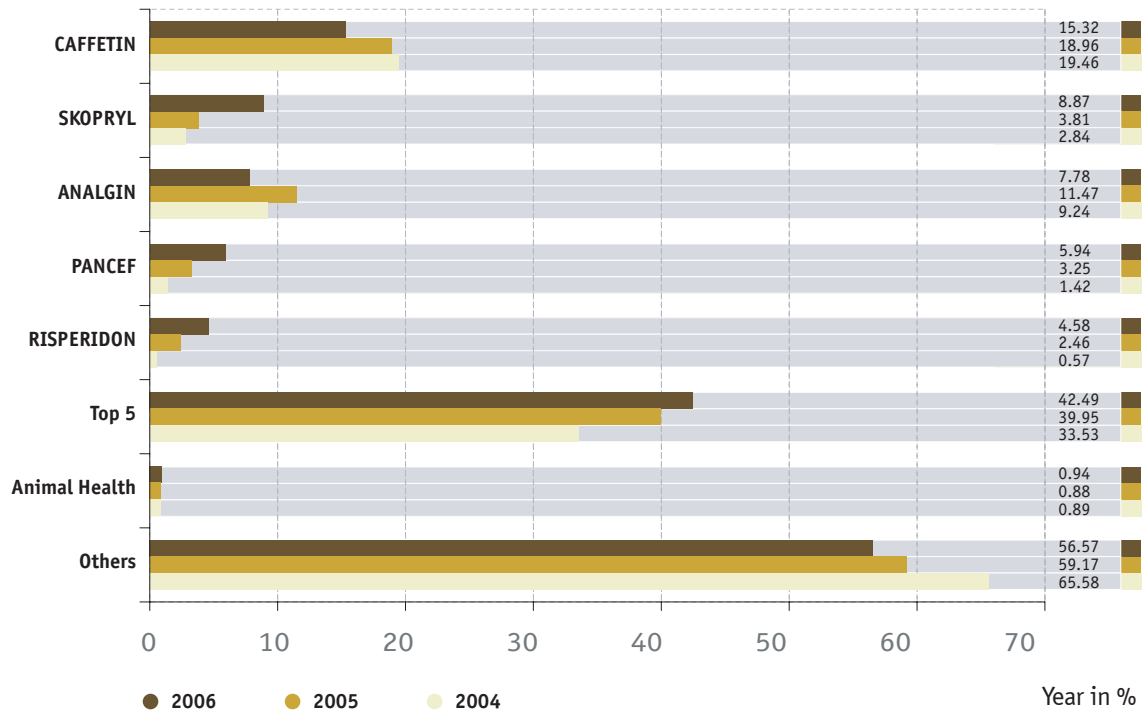


### Sales in PC Pharmaceuticals



As far as the sales per preparations are concerned, PC Pharmaceuticals noted the highest growth in Skopryl® (lisinopril) with 170% increase, then Risperidon (risperidone) with 116%, Pancef® (cefixime) with 112% and Cefalexin with 36%.

### Top 5 products of PC Pharmaceuticals





# CAFFETIN MENSTRUAL

Ibuprofen lysinate  
film-coated tablets

Clindamycin solution  
for injection

Methadone  
oral solution/oral drops

# KLINDAMICIN

# METADON







# DIASTOP

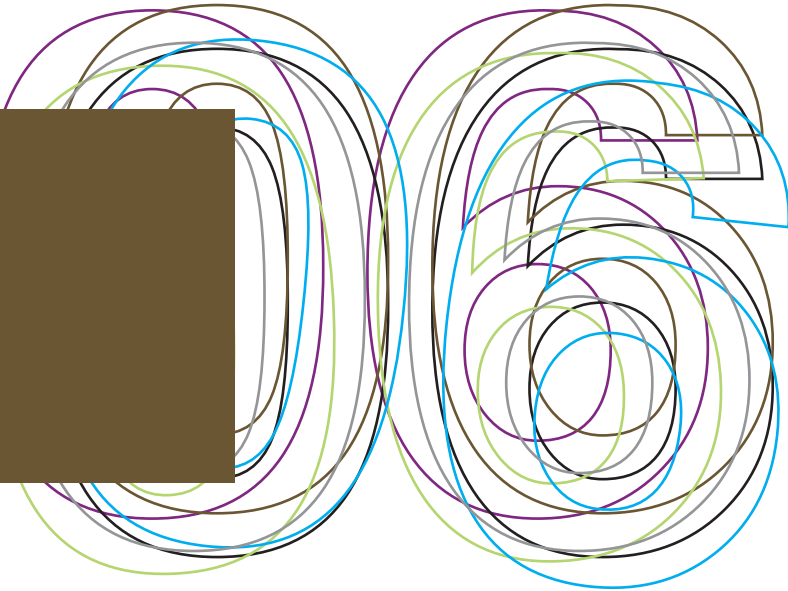
Bacillus subtilis IP 5832  
capsules

Paracetamol tablets

# DIPROL



LATEST  
RELEASES



# caffetin

## *MENSTRUAL*

*RELIEVES MENSTRUAL PAINS*



IBUPROFEN  
LYSINATE





## Caffetin®



Caffetin® is the most famous and leading brand of Alkaloid AD Skopje, and, as per many criteria, one among the most recognizable brands of the Republic of Macedonia. Presently it is placed on markets in 15 countries.

For the past five years Caffetin® successfully uses the potential of the sizeable market of the Russian Federation. In 2006, it was introduced for a first time in Bulgaria, while the plan for the year 2007 is to conquer the consumers in Romania.

Years of existence and excellent acceptance of this product are just the few reasons why Alkaloid AD Skopje strongly believes in the brand Caffetin®.

In the pharmaceutical industry, only brands with high index of recognition, i.e. highly valued by the consumers, can afford expansion into the zone of new indications.

That is why Alkaloid decided to develop extensions of Caffetin in new indication areas. The first two extensions of the brand are: Caffetin Cold and Caffetin Menstrual:

Caffetin Cold - used for colds and flu, was launched in Macedonia in December 2005; during 2006 it was successfully introduced on the markets of the neighboring Serbia, of Monte Negro, Albania, Bosnia and Herzegovina.

Caffetin Menstrual is a drug targeted for relieving menstrual pain for female patients aged above 12. It is composed of ibuprofen lysinate, non-steroid anti-inflammatory drug with strong analgesic and anti-inflammatory action.

The advantage of Caffetin Menstrual in comparison with the preparations used so far for treating menstrual pain such as the ibuprofen, ketoprofen and dyclofenac as well as the other anti-inflammatory drugs, are: good gastric tolerability, fast effect and most of all - efficiency and safety in usage.

Presently, Alkaloid works on preparation of a new extension of Caffetin - Caffetin Cold Plus, with natural vitamin C.

In 2006, Alkaloid AD activated the web site: [www.caffetin.com.mk](http://www.caffetin.com.mk), which is user friendly, constructed to be interactive, and besides the detailed information about Caffetin® and its extensions, the Alkaloid AD expert team will be available for answering questions asked by the consumers of the drug.



Highlights from the gala promotions of Caffetin cold in Belgrade, and Caffetin menstrual in Skopje



## OTC Division

Alkaloid formed its OTC division in 2006 as a result of the extensions of the OTC portfolio. The OTC business development is one important issue where Alkaloid is completely focused and continuously investing.

Over-the-counter (OTC) drugs play an increasingly important role in the health care practice in general. The objective of this newly formed division is to ensure that customer demanded, reliable and high quality products are available to the end-users who use them for self-diagnosed conditions.

To help the patients in their decision-making process and primarily for the purposes of obtaining more information on the intended-to-use product, Alkaloid launched a new internet site [www.caffetin.com.mk](http://www.caffetin.com.mk) where the patients can register to receive up to date information and contact our experts on various issues.

Presently, the product range consists of herbal based remedies, OTC drugs and food supplements.

### Herbal based remedies

#### **PRIMULIN expectorating syrup**

Mixture of *Primulae radix* (Cowslip root) water extract, tincture of thyme and levomentol.

#### **BIL OL Gel for relief of cold and rheuma**

Hydrophilic basis containing mixture of camphor, menthol and essential oils of eucalyptus, turpentine, birch and thyme

#### **BIL OL Inhalation drops**

Mixture of menthol and essential oils of eucalyptus, turpentine, mint and thyme

#### **GIN SENG Capsules**

Containing pulvis (powder) of *Panax Ginseng radix* (root)

#### **VALERIAL - herbal drops**

Water-ethanol extract of *Valeriana officinalis* L.root with sedative, spasmolytic and relaxing action

#### **EHINAL - herbal drops**

Extract of the upper part of *Echinacea purpurea* with inflammatory, antibacterial and antiviral action

#### **TIMIAL - herbal drops**

Water-ethanol extract of wild thyme (*Thymus serpyllum* L) with expectorating, spasmolytic and antiviral action

#### **St. John's Wort Oil**

Oil extract of St. John's Wort (*Hypericum perforatum*) with antibiotic action

**PLANTAGIN®** Vaginal pessaries containing St. John's Wort extract

## OTC Products

<b>ANALGIN®</b>		
metamizole sodium	500 mg tablets, 10s and 500s 1g/2ml solution for injection, 50s 2.5g/5ml solution for injection, 50s	N02BB02, analgesic, antipyretic
<b>CAFFETIN®</b>		
paracetamol, propyphenazone, caffeine, codeine	tablets, 500s tablets, 10s	N02BE51, paracetamol, combinations excluding psycholeptics
<b>CAFFETIN COLD®</b>		
paracetamol, ascorbic acid, dextromethorphan, pseudoephedrine	film coated tablets, 10s	N02BE51, paracetamol, combinations excluding psycholeptics
<b>CAFFETIN COLD® PLUS</b>		
paracetamol, ascorbic acid (+acerola), dextromethorphan, pseudoephedrine	film coated tablets, 10s	N02BE51, paracetamol, combinations excluding psycholeptics
<b>CAFFETIN MENSTRUAL</b>		
ibuprofen lysinate	200 mg film-coated tablets, 10s	M01AE01, NSAID
<b>CAFFETIN® SC</b>		
paracetamol, propyphenazone, caffeine	tablets, 10s tablets, 500s	N02BE51, paracetamol, combinations excluding psycholeptics
<b>PARACETAMOL ALKALOID</b>		
paracetamol	120 mg/5 ml oral solution, 100 ml	N02BE01, analgesic, antipyretic
<b>DIPROL®</b>		
paracetamol	500 mg tablets, 500s, 10s	N02BE01, analgesic, antipyretic
<b>KOMPENSAN*</b>		
dihydroxyaluminium -sodium-carbonate	300 mg, 20s	A02AB04, antacid
<b>PROCULIN</b>		
naphazoline + boric acid	eye drops, 10 ml solution	S01GA51, ophthalmic decongestant
<b>TOCFERA®</b>		
tocopherol (Vit.E)	tbl 100 mg, 30s	A11HA03, vitamin

## Food supplements

<b>DIASTOP®</b>		
Bacillus subtilis IP 5832	hard capsules, 16s	A07FA01, lactic acid producing organisms (probiotics)
<b>VITAMIN A+D3</b>		
retinol+colecalfiferol	soft capsules, 200s	A11CB, combined vitamins

# Complete list of pharmaceutical products

(in alphabetical order, registered in Macedonia)

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>ACIKLOVIR,</b>		
aciclovir	cream 5%, 5 g	D06BB03, topical antiviral
<b>ACIKLOVIR,</b>		
aciclovir	200 mg tablets, 25	J05AB01, antiviral for systemic use
<b>ACIKLOVIR,</b>		
aciclovir	3% eye ointment, 5 g	S01AD03, ophthalmological antiviral
<b>ALBENDAZOL,</b>		
albendazole	200 mg film coated tablets, 6s and 60s	P02CA03, antihelminthic
<b>ALBOL<sup>®</sup>,</b>		
acetylsalicylic acid	300 mg buffered tablets, 20s and 500s	N02BA01, analgesic, antipyretic
<b>ALDIZEM<sup>®</sup>,</b>		
diltiazem	60 mg and 90 mg tablets, 30s	C08DB01, calcium channel blocker
<b>ALKADIL<sup>®</sup>,</b>		
captopril	12.5 mg; 25 mg and 50 mg tablets, 40s	C09AA01, ACE inhibitor
<b>ALKORNIN<sup>®</sup>,</b>		
dihydroergotoxine	4.5 mg tablets, 20s; 1mg/1ml oral solution, 50 ml	C04AE01, vasoregulator
<b>ALMACIN<sup>®</sup>,</b>		
amoxicillin	500 mg capsules, 16s and 100s 250mg/5ml powder for oral suspension, 100 ml	J01CA04, broad spectrum penicillin
<b>ALMETEX<sup>®</sup>,</b>		
carbazochrome	25 mg tablets, 20s 10mg/2ml solution for injection, 30s	B02BX02, haemostatic
<b>ALVEN<sup>®</sup>,</b>		
heparin, dexpanthenol, allantoine	30.000 IE, cream and gel, 40 g 50.000 IE, cream and gel, 40 g	C05BA53, combined heparin for topical use
<b>ALYCEF<sup>®</sup>,</b>		
cefadroxil	granules for suspension 250mg/5 ml, 100 mL; capsules 500 mg, 16s	J01DB05, cephalosporin
<b>AMINOFILIN,</b>		
aminophylline	100 mg tablets, 50s; 350 mg prolonged release tablets, 20s; 250mg/10ml solution for IV injection, 50s	R03DA05, bronchodilator
<b>AMLODIPIN,</b>		
amlodipine	5 mg and 10 mg tablets, 30s	C08CA01, calcium channel blocker
<b>AMPICILIN,</b>		
ampicillin	500 mg capsules, 16s and 100s 250mg/5ml powder for oral suspension, 100 ml	J01CA01, broad spectrum penicillin
<b>ANALGIN<sup>®</sup>,</b>		
metamizole sodium	500 mg tablets, 10s and 500s 1g/2ml solution for injection, 50s 2.5g/5ml solution for injection, 50s	N02BB02, analgesic, antipyretic
<b>AQUA AD INIECTABILIA,</b>		
water for injections	2 ml; 5 ml or 10 ml solvent for parenteral use, 50s	water for injections
<b>ATENOLOL,</b>		
atenolol	50 mg and 100 mg film coated tablets, 15s and 30s	C07AB03, selective $\beta$ - blocker



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>BETADINE®</b>		
povidone - iodinated	10 % ointment, 20 g 7.5 % surgical scrub, 100 ml and 1000 ml 10 % solution, 100 ml and 1000 ml	D08AG02 and D11AC06, antiseptic & disinfectant
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BETADINE®</b>		
povidone - iodinated	200 mg vaginal pessaries, 14s	G01AX11, gynecological antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BETADINE®</b>		
povidone - iodinated	1% gargle, 100 ml	R02AA15, throat antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BIPRESSO®</b>		
bisoprolol	film coated tablets 2.5mg, 5 mg and 10 mg, 30s	C07AB07, selective $\beta$ - blocker
<b>BRONLES®</b>		
carbocisteine	375 mg capsules, 30s 250mg/5ml syrup, 150 ml 125mg/5ml syrup for children, 150 ml	R05CB03, bronchosecretolytic
<b>BYMARAL®</b>		
bromopride	10 mg capsules, 60s 10mg/2 ml solution for injection, 30s 48mg/20ml oral drops, solution, 20 ml	A03FA04, antiemetic
Manufactured under the license of Sanofy Synthelabo, France		
<b>CAFFETIN® SC</b>		
paracetamol, propyphenazone, caffeine	tablets, 10s tablets, 500s	N02BE51, combined analgesic
<b>CAFFETIN® TRIO</b>		
paracetamol, caffeine, codeine	tablets, 10s tablets, 500s	N02BE51, combined analgesic
<b>CAFFETIN®</b>		
paracetamol, propyphenazone, caffeine, codeine	tablets, 10s tablets, 500s	N02BE51, combined analgesic
<b>CAFFETIN COLD®</b>		
paracetamol, ascorbic acid, dextromethorphan, psedoephedrine	film coated tablets, 10s	N02BE51, paracetamol, combinations excluding psycholeptics
<b>CEFACTOR</b>		
cefactor	250 mg and 500 mg capsules, 16s 125mg/5ml powder for oral suspension, 60 ml 250mg/5ml powder for oral suspension, 60 ml	J01DA08, cephalosporin
<b>CEFALEXIN</b>		
cefalexin	500 mg capsules, 16s and 100s 250mg/5ml powder for oral suspension, 100 ml	J01DA01, cephalosporin

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>CHLORAMPHENICOL,</b>		
chloramphenicol	5 % ointment, 5 g	D06AX02, antibiotic for topical use
<b>CHLORAMPHENICOL,</b>		
chloramphenicol	1% eye ointment, 5 g	S01AA01, ophthalmological antibiotic
<b>CINEDIL<sup>®</sup>,</b>		
cinnarizine	75 mg tablets, 50s	N07CA02, vasoregulator, antivertigo preparation
<b>CITERAL<sup>®</sup>,</b>		
ciprofloxacin	250 mg and 500 mg film coated tablets, 10s 100mg/10ml concentrate for solution for infusion, 5s	J01MA02, system quinolone
<b>CITERAL<sup>®</sup>,</b>		
ciprofloxacin	0.3%, eye drops, 5 ml solution	S01AX13, ophthalmological antiinfective
<b>CODEINI PHOSPHATIS,</b>		
codeine	30 mg tablets, 10s	R05DA04, antitussic
<b>DECOTAL<sup>®</sup>,</b>		
diflucortolone	1mg/g cream, 20 g 1mg/g ointment, 20 g	D07AC06, potent corticosteroid dermotherapeutic
<b>DIABINESE*,</b>		
chlorpropamide	250 mg, 30 tablets	A10BB02, oral antidiabetic
Manufactured under the license of Pfizer, H.C.P.		
<b>DIAZEPAM,</b>		
diazepam	2 mg and 5 mg coated tablets, 30s 10mg/2ml solution for injection, 10s	N05BA01, anxiolytic
<b>DOXYCYCLIN,</b>		
doxycycline	100 mg capsules, 5s and 100s	J01AA02, tetracycline antibiotic
<b>EGLONYL<sup>®</sup></b>		
forte, sulpiride	200 mg tablets, 12s	N05AL01, antipsychotic
Manufactured under the license of Sanofy Synthelabo, France		
<b>EGLONYL<sup>®</sup>,</b>		
sulpiride	50 mg capsules, 30s 25 mg/5 ml oral solution, 120 ml 100 mg/2 ml solution for injection, 30s	N05AL01, antipsychotic
Manufactured under the license of Sanofy Synthelabo, France		
<b>EPIAL<sup>®</sup>,</b>		
carbamazepine	200 mg tablets, 50s	N03AF01, antiepileptic
<b>ETAMBUTOL,</b>		
ethambutol	400 mg tablets, 100s	J04AK02, antituberculoctic
<b>ETOLAC<sup>®</sup>,</b>		
etodolac	200 mg film coated tablets, 20s	M01AB08, NSAID
<b>FAMOSAN<sup>®</sup></b>		
famotidine	20 mg film coated tablets, 20s 40 mg film coated tablets, 10s	A02BA03, antiulcer drug

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>FLAGYL<sup>®</sup>,</b>		
metronidazole	500 mg vaginal pessaries, 10s	G01AF01, gynecological antiparasitic
Manufactured under the license of Aventis Pharma S.A. France		
<b>FLAGYL<sup>®</sup>,</b>		
metronidazole	250 mg and 400 mg tablets, 20s	J01XD01, antiparasitic
Manufactured under the license of Aventis Pharma S.A. France		
<b>FLUFENAZIN ALKALOID<sup>®</sup>,</b>		
flufenazine	1 mg coated tablets, 25s 2.5 mg and 5 mg coated tablets, 100s 2.5mg/1ml solution for injection, 5s 25mg/1ml solution for depo injection, 5s	N05AB02, antipsychotic
<b>FLUOXETIN,</b>		
fluoxetine	20 mg capsules, 30s	N06AB03, antidepressant
<b>FUROSEMID,</b>		
furosemide	40 mg tablets, 10s 20mg/2ml solution for injection, 50s	C03CA01, diuretic
<b>GENTAMICIN,</b>		
gentamicin	20mg/2ml solution for injection, 10s 40mg/2ml solution for injection, 10s 80mg/2ml solution for injection, 10s 120mg/2ml solution for injection, 10s	J01GB03, aminoglycoside antibiotic
<b>GLIBEDAL<sup>®</sup>,</b>		
glibenclamide	5 mg tablets, 30s	A10BB01, oral antidiabetic
<b>GLU-ROS<sup>®</sup>,</b>		
rosiglitazone	4 mg film coated tablets, 30 tablets	A10BG02, oral hypoglycemic
<b>GYNIPRAL<sup>®</sup>,</b>		
hexoprenaline	0.5 mg tablets, 20s 0.01mg/2ml solution for injection, 5s	G02CA, tocolytic
Manufactured under the license of Nycomed Austria GmbH		
<b>HEFEROL<sup>®</sup>,</b>		
ferrous fumarate	350 mg capsules, 30s	B03AA02, antianaemic
<b>HEPARIN,</b>		
heparine	5.000 iu/1 ml solution for injection, 10s 25.000 iu/5 ml solution for injection, 50s	B01AB01, antithrombotic agent
<b>HIDROHLOROTIAZID,</b>		
hydrochlorothiazide	25 mg tablets, 20s	C03AA03, diuretic
<b>HOLLESTA<sup>®</sup>,</b>		
simvastatin	10 mg, 20 mg and 40 mg film coated tablets, 30s	C10AA01, antihyperlipidemic
<b>INSTENON<sup>®</sup>,</b>		
etofylline, etamivan, hexobendine	coated tablets, 30s	C04A, combined vasoregulator
Manufactured under the license of Nycomed Austria GmbH		

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>KALCIUM KARBONAT,</b>		
calcium carbonate	1 g tablets, 50s	A12AA04, antiphosphataemic, mineral supplement
<b>KLINDAMICIN,</b>		
clindamycin	150 mg and 300 mg capsules, 16s	J01FF01, lincosamide antibiotic
<b>KOMPENSAN*</b>		
dihydro-aluminium-sodium-carbonate	300 mg, 20s	A02AB04, antacid
Manufactured under the license of Pfizer, H.C.P.		
<b>LAMAL<sup>®</sup>,</b>		
lamotrigine	25 mg; 50 mg; 100 mg and 200 mg tablets, 30s	N03AX09, antiepileptic
<b>LEGOFER<sup>®</sup>,</b>		
iron proteinsuccinylate	800 mg/15 ml oral solution, 150 ml (equivalent to 40 mg Fe <sup>3+</sup> )	B03AB09, antianaemic
Manufactured under the license of Italfarmaco S.p.A. Milan, Italy		
<b>LEXILIUM<sup>®</sup>,</b>		
bromazepam	1.5 mg; 3 mg and 6 mg tablets, 30s	N05BA08, anxiolytic
Manufactured under the license of F. Hoffman - La Roche Ltd. Basel, Switzerland		
<b>LIDAPRIM<sup>®</sup>,</b>		
sulfametrole + trimethoprim	20 tablets	J01EE03, combined sulphonamide & trimetoprim,
	20 tablets for children	
	100 ml oral suspension for children	
Manufactured under the license of Nycomed Austria GmbH		
<b>LIDOCAIN HYDROCHLORID,</b>		
lidocaine	40mg/2ml solution for injection, 100s	N01BB02, local anaesthetic, antiarrhythmic
<b>LIDOCAIN-ADRENALIN,</b>		
lidocaine-adrenaline	2 ml solution for injection, 100s	N01BB52, local anaesthetic
<b>LITIUM CARBONAT,</b>		
lithium carbonate	300 mg film coated tablets, 100s	N05AN01, antipsychotic
<b>LORATADIN,</b>		
loratadine	10 mg tablets, 10s	R06AX13, antihistaminic
	5 mg/5 ml oral solution, 120 ml	
<b>LOSARTAN,</b>		
losartan	50 mg and 100 mg film coated tablets, 30s	C09CA01, angiotensin II antagonist
<b>LUNATA<sup>®</sup>,</b>		
zolpidem	film coated tablets 5mg and 10mg, 10s and 20s	N05CF02, hypnotic
<b>MENDILEX<sup>®</sup>,</b>		
biperiden	2 mg tablets, 50s	N04AA02, antiparkinsonic
<b>METADON,</b>		
methadone	5 mg tablets, 20s	N02AC02, opioid analgesic; drug used in opiate dependance treatment
	10 mg/ml oral drops, 10 ml solution	
	10mg/ml oral solution, 100 ml	
	10mg/ml solution for injection, 5s and 50s	

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>METFORMIN ALKALOID,</b>		
metformin	film coated tablets 1000mg, 30s 850mg, 30s and 500mg, 30s	A10BA02, oral antidiabetic
<b>MORPHINI HYDROCHLORIDUM,</b>		
morphine	20 mg/ml solution for injection, 10s 4 mg/ml solution for injection, 10s	N02AA01, opioid analgesic
<b>NIFADIL<sup>®</sup> retard,</b>		
nifedipine	20 mg prolonged-release film-coated tablets, 30s	C08CA05, calcium channel blocker
<b>NIFADIL<sup>®</sup>,</b>		
nifedipine	10 mg film coated tablets, 50s	C08CA05, calcium channel blocker
<b>NIFLAM<sup>®</sup> retard</b>		
ketoprofen	200 mg tablets, 20s	M01AE03, NSAID
Manufactured under the license of Aventis Pharma S.A. France		
<b>NIFLAM<sup>®</sup>,</b>		
ketoprofen	50 mg capsules, 25s 100mg/2ml solution for injection, 10s 100 mg suppositories, 12s	M01AE03, NSAID
Manufactured under the license of Aventis Pharma S.A. France		
<b>NOSCAPIN,</b>		
noscipine	7.6mg/5ml oral solution, 100 ml	R05DA07, antitussic
<b>NOVAMORF<sup>®</sup>,</b>		
morphine	10 mg, 20 mg and 30 mg sublingual tablets, 20s and 60s	N02AA01, opioid analgesic
<b>NOZINAN<sup>®</sup>,</b>		
levomepromazine	25 mg and 100 mg tablets, 20s and 100s	N05AA02, antipsychotic
Manufactured under the license of Aventis Pharma S.A. France		
<b>OMEZOL<sup>®</sup>,</b>		
omeprazole	20 mg capsules, 14s	A02BC01, antiulcer drug
<b>PANCEF<sup>®</sup>,</b>		
cefixime	400 mg film coated tablets, 10s 100mg/5ml powder for oral suspension, 100 ml	J01DA23, cephalosporin
<b>PARACETAMOL ALKALOID</b>		
paracetamol	120mg/5ml oral solution, 100 ml	N02BE01, analgesic, antipyretic
<b>PARSEDIL<sup>®</sup>,</b>		
dipyridamole	75 mg coated tablets, 15s	B01AC07, platelet aggregation inhibitor
<b>PENTOKSIFILIN,</b>		
pentoxifylline	100 mg/5 ml solution for injections, 5s 400 mg tablets, 20s	C04AD03, vasoregulator, rheolytic

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>PHOLCODIN,</b>		
pholcodine	10 mg capsules, 20s 15mg/15ml oral solution, 150 ml 4mg/5ml oral solution for children, 60 ml	R05DA08, antitussic
<b>PROCOLIN,</b>		
naphazoline + boric acid	eye drops, 10 ml solution	S01GA51, ophtalmic decongestant
<b>PROPAFENON,</b>		
propafenone	150 mg film coated tablets, 40s 35mg/10 ml solution for injection, 10s	C01BC03, antiarrhythmic
<b>PROPILTIOURACIL,</b>		
propylthiouracil	50 mg tablets, 20s 100 mg tablets, 45s	H03BA02, thyrostatic
<b>REGLAN<sup>®</sup>,</b>		
metoclopramide	10 mg tablets, 40s 10 mg/2 ml solution for injection, 30s 5mg/5ml oral solution, 120 ml	A03FA01, antiemetic
Manufactured under the license of Sanofy Synthelabo, France		
<b>REMOXICAM<sup>®</sup>,</b>		
piroxicam	10 mg and 20 mg capsules, 20s 20 mg suppositories, 10s 10% cream, 35 g	M01AC01, NSAID
<b>RIFAMPICIN,</b>		
rifampicin	300 mg capsules, 100s	J04AB02, antituberculosic
<b>RISPERIDON,</b>		
risperidone	1 mg; 2 mg and 3 mg film coated tablets, 20s	N05AX08, antipsychotic
<b>SALBUTAMOL,</b>		
salbutamol	2 mg tablets, 60s and 100s 2mg/5ml oral solution, 150 ml 5mg/ml nebuliser solution, 20 ml	R03CC02, bronchodilator
<b>SINEQUAN*,</b>		
doxepine	10 mg and 25 mg capsules, 30s	N06AA12, antidepressant
Manufactured under the license of Pfizer, H.C.P.		
<b>SKOPRYL<sup>®</sup> PLUS,</b>		
lisinopril + hydrochlorothiazide	(20 mg + 12.5mg) tablets, 20s (20 mg + 25 mg) tablets, 20s	C09BA03, combined antihypertensive
<b>SKOPRYL<sup>®</sup>,</b>		
lisinopril	5 mg, 10 mg and 20 mg tablets, 20s	C09AA03, ACE inhibitor
<b>SOLCOSERYL<sup>®</sup>, standardised,</b>		
protein-free haemodialysate of blood of veal calves	8.3mg/g eye-gel (as dry matter), 5 g	S01XA, ophtalmic wound and ulcer treatment
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>SOLCOSERYL®</b> , standardised, protein-free haemodialysate of blood of veal calves	2.07mg/g ointment (as dry matter), 20g 4.15 mg/g gel (as dry matter), 20 g 42.5 mg/ml solution for injection (as dry matter), 30 ampoules of 2 ml and 30 ampoules of 5 ml	D03BA, treatment of wounds and ulcers
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		
<b>SOLCOSERYL®</b> , standardised, protein-free haemodialysate of blood of veal calves	dental adhesive paste 5 g	A01AD, local oral treatment
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		
<b>SUMETRIN®</b> , sumatriptane	50 mg tablets, 6s and 3s	N02CC01, antimigraine preparation
<b>SYNETRA®</b> , clopido	grel film coated tablets 75 mg, 30s	B01AC04, antithrombotic agent
<b>TIMOLOL</b> , timolol	0.25% and 0.5% eye drops, 5 ml solution	S01ED01, antiglaucoma preparation
<b>TOCFERA®</b> , tocopherol (Vit.E)	tbl 100 mg, 30s	A11HA03, vitamin
<b>TRAMADOL</b> , tramadol	50 mg capsules, 20s 50mg/1ml solution for injection, 5s and 50s 100mg/2ml solution for injection, 5s and 50s	N02AX02, opioid analgesic
<b>ULCODIN®</b> ranitidine	150 mg film-coated tablets, 20s 50mg/2ml solution for injection, 5s	A02BA02, antiulcer drug
<b>VASOFLEX*</b> , prazosine	1 mg tablets, 30s 2 mg and 5 mg tablets, 60s Manufactured under the license of Pfizer, H.C.P.	C02CA01, selective $\alpha_1$ -adrenergic blocker
<b>VERAPAMIL RETARD</b> verapamil	240 mg prolonged-release film coated tablets, 20s	C08DA01, calcium channel blocker
<b>VERAPAMIL</b> , verapamil	40 mg coated tablets, 30s 80 mg coated tablets, 50s 5 mg/2 ml solution for injections, 10s	C08DA01, calcium channel blocker
<b>VITAMIN A+D</b> , retinol+colecalfiferol	soft capsules, 200s	A11CB, combined vitamins
<b>VITAMIN B1</b> , thiamine	50 mg tablets, 20s 100 mg/1 ml solution for injection, 50s	A11DA01, vitamin
<b>VITAMIN B12</b> , cyanocobalamin	500 mg/1 ml solution for injection, 50s	B03BA01, antianaemic

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>VITAMIN B6,</b>		
pyridoxine	20 mg tablets, 20s 50 mg/2 ml solution for injection, 50s	A11MA02, vitamin
<b>VITAMIN C,</b>		
ascorbic acid	500 mg tablets, 250s	A11GA01, vitamin
<b>ZANFEXA<sup>®</sup>,</b>		
venlafaxine	tablets 37.5mg, 50 mg and 75mg, 30s	N06AX16, antidepressant
<b>ZYTRON<sup>®</sup>,</b>		
ondansetron	film coated tablets 4 mg and 8 mg, 10s solution for injections 4mg/2mL, 5s and 8mg/4mL, 5s	A04AA01, antiemetic and antinauseant

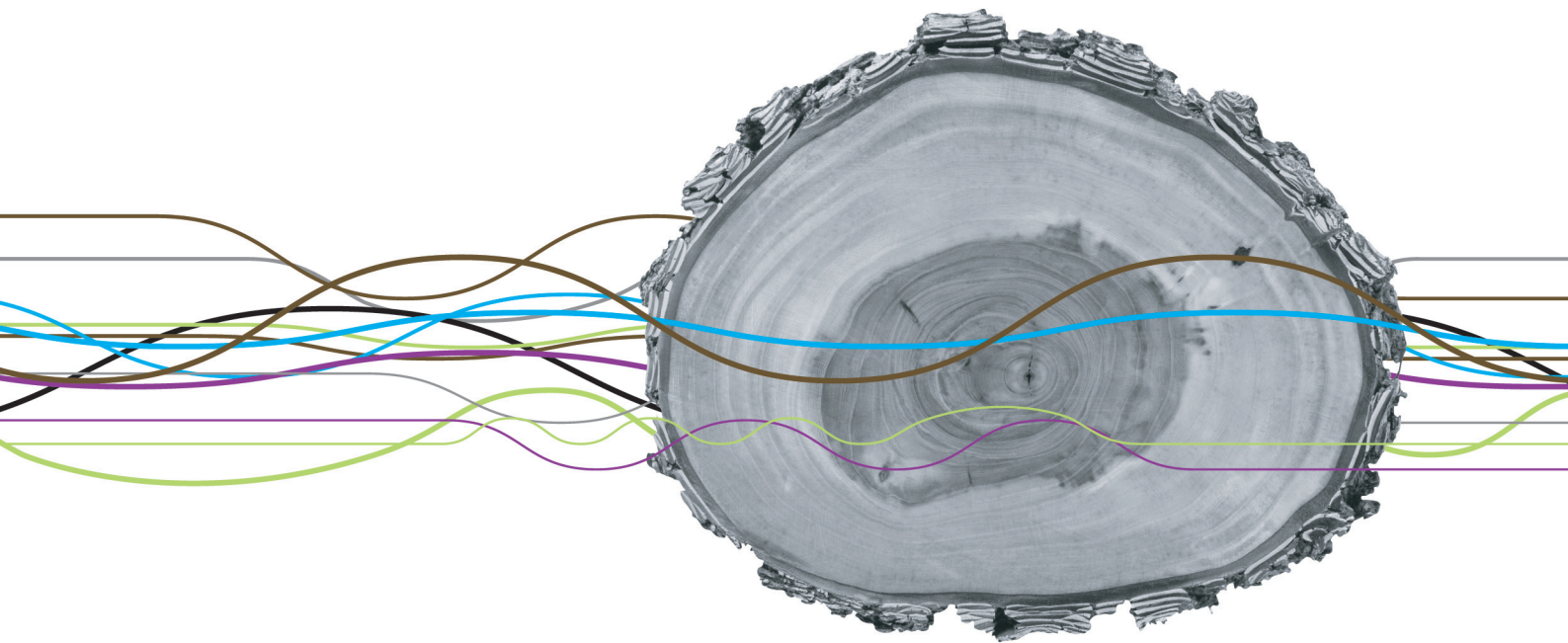
**Latest releases:**

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>CAFFETIN MENSTRUAL</b>		
ibuprofen, lysinate	200 mg film-coated tablets, 10s	M01AE01, NSAID
<b>DIASTOP</b>		
35mg Bacillus subtilis IP 5832	16s, hard capsules	A07FA01, lactic acid producing organisms (probiotics)
<b>DIPROL,</b>		
paracetamol	500 mg tablets, 10s, 500s	N02BE01, analgesic, antipyretic
<b>KLINDAMICIN ALKALOID,</b>		
clindamicine	200 mg /2 ml, 600 mg/ 2 ml solution for injection, 10	J01FF01, lincosamide
<b>METADON,</b>		
methadone	10mg/ml oral solution, 1000 ml	N07BC02, opioid analgesic; drug used in opiate dependence treatment



The following registration dossiers are available in CTD format:

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>AMLODIPIN,</b>		
amlodipine	5 mg and 10 mg tablets, 30s	C08CA01, calcium channel blocker
<b>ANALGIN<sup>®</sup>,</b>		
metamizole sodium	500 mg tablets, 10s and 500s 1g/2ml solution for injection, 50s 2.5g/5ml solution for injection, 50s	N02BB02, analgesic, antipyretic
<b>BIPRESSO<sup>®</sup>,</b>		
bisoprolol film coated tablets	2.5mg, 5 mg and 10 mg, 30s	C07AB07, selective $\beta$ - blocker
<b>CAFFETIN<sup>®</sup>,</b>		
paracetamol, propyphenazone, caffeine, codeine	tablets 10s tablets 500s	N02BE51, combined analgesic
<b>CAFFETIN COLD<sup>®</sup></b>		
paracetamol, ascorbic acid, dextromethorphan, psedoephedrine	10s film coated tablets,	R01BA52, caugh & cold medication
<b>FAMOSAN<sup>®</sup></b>		
famotidine	20 mg film coated tablets, 20s 40 mg film coated tablets, 10s	A02BA03, antiulcer drug
<b>HIDROHLOROTIAZID,</b>		
hydrochlorothiazide	25 mg tablets, 20s	C03AA03, diuretic
<b>HOLLESTA<sup>®</sup>,</b>		
simvastatin	10 mg, 20 mg and 40 mg film coated tablets, 30s	C10AA01, hypolipaemic
<b>KOMPENSAN*</b>		
dihydro-aluminium-sodium-carbonate	300 mg, 20s	A02AB04, antacid
<b>LOSARTAN,</b>		
losartan	50 mg and 100 mg film coated tablets, 30s	C09CA01, angiotensin II antagonist
<b>LAMAL<sup>®</sup>,</b>		
lamotrigine	25 mg; 50mg; 100 mg and 200 mg tablets, 30s	N03AX09, antiepileptic
<b>REMOXICAM<sup>®</sup>,</b>		
piroxicam	20 mg capsules, 20s	M01AC01, NSAID
<b>RISPERIDON,</b>		
risperidone	1 mg; 2 mg and 3 mg film coated tablets, 20s	N05AX08, antipsychotic
<b>SKOPRYL<sup>®</sup>,</b>		
lisinopril	5 mg, 10 mg and 20 mg tablets, 20s	C09AA03, ACE inhibitor
<b>SKOPRYL<sup>®</sup> PLUS,</b>		
lisinopril + hydrochlorothiazide	(20 mg + 25 mg) tablets, 20s (20 mg + 12.5mg) tablets, 20s	C09BA03, combined antihypertensive



# DAUGHTER COMPANIES



## Alkaloid CONS Ltd.

Starting from 1979, Alkaloid AD Skopje has established department that deals with cooperation with foreign companies from the aspect of agency agreements, distribution and consignment stocks agreements.

Years of successful operations, the experience acquired while operating this segment, as well as creation of consistency in the activities complementary to Alkaloid's main activity, the pharmaceuticals segment - were the basis for formation of Alkaloid CONS Ltd.

The intention of Alkaloid AD Skopje is to continue working and further expand the non-domicile programme of pharmaceutical products, OTC drugs and medical appliances offering competitive prices and proven quality of the products.

Alkaloid CONS Ltd., is present in the Macedonian market with the products of the following companies:

- Bilim Pharmaceuticals, Turkey
- Fresenius Medical Care GmbH, Germany
- Infomed Fluids S.R.L., Romania
- Nubenco Enterprises Inc., USA
- Pfizer H.C.P. Corporation, USA
- Pfizer Enterprises SARL, Luxembourg
- Sanofi Aventis, France
- Talecris Biotherapeutics, Inc., USA

# Alkaloid Coatings Ltd.

With tradition of more than 60 years in the production of paints and lacquers, Alkaloid Coatings, the largest manufacturer of coatings in the Republic of Macedonia, established in 1946, joined Alkaloid in 1977, presently covering more than 40% of the Macedonian coatings market, as of 1st January 2007 functions as daughter company of Alkaloid AD Skopje.

The positive customer reactions, positive code of business conduct were transferred in the new development stage of this segment of Alkaloid AD Skopje.

During 2006, the focus of PC COATINGS was to continue constant trend of business operations, determined especially on the domestic market and Kosovo. Sales activities were based on few attributes: improving the cash flow and providing constant high market share for the main product brands, up to 40% of the total market in Macedonia.

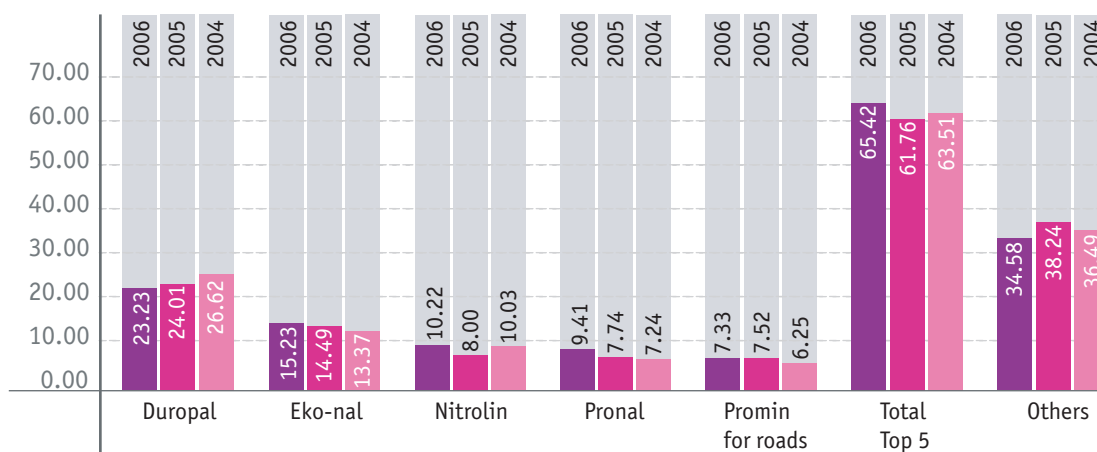
According to the modern process of globalization, ALKALOID has defined a strategy for finding a strategic partner for further developing of coatings business.

The signing of the Memorandum for Understanding and Strategic Partnership between Zorka Colour AD Sabac and Alkaloid Coatings was aimed to provide significant progress in the overall operations of the coatings segment of Alkaloid.

This strategic partnership unites the tradition, the knowledge and the experience in the realization of the defined vision for strengthening the existing and entering new markets. The synergy between Zorka Colour AD Sabac and Alkaloid Coatings is a new development phase headed towards intensification of the leading position in the coatings market in the wider region.

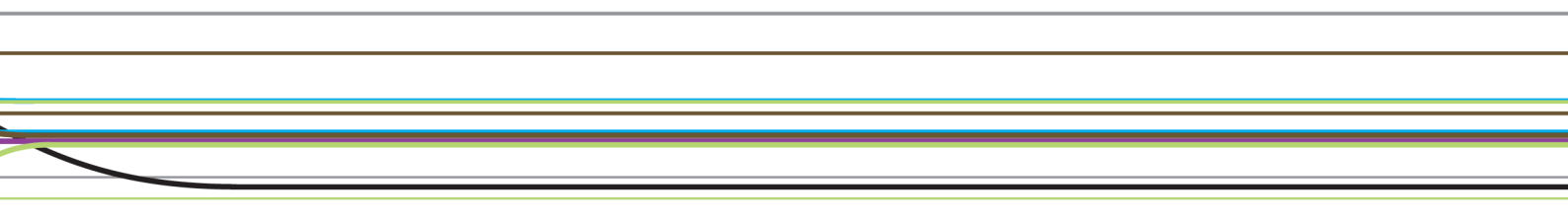
## Coatings Programmes

### % Participation in the sales of the coatings programme of the top 5 products





# INVESTOR INFORMATION





With the strong economic competition, proper investments, particularly investments in new and advanced production technology and software, which would integrate the production processes and the marketing activities - become obligation and necessity for each successful company.

In the year 2006 Alkaloid started the process of implementation of the best and latest data information system SAP as an integral part of the defined strategy for updating and computerizing the overall operations of the Company. The project was branded under the name - AlkaSAP. The investment is worth over 2 million euros, provided by Alkaloid's own funds.

It is the my SAP ERP (Enterprise Resource Planning), integrated system for complete management of the data information system in Alkaloid, which is a complex system for processing and monitoring all the data necessary for efficient and effective performance of the business processes.

The project is divided in few stages:

STAGE	Start	End
<b>Implementation and verification in Alkaloid AD</b>		
1. Stage: Project preparation	31.07.2006	04.09.2006
2. Stage: Conceptual Design	21.08.2006	18.12.2006
3. Stage: Realization	19.12.2006	04.06.2007
4. Stage: Production Preparation	09.04.2007	02.07.2007
5. Stage: Operational go-live and production support	02.07.2007	27.07.2007
<b>LC (Legislative consolidation)</b>		
6. Stage: Consolidation of the companies of Alkaloid group abroad	On-going	30.11.2007

The Project comprises 6 modules, includes around 70 experts from Alkaloid and 20 external experts in various fields, divided in 9 teams: Finances, Costs Control, Material and Warehouse Management, Production Planning, Sales and Distribution, Quality Management, System Support, Program Support and the team for Validation Process.

Alkaloid AD is the first Macedonian company that introduced SAP independently, as its own ERP solution, not a rollout or fast copy of a part of another parent company.



The Project is being implemented in cooperation with several partners:

- SAP - World leader in ERP solutions;
- The implementation is executed in cooperation with SAP specialized Croatian company b4b;
- The validation is executed in cooperation with the British company Compliance Control

The Project should produce immense benefits, such as filtering the basic internal data and significant upgrade of the IT knowledge for the personnel of the project teams as well as the final users.

After completion of the implementation, the integrated data information system should provide fast and easy access to the data, linkage of all the segments of Alkaloid, Managing Reporting System, as well as excellent basis for further upgrade of the IT system: Data Warehouse, Business Intelligence, SCM (Supply Chain Manager), CRM (Customer Relationship Manager) etc.

Despite the complexity and the huge volume of the project, the large number of activities engaging over 200 employees, the planned 162 SAP licenses in the already upgraded IT infrastructure - the course of the projects so far complies with the plan. The next control point is the go-live production as per 02 July 2007, when we "freeze" the existing data system and shift to SAP.



## Finances

**High ethic standards, policy of business transparency and permanent health care and people's life quality improvement are the core elements of Alkaloid AD company profile. In order to respond to the latest market requirements and for the benefit of its proper growth, Alkaloid applies the highest standards in the field of corporate governance, implementing the International Financial Reporting Standards in the good manufacturing practice.**

Handling and withstanding the turbulent and dynamic business environment, as well as 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 the Finance Department.

The Finances Department operates on corporate level. This strategically significant unit of Alkaloid AD is responsible for financial operations planning, all types of business risk-management: market risk, price risk, credit risk, liquidity risk, accounting, treasury and book-keeping, as well as financial reporting and communicating financial performance to the top management.

Carrying out the above responsibilities, the Finance Department brings financial stability to the company and extra profit for the shareholders and company itself.

Alkaloid AD firmly believes that using the benefits of the newly launched information system SAP will support the achievement of its own strategic objectives. The SAP information system software is expected to enhance the effectiveness of the finances and accountancy, which will further result in providing up-to-date information for the company management. The integrated information management system will also encompass Alkaloid's AD subsidiaries in the country and abroad and it will enable more efficient preparation of the consolidated financial reports.

**Cvetanka Simonovska**  
Chief Financial Officer/MB Member



# Shareholding

The nominal capital of the Company amounts to 1,431,353 shares with par value of EUR 25.56 per share or total sum of EUR 36,585,382.68.

All 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.

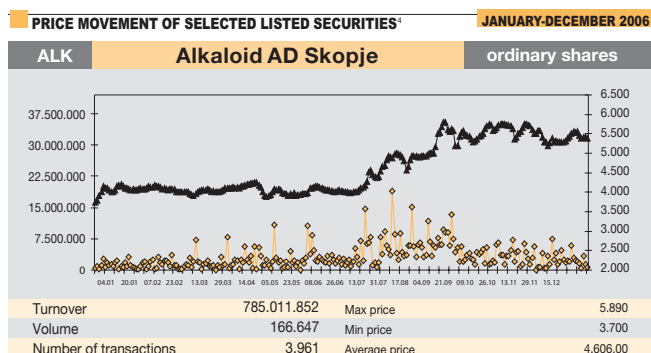
As of 31st December 2006, ALKALOID AD Skopje has over 2,600 shareholders holding regular shares. 99.77% (1,428,125) of the shares are ordinary shares and 0.23% (3,228) are preference shares reserved for former proprietors and proprietors who need to prove their ownership right of inheritance for estate now belonging to ALKALOID AD Skopje.

Shareholders	Type of shares	Number of shares
Legal and Physical persons	Ordinary	1,428,125
Former proprietors	Preference	3,228
<b>Total</b>		<b>1,431,353</b>

According to the evidence of the Macedonian Stock Exchange, the shares of ALKALOID AD Skopje in the course of 2006 stood again as one of the most traded and most liquid shares. 3,961 transactions were made (which is 20.14% over last year), 166,647 shares were traded (being 11.64% of the overall share capital of ALKALOID AD Skopje), with total amount of EUR 12,832,421.76.

ALKALOID AD Skopje, as one of the leading company on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 8.84% of the total trade effectuated on the first official market of the Macedonian Stock Exchange.

## Price movement of selected listed securities



Source: Annual Report 2006 of the Macedonian Stock Exchange

The price of Alkaloid's shares ranged from MKD 3,700 to MKD 5,890 with average of MKD 4,606. The capital gain on Alkaloid's average shares price in December 2006 compared to January 2006 was 32.83% while the capital gain on the average price of Alkaloid's shares in 2006 compared with 2005 was 20.6%.

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 2006 amounted MKD 80.50.

In MK Denars	2006	2005	2004
Net dividend per share	80.50	70.50	70.50

**Gjorgi Jovanov,**  
MB Member







# FINANCIAL REPORT



# To the Management Board and the Shareholders of Alkaloid AD Skopje

We have audited the accompanying consolidated financial statements (page 3 to 35) of Alkaloid AD Skopje (hereinafter referred to as the "Company") and subsidiaries, which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements for the year ended 31 December 2005 were audited by another auditor, whose report dated 24 March 2006 expressed an unqualified opinion.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

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

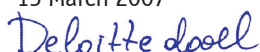
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alkaloid AD, Skopje and subsidiaries as at 31 December 2006, and the results of their consolidated financial performance, changes in equity and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Deloitte D00EL  
Skopje, Macedonia  
15 March 2007





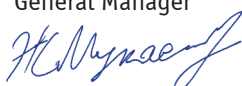
**CONSOLIDATED BALANCE SHEET**

		As at 31 December	
		2006	2005
Notes			
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	6	3,638,012	3,526,198
Intangible assets	7	92,799	18,031
Deferred income tax assets	17	1,909	28,737
Available for - sale financial assets	8	275,250	12,280
Trade and other receivables	11	55,937	79,637
		<b>4,063,907</b>	<b>3,664,883</b>
Current assets			
Inventories	10	1,005,800	1,066,031
Trade and other receivables	11	1,234,012	1,280,380
Cash and cash equivalents	12	204,519	173,603
		<b>2,444,331</b>	<b>2,520,014</b>
<b>TOTAL ASSETS</b>		<b>6,508,238</b>	<b>6,184,897</b>
<b>EQUITY</b>			
Capital and reserves			
Share capital	13	2,214,321	2,220,127
Share premiums	13	(36,913)	(13,708)
Legal reserves		599,821	599,762
Other reserves	14	1,573,957	1,514,232
Retained earnings		830,622	637,860
Minority interests		2,010	-
		<b>5,183,818</b>	<b>4,958,273</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings	15	473,617	149,021
Retirement benefit obligations	16	8,921	17,733
		<b>482,538</b>	<b>166,754</b>
Non-current liabilities			
Trade and other payables	18	584,101	661,515
Income taxes		3,864	4,569
Borrowings	15	253,917	347,095
Accruals	19	-	46,691
		<b>841,882</b>	<b>1,059,870</b>
<b>TOTAL LIABILITIES</b>		<b>1,324,420</b>	<b>1,226,624</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,508,238</b>	<b>6,184,897</b>

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

These consolidated financial statements have been approved for issue by the Managing Board on 27 February 2007.

Approved by:  
**Zivko Mukaetov**  
 General Manager



**Cvetanka Simonovska**  
 Finance Manager



## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2006	2005
Sales	5	3,535,687	3,249,699
Cost of sales		(2,130,124)	(1,960,221)
<b>Gross profit</b>		<b>1,405,563</b>	<b>1,289,478</b>
Research and development expenses		(13,808)	(39,014)
Selling and marketing costs		(970,826)	(792,111)
Administrative expenses		(127,615)	(278,697)
Other income	20	210,597	233,442
Other expenses	21	(51,383)	(41,970)
<b>Operating profit</b>		<b>452,528</b>	<b>371,128</b>
Net foreign exchange transaction /gains (losses)	24	(10,615)	301
Finance expenses	24	(45,253)	(36,017)
<b>Profit before income tax</b>		<b>396,660</b>	<b>335,412</b>
Income tax expense	25	(55,082)	(12,870)
<b>Profit for the year</b>		<b>341,578</b>	<b>322,542</b>
<b>Attributable to the:</b>			
Shareholders of the Company		341,958	322,542
Minority interests		(308)	-
		<b>341,578</b>	<b>322,542</b>
<b>Earnings per share (in denars)</b>			
- Basic	26	239.22	237.72

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Minority interests	Total equity
<b>As at 1 January 2005</b>	<b>1,986,734</b>	<b>(12,010)</b>	<b>524,260</b>	<b>1,639,165</b>	<b>670,995</b>	<b>-</b>	<b>4,809,144</b>
New issuance of shares	204,070	-	-	(204,070)	-	-	-
Purchase of treasury shares	(31,747)	(31,489)	-	-	-	-	(63,236)
Sales of treasury shares	61,070	29,791	-	-	-	-	90,861
Allocation of profit	-	-	76,211	61,500	(137,711)	-	-
Increase in fair value of investments	-	-	-	54,492	-	-	54,492
Decrease in fair value of investments	-	-	-	(44,613)	-	-	(44,613)
Revaluation of assets	-	-	-	6,937	-	-	6,937
Payments of solidarity funds	-	-	-	1,843	-	-	1,843
Other increase of reserves	-	-	-	16,620	-	-	16,620
Dividends (Note 27)	-	-	-	-	(98,675)	-	(98,675)
Other compensations to shareholders	-	-	-	-	(142,360)	-	(142,360)
Deferred tax assets	-	-	-	113	-	-	113
Profit for the year	-	-	-	-	322,542	-	322,542
Translation differences	-	-	(709)	(17,755)	23,069	-	4,605
<b>As at 31 December 2005</b>	<b>2,220,127</b>	<b>(13,708)</b>	<b>599,762</b>	<b>1,514,232</b>	<b>637,860</b>	<b>-</b>	<b>4,958,273</b>
Reclassifications	-	-	-	33,570	(33,570)	-	-
Purchase of treasury shares	(138,118)	(199,826)	-	-	-	-	(337,944)
Sales of treasury shares	132,312	176,621	-	-	-	-	308,933
Fair value of investments (Note 8)	-	-	-	(3,833)	-	-	(3,833)
Fair value of investments (Note 9)	-	-	-	-	(16,016)	-	(16,016)
Revaluation of assets	-	-	-	48,330	-	-	48,330
Transfer between related parties	-	-	-	8,192	-	-	8,192
Other movements	-	-	71	(4,919)	1,298	-	(3,550)
Minority interests	-	-	-	-	-	2,507	2,507
Dividends (Note 27)	-	-	-	-	(109,092)	-	(109,092)
Deferred taxes (Note 17)	-	-	-	(15,461)	-	-	(15,461)
Profit for the year	-	-	-	-	341,958	(380)	341,578
Translation differences	-	-	(12)	(6,154)	8,184	(117)	1,901
<b>As at 31 December 2006</b>	<b>2,214,321</b>	<b>(36,913)</b>	<b>599,821</b>	<b>1,573,957</b>	<b>830,622</b>	<b>2,010</b>	<b>5,183,818</b>

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

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2006	2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2,994,296	2,810,301
Cash paid to suppliers and employees	(2,361,145)	(2,503,280)
<b>Cash generated from operations</b>	<b>633,151</b>	<b>307,021</b>
Interest received	10,019	3,079
Income tax paid	(56,807)	(38,706)
<b>Net cash generated from operations</b>	<b>586,363</b>	<b>271,394</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(305,249)	(283,346)
Proceeds from sale of PPE	739	3,023
(Purchases)/disposals of available - for - sale financial assets	(279,186)	84,296
Dividends received	32	2,143
Loans to employees	21,036	(73,015)
<b>Net cash used in investing activities</b>	<b>(562,628)</b>	<b>(266,899)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds of borrowings	1,166,551	753,941
Repayments of borrowings	(938,525)	(686,051)
Interest paid	(46,329)	(35,585)
Purchase of treasury shares	(337,944)	(47,640)
Sales of treasury shares	270,733	90,861
Minority interests	2,507	-
Compensation to shareholders	(109,063)	(188,904)
<b>Net cash provided by financing activities</b>	<b>7,930</b>	<b>113,378</b>
<b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>31,665</b>	<b>(108,883)</b>
Cash and cash equivalents at beginning of year	173,603	281,679
Translation differences	(749)	807
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>204,519</b>	<b>173,603</b>

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

# Notes to the Consolidated Financial Statements

## 1. GENERAL INFORMATION

Alkaloid AD, Skopje (the Company) produces and sells wide range of pharmaceutical, chemical and cosmetic products, as well as paints and polishes for the construction and wood processing industry. The Company was comprised of eleven subsidiaries in the Republic of Macedonia and other countries. For the list of the subsidiaries refer to Note 9.

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

The shares of the Alkaloid AD, Skopje are listed on the Macedonian Stock Exchange, from 2002.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The consolidated financial statements of Alkaloid AD, Skopje have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and available-for-sale financial assets. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

At the date of the approval of these consolidated financial statements, the following standards and interpretation have been issued, but not yet applicable:

International Financial Reporting Standards Interpretation Committee (IFRSIC) 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies.	Effective for annual periods beginning on or after 1 March 2006
IFRSIC 8 Scope of IFRS 2	Effective for annual periods beginning on or after 1 May 2006
IFRSIC 9 Reassessment of Embedded Derivatives	Effective for annual periods beginning on or after 1 June 2006
IFRSIC 10 Interim Financial Reporting and Impairment	Effective for annual periods beginning on or after 1 November 2006

The management predicts that the application of these standards and interpretations in the future periods will not influence the consolidated financial statements of the Company.

## 2.2 Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

## 2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## 2.4 Foreign currency translation

### Functional and presentation currency

The consolidated financial statements are presented in thousands of Macedonian Denars, which is the Company's functional and presentation currency.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets such as property, plant and equipment and equities classified as available for sale are included in the equity.

### Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting differences are recognized as a separate component of equity.

## 2.5 Property, plant and equipment

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

## 2.6 Intangibles

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

Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

Research expenditure is recognized as an expense as incurred. Internal development costs are recognized as intangible assets when it is probable that future economic benefits will flow to the Company and costs can

be measured reliably. The Company considers that regulatory and other uncertainties inherent in the development of new products mean that such criteria are not met until the commercial launch of the product and therefore, pre-launch internal development costs are expensed as incurred. No significant direct development costs are incurred post commercial launch.

### **2.7 Impairment of non-financial assets**

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

### **2.8 Financial assets**

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.10)

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

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

Regular purchases and sales of investments are recognized on trade-date - the date on which the Company commits to purchase or sell the asset. The purchase value of investments includes transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets are presented in the equity.

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



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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement. Method for evaluation of impairment of trade receivables is explained in Note 2.10.

## 2.9 Inventories

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

## 2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs'.

## 2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in bank and hand.

## 2.12 Share capital

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

### 2.13 Borrowings

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

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

### 2.14 Deferred tax

Current income tax is calculated and paid in accordance with the Income tax Law. The estimated tax is paid in advance on a monthly basis. The final tax is payable at the rate of 15% calculated on the profit reported in the income statement, adjusted for certain items as defined by the local tax legislation.

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries excepts where timing of the reversal of temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.15 Employee benefits

#### Pension liabilities

The Company has both defined benefit and defined contribution plans.

- Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Company pays contributions into publicly and privately administered pension plans on a mandatory, basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

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

#### **Termination benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and is expected that will be paid not more than 12 months.

#### **Profit-sharing and bonus plans**

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a decision of a Managing Board. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and is expected that will be paid not more than 12 months.

#### **2.16 Provisions**

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### **2.17 Revenue recognition**

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

### **Sales of goods**

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

### **Sales of services**

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

### **Interest income**

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

### **Dividend income**

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

### **2.18 Dividends**

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

### **2.19 Comparative figures**

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purposes. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the accompanying consolidated financial statements.

## **3. FINANCIAL RISK MANAGEMENT**

### **3.1 Financial risk factors**

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

## Market risk

### a) Foreign exchange risk

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

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

### b) Price risks

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

## Credit risk

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

## Liquidity risk

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

## Interest risk

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

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

## 3.2 Fair value estimation

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

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

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

#### 4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

##### **Fair value of property, plant and equipment**

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

##### **Fair value of financial assets**

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

##### **Trade receivables**

The Company assessed annually the fair value of trade receivables.

#### 5. SEGMENT REPORTING

##### **Primary reporting format - business segments**

At 31 December 2006, the Company is organized 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.

The segment results for the year ended 31 December 2006 are as follows:

	Chemicals Cosmetics			Total
	Pharmacy	Botanicals	Coatings	
Sales	2,596,136	702,039	237,512	<b>3,535,687</b>
Operating profit/Segment result	407,714	63,001	(17,807)	<b>452,908</b>
Minority interests	(380)			<b>(380)</b>
				<b>452,528</b>
Finance costs				<b>(55,868)</b>
<b>Profit before income tax</b>				<b>396,660</b>
Income tax expense				<b>(55,082)</b>
				<b>341,578</b>
<b>Profit for the year</b>				<b>341,578</b>

The segment results for the year ended 31 December 2005 are as follows:

	Chemicals Cosmetics			Total
	Pharmacy	Botanicals	Coatings	
Sales	2,276,946	671,570	301,183	<b>3,249,699</b>
Operating profit/Segment result	321,344	30,067	19,717	<b>371,128</b>
Finance costs				<b>(35,716)</b>
<b>Profit before income tax</b>				<b>335,412</b>
Income tax expense				<b>(12,870)</b>
				<b>322,542</b>
<b>Profit for the year</b>				<b>322,542</b>



**Other segments item included in the income statement for the year ended 31 December 2006 are as follows:**

	Chemicals			Total
	Cosmetics			
	Pharmacy	Botanicals	Coatings	
Depreciation (Note 6)	137,731	31,976	7,670	<b>177,377</b>
Amortization (Note 7)	4,368			<b>4,368</b>
Impairment of trade receivables	36,217	21,661	6,099	<b>63,977</b>

**Other segments item included in the income statement for the year ended 31 December 2005 are as follows:**

	Chemicals			Total
	Cosmetics			
	Pharmacy	Botanicals	Coatings	
Depreciation (Note 6)	120,259	31,011	8,763	<b>160,033</b>
Amortization (Note 7)	4,078			<b>4,078</b>
Impairment of trade receivables	73,347	4,990	2,847	<b>81,184</b>

**The segment assets and liabilities as at 31 December 2006 and capital expenditures for the year then ended are as follows:**

	Chemicals			Total
	Cosmetics			
	Pharmacy	Botanicals	Coatings	
Assets	4,624,625	1,441,150	442,463	<b>6,508,238</b>
Liabilities	1,117,439	155,135	51,846	<b>1,324,420</b>
Capital expenditures	430,998	72,128	399	<b>503,525</b>

Capital expenditures comprise additions to property, plant and equipment (Note 6) and intangibles (Note 7).

The segment assets and liabilities as at 31 December 2005 and capital expenditures for the year then ended are as follows:

	Chemicals			Total
	Cosmetics			
	Pharmacy	Botanicals	Coatings	
Assets	4,387,982	1,344,668	452,247	<b>6,184,897</b>
Liabilities	1,012,393	155,737	58,494	<b>1,226,624</b>
Capital expenditures	367,030	9,802	3,815	<b>380,647</b>

Capital expenditures comprise additions to property, plant and equipment (Note 6) and intangibles (Note 7).

### Secondary reporting format - Geographical segments

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	2006	2005
Macedonia	1,524,457	1,486,905
South East Europe	1,601,345	1,498,484
Russia and CIS	297,232	172,516
Western Europe (EU and EFTA)	77,536	69,669
Other countries	35,117	22,125
	<b>3,535,687</b>	<b>3,249,699</b>

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

<b>Sales by category</b>	<b>2006</b>	<b>2005</b>
Sales of goods	3,350,259	3,167,248
Sales of commodities	164,848	72,199
Revenue from services	7,479	1,666
Other revenue	13,101	8,586
	<b>3,535,687</b>	<b>3,249,699</b>
<b>Total assets</b>	<b>2006</b>	<b>2005</b>
South East Europe	6,488,231	6,147,576
Western Europe (EU and EFTA)	16,066	37,321
United States of America	3,941	-
	<b>6,508,238</b>	<b>6,184,897</b>
<b>Capital expenditures</b>	<b>2006</b>	<b>2005</b>
South East Europe	500,944	380,369
Western Europe (EU and EFTA)	-	278
United States of America	2,581	-
	<b>503,525</b>	<b>380,647</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Construction in progress	Total
<b>Cost or valuation</b>					
<b>At 1 January 2005</b>	<b>856,099</b>	<b>3,182,050</b>	<b>1,254,746</b>	<b>203,347</b>	<b>5,496,242</b>
Additions	-	10	10,765	350,757	<b>361,532</b>
Transfer from construction in progress	-	210,417	126,043	(336,460)	-
Disposals	-	-	(34,604)	-	<b>(34,604)</b>
Translation differences	-	60	(355)	-	<b>(295)</b>
<b>At 31 December 2005</b>	<b>856,099</b>	<b>3,392,537</b>	<b>1,356,595</b>	<b>217,644</b>	<b>5,822,875</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2005</b>	<b>-</b>	<b>1,392,976</b>	<b>777,436</b>	<b>-</b>	<b>2,170,412</b>
Depreciation charge	-	77,111	82,922	-	<b>160,033</b>
Disposals	-	-	(33,770)	-	<b>(33,770)</b>
Translation differences	-	65	(63)	-	<b>2</b>
<b>At 31 December 2005</b>	<b>-</b>	<b>1,470,152</b>	<b>826,525</b>	<b>-</b>	<b>2,296,677</b>
<b>Net book value</b>					
<b>At 31 December 2005</b>	<b>856,099</b>	<b>1,922,385</b>	<b>530,070</b>	<b>217,644</b>	<b>3,526,198</b>
<b>Cost or valuation</b>					
<b>At 1 January 2006</b>	<b>856,099</b>	<b>3,392,537</b>	<b>1,356,596</b>	<b>217,644</b>	<b>5,822,876</b>
<b>Additions</b>	<b>-</b>	<b>64,927</b>	<b>25,203</b>	<b>308,889</b>	<b>399,019</b>
Transfer from construction in progress	-	6,405	271,316	(277,721)	-
Transfer to related parties	-	(257,527)	(56,208)	(87,768)	<b>(401,503)</b>
Elimination	-	-	(353,837)	-	<b>(353,837)</b>
Valuation	-	-	48,330	-	<b>48,330</b>
Disposals	-	-	(33,576)	-	<b>(33,576)</b>
Translation differences	-	354	722	-	<b>1,076</b>
<b>At 31 December 2006</b>	<b>856,099</b>	<b>3,206,696</b>	<b>1,258,546</b>	<b>161,044</b>	<b>5,482,385</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2006</b>	<b>-</b>	<b>1,470,152</b>	<b>826,525</b>	<b>-</b>	<b>2,296,677</b>
Depreciation charge	-	79,414	97,963	-	<b>177,377</b>
Transfer to related parties	-	(204,039)	(39,982)	-	<b>(244,021)</b>
Elimination	-	-	(353,837)	-	<b>(353,837)</b>
Disposals	-	(8)	(32,286)	-	<b>(32,294)</b>
Translation differences	-	58	413	-	<b>471</b>
<b>At 31 December 2006</b>	<b>-</b>	<b>1,345,577</b>	<b>498,796</b>	<b>-</b>	<b>1,844,373</b>
<b>Net book value</b>					
<b>At 31 December 2006</b>	<b>856,099</b>	<b>1,861,119</b>	<b>759,750</b>	<b>161,044</b>	<b>3,638,012</b>

The land with surface of 304,358 m<sup>2</sup> and carrying amount of Denar 462,336 thousand, which in accordance with the latest title deeds issued by DZGR is granted for permanent usage and governing of Alkaloid AD, Skopje, is currently in procedure of transformation in accordance with the Bylaw on the manner and procedure for alienation of construction land ownership of Republic of Macedonia (Official Gazette of RM 31/2003) and the Law for privatization and lease of construction land in state property (Official Gazette of RM 4/2005).

Land and buildings were revaluated on 1 January 2004 and equipment was revaluated on 31 December 2006 by independent valuers.

Transfer to related parties represents increase in shares with buildings and equipment in Alkaloid premazi D00EL (Note 9).

The historical cost of land and buildings and construction in progress that relates to building is as follows:

<b>Sales</b>	<b>2006</b>	<b>2005</b>
Cost	5,312,242	5,393,839
Accumulated depreciation	(1,825,920)	(1,818,728)
<b>Net book value</b>	<b>3,486,322</b>	<b>3,575,111</b>

Bank borrowings are secured by a mortgage on the Company's buildings in the amount of Denar 530,072 thousand; (2005: Denar 678,301 thousand) (Note 15).

## 7. INTANGIBLES

	<b>2006</b>	<b>2005</b>
<b>Cost or valuation</b>		
At 1 January	31,253	12,524
Additions	104,506	19,115
Transfer from construction in progress	(25,370)	-
Translation differences	-	(386)
<b>At 31 December</b>	<b>110,389</b>	<b>31,253</b>
<b>Accumulated amortization</b>		
At 1 January	13,222	9,531
Charge for the year	4,368	4,078
Translation differences	-	(387)
<b>At 31 December</b>	<b>17,590</b>	<b>13,222</b>
<b>Net book value as at 31 December</b>	<b>92,799</b>	<b>18,031</b>

Intangibles consist of trademarks and licenses and implementation of software (SAP).

**8. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	2006	2005
<b>At 1 January</b>	12,280	17,113
Increase in fair value	-	54,492
Decrease in fair value	-	(44,613)
Additions	266,803	-
Disposals	(3,833)	(14,712)
<b>At 31 December</b>	<b>275,250</b>	<b>12,280</b>
	2006	2005
<b>Available for-sale financial assets consist of:</b>		
Available for-sale financial assets in non related parties	275,250	12,280

**9. INVESTMENTS IN SUBSIDIARIES**

	2006	2005
Alkaloid DOO Ljubljana, Slovenia	557	557
Alkaloid DOO Zagreb, Croatia	14,822	29,441
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	56
Alkaloid DOO Beograd, Serbia	2,537	2,256
ALK&KOS Shpk Prishtina, Kosovo (Serbia)	307	307
Alkaloid EOOD Sofia, Bulgaria	2,748	901
Alkaloid Shpk Tirana, Albania	59	199
Alkaloidfarm SA Fribourg, Switzerland	4,285	5,474
Alkaloid Kons DOOEL Skopje, Macedonia	154	154
Alkaloid USA LLC Columbus, Ohio USA	2,365	-
Alkaloid Premazi DOOEL Skopje, Macedonia	171,794	-
	<b>199,667</b>	<b>39,345</b>

All subsidiaries are 100 % owned by the Company, except investment in Alkaloid USA with the equity share of 49 %. In December 2006, the Company established a new company Alkaloid Premazi DOOEL Skopje. Initial capital consists of property, plant and equipment with fair value of Denar 165,674 thousand and cash in the amount of Denar 6,120 thousand (Note 6).

Alkaloid's representative office in Moscow, Russian Federation is included in the financial statements of the Company.

The movement in subsidiaries in Zagreb, Belgrade, Sofia, Fribourg and Tirana represents reconciliation with updated court registrations.

## 10. INVENTORIES

	2006	2005
Raw materials	470,054	452,320
Spare parts	4,950	20,866
Tools and consumable stores	2,315	4,411
Work in progress	54,611	41,807
Finished goods	445,280	535,768
Commodities	28,590	10,859
	<b>1,005,800</b>	<b>1,066,031</b>

## 11. TRADE AND OTHER RECEIVABLES

	2006	2005
Trade receivables	1,269,589	1,436,908
Less: provision for impairment of receivables	(213,655)	(270,001)
<b>Trade receivables – net</b>	<b>1,055,934</b>	<b>1,166,907</b>
Prepayments	31,604	75,297
Receivables from employees	86,998	77,190
Prepaid VAT	20,282	28,102
Other receivables	95,131	12,521
	1,289,949	1,360,017
Less: non-current portion	(55,937)	(79,637)
	<b>1,234,012</b>	<b>1,280,380</b>

Non-current receivables relate to loans to employees and prepayments for property, plant and equipment and due within 5 years.

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

	2006	2005
Trade and other receivables	50,542	75,257

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

	2006	2005
Receivables from employees	5.35 %	5.35 %

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

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

## 12. CASH AND CASH EQUIVALENTS

	2006	2005
Cash at banks	202,026	164,974
Cash in hands	1,974	5,245
Other	519	3,384
	<b>204,519</b>	<b>173,603</b>



### 13. SHARE CAPITAL

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
<b>At 1 January 2005</b>	1,282,324	2,016,057	(29,323)	<b>1,986,734</b>	(12,010)
Shares issued	130,123	204,070	-	<b>204,070</b>	-
Treasury shares purchased	(20,469)	-	(31,747)	<b>(31,747)</b>	(31,489)
Sale of treasury shares	39,375	-	61,070	<b>61,070</b>	29,791
<b>At 31 December 2005</b>	<b>1,431,353</b>	<b>2,220,127</b>	<b>-</b>	<b>2,220,127</b>	<b>(13,708)</b>
Treasury shares purchased	(88,352)	-	(138,118)	<b>(138,118)</b>	(199,826)
Sale of treasury shares	84,599	-	132,313	<b>132,313</b>	176,621
<b>At 31 December 2006</b>	<b>1,427,600</b>	<b>2,220,127</b>	<b>(5,806)</b>	<b>2,214,321</b>	<b>(36,913)</b>

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

During 2006, the Company acquired 88,352 its own shares through Macedonian stock exchange and held as treasury shares. In accordance with the Decision no. 0202-8 from 1 September 2006, enacted on the Shareholders Assembly meeting held on 25 September 2006, 24,436 shares were distributed in advance to the shareholders as dividends for 2006. From the remaining portion of treasury shares, a number of 60,163 shares were disposed of, while 3,753 are still treasury shares.

#### 14. OTHER RESERVES

	Property, plant and equipment	Available for-sale investments	Solidarity fund	Fund for shares	Total
<b>At 1 January 2005</b>	<b>1,254,430</b>	<b>(6,029)</b>	<b>2,556</b>	<b>388,208</b>	<b>1,639,165</b>
Issuance of shares	-	-	-	(204,070)	(204,070)
Allocation of profit	-	-	-	61,500	61,500
Revaluation	6,937	54,492	-	-	61,429
Disposal	-	(44,613)	-	-	(44,613)
Increase	16,620	-	1,843	-	18,463
Deferred tax assets	517	(404)	-	-	113
Translation differences	(17,755)	-	-	-	(17,755)
<b>At 31 December 2005</b>	<b>1,260,749</b>	<b>3,446</b>	<b>4,399</b>	<b>245,638</b>	<b>1,514,232</b>
Reclassification	(406)	405	-	-	(1)
Decrease of solidarity fund	-	-	(4,399)	-	(4,399)
Deferred tax	(15,461)	-	-	-	(15,461)
Revaluation	56,660	(3,833)	-	-	52,827
Loss coverage	(657)	-	-	-	(657)
Adjustment	33,570	-	-	-	33,570
Translation differences	(6,154)	-	-	-	(6,154)
<b>At 31 December 2006</b>	<b>1,328,301</b>	<b>18</b>	<b>-</b>	<b>245,638</b>	<b>1,573,957</b>

#### 15. BORROWINGS

	2006	2005
Non-current borrowings	473,617	149,021
Current borrowings	253,917	347,095
	<b>727,534</b>	<b>496,116</b>

Bank borrowings are secured by a mortgage placed on the Company's buildings in the amount of Denar 530,072 thousand (Denar 678,301 thousand) (Note 6).

The maturity of the borrowings is as follows:

	2006	2005
Up to 1 year	253,917	347,095
Between 1 to 3 years	473,617	149,021
	<b>727,534</b>	<b>496,116</b>

The borrowings are denominated in following currencies:

	In thousands of Denars	
	2006	2005
EUR	503,354	253,616
MKD	224,180	242,500
	<b>727,534</b>	<b>496,116</b>

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

Sales	31 December 2006		31 December 2005	
	EUR	MKD	EUR	MKD
Interest rates	6 months LIBOR +3%	7.5 - 8.5 %	2.85%	9 %
	3 months EURIBOR +3%	5 - 7.5 %	-	-

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair value	
	2006	2005	2006	2005
Bank Borrowings	473,617	149,021	418,449	149,021

## 16. RETIREMENT BENEFITS

	2006	2005
Retirement benefits	<b>8,921</b>	<b>17,733</b>

The retirement benefits are calculated based on legal obligation for payment of two net monthly salaries on the retirement date.

The amounts recognized in the Income statement are as follows:

	2006	2005
Beginning of the year	17,733	-
Actuarial (gains)/losses	(8,812)	17,733
<b>At 31 December 2006</b>	<b>8,921</b>	<b>17,733</b>

Actuarial gain results from changes of assumptions and decrease of legal requirements for payments of retirement benefits from three to two monthly average net salaries.

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	9.0 %	9.0 %
Future salary increase	3.0 %	3.0 %

## 17. DEFERRED INCOME TAX

	2006	2005
Deferred income tax assets	(17,370)	(29,141)
Deferred income tax liabilities	15,461	404
	<b>(1,909)</b>	<b>(28,737)</b>

Deferred income tax is determined using tax rates of 15%.

	2006	2005
At 1 January	(28,737)	(6,820)
Income tax in income statement	11,367	(21,804)
Income tax in equity	15,461	(113)
<b>At 31 December</b>	<b>(1,909)</b>	<b>(28,737)</b>

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

	Provisions	Accruals	Fair value	Total
<b>At 1 January 2005</b>	-	-	(6,820)	(6,820)
Charged to Income statement	(12,141)	(9,663)	-	(21,804)
Charged to equity	-	-	(113)	(113)
<b>At 31 December 2005</b>	<b>(12,141)</b>	<b>(9,663)</b>	<b>(6,933)</b>	<b>(28,737)</b>
Charged to Income statement	3,042	8,325	-	11,367
Charged to equity	-	-	15,461	15,461
<b>At 31 December 2006</b>	<b>(9,099)</b>	<b>(1,338)</b>	<b>8,528</b>	<b>(1,909)</b>

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

	2006	2005
Trade receivables	3,042	(12,141)
Accruals	7,003	(7,003)
Retirement benefits	1,322	(2,660)
	<b>11,367</b>	<b>(21,804)</b>

The deferred income tax credited to equity during the year is as follows:

	2006	2005
Land and buildings	15,461	517
Available for sale investments	-	(404)
	<b>15,461</b>	<b>113</b>

## 18. TRADE AND OTHER PAYABLES

	2006	2005
Trade payables	483,899	551,006
Customer's prepayments	27,378	18,272
Payables to employees	36,044	34,326
Dividends	6,585	6,829
Interest	720	3,081
Other payables and accrued expenses	29,475	48,001
	<b>584,101</b>	<b>661,515</b>

**19. ACCRUALS**

	2006	2005
Profit-sharing	-	46,691
	<b>-</b>	<b>46,691</b>

The Company makes accrual for profit-sharing of the employees based on the management estimation. The accrual for profit-sharing is payable after adopting of audited financial statements by the shareholders.

**20. OTHER INCOME**

	2006	2005
Collected written-off receivables	93,192	152,924
Income from previous	21,877	30,203
Dividends income	1,897	2,143
Interest income	11,516	3,617
Foreign exchange transaction gains	52,350	25,604
Other income	29,765	18,951
	<b>210,597</b>	<b>233,442</b>

**21. OTHER EXPENSES**

	2006	2005
Interest expenses	3,329	5,551
Foreign exchange transaction loss	39,852	27,453
Other expenses	8,202	8,966
	<b>51,383</b>	<b>41,970</b>

**22. EXPENSES BY NATURE**

	2006	2005
Raw materials	1,096,930	1,055,007
Employees benefit expense	763,312	846,321
Depreciation and amortization	181,744	164,111
Utilities	117,547	117,167
Provision for impaired trade receivables	63,977	81,184
Transportation	67,380	66,953
Changes in the inventories	77,032	9,681
Other expenses	874,451	729,619
	<b>3,242,373</b>	<b>3,070,043</b>

**23. EMPLOYEE BENEFIT EXPENSE**

	2006	2005
Gross salaries	630,948	661,047
Transportation	5,309	19,869
Food allowances	27,210	35,263
Holiday allowances	15,087	16,173
Termination benefits	48,490	43,934
Profit-sharing	21,269	46,691
Retirement benefits	371	17,733
Jubilee awards	10,752	-
Other expenses	3,876	5,611
	<b>763,312</b>	<b>846,321</b>
<b>Average number of employees</b>	<b>1,152</b>	<b>1,200</b>

**24. FINANCE COSTS**

	2006	2005
Net foreign exchange transaction gains/(losses)	(10,615)	301
Interest expense	(45,253)	(36,017)
	<b>(55,868)</b>	<b>(35,716)</b>

**25. INCOME TAX**

	2006	2005
Current income tax	43,715	34,674
Deferred income tax (Note 17)	11,367	(21,804)
	<b>55,082</b>	<b>12,870</b>

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

	2006	2005
<b>Profit before tax</b>	396,660	335,412
Tax calculated at tax rate of 15%	54,499	50,312
Income not subject to tax	(5)	(6,265)
Expenses not deductible for tax purposes	46,698	28,341
Tax allowances	(62,477)	(58,109)
Utilization of previous tax credit	11,367	(1,409)
	<b>55,082</b>	<b>12,870</b>
<b>Average tax rate</b>	<b>13.89 %</b>	<b>3.83 %</b>

## 26. EARNING PER SHARE

	2006	2005
<b>Basic earning per share (in denars)</b>		
Profit attributable to shareholders	341,958,000	322,541,838
Average number of shares	1,429,477	1,356,838
	<b>239.22</b>	<b>237.72</b>

## 27. DIVIDENDS PER SHARE

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

The dividends approved by shareholders on 17 April 2006 were Denar 109,092 thousand. The amount of net dividends is Denar 100,910 thousand (Denar 70.50 net per share). Approved dividends in 2006 in respect of 2005 are paid and equity is appropriately decreased.

On Shareholders Assembly held on 25 September 2006, in advance dividend was approved for distribution to the shareholders (Note 13).



## 28. COMMITMENTS

Capital expenditures contracted for acquisition of property, plant and equipment at balance sheet date but not yet incurred are in amount of Denar 6,709 thousand; (2005: Denar 50,697 thousand).

## 29. CONTINGENCIES

The Company has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 3,153 thousand.

### Taxation risk

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

## 30. RELATED PARTY TRANSACTIONS

Loans to directors and key management

	2006	2005
Loans	24,984	36,125
	<b>24,984</b>	<b>36,125</b>

Loans to directors and key management are repayable up to 5 year without interest.

### Key management compensations

No compensations were paid in 2006 to the Management Board members (2005: Denar 202 thousand). In 2006, the amount of Denar 3,146 thousand were paid to the Supervision Board members (2005: Denar 2,852 thousand)

### 31. POST BALANCE SHEETS EVENTS

#### **Changes in the corporate taxation**

In accordance with the changes in income tax rate applicable from 1 January 2007, the income tax rate for 2007 is 12 % and for 2008 will be 10 %.

#### **Changes in the personal income tax**

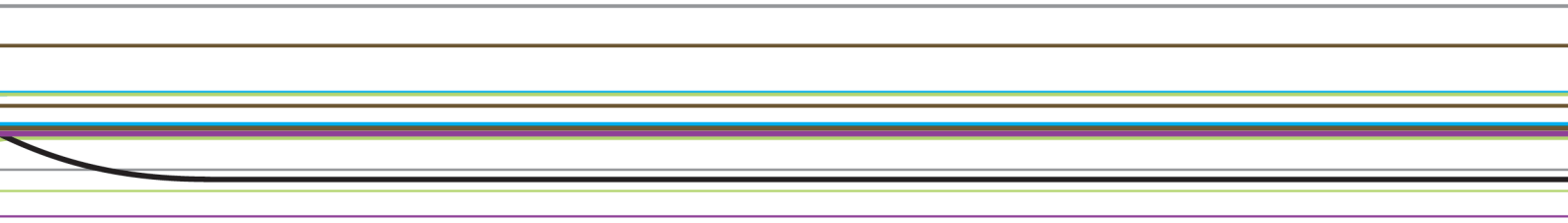
In accordance with the changes of personal tax rate applicable from 1 January 2007, the personal income tax rate for 2007 is 12 % and for 2008 will be 10 %.

#### **Disposal of investment**

In March 2007 the investment in Gradska Apteka "Skopje" - Skopje has been disposed of.



# CONTACTS / SUBSIDIARIES



### **ALKALOID AD Skopje**

Blvd. Aleksandar Makedonski 12  
1000 Skopje; R. Macedonia  
Telephone: + 389 2 310 40 00  
Facsimile: + 389 2 310 40 14  
e-mail: [alkaloid@alkaloid.com.mk](mailto:alkaloid@alkaloid.com.mk)  
[www.alkaloid.com.mk](http://www.alkaloid.com.mk)

### **CHIEF EXECUTIVE OFFICER / PRESIDENT OF THE MANAGEMENT BOARD**

Zivko Mukaetov  
Telephone: + 389 2 310 40 01  
Facsimile: + 389 2 310 40 04  
e-mail: [zivkomukaetov@alkaloid.com.mk](mailto:zivkomukaetov@alkaloid.com.mk)

Efterija Davceva, Personal Assistant to the CEO  
Telephone: + 389 2 310 40 01  
Facsimile: + 389 2 310 40 04  
e-mail: [edavceva@alkaloid.com.mk](mailto:edavceva@alkaloid.com.mk)

### **FINANCES**

Cvetanka Simonovska, CFO / MB Member  
Telephone: + 389 2 310 40 07  
Facsimile: + 389 2 310 40 25  
e-mail: [csimonovska@alkaloid.com.mk](mailto:csimonovska@alkaloid.com.mk)

### **INTERNAL CONTROLS AND REVISION DEPARTMENT**

Robert Manasiev  
Telephone: + 389 2 310 42 80  
e-mail: [rmanasiev@alkaloid.com.mk](mailto:rmanasiev@alkaloid.com.mk)

### **BUSINESS PLANNING AND REPORTING**

Victor Stojcevski  
Telephone: + 389 2 310 43 05  
e-mail: [vstojcevski@alkaloid.com.mk](mailto:vstojcevski@alkaloid.com.mk)

### **CORPORATE DEVELOPMENT**

Nikola Mizo  
Telephone: + 389 2 310 40 02/ + 389 2 310 42 17  
Facsimile: + 389 2 310 40 27  
e-mail: [nmizo@alkaloid.com.mk](mailto:nmizo@alkaloid.com.mk)

### **LEGAL & GENERAL AFFAIRS**

Nikola Kolevski  
Telephone/Fax.: + 389 2 310 40 75  
e-mail: [nkolevski@alkaloid.com.mk](mailto:nkolevski@alkaloid.com.mk)

### **HUMAN RESOURCE MANAGEMENT**

Dimitar Stojmenovski  
Telephone: + 389 2 310 40 37  
Facsimile: + 389 2 310 40 36  
e-mail: [dstojmenovski@alkaloid.com.mk](mailto:dstojmenovski@alkaloid.com.mk)

### **LOGISTICS DEPARTMENT**

Zoran Kostovski  
Telephone: + 389 2 310 40 35/ + 389 2 310 42 70  
Facsimile: + 389 2 310 40 63  
e-mail: [zkostovski@alkaloid.com.mk](mailto:zkostovski@alkaloid.com.mk)

### **IT DEPARTMENT**

Nikola Dimovski  
Telephone: + 389 2 310 40 57  
Facsimile: + 389 2 310 40 14  
e-mail: [ndimovski@alkaloid.com.mk](mailto:ndimovski@alkaloid.com.mk)

### **MARKETING COMMUNICATIONS**

Emilija Milosevska  
Telephone: + 389 2 310 40 26  
Facsimile: + 389 2 317 16 44  
e-mail: [marketing@alkaloid.com.mk](mailto:marketing@alkaloid.com.mk)

**GENERAL AFFAIRS**

Kire Icev / Management Board Member  
 Telephone: + 389 2 310 40 43  
 e-mail: kicev@alkaloid.com.mk

**SHAREHOLDING**

Gjorgji Jovanov / Management Board Member  
 Tel: + 389 2 310 42 52  
 e-mail: j.gjole@alkaloid.com.mk

**PC PHARMACEUTICALS****PRODUCTION DIVISION**

Milkica Gligorova, Mr. Pharm. Spec. / MB Member  
 Telephone/Fax: + 389 2 310 40 05  
 e-mail: mgligorova@alkaloid.com.mk

**OTC DIVISION**

Milos Radulovic  
 Telephone: + 389 2 310 42 67  
 Facsimile: +389 2 310 40 63  
 e-mail: mradulovic@alkaloid.com.mk

**MEDICAL MARKETING**

Goran Kadiev  
 Telephone: + 389 2 310 40 56  
 Facsimile: + 389 2 310 40 63  
 e-mail: gkadiev@alkaloid.com.mk

**ANIMAL HEALTH**

Ljupco Anastasovski  
 Telephone: + 389 2 310 40 45  
 Facsimile: +389 2 310 40 36  
 e-mail: ljanastasovski@alkaloid.com.mk

**MARKETING & SALES**

Domestic Market  
 Vladimir Indov  
 Telephone: + 389 2 310 40 61/ + 389 2 310 42 53  
 Facsimile: + 389 2 310 40 63  
 e-mail: vindov@alkaloid.com.mk

**EXPORT SALES**

Jane Cestovaliev  
 Telephone: + 389 2 310 43 88  
 Facsimile: + 389 2 310 40 63  
 e-mail: jcestovaliev@alkaloid.com.mk

### Sales in Serbia and Montenegro and Bosnia and Herzegovina

Rados Vukicevic  
 Telephone: + 389 2 310 42 62/ + 389 2 310 40 53  
 Facsimile: + 389 2 310 40 63  
 e-mail: rvukicevic@alkaloid.com.mk

### Sales in Russia, CIS, Bulgaria & Romania

Natasha Lubarovska  
 Telephone: + 389 2 310 40 22/ + 389 2 310 43 72  
 Facsimile: + 389 2 310 40 63  
 e-mail: nlubarovska@alkaloid.com.mk

### Sales in Croatia, Slovenia

Bosko Sibinovski  
 Telephone: + 389 2 310 40 22/ + 389 2 310 43 72  
 Facsimile: + 389 2 310 40 63  
 e-mail: bosko@alkaloid.com.mk

### Sales in Albania, Kosovo

Iilir Veseli  
 Telephone: + 389 2 310 40 68/ + 389 2 310 42 23  
 Facsimile: + 389 2 310 40 63  
 e-mail: iveseli@alkaloid.com.mk

### New Markets Development

Tatjana Ivanoska  
 Telephone: + 389 2 310 43 79  
 Facsimile: + 389 2 310 40 63  
 e-mail: tivanoska@alkaloid.com.mk

### Chemicals, medical X-Ray films, solutions for chemodialysis

Ilija Kovacevski  
 Telephone: + 389 2 310 40 74  
 Facsimile: + 389 2 310 40 27  
 e-mail: ikovacevski@alkaloid.com.mk

### LEGAL AND MEDICAL AFFAIRS

Natasa Nasteva  
 Telephone: + 389 2 310 42 49  
 Facsimile: + 389 2 310 40 21  
 e-mail: nnasteva@alkaloid.com.mk

### R&D, VALIDATION, GMP, EDUCATION

Sonja Ugarkovic  
 Telephone: + 389 2 310 43 00  
 e-mail: sugarkovic@alkaloid.com.mk

### PHARMACEUTICAL QA

Miroslava Ilievska  
 Telephone: + 389 2 310 40 91  
 e-mail: milievska@alkaloid.com.mk

### PHARMACEUTICAL QC

Hristina Babunovska  
 Telephone: + 389 2 310 40 65  
 e-mail: hbabunovska@alkaloid.com.mk

### PC CHEMISTRY, COSMETICS & BOTANICALS

Nikola Mizo  
 Telephone: + 389 2 310 40 02/ + 389 2 310 42 17  
 Facsimile: + 389 2 310 40 27  
 e-mail: nmizo@alkaloid.com.mk

### Sales for Cosmetics and Botanicals Domestic market

Rosa Jovanovska  
 Telephone: + 389 2 310 40 42  
 Facsimile: + 389 2 310 40 27  
 e-mail: rjovanovska@alkaloid.com.mk

#### Sales for Cosmetics and Botanicals Export Sales

Goran Matic

Telephone: + 389 2 310 40 33

Facsimile: + 389 2 310 40 27

e-mail: gmatic@alkaloid.com.mk

#### PRODUCTION AND R&D COSMETICS

Dobrila Sekulovska - Popovska

Telephone: + 389 2 203 79 29

Facsimile: + 389 2 203 22 16

e-mail: dsekulovska@alkaloid.com.mk

#### PRODUCTION AND R&D BOTANICALS

Andrijana Muceva

Telephone: + 389 2 246 15 61

Facsimile: + 389 2 310 40 27

e-mail: amuceva@alkaloid.com.mk

#### BOTANICAL PHARMACY

11 Oktomvri Street No. 26

Telephone: + 389 2 323 79 75

#### Sales for CHEMICALS, DIAZO AND PHOTO MATERIALS

Petar Angelovski

Telephone: + 389 2 310 40 19

Facsimile: + 389 2 310 40 27

e-mail: pangelovski@alkaloid.com.mk

#### PRODUCTION OF CHEMICALS AND X-RAY FILMS

Mite Mitevski

Telephone: + 389 2 204 14 83

Facsimile: + 389 2 203 22 16

e-mail: mmitevski@alkaloid.com.mk

#### DAUGHTER COMPANIES

##### ALKALOID CONS

Marija Petrusevska

Telephone: + 389 2 310 40 23

Facsimile: + 389 2 310 40 36

e-mail: meripetrusevska@alkaloid.com.mk

##### ALKALOID COATINGS

Lidija Sofrevska - Andonova

Telephone: + 389 2 254 90 50

Facsimile: + 389 2 254 90 49

e-mail: lidijas@alkaloid.com.mk



## SUBSIDIARIES ABROAD

### UNITED STATES OF AMERICA

ALKALOID USA LLC.  
6535 West Campus Oval  
Suite 130, New Albany,  
Ohio 43054, USA  
Telephone/Facsimile: + 1 614 939 9488;  
+ 1 614 939 9498  
e-mail: [vstavroff@alkaloid.com.mk](mailto:vstavroff@alkaloid.com.mk);  
[vstavroff@alkaloidusa.com](mailto:vstavroff@alkaloidusa.com)  
Contact person: Vera Stavroff

### SWITZERLAND

ALKALOIDPHARM SA  
Rue Georges-Jordil 4  
1700 Fribourg, Switzerland  
Telephone: + 41 26 323 41 90  
Facsimile: + 41 26 323 41 72  
e-mail: [info@alkaloid.ch](mailto:info@alkaloid.ch)  
Contact person: Natasa T. Milkovska

### RUSSIAN FEDERATION

ALKALOID REP. OFFICE  
Dmitrija Uljanova 16/2-267  
117292 Moscow, Russia  
Telephone/Facsimile: + 7 495 502 9297  
e-mail: [alkmos@mail.ru](mailto:alkmos@mail.ru)  
Contact person: Petar Poposki

### SLOVENIA

Alkaloid d.o.o.  
Celovska 40a  
1000 Ljubljana, Slovenija  
Telephone:  
+ 386 1 3004 290  
+ 386 1 3004 292  
Facsimile: + 386 1 3004 291  
e-mail: [info@alkaloid.si](mailto:info@alkaloid.si)  
Contact person: Emil Micajkov

### CROATIA

Alkaloid d.o.o.  
Ul. Grada Vukovara 226f  
10000 Zagreb, R.Hrvatska  
Telephone: + 385 16 311 920  
Facsimile: + 385 16 311 922  
e-mail: [alkaloid@alkaloid.hr](mailto:alkaloid@alkaloid.hr)  
Contact person: Neven Sukarovski

### SERBIA

Alkaloid d.o.o.  
Bul. Kneza Aleksandra Karadjordjevic 6, Dedinje  
11000 Beograd  
Telephone/Facsimile:  
+ 381 11 2663 526  
+ 381 11 3670 762  
e-mail: [office@alkaloid.co.yu](mailto:office@alkaloid.co.yu)  
Contact person: Ljube Danailovski

### BOSNIA AND HERZEGOVINA

Alkaloid d.o.o.  
Isevica sokak 4-b  
Sarajevo, BiH  
Telephone/Facsimile:  
+ 387 33 475 790  
+ 387 33 475 791  
e-mail: [alkaloid@bih.net.ba](mailto:alkaloid@bih.net.ba)  
Contact person: .Boris Jotevski

### BULGARIA

Alkaloid e.o.o.d Sofia  
Bul. Car Boris III, No. 21  
1000 Sofia, BULGARIA  
Telephone: + 35 92 9177 050  
Facsimile: + 35 92 9530 775  
e-mail: [alkaloidmed@abv.bg](mailto:alkaloidmed@abv.bg)  
Contact person: Igor Petrov

**ALBANIA**

ALKALOID Rep. office  
Brigada 8 3/6, 5th floor, apt.19  
Tirana, ALBANIA  
Telephone/ Facsimile: + 355 42 333 20  
e-mail: [alkaloid\\_alb@alkaloid.com.mk](mailto:alkaloid_alb@alkaloid.com.mk)  
Contact person: Arben Demiraga

**KOSOVO**

ALK&KOS Pharmaceuticals  
Ganimete Torbeshi nr. 19  
10000 Prishtina, Kosovo  
Telephone/Facsimile: + 381 3 8247 159  
+ 381 3 8247 160  
e-mail: [alkkos@hotmail.com](mailto:alkkos@hotmail.com);  
Contact person: Dritan Ismaili

**ROMANIA**

Alkaloid Romanian Rep. Office  
s.c. INCOMBUSINESS s.r.l.  
Blv. Lacul Tei No. 109  
70000 Bucharest, Romania  
Telephone/ Facsimile: + 40 21 24 22 88 4  
e-mail: [alexandru.arsenescu@alkaloid.ro](mailto:alexandru.arsenescu@alkaloid.ro)  
Contact person: Aleksandru Arsenescu

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

Produced by:

**ALKALOID AD Skopje:**  
**Marketing Communications Department**  
**Business Planning and Reporting Department**

Design by:

**OVATION BBDO / Skopje**

Print by:

**Skenpoint**

Circulation:

**400 copies**

Skopje

**June, 2007**





**ALKALOID**  
**SKOPJE**

Bul. Aleksandar Makedonski;  
1000 Skopje, Republic of Macedonia;  
tel: +389 2 3104 000;  
fax: +389 2 3104 036;  
[www.alkaloid.com.mk](http://www.alkaloid.com.mk)