



# ANNUAL REPORT







 CORPORATE INFORMATION 

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## KEY FINANCIAL INDICATORS

	(In 000 MKD)		
	Amount	Amount	Index
	2010	2009	10/09
Total Revenues	6.172.281	5.705.067	108,19
Sales	5.934.328	5.466.389	108,56
Gross Profit	2.965.716	2.568.932	115,45
Operating Profit	671.183	668.859	100,35
Profit Before Tax	628.718	622.053	101,07
Net Profit	574.339	558.485	102,84
Total Assets	8.187.723	7.678.054	106,64
Equity	6.597.395	6.271.012	105,20
Net Cash Flow	[38.152]	[104.717]	36,43
Investments in Assets (PPE&IA)	333.729	509.084	65,55
Average Number of Employees	1.289	1.204	107,06
Sales per Employee	4.604	4.540	101,40
Current Ratio	2,72	2,56	106,25
Long-term Debt	-	-	-
ROE Return on Equity	8,71	8,91	97,76
EPS Basic Earnings per Share (In MKD)	403,70	392,55	102,84
DPS Dividend per Share (In MKD)	150,00	136,00	110,29
Total Number of Shares	1.431.353	1.431.353	100,00
1 EUR/1 MKD (Average)	61,5150	61,2728	100,40

## FINANCIAL HIGHLIGHTS

	(In 000 EUR)		
	Amount	Amount	Index
	2010	2009	10/09
Total Revenues	100.338	93.109	107,76
Sales	96.470	89.214	108,13
EBIT Earning Before Interest and Taxes	10.911	10.916	99,95
Net Profit	9.337	9.115	102,43
EPS Earnings per Share	6,56	6,41	102,44

# HIGHLIGHTS 2010

H.E. D-r Gjorgje Ivanov, the President of the Republic of Macedonia during his official visit to the Republic of Serbia, visited the new production facilities of Alkaloid AD Skopje in Belgrade.

## “Trajche Mukaetov”

Foundation granted a total of 40 new scholarships for the academic year 2010/2011 to undergraduate students of the Faculties of Medicine and Pharmacy at Sts. Cyril and Methodius University in Skopje. For the first time, in the academic 2010/11, this Foundation awarded the valedictorians of the respective faculties.

The Ministry of Economy of the Republic of Macedonia, within the scope of the EU co-financed project Competitiveness and Innovation Framework Programme (CIP) 2007-2013 presented Alkaloid AD Skopje with the National Award for Ethical Management for the year 2009 for the project: Code of Ethical and Business Conduct. Two other projects of the company were verified with recognitions: Human Resources Management 2009-2011 and Social Responsibility Policy of Alkaloid AD-Skopje – Symbiosis for Healthier Life and Future.

Alkaloid AD Skopje registered a new subsidiary in the Republic of Slovenia: Alkaloid-Pharm Ltd. Ljubljana.

Alkaloid AD Skopje has been awarded the Fair Wild Standard, Version 2 (08/2010) Certificate for its teas from the Botanicals portfolio granted by the IMO – Institute for Marketology from Switzerland, the only inspection body accredited for this kind of certification. The Fair Wild Certificate ensures that the tea products are in compliance with the requirements set forth in the Fair Trade principles, ILO- International Labour Standards and the ISSC-MAP – International Standards for Sustainable Wild Collection of Medicinal and Aromatic Plants, which guarantee the safety, quality and effectiveness of the teas produced.

The new centre for Information Technology "Trajche Mukaetov" was officially commissioned.

Alkaloid in cooperation with foreign partners has implemented the strategic BC/DR (Business Continuity/Disaster Recovery) project in the IT&T segment that ensures protection of data (archiving and recovery) for the purpose of unobstructed functioning of the business operations in event of disasters, damage, destruction of part or the entire information and telecommunication equipment from its primary location.

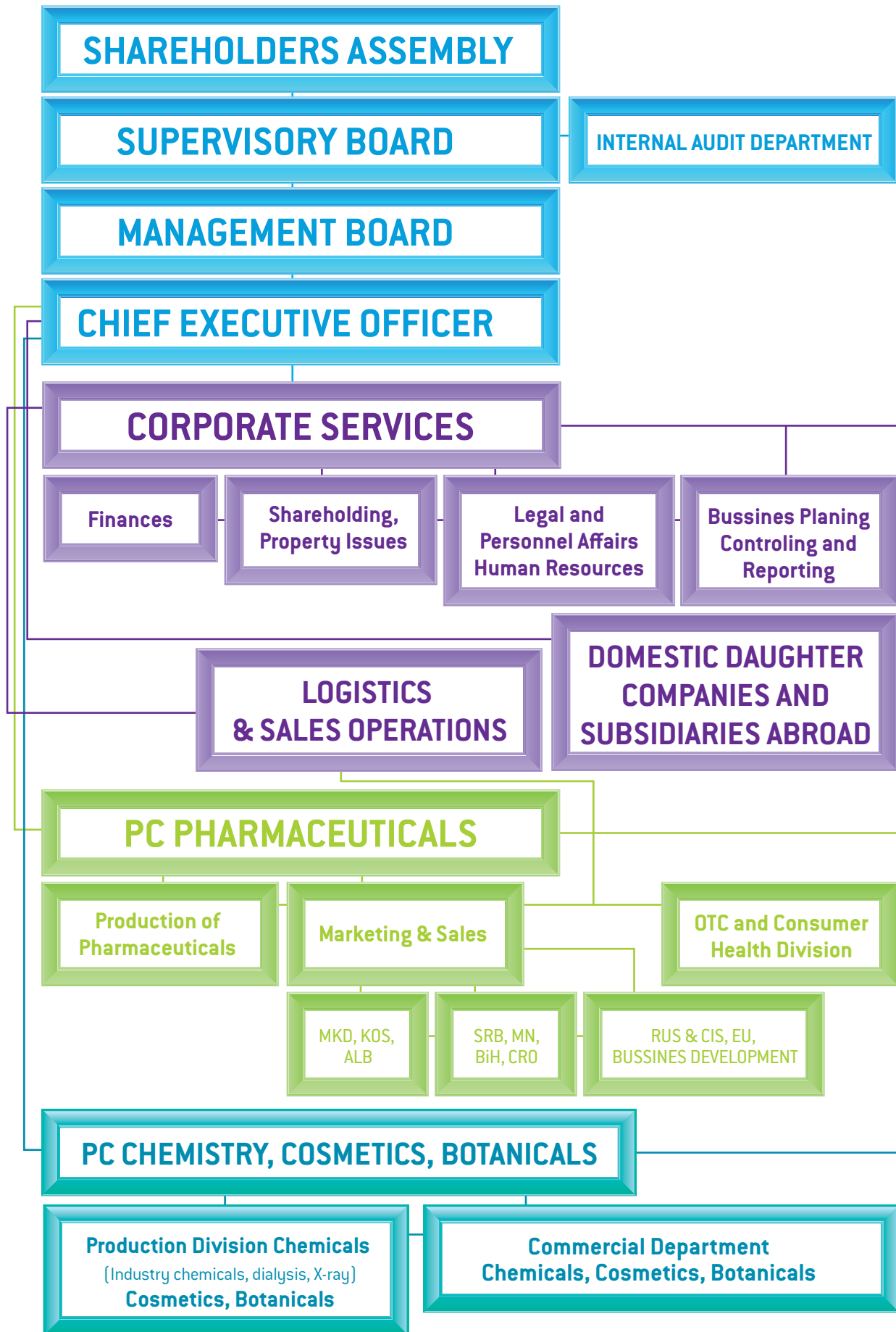
Alkaloid CONS Ltd. Skopje, a daughter company of Alkaloid AD Skopje commenced operating in the cutting-edge SAP data information system, the world leader in ERP (Enterprise Resource Planning) systems.

Alkaloid AD Skopje was granted the CE Certificate for the production of concentrated haemodialysis solutions by the renowned agency KEMA Quality B.V, member of DEKRA Group from the Netherlands, one of the largest certification agencies in the world.

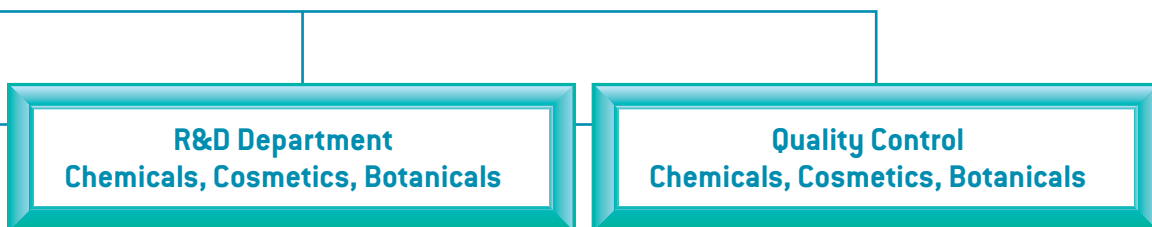
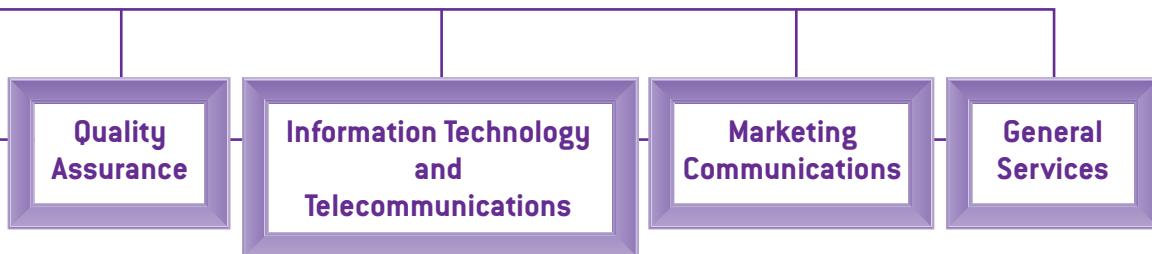
Alkaloid AD was the general sponsor of the First Congress of Pharmacists of Montenegro with international participation held in Becici, Montenegro.

CEO/MB President of Alkaloid, Mr. Zhivko Mukaetov participated at the Brown Forum held in Dubrovnik, Croatia, organized by the U.S. Embassy in Zagreb, the Croatian President's Office, the Croatian government and the Croatian Employers Association. The main topic of the forum was U.S. & Southeast European Trade and Investment.





# ORGANIZATIONAL CHART ALKALOID





# REPORT ON THE WORK OF THE SUPERVISORY BOARD OF ALKALOID AD SKOPJE

In 2009, 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 and former Dean of the Faculty of Law "Justinian I" at Sts. Cyril and Methodius University in Skopje.

President of the Board since 1998.



## **Prof. D-r Ilija Dzonov**

**Member of the Supervisory Board,**

MD, Dr. Sci. med.

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

Professor and former Dean of the Faculty of Medicine at Sts. Cyril and Methodius University in Skopje.

Member of the Board since 1998.



## **Bojanco Krlevski**

**Member of the Supervisory Board,**

B.Sc. in Chemical Engineering.

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

Employed in Alkaloid AD Skopje.

Member of the Board since 1998.



In accordance with the Law on Trade Companies and the Statute of ALKALOID AD Skopje, the Supervisory Board is authorized to supervise the management of the Company performed by the Management Board as well as to analyze and assess the papers and the documents of the Company.

During its formal sessions, the Supervisory Board reviewed and discussed all important issues that fell within the scope of its competences, including the unaudited standalone financial reports and unaudited consolidated financial reports for the previous year, as well as those for the period 1 January to 31 March 2010; 1 January to 30 June 2010; 1 January to 30 September 2010 in all structures: Balance sheet of the Company, Income statement, Cash flow, Trade receivables and Borrowings.

On the formal sessions, upon invitation sent by the Supervisory Board, the Chief Executive Officer and President of the Management Board attended, along with other competent management representatives in order to elaborate all positions from the submitted unaudited standalone financial statements and unaudited consolidated financial statements thus enabling the Supervisory board to take its proper decisions. Thereafter, upon the rendered assessment and elaborations given by the CEO and MB President of Alkaloid AD Skopje and the management representatives from the competent expert services, the Supervisory Board asserted to approve the unaudited standalone financial statements and unaudited consolidated financial statements of the Company.

The Supervisory Board positively assessed the cooperation with the President and the Members of the Management Board whose sole purpose was to build mutual attitudes aimed at realization of the set plans for successful development of the Company for 2010.

The Supervisory Board carried out a regular assessment of the management of the Company i.e. the work of the Management Board and reviewed the Annual Report on the operations of the company for the period from January to December 2010. The Supervisory Board thus assessed that the operations of the Company and its management were carried out successfully, as indicated in the presented positive financial results if the Company in the course of the fiscal year 2010.

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

In accordance with Article 374, Section 3 of the Law on Trade Companies, taking into consideration the past successful running of the business policy and the operations of the Company by the members of the Management Board, the Supervisory Board passed a Decision for a new appointment of Zhivko Mukaetov, Gjorgi Jovanov, Cvetanka Simonovska, Milkica Gligorova and Kire Icev for management board members with mandate of 6 (six) years. By means of the Decision for appointment of MB Members, Zhivko Mukaetov is re-elected for Management Board President.

In accordance with Article 415-a of the Law on Additions and Amendments to the Law on Trade Companies (Official Gazette of the Republic of Macedonia No. 48.2010), the Supervisory Board passed a decision on organizing Internal Audit Department, as independent organizational unit of Alkaloid AD Skopje.



In accordance with Article 415-b of the Law on Additions and Amendments to the Law on Trade Companies (Official Gazette of the Republic of Macedonia No. 48.2010), the Supervisory Board passed a decision for approval of the annual business plan of the Internal Audit Department for year 2011. Accordingly, the Supervisory Board passed a decision approving the Strategic Plan of the Internal Audit Department for the period 2011 to 2013 as well as the Charter of the Internal Audit Department. Signatories to this Charter are the manager of the Internal Audit Department and the President of the Supervisory Board.

The Supervisory Board reviewed the Business Plan of Alkaloid AD Skopje pertaining to year 2011, thus assessed that the same is thoroughly elaborated, sustainable and clearly defines the objectives in all management levels thus providing integration of all efforts in the process of achievement of the mutually defined goals of the Company.

Pursuant to Article 480, Section 2 of the Law on Trade Companies, the Supervisory Board reviewed the Statutory Standalone Financial Reports, Statutory Consolidated Financial Reports for the year ended 31 December 2010 and the Independent Auditors' Report along with the opinions issued by the independent auditor Deloitte doo Skopje. According to the opinion of the independent auditor, the Statutory Standalone Financial Reports and the Consolidated Financial Reports of Alkaloid AD Skopje and its subsidiaries for the year ended 31 December 2010 are prepared in all material aspects, in accordance with the valid accounting regulations in the Republic of Macedonia. Thereby the Supervisory Board reviewed the Financial Reports of Alkaloid AD Skopje for the year ended 31 December 2010 compiled in accordance with the IFRS.

Along with the Financial Reports, the Supervisory Board also reviewed the Annual Statement of Accounts of the Company for year 2010, Annual Performance Report for the period January – December 2010 and Decision-proposal for allocation and distribution of the profit according to the annual statement of accounts of the Company for 2010.

Following the review of the Statutory Standalone Financial Reports, Statutory Consolidated Financial Reports, the Independent Auditors' Report issued by the independent auditor Deloitte, the Annual Statement of Accounts of the Company, Annual Performance Report for the period January – December 2010 and the Decision-proposal for allocation and distribution of the profit according to the annual statement of accounts of the Company for 2010, the Supervisory Board proposed to the Shareholders'



Assembly to pass a decision for approval of the following:

- Financial Reports and the Independent Auditors' Report issued by the independent auditor Deloitte for the year ended as at 31 December 2010;
- Annual Statement of Accounts of the Company for year 2010;
- Annual Performance Report for the period January – December 2010;
- Decision-proposal for allocation and distribution of the profit according to the annual statement of accounts of the Company for year 2010;

The Supervisory Board also reviewed other proposals submitted by the Management Board of the Company such as: Decision-proposal for determining dates for payment of the dividend (dividend calendar); Decision-proposal for acquisition of proper shares with buyout; Decision-proposal for selling proper shares; Decision-proposal for amendments and additions in the Statute of Alkaloid AD Skopje and Decision-proposal for assigning authorized auditor for revision of the annual statement of accounts and financial reports of the Company for the year 2011.

Thus the Supervisory Board proposed to the Shareholders' Assembly of Alkaloid AD Skopje to pass decision for approval of the above referenced as proposed by the Management Board of the Company.



Supervisory Board

Prof. D-r Miodrag Micajkov  
President



## REPORT ON THE WORK OF THE MANAGEMENT BOARD OF ALKALOID AD SKOPJE



Zhivko Mukaetov

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

Holds a B.Sc. degree in Mechanical Engineering, and a postgraduate degree from the Chartered Institute of Marketing in London, UK.  
Member of the Management Board since 2004; appointed for President of the Management Board in 2007.  
Born on 3 May 1974 in Skopje, Republic of Macedonia. He has 17 years of professional experience, and is responsible for the overall operations of Alkaloid Group.



Milkica Gligorova

**Member of the Management Board,  
Director of the Production segment of PC Pharmaceuticals  
of Alkaloid AD Skopje**

Holds a B. Sc. Degree in Pharmacy, Specialist in Pharmaceutical Technology.  
Member of the Board since 2004.  
Born on 10 April 1959 in Skopje, Republic of Macedonia.  
She has 27 years of professional experience and is responsible for the overall production operations in PC Pharmaceuticals.



### Cvetanka Simonovska

**Member of the Management Board  
and Chief Financial Officer of the Company**

Holds a B.Sc. Degree in Economics.

Member of the Board since 1995.

Born on 27 November 1953 in Gevgelija, Republic of Macedonia. She has 31 years of professional experience and is responsible for the financial operations of the Company.



### Gjorgji Jovanov

**Member of the Management Board and Director  
of Shareholding Operations  
and Propriety Issues of the Company**

Holds a B.Sc. degree in Economics.

Member of the Board since 2006.

Born on 20 August 1964 in Stip, Republic of Macedonia.

He has 22 years of professional experience and is responsible for the operations in the shareholding and property issues segment.



### Kire Icev

**Member of the Management Board,  
Director of the General Services Department  
of Alkaloid AD Skopje**

B. Sc. in Mechanical Engineering.

Member of the Board since 2007.

Born on 19 June 1974 in Kavadarci, Republic of Macedonia.

He has 10 years of professional experience and is responsible for the overall operations of the general services department.







# REPORT ON THE WORK OF THE MANAGEMENT BOARD OF ALKALOID AD SKOPJE

The Management Board has ample authorizations in the management of the Company, i.e. the implementation of 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 Law on Trade Companies and the Statute of the Company, the Management Board submits a Report on its operations given herein below presenting the operations of the Management Board in the course of the year 2010.

Within the reporting period, the Management Board performed its activities within the framework of its competences and in compliance with the valid legislation in the Republic of Macedonia and the Statute of the Company; it 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 2010; 38 sessions were held on which 144 important decisions/conclusions were made.

The Management Board of the Company passed a Decision for making an inventory listings and establishment of commissions for making inventory listings of the capital assets and the sources of capital assets, thereafter adopting the compiled report on inventory listings of Alkaloid AD Skopje and Alkaloid Cons Ltd. Skopje for the year 2010. The Management Board compiled the Annual Statement of Accounts and the Annual Report on the operations of the Company thus passing a decision approving the annual statement of accounts of the subsidiaries abroad as well as the annual statement of accounts of Alkaloid Cons Ltd. Skopje all referring to year 2010.

The Management Board of the Company in the course of its regular monthly sessions reviewed the Balance Sheet of Alkaloid AD Skopje by cost centers and the report on the current operations of Alkaloid Cons Ltd. Skopje; thus passed decisions/conclusions with specific tasks for the managing board members of the profit centers of Alkaloid AD Skopje and the manager of Alkaloid Cons Ltd. Skopje directed towards maximum engagement and fulfillment of the set objectives, intensification of settlement of outstanding debts as well as reduction of costs.

Pursuant to the Law on Trade Companies, the Management Board reviewed and discussed the unaudited standalone unconsolidated and unaudited consolidated Financial Reports for year 2010, as well as those pertaining to the period 1 January to 31 March 2010; 1 January to 30 July 2010 1 January to 30 September 2010 thus assessing that the Company effectuated positive financial results.

Pursuant to the Law on Trade Companies and the Statute of Alkaloid AD Skopje, the Management Board, within the frames of its competences passed decision-proposals in accordance with the proposed agenda for the Annual Shareholders' Assembly.

With the completion of the works of the Centre on Information Technology of Alkaloid AD, the Management Board passed a decision for the same to be named "Trajche Mukaetov"

In reference with the operations connected with the subsidiaries abroad, founded by Alkaloid AD Skopje, in the course of year 2010, the Management Board passed several important decisions.



Pursuant to the decision passed by the Supervisory Board of the company for formation of Internal Audit Department as independent organizational unit of Alkaloid AD Skopje, the Management Board passed a decision for changes in the general acts of the Company: Internal organization, Rulebook of systematization of posts and Analytical assessment of posts in which the Internal Audit Department is separate independent organizational unit comprising the following posts: manager, administrative officer, officer and operations officer.

The Management Board approved the concept for preparation and defining the basis for the Business Plan of the Company for year 2011, approved it and specified the guidelines for its implementation.

The Management Board adopted the financial report of the Foundation "Trajche Mukaetov" Skopje for year 2010 and passed the work programme for the Foundation "Trajche Mukaetov" Skopje for year 2011 determining the amount, methods, conditions and procedures for utilization of scholarship assets, donations and financing talented students, scientific workers and projects of interest in the spheres of medicine and pharmacy.

**Zhivko Mukaetov**  
CEO/MB President of  
Alkaloid AD Skopje



# ANNUAL REPORT



# CORPORATE INFORMATION



# ADDRESS OF THE CEO/MB PRESIDENT

Year 2010 was marked by the slow fading of the economic crisis in the region. Differing from the past two years, marked by the consequences of the world economic crisis, the regained interest of the investors in the region was a timid movement in positive direction.

The functioning of the business subjects in this specific circumstances requires lots of precautions, detailed analysis of all conditions and activities, consolidation of all available resources for the purpose of finding ideal balance between the growth rate and liquidity shortfalls.

## RESULTS

As a person who heads the biggest pharmaceutical industry in Macedonia that ranks No. 6 in the SEE region, I could say that I am pleased with the results presented from the business operations of Alkaloid Group.

We achieved total consolidated sales of EUR 96.5, which represents an increase of nearly 8,5%. The growth rate of the individual sales was 10%; domestic have risen by 11% and the export sales reached over 56 million Euros, which represents a growth of about 6,5%. The growth of the nonconsolidated net profit from MKD 503.267 million in 2009 to MKD 581.587 million in 2010 represents a rise of 16%. The growth of the consolidated net profit was 3%, from MKD 558.485 millions in 2009 to MKD 574.339 millions in 2010. The four basic programs of the Company also noted growth in their respective sales levels, those being: Pharmaceuticals 8%; Chemistry 22%; Cosmetics 8% and Botanicals 2%.

Alkaloid Cons Ltd., our daughter company with accumulated experience of over three decades in non-domicile representations and consignment stocks, besides the existing contracts with renowned multinationals such as Pfizer, Novartis, Sanofi-Aventis ... in 2010 entered into new agreements with F. Hoffman La Roche, Glaxo Smith Klein, B/Braun and Actavis totaling 17 foreign companies in its portfolio.

According to the information of the Macedonian Stock Exchange, the shares of Alkaloid AD Skopje in 2010 were once again among the most traded and most liquid ones. 3.437 transactions were made, with traded 72.709 shares, being 5.08% of the share capital of the Company, with total value of EUR 4.950.497. According to the information of this institution, Alkaloid AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock operations participated with over 18% in the total recorded turnover on the first official market. The price of Alkaloid shares ranged from MKD 3.299 to MKD 5.100 with average of MKD 4.157.

## SOCIAL RESPONSIBILITY

The concept of social responsibility is an integral part of the business strategies and operations of The Company, representing a sort of tradition for Alkaloid that in 2010 was recognized on national level. Within the framework of the project entitled Corporate Social Responsibility in the Republic of Macedonia, conducted by the Ministry of Economy in association with the Macedonian Enterprise Development Foundation, the Association of the Chambers of Commerce of Macedonia and the Connect Association, Alkaloid was presented the National Award for Ethical Management for the year 2009 for the project: Code of Ethical and Business Conduct. Two other projects were verified with recognitions received – Human Resources Management 2009-2011 granted in the category Relationship with the Employees and Social Responsibility Policy of Alkaloid AD- Skopje – Symbiosis for Healthier Life and Future granted in the category Investment in the Community.






The Foundation “Trajche Mukaetov” granted 40 new scholarships to students of pharmacy and medicine at the respective faculties at the University Sts. Cyril and Methodius. Starting from 2007, this Foundation supported 144 students. 11 of the scholarship graduates started their careers at Alkaloid. Through the Foundation, which represents a sort of incubator for development of future quality staff, Alkaloid has once again confirmed its determination of building brand as an employer and successful example of corporate governance of socially responsible company.

## INVESTMENTS

Out of our 2010 investment ventures, I would emphasize the completion of the works of our Centre for Information Technology named “Trajche Mukaetov” which is now in full function and is presently one of the most secure and most sophisticated centers of this type in the region. As far as the IT segment is concerned, the Company completed the implementation of Business Continuity / Disaster Recovery Project for data protection, archiving and recovery for the purpose of unobstructed functioning of the business operations in event of disasters, damage, destruction of part or the entire information and telecommunication equipment from its primary location.



In January 2011 Alkaloid CONS Ltd. Skopje, our daughter company, switched to operating in SAP, the world leader in Enterprise Resource Planning systems. Thus Alkaloid was the only Macedonian company to have conducted a RollOut of SAP ERP.

Alkaloid made significant investments in modernization and automation of its production facilities in Serbia, and the continuous investment ventures in equipment for the production facilities, are yielding their results.

Following the inspection of the renowned agency KEMA Quality B.V, member of DEKRA Group from Netherlands, one of the largest certification agencies in the world, Alkaloid AD Skopje obtained the CE Certificate of conformity for the production of concentrated hemodialysis solutions. Along with the ISO 13485 certificate for medical appliances, and the renewed CE Certificate of conformity for our X-ray films, these products can be placed in all EU markets.

Based on the inspection conducted by IMO – Institute for Marketology from Switzerland, Alkaloid AD Skopje has been granted the Fair Wild Standard, Version 2 (08/2010) Certificate for its teas from the Botanicals portfolio that ensures that the botanical products are in compliance with the requirements set forth in the Fair Trade principles for Sustainable Collection of Wild Medicinal and Aromatic Plants, which guarantee the safety, quality and effectiveness of the teas produced.

PC Pharmaceuticals successfully passed the GMP inspection for solid dosage forms performed by the MHRA from UK, the GMP inspection for cephalosporines made on behalf of the Romanian Drugs Agency as well as the inspection made by the multinational F. Hoffman La-Roche for our license production.

As a part of the management endeavors for entry into the EU markets, we have made the first placements of our pharmaceutical products in the Czech Republic and the first export of artificial fertilizers in the Republic of Greece. In order to strengthen our EU based operations, Alkaloid made additional investments in opening a new subsidiary in Ljubljana.

## PROSPECTS

The pharmaceutical industry stands for the most dynamic industry looking at a global scale. Following the slow growth of the global pharmaceutical market in 2010, according to one of the latest IMS Health Reports, the industry will rebound somewhat in 2011, growing at a rate of 5–7%, compared with only 4–5% in 2010, to reach US\$ 880 billion.

Although the opening up of the markets is a bitter pill for some pharmaceutical industries, the governments are trying to open up the pharmaceutical sector in many countries in order to reduce its cost burden. The markets are being deregulated to allow foreign drugs to compete, which in turn, should lead to lower prices and should reduce the health budgets for many countries.

The Generic pharmaceutical industry is a special segment that bases its lifeblood on choosing the molecules that will yield the best ROI in the market when an original brand loses patent exclusivity. The process of molecule selection and opportunity evaluation is the cornerstone of building a successful portfolio. In 2011, we will witness the patent falls of some iconic brands and a promising new wave of innovation, where the fastest and smartest players will have lots of success.



On the global scale, pharmaceutical companies find many different ways to ally, and it is a common practice worldwide. Several the pharmaceutical companies in the region were examples of interesting ventures and irresistible opportunities to Western giants due to their well developed work forces, strong in-house R&D departments, and distinctive brand names.

Although Business Monitor International scored CEE and SEE region with 51 .5 out of 100 in Pharmaceutical and Healthcare Business Environment Ratings for Q1/11, BMI also projects that this markets will record single to double digit compound annual growth rates in US\$ between 2009 and 2014. On the other hand, many developed countries will overhaul their healthcare systems. Non-healthcare companies will increasingly enter the medical services sector, thereby ranking this industry as a valuable investment.

Compared to the Western and Central European countries, the pharmaceutical market of Southeastern Europe is still not developed enough – the expenses per capita in this region are on average 183 \$ compared to the average of 495 \$ spent per capita in the Western part of Europe. The SEE region has a really good potential for growth in the pharmaceutical segment.

The competitive advantage of Alkaloid in the SEE Region lies in its well spread sales and marketing network covering a market of nearly 60 million inhabitants (excluding USA and Russia). According to the recently conducted market research, Alkaloid has well established and reputable brand name and its two leading brands: Caffetin, an icon for struggle against pain and baby cosmetic brand Becutan, both enjoy special emotional appeal with their consumers. It is a stable and reliable company, a recognized partner with years of international experience open for new partnerships and forms of cooperation.

## PRIORITIES

2011 brings exceptional uncertainties. Due to the fear of the financial institutions from repetition of the world economic crisis, the access to money is still difficult. The companies and the funds in the country and in the region are still recording liquidity shortfalls.

On the threshold of the year marking our 75th anniversary, the Management of Alkaloid will remain devoted to its strategic goals: continuation of the growth trend on the domestic and foreign markets, strengthening of the market positions, expansion of the product portfolio, building new partnerships and cutting costs in the non-productive segments.

In order to fulfill the set goals, we must remain flexible and competitive above all. The professionalism, quality performances and maximum dedication will remain to be the main feature of our organizational behavior and organizational culture.

Alkaloid shall continue to direct its efforts on further development of the pharmaceuticals segment via entry into new foreign markets, increase in the production and sales volume, building higher brand awareness, licensing and license agreements with foreign companies and other forms of cooperation.

It is our vision to turn the current perception of the company for being a partner of choice, to become an opportunity one cannot miss, and that is a stable partner for the future.

**Zhivko Mukaetov**  
CEO/MB President







## 40 NEW SCHOLARSHIPS GRANTED BY “TRAJCHE MUKAETOV” FOUNDATION

On 5th October 2010 the Trajche Mukaetov Foundation granted a total of 40 new scholarships for the academic year 2010/2011 to undergraduate students from the Faculties of Medicine and Pharmacy at University Sts. Cyril and Methodius in Skopje: 18 scholarships were granted to students of pharmacy and 22 were granted to students of medicine.

In compliance with the public announcement, the selection of the scholarship recipients for the academic year 2010/2011 was approved by the Management Board of the Foundation, based on the list made by the scholarship allocation committees, which included representatives of the Foundation, representatives of the Faculties of Medicine and Pharmacy at the University Sts. Cyril and Methodius as well as representatives of the students.

The scholarship, amounting to MK Denars 6.500, is granted for a period of 12 months. The names of the scholarship recipients were published in the printed media. If the students who have been granted scholarships fulfill the specified requirements, their scholarships will be extended in the course of the following academic year.

Starting from the academic year 2010/2011, in accordance with its statutory provisions, “Trajche Mukaetov” Foundation introduced a one-time award amounting to Euro 1,000 (paid in Macedonian denars) for the valedictorians at the Faculty of Pharmacy and the Faculty of Medicine at the University Sts. Cyril and Methodius. For 2010/11 Anela Toshevska and Andrej Kraleov, were presented this award by the President of the Foundation, Mr. Zhivko Mukaetov.

Ever since the academic year 2007/2008, “Trajche Mukaetov” Foundation granted a total of 144 scholarships among the students of pharmacy and medicine at the University Sts. Cyril and Methodius (including the 40 new ones for the academic year 2010/2011). 31 scholarship recipients graduated, all from the Faculty of Pharmacy. Some of the graduated students started their careers at Alkaloid AD Skopje. 3 were employed in 2009, 6 were employed in 2010 and 2 in 2011 totalling 11 scholarship recipients employed so far. This policy of the Alkaloid AD Skopje is bound to continue.

The projects so far have endorsed the commitment of the Foundation to support pharmacy, medicine and science through sponsoring young enthusiasts who devote their careers to these fields.

The foundation was established in loving memory of Trajche Mukaetov, who became a director of Alkaloid AD Skopje in 1985 dedicating his work to intensifying development and growth of the company, making it the leading pharmaceutical industry in the region. This great visionary believed that it is of utmost importance to invest in scientific activities, research and development, investments which will undoubtedly lead to the desired prosperity.

The “Trajche Mukaetov” Foundation was established with a decision of the Management Board of Alkaloid AD Skopje. The founder of the Foundation is Alkaloid AD Skopje. It is aimed at sponsoring, donating and funding talented physicians, pharmacists, as well as at financing projects of medicine, pharmacy and science.



# CORPORATE INFORMATION



*From left to right top:*  
*Prof. Nikola Jankulovski, Dean of the Faculty of Medicine at the University Sts. Cyril and Methodius*  
*Mr. Zhivko Mukaetov, President of Management Board of the "Trajche Mukaetov" Foundation*  
*Prof. Dr. Aleksandar Dimovski, Dean of the Faculty of Pharmacy at the University Sts. Cyril and Methodius*  
*Prof. Dr. Ilija Dzonov, Member of the Management Board of the "Trajche Mukaetov" Foundation*



*From left to right bottom:*  
*Angela Tasevska and Andrej Kralej, valedictorians of the Faculties of Medicine and Pharmacy at the University Sts. Cyril and Methodius*  
*Source: Alkaloid archives*



# HUMAN RESOURCES MANAGEMENT

Our strong commitment to high quality and perfection in each segment is what gives us direction and purpose in our work in this time of challenges, great dynamics and rapid changes. The continual business success and sustainable development of the company is a direct result of the contribution of the entire team of employees who strive for permanent improvement and who tirelessly promote our company values, integrity, professional approach and concern for the health and quality of life of each individual.

In 2010 the focus of our activities was directed towards standardization of our policies and procedures in compliance with the global trends, raising of the level of professional corporate management, training and development of the performances of our staff and their motivation from several aspects, in order to increase efficiency, personal progress and the progress of the company.

## Increased number of employees

The company shapes its staff in such a way that they foster the corporate values of Alkaloid, work with team spirit, are dedicated to improving their personal skills, strive for permanent progress, are flexible and have an innovative approach to change. In 2010 we increased the number of our employees, this time by 8.6%, which brought us to the figure of 1035 people in the base and 287 in our subsidiaries who stand behind our success and who develop our brand.

The newly opened posts in our subsidiaries abroad can be singled out as particularly important, as in this segment, the number of employees increased by 38%, primarily as a result of our policy to strengthen our teams in Russia and Ukraine. Our policy in the field of human resources is to attract, motivate and retain talented personnel with different professional and educational profiles, such that meet the needs of the markets in which we operate.

To provide a strategic, coherent and transparent approach to human resources management, we standardized the processes on a corporate level. In this regard, we started standardizing the process of selection of staff, who share and cherish the values of our company regardless of the territory where they work.

What contributes most to the specification of the norms, desired behavior and creation of a unique corporate culture is our Code of ethical and business conduct. This important strategic document for us sets the framework of our operation and promotion of our high standards, raises the level of transparency and increases our efficiency in the process of communication. This Code is a guide to the achievement of our mission and vision, the maintenance and enhancement of our corporate reputation and the increase of the internal added value of the company. We are especially proud of the National award for the best socially responsible practices from the Ministry of Economy in the category of Ethical management for the project entitled Code of ethical and business conduct. In this process of selection by the Ministry of Economy we also received valuable recognitions in the categories of Relations with the employees and Investment in the community, which acknowledge our high level of concern for our employees and the corporate social responsibility we foster, whereby we have already developed a recognizable image of a socially responsible company.



## Professional development and training

The success of our company largely depends on human potential, on the ability and commitment of our employees. In this regard, our company adopted a policy of continuous education and professional development on all levels of employees, by determining the necessary educational programs that are integrated in the annual budget allocated for educational activities.

Guided by the philosophy that the most rewarding investment is the investment in people, in their knowledge and skills, in 2010 we increased our investment in education and training by 68% compared to the previous year. We believe that this approach leads not only to an improved performance of our employees and a more efficient execution of the tasks, but at the same time it serves as a motivational tool for our employees and boosts their ambition for personal growth and facing modern business challenges.

## Personnel and education

	Number of employees
Profit centre / Organizational Unit	
Pharmaceuticals	584
Chemistry	55
Cosmetics	84
Botanicals	41
Corporate Services	271
<b>TOTAL in Alkaloid AD</b>	<b>1,035</b>

	Number of employees
Daughter companies / Subsidiaries abroad	
Alkaloid CONS Ltd.	23
Subsidiaries abroad	264

## Qualification structure of Alkaloid AD Skopje in 2010

Master Degree	4
University degree	374
Junior college degree	20
High school degree	481
Qualified workers	131
Non-qualified workers	25
<b>Total:</b>	<b>1,035</b>



## ALKALOID DAYS 2010 – “FROM GREAT TO EXCEPTIONAL – FINDING THE RIGHT PATH AND STRATEGIES FOR MAKING THE LEAP”

In 2010 we held our traditional Alkaloid Days in Budva, Montenegro. The idea behind the selection of this destination was that Alkaloid has already established its reputation of a regional leader in its field, and that the process of internationalization of the company is a part of our corporate culture, ambition and global thinking.

By further strengthening our team spirit and enthusiasm, we continued our meetings with our colleagues from all countries of operation, under the motto “From great to exceptional – Finding the Right Path and Strategies for Making the Leap” that symbolizes our aspirations and ambitious vision of the management, our commitment to permanent growth with firmly incorporated values based on which we create our business plans.

These meetings contribute substantially to the mutual exchange of experiences, the transfer of corporate values on all levels, the development of group cohesion and sense of belonging that eventually leads to increased contribution by all employees so as to achieve our company's mission and vision as well as the continued growth in the value of our company.





## HIGH OFFICIAL VISIT OF THE NEW PRODUCTION FACILITIES IN BELGRADE

The President of the Republic of Macedonia, H.E. D-r Gjorge Ivanov and the representatives of the Macedonian Embassy in Belgrade, within the frames of President Ivanov's official visit to the Republic of Serbia, visited the production facilities of Alkaloid in Belgrade.

The Macedonian President, H.E. D-r Gjorge Ivanov and the CEO/MB President of Alkaloid AD Skopje, Mr. Zhivko Mukaetov toured the production facilities.

The branch of Alkaloid AD in Belgrade is one of the 14 subsidiaries the Company has. Today, this subsidiary has a status of medium-size enterprise with 41 locally employed staff in the administrative section of medical marketing and 15 people employed in the production facilities.

In order to strengthen its position in the Serbian market, which is the leading export market of the Company, the Management of Alkaloid AD Skopje passed a decision to invest in this market by opening a production facility, first venture of Alkaloid of this type. Following the detailed analysis, all necessary preparations and implementation of the strict GMP (Good Manufacturing Practice) Standards, in September 2010 the Ministry of Health of the Republic of Serbia granted Alkaloid Ltd. Belgrade its production license.

After 10 months of intensive preparations, Alkaloid Ltd. Belgrade (in the beginning in cooperation with a local partner) has started the production activities connected with a broad spectrum of pharmaco-therapeutic groups including: anti-infective drugs, cardiovascular drugs, CNS drugs as well as drugs intended for the treatment of the gastrointestinal tract.

Today, Alkaloid Ltd. Belgrade, based on the granted license for primary and secondary production is individually producing 31 pharmaceutical products in compliance with the strict GMP standards enabling rapid accessibility of its drugs to the end-users.

The production facilities cover an area of 916 m<sup>2</sup>, out of which nearly 700 m<sup>2</sup> are intended for the production segment, the rest being administrative facilities.

The production capacities range to 23 million blisters per year or nearly 10 million boxes of finished products ready to be placed on the market.

Insofar, the Company invested around Euro 750.000 in this venture and plans its further expansion and upgrading.





*H.E. President Gjorge Ivanov and other governmental officials and Alkaloid CEO Zhivko Mukaetov and employees of the company during the tour of Alkaloid facilities in Belgrade  
Source: Alkaloid archives*





## SOCIAL RESPONSIBILITY RECOGNITIONS FOR ALKALOID AD SKOPJE

The concept of social responsibility is an integral part of the business strategies and operations of Alkaloid AD – Skopje and is incorporated in all segments of its operations. This policy of the Company has been confirmed with awards and recognitions for best social practices won on a national level. These awards were presented to Alkaloid AD – Skopje within the framework of the project entitled Corporate Social Responsibility in the Republic of Macedonia, which was conducted by the Ministry of Economy in association with the Macedonian Enterprise Development Foundation, the Association of the Chambers of Commerce of Macedonia and the Connect Association.

The coordination body for corporate social responsibility at the Ministry of Economy of the Republic of Macedonia has presented the National Award for Ethical Management for the year 2009 to Alkaloid AD – Skopje for the project: Code of Ethical and Business Conduct. Two other projects were verified with recognitions received – Human Resources Management 2009-2011 granted in the category Relationship with the Employees and Social Responsibility Policy of Alkaloid AD- Skopje – Symbiosis for Healthier Life and Future granted in the category Investment in the Community.

The purpose of this initiative of the Macedonian Ministry of Economy, presented three years in a row, is to promote the positive practices of corporate socially responsible behavior in the Republic of Macedonia, as well as to encourage the introduction and further enhancement of corporate social responsibility.

D-r Fatmir Besimi, Minister of Economy, who attended the formal presentation of the awards, expressed his satisfaction at the fact that social responsibility is increasingly becoming an integral part of the business policy of the Macedonian companies, emphasizing that “by accepting this concept, the companies directly improve their competitiveness in the global economy, increase the added value of their products and services, build up their reputation and image, improve the relations with their suppliers, consumers and potential investors, boost motivation and loyalty to their employees and ensure long-term business success”.

This year, the initiative, as part of the Corporate Social Responsibility in the Republic of Macedonia project, has been co-financed by the European Union, within the framework of the Competitiveness and Innovation Framework Programme (CIP) 2007-2013. According to Minister Besimi, it verifies the successful cases of implementation of the concept of corporate social responsibility in the Republic of Macedonia, by which the companies, with their business activities and interaction with the stakeholders integrate social concerns and the concerns for environment protection on voluntary basis.





*From left to right top:  
CFO of Alkaloid, Cvetanka Simonovska and  
Macedonian Minister of Economy D-r Fatmir Besimi*



*From left to right bottom:  
Alkaloid HR Manager Nikola Eftimov, CFO Cvetanka  
Simonovska and BPCR Manager Viktor Stojcevski  
with the awards for the Company  
Source: Alkaloid archives*



## THE BROWN FORUM IN DUBROVNIK

CEO/MB President of Alkaloid, Mr. Zhivko Mukaetov participated at the Brown Forum held 4-6 April 2011 in Dubrovnik, Croatia, organized by the U.S. Embassy in Zagreb, the Croatian President's Office, the Croatian government and the Croatian Employers Association. The main topic of the forum was U.S. & Southeast European Trade and Investment.

The Forum provided a unique opportunity for over 200 government and business leaders from seven countries in the Southeast European region and the United States to come together for a wide ranging dialogue about improving the attractiveness of Southeast Europe as a destination for foreign investment and trade. With over 60 U.S. businesses and over 80 regional businesses represented at the Forum, the event also promoted direct business to business contact to explore partnership and investment opportunities.

Despite the general conception of the Southeast European region as troublesome, due to the fact that it consists of 11 transitional economies excluding Greece and Turkey, it is a region that poses extraordinary challenges and great opportunities from the aspect of worthy investments and business prospects. It is the fastest growing part of Europe, enjoying a unique strategic position as the bridge between Europe and Asia, but its geostrategic importance is located in its trade and logistics. All the countries in this region have close political, cultural, business and personal ties, and the impressive figure of nearly 144 million inhabitants, makes it a market that is larger than Russia and twice as big as Central Europe.

The panel on which our CEO/MB President participated along with Mr. Tomislav Shlat, 3M; Mr. Emil Tedeschi, Atlantic Grupa and Mr. Miroslav Teshich, Turbina IPD was focused on the Southeast Europe as Region of Opportunity for Trade and Investment.

The versatility of the countries starting from the richest EU member Slovenia up to the poorest Moldova make it an exceptional challenge for doing business. Although most of the countries will still have to catch up with the process of investing in infrastructure (excluding Croatia and Slovenia), the business opportunities abound.

Likewise, there are opportunities regionally in the pharmaceutical field, as was noted by Mr. Zhivko Mukaetov. The pharmaceutical field needs continuous investment and know-how, and Alkaloid met that challenge by building its base and identifying areas in which it could specialize and compete and by investing in brand building in the region. Alkaloid met the challenge to partner with regional companies and large multinational companies, such as Pfizer. Such partnerships benefit local companies through knowledge sharing. Mr. Mukaetov said the region offers other advantages, such as the free trade agreement between Serbia and Russia. Alkaloid built a production facility in Serbia and uses that to export products to the bigger Russian market. Mr. Mukaetov recommended that companies interested in expanding within the region or building partnerships with U.S. companies should be flexible and take advantage of opportunities. He said the region needs to find partnerships that can overall improve access to markets.



# ||||| CORPORATE INFORMATION |||||



*Photographs from the event*  
Source: <http://www.facebook.com/home.php#!/TheBrownForum?sk=photos>



## NEW CENTRE FOR INFORMATION TECHNOLOGY OF ALKALOID AD SKOPJE

It is needless to say that the Information Technology enables businesses to solve problems in modes and approaches that were previously beyond belief.

Alkaloid is aware of the fact that Information Technology is an enabler of business functions. The benefits of a well implemented IT system can include efficiency, capacity, speed, scalability or accuracy. That is the main reason why Alkaloid allocated reasonable amount of funds in the IT segment of the company in the past, gaining competitive advantage while at the same time facilitating the data flow. One of the latest investments commissioned in June 2011 was the new Centre for Information Technology named "Trajche Mukaetov".

It is completely renovated edifice completed in accordance with the highest standards on execution of this type of buildings that symbolizes the housing of the intelligence of the Company. The investment was worth approximately Euro 550.000 and according to a decision of the Management Board of the Company it was named according to the great strategist and visionary of Alkaloid, Trajche Mukaetov who was B.Sc. in Electrical Engineering and who started his career in the IT segment back in year 1973, forming the Electronic Centre of the Company in 1974.



||||| CORPORATE INFORMATION |||||



*Photographs from the opening ceremony of the Centre for Information Technology "Trajche Mukaetov"  
Source: Alkaloid archives*



## IMPLEMENTATION OF THE BC/DR PROJECT

Alkaloid has implemented the strategic Business Continuity/Disaster Recovery (BC/DR) project in the segment Information Technology and Telecommunications.

The BC/DR project ensures the protection of data (archiving and recovery) for the purpose of unobstructed functioning of the business operations in event of disasters, damage, destruction of part or the entire information and telecommunication equipment from its primary location.

For this purpose, the central information technology (primary location) has been altered and a detached secondary location with IT equipment has been established, from which the business operations continue to function uninterrupted, without any delay.

The equipment provided for this project was created by supreme manufacturers and world leaders in the field of information technology.

In the implementation of this project, Alkaloid AD Skopje involved both Macedonian and foreign partners for the specific IT services and solutions.

This project is yet another proof of Alkaloid's commitment to investment in advanced and state-of-the-art technologies in its overall operations.



## NEW SUBSIDIARY IN SLOVENIA

As of 28 December 2010 Alkaloid AD Skopje registered a new subsidiary in the Republic of Slovenia under the name of Alkaloid-Pharm Ltd. Ljubljana, in complete ownership of Alkaloid AD Skopje.

The main activities of this subsidiary comprise the local business operations on the Slovenian market.

The previously registered subsidiary in Ljubljana has been re-branded as Alkaloid INT Ltd, with its main focus on the distribution of Alkaloid's products on the EU markets.

By means of this venture, Alkaloid AD – Skopje continued its activities aimed at strengthening the company's export positions, as its major strategic commitment.





## ENVIRONMENTAL PROTECTION

Environmental protection is one of the long-term corporate principles of the business policy of Alkaloid AD.

The environment management system is a part of the integrated system for quality management and the principles of good manufacturing practice.

The amendments made in the legal regulations regarding environmental protection intensified the activities of Alkaloid AD directed towards better waste management.

Agreements for the collection and treatment of hazardous waste, for the collection and treatment of packaging waste, for the collection of alimentary thermally treated oil to be processed into biodiesel, have been signed with firms authorized to undertake the specific above-mentioned activities.

The collection as well as the treatment of a particular type of waste at the localities of Alkaloid AD is still performed in cooperation with the Office and the Inspectorate for Environmental Protection.

The utilization of natural gas as a source of energy for the boiler and the discontinuation of the production of products for veterinary use at the locality of Avtokomanda, had a positive impact on the environment conditions in this area.



The trend to save on natural resources is still present in Alkaloid AD. Water consumption is shown on Figure 1, while Figure 2 demonstrates water consumption per ton of finished product.

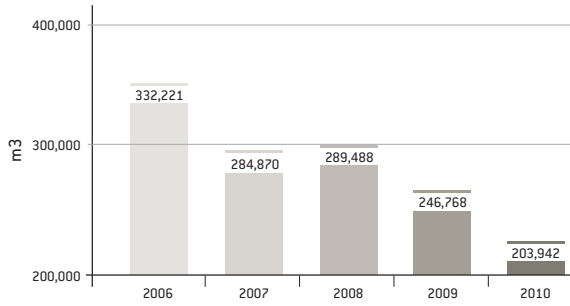


Figure 1

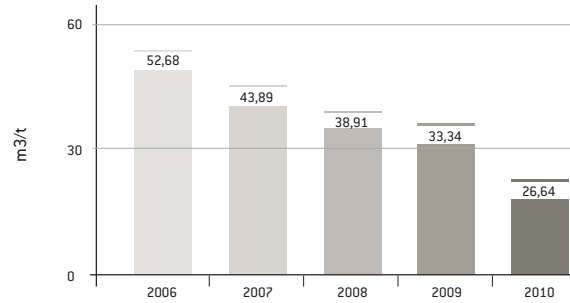


Figure 2

The consumption of crude oil is considerably decreased, as shown in Figure 3. 1,400,648m<sup>3</sup> of natural gas have been used instead.

Crude oil consumption per ton of finished product is presented in Figure 4, while 1,911m<sup>3</sup> of gas have been used per ton of finished product.

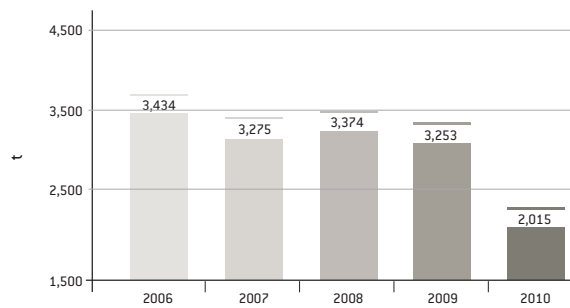


Figure 3

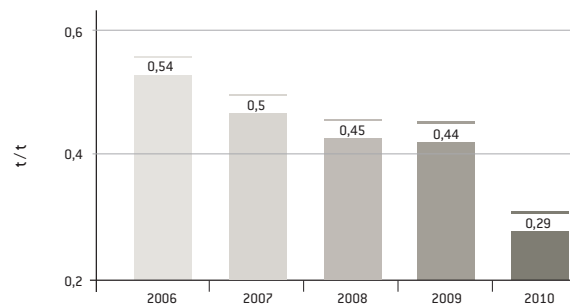


Figure 4

# ANNUAL REPORT



PC

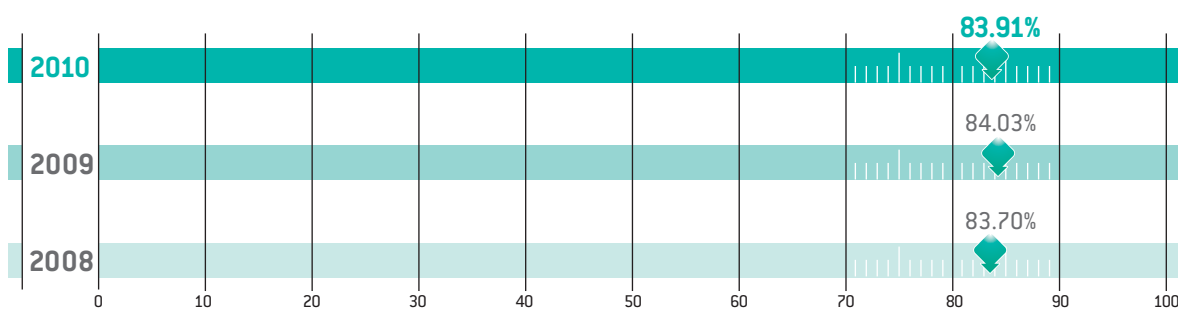
PHARMACEUTICALS

## MARKETING AND SALES

In 2010, 584 employees were working in the pharmaceuticals segment in its headquarters in Skopje and 264 employees in the subsidiaries abroad. The total net sales of PC Pharmaceuticals amounted to 4.98 billion MK denars, which is a share of 83.91% in the total sales of Alkaloid Group.

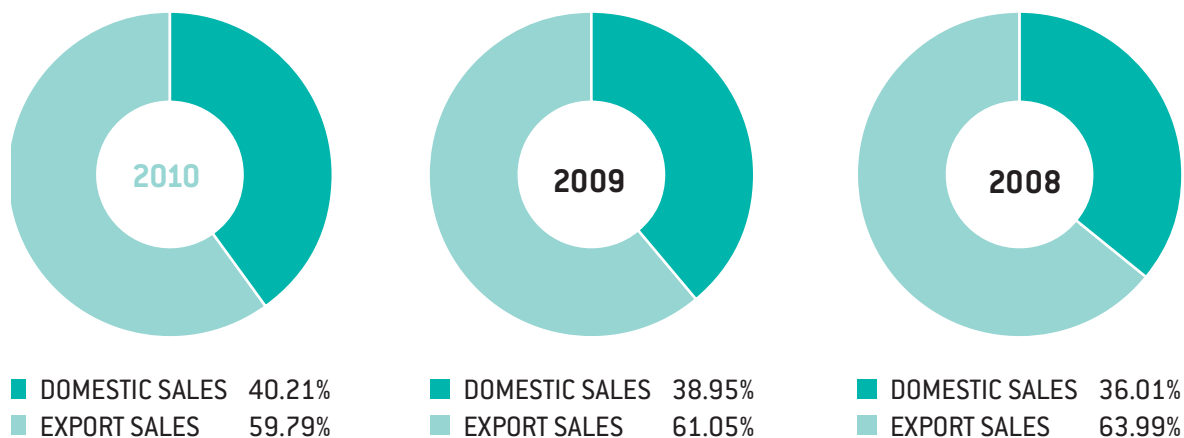
In 2010, the products of PC Pharmaceuticals were available on the markets in 21 countries. We have obtained 253 marketing authorizations, out of which 226 were for the foreign markets.

### PC Pharmaceuticals as a part of Alkaloid Group



In 2010 we managed to increase the sales level by 8.40% compared to last year. This was primarily due to the increase in the domestic sales by 11.90%, as well as the increase in the export sales, which surpass the domestic sales and have risen by nearly 6.18% compared to 2009.

### SALES PER MARKETS



## SALES PER COUNTRIES

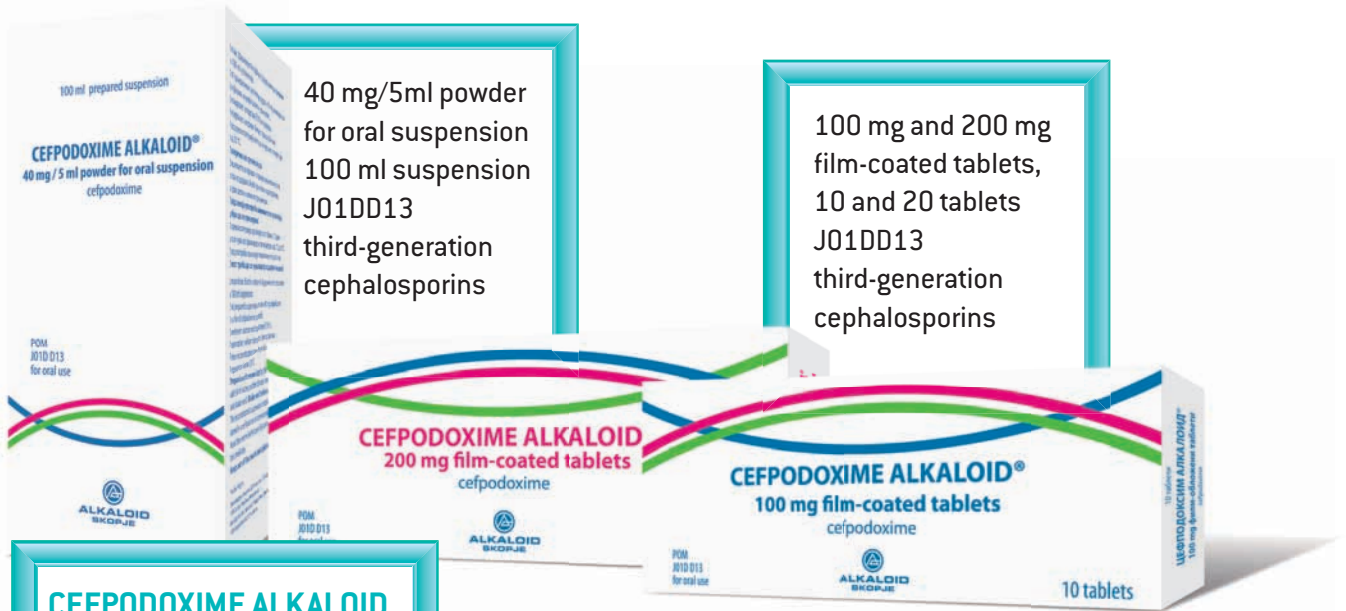
Region/Country	2010		2009		Ind 10/09
	000 MKD	%	000 MKD	%	
Macedonia	2,002,121	40.21	1,789,239	38.95	111.90
Albania	111,086	2.23	102,104	2.2	108.8
Bosnia and Herzegovina	535,101	10.75	508,671	11.07	105.20
Kosovo	207,137	4.16	182,985	3.98	113.20
Serbia	698,876	14.03	754,707	16.43	92.60
Croatia	621,791	12.49	557,454	12.14	111.54
Montenegro	137,332	2.76	121,471	2.64	113.06
Russia & CIS	340,524	6.84	316,348	6.89	107.64
EU & EFTA	320,902	6.44	249,784	5.44	128.47
Other countries	4,785	0.10	10,821	0.24	44.22
<b>Total export:</b>	<b>2,977,534</b>	<b>59.79</b>	<b>2,804,345</b>	<b>61.05</b>	<b>106.18</b>
<b>Total sales:</b>	<b>4,979,655</b>	<b>100.00</b>	<b>4,593,584</b>	<b>100.00</b>	<b>108.40</b>

## SALES PER PREPARATIONS FOR 2010

(% participation in the overall program of PC Pharmaceuticals)

	% participation		
	2010	2009	2008
CAFFETIN	14.21	13.66	12.96
PANCEF (Cefixime)	10.83	12.65	11.79
ANALGIN (Metamizole)	5.27	6.86	8.32
SKOPRYL (Lisinopril)	3.48	4.46	4.14
CITERAL (Ciprofloxacin)	3.46	3.56	3.18

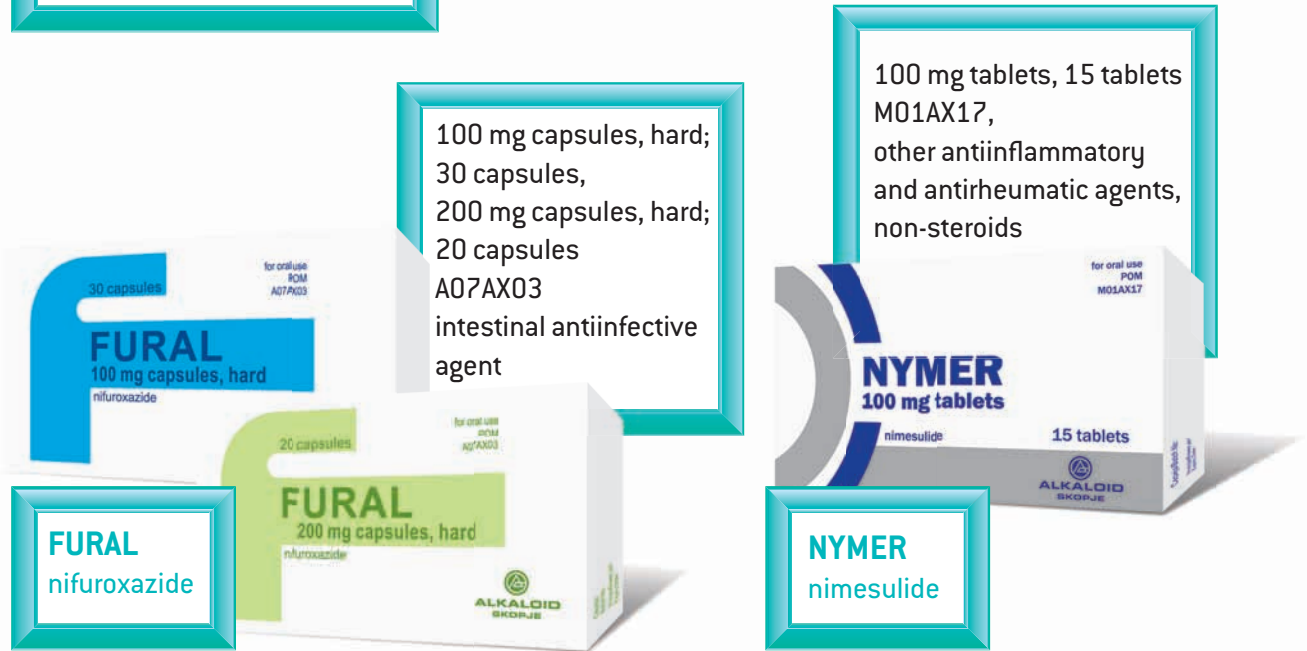
LATEST RELEASES '10



40 mg/5ml powder  
for oral suspension  
100 ml suspension  
J01DD13  
third-generation  
cephalosporins

100 mg and 200 mg  
film-coated tablets,  
10 and 20 tablets  
J01DD13  
third-generation  
cephalosporins

**CEFPODOXIME ALKALOID**  
cefpodoxime

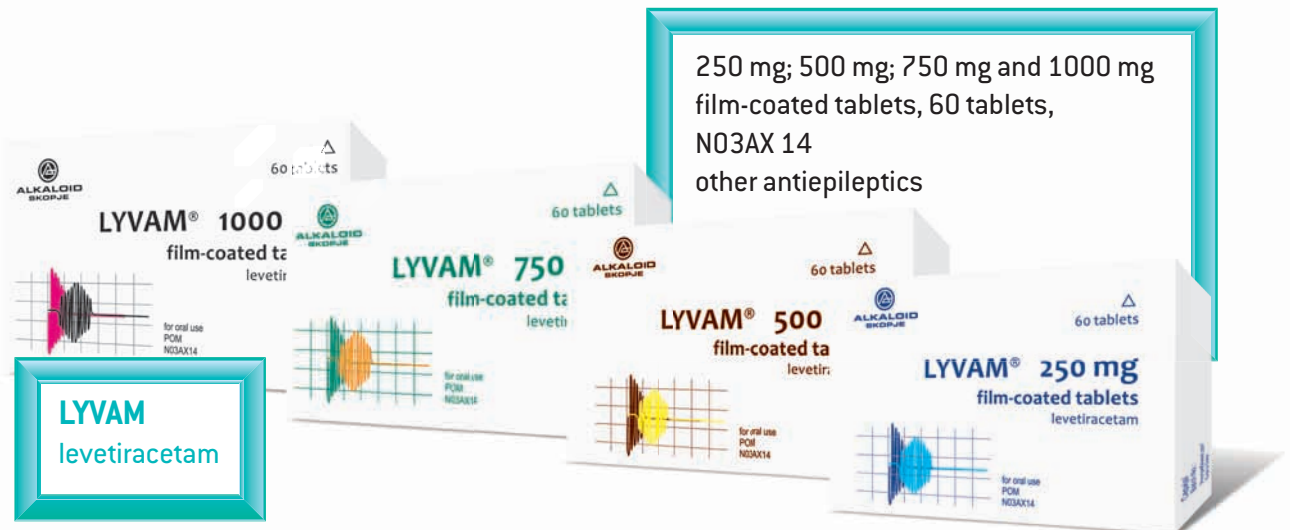


100 mg capsules, hard;  
30 capsules,  
200 mg capsules, hard;  
20 capsules  
A07AX03  
intestinal antiinfective  
agent

100 mg tablets, 15 tablets  
M01AX17,  
other antiinflammatory  
and antirheumatic agents,  
non-steroids

**FURAL**  
nifuroxazide

**NYMER**  
nimesulide



250 mg; 500 mg; 750 mg and 1000 mg  
film-coated tablets, 60 tablets,  
N03AX 14  
other antiepileptics

**LYVAM**  
levetiracetam





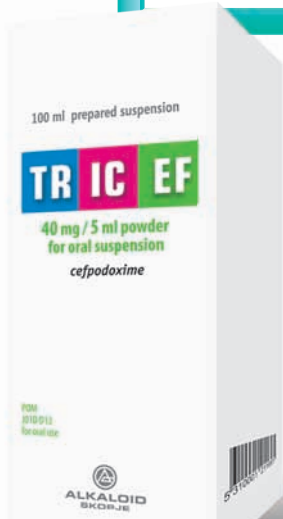
**RELIKA**  
perindopril  
tert-butylamine



2 mg; 4 mg and 8 mg tablets,  
30 tablets,  
C09AA04,  
ACE inhibitors, plain



40 mg/5ml powder for oral suspension  
100 ml suspension  
J01DD13  
third-generation cephalosporins



**TRICEF**  
cefpodoxime



**WALZERA**  
valsartan

40 mg; 80 mg  
and 160 mg film-coated tablets,  
30 tablets  
C09CA03  
angiotensin II antagonists, plain



5 mg; 10 mg; 15 mg  
and 20 mg film-coated tablets, 30 tablets,  
N06AB10  
selective serotonin reuptake inhibitors



**ZEPIRA**  
escitalopram



# caffetin **COLDmax**<sup>®</sup>

**maximum effect**  
**in fighting**  
**the symptoms**  
**of cold and flu**



✓ **FIGHTS FLU AND COLDS**  
✓ **RELIEVES PAIN**

✓ **REDUCES BODY TEMPERATURE**  
✓ **REDUCES NASAL SECRETION**

  
**ALKALOID**  
SKOPJE

Read the insert leaflet carefully before you start using this drug. Ask your physician or pharmacist for the indications, risks or side effects.



## CAFFETIN COLDMAX

Caffetin is undoubtedly the most widely available and the most famous brand of Alkaloid AD Skopje, and according to many criteria it is one of the most widely recognizable Macedonian brands in general. Launched back in the year 1957, Caffetin has now grown into a synonym for overcoming pain with more than 10 billion tablets sold.

The reason why Alkaloid decided to invest in it and develop its extensions targeting new indication areas was the awareness of the consumers this brand enjoys. Caffetin Cold was the first one in the line of extensions, launched in 2005 and was intended to treat the symptoms of cold and flu. In 2006, we launched Caffetin menstrual for the treatment of menstrual pain, followed by Caffetin Cold with natural vitamin C. On the threshold of our 75th anniversary of the company, we introduced a new extension, named Caffetin COLDmax.

Before the launch of this product, Caffetin and its extensions were available only in tablet form. The sachets, or more precisely the powder for oral solution, is intended for those who prefer to treat the symptoms of cold and flu with hot drinks rather than consuming tablets.

Alkaloid's team of specialists worked on this formulation for almost three years, in cooperation with a company from Austria, which specializes in developing and manufacturing effervescent products. It is a product that contains a higher dose of paracetamol, more precisely 1000 milligrams, and has a powerful effect on reducing high body temperature and relieving the symptoms of cold and flu.



# PC PHARMACEUTICALS



*Photographs from the promotion of Caffetin Cold Max,  
December 25, 2010/Club Hard Rock  
Source: Alkaloid archives*



## REGIONAL FORUM ON FINANCING THE PUBLIC HEALTH INSURANCE

On 31 May 2011 until 1 June 2011 Ohrid hosted the Regional Forum on Financing the Public Health Insurance. The Forum was organized by the Health Insurance Fund of the Republic of Macedonia, supported by IPA Program, mutual program of the Council of Europe and the European Commission, partly sponsored by Alkaloid AD Skopje.

High governmental officials of the participating countries responsible for the public health insurance segment gave their active contribution at this Forum. Besides the host country and relevant high representatives of the Macedonian Health Insurance Fund, other attendees included high officials of the respective institutions from Albania, Lithuania, Bosnia and Herzegovina, Montenegro, Turkey, Slovenia, Hungary and Croatia.

The aim of the Regional Forum was to strengthen the cooperation among the public health insurance institutions in the region, and to enable exchange of experiences in the sphere of financing the healthcare services.

The program of this event was divided in four panel discussions that elaborated topics of the healthcare sphere that were, and are, of significant importance for the respective countries, such as: financing the secondary healthcare protection with special accent to implementation of the DRG (Diagnostically Related Groups) system, financing of the specialists consultative healthcare protection as well as implementation of the reforms in the healthcare segments in various countries.



*Photographs from the event. Top: Attendants at the Forum; Bottom: One of the lectures at the Forum  
Source: Alkaloid archives*



## ALKALOID SPONSORED THE 4<sup>th</sup> MACEDONIAN CONGRESS OF CARDIOLOGY

The 4th Macedonian Congress of Cardiology with international participation was held from 2 to 5 June 2010, in Ohrid, Republic of Macedonia.

This extinct expert gathering hosted over 1000 people: doctors, pharmacists, healthcare professionals and distinguished experts from various spheres, enabling exchange of experience from diagnostics and medical treatment of cardiovascular diseases, with special emphasis on the latest expert and scientific achievements in cardiology.

Cardiovascular diseases are still the worldwide leading cause for morbidity and mortality. The main topic of this Congress was the Acute Coronary Syndrom and Interventional cardiology. The preventive cardiology, the non-invasive diagnostics, electrophysiology and electrostimulation, congenital and valvular heart diseases, cardiopathies, cardiac surgery, pediatric cardiology were also given due attention. The Congress was organised with plenary sessions by domestic and international experts, symposia, round tables, oral and poster presentations from cardiovascular medicine.

In the past 75 years Alkaloid established itself as secure and stable partner of the Macedonian healthcare and the Macedonian pharmacy. The cooperation in the healthcare sphere has significant place in the development strategy of the Company, being a sort of affirmation of our social responsibility orientation. We perceive the doctors as strong partners in the realization of our endeavors for better health for each patient and high quality life for each individual.

Alkaloid always actively participated and assisted the realization of domestic and international expert gatherings that promote the healthcare and aided the Macedonian healthcare system to keep pace with the latest scientific discoveries. We invest in our mutual future because we are convinced that the human health is above all.





*Photographs from the event.  
Top: Alkaloid's Symposium at the Congress.  
Bottom left: During the opening ceremony.  
Bottom right: Alkaloid exhibition stand  
Source: Alkaloid archives*





## ALKALOID SPONSORED THE 1<sup>ST</sup> CONGRESS OF PHARMACISTS OF MONTENEGRO WITH INTERNATIONAL PARTICIPATION

The 1st Congress of Pharmacists of Montenegro with international participation was held from 12 to 15 May 2011 in Becici, Montenegro under the title – Pharmacy: Yesterday, Today, Tomorrow.

The Congress was organized by the Pharmaceutical Chamber of Montenegro and the Faculty of Pharmacy in Podgorica, in cooperation with the Agency for Medicines and Medical Devices, under the patronage of the Ministry of Health of Montenegro and Alkaloid AD in the function of general sponsor. The event was held under the presence of high governmental officials in Montenegro.

Although some might say that the market of Montenegro is a small one, Alkaloid believes that it is worth investing in this country. The closeness of our borders and similarity in the mentalities of the two nations are highly facilitating the business operations. Alkaloid's office in Montenegro started its operations in year 2003. The subsidiary in Podgorica was officially opened in May 2007, our 12th subsidiary in a row. After 8 years of doing business in Montenegro by placing products of high quality, we believe that Alkaloid will continue contributing to the promotion of the drugs market in this country, always taking good care of the health of the Montenegrin patients offering products manufactured in compliance with the highest world standards.

Even D-r Drljevič, the director of the Agency for Medicines and Medical Devices during the opening ceremony of our subsidiary in Podgorica back in 2007, expressed his pleasure on the occasion of intensification of the cooperation between the two countries thus emphasizing that the mutual goal of Alkaloid and the Agency is to place in this market drugs that have highly developed technology and control systems. We hope that interim the 4 years of operating in this market, we were able to prove that claim.

The Management of Alkaloid always believed in the partnership relation with the healthcare and pharmacy sectors. We support and we will continue to support projects that are of significance for the patients and the healthcare system as a whole: projects such as the 1st Congress of Pharmacists of Montenegro with international participation.



# PC PHARMACEUTICALS



*Photographs from the event.  
Top: Address of Alkaloid CEO at the event.  
Bottom left: Alkaloid's Symposium at the Congress.  
Bottom right: Alkaloid exhibition stand  
Source: Alkaloid archives*

# ALKALOID CONS Ltd.

## DAUGHTER COMPANY OF ALKALOID AD SKOPJE

The department for representation and consignment stocks of Alkaloid AD Skopje that was formed back in 1979 became a part of Alkaloid' as a special daughter company, Alkaloid Cons Ltd.

The main activity of Alkaloid Cons is import and sales of drugs, medical appliances and medical equipment, which resulted from the successful years of cooperation with great multinational pharmaceutical companies. The experience accumulated in this area was the main reason why the company became representative of the largest world producers of pharmaceuticals, medical appliances, medical equipment and OTC products with proven quality and competitive prices.

The range of products of Alkaloid Cons includes:

- Drugs: antibiotics, cytostatics, antithrombotics, immunosuppressives, cardiovascular drugs, antiepileptics, immune-modulators, antimycotics, antipsychotics, bisphosphonates, coagulation factors, hormones and hormonal antagonists.
- X-Ray films
- Sanitary materials
- Infusion solutions
- Dialysis preparations and consumption materials for dialysis
- Medical equipment and apparatus

The company began its operations with only 5 employees and year after year that number increased so as to reach 24 highly qualified pharmacists, doctors, dentists, economists etc.

In 2009, Alkaloid Cons was ISO certified, i.e. granted the ISO 9001:2000 and ISO 14001:2004 standards. In the course of 2009, Alkaloid Cons also passed the process of TRACE certification and became its member.

In March 2010, Alkaloid Cons successfully passed the inspection of the US based company Telecris Biotherapeutics.

The number of companies in the portfolio of Alkaloid Cons Ltd. is becoming larger year by year and in 2010 that number reached 17 non-domicile renowned companies listed herewith.

1. SANOFI - AVENTIS, France
2. PFIZER H.C.P. CORPORATION, USA
3. NOVARTIS PHARMA SERVICES INC., Switzerland
4. TALECRIS BIOTHERAPEUTICS, USA
5. BILIM ILAC, Turkey
6. FUJIFILM CORPORATION, Japan
7. INFOMED FLUIDS S.R.L., Romania
8. HARTINGTON PHARMA LTD., UK
9. PRIZMA D.O.O., Serbia
10. LOLA RIBAR, Croatia
11. DUTCHMED INTERNATIONAL B.V., Netherlands
12. SHIRE PHARMACEUTICALS IRELAND LIMITED, Ireland
13. INTRAPLANT GmbH, Austria
14. F. HOFMANN-LAROCHE LTD., Switzerland
15. GlaxoSmithKline Export Ltd, UK
16. ACTAVIS INTERNATIONAL LIMITED, Malta
17. B/BRAUN Melsungen AG, Deutschland



## ROLLOUT OF ALKASAP IN ALKALOID CONS LTD. SKOPJE

As of 17 January 2011 Alkaloid CONS Ltd. Skopje, a daughter company of Alkaloid AD Skopje commenced operating in the cutting-edge SAP data information system, the world leader in ERP (Enterprise Resource Planning) systems.

This implementation made Alkaloid AD Skopje the only Macedonian company to have conducted a RollOut of SAP ERP (brand name AlkaSAP) in its subsidiary, which is the best and most complex solution for an integrated system of data management.

The RollOut in Alkaloid CONS Ltd. comprises the following four functional modules:

- Finances
- Controlling
- Materials and warehouse management
- Sales and distribution

The implementation was carried out by a project team consisting of 40 experts in diverse areas, employees of Alkaloid CONS, Alkaloid AD and the Croatian software company b4b.

This project is expected to increase the efficiency of the operations of Alkaloid CONS Ltd Skopje and the parent company with its subsidiaries, as well as to optimize, standardize, integrate and unite the overall business processes.

# 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
<b>ACEROLA ALKALOID®</b>		
ascorbic acid	contains natural vitamin C 500 mg and 180 mg chewable tablets, 30 tablets	A11GA01, vitamin
<b>ACEROLA ALKALOID®</b>		
ascorbic acid	contains 100% natural vitamin C 50 mg chewable tablets, 30 tablets	A11GA01, vitamin
<b>ACIKLOVIR ALKALOID®</b>		
aciclovir	5% cream, 5 g	D06BB03, topical antiviral
<b>ACIKLOVIR ALKALOID®</b>		
aciclovir	3% eye ointment, 5 g	S01AD03, ophtalmological antiviral
<b>ACIKLOVIR ALKALOID®</b>		
aciclovir	200 mg tablets, 25 tablets 200 mg tablets, 30 tablets	J05AB01, antiviral for systemic use
<b>ALBENDAZOL ALKALOID®</b>		
albendazole	200 mg film-coated tablets, 6 and 60 tablets	P02CA03, antihelmintic
<b>ALDIZEM®</b>		
diltiazem	60 mg and 90 mg prolonged release tablets, 30 tablets	C08DB01, calcium channel blocker
<b>ALKADIL®</b>		
captopril	25 mg and 50 mg tablets, 40 tablets	C09AA01, ACE inhibitor
<b>ALKAVIT® vitamin C for children</b>		
ascorbic acid	50 mg tablets, 30 tablets	A11GA01, vitamin
<b>ALKAVIT® vitamin E</b>		
tocopherol, $\alpha$	100 mg chewable tablets, 30 tablets	A11HA03, vitamin
<b>ALKAVIT® FOLIC ACID</b>		
folic acid	0,4 mg film-coated tablets, 30 tablets 5 mg film-coated tablets, 20 tablets	B03BB01, antianemic preparations



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>ALMACIN®</b>		
amoxicillin	500 mg capsules, hard 16 and 100 capsules 250 mg/5 ml powder for oral suspension, 100 ml suspension	J01CA04, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		
<b>ALMETEX®</b>		
carbazochrome	25 mg tablets, 20 tablets 10 mg/2ml solution for injection, 30 ampoules	B02BX02, haemostatic
<b>ALVEN®</b>		
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
<b>ALYCEF®</b>		
cefadroxil	500 mg capsules, hard 16 capsules 250 mg/5 ml granules for oral suspension, 100 ml	J01DB05, first-generation cephalosporins
<b>AMINOFILIN ALKALOID®</b>		
aminophylline	100 mg film-coated tablets, 50 tablets 350 mg prolonged release tablets, 20 tablets 250 mg/10 ml solution for injection, 50 ampoules	R03DA05, bronchodilator
<b>AMLODIPIN ALKALOID®</b>		
amlodipine	5 mg and 10 mg tablets, 30 tablets	C08CA01, calcium channel blocker
<b>AMPICILIN ALKALOID®</b>		
ampicillin	500 mg capsules, hard 16 and 100 capsules 250 mg/5ml powder for oral suspension, 100 ml suspension	J01CA01, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>ANALGIN®</b>		
metamizole	500 mg tablets, 10 and 500 tablets 1g/2ml and 2.5g/5ml solution for injection, 50 ampoules	N02BB02, analgesic and antipyretic
<b>AQUA AD INIECTABILIA ALKALOID®</b>		
water for injections	2 ml, 5 ml and 10 ml solvent for parenteral use 50 ampoules	V07AB, solvent and diluting agent
<b>ATENOLOL ALKALOID®</b>		
atenolol	50 mg film-coated tablets, 15 tablets 100 mg film-coated tablets, 15 and 30 tablets	C07AB03, selective $\beta$ -blocker
<b>BETADINE®</b>		
povidone - iodine	10 % ointment, 20 g 7.5 % and 10 % cutaneous solution, 100 ml and 1000 ml solution	D08AG02 and D11AC06, antiseptic & disinfectant;
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BETADINE®</b>		
povidone - iodine	200 mg vaginal pessaries, 14 pessaries	G01AX11, gynecological antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BETADINE®</b>		
povidone - iodine	1% gargle, 100 ml solution	R02AA15, throat antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
<b>BIPRESSO®</b>		
bisoprolol	2.5 mg, 5 mg and 10 mg film-coated tablets, 30 tablets	C07AB07, selective $\beta$ -blocker
<b>BlokMax®</b>		
ibuprofen	200 mg film-coated tablets, 10 tablets	M01AE01, NSAID



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>BlokMax® forte</b>		
ibuprofen	400 mg film-coated tablets, 10 tablets	M01AE01, NSAID
<b>BRONLES®</b>		
carbocisteine	375 mg capsules, hard 30 capsules 250 mg/5ml oral solution, 150 ml solution	R05CB03, mucolytic
<b>BRONLES® for children</b>		
carbocisteine	125 mg/5ml oral solution, 150 ml solution	R05CB03, mucolytic
<b>BUPRENORFIN ALKALOÏD®</b>		
buprenorphine	0,4 mg, 2 mg and 8 mg sublingual tablets, 7 and 28 tablets	N07BC01, drugs used in opioid dependance
<b>CAFFETIN sc®</b>		
paracetamol, propyphenazone, caffeine	(250 mg+210 mg+50 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
<b>CAFFETIN trio®</b>		
paracetamol, caffeine, codeine	(500 mg+50 mg+10 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
<b>CAFFETIN®</b>		
paracetamol, propyphenazone, caffeine, codeine	(250 mg+210 mg+50 mg+10 mg) tablets, 6, 10, 12 and 500 tablets	N02BE51, combined analgesic
<b>CAFFETIN COLD®</b>		
paracetamol, ascorbic acid, dextromethorphan, pseudoephedrine	(500 mg+60 mg+15 mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication
<b>CAFFETIN COLD® PLUS</b>		
paracetamol, vitamin c (ascorbic acid + acerola), dextromethorphan, pseudoephedrine	(500 mg+60 mg (50 mg +10 mg) +15 mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>CAFFETIN® menstrual</b>		
ibuprofen (in a form of lysinate)	200 mg film-coated tablets, 10 tablets	M01AE01, NSAID
<b>CARDIOPIRIN®</b>		
acetylsalicylic acid	100 mg gastro-resistant tablets, 30 tablets	B01AC06, platelet aggregation inhibitors
<b>CEFACTOR ALKALOID®</b>		
cefactor	500 mg capsules, hard 16 capsules 125 mg/5ml and 250mg/5ml granules for oral suspension, 60 ml suspension	J01DC04, second-generation cephalosporins
<b>CEFALEXIN ALKALOID®</b>		
cefalexin	500 mg capsules, hard 16 and 100 capsules 250 mg/5ml powder for oral suspension, 100 ml suspension	J01DB01, first-generation cephalosporins
<b>CEFAZ®</b>		
ceftazidime	500 mg and 1 g powder for solution for injection 5 vials	J01DD02, third-generation cephalosporins
<b>CHLORAMPHENICOL ALKALOID®</b>		
chloramphenicol	5 % ointment, 5 g	D06AX02, antibiotic for topical use
<b>CHLORAMPHENICOL ALKALOID®</b>		
chloramphenicol	1 % eye ointment, 5 g	S01AA01, ophthalmological antibiotic
<b>CINEDIL®</b>		
cinnarizine	75 mg tablets, 50 tablets 75 mg tablets, 45 tablets	N07CA02, calcium channel blocker, antivertigo preparation
<b>CIKLOSPORIN ALKALOID®</b>		
ciclosporin	25 mg, 50 mg and 100 mg capsules, soft 50 capsules 100 mg/ml oral solution, 50 ml solution	L04AD01, immunosuppressant



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>CITERAL®</b>		
ciprofloxacin	250 mg and 500 mg film-coated tablets, 10 tablets 100 mg/10ml concentrate for solution for infusion, 5 ampoules	J01MA02, quinolone for systemic use
<b>CITERAL®</b>		
ciprofloxacin	3 mg/ml eye and ear drops, solution 5 ml solution	S03AA07, antimicrobial quinolon, agent
<b>CODEINI PHOSPHATIS ALKALOID®</b>		
codeine	30 mg tablets, 10 tablets	R05DA04, antitussive
<b>DECOTAL®</b>		
diflucortolone	1 mg/g cream, 20 g 1 mg/g ointment, 20 g	D07AC06, potent corticosteroid dermotherapeutic
<b>DIABINESE®</b>		
chlorthalidone	250 mg tablets, 30 tablets Manufactured under the license of Pfizer Corporation	A10BB02, oral antidiabetic
<b>DIAZEPAM ALKALOID®</b>		
diazepam	2 mg and 5 mg coated tablets, 30 tablets 10 mg/2ml solution for injection, 10 ampoules	N05BA01, anxiolytic
<b>DIPROL®</b>		
paracetamol	500 mg tablets, 10 and 500 tablets 120 mg/5ml oral suspension, 100ml suspension	N02BE01, analgesic and antipyretic
<b>DOXYCYCLIN ALKALOID®</b>		
doxycycline	100 mg capsules, hard 5 and 100 capsules	J01AA02, tetracycline antibiotic
<b>DicloJet®</b>		
diclofenac	75 mg gastro-resistant capsules, hard, 20 capsules Manufactured in cooperation with Astellas GmbH, Munchen, Germany	M01AB05, NSAID

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>Diclo Duo®</b>		
diclofenac	75 mg modified, dual release capsules, hard, 20 capsules	M01AB05, NSAID
Manufactured in cooperation with Astellas GmbH, Munchen, Germany		
<b>EGLONYL® forte</b>		
sulpiride	200 mg tablets, 12 tablets	N05AL01, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
<b>EGLONYL®</b>		
sulpiride	50 mg capsules, hard 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		
<b>EPIAL®</b>		
carbamazepine	200 mg tablets, 50 tablets	N03AF01, antiepileptic
<b>ETOLAC</b>		
etodolac	200 mg film-coated tablets, 20 tablets	M01AB08, NSAID
<b>FAMOSAN®</b>		
famotidine	10 mg and 20 mg film-coated tablets, 20 tablets 40 mg film-coated tablets, 10 tablets	A02BA03, antiulcer drug
<b>FLAGYL®</b>		
metronidazole	500 mg vaginal pessaries, 10 pessaries	G01AF01, gynecological antiinfective and antiseptic
Manufactured in cooperation with Sanofi Aventis, France		
<b>FLAGYL®</b>		
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
<b>FLUFENAZIN ALKALOID®</b>		
fluphenazine	1 mg coated tablets, 25 tablets 2.5 mg and 5 mg coated tablets, 100 tablets 2.5 mg/1ml solution for injection, 5 ampoules	N05AB02, antipsychotic
<b>FLUOXETIN ALKALOID®</b>		
fluoxetine	20 mg capsules, hard 30 capsules	N06AB03, antidepressant
<b>FUROSEMID ALKALOID®</b>		
furosemide	40 mg tablets, 10 tablets 20 mg/2ml solution for injection, 50 ampoules	C03CA01, diuretic
<b>FUREXA®</b>		
cefuroxime	250 mg and 750 mg powder for injection 5 vials	J01DC02, second-generation cephalosporins
<b>FUREXA®</b>		
cefuroxime	1,5 g powder for solution for injection or infusion 5 vials	J01DC02, second-generation cephalosporins
<b>GENTAMICIN ALKALOID®</b>		
gentamicin	20 mg/2 ml, 40 mg/2ml, 80 mg/2 ml and 120 mg/2ml solution for injection, 10 ampoules	J01GB03, aminoglycoside antibiotic
<b>GLIBEDAL®</b>		
glibenclamide	5 mg tablets, 30 tablets	A10BB01, oral antidiabetic
<b>GYNIPRAL®</b>		
hexoprenaline	0.5 mg tablets, 20 tablets 0.01 mg/2ml solution for injection, 5 ampoules	G02CA, tocolytic
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
<b>HEFEROL®</b>		
ferrous fumarate	350 mg capsules, hard 30 capsules	B03AA02, antianaemic

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>HIDROHLOROTIAZID ALKALOID®</b>		
hydrochlorothiazide	25 mg tablets, 20 tablets	C03AA03, diuretic
<b>HOLLESTA®</b>		
simvastatin	10 mg, 20 mg and 40 mg film-coated tablets, 30 tablets	C10AA01, hypolipaemic
<b>INSTENON®</b>		
etofylline, etamivan, hexobendine	{60 mg+50 mg+20 mg} coated tablets, 30 tablets	C04AX, peripheral vasodilator
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
<b>INSTENON®</b>		
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		
<b>KALCIUM KARBONAT ALKALOID®</b>		
calcium carbonate	1000 mg tablets, 50 tablets	A12AA04, antiphosphataemic, mineral supplement
<b>KLINDAMICIN ALKALOID®</b>		
clindamycin	150 mg and 300 mg capsules, hard 16 capsules 300 mg /2 ml and 600 mg/ 4 ml solution for injection, 10 ampoules	J01FF01, lincosamide antibiotic
<b>KOMPENSAN®</b>		
dihydroxy aluminium sodium carbonate	300 mg tablets, 20 tablets	A02AB04, antacid
Manufactured under the license of Pfizer Corporation		
<b>LAMAL®</b>		
lamotrigine	25 mg, 50mg, 100 mg and 200 mg tablets, 30 tablets	N03AX09, antiepileptic
<b>LEGOFER®</b>		
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
<b>LEXILIUM®</b>		
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		
<b>LIDAPRIM®</b>		
sulfametrole, trimethoprim	(400 mg+80mg) tablets, 20 tablets (100 mg+20mg) tablets, 20 tablets (200 mg+40mg) / 5 ml oral suspension, 100 ml suspension	J01EE03, combined sulphonamide & trimetoprim
Manufactured in cooperation with Nycomed Austria GmbH, Austria		
<b>LIDOKAIN HIDROHLORID ALKALOID®</b>		
lidocaine	40 mg/2ml solution for injection, 100 ampoules	N01BB02, C01BB01 local anaesthetic, antiarrhythmic
<b>LIDOCAIN-ADRENALIN ALKALOID®</b>		
lidocaine, epinephrine	(40mg+0.025 mg)/2 ml solution for injection, 100 ampoules	N01BB52, local anaesthetic
<b>LORATADIN ALKALOID®</b>		
loratadine	10 mg tablets, 10 tablets 1 mg/1ml oral solution, 120 ml solution	R06AX13, antihistaminic
<b>LOSARTAN ALKALOID®</b>		
losartan	50 mg and 100 mg film-coated tablets, 30 tablets	C09CA01, angiotensin II antagonist
<b>LUNATA®</b>		
zolpidem	5 mg and 10mg film-coated tablets 10 tablets	N05CF02, hypnotics and sedatives
<b>MENDILEX®</b>		
biperiden	2 mg tablets, 50 tablets	N04AA02, antiparkinsonic
<b>METADON ALKALOID®</b>		
methadone	5 mg tablets, 20 tablets 10 mg/ml oral drops, solution 10 ml solution 10 mg/ml oral solution, 100 ml and 1000 ml solution 10 mg/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
<b>METFORMIN ALKALOID®</b>		
metformin	500 mg, 850 mg and 1000 mg film-coated tablets, 30 tablets	A10BA02, oral antidiabetic
<b>MORFIN HIDROHLORID ALKALOID®</b>		
morphine	20 mg/ml and 4 mg/ml solution for injection, 10 ampoules	N02AA01, opioid analgesic
<b>NIFADIL® retard</b>		
nifedipine	20 mg prolonged release film-coated tablets, 30 tablets	C08CA05, calcium channel blocker
<b>NIFLAM® 200 retard</b>		
ketoprofen	200 mg film-coated tablets, 20 tablets	M01AE03, NSAID
<b>NIFLAM®</b>		
ketoprofen	50 mg capsules, hard 20 capsules 100 mg/2ml solution for injection and infusion 10 ampoules 100 mg suppositories, 12 suppositories	M01AE03, NSAID
<b>NOVAMORF®</b>		
morphine	10 mg and 20 mg sublingual tablets, 20 and 60 tablets 30 mg sublingual tablets, 20 tablets	N02AA01, opioid analgesic
<b>NOZINAN®</b>		
levomepromazine	25 mg and 100 mg film-coated tablets, 20 and 100 tablets	N05AA02, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
<b>NYPERO</b>		
ropinirole	0,25 mg, 0,5 mg, 1 mg, 2 mg and 5 mg film-coated tablets, 21 tablets	N04BC04, dopamine agonists
<b>OMEZOL®</b>		
omeprazole	20 mg gastro-resistant capsules, hard 14 capsules	A02BC01, antiulcer drug



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>PANCEF®</b>		
cefixime	400 mg film-coated tablets, 5 and 10 tablets 100 mg/5ml granules for oral suspension, 60 ml and 100 ml	J01DD08, third-generation cephalosporins
<b>PARACETAMOL ALKALOID®</b>		
paracetamol	120 mg/5ml oral solution, 100 ml solution	N02BE01, analgesic, antipyretic
<b>PARSEDIL®</b>		
dipyridamole	75 mg coated tablets, 15 tablets	B01AC07, platelet agregation inhibitor
<b>PENTOKSIFILIN ALKALOID®</b>		
pentoxifylline	400 mg prolonged release film-coated tablets, 20 tablets 100 mg/5 ml solution for injections, 5 ampoules	C04AD03, peripheral vasodilator, rheolytic
<b>PHENOBARBITAL ALKALOID®</b>		
phenobarbital	15 mg and 100 mg tablets, 30 tablets	N03AA02, antiepileptic
<b>PHOLCODIN ALKALOID®</b>		
pholcodine	10 mg capsules, hard 20 capsules 15 mg/15ml oral solution, 150 ml solution	R05DA08, antitussic
<b>PHOLCODIN ALKALOID® for children</b>		
pholcodine	4 mg/5ml oral solution, 60 ml solution	R05DA08, antitussic
<b>PIMEF®</b>		
cefepime	1 g and 2 g powder for solution for injection or infusion 5 vials	J01DE01, forth-generation cephalosporins
<b>PROCULIN®</b>		
naphazoline	0.3mg/ml eye drops, 10 ml solution	S01GA01, ophtalmic decongestant



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>PROPAFENON ALKALOID®</b>		
propafenone	150 mg film-coated tablets, 40 tablets 35 mg/10 ml solution for injection, 10 ampoules	C01BC03, antiarrhythmic
<b>PROPILTIOURACIL ALKALOID®</b>		
propylthiouracil	50 mg tablets, 20 tablets 100 mg tablets, 45 tablets	H03BA02, thyrostatic
<b>REGLAN®</b>		
metoclopramide	10 mg tablets, 40 tablets 5 mg/5ml oral solution, 120 ml solution 10 mg/2 ml solution for injection, 30 ampoules	A03FA01, antiemetic
Manufactured in cooperation with Sanofi Aventis, France		
<b>REMOXICAM®</b>		
piroxicam	20 mg capsules, hard 20 capsules	M01AC01, NSAID
<b>RISPERIDON ALKALOID®</b>		
risperidone	1 mg, 2 mg, 3 mg and 4 mg film-coated tablets, 20 tablets	N05AX08, antipsychotic
<b>SALBUTAMOL ALKALOID®</b>		
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
<b>SINEQUAN®</b>		
doxepin	10 mg and 25 mg capsules, hard 30 capsules	N06AA12, antidepressant
Manufactured under the license of Pfizer Corporation		
<b>SIZAP®</b>		
olanzapine	2.5 mg, 5 mg and 10 mg film-coated tablets, 30 tablets	N05AH03, antipsychotics
<b>SKOPRYL®</b>		
lisinopril	5 mg, 10 mg and 20 mg tablets, 20 tablets	C09AA03, ACE inhibitor



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>SKOPRYL plus®</b>		
lisinopril, hydrochlorothiazide	(20 mg + 12.5mg) tablets, 20 tablets (20 mg + 25 mg) tablets, 20 tablets	C09BA03, combined antihypertensive
<b>SOLCOSERYL®</b>		
protein-free haemodialysate of blood from veal calves	8.3 mg/g eye gel, 5 g	S01XA, ophthalmic wound and ulcer treatment
Manufactured under the licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
<b>SOLCOSERYL®</b>		
protein-free haemodialysate of blood from veal calves	2.07 mg/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, other peripheral vasodilators
Manufactured under the licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
<b>SOLCOSERYL®</b>		
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 licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
<b>SUMETRIN®</b>		
sumatriptan	50 mg film-coated tablets, 6 and 3 tablets	N02CC01, antimigraine preparation
<b>SYNETRA®</b>		
clopidogrel	75 mg film-coated tablets, 30 tablets	B01AC04, antithrombotic agent
<b>TAMLOS®</b>		
tamsulosin	0.4 mg modified release capsules, hard 30 capsules	G04CA02, drug used in benign prostatic hypertrophy

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>TIMOLOL ALKALOID®</b>		
timolol	0.5% eye drops, 5 ml solution	S01ED01, antiglaucoma preparation
<b>TRAMADOL ALKALOID®</b>		
tramadol	50 mg capsules, hard 20 capsules 50 mg/1ml solution for injection, 5 and 50 ampoules 100 mg/2ml solution for injection, 5 and 50 ampoules	N02AX02, opioid analgesic
<b>TORVEX®</b>		
atorvastatin	10 mg, 20 mg, 40 mg and 80 mg film-coated tablets, 30 tablets	C10AA05, hypolipaemic
<b>TRICEF®</b>		
cefepodoxime	100 mg film-coated tablets, 10 and 20 tablets 200 mg film-coated tablets, 10 and 20 tablets	J01DD13, third-generation cephalosporins
<b>ULCODIN®</b>		
ranitidine	75 mg, 150 mg and 300 mg film-coated tablets, 20 tablets 50mg/2ml solution for injection, 5 ampoules	A02BA02, antiulcer drug
<b>VASOFLEX®</b>		
prazosin	1 mg tablets, 30 tablets 2 mg and 5 mg tablets, 60 tablets	C02CA01, selective $\alpha_1$ -adrenergic blocker
Manufactured under the license of Pfizer Corporation		
<b>VERAPAMIL ALKALOID® retard</b>		
verapamil	240 mg prolonged release film-coated tablets, 20 tablets	C08DA01, calcium channel blocker
<b>VERAPAMIL ALKALOID®</b>		
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



Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
<b>VITAMIN B<sub>1</sub> ALKALOID<sup>®</sup></b>		
thiamine	100 mg/1 ml solution for injection, 50 ampoules	A11DA01, vitamin
<b>VITAMIN B<sub>12</sub> ALKALOID<sup>®</sup></b>		
cyanocobalamin	500 mcg/1 ml solution for injection, 50 ampoules	B03BA01, antianaemic
<b>VITAMIN B<sub>6</sub> ALKALOID<sup>®</sup></b>		
pyridoxine	20 mg tablets, 20 tablets 50 mg/2 ml solution for injection, 50 ampoules	A11HA02, vitamin
<b>VITAMIN C ALKALOID<sup>®</sup></b>		
ascorbic acid	500 mg tablets, 250 tablets	A11GA01, vitamin
<b>ZANFEXA<sup>®</sup></b>		
venlafaxine	37.5 mg, 50 mg and 75mg tablets, 30 tablets	N06AX16, antidepressants
<b>ZANFEXA<sup>®</sup> XR</b>		
venlafaxine	37,5 mg, 75 mg and 150 mg prolonged release capsules, hard 30 capsules	N06AX16, antidepressants
<b>ZYTRON<sup>®</sup></b>		
ondansetron	4 mg and 8 mg film-coated tablets, 10 tablets 4 mg/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
<b>CAFFETIN COLD max<sup>®</sup></b>		
paracetamol + phenylephrine	1000 mg +12,2 mg powder for oral solution 10 sachets with 5,15 g powder	N02BE51 paracetamol, combinations excl. psycholeptics
<b>CEFPODOXIME ALKALOID<sup>®</sup></b>		
cefepodoxime	100 mg and 200 mg film-coated tablets 10 and 20 tablets 40 mg/5ml powder for oral suspension 100 ml suspension	J01DD13 third-generation cephalosporins
<b>LYVAM<sup>®</sup></b>		
levetiracetam	250 mg; 500 mg; 750 mg and 1000 mg film-coated tablets 60 tablets	N03AX 14 other antiepileptics
<b>NYMER</b>		
nimesulide	100 mg tablets, 15 tablets	M01AX17 other antiinflammatory and antirheumatic agents, non-steroids
<b>RELIKA<sup>®</sup></b>		
perindopril tert-butylamine	2 mg; 4 mg and 8 mg tablets 30 tablets	C09AA04 ACE inhibitors, plain
<b>TRICEF<sup>®</sup></b>		
cefepodoxime	40 mg/5ml powder for oral suspension 100 ml suspension	J01DD13 third-generation cephalosporins
<b>WALZERA<sup>®</sup></b>		
valsartan	40 mg; 80 mg and 160 mg film-coated tablets 30 tablets	C09CA03 angiotensin II antagonists, plain
<b>ZEPIRA<sup>®</sup></b>		
escitalopram	5 mg; 10 mg; 15 mg and 20 mg film-coated tablets 30 tablets	N06AB10 selective serotonin reuptake inhibitors
<b>FURAL</b>		
nifuroxazide	100 mg capsules, hard; 30 capsules 200 mg capsules, hard; 20 capsules	A07AX03 intestinal antiinfective agent



## Food Supplements

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)
<b>ALKAKAPS Shark Oil</b>	500 mg shark liver oil (min. 20% alkylglycerols), soft capsules 60 soft capsules
<b>ALKAKAPS Menopaus Relieve</b>	75 mg vegetable isoflavones complex, 40% (equivalent to 30 mg of pure isoflavones), soft capsules 30 soft capsules
<b>ALKAKAPS Coenzyme Q10</b>	10 mg coenzyme Q10 (ubidecarenone), soft capsules 60 soft capsules
<b>ALKAKAPS Beta Carotene</b>	6.67 mg betacarotene 30% (equivalent to 2 mg betacarotene, or 333 mcg vitamin A), soft capsules 90 soft capsules
<b>ALKAKAPS Garlic</b>	270 mg garlic oil extract, soft capsules 30 soft capsules
<b>ALKAKAPS Omega 3</b>	500 mg fish oil (including 165 mg EPA and 110 mg DHA) and 5 mg vitamin E, soft capsules 60 soft capsules
<b>Vitamin A+D3 Alkaloid</b>	2500 IU vitamin A (in a form of retinol palmitate) and 400 IU vitamin D3 (cholecalciferol), soft capsules 50 soft capsules
<b>DIASTOP</b>	35 mg Bacillus subtilis IP 5832, capsules 16 capsules

# ANNUAL REPORT



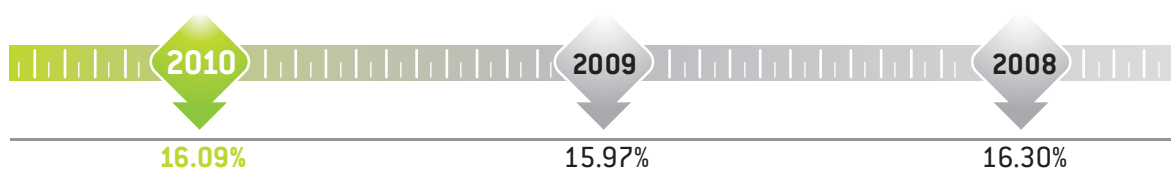
PC  
CHEMISTRY,  
COSMETICS  
& BOTANICALS



## MARKETING AND SALES

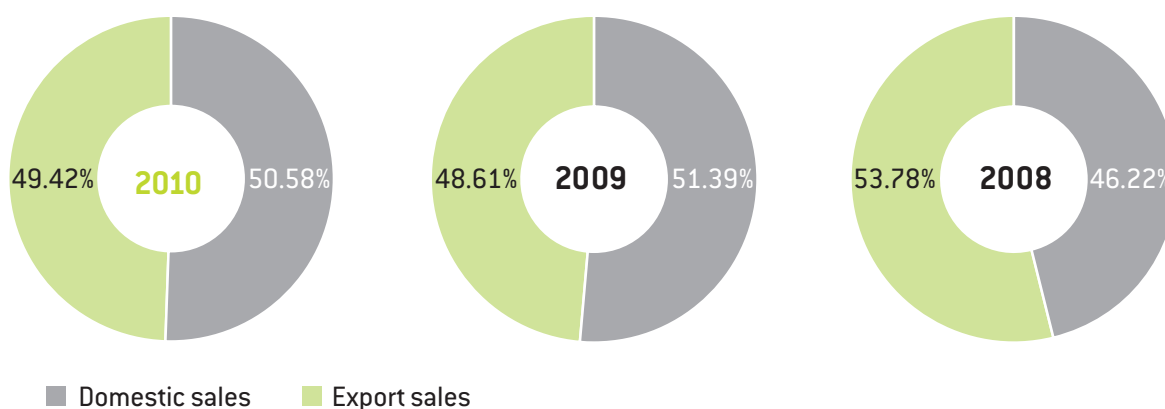
In 2010, PC Chemistry, Cosmetics and Botanicals had 180 employees working in the headquarters in Skopje. The total net sales of this profit centre amounted to 955 million MK denars, which is a share of 16.09% in the total sales of Alkaloid Group. In 2010, the products of PC Chemistry, Cosmetics and Botanicals were available on the markets in 12 countries.

### PC Chemistry Cosmetics Botanicals as a part of Alkaloid Group



In 2010 the sales level demonstrated an increase of 9.38% compared to last year, i.e. an increase of 22% in the chemistry program, 8% in the cosmetics and 2% in the botanicals program.

### Sales per markets



## Sales per countries in 2010

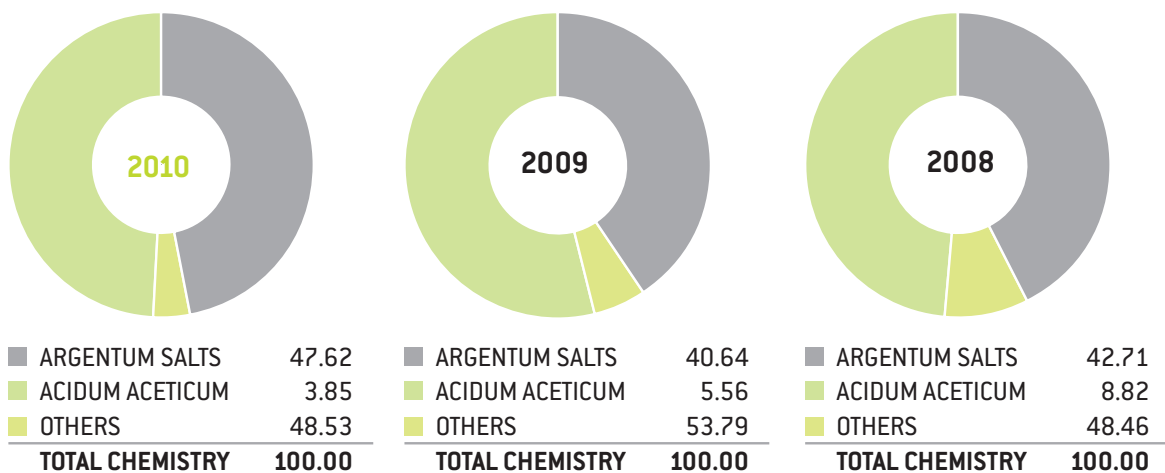
Region/Country	2010		2009		Ind 10/09
	000 MKD	%	000 MKD	%	
Macedonia	482,898	50.58	448,534	51.39	107.66
Albania	3,243	0.34	7,940	0.91	40.84
Bosnia and Herzegovina	88,938	9.32	86,551	9.92	102.76
Kosovo	61,974	6.49	56,949	6.52	108.82
Serbia	104,941	10.99	100,999	11.57	103.90
Croatia	53,872	5.64	43,490	4.98	123.87
Montenegro	30,391	3.18	25,962	2.97	117.06
Russia & CIS	0	0.00	1,199	0.14	0.00
EU & EFTA	93,336	9.78	64,924	7.44	143.76
Other countries	35,080	3.67	36,257	4.15	96.75
<b>Total export:</b>	<b>471,775</b>	<b>49.42</b>	<b>424,271</b>	<b>48.61</b>	<b>111.20</b>
<b>Total sales:</b>	<b>954,673</b>	<b>100.00</b>	<b>872,805</b>	<b>100.00</b>	<b>109.38</b>

The participation of the three programs in the overall sales of PC Chemistry, Cosmetics and Botanicals in 2010 was as follows:

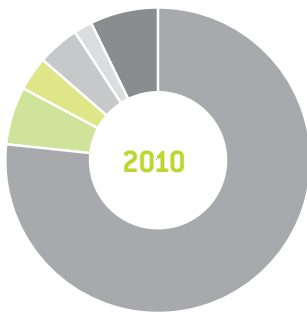
Segment of CCB	% participation		
	2010	2009	2008
<b>CHEMISTRY</b>	<b>18.60</b>	<b>16.69</b>	<b>14.98</b>
Domestic market	8.07	8.58	6.01
Export market	10.53	8.11	8.97
<b>COSMETICS</b>	<b>62.94</b>	<b>63.49</b>	<b>63.30</b>
Domestic market	30.94	30.72	27.49
Export market	32.00	32.77	35.81
<b>BOTANICALS</b>	<b>18.46</b>	<b>19.82</b>	<b>21.72</b>
Domestic market	11.57	12.09	12.71
Export market	6.89	7.73	9.01

The sales structure per segments was as bellows:

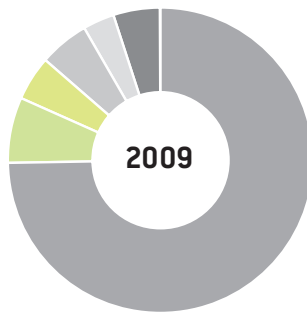
### SALES STRUCTURE - CHEMISTRY



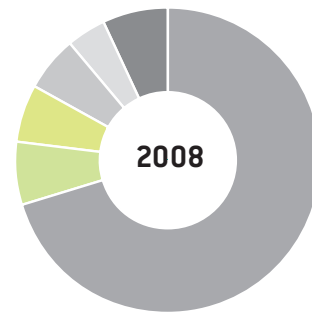
SALES STRUCTURE - COSMETICS



■ BECUTAN	76.85
■ SHAMPOOS	5.94
■ PERFUMES	3.79
■ GLOSS	4.32
■ SOAPS	2.11
■ OTHERS	6.99
<b>TOTAL COSMETICS</b>	<b>100.00</b>

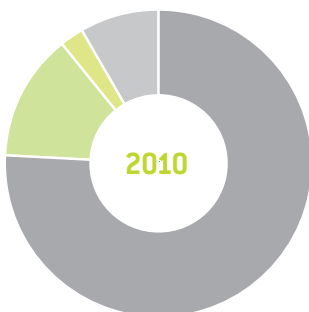


■ BECUTAN	74.91
■ SHAMPOOS	6.77
■ PERFUMES	4.89
■ GLOSS	5.29
■ SOAPS	3.17
■ OTHERS	4.98
<b>TOTAL COSMETICS</b>	<b>100.00</b>

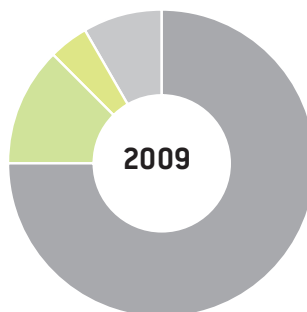


■ BECUTAN	70.43
■ SHAMPOOS	6.74
■ PERFUMES	6.06
■ GLOSS	5.92
■ SOAPS	3.92
■ OTHERS	6.92
<b>TOTAL COSMETICS</b>	<b>100.00</b>

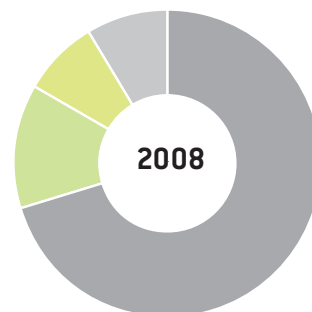
SALES STRUCTURE - BOTANICALS



■ TEAS	75.92
■ ZACHINAL (FOOD SEASONING)	13.30
■ MEDICAL HERBS	2.63
■ OTHERS	8.15
<b>TOTAL BOTANICALS</b>	<b>100.00</b>



■ TEAS	75.22
■ ZACHINAL (FOOD SEASONING)	12.29
■ MEDICAL HERBS	4.26
■ OTHERS	8.22
<b>TOTAL BOTANICALS</b>	<b>100.00</b>



■ TEAS	70.54
■ ZACHINAL (FOOD SEASONING)	13.03
■ MEDICAL HERBS	7.95
■ OTHERS	8.48
<b>TOTAL BOTANICALS</b>	<b>100.00</b>

## CERTIFICATE FOR THE TEAS OF ALKALOID AD

Based on the inspection was conducted by IMO – Institute for Marketology from Switzerland, the only inspection body accredited for this types of certification, Alkaloid AD Skopje has been granted the Fair Wild Standard, Version 2 (08/2010) Certificate for its teas from the Botanicals portfolio.

The Fair Wild Certificate ensures that the botanical products are in compliance with the requirements set forth in the Fair Trade principles, ILO- International Labor Standards and the ISSC-MAP – International Standards for Sustainable Collection of Wild Medicinal and Aromatic Plants, which guarantee the safety, quality and effectiveness of the teas produced.

The 'Fair Wild' certified products confirm the fair contractual relationships between the plant harvesters and the company – user of the harvested wild plants. This standard also guarantees better working conditions for both, the harvesters and the employees of Alkaloid AD, who are involved in the manufacturing process of 'Fair Wild' certified products. The management of the natural resources and the sustainable use of medicinal and aromatic plants are integral and particularly important aspects of the 'Fair Wild' standard.

Thus, Alkaloid AD Skopje joined the group of very few companies in the world, certified in accordance with the principles of the new Fair Wild Standard, Version 2 (08/2010) and was presented with an opportunity to market its botanicals products with the 'Fair Wild' logo worldwide.



## CE CERTIFICATE FOR HEMODIALYSIS SOLUTIONS AND X-RAY FILMS

Alkaloid AD Skopje obtained the CE Certificate for the production of concentrated hemodialysis solutions for the first time.

The inspection was conducted by the renowned agency KEMA Quality B.V, member of DEKRA Group from Netherlands, one of the largest certification agencies in the world. The knowledge and services of KEMA Quality B.V set forth real quality standards in the medical industry.

Following an inspection performed by KEMA Quality B.V., the CE Certificate (CE MARKING OF CONFORMITY) was issued to a company from the Republic of Macedonia, Alkaloid AD Skopje. This CE certificate verifies that the products are in compliance with the European Directives (Annex 3, 5, of the MDD 93/42/ECC and Amendment 2007/47/EC), which guarantee the safety, quality and efficiency of the medical devices.

Thus Alkaloid AD Skopje was granted the right to place its hemodialysis products on all markets throughout Europe.



# ANNUAL REPORT



# INVESTOR INFORMATION





## FINANCES

Despite the positive signals of recovery and overcoming of the consequences of the world economic crisis, 2010 was marked by a slow economic recovery, general liquidity shortfalls of the companies and, insufficient investments in the economy mostly due to the limited access of the companies to fresh capital.

In such conditions, our company dedicated special attention to maintaining its the financial stability through management of all types of risks. Taking into consideration that our company participates in the international transactions and along with that, is exposed to market and foreign currency changes, this risk of such an exposure was diminished by practicing policies that ensure sufficient foreign currency assets used to settle the liabilities abroad without interrupting our investment policy.

Aware that a major advancement and a place among the most successful companies on the global market can only be accomplished by investing in innovations, constant improvements in our services in compliance with the requirements of this modern age, including investment in marketing as a modern tool for a proper demonstration and affirmation of all our results, last year we dedicated our energy and invested in new markets, new production equipment and improvements in the existing quality management processes.

One of our top investment priorities for 2010 was expanding our activities in new markets and improving on the existing ones, which represented a major responsibility for us, as these investments were meant to further establish the brand Alkaloid abroad and win the trust with our new clients.



# INVESTOR INFORMATION

All these measures enabled us to welcome the year 2011, in which we celebrate our 75th anniversary, with positive financial and business results. The total standalone income has been increased by 10%, while the indebtedness quotient has been decreased, which means that even in circumstances of general liquidity shortfalls, through attentive management of the expenses and proper investments, we have managed to increase the standalone earnings before tax by 12% compared to the year 2009.

Our company's strategy is not seeking quick profit, but building quality and confidence which lead to long-term growth and strengthening of the Alkaloid brand. Hence, we are entering the new fiscal year with higher level of accumulated income as a strategy for further enhancement of the company's capital.



**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 Depository 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 of which 59 are reserved for former proprietors, while 0.23% (3,228) are preference shares also 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	99.77%
Former proprietors / Preference shares	3,228	0.23%

According to the records of the Macedonian Stock Exchange, the shares of Alkaloid in the course of 2010 were some of the most traded and most liquid ones. There were 3,437 transactions made, 72,709 shares were traded (which is 5.08% of the total share capital of Alkaloid AD Skopje), worth a total of EUR 4,950,497.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 18.19% of the total turnover recorded on the first official market of the Stock Exchange. The share price of Alkaloid AD Skopje ranged from MKD 3,299 to MKD 5,100, with an average of MKD 4,157.26.



# INVESTOR INFORMATION

As at 31st December 2010, Alkaloid had 5,757 shareholders holding ordinary shares. The fact that the number of shareholders is continually increasing, particularly in the last 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 dividends to its shareholders on an annual basis. The net dividend per share for the year 2010 amounted to MKD 150.00



Net dividend per share

(In MK Denars)

2010	2009	2008
150.00	136.00	123.00

**Gjorgji Jovanov,**

Director / MB Member

# ANNUAL REPORT



# CONSOLIDATED FINANCIAL STATEMENTS

# INDEPENDENT AUDITORS' REPORT

**Deloitte.**

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Central Register of RM  
Registry Number 4881427  
Komerrijalna Banka AD, Kej  
Dimitar Vlahov , Skopje  
Account no. 300-000000910-22  
VAT MK 4030994253680

## INDEPENDENT AUDITORS' REPORT

### TO THE MANAGEMENT BOARD AND THE SHAREHOLDERS OF ALKALOID AD SKOPJE

We have audited the accompanying consolidated financial statements (page 4 to 39) of Alkaloid AD Skopje and its subsidiaries (hereinafter referred to as the "the Group"), which comprise the statement of consolidated financial position as at December 31, 2010, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 financial position of Alkaloid AD Skopje and its subsidiaries as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte doo*

Deloitte DOO  
Skopje, Macedonia  
March 15, 2011

Audit . Tax . Consulting . Financial Advisory.

Member of  
Deloitte Touche Tohmatsu



# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Denars)

As at 31 December			
	Note	2010	2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment (PP&E)	6	3,745,904	3,881,420
Intangible assets	7	363,545	254,770
Deferred tax assets	18	10,557	11,288
Available-for-sale financial assets	9	5,695	6,394
Other non current assets	12	40,955	20,697
		<b>4,166,656</b>	<b>4,174,569</b>
<b>Current assets</b>			
Inventories	10	1,499,576	1,238,006
Trade receivables	11	2,176,305	1,906,001
Other current assets	12	195,500	171,640
Cash and cash equivalents	13	149,686	187,838
		<b>4,021,067</b>	<b>3,503,485</b>
<b>TOTAL ASSETS</b>		<b>8,187,723</b>	<b>7,678,054</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	14	2,206,548	2,206,548
Share premiums	14	734	734
Legal reserves		599,813	599,416
Other reserves	15	1,504,953	1,558,488
Retained earnings		2,284,072	1,904,497
Minority interests		1,275	1,329
		<b>6,597,395</b>	<b>6,271,012</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	66,636	9,753
Retirement benefit obligations	17	15,567	12,875
Deferred tax liabilities	18	27,521	13,488
		<b>109,724</b>	<b>36,116</b>
<b>Current liabilities</b>			
Trade and other payables	19	937,039	894,980
Income tax		13,201	16,480
Borrowings	16	530,364	459,466
		1,480,604	1,370,926
<b>Total liabilities</b>		<b>1,590,328</b>	<b>1,407,042</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,187,723</b>	<b>7,678,054</b>

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

These consolidated financial statements have been approved by the Managing Board on 21 February 2011.

Approved by:  
Zhivko Mukaetov  
General Manager



Cvetanka Simonovska  
Finance Manager





## CONSOLIDATED INCOME STATEMENT

(In thousands of Denars)

	Note	Year ended 31 December	
		2010	2009
Sales	5	5,934,328	5,466,389
Cost of sales		(2,968,612)	(2,897,457)
<b>Gross profit</b>		<b>2,965,716</b>	<b>2,568,932</b>
Research and development expenses		(76,484)	(66,698)
Selling and marketing expenses		(1,922,228)	(1,630,263)
Administrative expenses		(257,817)	(246,538)
Provision for other liabilities and charges	20	(2,693)	(1,901)
Other income	21	237,904	238,515
Other expenses	22	(273,215)	(193,188)
<b>Operating profit</b>		<b>671,183</b>	<b>668,859</b>
Net foreign exchange transaction gains / (losses)	26	(7)	(55)
Finance expenses	26	(42,458)	(46,751)
<b>Profit before income tax</b>		<b>628,718</b>	<b>622,053</b>
Income tax	27	(54,379)	(63,568)
<b>Profit for the year</b>		<b>574,339</b>	<b>558,485</b>
<b>Attributable to the:</b>			
Shareholders of the Parent Company		574,392	558,571
Minority interests		(53)	(86)
<b>Profit for the year</b>		<b>574,339</b>	<b>558,485</b>
<b>Earnings per share (In Denar)</b>			
- Basic	28	403.70	392.55

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands of Denars)

	Note	Year ended 31 December	
		2010	2009
<b>Profit for the year</b>		<b>574,339</b>	<b>558,485</b>
<b>Other comprehensive income</b>			
Fair value of investments	15	(85)	13
Deferred tax	15	(14,033)	921
Gain arising on revaluation of assets	15	-	96,462
<b>Other comprehensive income, net of tax</b>		<b>(14,118)</b>	<b>97,396</b>
<b>Total comprehensive income for the year</b>		<b>560,221</b>	<b>655,881</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of Denars)

	Attributable to the Parent					Minority interests	Total Equity
	Share capital	Share premiums	Legal reserves	Other reserves	Retained earnings		
<b>As at 1 January 2009</b>	<b>2,206,783</b>	<b>906</b>	<b>599,575</b>	<b>1,713,528</b>	<b>1,291,739</b>	<b>1,414</b>	<b>5,813,945</b>
Purchase of treasury shares	(235)	(172)	-	-	-	-	(407)
Fair value of investments (Note 9)	-	-	-	13	-	-	13
Deferred taxes (Note 18)	-	-	-	921	-	-	921
Dividends	-	-	-	-	(195,637)	-	(195,637)
Revaluation of assets (Note 15)	-	-	-	96,462	-	-	96,462
Revaluation transfer (Note 15)	-	-	-	(99,346)	99,346	-	-
Reversal of reserve for purchase of PP&E (Note 15)	-	-	-	(150,931)	150,931	-	-
Profit for the year	-	-	-	-	558,571	(86)	558,485
Translation differences	-	-	(159)	(2,159)	(453)	1	(2,770)
<b>As at 31 December 2009</b>	<b>2,206,548</b>	<b>734</b>	<b>599,416</b>	<b>1,558,488</b>	<b>1,904,497</b>	<b>1,329</b>	<b>6,271,012</b>
Fair value of investments (Note 9)	-	-	-	(85)	-	-	(85)
Deferred taxes (Note 18)	-	-	-	(14,033)	-	-	(14,033)
Dividends and tax of paid dividend and other allocation of profit (Note 29)	-	-	-	-	(251,398)	-	(251,398)
Revaluation transfer (Note 15)	-	-	-	(77,031)	77,031	-	-
Decrease previous year	-	-	-	-	(19,204)	-	(19,204)
Return of unpaid dividends	-	-	-	-	5,577	-	5,577
Profit for the year	-	-	-	-	574,392	(53)	574,339
Translation differences	-	-	397	37,614	(6,823)	(1)	31,187
<b>As at 31 December 2010</b>	<b>2,206,548</b>	<b>734</b>	<b>599,813</b>	<b>1,504,953</b>	<b>2,284,072</b>	<b>1,275</b>	<b>6,597,395</b>

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

# FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT

(In thousands of Denars)

	Year ended 31 December	
	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	5,663,351	4,303,316
Cash paid to suppliers and employees	(5,151,626)	(3,550,528)
<b>Cash generated from operations</b>	<b>511,725</b>	<b>752,788</b>
Interest received	1,763	3,780
Income tax paid	(72,592)	(92,132)
<b>Net cash generated from operating activities</b>	<b>440,896</b>	<b>664,436</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(332,695)	(488,913)
Disposals of available-for-sale financial assets	-	2,059
Proceeds from bank deposits	-	22,006
Dividends received	34	38
Repayments from loans to employees	(5,579)	(3,312)
<b>Net cash used in investing activities</b>	<b>(338,240)</b>	<b>(468,122)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds of borrowings	1,269,672	1,560,955
Repayments of borrowings	(1,138,885)	(1,620,782)
Interest paid	(42,837)	(47,449)
Purchase of treasury shares	-	(407)
Interest from investment in bonds	338	-
Compensation to shareholders and tax of paid dividend and other allocation of profit	(229,589)	(193,987)
<b>Net cash provided by financing activities</b>	<b>(141,301)</b>	<b>(301,670)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(38,645)</b>	<b>(105,356)</b>
Cash and cash equivalents at beginning of year	187,838	292,555
Translation differences	493	639
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>149,686</b>	<b>187,838</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Alkaloid AD Skopje (the Parent Company) and its subsidiaries produce and sell a wide range of pharmaceutical, chemical and cosmetic products, as well as goods of herbal origin. The Parent Company (hereinafter referred to as "the Group") has twelve subsidiaries and one Foundation in the Republic of Macedonia and other countries. For the list of the subsidiaries refer to Note 2.4.

Production facilities of the Group are located in Skopje and Belgrade.

Alkaloid AD Skopje, the Parent Company is a joint stock company, established and with head office in the Republic of Macedonia. The registered address of the Parent 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 Group'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

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IFRS 1 (revised) "First-time Adoption of IFRS" (effective for annual periods beginning on or after 1 July 2009),
- IFRS 3 (revised) "Business Combinations" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),



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

### 2.2 Standards and Interpretations effective in the current period (Continued)

- Amendments to IFRS 2 “Share-based Payment” - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- Amendments to various standards and interpretations “Improvements to IFRSs (2009)” resulting from the annual improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after 1 July 2009).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Entity’s accounting policies.

### 2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),

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

### 2.3 Standards and Interpretations in issue not yet adopted (Continued)

- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 “Financial Instruments: Presentation” - Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010),
- Amendments to various standards and interpretations “Improvements to IFRSs (2010)” resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011),
- Amendments to IFRIC 14 “IAS 19 - The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction” - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010).

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated financial statements of the Entity in the period of initial application.

### 2.4 Subsidiaries

Subsidiaries are all legal entities over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent 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.

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

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

### 2.4 Subsidiaries (Continued)

The accompanying consolidated financial statements include the financial statements of the Parent Company Alkaloid AD Skopje and the following subsidiaries:

	2010	2009
	% of ownership	% of ownership
Alkaloid INT 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%
Alkaloidpharm SA Fribourg, Switzerland	100%	100%
Alkaloid Kons DOOEL Skopje, Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio USA	49%	49%
Fund "Trajce Mukaetov" Skopje, Macedonia	100%	100%
OOO Alkaloid RUS Moscow, Russia	100%	100%
Alkaloid DOO Podgorica, Montenegro	100%	100%
Alkaloid FARM DOO Ljubljana, Slovenia	100%	-

The investment in Alkaloid USA LLC Columbus, Ohio USA is the equity share of 49%, but the Parent Company exercises control. During 2010 Alkaloid AD, Skopje established a new subsidiary in Slovenia, Alkaloid Farm DOO Ljubljana. The existing subsidiary in Slovenia is rebranded into Alkaloid INT DOO Ljubljana.

Alkaloid's representative offices in Russia, Ukraine and Albania are included in the consolidated financial statements of the Group.



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

### 2.5 Investment in associate

An associate is an enterprise over which the Company is in position to exercise significant influence, but not control, though participation in the financial and operating policy decisions of the investee.

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group'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 Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

### 2.6 Segment reporting

Operating segments are reported in a manner with the internal reporting provided to the Managing Board. Managing Board is responsible for strategic decisions for each segment.

### 2.7 Leasing

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### 2.8 Foreign currency translation

#### Functional and presentation currency

The consolidated financial statements are presented in thousands of Macedonian Denar (Denar or MKD), which is the Group's functional currency and the presentation currency for the consolidated financial statements.

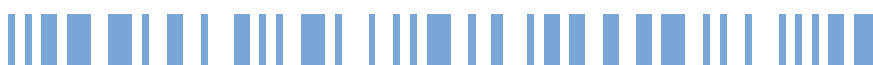
#### Transactions and balances

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 non-monetary assets denominated in foreign currency are recognized 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 are translated at the closing rate at the date of the statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting differences are recognized as a separate component of equity.



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

### 2.9 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 values, 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated 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 consolidated income statement. The revaluation surplus is transferred to retained earnings upon ultimate disposal of revaluated asset.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position.

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 consolidated income statement.

### 2.10 Intangible assets

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, licenses and software over their estimated useful lives (5 - 10 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 Group and costs can be measured reliably. The Group 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 Financial assets

The Group 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 consolidated statement of financial position (Note 2.14)

#### 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 Group 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets are stated at cost. 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 and statement of comprehensive income, except for impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group'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.



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

### 2.12 Financial assets (Continued)

#### Available-for-sale financial assets (Continued)

The Group 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 consolidated income statement. Method for evaluation of impairment of trade receivables is explained in Note 2.14.

### 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.

### 2.14 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 Group 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 consolidated income statement within "selling and marketing costs".

### 2.15 Cash and cash equivalents

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

### 2.16 Share capital

Ordinary shares are classified as equity. Purchases of the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs are deducted from equity attributable to the Parent 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 Parent Company's equity holders.

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

### 2.17 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.18 Deferred tax

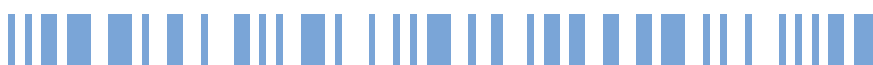
Current income tax is calculated and paid in accordance with the Income tax Law. The estimated tax is paid in advance on a monthly basis. The final tax is payable in the Republic of Macedonia at the rate of 10% calculated on the profit reported in the statement of comprehensive income, adjusted for certain items as defined by the local tax legislation. In respect of the Group's subsidiaries the current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income.

As a result of the anti-crisis measures, Income tax law in the Republic of Macedonia was amended in 2009, whereas the profit for the year ended 2009 is not taxable and the rate of 10% is applied only on the expenses not deductible for tax purposes.

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 Group and it is probable that the temporary difference will not reverse in the foreseeable future.



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

### 2.19 Employee benefits

#### Pension liabilities

The Group 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 Group pays contributions into publicly and privately administered pension plans on a mandatory basis. The Group 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 consolidated statement of financial position 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 Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Group 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 employees are terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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 Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a decision of a Managing Board. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 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 Group'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 Group 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.

### 2.22 Dividends

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

### 2.23 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 Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The financial risk management is performed by the Group's financial department, based on Decisions from Managing Board.

#### Market risk

##### a) Foreign exchange risk

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

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

##### b) Price risks

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

#### Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesales of products are made to customers with an appropriate credit history. Trade receivables consist of large number of balances. The Group 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 Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

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

### 3.2 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by 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 Group for similar financial instruments.



#### 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group 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 Group 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 Group 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 Group 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 Group and as a percentage of participation in the issuer capital.

##### Trade receivables

The Group assessed annually the fair value of trade receivables.

#### 5. SEGMENT REPORTING

##### Reportable segments - Products

At 31 December 2010, the Group is organized on a world-wide basis into four reportable segments:

- |                          |  |
|--------------------------|--|
| - <b>Pharmaceuticals</b> | - Production and sales of medicines for human use; |
| - <b>Chemicals</b>       | - Production and sales of chemicals products;      |
| - <b>Cosmetics</b>       | - Production and sales of cosmetics products;      |
| - <b>Botanicals</b>      | - Production and sales of botanicals products.     |

Segment information reported to the Management Board is based on products and category of customers. The segment information by product is more relevant to the Group.

Principal categories of goods are pharmaceutical and non pharmaceutical products (chemicals cosmetics and botanicals). Customers for the goods of the Group are wholesalers.

## 5. SEGMENT REPORTING (Continued)

### Segments revenues and results

(In thousands of Denars)

	Segment revenues		Segment operating profit	
	2010	2009	2010	2009
Pharmaceutical products	4,979,655	4,593,584	591,941	637,396
Chemical products	177,560	145,692	24,384	3,208
Cosmetic products	600,876	554,115	49,927	20,594
Botanical products	176,237	172,998	4,984	7,747
<b>Total</b>	<b>5,934,328</b>	<b>5,466,389</b>	<b>671,236</b>	<b>668,945</b>
Minority interest			[53]	[86]
Finance costs			(42,465)	(46,806)
<b>Profit before tax</b>			<b>628,718</b>	<b>622,053</b>
Income tax			(54,379)	(63,568)
<b>Profit for the year</b>			<b>574,339</b>	<b>558,485</b>

Revenue reported above represents revenue generated from external customers.

### Segment assets and liabilities

(In thousands of Denars)

Segment assets	2010	2009
Pharmaceutical products	7,075,425	6,542,575
Chemical products	294,440	312,195
Cosmetic products	501,546	489,368
Botanical products	316,312	333,916
<b>Total assets</b>	<b>8,187,723</b>	<b>7,678,054</b>
Segment liabilities	2010	2009
Pharmaceutical products	1,399,223	1,211,433
Chemical products	37,639	43,316
Cosmetic products	111,460	105,241
Botanical products	42,006	47,052
<b>Total liabilities</b>	<b>1,590,328</b>	<b>1,407,042</b>

## 5. SEGMENT REPORTING (Continued)

### Other segment information

(In thousands of Denars)

	Depreciation and amortization		Addition to non-current assets	
	2010	2009	2010	2009
Pharmaceutical products	247,781	228,656	320,317	571,001
Chemical products	5,470	9,173	6,424	8,291
Cosmetic products	10,709	14,200	4,832	2,605
Botanical products	9,327	11,451	2,156	2,338
<b>Total</b>	<b>273,287</b>	<b>263,480</b>	<b>333,729</b>	<b>584,235</b>

### Geographical information

The Group operates in many geographical areas (countries). The Republic of Macedonia is the domicile country of the Group.

(In thousands of Denars)

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
Republic of Macedonia	2,485,019	2,237,773	4,034,852	4,090,933
Serbia	803,817	855,706	33,769	2,526
Croatia	675,663	600,944	13,581	12,012
Bosnia and Herzegovina	624,039	595,222	5,296	5,019
Other countries	1,345,790	1,176,744	21,951	25,700
<b>Total</b>	<b>5,934,328</b>	<b>5,466,389</b>	<b>4,109,449</b>	<b>4,136,190</b>

Geographical information about sales revenue is based on the customers' origin.

Non-current assets are consisted of PP&E and Intangible assets.

## 5. SEGMENT REPORTING (Continued)

### Information about major customers

The sales of Pharmaceutical products are spread over many countries and customers. No major customer participates in the direct sales of Pharmaceutical products.

In the sales of Chemicals products, there is one major customer with participation of 45.8% (2009: 29.7%) in direct sales.

In the sales of Cosmetics products, there is one major customer with participation of 13.5% (2009: 13.2%) in direct sales.

In the sales of Botanicals products, there is one major customer with participation of 16.9% (2009: 18.2%) in direct sales.

(In thousands of Denars)

Sales by category	2010	2009
Sales of goods	5,017,122	4,637,067
Sales of commodities	853,702	775,715
Revenue from services	2,801	39,209
Other revenue	60,703	14,398
	<b>5,934,328</b>	<b>5,466,389</b>

## 6. PROPERTY, PLANT AND EQUIPMENT

(In thousands of Denars)

	Land	Buildings	Equipment	Construction in progress	Total
<b>Cost or valuation</b>					
<b>At 1 January 2009</b>	<b>877,136</b>	<b>3,184,665</b>	<b>1,469,695</b>	<b>179,544</b>	<b>5,711,040</b>
Additions	-	76,920	15,095	390,847	482,862
Transfer from construction in progress	-	127,401	411,205	(538,606)	-
Disposals	-	(3,329)	(10,477)	(1,853)	(15,659)
Revaluation	40,784	(1,415,133)	-	-	(1,374,349)
Translation differences	-	(22)	(378)	-	(400)
<b>As at 31 December 2009</b>	<b>917,920</b>	<b>1,970,502</b>	<b>1,885,140</b>	<b>29,932</b>	<b>4,803,494</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2009</b>	<b>-</b>	<b>1,431,409</b>	<b>750,250</b>	<b>-</b>	<b>2,181,659</b>
Depreciation charge	-	75,985	148,596	-	224,581
Disposals	-	(2,956)	(9,653)	-	(12,609)
Revaluation	-	(1,470,811)	-	-	(1,470,811)
Translation differences	-	(6)	(740)	-	(746)
<b>As at 31 December 2009</b>	<b>-</b>	<b>33,621</b>	<b>888,453</b>	<b>-</b>	<b>922,074</b>
<b>Net book value</b>					
<b>As at 31 December 2009</b>	<b>917,920</b>	<b>1,936,881</b>	<b>996,687</b>	<b>29,932</b>	<b>3,881,420</b>

## 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(In thousands of Denars)

	Land	Buildings	Equipment	Construction in progress	Total
<b>Cost or valuation</b>					
<b>At 1 January 2010</b>	<b>917,920</b>	<b>1,970,502</b>	<b>1,885,140</b>	<b>29,932</b>	<b>4,803,494</b>
Additions	455	216	38,877	128,852	168,400
Transfer from construction in progress	-	37,978	103,335	(141,313)	-
Disposals	(78,537)	-	(16,361)	-	(94,898)
Translation differences	-	291	(3,726)	-	(3,435)
<b>As at 31 December 2010</b>	<b>839,838</b>	<b>2,008,987</b>	<b>2,007,265</b>	<b>17,471</b>	<b>4,873,561</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2010</b>	<b>-</b>	<b>33,621</b>	<b>888,453</b>	<b>-</b>	<b>922,074</b>
Depreciation charge	-	50,061	172,070	-	222,131
Disposals	-	-	(13,967)	-	(13,967)
Translation differences	-	340	(2,921)	-	(2,581)
<b>As at 31 December 2010</b>	<b>-</b>	<b>84,022</b>	<b>1,043,635</b>	<b>-</b>	<b>1,127,657</b>
<b>Net book value</b>					
<b>As at 31 December 2010</b>	<b>839,838</b>	<b>1,924,965</b>	<b>963,630</b>	<b>17,471</b>	<b>3,745,904</b>

The land with surface of 116,464m<sup>2</sup>, in accordance with the latest title deeds issued by AKN is property of Alkaloid AD Skopje. The land with surface of 224,247m<sup>2</sup> is currently in procedure of transformation in accordance with the Law on Privatization and Lease of State-Owned Construction Land [Official Gazette of RM 4/2005, 13/2007, 165/2008, 146/2009].

Land and buildings were revaluated on 31 December 2009 by independent valuator. The revaluation surplus/deficit was credited/debited to other reserves in shareholders equity [Note 15]. The revaluation methods used are: market value, cost method and discounted cash flow.

## 6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The historical cost of Property, plant and equipment and Construction in progress is as follows:

(In thousands of Denars)

Property, plant and equipment	2010	2009
Land	51,058	51,058
Buildings	1,671,221	1,705,677
Equipment	876,542	932,620
Construction in progress	17,471	29,932
<b>Net book value</b>	<b>2,616,292</b>	<b>2,719,287</b>

## 7. INTANGIBLE ASSETS

(In thousands of Denars)

	Trademarks and licenses	Software	Other assets	Construction in progress	Total
<b>Cost or valuation</b>					
<b>At 1 January 2009</b>	<b>54,877</b>	<b>114,627</b>	<b>10,981</b>	<b>70,261</b>	<b>250,746</b>
Additions	9,135	585	185	91,468	101,373
Transfer from construction in progress	56,312	7,068	1,646	(65,026)	-
Disposals	(116)	-	-	(1,740)	(1,856)
Translation differences	-	(58)	1	-	(57)
<b>As at 31 December 2009</b>	<b>120,208</b>	<b>122,222</b>	<b>12,813</b>	<b>94,963</b>	<b>350,206</b>
<b>Accumulated amortization</b>					
<b>At 1 January 2009</b>	<b>10,224</b>	<b>36,020</b>	<b>10,323</b>	<b>-</b>	<b>56,567</b>
Charge for the year	15,859	22,750	290	-	38,899
Disposals	(28)	-	-	-	(28)
Translation differences	1	(3)	-	-	(2)
<b>As at 31 December 2009</b>	<b>26,056</b>	<b>58,767</b>	<b>10,613</b>	<b>-</b>	<b>95,436</b>
<b>Net book value as at</b>					
<b>31 December 2009</b>	<b>94,152</b>	<b>63,455</b>	<b>2,200</b>	<b>94,963</b>	<b>254,770</b>
<b>Cost or valuation</b>					
<b>At 1 January 2010</b>	<b>120,208</b>	<b>122,222</b>	<b>12,813</b>	<b>94,963</b>	<b>350,206</b>
Additions	975	884	5,541	157,929	165,329
Transfer from construction in progress	55,559	9,091	13,083	(77,733)	-
Disposals	(11)	(11,624)	(13,784)	-	(25,419)
Translation differences	(448)	1,301	191	(2,842)	(1,798)
<b>As at 31 December 2010</b>	<b>176,283</b>	<b>121,874</b>	<b>17,844</b>	<b>172,317</b>	<b>488,318</b>
<b>Accumulated amortization</b>					
<b>At 1 January 2010</b>	<b>26,056</b>	<b>58,767</b>	<b>10,613</b>	<b>-</b>	<b>95,436</b>
Charge for the year	26,429	23,243	1,484	-	51,156
Disposals	(5)	(11,624)	(10,235)	-	(21,864)
Translation differences	(654)	699	-	-	45
<b>As at 31 December 2010</b>	<b>51,826</b>	<b>71,085</b>	<b>1,862</b>	<b>-</b>	<b>124,773</b>
<b>Net book value as at</b>					
<b>31 December 2010</b>	<b>124,457</b>	<b>50,789</b>	<b>15,982</b>	<b>172,317</b>	<b>363,545</b>

Intangible assets 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 Group uses loans from banks and intends to maximize the return to the stakeholders through the optimization of the debt and equity balance.

The management of the Group reviews the capital structure on a regular basis.

(In thousands of Denars)

	2010	2009
Debt	597,000	469,219
Cash and cash equivalents	(149,686)	(187,838)
Net debt	447,314	281,381
Equity	6,597,395	6,271,012
Net debt to equity ratio	6.78%	4.49%

### Categories of financial instruments and risk management objectives

The Group'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 Group is exposed to the following risks:

## 8. FINANCIAL INSTRUMENTS (Continued)

### Foreign currency risk

The Group 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 Group 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 Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

(In thousands of Denars)

	Liabilities		Assets	
	2010	2009	2010	2009
EUR	330,541	336,279	1,067,298	1,260,656
USD	49,078	47,469	45,034	53,302
CHF	7,869	6,833	6,395	2,210
Other currencies	160,451	49,114	662,946	224,570

The Group is mainly exposed to Euro currency.

The following table details the Group's sensitivity analysis to a 10% increase and decrease in the Macedonian Denar 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.

(In thousands of Denars)

	Increase of 10%		Decrease of 10%	
	2010	2009	2010	2009
EUR	(73,676)	(92,438)	73,676	92,438
USD	405	(583)	(405)	583
CHF	147	462	(147)	(462)
Other currencies	(50,250)	(17,545)	50,250	17,545
<b>Profit and loss and equity</b>	<b>(123,374)</b>	<b>(110,104)</b>	<b>123,374</b>	<b>110,104</b>

The Group's sensitivity to foreign currency has increased during the current period mainly due to combine effect of

increase of foreign trade receivables and foreign trade payables and increase of borrowings.

## 8. FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk

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

The sensitivity analysis below has 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 a decrease in profit and equity, and negative number below indicates a increase.

(In thousands of Denars)

	Increase of 10%		Decrease of 10%	
	2010	2009	2010	2009
Borrowings	4,246	4,675	(4,246)	(4,675)
<b>Profit and loss and equity</b>	<b>(4,246)</b>	<b>(4,675)</b>	<b>4,246</b>	<b>4,675</b>

If interest rates had been 10% higher the Group's profit for the year ended 31 December 2010 and retained earnings would decrease by Denar 4,246 thousands and opposite if

interest rates had been 10% lower the Group's profit for the year ended 31 December 2010 and retained earnings would increase by Denar 4,246 thousands.



## 8. FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk

The management of the Group has responsibility for maintenance adequate liquidity. In certain cases the Group uses short and long-term funding for liquidity purposes. The Group manages liquidity risk by maintaining adequate

cash reserves, by continuously monitoring forecast and actual cash flows. At any time, the Group can draw additional borrowings from banks with relatively low interest rates, which reduce further liquidity risk.

(In thousands of Denars)

	Less than	1 - 3	3 - 12	12 - 60	
2010	1 month	months	months	months	Total
Trade payables	457,835	267,268	28,341	-	<b>753,444</b>
Borrowings	8,698	16,728	504,938	66,636	<b>597,000</b>
	<b>466,533</b>	<b>283,996</b>	<b>533,279</b>	<b>66,636</b>	<b>1,350,444</b>
2009	Less than	1 - 3	3 - 12	12 - 60	
	1 month	months	months	months	Total
Trade payables	338,793	196,074	145,560	9,280	<b>689,707</b>
Borrowings	26,057	357,097	79,115	6,950	<b>469,219</b>
	<b>364,850</b>	<b>553,171</b>	<b>224,675</b>	<b>16,230</b>	<b>1,158,926</b>

## 8. FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk (Continued)

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

(In thousands of Denars)

	Less than	1 - 3	3 - 12	12 - 60	
2010	1 month	months	months	months	Total
Trade receivables	959,891	990,914	225,392	108	<b>2,176,305</b>
Available-for-sale financial assets	-	-	-	5,695	<b>5,695</b>
	<b>959,891</b>	<b>990,914</b>	<b>225,392</b>	<b>5,803</b>	<b>2,182,000</b>
	Less than	1 - 3	3 - 12	12 - 60	
2009	1 month	months	months	months	Total
Trade receivables	1,013,260	693,991	187,782	10,968	<b>1,906,001</b>
Available-for-sale financial assets	-	-	-	6,394	<b>6,394</b>
	<b>1,013,260</b>	<b>693,991</b>	<b>187,782</b>	<b>17,362</b>	<b>1,912,395</b>

### 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 Group 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.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(In thousands of Denars)

	2010	2009
<b>At 1 January</b>	<b>6,394</b>	<b>7,381</b>
Additions	753	1,766
Disposals	(1,537)	(2,740)
Fair value adjustment	85	(13)
<b>As at 31 December</b>	<b>5,695</b>	<b>6,394</b>
<b>Available-for-sale financial assets consist of:</b>		
	2010	2009
Available-for-sale financial assets in non quoted companies	2,690	2,668
Available-for-sale financial assets in quoted companies	1,775	2,014
Available-for-sale financial assets in bonds	1,230	1,712
Available-for-sale financial assets in non related parties	<b>5,695</b>	<b>6,394</b>

Investments in securities available-for-sale consist of shares in companies and banks. Participation in their shares is below 10% of the registered equity.

Investments in bonds relates to state bonds for denationalization - third emission with 2% interest rate p.a. and maturity in 2014.

Available-for-sale financial assets, of quoted shares and bonds are presented by market values of identical assets. The unlisted shares that are not traded in an active market are stated at cost. The Group consider that cost approximates their fair value.

## 10. INVENTORIES

(In thousands of Denars)

	2010	2009
Raw materials	600,522	508,723
Spare parts	1,747	1,540
Tools and consumable stores	2,664	2,547
Work in progress	141,069	191,120
Finished goods	599,919	404,939
Commodities	153,655	129,137
	<b>1,499,576</b>	<b>1,238,006</b>

## 11. TRADE RECEIVABLES

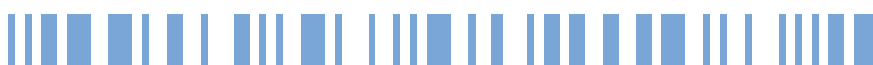
(In thousands of Denars)

	2010	2009
Trade receivables	2,308,439	2,041,476
Less: Provision for impairment of receivables	(132,134)	(135,475)
<b>Trade receivables - net</b>	<b>2,176,305</b>	<b>1,906,001</b>
Changes in the provision are as follows:		
	2010	2009
<b>At 1 January</b>	<b>135,475</b>	<b>121,257</b>
Provision for the year	28,134	84,724
Collected bad and doubtful debts	(31,475)	(70,506)
<b>As at 31 December</b>	<b>132,134</b>	<b>135,475</b>
Ageing of impaired trade receivables are as follows		
	2010	2009
Up to 1 year	45,883	51,342
Over 1 year	86,251	84,133
<b>At 31 December</b>	<b>132,134</b>	<b>135,475</b>

## 12. OTHER CURRENT ASSETS

(In thousands of Denars)

	2010	2009
Prepayments	58,942	35,781
Receivables from employees	17,393	16,805
Prepaid VAT	90,784	44,198
Other receivables	69,336	95,553
Less: non-current portion	(40,955)	(20,697)
	<b>195,500</b>	<b>171,640</b>



## 12. OTHER CURRENT ASSETS (Continued)

Non-current receivables relate to loans to employees and prepayments for property, plant and equipment that are due within 3 years.

The fair value of non-current other assets are as follows: (In thousands of Denars)

	2010	2009
Other assets	40,955	20,697

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

	2010	2009
	5.35%	5.35%

There is no concentration of credit risk with respect to trade receivables, as the Group 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

(In thousands of Denars)

	2010	2009
Cash at banks	142,873	175,604
Cash in hands	3,211	6,429
Other	3,602	5,805
	<b>149,686</b>	<b>187,838</b>



## 14. SHARE CAPITAL

(In thousands of Denars)

	Number of shares	Ordinary shares	Treasury shares	Total	Share premiums
<b>At 1 January 2009</b>	<b>1,422,846</b>	<b>2,220,127</b>	<b>(13,344)</b>	<b>2,206,783</b>	<b>906</b>
Treasury shares purchased	(150)	-	(235)	(235)	(172)
Sale of treasury shares	-	-	-	-	-
<b>As at 31 December 2009</b>	<b>1,422,696</b>	<b>2,220,127</b>	<b>(13,579)</b>	<b>2,206,548</b>	<b>734</b>
Treasury shares purchased	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
<b>As at 31 December 2010</b>	<b>1,422,696</b>	<b>2,220,127</b>	<b>(13,579)</b>	<b>2,206,548</b>	<b>734</b>

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

During 2010 the Entity has no purchases or sales of treasury shares. The total number of treasury shares is 8,657. The number of 3,287 shares is reserved for former proprietors of which 3,228 are priority shares and 59 are ordinary shares.



## 15. OTHER RESERVES

(In thousands of Denars)

	Property, plant and equipment	Available for-sale investments	Fund for shares	Reserves for purchase of PPE	Total
<b>At 1 January 2009</b>	<b>1,318,019</b>	<b>(1,060)</b>	<b>245,638</b>	<b>150,931</b>	<b>1,713,528</b>
Reversal of reserves	-	-	-	(150,931)	(150,931)
Revaluation	96,462	-	-	-	96,462
Revaluation transfer	(99,346)	-	-	-	(99,346)
Increase	-	13	-	-	13
Deferred tax	921	-	-	-	921
Translation differences	(2,159)	-	-	-	(2,159)
<b>As at 31 December 2009</b>	<b>1,313,897</b>	<b>(1,047)</b>	<b>245,638</b>	<b>-</b>	<b>1,558,488</b>
Revaluation transfer	(77,031)	-	-	-	(77,031)
Decrease	-	(85)	-	-	(85)
Deferred tax	(14,033)	-	-	-	(14,033)
Translation differences	37,614	-	-	-	37,614
<b>As at 31 December 2010</b>	<b>1,260,447</b>	<b>(1,132)</b>	<b>245,638</b>	<b>-</b>	<b>1,504,953</b>

The nature and rights of distribution of each class of other reserves are:

- Revaluation reserves for property, plant and equipment are created based on valuation of PP&E. These reserves are not distributable to shareholders.
- The reserves for available-for sales investments are created based on valuation of investments. These reserves are not distributable to shareholders.
- Funds for shares are created from retained earnings based on decision from Shareholders assembly and are distributable to shareholders if not utilized.
- Reserve for purchase of property, plant and equipment was mandatory under the Income tax Law until 2008 and is reversed based on change in the Law in 2009.

## 16. BORROWINGS

(In thousands of Denars)

	2010	2009
Non-current borrowings	66,636	9,753
Current borrowings	530,364	459,466
	<b>597,000</b>	<b>469,219</b>

Bank borrowings in amount of Denar 289,729 thousands are secured by the equipment in amount of Denar 46,492 thousands.

The maturity of the borrowings is as follows:

(In thousands of Denars)

	2010	2009
Up to 1 year	530,364	459,466
Between 1 to 3 years	66,636	9,753
	<b>597,000</b>	<b>469,219</b>

The borrowings are denominated in following currencies:

(In thousands of Denars)

	2010	2009
EUR	212,545	23,419
USD	334	1,008
MKD	384,121	441,681
Other	-	3,111
	<b>597,000</b>	<b>469,219</b>

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

(In %)

	31 December 2010		31 December 2009	
	EUR	MKD	EUR	MKD
Interest rates	7%	7 - 8.5%	3 months EURIBOR +2%	8 - 10%

## 17. RETIREMENT BENEFIT OBLIGATIONS

(In thousands of Denars)

	2010	2009
Retirement benefits	15,567	12,875

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:

(In thousands of Denars)

	2010	2009
<b>Beginning of the year</b>	<b>12,875</b>	<b>10,974</b>
Increase in calculation	2,887	2,099
Retirement benefits	(195)	(198)
<b>As at 31 December</b>	<b>15,567</b>	<b>12,875</b>

The principal actuarial assumptions used were as follows:

(In %)

	2010	2009
Discount rate	6.31%	7.07%

## 18. DEFERRED TAX

(In thousands of Denars)

	2010	2009
Deferred income tax assets	(10,557)	(11,288)
Deferred income tax liabilities	27,521	13,488
	<b>16,964</b>	<b>2,200</b>

Deferred income tax is determined using tax rate of 10%.

(In thousands of Denars)

	2010	2009
<b>At 1 January</b>	<b>2,200</b>	<b>(25)</b>
Income tax in income statement	731	3,146
Income tax in equity	14,033	(921)
<b>As at 31 December</b>	<b>16,964</b>	<b>2,200</b>

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

(In thousands of Denars)

	Provisions	Accruals	Fair value	Total
<b>At 1 January 2009</b>	<b>(13,336)</b>	<b>(1,098)</b>	<b>14,409</b>	<b>(25)</b>
Charged to Income statement	13,336	(10,190)	-	3,146
Charged to equity	-	-	(921)	(921)
<b>As at 31 December 2009</b>	<b>-</b>	<b>(11,288)</b>	<b>13,488</b>	<b>2,200</b>
Charged to Income statement	-	731	-	731
Charged to equity	-	-	14,033	14,033
<b>As at 31 December 2010</b>	<b>-</b>	<b>(10,557)</b>	<b>27,521</b>	<b>16,964</b>
			<b>2010</b>	<b>2009</b>
Land and buildings			14,033	(921)
			<b>14,033</b>	<b>(921)</b>

## 19. TRADE AND OTHER PAYABLES

(In thousands of Denars)

	2010	2009
Trade payables	753,444	689,707
Customer's prepayments	6,384	8,101
Payables to employees	63,229	71,430
Dividends	3,757	7,876
Interest	-	572
Other payables and accrued expenses	110,225	117,294
	<b>937,039</b>	<b>894,980</b>

## 20. PROVISION FOR OTHER LIABILITIES AND CHARGES

(In thousands of Denars)

	2010	2009
Provision for retirement benefits	2,693	1,901
	<b>2,693</b>	<b>1,901</b>

## 21. OTHER INCOME

(In thousands of Denars)

	2010	2009
Collected written-off receivables	12,789	70,506
Dividends income	34	38
Interest income	536	2,458
Foreign exchange transaction gains	112,234	104,296
Other income	112,311	61,217
	<b>237,904</b>	<b>238,515</b>

## 22. OTHER EXPENSES

(In thousands of Denars)

	2010	2009
Interest expenses	1,341	992
Foreign exchange transaction loss	130,301	104,049
Effect of disposal of associate	-	21,129
Other expenses	141,573	67,018
	<b>273,215</b>	<b>193,188</b>

## 23. EXPENSES BY NATURE

(In thousands of Denars)

	2010	2009
Raw materials	1,535,443	1,356,665
Employee benefit expense	1,234,521	1,216,119
Depreciation and amortization	273,287	263,480
Energy	156,392	119,413
Impairments	28,134	84,724
Transportation	103,068	65,318
Changes in the inventories	62,626	(45,496)
Cost of commodities	742,234	657,389
Other expenses	1,089,436	1,123,344
	<b>5,225,141</b>	<b>4,840,956</b>

## 24. EMPLOYEE BENEFIT EXPENSE

(In thousands of Denars)

	2010	2009
Gross salaries	1,064,133	899,138
Other employees benefits	170,388	316,981
	<b>1,234,521</b>	<b>1,216,119</b>
<b>Number of employees as at 31 December</b>	<b>1,322</b>	<b>1,217</b>

## 25. OPERATING LEASING

Operating leasing relates to rent of premises and vehicles. The lease term is between 3-5 years. The Group do not has option to re-purchase premises and vehicles.

(In thousands of Denars)

Minimum operating leasing	2010	2009
	33,607	18,407
	<b>33,607</b>	<b>18,407</b>
Future non-cancellable obligations	2010	2009
Up to 1 year	45,784	19,698
Between 2 to 5 years	98,218	40,292
	<b>144,002</b>	<b>59,990</b>

## 26. FINANCE EXPENSES

(In thousands of Denars)

	2010	2009
Net foreign exchange transaction gains/(losses) on borrowings	(?)	(55)
Interest expense on borrowings	(42,458)	(46,751)
	<b>(42,465)</b>	<b>(46,806)</b>

## 27. INCOME TAX

(In thousands of Denars)

	2010	2009
Current income tax	53,648	60,422
Deferred income tax (Note 18)	731	3,146
	<b>54,379</b>	<b>63,568</b>



## 27. INCOME TAX (Continued)

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

(In thousands of Denars)

	2010	2009
<b>Profit before tax</b>	<b>628,718</b>	<b>622,053</b>
Tax calculated	-	8,996
Expenses not deductible for tax purposes	58,851	56,266
Tax allowances	(5,203)	(4,840)
Utilization of previous tax credit	731	3,146
<b>Income tax</b>	<b>54,379</b>	<b>63,568</b>

As a result of the anti-crisis measures, Income tax law in the Republic of Macedonia was amended in 2009, where- as the profit for the year ended 2009 is not taxable and the

rate of 10% is applied only on the expenses not deductible for tax purposes.

## 28. EARNINGS PER SHARE

(In Denars)

	2010	2009
<b>Basic earnings per share</b>		
Profit attributable to shareholders (In Denar)	574,339,011	558,485,271
Average number of shares	1,422,696	1,422,696
<b>Basic earnings per share (in Denar)</b>	<b>403.70</b>	<b>392.55</b>



## 29. DIVIDENDS

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

The dividends approved by shareholders on 19 April 2010 were Denar 216,293 thousands. Tax of paid dividend and other allocation of profit was amounting Denar 35,105 thousands. Approved dividends in 2010 in respect of 2009 are paid and retained earnings are appropriately decreased.

## 30. COMMITMENTS

Capital expenditures contracted for acquisition of property, plant and equipment at balance sheet date but not yet incurred are in amount of Denar 104,536 thousands; (2009: Denar 18,738 thousands).

## 31. CONTINGENCIES

The Group has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 32,332 thousands (2009: Denar 26,005 thousands).

## 32. RELATED PARTY TRANSACTIONS

The Group has no ultimate controlling party, the shares are widely held.

### Key management compensations

No compensations were paid to the Management Board members. In 2010, the amount of Denar 3,584 thousands were paid to the Supervision Board members (2009: Denar 3,391 thousands). Total key management compensations amounting Denar 216,930 thousands (2009 Denar 192,612 thousands).

## 33. POST BALANCE SHEETS EVENTS

According to the Decision U.no.26-198/1, issued by the Ministry of Finance - Property and Legal Affairs Office on 10.01.2011, in accordance with the Law on Privatization and Lease of State-Owned Construction Land (Official Gazette of RM 4/2005, 13/2007, 165/2008 and 146/2009) the state-owned construction land with surface of 210,129m<sup>2</sup>, K0 Gjorce Petrov 4 - Vlae, noted in title deed No.9220 by AKN is now property of Alkaloid AD Skopje. On 18.02.2011 the amount of 100,389,130 Denar was fully paid.

# ANNUAL REPORT



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

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