ANNUAL REPORT '07

ALKALOID SKOPJE

ALKALOID
SKOPJE

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ANNUAL REPORT '07

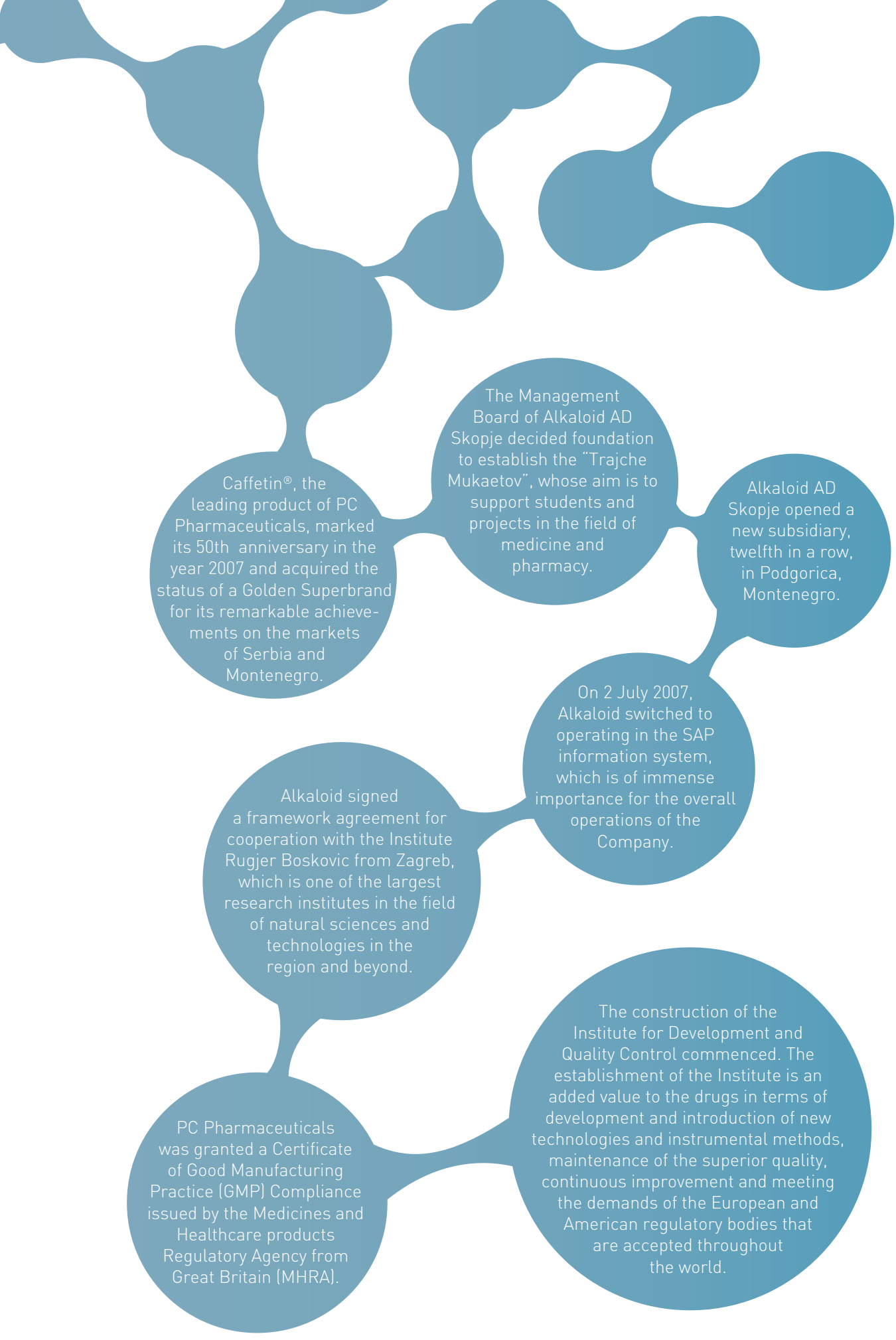
Alkaloid Group 2007 Key Financial Indicators

			(In 000 MKD)
	Amount	Amount	Index
	2007	2006	07/06
Total Revenues	4,415,655	3,746,284	117.87
Sales	4,240,833	3,535,687	119.94
Gross Profit	1,873,103	1,405,563	133.26
Operative Profit	529,159	452,528	116.93
Profit Before Tax	483,370	396,660	121.86
Net Profit	376,529	341,578	110.23
Total Assets	6,758,183	6,508,238	103.84
Capital	5,466,114	5,183,818	105.45
Net Cash Flow	106,237	30,916	343.63
Investments in Fixed Assets	226,461	503,525	44.98
Average Number of Employees	1,157	1,152	100.43
Sales per Employee	3,665	3,069	119.43
Current Ratio	2.26	2.90	78.01
Long-term Debts	0.01	0.09	14.12
ROE Return of Earnings	6.89	6.59	104.54
EPS Earnings per Share (in MK Denars)	263.93	239.22	110.33
DPS Dividend per Share (in MK Denars)	100.00	80.50	124.22
Total Number of Shares	1,431,353	1,431,353	100.00
1 EUR / 1 MKD	61.1838	61.1741	

FINANCIAL HIGHLIGHTS

			(In 000 EUR)
	Amount	Amount	Index
	2007	2006	07/06
Total Revenues	72,170	61,240	117.85
Sales	69,313	57,797	119.92
EBIT Earnings Before Income and Taxes	8,649	7,397	116.92
Net Profit	6,154	5,584	110.21
EPS Earnings per Share	4.31	3.91	110.31

2007 HIGHLIGHTS


Caffetin®, the leading product of PC Pharmaceuticals, marked its 50th anniversary in the year 2007 and acquired the status of a Golden Superbrand for its remarkable achievements on the markets of Serbia and Montenegro.
The Management Board of Alkaloid AD Skopje decided foundation to establish the "Trajche Mukaetov", whose aim is to support students and projects in the field of medicine and pharmacy.
Alkaloid AD Skopje opened a new subsidiary, twelfth in a row, in Podgorica, Montenegro.
On 2 July 2007, Alkaloid switched to operating in the SAP information system, which is of immense importance for the overall operations of the Company.
Alkaloid signed a framework agreement for cooperation with the Institute Rugjer Boskovic from Zagreb, which is one of the largest research institutes in the field of natural sciences and technologies in the region and beyond.
The construction of the Institute for Development and Quality Control commenced. The establishment of the Institute is an added value to the drugs in terms of development and introduction of new technologies and instrumental methods, maintenance of the superior quality, continuous improvement and meeting the demands of the European and American regulatory bodies that are accepted throughout the world.
PC Pharmaceuticals was granted a Certificate of Good Manufacturing Practice (GMP) Compliance issued by the Medicines and Healthcare products Regulatory Agency from Great Britain (MHRA).

ORGANIZATIONAL CHART

Bussines Planning and Reporting

IT and Telecommuni-cations

Marketing Communications

Shareholding, Property Issues

General Services

Legal and Medical Affairs, Intellectual Property Protection

R&D, Validation, GMP Education

Quality Control Department

Pharmaceutical Quality Assurance, Environmental Protection

R&D Department
Cosmetics
Botanicals

Quality Control
Chemicals
Cosmetics
Botanicals

Report on the Work of the Supervisory Board

In 2007, the Supervisory Board of Alkaloid AD Skopje 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.
Professor at Justinijan I Faculty of Law at Ss. Cyril and Methodius University 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 of Neurology at the Clinical Centre in Skopje,
Professor and former Dean of the Faculty of Medicine in Skopje.

Bojanco Kralevski

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

In accordance with the Company Law and the Statute of ALKALOID AD Skopje, the Supervisory Board is authorized to supervise the Management Board in its management of the Company.

In the course of 2007, the Supervisory Board held its sessions in the presence of all members and discussed all important issues that fell within the scope of its competences.

Pursuant to Article 374, Item 3 of the Company Law, the Supervisory Board reached a decision to appoint the President of the Management Board of ALKALOID AD Skopje, and a decision to elect a new member of the Management Board of the Company.

The Supervisory Board carried out an inspection of the management of the Company i.e. the work of the Management Board and reviewed the Annual Report on the Company operations for the period from January to December 2007. Thereafter, the Supervisory Board asserted that the operations of the Company and its management were successful, based on the achieved results in 2007, which were confirmed by the authorized auditor.

In this regard, the Supervisory Board proposes that the Company Assembly should endorse the work of the Management Board of ALKALOID AD Skopje and the Company operations in the course of 2007, and adopt the Annual Report on the Company operations for the year 2007.

In addition, the Supervisory Board reviewed the records and documentation of the Company which were related to its financial operations, as well as the statement of assets and securities, and consequently asserted that in this area the Company performed its operations successfully and in compliance with the legal regulations.

Supervisory Board
Prof. D-r Miodrag Micajkov
President

Report on the Work of the Management Board

Zhivko Mukaetov

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

Holds a B.Sc. degree in Mechanical Engineering, and MBA from the Chartered Institute of Marketing in London.
Born on 3 May 1974 in Skopje, Republic of Macedonia.
He has 14 years of professional experience, and is responsible for the overall operations of Alkaloid Group.

Cvetanka Simonovska

Member of the Management Board and Chief Financial Officer

B.Sc. degree in Economics.
Born on 27 November 1953 in Gevgelija, Republic of Macedonia.
She has 28 years of professional experience and is responsible for the financial operations of the company.

Gjorgi Jovanov

Member of the Management Board and Director of Shareholding Operations

B.Sc. in Economics. Born on 20 August 1964 in Stip, Republic of Macedonia. He has 19 years of professional experience and is responsible for the operations in the shareholding segment.

Milkica Gligorova

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, Republic of Macedonia. She has 24 years of professional experience and is responsible for the overall production operations in PC Pharmaceuticals.

Kire Icev

Member of the Management Board, Director of the General Services Department

B. Sc. in Mechanical Engineering. Born on 19 June 1974 in Kavadarci, Republic of Macedonia. He has 7 years of professional experience and is responsible for the overall operations of the General Services Department.

The Management Board has ample authorizations in the management of the Company, i.e. the implementation of the ongoing activities of the Company; it acts on behalf of the Company and within the scope of the subject matter at hand.

In compliance with the Company Law and the Statute of the Company, the Management Board submits a Report on its operations in the course of the year 2007.

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

The Management Board held its sessions on a regular basis and in the course of 2007 held 42 sessions on which important decisions/conclusions were made.

• The Management Board of the Company approved the Business Plan of the Company and specified the guidelines for its implementation. It also adopted the Work Plans for ALKALOID's companies abroad, as well as the Statements of accounts.

• The Management Board of the Company prepared the Annual Account and the Report on the Operation of the Company and passed a Decision on surveying the principal assets.

• The Management Board passed a Decision whereby the establishment of a subsidiary in Podgorica, Montenegro was endorsed.

• Regarding the strategic partnership of Alkaloid Coatings, a contract with ZORKA COLOR AD - Sabac was signed.

• In accordance with the new internal organization of the Company, the Management Board adopted the Rulebook on systematization of job positions and analytical job evaluation.

• A Decision was passed whereby the implementation and certification of the HACCP system was endorsed for the entire programme of PC Botanicals: teas, food additives, seasonings, dried vegetables, alimentary salt, sugar and food supplements.

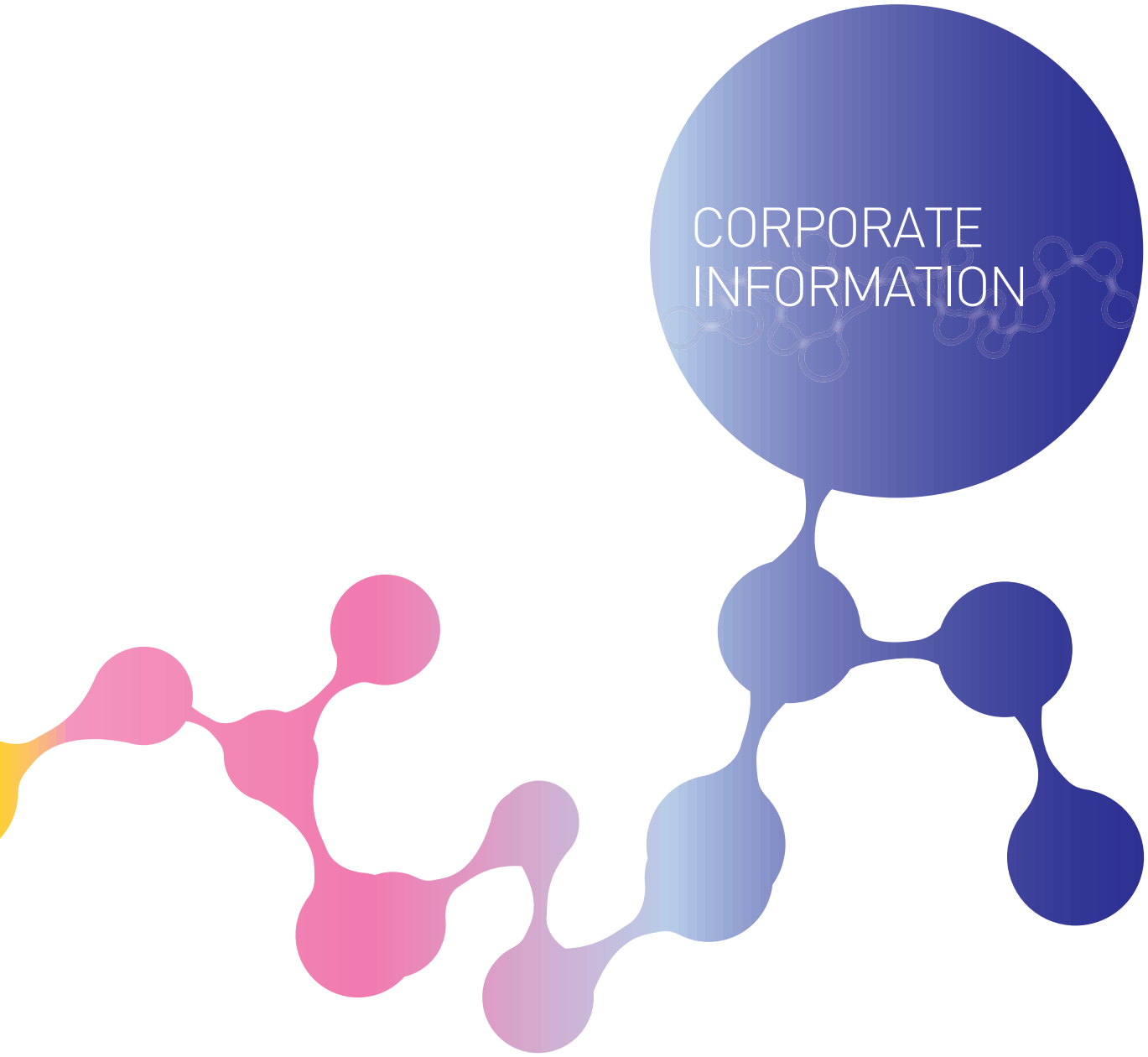
• The Management Board passed a Decision for the establishment of the Foundation "Trajche Mukaetov". ALKALOID AD Skopje is the founder of this Foundation. A Programme, a Statute and a Work Plan for the operation of the Foundation have been adopted.

• A Decision was passed for concluding a Framework agreement for cooperation between ALKALOID AD Skopje and the Rugjer Boskovic Institute, Zagreb in the field of scientific research projects, developmental research projects, technological projects and other projects of mutual interest.

MANAGEMENT BOARD
Zhivko Mukaetov
President of the Management Board
of Alkaloid AD Skopje


ALKALOID

CORPORATE INFORMATION



Adress of Mr. Zhivko Mukaetov, CEO and MB President

Alkaloid AD Skopje is among the largest and most successful Macedonian companies. The strategy of the company is directed towards conquering new markets and establishing new partnerships by promoting new high-quality products manufactured in compliance with the latest world technologies.

An export orientation, a stable market position, openness towards new markets and partnerships, products of the highest quality, application of cutting-edge technologies and top business standards - these are the key points in the development vision of Alkaloid's management team.

INVESTMENTS

The success of Alkaloid AD Skopje in this period, as well as in the past years, has been based on constant investments: investments in technology, investments in equipment, and of course, investments in personnel. The overall investments, made mainly in the facilities of PC Pharmaceuticals in the last two decades, amounted to over 60 million euros.

On 2 July 2007 Alkaloid switched to operating the SAP information system, a project of utmost importance and an investment worth of over 2 million euros, which provided synchronization of all segments of the operation, reduction of the expenditures, better control, precise planning, more efficient production and improved competitiveness on the world markets.

In line with the Company's defined strategy for conquering new markets, in May 2007, Alkaloid officially opened its twelfth subsidiary in Podgorica, Montenegro.

Some of the long term policies of Alkaloid AD Skopje are the investments in the healthcare sector, of which I would like to mention the investment in the Clinic for Child Diseases, the Clinic for Ocular Diseases, the Dental Clinic... This is a trend that will be continued in the future, striving to make an even greater contribution by meeting the social needs of the population of the Republic of Macedonia.

An important parameter for the Company is its increased level of investments in research and development activities, investments that are indispensable for the desired prosperity. To that purpose, Alkaloid invested nearly 8 million euros in the construction of the Institute for Development and Quality Control. It is a highly sophisticated technological and analytical unit where several types of activities will be performed, activities that are complementary to the process of development of generic drugs and their introduction into industrial production, activities for continual monitoring of the quality of all Alkaloid drugs, as well as activities that ensue from the legal obligation to monitor their stability. The anticipated term for completion of the project is the beginning of 2009.

CERTIFICATES AND RECOGNITIONS

Based on the public opinion poll conducted by the Medium Gallup group, Caffetin® - as a symbol of the struggle against pain - acquired the status of a Golden Superbrand in the category of pharmaceutical products for the year 2007 for its remarkable achievements in Serbia and Montenegro. There were 2.800 branded products in competition for the award, all of which are available on the Serbian market, and these were classified into 34 categories.

This award is undoubtedly a great honor for us and is yet another confirmation that Alkaloid is highly rated on the foreign markets. The Golden Superbrand award is a result of the long-standing investment in this brand, which in 2007 marked the 50th anniversary of its existence. This product requires lots of investments, a good strategy and a vision. However, first and foremost, it is vital to have a high-quality product. Caffetin® and its extensions, Caffetin Cold® and Caffetin Menstrual® are currently being sold in over 15 countries.

As far as the quality of our products is concerned, we regularly successfully pass the inspections conducted by Pfizer and F. Hoffmann La Roche, Sanofi-Aventis, as well as the GMP inspections conducted by the Romanian and Slovenian Ministry of Health, and the Jordan Food and Drugs Administration. We also successfully passed the pre-inspection conducted by the US Food and Drugs Administration, which is yet another confirmation that Alkaloid is competitive even on the most demanding world markets.

It is particularly important that the company received the Certificate of GMP Compliance of a Manufacturer issued by the MHRA (Medicines and Healthcare products Regulatory Agency) from Great Britain.

Thus, Alkaloid AD Skopje acquired the right to market its drugs not only in Great Britain, but bearing in mind the high rating of MHRA, Alkaloid AD Skopje also became entitled to provide the markets throughout Europe and beyond with pharmaceutical products, which constitute the most rigorously regulated product category in the world.

SHAREHOLDING

According to the analysis carried out by internationally established financial institutions, the price of Alkaloid's shares is realistic according to all parameters. In 2007 Alkaloid had nearly 5000 shareholders, 14% of which foreign investors.

ACHIEVED RESULTS

From a financial aspect, Alkaloid Group ended the year 2007 successfully by surpassing our plans, and recording a 17.36% growth in the total incomes compared to 2006. It is particularly important to emphasize that the incomes from sales have increased by 19.94 % compared to 2006.

In Alkaloid's main activity, PC Pharmaceuticals, the results are even better, i.e. the growth in the incomes from sales amounts to 28.30% compared to 2006. The pharmaceutical segment still remains our long-term orientation. In 2007, PC Pharmaceuticals participated with 78.52% in the total sales of Alkaloid Group, with a tendency to maintain this trend of growth recorded in the past five years. Besides the general trend of growth in this Profit Centre, I would also emphasize the growth in its export sales, which in the year 2007 amounted to 62.72% of the total sales of this Centre, which points to a 25.52% export increase compared to 2006, and a two-digit growth observed from the aspect of the past three years.

In addition, I would hereby like to emphasize the growth on the strategically important markets, such as Serbia (60%), Bosnia and Herzegovina (16%), Slovenia (90%), Montenegro (130%), Albania (65%), Bulgaria (40%) etc.

The products of Alkaloid are available on the markets in 17 countries. Alkaloid firmly holds its positions on the markets where it is present and penetrates new markets as well. Soon, we expect the commencement of the arrangements in the United Kingdom, where Alkaloid was acknowledged as a manufacturer with GMP compliance, as well as the first ventures in the United States of America.

The Profit Centre Chemistry, Cosmetics and Botanicals recorded a stable trend in the course of 2007. In the total sales of Alkaloid group, this Profit Centre participated with 16.35%. The export sales surpassed the domestic ones and amounted to 53.01%, which is a growth of nearly 18% compared to 2006.

PRIORITIES AND PERSPECTIVES

Alkaloid's determination to base its main activity on the production of drugs remains constant, with a particular emphasis on the following aspects: extension of the current product range with new, efficient, safe, high-quality tested drugs; specialization in specific pharmaco-therapeutic groups, investment in new technologies, new markets, investment in research and development activities, as some of our top priorities. A global growth of Alkaloid both in terms of marketing our products, and in terms of the value of the brand and the company as a whole.

Apart from "organic growth", Alkaloid's strategic policy for the growth of the Company envisages purchasing a drug manufacturing company outside the Macedonian borders.
With the reputation that the Company enjoys on the markets where we are present, with our technological equipment, personnel and our knowledge, we are convinced that this vision will become our reality.

Zhivko Mukaetov
Chief Executive Officer
President of the
Management
Board of
Alkaloid AD Skopje

Foundation "Trajche Mukaetov"

On 9 May 2007, the Management Board of Alkaloid AD Skopje passed a decision to establish the Foundation "Trajche Mukaetov". The founder of this Foundation is Alkaloid AD Skopje, and its objectives are awarding scholarships, making donations and financing talented doctors and pharmacists, as well as supporting projects in the field of medicine and pharmacy.

Intensive growth and development of Alkaloid into a leading pharmaceutical company in the region where the major accomplishments that benchmarked the managing mandate of Trajche Mukaetov, who assumed the leadership position in the company in the year 1985. Investments in facilities and production processes, defining the business strategy and long-term policy for the development of the Company were some of his huge contributions to the development and affirmation of Alkaloid in all spheres of operation.

The motivation for establishment of the Foundation "Trajche Mukaetov" was to support projects in the field of pharmacy, medicine and science, by primarily supporting young and ambitious talents who have devoted their careers to these areas.

In the academic year 2007/08, this Foundation awarded scholarships to the best 21 students from the Faculty of Pharmacy. In future, the plan is to extend the scope of eligible students by including students from the Faculty of Medicine as well, and to inaugurate the "Trajche Mukaetov" award for a well-founded project in the field of pharmacy, medicine, healthcare or science.

Human Resources Management

The vision for perfection in each segment of our operation encouraged us to improve and specialize in all work-related areas, such as our goals, vision, leadership, management, the way we accomplish our mission, and set higher standards in the industry. We achieve all this with our team of professionally developed and well-trained personnel, who find it challenging to provide sustainable development and continual growth.

The long term policy of the management of Alkaloid is based on the thesis that the most rewarding investment is the investment in people, in their knowledge and skills, with the purpose of creating a unique team of people from different cultural backgrounds, who will work on the accomplishment of the defined goals, constantly adjusting to the surroundings and the specific conditions in the operational environment.

Alkaloid is growing by developing and improving the abilities of its employees who are always encouraged to share their knowledge and exchange information, who are focused on recognizing the opportunities, trained to be flexible and adaptable, oriented towards efficient planning, and encouraged to think strategically, take risk and act promptly.

In the past years we have managed to create a fully functional and successful synergy among experience, tradition, enthusiasm and vision, all of which is a result of our successful management of diversity.

The Department for Human Resources Management adheres to the developmental policies, recommends steps that should be taken in order to accomplish the mission, carries out an analytical job evaluation, and is in charge of the selection of the most suitable candidates, performance review, career planning, defining the developmental capacity and the target groups, with the sole purpose of achieving greater productivity, higher quality of the final product and meeting higher standards in the performance of operations and services.

Our employees believe in teamwork. They have proven that dedication to the achievement of the common goal is the approach that leads to the desired, i.e. the best results, regardless of the location: Macedonia, Serbia, Croatia, Albania, Slovenia, Bosnia and Herzegovina, Bulgaria, Russia, Romania, Switzerland or the USA.

Besides building brands of our products, we are building a brand of our company as an employer. We build successful teams with competent individuals; we recognize talents and challenge their capacity.

Alkaloid Days 2007 One Team - Joint Progress

One team - joint progress. That was the motto of Alkaloid days 2007, the expert gathering that was held from 5th - 9th September 2007. Alkaloid days are traditional expert gatherings where we enhance creativity and problem-solving skills as we work towards finding solutions for various issues and conditions affecting our employees from various markets where we have established business operations.

The year 2007 was a year of Alkaloid's teams and verification of their progress. On this event, we committed ourselves to cultivating a company culture that supports, celebrates and further improves our business results.

Alkaloid's corporate leadership with its teams in the fields of research, development, manufacturing, sales and marketing reflected our emphasis on teamwork and hard work. We are committed to cultivating a diverse workplace, where individuals from different countries, with unique experiences and viewpoints are valued and have the opportunity to present and evaluate their results. On this event, a number of initiatives were developed to ensure that business and the specificity of the markets are the focal points in all company ventures. Through this event, we will provide an environment where all employees have positive awareness and appreciation for continuous progress.

Continuous Education of the Employees

One of the long-term policies of the management of Alkaloid AD Skopje is continuous investment in education and further training of its employees.

Within the company itself, internal and external education is organized in compliance with the requirements of a particular company segment and evaluation carried out by the Human Resources Department. The employees attend seminars and workshops that are considerably useful for their work and successful handling of their current tasks and duties.

Such trainings focusing on diverse issues are constantly and continuously organized. Some of the training sessions for the employees are held within the Company itself, while others take place in special education centers. For this purpose, Alkaloid AD Skopje has established and equipped rooms in the Company itself, and it has also founded an educational center in Dojran.

Owing to the specificity of the pharmaceutical business, Alkaloid has the capacity to educate its personnel in the company itself to meet the requirements of particular sectors. The benefits for the employees depend primarily on the type of training, but the major benefit is most frequently a change in their way of thinking and in their perception of business. The purpose of this type of education is enhancement of the capacity of the employees, which contributes to the empowerment of the "small groups" (-teams), which are the agents of good planning and operation.

Further education, as another segment of the operation of the companies, is of immense importance, primarily because it contributes to the business processes, the management of the constant changes, work dynamics, technological advancement, motivation, personal progress, career progression, etc.

Personnel and Education

Profit Centre / Organizational Unit	No. of employees
Pharmaceuticals	513
Chemistry	55
Cosmetics	86
Botanicals	38
Corporate Services	265
TOTAL in Alkaloid AD Skopje	**957**
Alkaloid-COATINGS	63
Alkaloid CONS	8
Botanical pharmacy	4
Subsidiaries abroad	127
TOTAL in Alkaloid Group	**1,159**

Qualification structure of Alkaloid AD Skopje in 2007

Master's Degree	3
University Degree	295
Junior College Degree	22
High School Degree	445
Qualified Workers	159
Non-qualified workers	33
Total	**957**

Alkaloid Opened a Subsidiary in Montenegro

In May 2007 the twelfth subsidiary of Alkaloid AD Skopje officially commenced its operation in Podgorica, Montenegro.

By cutting the red ribbon, the official commencement of the operation of this subsidiary was formally marked by Mr. Zhivko Mukaetov, CEO and President of the Management Board of Alkaloid AD Skopje and by the Deputy Minister of Health, Labor and Social Welfare and Director of the Drug Administration of Montenegro, Dr. Milorad Drljevic.

"Positive trends in the business practice and reasonably priced drugs of high quality that are produced in accordance with the strictest world standards are the main features of Alkaloid AD Skopje. This is what makes our company recognizable, just as is its motto 'Health above all'. These trends, which are practiced in the eleven subsidiaries of Alkaloid: in Sofia, Tirana, Belgrade, Zagreb, Sarajevo, Ljubljana, Prishtina, Bucharest, Moscow, Fribourg and Ohio (USA) will be transferred to the twelfth subsidiary of Alkaloid AD Skopje in Podgorica, Montenegro", stated Mukaetov.

The director of the Montenegrin Drug Administration welcomed the opening of the subsidiary of Alkaloid AD and expressed his expectation that these two countries will develop close mutual cooperation. "Our mutual goal is to put quality drugs on the Montenegrin market; drugs produced by companies that employ highly sophisticated technology and control systems", said Dr.Drljevic.


ALKALOID
dsd Podgorica

Support for the Development of Alkaloid and Its Success on the Domestic and the Foreign Markets

Mr. Imer Selmani, Minister of Health, and H.E. Mrs. Gillian Milovanovic, US Ambassador to Macedonia, visited Alkaloid

"Alkaloid is one of the leading Macedonian drug manufacturers; however, what I would like to emphasize is that we, as a Ministry, will take action even outside the borders of our country, to support our companies and manufacturers and to facilitate their access to the foreign markets". These were the words of Mr. Imer Selmani, Minister of Health of the Republic of Macedonia, after he had been shown around the production facilities of Alkaloid's PC Pharmaceuticals.

Minister Selmani, together with Mr. Ilco Zahariev, Director of the Drugs Bureau, came on a working visit to Alkaloid with the purpose of becoming acquainted with the process of drugs production, and exchanging information about the novelties the Ministry intends to implement in line with the amendments and the new legal decisions regarding the process of approximation to the standards imposed by the European Union.

As a result of this visit, the officials from the Ministry of Health became convinced that the drugs produced in this factory are of high quality and comply with all world standards.

The director of the Drugs Bureau, Mr. Ilco Zahariev added that Alkaloid is a manufacturer that maintains high standards for the production of drugs.

- "Today we became convinced in the quality of your drugs control. Each drug is controlled five times with most sophisticated equipment. Practically, when the drugs reach the pharmacies, they are perfectly safe for their consumers", Zahariev underscored.

Her Excellency Mrs. Gillian Milovanovic, US ambassador to Macedonia, also came on an official working visit to Alkaloid AD Skopje.

The aim of the working visit by this high diplomatic representative was to become acquainted with the operation of Alkaloid, which is the only company in Macedonia that has its daughter company in the USA, as well as long-standing close and successful business cooperation with several American companies.

In the beginning of 2006 Alkaloid AD Skopje established its Alkaloid USA subsidiary in New Albany, Ohio. This business move was preceded by the successful business and technical cooperation with renowned companies in the USA, such as Pfizer from New York and Merck Sharp & Dohme (MSD), which date back to 1956.

In its portfolio, Alkaloid AD Skopje has currently several drugs that are produced under license from well-known American pharmaceuticals, as well as marketing authorizations to represent approximately 40 preparations of American producers in the Republic of Macedonia.

Of all its business endeavors in the USA, Alkaloid is particularly proud of patenting the technology for the production of the drug Novamorf in 2003, and the close cooperation in the field of tea production with the renowned company AVEDA, a member of the Estee Lauder group, which increased in intensity in the course of 2007.

Ambassador Milovanovic noticed the development of the company and its success on the domestic and the foreign markets and wished Alkaloid further growth on the pharmaceutical markets.

Environmental protection

One of the basic principles in defining the business strategy and the long-term policy of Alkaloid is taking constant care of the environment.

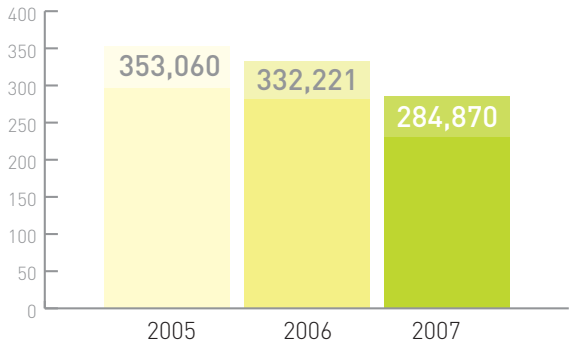
The system for environmental management has a high priority in Alkaloid and together with the system for quality management, it is a part of the strategy for continuous improvement of the production processes. In the environmental policy developed by the Company, prevention and direct action on the spot where pollution occurs are the basic concepts for resolving pollution-related problems.

In accordance with the legal regulations on integrated prevention and control of pollution, in 2007 Alkaloid submitted a request for A-Licence for compliance with the operation plan, whereby crude oil in the boiler-rooms are to be substituted by natural gas as an energy source.

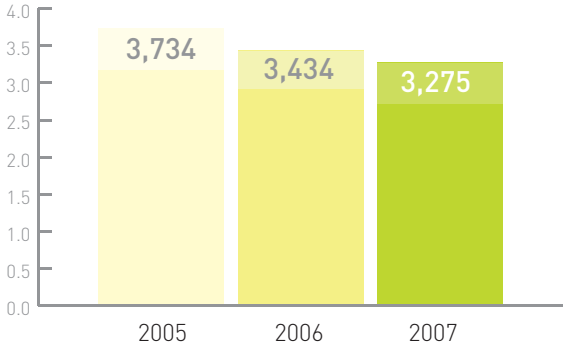
The monitoring of waste water, exhaust gas emissions and waste management is a permanent process in Alkaloid.

In addition, Alkaloid demonstrates its care for the environment by permanent monitoring and by constantly striving to reduce the consumption of water and fossil fuels. Consequently, the consumption of water and crude oil per ton of final product also tends to decline, as follows:

Water (m3)



Crude Oil (t)



quality austria
SYSTEM CERTIFIED
ISO 9001:2000
ISO 14001:2004

CERTIFIED IQNet MANAGEMENT SYSTEM

HYGIENE MANAGEMENT SYSTEM incl.
HACCP - Hazard Analysis and Critical Control Points complying with the requirements of standard
ALINORM 97/13 and 13 A, Appendix II
FAO/WHO Codex Alimentarius

ORGANIC FARMING

USDA ORGANIC

JAS Control Union Certifications

CE 0344 KEMA


PC
PHARMACEUTICALS

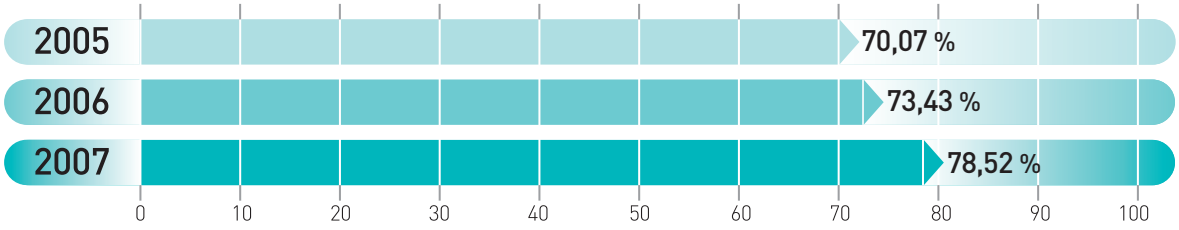
Marketing and Sales

In 2007, PC Pharmaceuticals had 521 employees working in its headquarters in Skopje, and 127 employees in the subsidiaries abroad.

The total net sales of PC Pharmaceuticals amounted to 3.330 billion MK denars, which is a share of 78.52% in the total sales of Alkaloid Group.

In 2007, the products of PC Pharmaceuticals were available on the markets in 12 countries. We have obtained more than 180 (or more precisely 182) marketing authorizations, of which 162 were for the foreign markets.

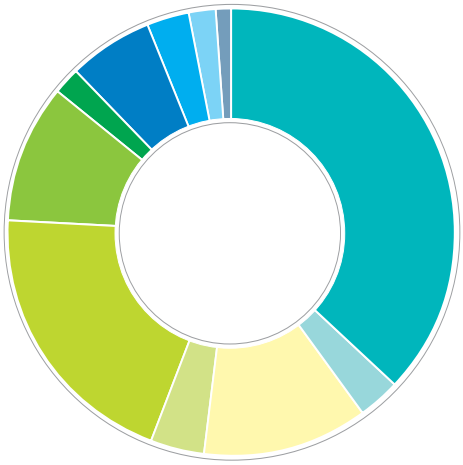
PC Pharmaceuticals as a part of Alkaloid Group



In 2007 we managed to increase the sales level by 28.27% compared to last year. This was primarily due to the increase in the domestic sales by 33.18%, as well as the increase in the export sales, which surpass the domestic sales and have risen by nearly 25.52% compared to 2006.

SALES PER MARKETS

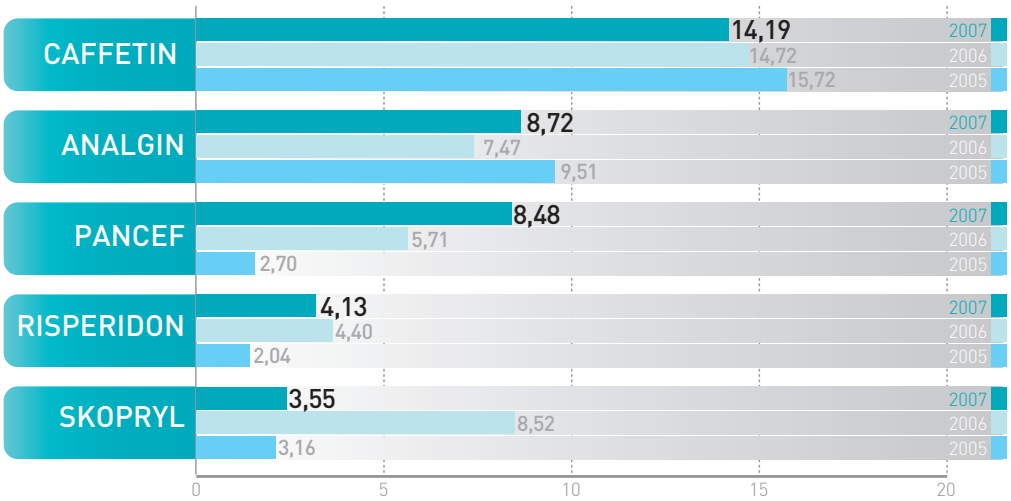
SALES PER COUNTRIES 2007



REGION / COUNTRY	%
Macedonia	37.28
Albania	2.84
Bosnia and Herzegovina	12.37
Kosovo	4.37
Serbia	20.19
Croatia	9.72
Montenegro	2.04
Slovenia	6.52
Russian Federation and CIS	2.84
Bulgaria	1.62
Romania	0.21

As far as the sales per preparations are concerned, Pancef® recorded the highest growth in PC Pharmaceuticals with an increase of 72.32% compared to 2006.

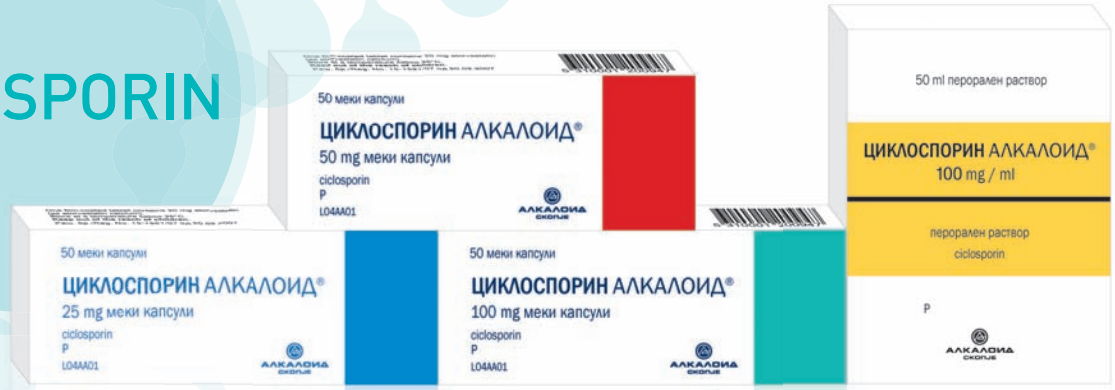
TOP 5 PRODUCTS OF PC PHARMACEUTICALS



'07 LATEST RELEASES

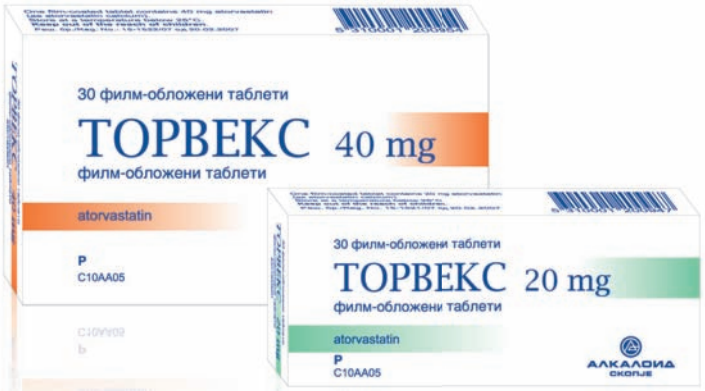
CAFFETIN cold PLUS
film-coated tablets

CIKLOSPORIN



SIZAP
film-coated tablets

TORVEX



TAMLOS
capsules

TRICEF

ZANFEXA XR

caffetin

www.caffetin.com.mk

Superbrands

ALKALOID
SKOPJE

Health above all

www.alkaloid.com.mk

50 years Caffetin® - Golden Superbrand

Caffetin® is undoubtedly the most widespread and the most famous brand of Alkaloid AD - Skopje and, as per many criteria, one of the most recognizable Macedonian brands. It was launched back in the year 1957, and in the course of the five decades of its existence, Caffetin® became a symbol of the struggle against pain.

Caffetin® belongs to the group of combined analgesics. It contains four ideally balanced components that have a synergistic effect in the treatment of pain. These components are: paracetamol (250 mg), propyphenazone (210 mg), codeine (10 mg) and caffeine (50 mg). The minimum doses of active components result in a minimum incidence of side effects. It is worth mentioning that not even a single case of an adverse effect of Caffetin® has been reported to the National Centre for Drug Adverse Effects monitoring in the Republic of Macedonia.

The awareness of the quality, efficiency and quick effect of this preparation is handed down from one generation to another. Despite the fact that an increasing number of preparations for similar purpose are offered both on the domestic and on the foreign markets, Caffetin® remains an impressively recognizable and widely consumed.

Currently it is available on the markets in 15 countries. Over the last few years Caffetin® has successfully used the potential of the huge market of the Russian Federation. In 2006 it was introduced for the first time in Bulgaria and it has been available in Romania since 2007.

NEW EXTENSIONS

The essential value of the Caffetin® brand arises from its power to remain a leading brand in the past 50 years and to grow into a synonym for fighting pain. The consumers' awareness about Caffetin®, the continuous investment in the product, as well as the fact that it is a market leader, were the main reasons why Alkaloid decided to develop its extensions in the direction of new indication areas.

Caffetin Cold®, which is used in cases of cold and flu was launched in Macedonia in December 2005, while in the course of 2006 it was successfully introduced in our neighboring countries: Serbia, Montenegro, Albania and Bosnia and Herzegovina. In 2007 Caffetin Cold® was registered in Croatia as well.

In addition, in 2006 Alkaloid launched Caffetin Menstrual®, which is used to treat menstrual pain and has several advantages compared to the other preparations used for treating menstrual pain, such as good gastric tolerability, quick effect and above all, efficiency and safety in its application.

The preparation of a new extension is in progress. It is called Caffetin Cold Plus with an addition of natural vitamin C.

In the pharmaceutical industry, only the brands that have a high recognition index, i.e. those that are highly valued by the consumers, can afford expansions into new therapeutic areas.

Caffetin® - GOLDEN SUPERBRAND

Based on the public opinion poll conducted by the Medium Gallup Group, Caffetin® - as a symbol of the struggle against pain - acquired the status of a Golden Superbrand in the category of pharmaceutical products for the year 2007 for its remarkable achievements in Serbia and Montenegro. There were 2.800 branded products in competition for the award, all of which are available on the Serbian market, and these were classified into 34 categories.

The Superbrands award is awarded by Superbrends International in over 60 countries worldwide to branded high-quality products that are recognizable, consistent and dominant on the market. The best candidates are selected based on the opinions of 17 experts in the field of economy, business, marketing and the media, while the final decision is based primarily on the consumers' votes.


Superbrands

DIPLOMA

kojom se potvrđuje da je

Caffetin

osvojio status

Grand Superbrand-a

u kategoriji

Farmaceutski proizvodi

na izboru za najpoznatije brendove

Superbrands Srbije 2006

Beograd, 16. april 2007.

Superbrands Srbija

Symeon Tsomokos

Predsednik
Saveta Superbrands 2006

Srđan Šaper

SRBIJA
Superbrands
2006/2007

A New Marketing Strategy

Striving to make Caffetin® more easily accessible for its consumers, as well as to achieve timely and efficient distribution, in 2004 Alkaloid introduced teams for sales promotion which are concerned with products that are issued without a prescription.

In 2007 the website http://www.caffetin.com.mk/ was activated and fully adjusted to meet the demands of the Internet users. The site is interactive, i.e. besides the detailed information on and about Caffetin® and its extensions, the Alkaloid AD expert team is available for answering questions posed by the consumers of this drug. The link as well as the database will be constantly open for pharmaceutical and medical experts.

What you didn't know...

- Caffetin® is one of the strongest Macedonian export brands
- In the last 50 years, more than 10 billion Caffetin® tablets were produced
- If all produced Caffetin® strips were placed one next to the other, a strip of approximately 165,000 kilometers will be obtained.
- The total weight of all the produced tablets is almost 5,000 tons
- Caffetin® contains 50 mg of caffeine, which is only a third of the quantity of caffeine contained in one cup of coffee (150 mg), or a half of the quantity of contained in one cup of tea (100 mg);
- A considerable number of emigrants from the Balkans provide themselves with stocks of Caffetin® as they are reluctant to change the product they have been using, despite the wide range of analgesics available abroad.

Photos from the gala event
Superbrands 2007 in
Sava Centre, Belgrade

Alkaloid - Pharmaceuticals was GMP Certified by the British MHRA

In the period from 15 - 18.10. 2007 the Profit Centre Pharmaceuticals of Alkaloid AD Skopje was inspected by the Medicines and Healthcare products Regulatory Agency from Great Britain (MHRA). The reason for the inspection was the application for registration of pharmaceutical products in Great Britain submitted by Alkaloid AD Skopje in the year 2005. Following a process of extensive evaluation by MHRA, the registration of these products was approved.

Before Alkaloid AD Skopje was granted the authorization to market its drugs in Great Britain, striving to safeguard public health, MHRA initiated an on-site inspection, with the purpose of establishing and confirming that the manufacturer Alkaloid AD Skopje operates in compliance with the principles of good manufacturing practice (GMP) that are described in detail in the relevant European Directives, and whereby it guarantees the safety, quality and efficiendy of its drugs.

Having completed the inspection, the competent authority in Great Britain, MHRA, issued a **Certificate of GMP Compliance of a Manufacturer** to the Macedonian manufacturer Alkaloid AD Skopje.

Thus, Alkaloid AD Skopje acquired the right to market its drugs not only in Great Britain, but bearing in mind the high rating of MHRA, Alkaloid AD Skopje became entitled to market its drugs throughout Europe and beyond.

Safeguarding public health

Certificate No: UK GMP 24602 Insp GMP 24602/39838-0001

MHRA

Medicines and Healthcare products Regulatory Agency

CERTIFICATE OF GMP COMPLIANCE OF A MANUFACTURER

Part 1

Issued following an inspection in accordance with Art. 111(5) of Directive 2001/83/EC

The competent authority of the United Kingdom confirms the following:

The manufacturer: ALKALOID A.D. SKOPJE

Site address: BLVD. ALEKSANDAR MAKEDONSKI 12
1000 SKOPJE

Has been inspected in connection with marketing authorisation(s) listing manufacturers located outside of the European Economic Area in accordance with Art. 111(4) of Directive 2001/83/EC transposed in the following national legislation:

Regulation 32a of the Medicines for Human Use (Manufacturing,Wholesale Dealing and Miscellaneous Amendments) Regulations (SI 2005/2789) and Section 19(3) of the Medicines Act 1968 as amended.

From the knowledge gained during inspection of this manufacturer, the latest of which was conducted on 15/10/2007 to 18/10/2007, it is considered that it complies with the principles and guidelines of Good Manufacturing Practice laid down in Directive 2003/94/EC.

This certificate reflects the status of the manufacturing site at the time of the inspection noted above and should not be relied upon to reflect the compliance status if more than three years have elapsed since the date of that inspection, after which time the issuing authority should be consulted.

The authenticity of this certificate may be verified with the issuing authority.

Medicines and Healthcare products Regulatory Agency
Market Towers 1 Nine Elms Lane London SW8 5NQ
T 020 7084 2000 F 020 7084 2353 www.mhra.gov.uk

An executive agency of the Department of Health

Alkaloid and the Croatian Institute Rugjer Boskovic Signed a Framework Agreement for Cooperation

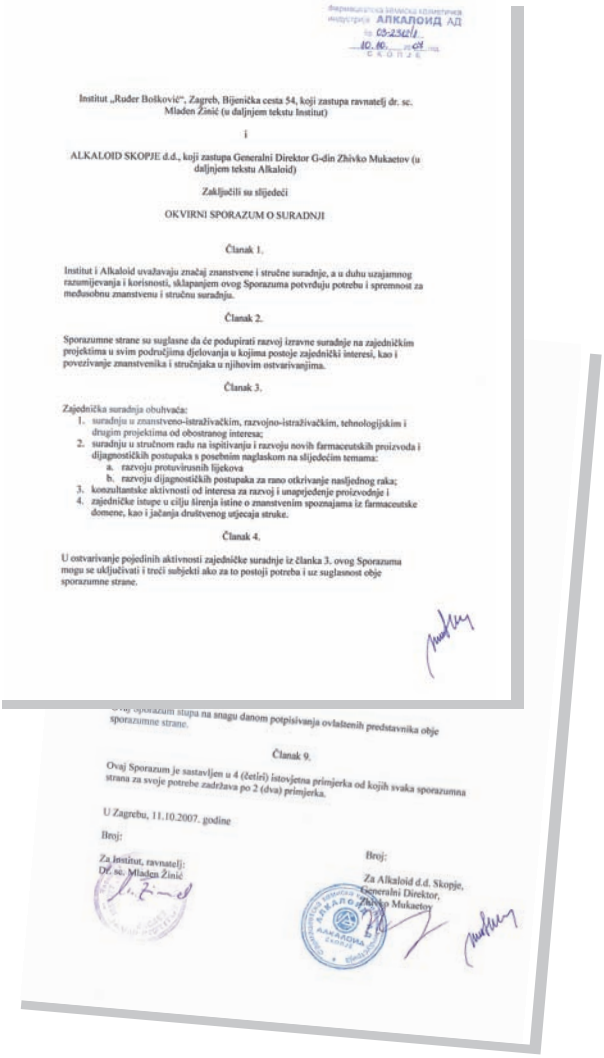
On 11th October 2007 in Zagreb, Republic of Croatia, ALKALOID AD Skopje and the Rugjer Boskovic Institute - Zagreb signed a framework agreement for cooperation that encompasses:

- Coooperation in scientific research projects, developmental research projects and other projects of mutual interest;
- Cooperation in the field of research and development of new pharmaceutical products and diagnostic procedures, with particular emphasis on the development of antiviral drugs and the development of diagnostic procedures for early detection of the hereditary forms of carcinoma;
- Consultation activities for the development and advancement of the production process;
- Joint presentations aimed at dissemination of the scientific advances in the field of pharmacy, as well as enhancement of its social impact.

The agreement was signed by the Chief Executive Officer of Alkaloid AD Skopje, Mr. Zhivko Mukaetov and the Director of the Rugjer Boskovic Institute Prof. Dr. Mladen Zinic.

The Rugjer Boskovic Institute from Zagreb is one of the largest research institutes in the field of natural sciences and technologies in the region. In the multidisciplinary projects of this Institute, over 500 scientists and students work on problems in the field of experimental and theoretical physics, physics and chemistry of materials, organic and physical chemistry, biochemistry, molecular biology, medicine, etc. Within the framework of the European Union, this Institute is a part of the European Research Area (ERA) and it cooperates with numerous institutes and universities throughout the world with whom it shares common values and visions.

The aim of this agreement is to encourage the development of close cooperation in joint projects in all spheres of mutual interest, as well as to involve both scientists in academia and businessmen in their accomplishment.



Institut „Ruđer Bošković", Zagreb, Bijenička cesta 54, koji zastupa ravnatelj dr. sc. Mladen Žinić (u daljnjem tekstu Institut)

i

ALKALOID SKOPJE d.d., koji zastupa Generalni Direktor G-din Zhivko Mukaetov (u daljnjem tekstu Alkaloid)

Zaključili su slijedeći

OKVIRNI SPORAZUM O SURADNJI

Članak 1.

Institut i Alkaloid uvažavaju značaj znanstvene i stručne suradnje, a u duhu uzajamnog razumijevanja i korisnosti, sklapanjem ovog Sporazuma potvrđuju potrebu i spremnost za međusobnu znanstvenu i stručnu suradnju.

Članak 2.

Sporazumne strane su suglasne da će podupirati razvoj izravne suradnje na zajedničkim projektima u svim područjima djelovanja u kojima postoje zajednički interesi, kao i povezivanje znanstvenika i stručnjaka u njihovim ostvarivanjima.

Članak 3.

Zajednička suradnja obuhvaća:

1. suradnju u znanstveno-istraživačkim, razvojno-istraživačkim, tehnologijskim i drugim projektima od obostranog interesa;
2. suradnju u stručnom radu na ispitivanju i razvoju novih farmaceutskih proizvoda i dijagnostičkih postupaka s posebnim naglaskom na slijedećim temama:
   a. razvoju protuvirusnih lijekova
   b. razvoju dijagnostičkih postupaka za rano otkrivanje nasljednog raka;
3. konzultantske aktivnosti od interesa za razvoj i unapređenje proizvodnje i
4. zajedničke istupe u cilju širenja istine o znanstvenim spoznajama iz farmaceutske domene, kao i jačanja društvenog utjecaja struke.

Članak 4.

U ostvarivanje pojedinih aktivnosti zajedničke suradnje iz članka 3. ovog Sporazuma mogu se uključivati i treći subjekti ako za to postoji potreba i uz suglasnost obje sporazumne strane.

sporazumne strane.

Članak 9.

Ovaj Sporazum je sastavljen u 4 (četiri) istovjetna primjerka od kojih svaka sporazumna strana za svoje potrebe zadržava po 2 (dva) primjerka.

U Zagrebu, 11.10.2007. godine

Broj:

Za Institut, ravnatelj:
Dr. sc. Mladen Žinić

Broj:

Za Alkaloid d.d. Skopje,
Generalni Direktor,
Zhivko Mukaetov

Institute for Development and Quality Control

In the context of our dedication to permanent development, an important parameter is the increased level of investments in research and development activities, which is indispensable for the prosperity we desire. In the history of Alkaloid, emphasis has always been laid on research activities, and striving to achieve these aspirations, we are taking steps to fulfil this vision.

The Institute for Development and Quality Control is a highly sophisticated technological and analytical unit, where several types of activities will be performed: activities that are complementary to the process of development of generic drugs and their introduction into industrial production, activities for continual monitoring of the quality of all Alkaloid drugs, as well as activities that ensue from the legal obligation to monitor their stability.

The establishment of the Institute is actually an added value to the drugs in terms of development and introduction of new technologies and instrumental methods, maintenance of the superior quality, continuous improvement and meeting the demands of the European and American regulatory bodies that are accepted throughout the world.

The pharmaceutical industry is unique in terms of requirements, procedures and methods employed in its practice, with the purpose of ensuring that the drugs produced meet the established specifications and reach the maximum level of safety for the patients.

Thus, on one hand, the increasingly strict requirements of the regulatory bodies will be met, but on the other hand, the development of products that demonstrate the implementation of the latest advances in the field of pharmacy will be ensured as well.

This technological and analytical unit will be supported by an cutting edge laboratory and pilot manufacturing equipment, modern instrumental techniques, as well as highly specialized and trained personnel in a separate brand new building.

Both the building and the equipment are designed in accordance with the strict and specific GMP (Good Manufacturing Practice) requirements for the production of drugs.

This investment will amount to approximately 8 - 9 million euros. The total used area is 1540 m2, while the anticipated term for competition of the works is in the beginning of the year 2009. The necessary funds were provided partly from Alkaloid's own resources, and partly from allocated credit lines. In accordance with the human resources planning, nearly 60 employment opportunities will be provided in the sectors for analytical and technological development at this Institute.

The ceremony of laying the cornerstone of the Institute for Development and Quality Control was performed by the Macedonian Primeminister, Mr. Nikola Gruevski, the Minister of Health Mr. Imer Selmani and the CEO of Alkaloid, Mr. Zhivko Mukaetov.

Complete list of Pharmaceutical Products Registered in Macedonia

(in alphabetical order)

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
ACIKLOVIR ALKALOID®		
aciclovir	5% cream, 5 g	D06BB03, topical antiviral
ACIKLOVIR ALKALOID®		
aciclovir	3% eye ointment, 5 g	S01AD03, ophtalmological antiviral
ACIKLOVIR ALKALOID®		
aciclovir	200 mg tablets, 25 tablets	J05AB01, antiviral for systemic use
ALBENDAZOL ALKALOID®		
albendazole	200 mg film-coated tablets, 6 and 60 tablets	P02CA03, antihelminthic
ALDIZEM®		
diltiazem	60 mg and 90 mg prolonged release tablets, 30 tablets	C08DB01, calcium channel blocker
ALKADIL®		
captopril	25 mg and 50 mg tablets, 40 tablets	C09AA01, ACE inhibitor
ALMACIN®		
amoxicillin	500 mg capsules, 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml	J01CA04, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		
ALMETEX®		
carbazochrome	25 mg tablets, 20 tablets 10mg/2ml solution for injection, 30 ampoules	B02BX02, haemostatic
ALVEN®		
heparin, dexpanthenol, allantoin	30.000 IU/100 g, cream and gel, 40 g 50.000 IU/100 g, cream and gel, 40 g	C05BA53, combined heparin for topical use
ALYCEF®		
cefadroxil	500 mg capsules, 16 capsules 250mg/5 ml granules for oral suspension, 100 ml	J01DB05, first-generation cephalosporin

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
AMINOFILIN ALKALOID®		
aminophylline	100 mg film-coated tablets, 50 tablets 350 mg prolonged release tablets, 20 tablets 250mg/10ml solution for injection, 50 ampoules	R03DA05, bronchodilator
AMLODIPIN ALKALOID®		
amlodipine	5 mg and 10 mg tablets, 30 tablets	C08CA01, calcium channel blocker
AMPICILIN ALKALOID®		
ampicillin	500 mg capsules, 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml	J01CA01, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		
ANALGIN®		
metamizole	500 mg tablets, 10 and 500 tablets 1g/2ml and 2.5g/5ml solution for injection, 50 ampoules	N02BB02, analgesic and antipyretic
AQUA AD INIECTABILIA ALKALOID®		
water for injections	2 ml, 5 ml and 10 ml 50 ampoules	V07AB, solvent and diluting agent
ATENOLOL ALKALOID®		
atenolol	50 mg film-coated tablets, 15 tablets 100 mg film-coated tablets, 15 and 30 tablets	C07AB03, selective ß-blocker

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
BETADINE®		
povidone - iodine	10 % ointment, 20 g 7.5 % surgical scrub, 100 ml and 1000 ml solution 10 % solution, 100 ml and 1000 ml solution	D08AG02 and D11AC06, antiseptic & disinfectant; medicated shampoo
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BETADINE®		
povidone - iodine	200 mg vaginal pessaries, 14 pessaries	G01AX11, gynecological antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BETADINE®		
povidone - iodine	1% gargle, 100 ml solution	R02AA15, throat antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BIPRESSO®		
bisoprolol	2.5mg, 5 mg and 10 mg film-coated tablets, 30 tablets	C07AB07, selective ß blocker
BRONLES®		
carbocisteine	375 mg capsules, 30 capsules 250mg/5ml syrup, 150 ml solution 125mg/5ml syrup for children, 150 ml solution	R05CB03, mucolytic
CAFFETIN sc®		
paracetamol, propyphenazone, caffeine	(250 mg+210 mg+50 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
CAFFETIN trio®		
paracetamol, caffeine, codeine	(500 mg+50 mg+10 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
CAFFETIN®		
paracetamol, propyphenazone, caffeine, codeine	(250 mg+210 mg+50 mg+10 mg) tablets, 6, 10, 12 and 500 tablets	N02BE51, combined analgesic

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
CAFFETIN COLD®		
paracetamol, ascorbic acid, dextromethorphan, pseudoephedrine	(500 mg+60 mg+15 mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication
CAFFETIN® menstrual		
ibuprofen (in a form of lysinate)	200 mg film-coated tablets, 10 tablets	M01AE01, NSAID
CEFACLOR ALKALOID®		
cefaclor	500 mg capsules, 16 capsules 125mg/5ml and 250mg/5ml powder for oral suspension, 60 ml	J01DC04, second-generation cephalosporins
CEFALEXIN ALKALOID®		
cefalexin	500 mg capsules, 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml	J01DB01, first-generation cephalosporins
CHLORAMPHENICOL ALKALOID®		
chloramphenicol	5 % ointment, 5 g	D06AX02, antibiotic for topical use
CHLORAMPHENICOL ALKALOID®		
chloramphenicol	1 % eye ointment, 5 g	S01AA01, ophtalmological antibiotic
CINEDIL®		
cinnarizine	75 mg tablets, 50 tablets	N07CA02, calcium channel blocker, antivertigo preparation
CITERAL®		
ciprofloxacin	250 mg and 500 mg film-coated tablets, 10 tablets 100mg/10ml concentrate for solution for infusion, 5 ampoules	J01MA02, quinolone for systemic use
CITERAL®		
ciprofloxacin	0.3 % eye and ear drops, 5 ml solution	S01AX13, ophtalmological antiinfective

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
CODEINI PHOSPHATIS ALKALOID®		
codeine	30 mg tablets, 10 tablets	R05DA04, antitussic
DECOTAL®		
diflucortolone	1mg/g cream, 20 g 1mg/g ointment, 20 g	D07AC06, potent corticosteroid dermotherapeutic
DIABINESE®		
chlorpropamide	250 mg tablets, 30 tablets	A10BB02, oral antidiabetic
Manufactured under the license of Pfizer Corporation		
DIAZEPAM ALKALOID®		
diazepam	2 mg and 5 mg coated tablets, 30 tablets 10mg/2ml solution for injection, 10 ampoules	N05BA01, anxiolytic
DIPROL®		
paracetamol	500 mg tablets, 10 and 500 tablets 120mg/5ml oral suspension, 100ml suspension	N02BE01, analgesic and antipyretic
DOXYCYCLIN ALKALOID®		
doxycycline	100 mg capsules, 5 and 100 capsules	J01AA02, tetracycline antibiotic
DIMYCON®		
fluconazole	150 mg capsules, 1 capsule 50 mg capsules, 7 capsules 2mg/ml solution for infusion, 100 ml solution	J02AC01, antimycotic for systemic use
Manufactured under the license of Pfizer Corporation		
DicloJet®		
diclofenac	75 mg gastroresistant capsules, hard, 20 capsules	M01AB05, NSAID
Manufactured in cooperation with Astellas Pharma GmbH, Munchen, Germany		

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
Diclo Duo®		
diclofenac	75 mg modified, dual release capsules, hard, 20 capsules	M01AB05, NSAID
Manufactured in cooperation with Astellas Pharma GmbH, Munchen, Germany		
EGLONYL® forte		
sulpiride	200 mg tablets, 12 tablets	N05AL01, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
EGLONYL®		
sulpiride	50 mg capsules, 30 capsules 25 mg/5 ml oral solution, 120 ml solution 100 mg/2 ml solution for injection, 30 ampoules	N05AL01, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
EPIAL®		
carbamazepine	200 mg tablets, 50 tablets	N03AF01, antiepileptic
ETOLAC®		
etodolac	200 mg film-coated tablets, 20 tablets	M01AB08, NSAID
FAMOSAN®		
famotidine	10 mg and 20 mg film-coated tablets, 20 tablets 40 mg film-coated tablets, 10 tablets	A02BA03, antiulcer drug
FLAGYL®		
metronidazole	500 mg vaginal pessaries, 10 pessaries	G01AF01, ginecological antiinfective and antiseptic
Manufactured in cooperation with Sanofi Aventis, France		
FLAGYL®		
metronidazole	250 mg film-coated tablets, 20 tablets 400 mg tablets, 20 tablets	J01XD01, P01AB01, antiinfective for systemic use, antiprotozoal
Manufactured in cooperation with Sanofi Aventis, France		

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
FLUFENAZIN ALKALOID®		
fluphenazine	1 mg coated tablets, 25 tablets 2.5 mg and 5 mg coated tablets, 100 tablets 2.5mg/1ml solution for injection, 5 ampoules	N05AB02, antipsychotic
FLUOXETIN ALKALOID®		
fluoxetine	20 mg capsules, 30 capsules	N06AB03, antidepressant
FUROSEMID ALKALOID®		
furosemide	40 mg tablets, 10 tablets 20mg/2ml solution for injection, 50 ampoules	C03CA01, diuretic
GENTAMICIN ALKALOID®		
gentamicin	20mg/2ml, 40mg/2ml, 80mg/2ml and 120mg/2ml solution for injection, 10 ampoules	J01GB03, aminoglycoside antibiotic
GLIBEDAL®		
glibenclamide	5 mg tablets, 30 tablets	A10BB01, oral antidiabetic
GLU-ROS®		
rosiglitazone	4 mg film-coated tablets, 30 tablets	A10BG02, oral antidiabetic
GYNIPRAL®		
hexoprenaline	0.5 mg tablets, 20 tablets 0.01mg/2ml solution for injection, 5 ampoules	G02CA, tocolytic
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
HEFEROL®		
ferrous fumarate	350 mg capsules, 30 capsules	B03AA02, antianaemic
HEPARIN ALKALOID®		
heparin	5.000 IU/1 ml solution for injection, 10 ampoules 25.000 IU/5 ml solution for injection, 50 ampoules	B01AB01, antithrombotic agent

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
HIDROHLOROTIAZID ALKALOID®		
hydrochlorothiazide	25 mg tablets, 20 tablets	C03AA03, diuretic
HOLLESTA®		
simvastatin	10 mg, 20 mg and 40 mg film-coated tablets, 30 tablets	C10AA01, hypolipaemic
INSTENON®		
etofylline, etamivan, hexobendine	(60 mg+50 mg+20 mg) coated tablets, 30 tablets	C04AX, peripheral vasodilator
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
INSTENON®		
etofylline, etamivan, hexobendine	(100 mg+50 mg+10 mg)/2ml solution for injection, 30 ampoules	C04AX, peripheral vasodilator
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
KALCIUM KARBONAT ALKALOID®		
calcium carbonate	1 g tablets, 50 tablets	A12AA04, antiphosphataemic, mineral supplement
KLINDAMICIN ALKALOID®		
clindamycin	150 mg and 300 mg capsules, 16 capsules 300 mg /2 ml and 600 mg/ 4 ml solution for injection, 10 ampoules	J01FF01, lincosamide antibiotic
KOMPENSAN®		
dihydroxy aluminium sodium carbonate	300 mg tablets, 20 tablets	A02AB04, antacid
Manufactured under the license of Pfizer Corporation		
LAMAL®		
lamotrigine	25 mg, 50mg, 100 mg and 200 mg tablets, 30 tablets	N03AX09, antiepileptic
LEGOFER®		
ferric proteinsuccinylate	40 mg/15 ml oral solution, 150 ml solution	B03AB09, antianaemic
Manufactured in cooperation with Italfarmaco S.p.A. Milan, Italy		

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
LEXILIUM®		
bromazepam	1.5 mg, 3 mg and 6 mg tablets, 30 tablets	N05BA08, anxiolytic
Manufactured in cooperation with F. Hoffman - La Roche Ltd. Basel, Switzerland		
LIDAPRIM®		
sulfametrole, trimethoprim	(400mg+80mg) tablets, 20 tablets (100mg+20mg) tablets, 20 tablets (200mg+40mg) / 5 ml oral suspension, 100 ml suspension	J01EE03, combined sulphonamide & trimetoprim
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
LIDOKAIN HIDROHLORID ALKALOID®		
lidocaine	40mg/2ml solution for injection, 100 ampoules	N01BB02, C01BB01 local anaesthetic, antiarrhythmic
LIDOCAIN-ADRENALIN ALKALOID®		
lidocaine, epinephrine	(40mg+0.025 mg)/2 ml solution for injection, 100 ampoules	N01BB52, local anaesthetic
LORATADIN ALKALOID®		
loratadine	10 mg tablets, 10 tablets 1mg/1ml oral solution, 120 ml solution	R06AX13, antihistaminic
LOSARTAN ALKALOID®		
losartan	50 mg and 100 mg film-coated tablets, 30 tablets	C09CA01, angiotensin II antagonist
LUNATA®		
zolpidem	5mg and 10mg film-coated tablets 10 and 20 tablets	N05CF02, hypnotic and sedative
MENDILEX®		
biperiden	2 mg tablets, 50 tablets	N04AA02, antiparkinsonic
METADON ALKALOID®		
methadone	5 mg tablets, 20 tablets 10 mg/ml oral drops, 10 ml solution 10mg/ml oral solution, 100 ml and 1000 ml solution 10mg/ml solution for injection, 5 and 50 ampoules	N07BC02, opioid analgesic; drug used in opioid dependance

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
METFORMIN ALKALOID®		
metformin	500mg, 850mg and 1000 mg film-coated tablets, 30 tablets	A10BA02, oral antidiabetic
MORFIN HIDROHLORID ALKALOID®		
morphine	20 mg/ml solution for injection, 10 ampoules	N02AA01, opioid analgesic
NIFADIL® retard		
nifedipine	20 mg prolonged release film-coated tablets, 30 tablets	C08CA05, calcium channel blocker
NIFLAM® 200 retard		
ketoprofen	200 mg film-coated tablets, 20 tablets	M01AE03, NSAID
Manufactured in cooperation with Sanofi Aventis, France		
NIFLAM®		
ketoprofen	50 mg capsules, 20 capsules 100mg/2ml solution for injection, 10 ampoules 100 mg suppositories, 12 suppositories	M01AE03, NSAID
Manufactured in cooperation with Sanofi Aventis, France		
NOVAMORF®		
morphine	10 mg and 20 mg sublingual tablets, 20 and 60 tablets 30 mg sublingual tablets, 20 tablets	N02AA01, opioid analgesic
NOZINAN®		
levomepromazine	25 mg and 100 mg film-coated tablets, 20 and 100 tablets	N05AA02, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
OMEZOL®		
omeprazole	20 mg gastroresistant capsules, 14 capsules	A02BC01, antiulcer drug

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
PANCEF®		
cefixime	400 mg film-coated tablets, 10 tablets 100mg/5ml powder for oral suspension, 100 ml	J01DD08, third generation cephalosporin
PARACETAMOL ALKALOID®		
paracetamol	120mg/5ml oral solution, 100 ml solution	N02BE01, analgesic, antipyretic
PARSEDIL®		
dipyridamole	75 mg coated tablets, 15 tablets	B01AC07, platelet agregation inhibitor
PENTOKSIFILIN ALKALOID®		
pentoxifylline	400 mg prolonged release film-coated tablets, 20 tablets 100 mg/5 ml solution for injections, 5 ampoules	C04AD03, peripheral vasodilator, rheolytic
PHENOBARBITAL ALKALOID®		
phenobarbital	15 mg and 100 mg tablets, 30 tablets	N03AA02, antiepileptic
PHOLCODIN ALKALOID®		
pholcodine	10 mg capsules, 20 capsules 15mg/15ml oral solution, 150 ml solution 4mg/5ml oral solution, 60 ml solution	R05DA08, antitussic
PROCULIN®		
naphazoline, boric acid	(0.3mg+15mg)/ml eye drops, 10 ml solution	S01GA51, ophtalmic decongestant
PROPAFENON ALKALOID®		
propafenone	150 mg film-coated tablets, 40 tablets 35mg/10 ml solution for injection, 10 ampoules	C01BC03, antiarrhythmic

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
PROPILTIOURACIL ALKALOID®		
propylthiouracil	50 mg tablets, 20 tablets 100 mg tablets, 45 tablets	H03BA02, thyrostatic
REGLAN®		
metoclopramide	10 mg tablets, 40 tablets 5mg/5ml oral solution, 120 ml solution 10 mg/2 ml solution for injection, 30 ampoules	A03FA01, antiemetic
Manufactured in cooperation with Sanofi Aventis, France		
REMOXICAM®		
piroxicam	20 mg capsules, 20 capsules	M01AC01, NSAID
RISPERIDON ALKALOID®		
risperidone	1 mg, 2 mg, 3 mg and 4 mg film-coated tablets, 20 tablets	N05AX08, antipsychotic
SALBUTAMOL ALKALOID®		
salbutamol	2 mg tablets, 60 and 100 tablets 2mg/5ml oral solution, 150 ml solution 5mg/ml nebuliser solution, 20 ml solution	R03CC02, R03AC02, bronchodilator
SINEQUAN®		
doxepin	10 mg and 25 mg capsules, 30 capsules	N06AA12, antidepressant
Manufactured under the license of Pfizer Corporation		
SKOPRYL®		
lisinopril	5 mg, 10 mg and 20 mg tablets, 20 tablets	C09AA03, ACE inhibitor
SKOPRYL plus®		
lisinopril, hydrochlorothiazide	(20 mg + 12.5mg) tablets, 20 tablets (20 mg + 25 mg) tablets, 20 tablets	C09BA03, combined antihypertensive

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves	8.3mg/g eye gel, 5 g	S01XA, ophtalmic wound and ulcer treatment
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves	2.07mg/g ointment, 20g 4.15 mg/g jelly, 20 g 42.5 mg/ml solution for injection, ampoules of 2 ml and 5 ml, 25 ampoules	D03BA, treatment of wounds and ulcers C04AX
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves, polidocanol	(2.125mg+10mg)/g dental adhesive paste, 5 g	A01AD, local oral treatment
Manufactured under the license of ICN Pharmaceuticals Switzerland, Ltd. Birsfelden, Switzerland		
SUMETRIN®		
sumatriptan	50 mg film-coated tablets, 6 and 3 tablets	N02CC01, antimigraine preparation
SYNETRA®		
clopidogrel	75 mg film-coated tablets, 30 tablets	B01AC04, antithrombotic agent
TIMOLOL ALKALOID®		
timolol	0.5% eye drops, 5 ml solution	S01ED01, antiglaucoma preparation
TOCFERA®		
tocopherol, α (Vit.E)	100 mg chewable tablets, 30 tablets	A11HA03, vitamin
TRAMADOL ALKALOID®		
tramadol	50 mg capsules, 20 capsules 50mg/1ml solution for injection, 5 and 50 ampoules 100mg/2ml solution for injection, 5 and 50 ampoules	N02AX02, opioid analgesic

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
ULCODIN®		
ranitidine	75 mg, 150 mg and 300 mg film-coated tablets, 20 tablets 50mg/2ml solution for injection, 5 ampoules	A02BA02, antiulcer drug
VASOFLEX®		
prazosin	1 mg tablets, 30 tablets 2 mg and 5 mg tablets, 60 tablets	C02CA01, selective α_1-adrenergic blocker
Manufactured under the license of Pfizer Corporation		
VERAPAMIL ALKALOID® retard		
verapamil	240 mg prolonged release film- coated tablets, 20 tablets	C08DA01, calcium channel blocker
VERAPAMIL ALKALOID®		
verapamil	40 mg coated tablets, 30 tablets 80 mg coated tablets, 30 tablets 5 mg/2 ml solution for injection, 10 and 50 ampoules	C08DA01, calcium channel blocker
VITAMIN B_1 ALKALOID®		
thiamine	100 mg/1 ml solution for injection, 50 ampoules	A11DA01, vitamin
VITAMIN B_{12} ALKALOID®		
cyanocobalamin	500 mcg/1 ml solution for injection, 50 ampoules	B03BA01, antianaemic
VITAMIN B_6 ALKALOID®		
pyridoxine	20 mg tablets, 20 tablets 50 mg/2 ml solution for injection, 50 ampoules	A11HA02, vitamin
VITAMIN C ALKALOID®		
ascorbic acid	500 mg tablets, 250 tablets	A11GA01, vitamin
ZANFEXA®		
venlafaxine	37.5mg, 50 mg and 75mg tablets, 30 tablets	N06AX16, antidepressant

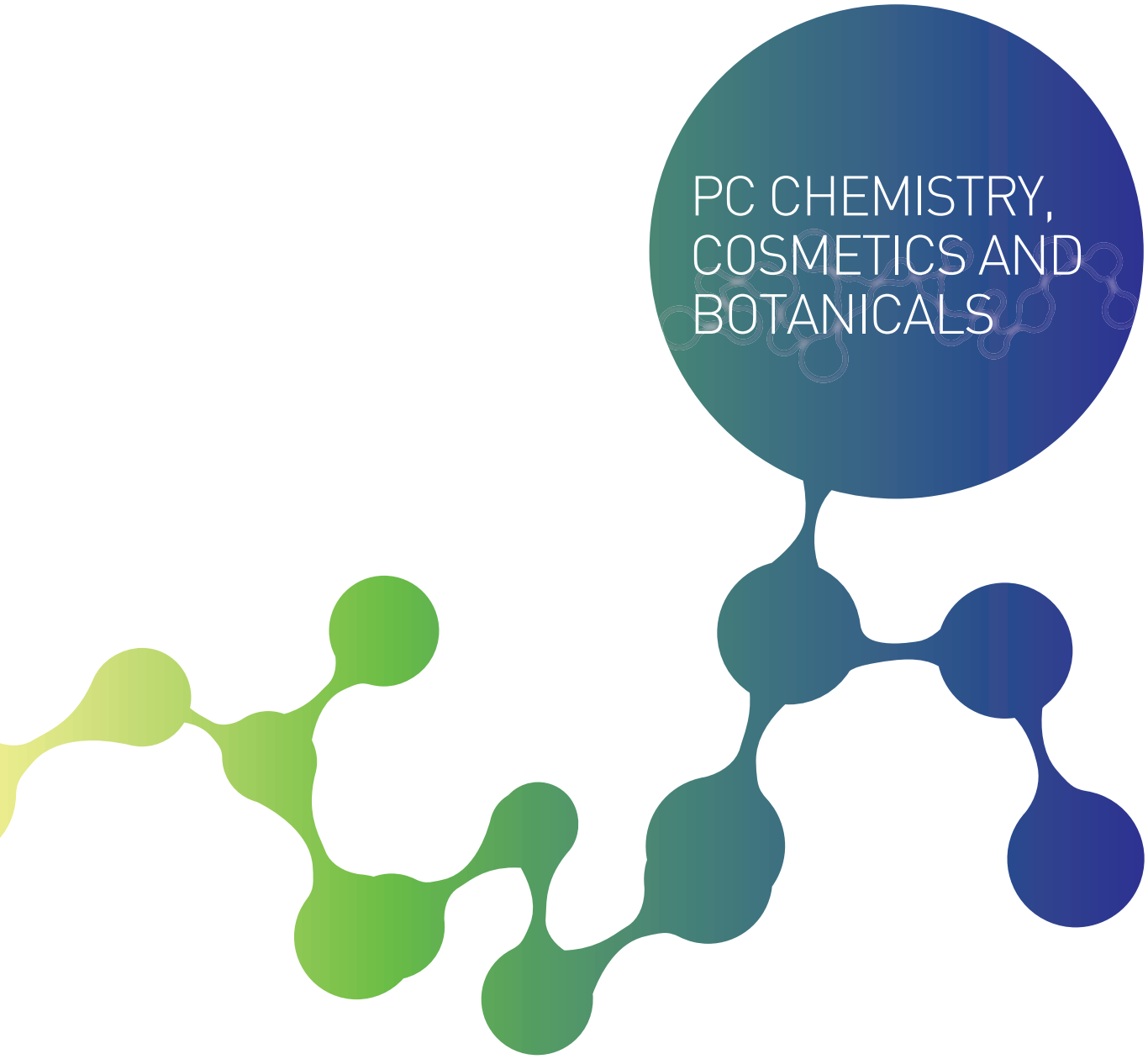
Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
ZYTRON®		
ondansetron	4 mg and 8 mg film-coated tablets, 10 tablets 4mg/2ml and 8mg/4ml solution for injections, 5 ampoules	A04AA01, antiemetic and antinauseant

Latest releases:

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
CAFFETIN COLD® PLUS		
paracetamol, vitamin C (ascorbic acid+acerola), dextromethorphan, pseudoephedrine	(500 mg+60mg (50 mg+10mg) +15mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication
CIKLOSPORIN ALKALOID®		
ciclosporin	25 mg, 50 mg and 100 mg capsules, soft, 50 capsules 100mg/ml oral solution, 50 ml solution	L04AD01, immunosuppressant
Manufactured in cooperation with Nature's Plus Farmaceutica Ltda, Brasil		
SIZAP®		
olanzapine	2.5 mg, 5 mg and 10 mg film-coated tablets, 30 tablets	N05AH03, antipsychotic
Manufactured in cooperation with CIPLA Ltd., INDIA		
TAMLOS®		
tamsulosin	0.4 mg modified release capsules, 30 capsules	G04CA02, drug used in benign prostatic hypertrophy
Manufactured in cooperation with CIPLA Ltd., INDIA		

Registered name, **INN** (generic)	**Presentation** (strength, pharmaceutical form, pack size)	**ATC-code,** pharmaco-therapeutic group
TORVEX®		
atorvastatin	10 mg, 20 mg, 40 mg and 80 mg film-coated tablets, 30 tablets	C10AA05, hypolipaemic
TRICEF®		
cefpodoxime	100 mg film-coated tablets, 10 and 20 tablets 200 mg film-coated tablets, 10 and 20 tablets	J01DD13, third-generation cephalosporin
ZANFEXA® XR		
venlafaxine	37,5 mg, 75 mg and 150 mg prolonged release capsules, 30 capsules	N06AX16, antidepressant

PC CHEMISTRY, COSMETICS AND BOTANICALS



Profit Centre Chemistry, Cosmetics and Botanicals

The product range of PC Chemistry, Cosmetics and Botanicals comprises of a wide variety of products for mass consumption, as well as products intended for industrial purposes.

In the course of 2007, we focused on maintaining the quality standards of this programme as well as developing new products. Parallel to this, this Profit Centre worked on the improvement of the overall value of the supply chain toward the consumers with the purpose of marketing products with added value and customer satisfaction.

This Profit Centre reported an increase of 20% in its year 2007 sales compared to year 2006, resulting mainly from the growth of the Becutan baby care programme. Becutan, which marked its 30th anniversary in 2007, is the cornerstone of this Profit Centre and the future plans of Alkaloid are focused on its extensions and innovations in accordance with market demands. In addition, other products from the Cosmetics segment also noted an upward trend in 2007 and we expect this to continue in the forthcoming period.

Through its Botanical programme, Alkaloid launched the first organic teas on the Macedonian, as well as several foreign markets.

During 2007, we launched a new line of fruit teas with improved recipes and enhanced design, demonstrating exceptionally good sales on the Macedonian market. The plans of Alkaloid in this area are aimed at improving the current market position in Macedonia and abroad, as well as developing products with high added value.

In the Chemistry segment, Alkaloid is conducting development of several new products, and it strives to improve the relationship with the main industries for which these products are intended.

The successful business policy of PC Chemistry, Cosmetics and Botanicals, its operation in compliance with ISO 9001, ISO 14001, HACCP food safety standards in the Botanicals segment, and the CE certificate in the Chemistry segment, along with the long-standing experience and tradition of this Profit Centre, its permanent monitoring and application of the technological and scientific advances constitute the pillars that will support the prospective successful operation of this Profit Center.

Nikola Mizo
Director of PC Chemistry,
Cosmetics and Botanicals

Sales Structures in PC Chemistry, Cosmetics and Botanicals

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

	2007	2006	2005
Cosmetic products	56.36	55.23	54.69
Chemical products	22.09	16.72	17.23
Botanicals	21.55	28.05	28.08
Total PC Chemistry, Cosmetics and Botanicals:	**100.00**	**100.00**	**100.00**

Sales structure - Cosmetic products

	2007	2006	2005
Becutan collection	65.44	56.90	53.04
Shampoos	7.44	10.42	10.98
Parfumes	8.48	8.67	9.85
Gloss	6.16	8.12	8.75
Soaps	4.71	6.33	7.84
Other	7.78	9.55	9.54
Total Cosmetic products	**100.00**	**100.00**	**100.00**

Sales structure - Chemical products

	2007	2006	2005
Argentum salts	47.33	52.75	30.17
Acidum aceticum	7.54	11.90	12.18
Other	45.13	35.35	57.65
Total Chemical products	**100.00**	**100.00**	**100.00**

Sales structure - Botanicals

	2007	2006	2005
Teas	68.26	69.94	67.73
Zacinal	15.11	14.54	15.61
Medical herbs	8.06	5.89	6.22
Other	8.56	9.64	10.43
Total	**100.00**	**100.00**	**100.00**

* Since 2007 the Medicine programme has been transferred from PC Chemistry to PC Pharmaceuticals.
To facilitate comparison, the data for 2005 and 2006 have been adjusted accordingly.

30 Years of Becutan: Confidence, Tradition and Quality

The Becutan collection has been the leading line in the product range of PC Chemistry, Cosmetics and Botanicals for 30 years now. Both the outstanding quality of the products and the affordable prices have contributed greatly to the consumers' long-standing confidence in these products. This confidence is handed down from one generation to another, so that some of those who had been using Becutan from a very early age, started applying it to nourish their own children's skin.

The products of this collection are produced from raw materials of verified superior quality that corresponds to the European directives for high-quality cosmetic products.

The collection is entirely adjusted to the needs of the delicate infant skin, while the basic formula for all its products is particularly mild and gentle.

The skin care products are characterized by a Ph value that is adapted to the Ph value of the physiologically healthy skin, thus providing complete hygiene and care, without causing dryness or saturation of the skin as a result of their frequent application.

Apart from Macedonia, this collection has also been a huge success on the markets in Serbia, Croatia, Bosnia and Herzegovina, Kosovo, Slovenia and Montenegro, where it shows a steady positive upward trend.

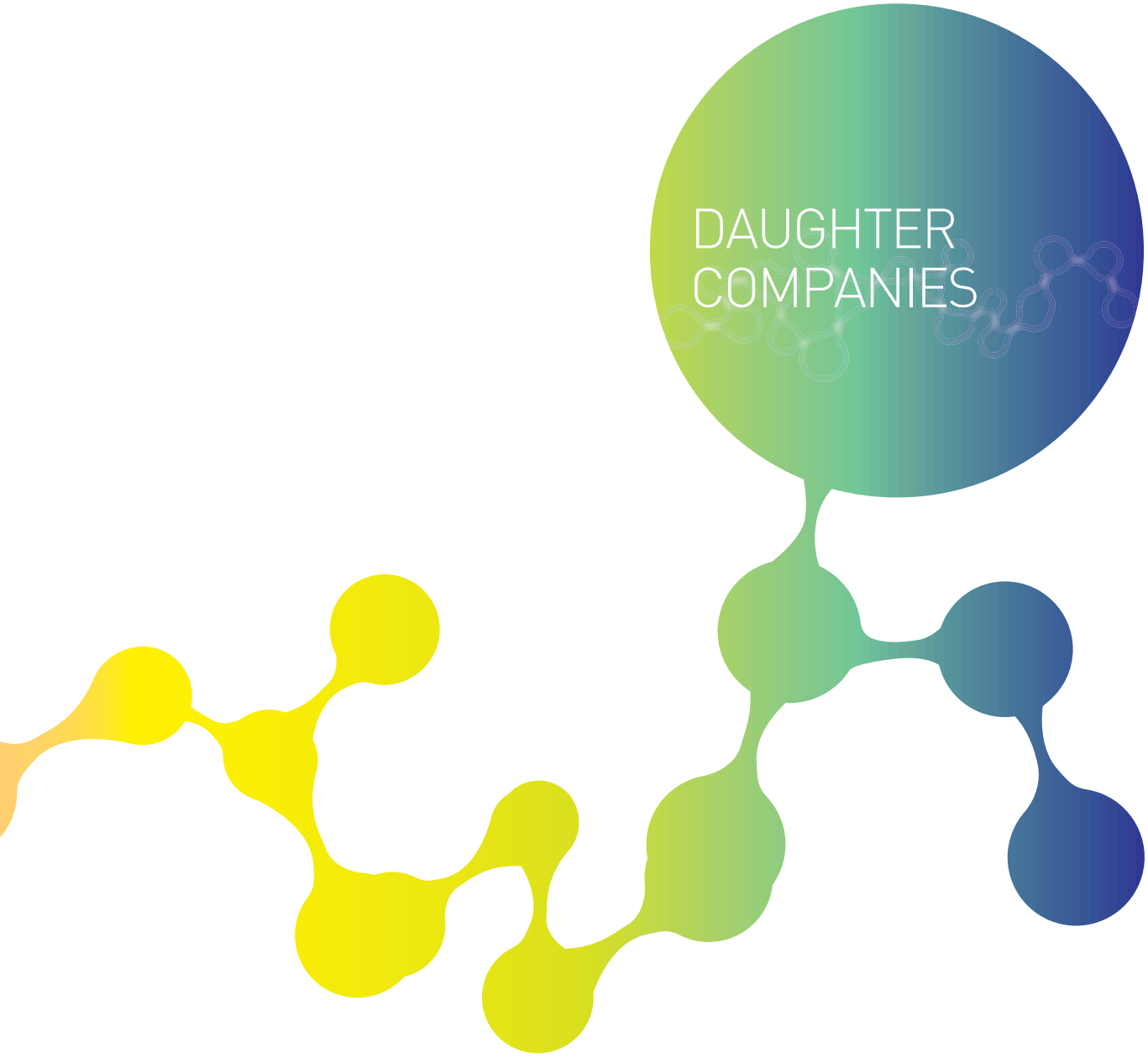
Our vision for the Becutan brand is to relate its tradition and quality to the demands of the modern everyday life. This is why in 2007 we worked hard on the innovations and extensions of our product range, and on the introduction of new complementary products with the purpose of maintaining and enhancing the image of a high-quality collection, which is famous among its consumers for its fair price and excellent quality. The innovation and extension of the production portfolio was based on a thorough prior analysis and research of several markets, by focusing on the needs of the consumers, their wishes and requirements.

The extension of our production portfolio with new products is due in 2008, when we will be introducing our new product, Becutan baby diapers.

As it was the case so far, our guiding principle for the future is to remain focused on customer satisfaction, and on maintaining our superior quality vis-à-vis the affordable prices. Only thus shall we uphold the tradition and meet the requirements of even the most demanding consumers.


Becutan
Бебешки пелени
2
Мини
38
3
Миди
32
4
Макси
27
5
21

DAUGHTER COMPANIES



Alkaloid CONS

As of 1979, Alkaloid-Pharmaceuticals has established a department that is in charge of development and cooperation with foreign companies in terms of contracts for representation, distribution, as well as consignment stocks.

Its long-standing successful operation and the experience accumulated in this area provided a basis for foundation of ALKALOID CONS LTD, an import-export Company for trade and services.

In 2004 Alkaloid CONS Ltd. officially commenced its operation with 5 employees. Year after year, the growth of Alkaloid CONS is becoming ever more impressive, both in terms of sales and in terms of its business portfolio, which we believe is a trend that will continue in 2008.

In the course of 2007, Alkaloid CONS cooperated with 10 non-domicile companies and represented approximately 50 pharmaceutical products, whereby it acquired a significant market share.

The intention of this Company is to continue and extend its non-domicile programme of drugs, adjuvant medicinal agents and medical appliances by offering competitive prices and verified quality.

Alkaloid Coatings

With over 60 years of tradition in the production of paints and lacquers, Alkaloid Coatings, the largest manufacturer of coatings in the Republic of Macedonia, which was established in 1946 as an independent production plant, and joined Alkaloid in 1977, presently covers over 40% of the Macedonian coatings market, and since 1st January 2007 has been operating as a daughter-company of Alkaloid AD Skopje. The positive reactions from the customers, as well as the positive codes of business practice were transferred to the new stage in the development of this segment of Alkaloid AD Skopje.

In the course of 2007, the focus of Alkaloid Coatings Ltd. was on organizing its operation as an independent legal entity, by continuing the operation principles introduced by Alkaloid AD. As far as the sales are concerned, the constant trend continued, especially on the strategically most important markets of Macedonia and Kosovo.

In compliance with the modern processes of globalization, a strategy was defined for selection of a strategic partner for joint performance in the segment of coatings. The signed agreement between the renowned Zorka Color AD from Sabac and Alkaloid AD is expected to lead to a huge leap forward in the overall operations.

This strategic partnership unites the tradition, the knowledge and the experience in the fulfillment of the clearly defined vision for strengthening the existing and for conquering new market positions. The synergy between Zorka Color AD Sabac and Alkaloid Coatings represents a new development stage aimed at maintaining and strengthening the leading position on the coatings market.

INVESTOR INFORMATION

OU Finances

The goals set in the plan for the year 2007 marked the operation of the corporate organizational unit Finances. This implied provision of the highest organizational and operational standards, as well as application of the international guidelines and procedures in our business practice and operation in compliance with the valid legal regulations.

Our company's exposure to the fast-growing market of pharmaceutical products and the fierce competition imposed the necessity for strengthening the internal discipline and control.

The approach of OU Finances is management of the financial risk by evaluating the unpredictability of the financial market, the possible negative implications on the operation, as well as their timely minimization.

Alkaloid's tradition to invest in new facilities, equipment and new technology every year continued throughout 2007. Despite these new investments, with a decent management of the resources Alkaloid incurred no new credit debts, thus reducing its interest risk.

In 2007 SAP was successfully implemented and consequently, the effective operation in accordance with the strict requirements of the new information system commenced. This facilitated the access to better and more timely reporting data, both internally and externally, which provided a solid basis for the consistent application of the corporate management principles.

Having already been presented with the award for the most transparent company in Macedonia, Alkaloid has the full right to this title in 2007 as well.

Cvetanka Simonovska
Chief Financial Officer /
Member of the Management Board

Shareholding

The capital of Alkaloid AD Skopje amounts to 1,431,353 shares with a par value of EUR 25.56 per share, or a total sum of EUR 36,585,382.68.

All shares are freely transferable. All individuals registered in the Shareholders Registry, which is kept with the Central Depositary for Securities in compliance with the valid legal regulations, are considered shareholders. The shareholders enjoy an equal status and have the right to vote at the Company's Assembly with one vote for each ordinary share, and they also have the right to a dividend.

99.77% (1,428,125) of the shares are ordinary shares, while 0.23% (3,228) are preference shares reserved for former proprietors and proprietors who need to prove their ownership right for estate now belonging to ALKALOID AD Skopje.

Structure of the shareholders in Alkaloid AD Skopje

Legal and physical persons	Ordinary shares	1,428,125
Former proprietors	Preference shares	3,228

According to the records of the Macedonian Stock Exchange, the shares of Alkaloid in the course of 2007 were some of the most traded and most liquid ones. There were 8,546 transactions made, which is an increase of 115.75% compared to last year; 215,729 shares were traded (which is 15.07% of the total share capital of Alkaloid AD Skopje), worth a total of EUR 33,143,862.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 8.98% of the total turnover recorded on the first official market of the Stock Exchange.

The share price of Alkaloid AD Skopje ranged from MKD 5,361 to MKD 14,500, with an average of MKD 9,665.

The capital gain calculated on the average price of the shares of Alkaloid AD Skopje in December 2007 compared to January 2007 was 86.67%, while the capital gain calculated on the average price of the shares of Alkaloid AD Skopje in 2007 compared to 2006 was 109.83%.

Price movement of Alkaloid's shares (maximum price)
Source: Macedonian Stock Exchange

	2007	2006	2005
January	5,701	4,239	2,065
February	6,700	4,198	2,920
March	8,100	4,100	5,000
April	10,738	4,250	5,998
May	10,999	4,250	4,999
June	10,050	4,150	4,300
July	10,500	4,710	4,101
August	14,500	5,000	4,565
September	14,000	5,890	4,800
October	13,301	5,798	4,600
November	12,128	5,798	4,101
December	11,451	5,600	3,950

Trading with the shares of Alkaloid AD Skopje on the Macedonian Stock Exchange
Source: Macedonian Stock Exchange

Year	Number of traded shares	% of shareholder's capital
2005	242,900	16.97%
2006	166,647	11.64%
2007	215,729	15.07%

As of 31st December 2007, Alkaloid had 4,870 shareholders holding ordinary shares. The fact that the number of shareholders is continually increasing, particularly in the last three years, is a sufficient indicator of the interest in the Company and its successful operations.

Since 1995, when the company was restructured, Alkaloid AD Skopje has regularly paid the dividends to its shareholders on an annual basis. The net dividend per share for the year 2007 amounted to MKD 100.00.

Net dividend per share in MK denars

2005	70.50
2006	80.50
2007	100.00

Gjorgi Jovanov,
Director / MB Member

Alkaloid Switched to Operating in SAP

On 2 July 2007, Alkaloid AD Skopje switched to operating in the new SAP information system for processing and monitoring of all processes and data that are necessary for the unobstructed and efficient operation of the Company.

AlkaSAP is an investment worth approximately 2 million euros that Alkaloid provided from its own resources.

The new SAP integrated system for complete data management was officially inaugurated by Mr. Zhivko Mukaetov, Chief Executive Officer and President of the Management Board of the AlkaSAP project, by launching the first order of labels for the Bronles syrup.

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

Keeping pace with the latest trends in the pharmaceutical industry implies constant innovation and investment in modern technologies and software, which generally means an ongoing change with the purpose of achieving consumer satisfaction, high quality, competitiveness, productivity, optimization of the costs, as well as reduction of time-to-market.

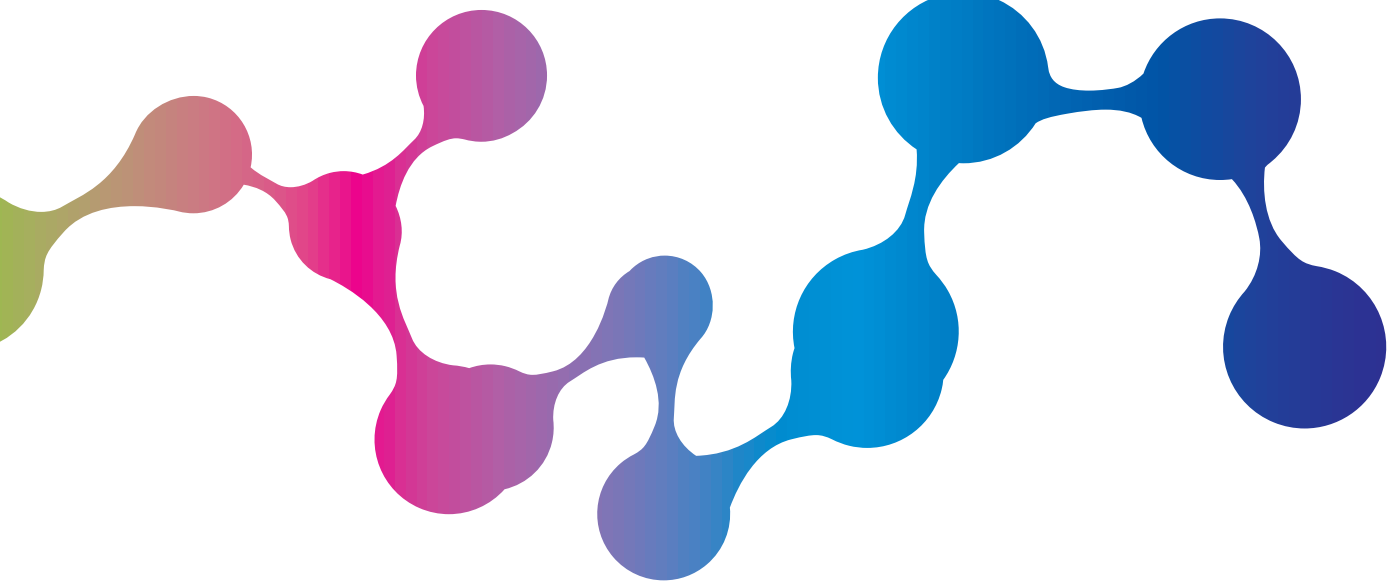
In order to achieve that, we needed information support of high quality and an IT system that would make that possible. We decided to invest our own resources into the implementation of the SAP system which is a world leader for ERP systems. The SAP system will make the operation of the company easily adaptable and compatible with the operation of the large multinational companies.

The benefits we expect from the implementation of SAP are higher efficiency in our operation, optimization and unification of the business processes, introduction of new functionalities and new knowledge, a quality leap in our operation and fulfillment of the GxP/FDA standards by means of a validated software.

The project for the installation of the state-of-the-art SAP information system commenced last year as a constituent part of the well-defined strategy for modernization and computerization of the overall operations of Alkaloid AD. The project was branded under its own name - AlkaSAP and comprises six modules developed by approximately 200 employees of Alkaloid AD Skopje, 16 employees of the Croatian company B4B - specialized for the implementation of SAP; 4 employees of the British Compliance Control. A total of 162 SAP licenses have been planned in the computer infrastructure that has already been upgraded. So far, the project has been progressing according to the plan.

The completion of the project will bring about an integrated data information system, an easy and quick access to the data, interconnectedness of all Alkaloid segments and will constitute an excellent basis for the further upgrading of the information system.

CONSOLIDATED FINANCIAL STATEMENTS



Indipendent Auditor's 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 2007 and the consolidated income statement, statement of changes in equity and cash flow statement for the year than ended, and a summary of significant accounting policies and other explanatory notes.

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 2007, 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 DOOEL
Skopje, Macedonia
21 March 2008

Deloitte dooel

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,573,264	3,638,012
Intangible assets	7	173,983	92,799
Deferred income tax assets	18	13,149	1,909
Available-for-sale financial assets	9	9,922	275,250
Investments in associate	10	242,624	-
Trade and other receivables	12	35,576	55,937
		4,048,518	4,063,907
Current assets			
Inventories	11	997,415	1,005,800
Trade and other receivables	12	1,401,494	1,234,012
Cash and cash equivalents	13	310,756	204,519
		2,709,665	2,444,331
TOTAL ASSETS		6,758,183	6,508,238
EQUITY			
Capital and reserves			
Share capital	14	2,212,753	2,214,321
Share premiums	14	12,299	(36,913)
Legal reserves		600,064	599,821
Other reserves	15	1,689,903	1,573,957
Retained earnings		949,610	830,622
Minority interests		1,485	2,010
		5,466,114	5,183,818
LIABILITIES			
Non-current liabilities			
Borrowings	16	70,529	473,617
Retirement benefit obligations	17	8,666	8,921
Deferred income tax liabilities	18	16,480	-
		95,675	482,538
Current liabilities			
Trade and other payables	19	617,711	584,101
Income taxes		50,570	3,864
Borrowings	16	528,113	253,917
		1,196,394	841,882
Total liabilities		1,292,069	1,324,420
TOTAL EQUITY AND LIABILITIES		6,758,183	6,508,238

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 28 February 2008.

Approved by:

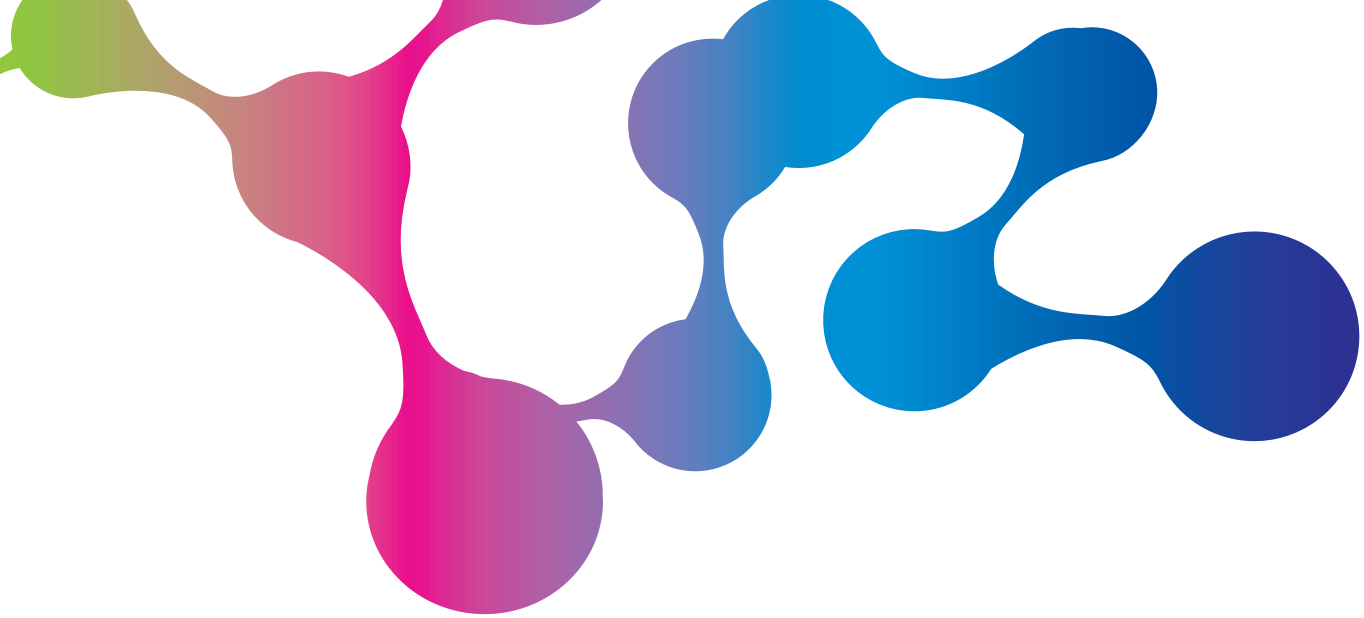
Zhivko Mukaetov
General Manager

Cvetanka Simonovska
Finance Manager

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	2007	2006
Sales	5	4,240,833	3,535,687
Cost of sales		(2,367,730)	(2,130,124)
Gross profit		**1,873,103**	**1,405,563**
Research and development expenses		(16,418)	(13,808)
Selling and marketing expenses		(1,107,179)	(970,826)
Administrative expenses		(289,775)	(127,615)
Share of loss of associate		(9,444)	-
Other income	20	155,883	210,597
Other expenses	21	(77,011)	(51,383)
Operating profit		**529,159**	**452,528**
Net foreign exchange transaction gains / (losses)	24	3,432	(10,615)
Finance expenses	24	(49,221)	(45,253)
Profit before income tax		**483,370**	**396,660**
Income tax expense	25	(106,841)	(55,082)
Profit for the year		**376,529**	**341,578**
Attributable to the:			
Shareholders of the Company		376,869	341,958
Minority interests		(340)	(308)
		376,529	**341,578**
Earnings per share (in denars)			
- Basic	26	263.93	239.22

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
As at 1 January 2006	**2,220,127**	**(13,708)**	**599,762**	**1,514,232**	**637,860**	**-**	**4,958,273**
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 9)	-	-	-	(3,833)	-	-	**(3,833)**
Fair value of investments	-	-	-	-	(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	-	-	-	-	(109,092)	-	**(109,092)**
Deferred taxes (Note 18)	-	-	-	(15,461)	-	-	**(15,461)**
Profit for the year	-	-	-	-	341,958	(380)	**341,578**
Translation differences	-	-	(12)	(6,154)	8,184	(117)	**1,901**
As at 31 December 2006	**2,214,321**	**(36,913)**	**599,821**	**1,573,957**	**830,622**	**2,010**	**5,183,818**
Purchase of treasury shares	(39,768)	(7,600)	-	-	-	-	**(47,368)**
Sales of treasury shares	38,200	56,812	-	-	-	-	**95,012**
Allocation of profit	-	-	44	126,680	(126,724)	-	**-**
Fair value of investments (Note 9)	-	-	-	2,682		-	**2,682**
Other movements	-	-	-	(66)		-	**(66)**
Deferred taxes (Note 18)	-	-	-	(7,952)		-	**(7,952)**
Dividends (Note 27)	-	-	-	-	(125,922)	-	**(125,922)**
Profit for the year	-	-	-	-	376,869	(340)	**376,529**
Tax loss coverage	-	-	-	-	(5,198)	-	**(5,198)**
Translation differences	-	-	199	(5,398)	(37)	(185)	**(5,421)**
As at 31 December 2007	**2,212,753**	**12,299**	**600,064**	**1,689,903**	**949,610**	**1,485**	**5,466,114**

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

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	3,612,922	2,994,296
Cash paid to suppliers and employees	(3,116,190)	(2,361,145)
Cash generated from operations	**496,732**	**633,151**
Interest received	2,100	10,019
Income tax paid	(63,825)	(56,807)
Net cash generated from operations	**435,007**	**586,363**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(177,697)	(305,249)
Proceeds from sale of PPE	711	739
(Purchases)/disposals of available-for-sale financial assets	3,438	(279,186)
Dividends received	33	32
Proceeds from loans to employees	4,762	21,036
Net cash used in investing activities	**(168,753)**	**(562,628)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of borrowings	213,000	1,166,551
Repayments of borrowings	(354,220)	(938,525)
Interest paid	(49,564)	(46,329)
Purchase of treasury shares	(47,368)	(337,944)
Sales of treasury shares	95,012	270,733
Minority interests	-	2,507
Compensation to shareholders	(16,112)	(109,063)
Net cash provided by financing activities	**(159,252)**	**7,930**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**107,002**	**31,665**
Cash and cash equivalents at beginning of year	204,519	173,603
Translation differences	(765)	(749)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**310,756**	**204,519**

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

Notes to the Consolidated Financial Statement

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 2.4.

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

Aleksandar Makedonski 12
1000 Skopje, Republic of Macedonia

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

2.2 Standards and Interpretations effective in the current period

In the current year, the Company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company in advance of their effective dates (as described in 2.2 above) the following Interpretations were in issue but not yet effective:

• IFRIC 11	IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007);
• IFRIC 12	Service Concession Arrangements (effective 1 January 2008); and
• IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The management anticipate that all of the above Interpretations will be adopted in the Company's financial statements for the period commencing 1 January 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Company in the period of initial application

2.4 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 then 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 entity. The cost of acquisition is measured at 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.

The accompanying financial statements include the financial statements of the parent company Alkaloid AD Skopje and the following subsidiaries:

The investment in Alkaloid USA LLC Columbus, Ohio USA is the equity share of 49 %, but the Company exercises control.

During 2007 Alkaloid established fund "Trajce Mukaetov" with main activity supporting students of medicine.

Alkaloid's representative offices in Russia, Montenegro and Romania are included in the financial statements of the Company.

2.5 Investment in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

	2007 % of ownership	2006 % of ownership
Alkaloid DOO Ljubljana, Slovenia	100%	100%
Alkaloid DOO Zagreb, Croatia	100%	100%
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100%	100%
Alkaloid DOO Beograd, Serbia	100%	100%
ALK&KOS Shpk Prishtina, Kosovo (Serbia)	100%	100%
Alkaloid EOOD Sofia, Bulgaria	100%	100%
Alkaloid Shpk Tirana, Albania	100%	100%
Alkaloidfarm SA Fribourg, Switzerland	100%	100%
Alkaloid Kons DOOEL Skopje, Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio USA	49%	49%
Alkaloid Premazi DOOEL Skopje, Macedonia	100%	100%
Fund "Trajce Mukaetov" Skopje, Macedonia	100%	-

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

2.6 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.

2.7 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in thousands of Macedonian Denar, 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 of monetary securities denominated in foreign currency classified as available for sale are recognised in 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.

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:

2.8 Property, plant and equipment (continued)

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.

2.9 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 after the commercial launch.

2.10 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 then goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 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 2.13)

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 2.13.

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.

2.13 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'.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in bank and in hand.

2.15 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.

2.16 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.

2.17 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 12% 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.

2.18 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.

2.19 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.

2.20 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 collectability 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.

2.21 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.

2.22 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 then short term. Interest rates on short term borrowings are decreased in respect of previous year.

Fair value estimation

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

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

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

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 2007, 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.

Primary reporting format - business segments (continued)

The segment results for the year ended 31 December 2007 are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Coatings	Total
Sales	**3,330,023**	**693,326**	**217,484**	**4,240,833**
Operating profit/Segment result	467,721	55,349	6,429	**529,499**
Minority interests				**(340)**
				529,159
Finance costs				**(45,789)**
Profit before income tax				**483,370**
Income tax expense				**(106,841)**
Profit for the year				**376,529**

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

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

Primary reporting format - business segments (continued)

Other segments item included in the income statement for the year ended 31 December 2007 are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Coatings	Total
Depreciation (Note 6)	158,081	34,264	3,281	**195,626**
Amortization (Note 7)	9,382	-	-	**9,382**
Impairment of trade receivables	32,764	5,432	-	**38,196**

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

	Pharmacy	Chemicals Cosmetics Botanicals	Coatings	Total
Depreciation (Note 6)	137,731	31,976	7,670	**177,377**
Amortization (Note 7)	3,934	-	-	**3,934**
Impairment of trade receivables	36,217	21,661	6,099	**63,977**

The segment assets and liabilities as at 31 December 2007 and capital expenditures for the year then ended are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Coatings	Total
Assets	5,138,328	1,314,102	305,753	**6,758,183**
Liabilities	1,061,839	145,215	85,015	**1,292,069**
Capital expenditures	219,381	6,836	244	**226,461**

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

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

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	2007	2006
Macedonia	1,742,033	1,524,457
South East Europe	2,004,092	1,601,345
Russia and CIS	94,738	297,232
Western Europe (EU and EFTA)	367,881	77,536
Other countries	32,089	35,117
	4,240,833	3,535,687

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

Sales by category

	2007	2006
Sales of goods	3,998,429	3,350,259
Sales of commodities	201,111	164,848
Revenue from services	18,744	7,479
Other revenue	22,549	13,101
	4,240,833	3,535,687

Total assets

	2007	2006
South East Europe	6,695,442	6,488,231
Western Europe (EU and EFTA)	60,521	16,066
United States of America	2,220	3,941
	6,758,183	**6,508,238**

Capital expenditures

	2007	2006
South East Europe	226,461	500,944
Western Europe (EU and EFTA)	-	-
United States of America	-	2,581
	226,461	**503,525**

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Construction in progress	Total
Cost or valuation					
At 1 January 2006	856,099	3,392,537	1,356,596	217,644	5,822,876
Additions	-	64,927	25,203	308,889	**399,019**
Transfer from construction in progress	-	6,405	271,316	(277,721)	**-**
Transfer to related parties	-	(257,527)	(56,208)	(87,768)	**(401,503)**
Elimination	-	-	(353,837)	-	**(353,837)**
Valuation	-	-	48,330	-	**48,330**
Disposals	-	-	(33,576)	-	**(33,576)**
Translation differences	-	354	722	-	**1,076**
At 31 December 2006	856,099	3,206,696	1,258,546	161,044	5,482,385
Accumulated depreciation					
At 1 January 2006	-	1,470,152	826,525	-	2,296,677
Depreciation charge	-	79,414	97,963	-	**177,377**
Transfer to related parties	-	(204,039)	(39,982)	-	**(244,021)**
Elimination	-	-	(353,837)	-	**(353,837)**
Disposals	-	(8)	(32,286)	-	**(32,294)**
Translation differences	-	58	413	-	**471**
At 31 December 2006	-	1,345,577	498,796	-	1,844,373
Net book value					
At 31 December 2006	856,099	1,861,119	759,750	161,044	3,638,012
Cost or valuation					
At 1 January 2007	856,099	3,206,696	1,258,546	161,044	5,482,385
Additions	-	-	18,207	117,440	**135,647**
Transfer from construction in progress	-	37,360	114,387	(151,747)	**-**
Disposals	(2,757)	(10)	(13,368)	-	**(16,135)**
Translation differences	-	36	19	-	**55**
At 31 December 2007	853,342	3,244,082	1,377,791	126,737	5,601,952
Accumulated depreciation					
At 1 January 2007	-	1,345,577	498,796	-	1,844,373
Depreciation charge	-	75,077	120,549	-	**195,626**
Disposals	-	(10)	(11,305)	-	**(11,315)**
Translation differences	-	(1)	5	-	**4**
At 31 December 2007	-	1,420,643	608,045	-	2,028,688
Net book value					
At 31 December 2007	853,342	1,823,439	769,746	126,737	3,573,264

The land with surface of 304,358 ?2, 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 DOOEL (Note 10).
The historical cost of land and buildings and construction in progress that relates to building is as follows:

Property, plant and equipment	2007	2006
Cost	5,429,675	5,312,242
Accumulated depreciation	(1,993,914)	(1,825,920)
Net book value	**3,435,761**	**3,486,322**

Bank borrowings are secured by a mortgage on the Company's buildings in the amount of Denar 530,072 thousand; (2006: Denar 530,072 thousand) (Note 16).

7. INTANGIBLES

	Trademarks and licenses	Software	Other intangibles assets	Construction in progress	Total
Cost or valuation					
At 1 January 2006	**194**	**6,459**	**10,236**	**14,363**	**31,252**
Additions	192	-	-	78,511	**78,703**
Transfer from construction in progress	-	25,370	-	(25,370)	**-**
Translation differences	1	-	-	-	**1**
At 31 December 2006	**387**	**31,829**	**10,236**	**67,504**	**109,956**
Accumulated amortization					
At 1 January 2006	**176**	**2,811**	**10,236**	**-**	**13,223**
Charge for the year	19	3,915	-	-	**3,934**
Translation differences	-	-	-	-	**-**
At 31 December 2006	**195**	**6,726**	**10,236**	**-**	**17,157**
Net book value as at 31 December 2006	**192**	**25,103**	**-**	**67,504**	**92,799**

	Trademarks and licenses	Software	Other intangibles assets	Construction in progress	Total
Cost or valuation					
At 1 January 2007	**387**	**31,829**	**10,236**	**67,504**	**109,956**
Additions	12,863	132	-	77,819	**90,814**
Transfer from construction in progress	19,447	77,871	-	(97,318)	**-**
Translation differences	19	-	-	(267)	**(248)**
At 31 December 2007	**32,716**	**109,832**	**10,236**	**47,738**	**200,522**
Accumulated amortization					
At 1 January 2007	**195**	**6,726**	**10,236**	**-**	**17,157**
Charge for the year	2,068	7,314	-	-	**9,382**
Translation differences	-	-	-	-	**-**
At 31 December 2007	**2,263**	**14,040**	**10,236**	**-**	**26,539**
Net book value as at 31 December 2007	**30,453**	**95,792**	**-**	**47,738**	**173,983**

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

8. FINANCIAL INSTRUMENTS

Capital risk management

In order to be able to continue as going concern, the Company uses loans from banks and intend to maximize the return to the stakeholders through the optimization of the debt and equity balance.

The management of the Company review the capital structure on a regular basis.

	2007	2006
Debt	598,642	727,534
Cash and cash equivalents	(310,756)	(204,519)
Net debt	287,886	523,015
Equity	5,466,114	5,183,818
Net debt to equity ratio	5.27 %	10.09 %

Categories of financial instruments and risk management objectives

The Company's principal financial instruments are cash and cash equivalents and trade receivables, as well as, borrowings and trade payables. In the normal course of operations, the Company is exposed to the following risks:

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currency in respect of sales of goods and services, purchase of raw materials, services and equipment and obtaining borrowings. The Company does not use any special financial instruments to hedge against this risk since no such instruments are in common use in the Republic of Macedonia.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows

	Liabilities		Assets	
	2007	2006	2007	2006
EUR	484,260	862,012	1,000,045	1,005,417
USD	94,265	108,159	89,436	167,421
CHF	6,565	9,043	-	560

The Company is mainly exposed to Euro currency.

The following table details the Company's sensitivity analysis to a 10% increase and decrease in the Macedonian Denar ("MKD") against the relevant foreign currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number below indicates an increase in profit and equity, and negative number below indicates a decrease.

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2007	2006	2007	2006
EUR	(51,578)	(14,340)	51,578	14,340
USD	484	(5,926)	(484)	5,926
CHF	656	848	(656)	(848)
Profit and loss and equity	**(50,438)**	**(19,418)**	**50,438**	**19,418**

The Company's sensitivity to foreign currency has increased during the current period mainly due to combine effect of increase of foreign trade receivables and decrease of borrowings and trade payables.

Interest rate risk

The Company is exposed to interest risk arising from variable interest rate on borrowings, which depends on the changes of the financial market.

The sensitivity analyses below have been determined based on the exposure to interest rates as a result of a 10% increase or decrease for foreign borrowings at the balance sheet date. A positive number below indicates an increase in profit and equity, and negative number below indicates a decrease.

	Increase of 10%		Decrease of 10%	
	2007	2006	2007	2006
Short term borrowings	2,955	2,048	(2,955)	(2,048)
Long term borrowings	1,663	1,236	(1,663)	(1,236)
Profit and loss and equity	**(4,618)**	**(3,284)**	**4, 618**	**3,284**

If interest rates had been 10% higher the Company's profit for the year ended 31 December 2007 and retained earnings would decrease by MKD 4,618 thousand, and opposite if interest rates had been 10% lower the Company's profit for the year ended 31 December 2007 and retained earnings would increase by MKD 4,618 thousand.

Liquidity risk

The management of the Company has responsibility for maintenance adequate liquidity. In certain cases the Company use short and long-term funding for liquidity purposes. The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows. At any time, the Company can draw additional borrowings from banks with relatively low interest rates, which reduce further liquidity risk.

The following tables detail the Company's remaining contractual maturity for its financial liabilities.

2007	Less than 1 month	1 – 3 months	3 -12 months	12-60 months	Total
Trade and other payables	513,839	96,746	7,126	-	**617,711**
Income tax	3,920	11,367	35,283	-	**50,570**
Borrowings	14,329	41,395	472,389	70,529	**598,642**
	532,088	**149,508**	**514,798**	**70,529**	**1,266,923**

2006	Less than 1 month	1 – 3 months	3 -12 months	12-60 months	Total
Trade and other payables	584,101	-	-	-	**584,101**
Income tax	3,864	-	-	-	**3,864**
Borrowings	-	11,470	242,447	473,617	**727,534**
	587,965	**11,470**	**242,447**	**473,617**	**1,315,499**

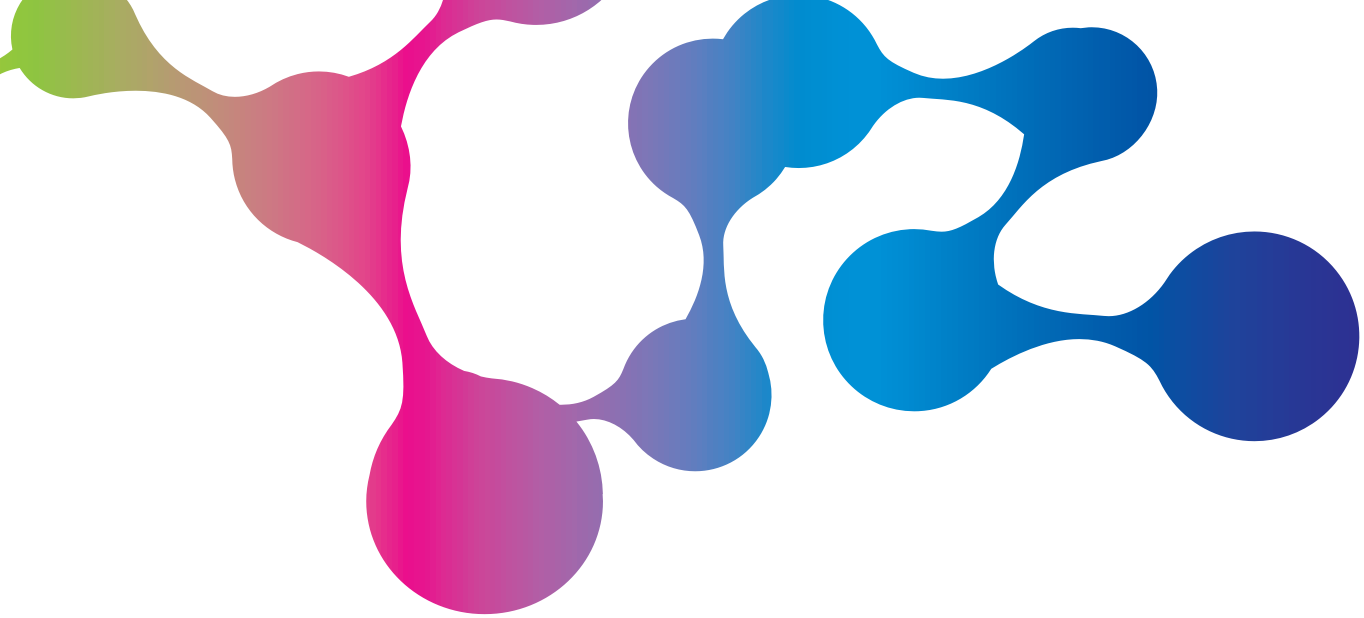
The following tables detail the Company's remaining contractual maturity for its financial assets:

2007	Less than 1 month	1 – 3 months	3 -12 months	12-60 months	Total
Trade and other receivables	681,337	660,856	59,301	-	1,401,494
Other long term receivables	-	-	-	35,576	35,576
Available-for-sale financial assets	-	-	-	9,992	9,922
	681,337	660,856	59,301	45,498	1,446,992

2006	Less than 1 month	1 – 3 months	3 -12 months	12-60 months	Total
Trade and other receivables	836,893	147,474	249,645	-	1,234,012
Other long term receivables	-	-	-	55,937	55,937
Available-for-sale financial assets	-	-	-	275,250	275,250
	836,893	147,474	249,645	331,187	1,565,199

Taxation risks

Macedonian tax legislation is subject to varying interpretations and changes that 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 period that remains opened for review by the tax and customs authorities with respect to tax liabilities is five years.



Fair values

The Company's financial instruments are:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash and cash equivalents	310,756	204,519	310,756	204,519
Trade and other receivables	1,401,494	1,234,012	1,401,494	1,234,012
Other long term receivables	35,576	55,937	35,576	55,937
Available-for-sale financial assets	9,922	275,250	9,922	275,250
Financial liabilities				
Trade and other payables	617,711	584,101	617,711	584,101
Income tax	50,570	3,864	50,570	3,864
Borrowings	598,642	727,534	598,642	727,534

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
At 1 January	275,250	12,280
Reclassification	(266,803)	
Additions	2,681	266,803
Disposals	(1,206)	(3,833)
At 31 December	**9,922**	**275,250**

Available-for-sale financial assets consist of:

	2007	2006
Available-for-sale financial assets in non related parties	9,922	275,250

10. INVESTMENTS IN ASSOCIATE

The investments in associate entirely relate to the Company's investment in PZU Gradska Apteka Skopje, with the equity share of 25 %.

11. INVENTORIES

	2007	2006
Raw materials	529,646	470,054
Spare parts	4,911	4,950
Tools and consumable stores	20,324	2,315
Work in progress	94,266	54,611
Finished goods	317,755	445,280
Commodities	30,513	28,590
	997,415	1,005,800

12. TRADE AND OTHER RECEIVABLES

	2007	2006
Trade receivables	1,485,775	1,269,589
Less: provision for impairment of receivables	(180,339)	(213,655)
Trade receivables – net	1,305,436	1,055,934
Prepayments	50,678	31,604
Receivables from employees	15,216	86,998
Prepaid VAT	31,023	20,282
Other receivables	34,717	95,131
	1,437,070	1,289,949
Less: non-current portion	(35,576)	(55,937)
	1,401,494	1,234,012

Non-current receivables relate to loans to employees and prepayments for property, plant and equipment that are due within 2 years.

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

	2007	2006
Trade and other receivables	35,576	50,542

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

	2007	2006
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.

13. CASH AND CASH EQUIVALENTS

	2007	2006
Cash at banks	306,217	202,026
Cash in hands	3,507	1,974
Other	1,032	519
	310,756	204,519

14. SHARE CAPITAL

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2006	**1,431,353**	**2,220,127**	**-**	**2,220,127**	**(13,708)**
Treasury shares purchased	(88,352)	-	(138,118)	**(138,118)**	(199,826)
Sale of treasury shares	84,599	-	132,312	**132,312**	176,621
At 31 December 2006	**1,427,600**	**2,220,127**	**(5,806)**	**2,214,321**	**(36,913)**
Treasury shares purchased	(25,630)	-	(39,768)	**(39,768)**	(7,600)
Sale of treasury shares	24,629	-	38,200	**38,200**	56,812
At 31 December 2007	**1,426,599**	**2,220,127**	**(7,374)**	**2,212,753**	**12,299**

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 2007, the Company acquired 25,630 its own shares through Macedonian stock exchange and held as treasury shares. From the total portion of treasury shares, a number of 24,629 shares were disposed of, while 4,754 are still treasury shares.

15. OTHER RESERVES

	Property, plant and equipment	Available-for-sale investment	Solidarity fund	Fund for shares	Reinvested profit	Total
At 1 January 2006	**1,260,749**	**3,446**	**4,399**	**245,638**	**-**	**1,514,232**
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)**
At 31 December 2006	**1,328,301**	**18**	**-**	**245,638**	**-**	**1,573,957**
Allocation of profit	-	-	-	-	126,680	**126,680**
Revaluation	(66)	2,682	-	-	-	**2,616**
Deferred tax	(7,952)	-	-	-	-	**(7,952)**
Translation differences	(5,398)	-	-	-	-	**(5,398)**
At 31 December 2007	**1,314,885**	**2,700**	**-**	**245,638**	**126,680**	**1,689,903**

16. BORROWINGS

	2007	2006
Non-current borrowings	70,529	473,617
Current borrowings	528,113	253,917
	598,642	**727,534**

Bank borrowings are secured by a mortgage placed on the Company's buildings in the amount of Denar 530,072 thousand (2006: Denar 530,072 thousand) (Note 6).

The maturity of the borrowings is as follows:

	2007	2006
Up to 1 year	528,113	253,917
Between 1 to 3 years	67,960	473,617
Over 3 years	2,569	-
	598,642	727,534

The borrowings are denominated in following currencies:

	2007	2006
EUR	288,380	503,354
MKD	310,262	224,180
	598,642	727,534

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

	31 December 2007		31 December 2006	
	EUR	MKD	EUR	MKD
Interest rates	6 months LIBOR +3%	7.5 – 8.5 %	6 months LIBOR +3%	7.5 – 8.5 %
Interest rates	3 months EURIBOR +3%	5 – 7.5 %	3 months EURIBOR +3%	5 – 7.5 %

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

	Carrying amounts		Fair value	
	2007	2006	2007	2006
Bank borrowings	70,529	473,617	70,529	418,449

17. RETIREMENT BENEFITS

	2007	2006
Retirement benefits	8,666	8,921

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:

	2007	2006
Beginning of the year	8,921	17,733
Increase in calculation	468	-
Retirement benefits	(723)	(371)
Actuarial (gains)/losses	-	(8,441)
At 31 December	**8,666**	**8,921**

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

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate	9.0 %	9.0 %
Future salary increase	3.0 %	3.0 %

18. DEFERRED INCOME TAX

	2007	2006
Deferred income tax assets	(13,149)	(17,370)
Deferred income tax liabilities	16,480	15,461
	3,331	(1,909)

Deferred income tax is determined using tax rates of 12%.

	2007	2006
At 1 January	(1,909)	(28,737)
Income tax in income statement	(2,712)	11,367
Income tax in equity	7,952	15,461
At 31 December	3,331	(1,909)

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

	Provisions	Accruals	Fair value	Total
At 1 January 2006	(12,141)	(9,663)	(6,933)	(28,737)
Charged to Income statement	3,042	8,325	-	**11,367**
Charged to equity	-	-	15,461	**15,461**
At 31 December 2006	(9,099)	(1,338)	8,528	(1,909)
Charged to Income statement	(3,010)	298	-	**(2,712)**
Charged to equity	-	-	7,952	**7,952**
At 31 December 2007	(12,109)	(1,040)	16,480	3,331

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

	2007	2006
Trade receivables	(3,010)	3,042
Accruals	-	7,003
Retirement benefits	298	1,322
	(2,712)	11,367

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

	2007	2006
Land and buildings	7,952	15,461
	7,952	15,461

19. TRADE AND OTHER PAYABLES

	2007	2006
Trade payables	467,123	483,899
Customer's prepayments	15,275	27,378
Payables to employees	49,081	36,044
Dividends	7,123	6,585
Interest	1,158	720
Other payables and accrued expenses	77,951	29,475
	617,711	584,101

20. OTHER INCOME

	2007	2006
Collected written-off receivables	86,550	115,069
Dividends income	33	1,897
Interest income	2,231	11,516
Foreign exchange transaction gains	37,148	52,350
Other income	29,921	29,765
	155,883	210,597

21. OTHER EXPENSES

	2007	2006
Interest expenses	3,861	3,329
Foreign exchange transaction loss	50,379	39,852
Participation in loss	9,444	-
Other expenses	22,771	8,202
	86,455	51,383

22. EXPENSES BY NATURE

	2007	2006
Raw materials	1,177,883	1,096,930
Employee benefit expense	891,684	763,312
Depreciation and amortization	205,008	181,311
Utilities	145,776	117,547
Impairments	52,773	63,977
Transportation	73,560	67,380
Changes in the inventories	45,808	77,032
Other expenses	1,188,610	874,884
	3,781,102	3,242,373

23. EMPLOYEE BENEFIT EXPENSE

	2007	2006
Gross salaries	676,390	630,948
Transportation	1,523	5,309
Food allowances	32,352	27,210
Holliday allowances	17,767	15,087
Termination benefits	12,139	48,490
Profit-sharing	138,551	21,269
Retirement benefits	723	371
Jubilee awards	10,864	10,752
Other expenses	1,375	3,876
	891,684	**763,312**
Average number of employees	**1,157**	**1,152**

24. FINANCE COSTS

	2007	2006
Net foreign exchange transaction gains/(losses)	3,432	(10,615)
Interest expense	(49,221)	(45,253)
	(45,789)	**(55,868)**

25. INCOME TAX

	2007	2006
Current income tax	109,266	43,715
Deferred income tax (Note 18)	(2,712)	11,367
Effect of change of income tax rate	287	
	106,841	**55,082**

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

	2007	2006
Profit before tax	483,370	396,660
Tax calculated at tax rate of 12% (2006: 15%)	58,004	59,499
Income not subject to tax	(4)	(5)
Expenses not deductible for tax purposes	56,026	46,698
Tax allowances	(4,760)	(62,477)
Utilization of previous tax credit	(2,712)	11,367
Effect of change of income tax rate	287	-
	106,841	55,082

26. EARNING PER SHARE

	2007	2006
Basic earning per share (in denars)		
Profit attributable to shareholders (denars thousands)	376,529	341,958
Average number of shares	1,426,599	1,429,477
	263.93	239.22

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 23 April 2007 were Denar 125,922 thousand. Approved dividends in 2007 in respect of 2006 are paid and retained earnings are appropriately decreased.

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 43,876 thousand; (2006: Denar 6,709 thousand).

29. CONTINGENCIES

The Company has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 23,665 thousand (2006: Denar 3,153 thousand).

30. RELATED PARTY TRANSACTIONS

The transactions with the related parties are started below:

Sale of goods and services	2007	2006
PZU Gradska Apteka Skopje	101,576	-

Accounts receivables	2007	2006
PZU Gradska Apteka Skopje	42,849	-

Key management compensations

No compensations were paid in 2007 and 2006 to the Management Board members. In 2007, the amount of Denars 3,152 thousand were paid to the Supervision Board members (2006: Denar 3,146 thousand).

31. POST BALANCE SHEETS EVENTS

Changes in the corporate taxation and the personal income tax

In accordance with the changes in income tax rate and personal income tax rate applicable from 1 January 2008, the income tax rate for 2008 is 10 % (2007: 12 %).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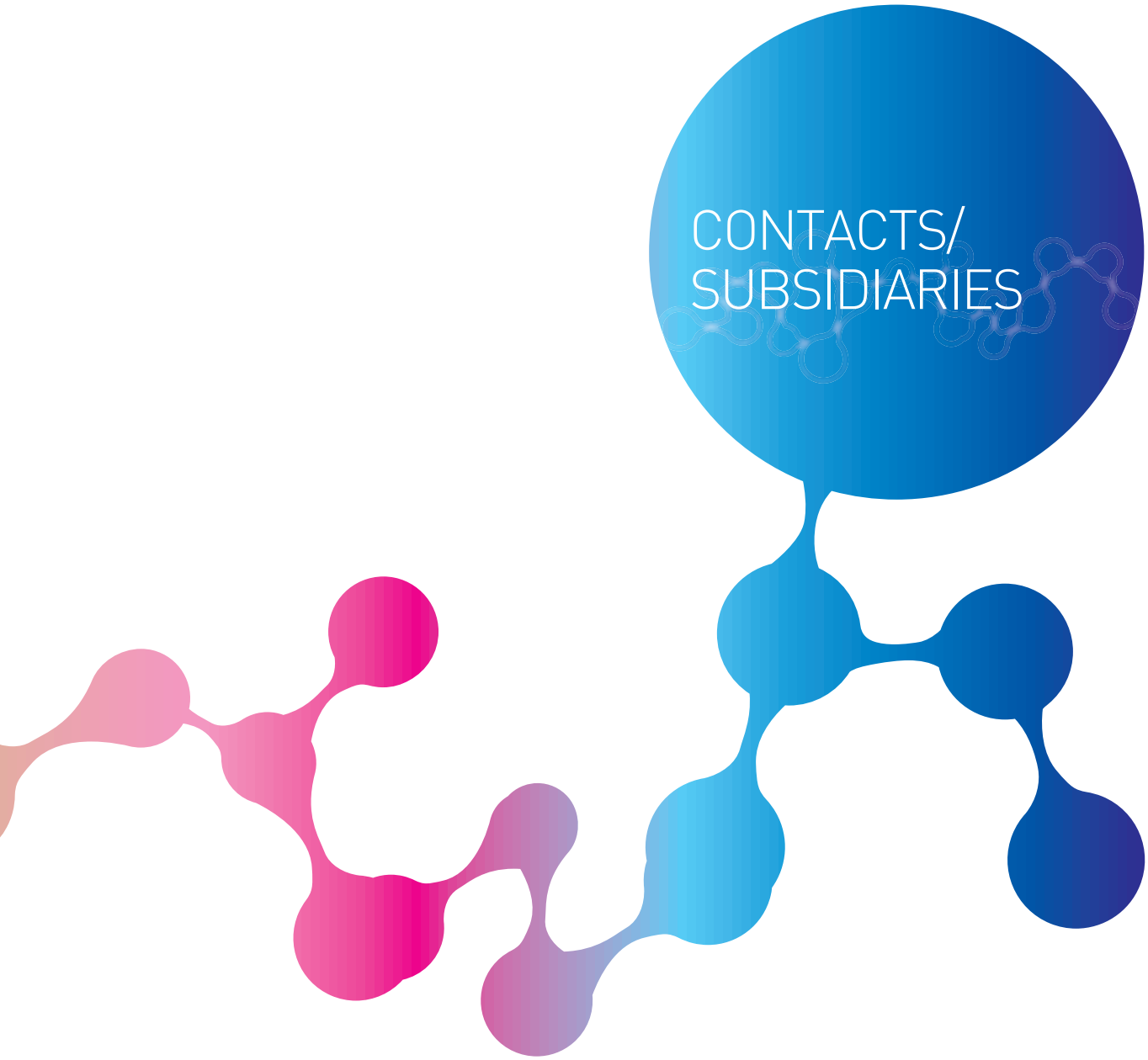

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