

CONSOLIDATED
ANNUAL REPORT
ALKALOID AD SKOPJE

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SKOPJE

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for the period January – December 2021



ALKALOID
SKOPJE

Health above all

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ALKALOID

highlights 2021

ALKALOID
exceeded
EUR 200 million
sales revenue and
20 million EUR
net profit

ALKALOID
invested
EUR 4 mil.
in proper
production of
Becutan
wet wipes

Upon
ALKALOID'S
Initiative,
Medical
High School
Dr. Panche
Karagjozov
Opens
Dual Class

For the first time
in the segment
pharmacy
sales of goods were
realized in Germany,
Austria, Portugal and
Cyprus

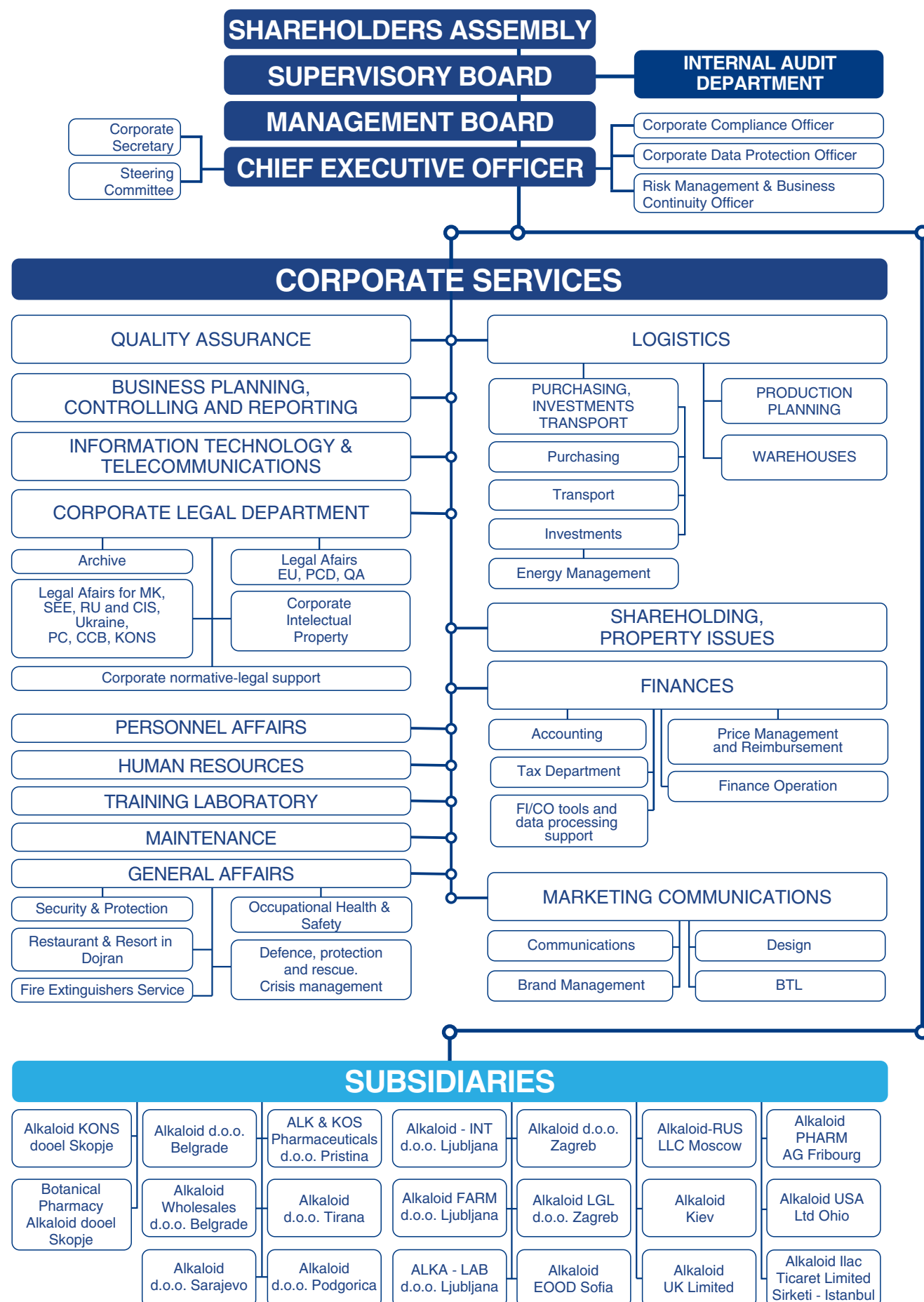
Project
"BENEFITS FOR
THE CHILDREN OF
EMPLOYEES" in
ALKALOID AD Skopje

The CEO/President
of the Management
Board of
ALKALOID AD Skopje,
Mr. Zhivko Mukaetov,
decorated with the
Order of Merit by the
President of Republic
of North Macedonia,
Stevo Pendarovski

ALKALOID
puts in use its own
education and
training center

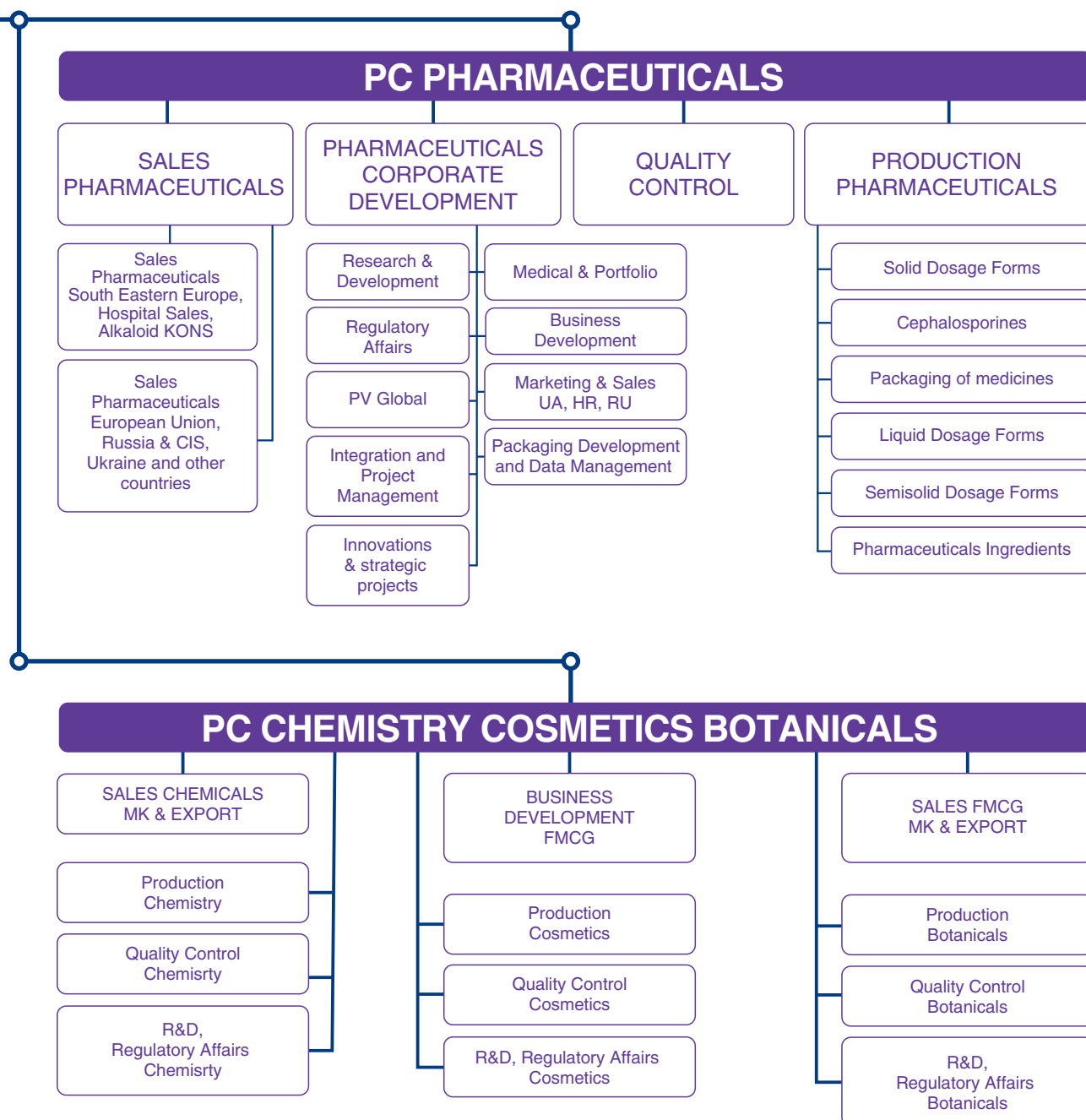
The first shipment
of goods and
placement of
Becutan baby care
products on
the market of the
Kingdom of Saudi
Arabia was finalized

New Star
on the Macedonian
Handball Sky:
HC Alkaloid Founded
- for the Good of the
Macedonian Handball!



ORGANIZATIONAL CHART

ALKALOID AD SKOPJE



Corporate governance

ALKALOID AD Skopje is a global company that firmly and continuously respects and applies its core values based on the highest ethical norms and standards. Good corporate governance is one of the basic and key values and principles of the operations of ALKALOID AD Skopje. Daily application of existing standards for good corporate governance and following the latest trends in this area, lead to continuous growth, both financially and in the field of quality human resources available to the company. All the efforts of ALKALOID AD Skopje for the application of the standards for good corporate governance are recognized and valorized, both by the professional and the wider Macedonian public. In order to give public recognition to the most recognizable and most active participants and other entities that are directly or indirectly related to the Macedonian securities market, "Macedonian Stock Exchange" AD Skopje, traditionally, at the end of the calendar year awards annual prizes in several categories. ALKALOID AD Skopje in 2021 won two first awards, in the category "Most Transparent Listed Joint Stock Company for 2021" - by selection of market participants and by selection of journalists - as well as in the category "Share of the Year for 2021" - by public choice.

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ALKALOID AD Skopje is a company organized according to a two-tier management system consisted by the Management Board and Supervisory Board. The Management Board has the broadest authorizations in managing the company, while the Supervisory Board supervises the managing of the company. The management process in ALKALOID is fully compliant with the laws in the Republic of North Macedonia, as well as with the domestic and international good practices.

Shareholders Assembly

The Shareholders' Assembly is the highest governance body in ALKALOID AD Skopje. In accordance with the Law on Trade Companies, every shareholder registered in the shareholders' registry from the day of record has the right to participate in the work of the Assembly and the right to vote. At the Shareholders' Assembly the fundamental decisions for the company are made, in accordance with the law, and here the shareholders exercise their rights in the company.

The Management Board convenes an annual Shareholders' Assembly no later than three months after the compilation of the annual accounts, financial statements and other reports on the company's operations in the previous business year, and no later than 6 months from the end of the calendar year or 14 months from the last annual assembly. The Shareholders' Assembly is convened by announcing a public call to the shareholders, the materials for the assembly are published from the day of the announcement of the public call.

In accordance with the financial calendar of ALKALOID AD Skopje for 2022, the annual Shareholders' Assembly will be held in the first week of April 2022. The public call, as well as the materials for the Shareholders' Assembly will be published on the SEI-NET system of the "Macedonian Stock Exchange" and on the official website of ALKALOID AD Skopje in the section "Investors".

Supervisory Board

In accordance with the laws in force in Republic of Macedonia and the Statute of the company, the Supervisory Board performs supervision on the operations of ALKALOID AD - Skopje, since 1998 when it is first established.

The members of the Supervisory Board meet regularly on annual level, in order to review the draft decisions of the Management Board that concern the operations of the company for the current year and to state its view whether the same should be accepted or rejected by the Assembly of shareholders of ALKALOID AD – Skopje.

Members of the Supervisory Board:



PROF. D-R MIODRAG MICAJKOV

President of the Supervisory Board

Ph.D. in Law 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 DZHONOV

Member of the Supervisory Board

MD, Dr. Sci. med. Professor and former Dean of the Faculty of Medicine at “Sts. Cyril and Methodius University” in Skopje. Member of the Board since 1998.



BOJANCHO KRALEVSKI

Member of the Supervisory Board

B.Sc in Chemical Engineering. Member of the Board since 1998.

In compliance with the Statute of ALKALOID AD Skopje and the Company Law, at its meetings the Supervisory Board has the authorization to oversee the management of the Company by the Management Board of ALKALOID AD Skopje, as well as to supervise the books and documents of the Company.

Despite the deteriorated working conditions in 2021, caused by the COVID-19 pandemic, the Supervisory Board consisting of President Prof. Miodrag Micajkov, Ph.D. and members Prof. Ilija Djonov, Ph.D. and Bojancho Krlevski, held eight (8) meetings and passed twenty one (21) Decisions.

At its meetings, the Supervisory Board reviewed and discussed all important issues in the frame of its authorizations, in accordance with the Statute of ALKALOID AD Skopje and the Law on Trade Companies.

At its meetings, the Supervisory Board paid special attention to examining the unaudited non-consolidated financial statements and the unaudited consolidated financial statements for the previous year and for the periods 01.01-31.03.2021, 01.01-30.06.2021 and 01.01-30.09.2021 discussing all their segments: Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity.

To enable the Supervisory Board to make appropriate decisions, the President of the Supervisory Board invited the President of the Management Board and CEO of ALKALOID AD Skopje and the managers of the relevant departments to participate at the meetings where the unaudited non-consolidated and consolidated financial statements were examined and to explain the details of all items under review.

Within the scope of his defined competences the President of the Management Board gave additional explanations on the materials reviewed at the meetings. Following the principle of good corporate governance, there were open discussions on all items on the agenda and on all matters important for the Company's business.

Having directly inspected the Financial Statements and having heard the presentations of the President of the Management Board and the heads of the relevant departments of ALKALOID AD Skopje, the Supervisory Board passed decisions to adopt the Company's unaudited non-consolidated and consolidated financial statements as well as the unaudited non-consolidated and consolidated income statements.

The Supervisory Board also made regular inspection in the Management Board's management of the Company and examined the non-consolidated and consolidated Annual Report on the Performance of the company in the previous year. It thereby found that the performance of the Company and its management have been successful, which is demonstrated by the Company's positive financial results in the previous year.

In exercising its competences defined in the Company Statute and the Company Law, the Supervisory Board positively assesses the cooperation with the President and the members of the Management Board in building common positions on the fulfilment of the Company's plans for successful development in 2021.

The Supervisory Board inspected the Company's books and documents related to its financial operations, status of the property and securities. When examining these documents it found the Company to be successful and compliant with regulations in this segment as well.

The Supervisory Board also examined the Company's business plan for 2022 consisting of: sales plan, income statement forecasts per function, cost forecasts by type, human resource plan, capital expenses plan, balance sheet forecast and cash flow forecast.

The Supervisory Board considered the business plan to be well prepared, based on realistic expectation and clearly defining the goals of all management levels, thereby ensuring integrated effort in the achievement of the Company's common goals.

The business plan for 2022 is based on the expectations, forecasts about and opportunities in the current and new markets and products that were available to the Company at the time of planning.

Also, the Supervisory Board passed a decision for approval of the proposal of the President of the Management Board for appointment of Corporate Secretary by the Management Board of the Company.

In compliance with Article 415-v of the Law Amending the Company Law, the Supervisory Board examined the Semi-Annual Report of the Internal Audit Department, which is an independent organisational unit within the Company. The report presented the department's activities carried out in the period January - June 2021.

The Supervisory Board adopted the Semi-Annual Report for 2021, assessing it as well prepared, with its content compliant with the provisions of the Law Amending the Company Law. The report contains description of the conducted performance audits, assessment of the adequacy and efficiency of the internal audit systems as well as findings and proposed measures.

In line with the 2021 Annual Internal Audit Plan the Internal Audit Department submitted to the Supervisory Board quarterly reports for the periods January - March, April - June, July - September and October - December 2021 listing the activities of the Internal audit Department carried out in the respective quarters. The findings the Internal Audit Department identified aim at further improvement of the efficiency in performance. The findings were discussed with the managers of the tested organizational units and were fully accepted.

Having examined the Internal Audit Department's quarterly reports the Supervisory Board passed a decision to adopt them.

In compliance with Article 415-b of the Law Amending the Company Law the Supervisory Board examined the 2022 Annual Work Plan of the Internal Audit Department and passed a decision to approve it.

The Annual Work Plan contains the subject of audit and description of the content of the audits planned for the various areas and schedule of controls in 2022, including their planned durations.

The Internal Audit Department prepared Strategic Plan for internal audit for the period 2022-2024, in which are stated key factors for success – strategic goals, advantages, weaknesses, threats, opportunities, description of the system for internal controls, activities of the internal audit, consultant activities of the internal audit department and resources for executing the internal audit. After the review of the Strategic Plan, the Supervisory Board passed a decision for adoption of the Strategic Plan.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Supervisory Board received the Annual Report of operations for the previous year from the Internal Audit Department of Alkaloid AD Skopje, an independent organizational unit in the Company. The Annual Report presents the activities of the Internal Audit Department during the previous year, that are executed in accordance to the adopted annual plan for operations of the Internal Audit Department.

The Annual Report of the Internal Audit Department is containing the following information:

- Covid 19/ Audit from distance;
- Description of rendered activities;
- Findings/Recommendations for rendered individual revisions;
- Consultancy activities;
- Information on the Internal Audit Department

The Supervisory Board opinion is that the Annual Report of the Internal Audit Department is detailed, qualitative and objective, and gives detailed overview of the executed audits, thus passed a decision for approval of the Annual Report and submitted it to the Assembly of Shareholders of ALKALOID AD Skopje.

Internal audit

The Internal Audit department is separate and independent part of the organizational structure of Alkaloid AD Skopje and is organized under/reports directly to the Supervisory Board of Alkaloid AD Skopje. All of the internal audit activities are in compliance with The Company Law as well as the Internal audit charter and procedure.

Internal Audit helps Alkaloid AD Skopje to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes. Its primary goal is to increase and protect Alkaloid's value by providing objective(risk-based) and confidential audit, consulting and analytical services.

The Internal Audit department aims to add value to Alkaloid AD Skopje and to be recognized as one of the bearers of the company's corporate culture and values, as well as trusted advisor and partner to stakeholders (Supervisory Board, Board of Directors, Senior management, shareholders).

The department consist of professionals, who are properly trained and certified to perform audit activities and regularly fulfill the requirements for continuous professional development.

All of the activities are performed in accordance with the internal audit Strategic and Annual plan based on the most important company and approved by the Supervisory Board.

During 2021, the Internal Audit department has written and submitted special detailed reports, quarter audit reports (submitted to the CEO and Supervisory Board) as well as annual and semi-annual reports that are subject to approval by the Management Board and Supervisory Board of Alkaloid AD Skopje.

In line with the 2021 Annual plan, 18 audit and consulting engagements were conducted, in the following areas: sales, manufacturing, risk management, cash and cash equivalent, loans, corporate governance key performance indicators etc. The Alkaloid's subsidiaries were audited through direct visits or with remote audit in compliance with the Covid-19 pandemic situation and the restrictions imposed by it. Identified findings and recommendations from all of the performed activities were presented in special detailed reports.

The head of the Internal Audit department has regular communication with the Supervisory Board and participates in all its meetings where the information's related to the internal audit work is reviewed.

External audit

The independent external auditor is appointed by the Shareholders' Assembly. The company examines in detail all issues related to the external audit, especially the criteria for determining and maintaining the independence and objectivity of the external auditor, the selection procedure and the selection criteria, the work plan, frequency and manner of reporting from external auditor as well as other issues of interest for the engagement and activities of the external auditor.

The certified auditor may not perform other services for the company that may pose a threat to its objectivity and independence while auditing, as well as at least for the previous two years.

If other employees of the auditing company where the certified auditor is employed perform other work for the company and its related parties which is not an audit, the company must provide systems in place to preserve the auditor's independence and objectivity.

The company is obliged to have an audit opinion on the financial statements no later than one month before the Shareholders' assembly. The certified auditor is appointed by the Shareholders' Assembly before the end of the business year for which the audit is performed. The Management Board is obliged to provide the certified auditor with insight into the entire documentation. The certified auditor of financial statements submits an auditors' report in accordance with International Standards on Auditing.

The Management Board submits the report on the performed audit, together with the annual account, the financial statement and the draft-decision for distribution of the profit to the Supervisory Board for their review.

The Supervisory Board is obliged to review the annual accounts, financial statements and the draft decision on profit distribution. At the request of the Supervisory Board, the certified auditor is obliged to attend the meeting of the Supervisory Board.

Based on Art. 383, on Art. 479 paragraphs 2 and 3 of the Law on Trade Companies and Art. 74 of the Statute of ALKALOID AD Skopje, the Assembly of ALKALOID AD Skopje at its session held on 5.4.2021 appointed the audit firm DELOITTE DOO - Skopje as authorized auditor to audit the 2021 annual account and the financial statements of ALKALOID AD Skopje. The audit company does not perform other services for ALKALOID AD Skopje.

Management Board

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 manages the company's overall operations at its own responsibility.

Members of the Management Board are:



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 post-graduate 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. 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

Member of the Management Board and Chief Financial Officer of the Company Holds a B. Sc. Degree in Economics. Member of the Board since January 2013. Responsible for the financial operations of the Company.



VIKTOR STOJCHEVSKI

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

Holds a B. Sc. Degree in Economics. Member of the Board since January 2013. 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. Responsible for the operations in the shareholding and property 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. Responsible for the overall operations of the general services department.

During 2021 year, the Management Board performed its activities within the framework of its competences and in compliance with the Law on Trade Companies and the Statute of the Company; passing decisions concerning the business policy and managing the overall operations of the Company.

Besides the challenging conditions during the Covid-19 pandemics, the Management Board held its sessions on regular basis and in the course of 2021, completed 39 (thirty-nine) sessions on which 158 (one-hundred-and-fifty-eight) important decisions/conclusions were passed.

Within the Report on the performance of the Management Board of Alkaloid AD Skopje in 2021, are stated more important decisions adopted by the Management Board, including:

- Decision for making an inventory listings and establishment of commissions for making inventory listings of the fixed assets and the sources of assets, as well as adopting the compiled report on inventory listings of Alkaloid AD Skopje;
- Decision on submitting draft Annual Statement of Accounts (Balance sheet) and the Draft Annual Report on the operations of the Company (Standalone and Consolidated);
- Decisions to approve the Balance sheets of the companies founded by ALKALOID AD Skopje for the previous year.

On its meetings, the Management Board was conducting monthly reviews of the Income Statements of ALKALOID AD Skopje done by cost centre and the Report on the current operations of ALKALOID KONS DOOEL Skopje.

Upon MB President's invitation, the sessions (via teleconferencing due to Covid-19 protocols), were attended by executives from the Department of Logistics and ALKALOID KONS DOOEL Skopje.

The Management Board passed decisions/conclusion concerning specific tasks for the managers of the profit centers of Alkaloid AD Skopje and the manager of ALKALOID KONS DOOEL Skopje directed towards engagement of maximum efforts for fulfillment of the set objectives, intensification of settlement of outstanding debts, control of stocks 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 the previous year, as well as those pertaining to the periods: 1 January to 31 March 2021; 1 January to 30 June 2021, 1 January to 30 September 2021 thus assessed 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 held on 5 April 2021.

The Management Board, having in consideration the functionality and improvement of the internal organization of the company, passed the Decision for amendment of the internal organization and the Rules for systematization of the employment positions. Also, the management Board adopted amendments of the Analytical evaluation of the employment positions, according to the adopted Decision for increase of the number of points for certain employment positions, that requires 1, 3 and 4 degree of education, as well as the decision for increase of the net value of the points.

Therein, the Management Board also passed the following:

- Decision for payment of vacation leave regress;
- Decision for payment of Jubilee award in occasion of celebration of 85 Years of Alkaloid AD Skopje.

The Management Board passed a decision for adoption of the Rulebook for benefits for the children of the employees of Alkaloid AD Skopje. The newly adopted Rulebook regulates the procedure for usage of the benefits by the employees of the company and its capital-connected companies in Republic of North Macedonia, whose children are in process of education in the area of learning of foreign languages, sport training activities, as well as other out of school educational or recreative engagements in the field of science and culture.

Alkaloid AD Skopje, within the frame of its activities as social responsible and ethical company, is executing this project, as part of the category of benefits for its employees and care for their well being, with aim to increase the feeling of affiliation, loyalty and satisfaction of the employees in the company.

During the meetings of the Management Board in 2021, the Management Board passed the decisions for adoption of several very important internal documents for protection of personal data, as:

- Rulebook for the system for protection of personal data of Alkaloid AD;
- Rulebook for description of technical and organizational measures (Rules for informatics security);
- Rulebook for determination of the obligations and responsibilities of the Administrator of the informatics system and the responsible persons in Alkaloid AD Skopje;
- Rulebook for the period for keeping the personal data, as well as destroying of documentation, erase, cleaning or destroying of media;
- Rulebook for safe copy and return of data;
- Rulebook for management of safety incidents;
- Rulebook for video surveillance in Alkaloid AD Skopje.

The Management Board passed a decision for appointment of Corporate Secretary, previously approved by the Supervisory Board of the company.

The Management Board passed a decision for approval of the Fundamentals of the Business Plan of Alkaloid AD Skopje for 2022.

The Management Board passed a decision for approval of the Business Plan of the company for 2022 and give directions for its implementation.

The Business plan for 2022 is consisted of: sales plan, income statement forecasts per function, cost forecasts by type, human resource plan, capital expenses plan, balance sheet forecast and cash flow forecast.

The Management Board assessed that the Business plan is based on realistic expectations and compiled thoroughly encompassing the capacities and risk management policies on the existing and potentially new markets and new products, rules for risk management and increase of efficiency of internal resources. The Business plan for 2022 is based on the expectations, projections and possibilities for the present and future markets and products, available to the company in the moment of the adoption of the Business Plan. The Management Board also passed the Financial Calendar of Alkaloid AD Skopje for year 2022.

Pursuant to Article 375, Section 3 and Article 366, Section 3 of the Law on Trade companies, the Management Board passed a decision for assigning operation managers with special authorizations and responsibilities at the company during 2022.

On one of the meetings of the Management Board held in 2021, the Management Board passed the Decision for establishment of a sport organization that shall be registered as handball club and will be named Sport Association Handball Club "ALKALOID" Skopje.

The Management Board passed Decisions for approval of the financial report of the Foundation "Trajche Mukaetov" - Skopje for year 2021 and approved the work program of this Foundation for the year 2022.

The Program states the amount, method, terms and procedures for utilizing the Foundation's funds aimed at providing scholarships and donations and financing talented students, researchers and scientific projects in the fields of medicine and pharmacy.

Also, the Management Board adopted the Program for operations for 2022 of the Chess Club "ALKALOID" and the Handball Club "ALKALOID".

Regarding the operations of the companies abroad founded by ALKALOID AD Skopje, the Management Board took a number of important decisions:

Decisions for continuation of the mandates of the directors at the subsidiaries abroad founded by ALKALOID AD Skopje: ALKA-LAB DOO Ljubljana, ALKALOID FARM Fribourg, ALKALOID RUS, Representative Office of ALKALOID AD in Moscow, Limited liability Company ALKALOID KIEV, Representative Office of ALKALOID AD Skopje in Kiev, ALKALOID DOO Belgrade, Wholesale pharmacy ALKALOID DOO Belgrade, ALKALOID DOO Sarajevo, ALKALOID EOOD Sofia, ALKALOID DOO Podgorica, ALKALOID DOO Tirana, ALK&KOS DOO Pristina and Ilac Ticared Limited Sirketi Istanbul.

Also, the Management Board adopted the decision for appointment of new manager of ALKALOID LGL DOO Zagreb and new manager of ALKALOID DOO Zagreb.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Management Board received the Annual Report of operations for the year 2021 from the Internal Audit Department of Alkaloid AD, an independent organizational unit in the company. The Annual Report presents the activities of the Internal Audit Department performed during the previous year, in accordance with the adopted annual work plan of the Internal Audit Department.

The Annual Report of the Internal Audit Department contains the following information:

- Covid 19/ Audit from distance;
- Description of rendered activities;
- Findings/Recommendations for rendered individual revisions;
- Consulting activities;
- Information on the Internal Audit Department.

The Management Board thus passed a decision for approval of the work for year 2021 of the independent organizational unit, the Internal Audit Department.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Management Board received the Semi-Annual Report of operations for the year 2021 from the Internal Audit Department of Alkaloid AD, in which are presented the activities of the department for the period January – June 2021.

After the evaluation of the Semi-Annual Report, the Management Board passed the decision for adoption of the Semi-Annual Report, with comment that the report is prepared in very qualitative manner, completely in accordance with the Law on Additions and Amendments to the Law on Trade Companies, in which are described the list of the internal audits of the work of the company, evaluation of the efficiency of the internal audit department, as well as findings and proposed actions by the department.

ALKALOID AD Skopje, as a founder and the sole cofounder of ALKALOID KONS DOOEL Skopje carries out the responsibilities of the following corporate bodies:

- Management Board of the founder, as an Assembly of Company's Cofounders;
- Controller, as a supervisory body of the Company.

The Assembly of Cofounders of ALKALOID KONS DOOEL Skopje, held 9 (nine) meetings and passed 24 (twenty-four) decisions.

In accordance with the Law on trade companies and the Statute of ALKALOID KONS DOOEL Skopje, several more important decisions were passed, among which are the following:

- Decision for inventory count and inventory count commission of ALKALOID KONS DOOEL Skopje;
- Decision for approval of the compiled report on inventory listings and sources of inventory listing of ALKALOID KONS DOOEL Skopje;
- Decision for approval of the balance sheet, the annual report of the company and the unaudited standalone financial reports of the company;
- Decision for allocation of profit;
- Decision for approval of the Audit Report of the Financial Reports issued by the independent auditor Deloitte LTD Skopje;
- Decision for re-appointment of Controller of ALKALOID KONS
- Decision for re-appointment of the General Manager of ALKALOID KONS;
- Decision for payment of vacation leave regress;
- Decision for appointment of the managerial persons;
- Decision or increase of the net value of the point;
- Decision of the payment of the Jubilee award in occasion of the 85 Years of Alkaloid AD Skopje;

ALKALOID AD Skopje, as founder and sole cofounder of Bilna Apteka Alkaloid Ltd. Skopje carries out the responsibilities of the bodies of the company, as follows:

- Management Board of the founder, as well as, as an Assembly of Company's Cofounders.

In the course of 2020, the Assembly of the shareholders of Bilna Apteka Alkaloid Ltd. Skopje held 6 (six) meetings and passed 6 (six) Decisions.

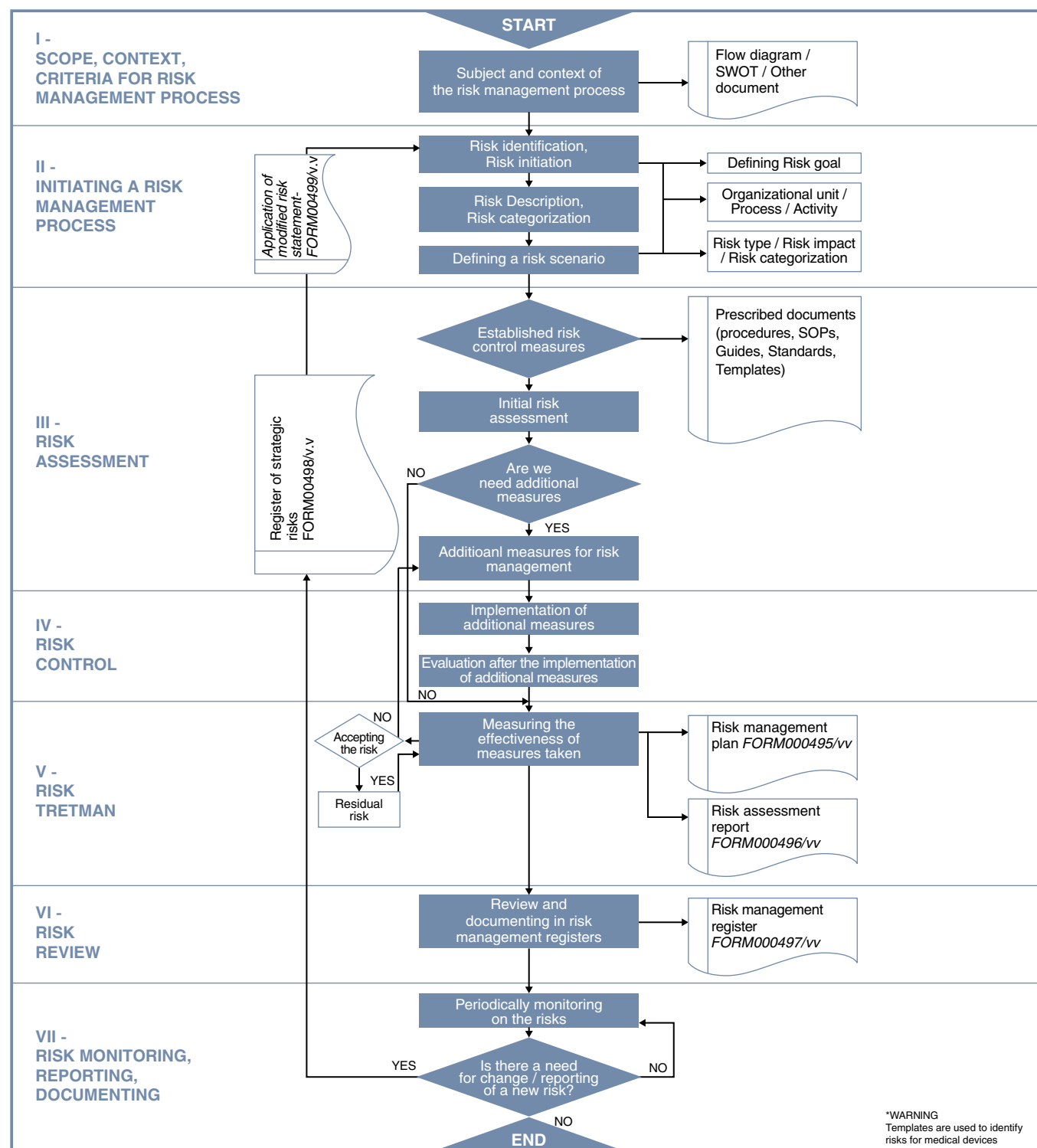
In accordance with the Law on trade companies and the Statute of Bilna Apteka Alkaloid Ltd. Skopje, several more important decisions were passed, among which are the following:

- Decision for inventory count and inventory count commission;
- Decision for approval of the Annual account of the company;
- Decision for allocation of profit;
- Decision for payment of vacation leave regress;
- Decision or increase of the net value of the point;
- Decision of the payment of the Jubilee award in occasion of the 85 Years of Alkaloid AD Skopje.

The work of the Management Board in the course of the year 2021 was within the frame of the competences determined by the Law on Trade Companies and the Statute of Alkaloid AD Skopje.

Risk management and business continuity

Risk management at Alkaloid AD Skopje is based on good manufacturing practices, the ISO 31000 standard and other standards the Company applies, and the relevant guidebooks. This process was introduced in 2007 as part of the integrated management system. Below is the risk management flow chart.



Risk management is in the competence of the Risk Management, Crisis and Business Continuity Board, the Risk Management and Business Continuity Team, and the heads of organisation units/process owners.

The responsibilities of the Board, the Team, the heads of units, and everyone involved in this process, are clearly defined in the Business Continuity Management Procedure and the Risk Management Procedure. The risks managed by Alkaloid are integrated in all business and production processes.

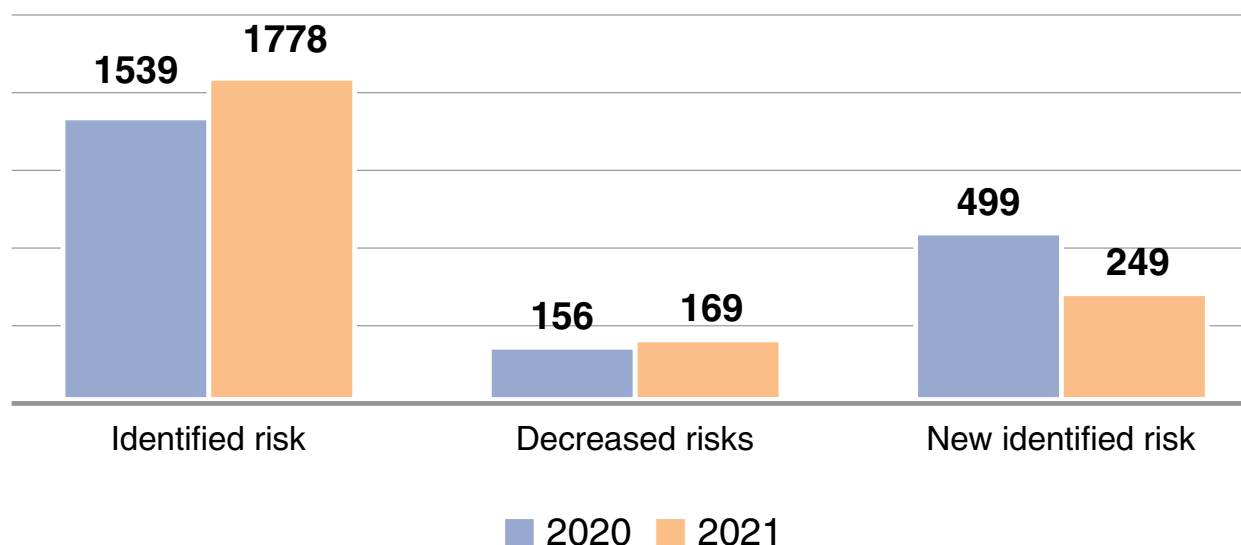
In 2015/2016, Alkaloid identified all potential strategic risks to the company. With this milestone, the Management, the Board, and the Team initiated continued activities to mitigate the potential strategic risks to the company. We are pleased to say that most of the potential strategic risks have been brought down to operative risks managed daily by the middle management and the employees.

The process is supported by a Strategic Risks Registry and Operative Risks Registry. The registries provide a comprehensive overview of risks, timely identification and management of factors that could impact the implementation of the company goals and the company strategy.

By continuously reassessing the risks, we lessen the probability of risks materialising, we reduce the gravity of the consequences, and we take measures for the purpose of awareness, readiness, management and maintenance of the risks at an acceptable level.

You may observe this in the chart comparing the risk management process in 2020 and 2021.

Risk management process comparison 2020 and 2021



Business continuity

At the outset of the COVID-19 pandemic, Alkaloid developed a business continuity plan for the duration of the pandemic with a clearly defined activity plan and measures taken to ensure business continuity.

This experience and need guided is to continue implementing the business continuity management system ISO 22301. By implementing the continuity management system, we aim to attain the following possibilities and benefits:

- From a business perspective: support the strategic goals, protect and enhance the company's standing, credibility, organisational readiness, and resilience.
- From a financial perspective: reducing legal and financial exposure and reducing direct and indirect costs in the event of disruptions/unexpected events.
- From the stakeholder perspective: protection of life, property and the environment, and ensuring trust in the organisation's ability to achieve its objectives.
- From the perspective of internal processes: improving the ability of business processes to remain effective during disruptions/unexpected events, an effective, efficient and proactive risk control, identifying and overcoming operative drawbacks.

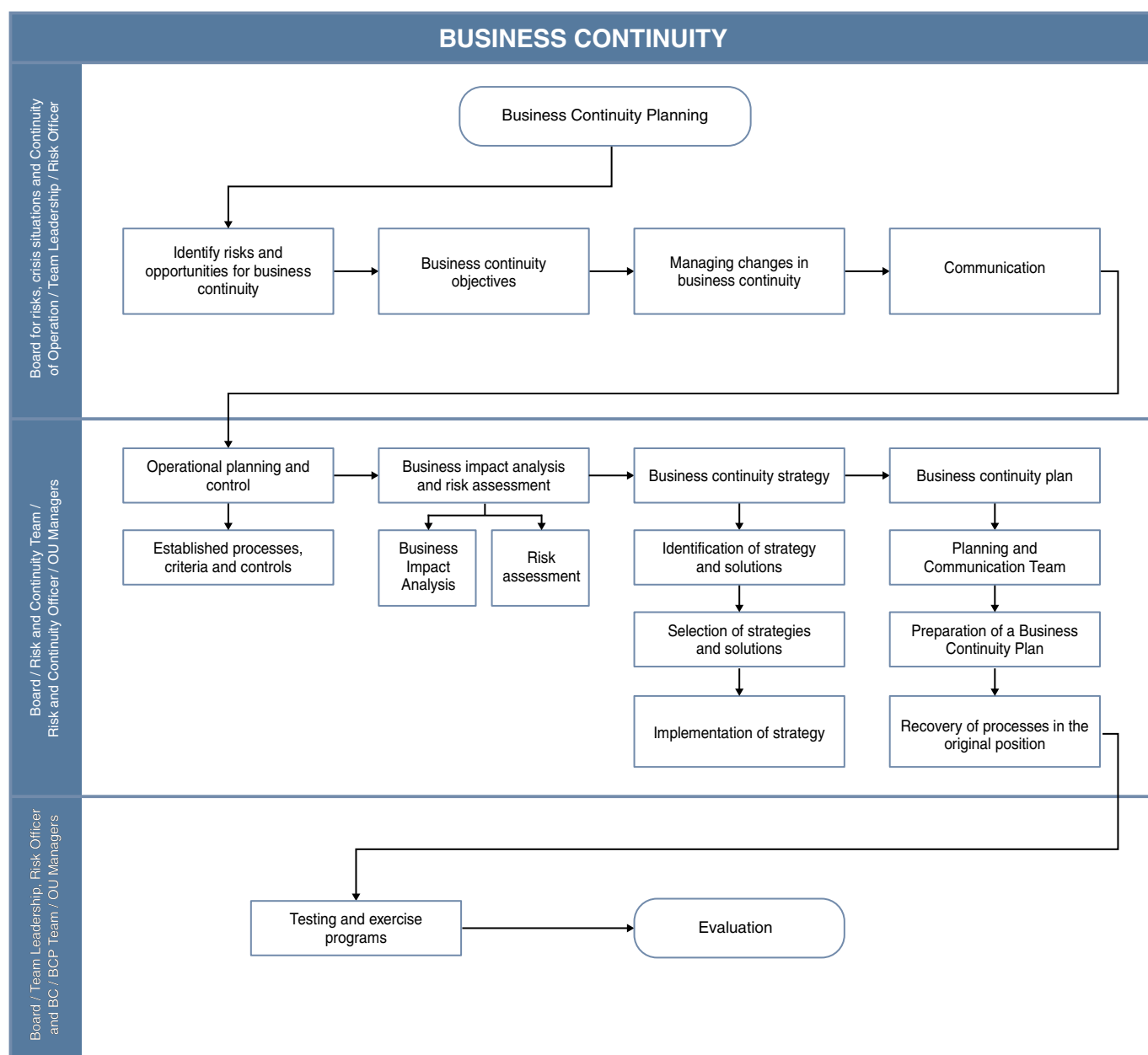
The management of the business continuity process is in the competence of the Risk Management, Crisis and Business Continuity Board, the Risk Management and Business Continuity Team, and the heads of organisation units/process owners.

The responsibilities of the Board, the Team, and the heads of units, as well as everyone involved in this process, are clearly defined in the Business Continuity Management Procedure and the Risk Management Procedure.

In line with the ISO 22301 gap analysis, we are now developing SOPs and other business impact analysis documents, a business strategy and, where necessary, additional business continuity plans.

We also aim to improve operative work by continuous professional training for all employees involved in the process.

Below is a flowchart of the business continuity process at Alkaloid AD Skopje.



The vision and dedication of Alkaloid's management keeps improving these two areas – risk management and Company's business continuity.

Corporate compliance

Acting with integrity and honesty is one of the basic prerequisites for the business success of ALKALOID AD Skopje. Therefore, compliance with domestic and international regulations, internal acts and voluntary commitment of the management structure and employees to comply with the ethical principles and standards, is among the most important postulates upon which the company conducts its business activities. Our goal is to strengthen the trust of all employees, shareholders, business environment, competent institutions and other stakeholders in the society, in our commitment and dedication of nurturing and developing the corporate integrity of ALKALOID AD Skopje.

Normative aspects of the corporate compliance system

During 2020, with the support of the top management of ALKALOID AD Skopje, a process of renewal of the corporate acts of the company began, with the aim to create a system of compliance based on a normative and organizational structure, which shall serve as support for achieving corporate compliance goals. It is especially important to emphasize that compliance with normative and ethical principles in the company has already been in place, therefore, the process of creating a compliance system should be interpreted as an extended activity of structuring and codifying the existing compliance practices, their improvement and alignment with the established system of defined rules, control mechanisms and procedures.

In that direction, during 2020, a set of acts was adopted, which represent the core of the corporate compliance system. Namely, the top management adopted the second version of the Code of Ethical and Business Conduct of ALKALOID AD Skopje, a document that represents a codification of ethical values, standards and principles and their establishment as a basis for further compliance with all other mandatory acts, laws, other regulations and other corporate acts. The Code of Ethical and Business Conduct, for the first time, comprises a separate section, a separate chapter - Pharmaceutical Compliance, thus laying down the foundation for further codification of the principles and standards applicable in the interaction with healthcare professionals and promotion of medicines, through the adoption of the Code of Interaction with Healthcare Professionals and Ethical Promotion. The Code is a document that systematizes and summarizes aspects of activities that are specific to pharmaceutical companies, which operate in a strictly regulated industry. Additionally, the company adopted an Anti-Corruption Policy, which regulates all aspects of prevention and sanction for undue payments and bribery of public servants and public officials, as basic parameters of our interaction with the state structure and the society as a whole.

Organization of the compliance system

The corporate compliance system of ALKALOID AD Skopje does not only imply adoption of corporate acts, instead the emphasis is being placed on the implementation and enforcement of those acts.

For that purpose, a network of responsible persons has been established, which is responsible for the implementation of the compliance system of ALKALOID AD Skopje, organized as:

- Corporate Compliance Officer
- Corporate Compliance Commission

Additionally, for this reporting period, Compliance Officers have been appointed in the affiliates of ALKALOID AD Skopje with established legal departments within their organizational structure. In the following period, the process of organizational set-up of the corporate compliance structure will be completed, by appointing Compliance Officers in all other affiliates. In order to implement and enforce the company's compliance system, the competent compliance bodies apply an integrated process system, control mechanisms and tools, in order to reduce the risk of violations of the Code of Ethical and Business Conduct committed by the managers and employees of ALKALOID AD Skopje and its affiliates.

Procedure for reporting and deciding on violations of the Code of Ethical and Business Conduct

Pursuant to the corporate compliance acts, all employees of ALKALOID AD Skopje and its affiliates, as well as all business partners and associates are encouraged to report any actual and potential violations of the Code of Ethical and Business Conduct, as well as any other illegal and unethical conduct by the management and employees of the company, through the following channels:

- AlkaSpeakUp web-form, set on the ALKALOID website
- telephone number of the Corporate Compliance Officer in ALKALOID AD Skopje, or telephone numbers of the Compliance Officers in the affiliates
- e-mail address of the Corporate Compliance Officer of ALKALOID AD Skopje or e-mail addresses of the Compliance Officers in the affiliates.
- In this reporting period, the communication channels are provided only for the territory of the Republic of North Macedonia, whereas in the following period, technical and organizational activities and measures will be undertaken in order to establish communication channels related to all affiliates of ALKALOID AD Skopje.

In accordance with the organizational structure of the corporate compliance system of ALKALOID AD Skopje, the Corporate Compliance Commission, of which the Corporate Compliance Officer is a member, is responsible for the cases initiated upon a justified complaint for violation of the Code of Ethical and Business Conduct.

The Commission has the authority to conduct investigations, in order to determine all the facts and circumstances related to the complaint for violation of the Code of Ethical and Business Conduct by an applicant from the ranks of the employees of ALKALOID AD Skopje, an external applicant (from the ranks of business partners or associates of ALKALOID AD Skopje) or at the request of a manager in ALKALOID AD Skopje, in order to determine a clear actual state about the reported violation. Based on the established actual state, the Corporate Compliance Commission issues a finding for existence or non-existence of a violation, with a proposed sanction (if a violation is found), which are submitted to the management structures of ALKALOID AD Skopje, who subsequently make a sound and substantiated decision to impose sanctions on the breaching party.

Since the beginning of the implementation of the Code of Ethical and Business Conduct, i.e. as of September 2020, through the AlkaSpeakUp platform, the Commission has received a total of twelve complaints for violation of the Code of Ethical and Business Conduct, as well as six other communications, which do not contain elements of a report. In the framework of the procedures conducted in relation to the submitted complaints, the Commission conducted investigations and issued findings for nine of them, six of which during this reporting period, while for three complaints, the procedure has not been not completed by 31.12.2021.

Compliance system performance review

Our compliance system is established in accordance with national and international regulations and standards. Its purpose is to encourage, implement and ensure consistent behavior within the company in a sustainable way. The focus of our corporate compliance organization is to prevent unauthorized, unethical and illegal activities by employees and managers which, ultimately, could cause serious damage to the company's reputation or financial interests and goals.

The Code of Ethical and Business conduct has been disseminated to all employees of the company, and it is available on the website of the company. It is a basic tool for building and developing awareness by employees and management structure for ethical behavior and building corporate integrity and culture.

The regular exchange of information between the management structure of the company and the organization of corporate compliance, as well as communication with external stakeholders contributes to the continuous improvement of the corporate compliance system of ALKALOID AD Skopje. Within the implementation of the compliance system so far, including this reporting period, there are no indicators that lead to a conclusion for inefficiency of the compliance system of ALKALOID AD Skopje, in any segment.

Personal Data Protection

ALKALOID AD Skopje puts significant attention to the protection of personal data in all its business processes, implementing the standards set by the legislation for personal data protection in the Republic of North Macedonia, General Data Protection Regulation - GDPR (EU) 2016/679 of the European Parliament and the Council of Europe, as well as in accordance with the standards that exist within the company. In this sense, an important issue in the functioning of ALKALOID AD Skopje is the right to protection of personal data of employees, shareholders, business partners, visitors, interns, candidates for employment and other subjects, from which ALKALOID during its processes collects, processes and stores personal data.

By entering into force of the new Law on Personal Data Protection, in February 24, 2020, during the whole period of 2021, numerous activities were carried out in ALKALOID AD Skopje in order to raise and strengthen the level of personal data protection in accordance with the new legal requirements. Each controller and processor on the territory of North Macedonia had the obligation to align its operation with the provisions of the new Law on Personal Data Protection no later than August 24, 2021.

More specifically, the activities in ALKALOID AD Skopje have included changes of the existing processes and introduction of new ones in all departments of the company, in order to apply the principles related to the processing of personal data, as follows:

- Legal, fair and transparent processing of personal data;
- Purpose limitation of the processing of personal data;
- Minimization of personal data;
- Accuracy of personal data;
- Limitation of deadlines for storage of personal data;
- Integrity and confidentiality of personal data;
- Accountability

1. GAP Analysis

During the first quarter of 2021, a GAP analysis of the existing system for personal data protection was conducted, which resulted in a Report for GAP Analysis, based on which a plan was made for the implementation of the overall activities in ALKALOID AD Skopje in order to align with the new law.

2. Internal acts of ALKALOID AD Skopje

Based on the conducted risk analysis of the new catalog of personal data evidences in the company and all preparatory activities, in August 2021, the Management Board adopted the internal acts, ie Policy for the Personal Data Protection of ALKALOID AD Skopje along with its sub-policies. The internal acts fully regulate the actions of ALKALOID AD Skopje as a controller, but also as a processor in accordance with the new Law on Personal Data Protection, especially regarding the application of technical and organizational measures in order to ensure security of personal data processing. At the same time, a new Rulebook on the manner of performing video surveillance in ALKALOID AD Skopje was adopted.

3. Corporate Data Protection Officer

The Management Board of ALKALOID AD Skopje has appointed a Corporate Data Protection Officer, who has a strategic and independent role in the company, which main goal is to achieve a more efficient performance of the function and a higher degree of personal data protection. At the same time, a Working group for personal data protection has been established, which consists of representatives from different organizational departments in the company. In order to ease the process of communication and ensure direct contact between the Officer and the subjects, the contact details of the Officer are published on the corporate website of the company, and they are communicated to the Agency for Personal Data Protection.

During 2021, the Officer attended several in-house and external online trainings in various areas of personal data protection in order to gain in-depth knowledge of the overall topic of personal data protection.

4. Trainings for personal data protection

In order to strengthen the capacities of the employees in the company, by December 2021, the Corporate Data Protection Officer organized and conducted over 10 trainings for personal data protection, which were attended by approx. 350 employees, authorized to process personal data. The trainings were conducted through the online Webex platform. The trainings which were conducted were meaningful and comprehensive, helping the employees to get acquainted with the new legal requirements, as well as to be ready to respond to the new challenges for the implementation of the obligations for personal data protection.

5. Application of the Principle of Accountability in practice

With the launch of the new corporate website, a separate corner referring to personal data protection has been established, which provides friendly user experience and ensure that any person or company employee can easily find the information in the Privacy policies on how ALKALOID AD Skopje processes personal data for different stakeholders. At the same time, in order to ensure principle of transparency, any person who wants to exercise their rights established by law, can do so through a simple procedure by filling out the forms in this corner and submitting them online or in paper form to the Corporate Data Protection Officer.

During 2021, numerous meetings were held within different company departments in terms of assessing the established system for personal data protection and activities that need to be undertaken in order to comply with the new Law on Personal Data Protection. The Corporate Data Protection Officer regularly held meetings with the head of departments and other employees from different organizational units and continuously provided support for compliance with the new legal regulations through given opinions, directions and indications regarding: personal data processing according the basic principles defined in the Law on Personal Data Protection, implementation of technical and organizational measures, alignment of websites and privacy policies, preparation of procedures, direct marketing and consents, video surveillance, data processing in information and communication technology, contract clauses with processors, etc.

6. Projects

In joint cooperation with ALKALOID LGL doo Zagreb and the DPOs from the Affiliates of ALKALOID in the EU, a Manual for Personal Data Protection intended for the employees of ALKALOID AD Skopje and its Affiliates globally has been prepared. The Manual is made in Macedonian and English language and aims to help the employees more easily to understand the topic of personal data protection as well as education through practical tips that should be applied in everyday work.

Corporate Intellectual Property

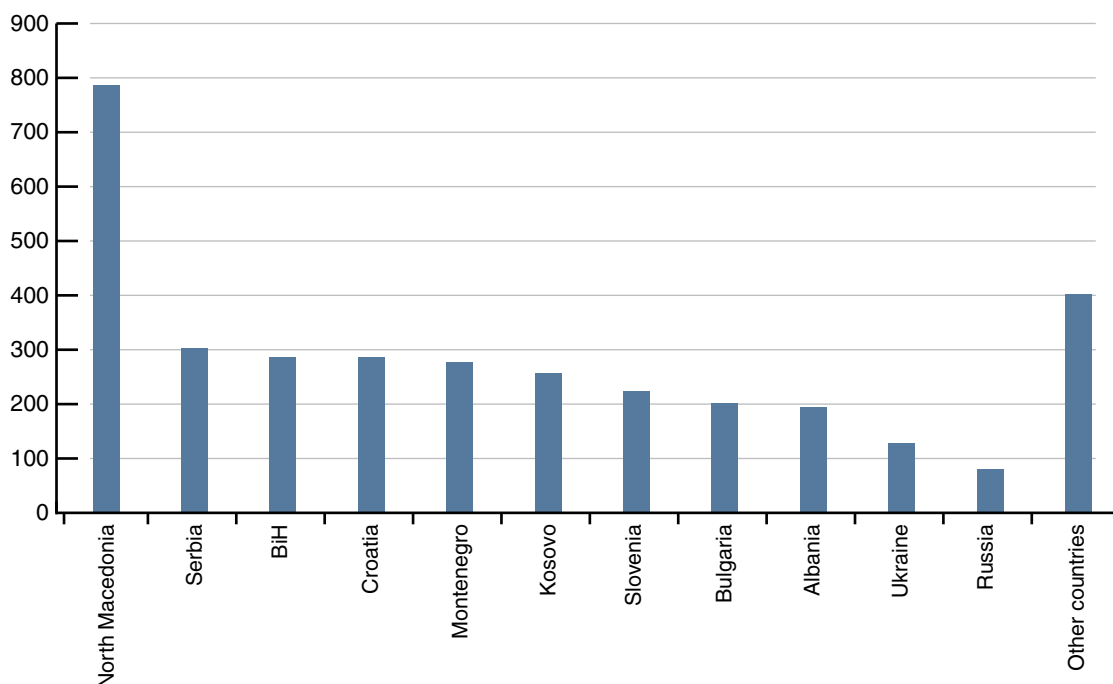
Intellectual property (IP) rights are important and valuable business asset. In the extraordinary dynamics of the global market, IP represent central element that ensures security, stimulates innovation, promotes progress and expansion of the business.

Strong IP rights help consumers make an educated choice about the safety, reliability, and effectiveness of their purchases. On the other hand, enforced IP rights ensure products are authentic, and of the high-quality that consumers recognize and expect. In brief, IP rights foster the confidence and ease of mind that consumers demand and markets rely on.

Knowing this, we are dedicated in to building strong and recognizable brands, through which we can guarantee the standard and quality of our products that consumers can easily identify. This way we are safeguarding the reputation of the company and protecting the sustainability of our growth and development.

ALKALOID's impressive trademark portfolio counts around 3.500 trademarks registered or filed in more than 60 countries, covering more than 8 classes of goods and services. It is our strategy to protect our trademarks for products and/or services of interest, in the countries where they are commercialized.

PORTFOLIO OVERVIEW BY COUNTRY

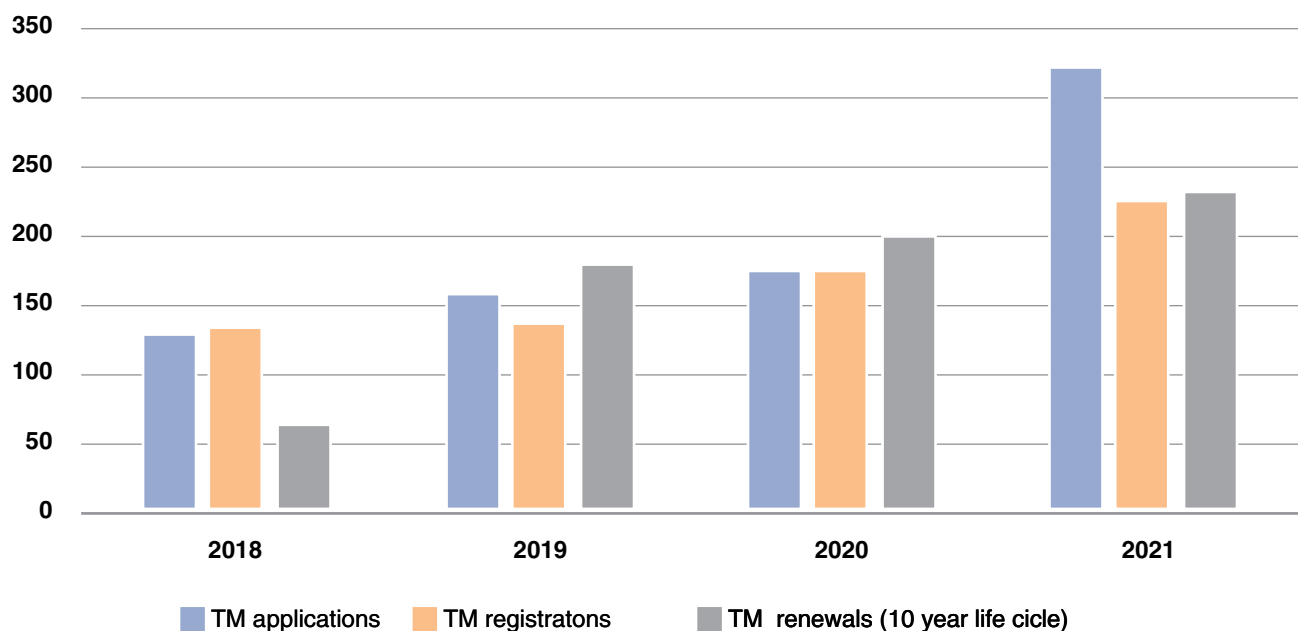


One of our first trademark that has priority since 1972 is still active and it is protecting our company's logo for almost 50 years:



In the previous years we can notice a constant portfolio growth, having to clear new trademark names, prepare new trademark fillings in different jurisdictions and also maintain and keep the life of the existing trademarks:

MANAGING TMs PORTFOLIO



The portfolio is covering trademarks protecting wide range of products and services, registered in different forms and appearances (verbal, design, 3D, etc.).

We take a very thoughtful approach in the maintenance and protection of our umbrella brand, taking into consideration the future markets and the products they cover (table part of our umbrella brands):

Umbrella brand	No. of countries	No. of trademarks
ALKALOID – Company brand	59	224
BECUTAN	16	566
BECUTAN KIDS VITS	11	56
CAFFETIN	26	145
GATTART & Gastro Guard	25	58
BlokMAX	14	44
Multi Essence	12	29
SATTWA	9	94
GOOD NATURE	11	127
Medical	1	6
GLOSS	2	64
Young Derm	8	57

We are aware that the value of a company's trademark portfolio includes customer trust and loyalty, brand image and reputation.

Managing the constantly growing portfolio, our main focus in the previous years was ensuring that we have the best people, the best tools and the best strategy for managing, maintaining and protecting our trademark portfolio. This includes educating people, staying up to date with the latest legal technology and AI, exploring the best strategy, etc.

Having this in mind, we are pleased to announce that our Corporate Intellectual Property department has successfully integrated Patricia IP management software of Patrix IP helpware and actively is using it to streamline all operations related to IP activities. The new system provides point-and-click access to case data, electronic archive of all cases, and automatic tracking of relevant IP, i.e., laws/regulations, standard forms, cost registration, document management including mail merge activities and batch processing.

Additionally, with the global tendency on increased trademark application, the naming process and the protection from infringement becomes a particular challenge.

For this purpose, we started using CompuMark platform, as an online tool that provides accountable trademark information to ensure reliable sources to mitigate brand and trademark risk from counterfeiting, infringement and/or unfair competition and quickly clearing new brand names to facilitate rapid product launches.

We continue on focusing to keep up with the market trends and developing our IP strategy to best align with the business growth.

Code of Corporate Governance

As a result of a joint project between the Macedonian Stock Exchange AD Skopje and the Securities Commission of the Republic of North Macedonia, a new Code of Corporate Governance for Joint-Stock Companies Listed on the Macedonian Stock Exchange was adopted in October 2021.

The Code introduces new standards and instruments for corporate governance for companies listed on the Macedonian Stock Exchange, with the ultimate goal of improving the operation of listed companies.

Shortly after the adoption of the Code of Corporate Governance, ALKALOID AD Skopje took action to transpose and implement the provisions of the Code in its operation and align the Company bylaws with it.

In parallel with the process of amending the internal organizational structure, the Company amended its bylaws too, starting with the Company Statute to be passed at the 2022 Annual Shareholder Assembly. As part of the of internal organizational structure change process, a new unit was established at the Corporate Legal Department to provide corporate legal support. This new unit will focus on development, adoption, implementation, and interpretation of the Company bylaws at the corporate level. The new Company bylaws will be aligned with the new provisions, requirements, and standards of the Code of Corporate Governance. Thus, as of 2022 Alkaloid AD Skopje will start applying the Code and continue to be an example of successful implementation of new good corporate governance standards.

Corporate Secretary

One of the first activities for implementation of the Code focused on reorganization and amendments to the Company's internal organizational structure. This new structure introduced the office of Corporate Secretary of ALKALOID AD Skopje. Following the introduction of this office, Alkaloid appointed its first Corporate Secretary who started working

on 1 January 2022. Under the provisions of the Code, the main duties of the Corporate Secretary shall be to provide professional and administrative support to the Shareholders Assembly, Supervisory Board, and Management Board of the Company.

Shareholding

The shares of ALKALOID Skopje are listed on the official market of the Macedonian Stock Exchange since 2002.

MARKET SEGMENT:	STOCK EXCHANGE LISTING - ORDINARY SHARES
ISIN	MKALKA101011
Securities Code	ALK

The nominal 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. As at 31.12.2021, Alkaloid had more than 5,100 shareholders holding ordinary shares. All shares are freely transferable. All individuals registered in the Shareholders Registry, which is in compliance with the existing legislation and is kept with the Central Depository for Securities of the Republic of Macedonia – are considered shareholders. All shareholders enjoy equal status and have the right to vote at the Company's Shareholding Assembly with one vote per 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 shares 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.

Ordinary shares give owners the right to:

1. vote in the Shareholders Assembly;
2. payment of part of the profit (dividend);
3. payment of a part of the rest of the liquidation, ie the bankruptcy estate of the company.

According to the records of the Macedonian Stock Exchange, the shares of Alkaloid in the course of 2021 were amongst the most traded and most liquid ones.. There were 3,085 transactions made, 97,111 shares were traded worth a total of 845 million denars.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 15.35 % of the total turnover recorded on the first official market of the Stock Exchange in 2021. The share price of Alkaloid AD Skopje ranged from MKD 13,300.00 to MKD 18,501.00 , with an average of MKD 15,799.55 which is 29,8 % up compared to the average in 2020.

Dividend

Since 1995, when the company was restructured, Alkaloid AD Skopje has regularly paid dividends to its shareholders on an annual basis.

Net dividend paid per share in the last three years:

2018	2019	2020
272.00 denars + 11,9 %	324.00 denars + 19,1 %	360.00 denars + 11,1 %

Integrated management system and quality

Quality

ALKALOID AD Skopje has comprehensively designed and correctly implemented Integrated Management System (IMS) incorporating the requirements of cGxP, ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, 13485:2016, FSSC22000 and HALAL.

The main objective of IMS is to ensure that ALKALOID AD Skopje continuously manufactures products with highest level of quality, safety, and efficacy; which meet the needs of our customers, the relevant legal requirements as well as the requirements of the implemented international standards and guidelines.

Senior management with the responsibility and commitment to attain this objective through effective leadership and promotion of appropriate quality culture encourages active participation and right behavior of all personnel at all levels in the company with final goal continuous improvement of IMS.

Our quality strategy is focused on compliance with the principles of good practices (cGxP) and regulations governing the quality in pharmaceuticals, chemistry, cosmetics and botanicals, driven by the process approach of the PDCA (Plan –Do-Check-Act) cycle, continual improvement of our products, processes, services and customer satisfaction.

IMS is continuously monitored within the processes of management review on annual level, KPI (Key Performance Indicators) and quality meetings as well as through internal audits/self-inspections with identification of opportunities for continual improvement of products, processes and the system itself.

The effectiveness and compliance of the IMS is confirmed by the external inspections and audits conducted by the Competent Authorities, Notification Body, Certification bodies and our partners.

In 2021, 3 inspections in PC Pharmaceuticals were performed by our national Competent Authority MALMED (Macedonian Agency for Medicinal Products and Medical Devices) for renewal of the Certificate of GMP compliance for the production site on Blvd. Aleksandar Makedonski 12, renewal of the Authorization for production and trade of active pharmaceutical ingredients and the License for manufacturing and sales of substances and herbs, and their products, classified in the list II and III, for medicinal purposes.

1 surveillance audit for compliance with the ISO standards was performed by Quality Austria.

1 surveillance audit for compliance with the Medical Devices Directive 93/42/EEC was performed by Notified Body DEKRA Certification B.V.

1 surveillance audit for compliance with the national legislation for Organic Agriculture Production was performed by PRO CERT.

1 surveillance audit for compliance with the Regulation (EC) No.834/2007, Regulation (EC) No.889/2008, USDA NOP, JAS for organic production was performed by Control Union Certification B.V.

10 audits were performed from different partners as remote/ on line, desktop audits or by questionnaires.

ALKALOID AD Skopje has additionally supported the Alkaloid subsidiaries/daughter companies and taken part in 1 inspection and 6 audits performed by partners.

Corporate function of Quality Assurance is ongoing in 2021 through introduction of corporate QA Policies with the aim of alignment of the Integrated Management System and the quality assurance processes in all subsidiaries/daughter companies of Alkaloid.

Safety and health at work

One of the major goals embedded in the everyday activities pursued at ALKALOID AD Skopje is the establishment and continual advancement of a safe and healthy working environment. The Company is fully committed to implementing the concept of safe and healthy working conditions and satisfied employees, considering this to be the key to the success of any company.

Alkaloid AD Skopje continually follows the relevant legislative framework and the highest standards in the area of safety and health at work, while ensuring the application of best practices and well-focused activities, with the ultimate goal of reaching zero workplace injuries.

The following is a brief review of the operation of the overall safety and health at work system, then of the compliance with the relevant legislative framework, and of safety and health at work key indicators and improvement measures, and a comparison of the situation in this area for 2020 and 2021.

1. Compliance with the legislative framework and operation of the safety and health at work system

There is continual testing of the working environment, such as measuring microclimate conditions - temperature, relative humidity, air flow, physical, chemical, and biological hazards, which ensures comfortable working environment for all Alkaloid employees. The Company works to apply safety and health at work also in the process of acquiring new equipment and technology. Hence, safe conditions are ensured as early as the stage of design and installation of new equipment. Due care is taken of the safety of working tools and equipment, by regularly checking the entire equipment owned by Alkaloid AD Skopje. Following injury at the workplace or following a near miss incident, all organizational units of the Company are actively involved in investigating incidents, with a view to designing corrective or improvement measures aiming to reduce the rate of injuries or incidents at the workplace in the future. In addition, all Company organizational units are involved in everyday activities undertaken to improve the integrated management system at Alkaloid, by coordinating corrective measures and measures for the improvement of safety and health at work.

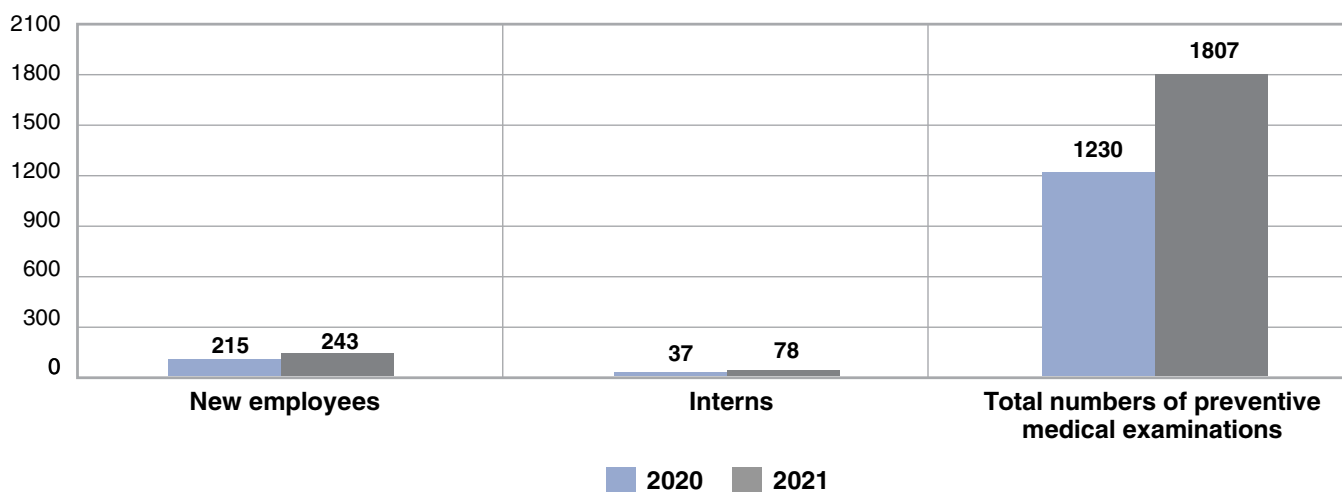
► Job Risk Assessment

In 2021, the Safety and Health at Work Department participated in the preparation of 116 new job risk assessments, of which 105 were completely new job risk assessment, while the remaining 11 assessments were in fact revision of job risks.

► Preventive Health Checks of Alkaloid Employees

In compliance with the legal requirements, the Safety and Health at Work Department regularly and timely organizes preventive (follow-up, general, periodic and specialist) health checks for Alkaloid employees. The graphs below show the analysis of health checks conducted in the 2020-2021 period.

PREVENTIVE MEDICAL EXAMINATION



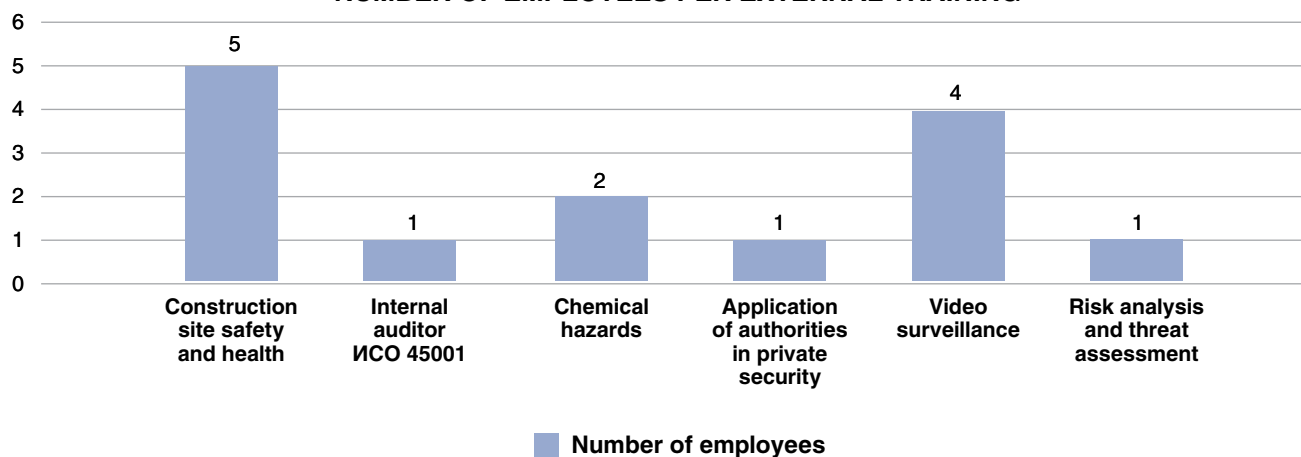
► Training of Alkaloid Employees on Safety and Health at Work and on Protection against Fires and Explosions

The General Administrative Department continually works to advance the competences of its staff and of all Alkaloid employees in general, by organizing professional external trainings in various areas for its staff and by organizing internal trainings for the Alkaloid employees in various areas under the mandate of this Department (safety and health at work and protection against fires and explosions).

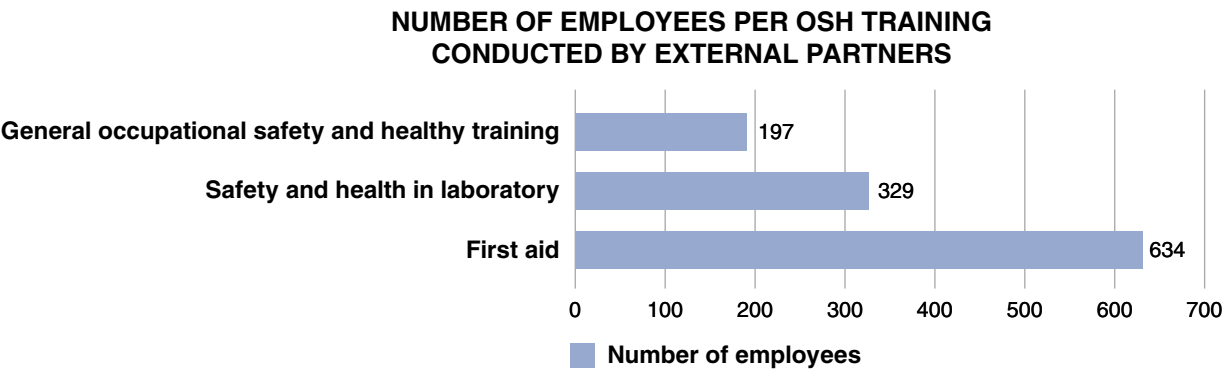
The graphs below show an analysis of external and internal trainings completed by the staff of the General Administrative Department, on diverse topics related to safety and health at work and on protection against fires and explosions, as well as of external and internal trainings organized for the Alkaloid employees in general, on various topics related to safety and health at work and on protection against fires and explosions. The graphs below also show the number of employees covered by such trainings.

► External Trainings of the General Administrative Department Staff

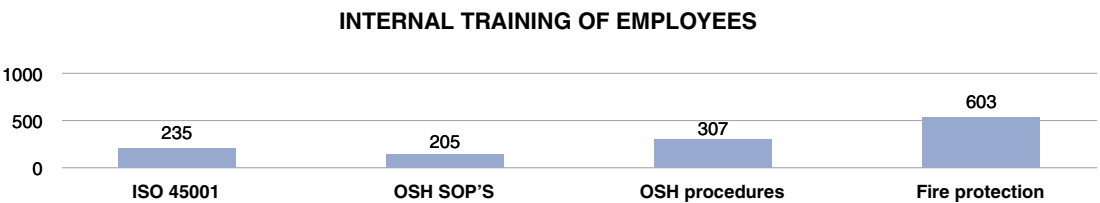
NUMBER OF EMPLOYEES PER EXTERNAL TRAINING



► Trainings for Alkaloid employees organized by the General Administrative Department, delivered by external licensed companies



► Internal Trainings of Employees

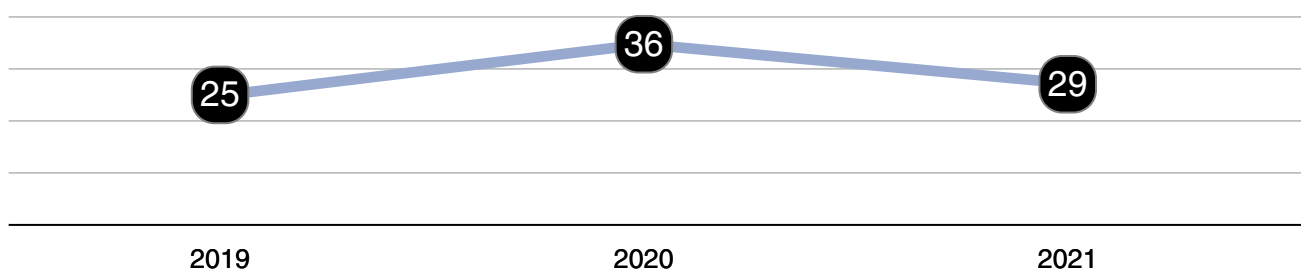


► Analysis of Workplace Injuries (accidents and incidents)

In its 2021 Annual Performance Report, the Safety and Health at Work Department analysed all workplace injuries, which took place in the course of that year. The analysis covers all data and main indicators of injuries at the workplace (time, day, month, place of the injury, type of injury, source, and cause of injury, etc.). There were thorough investigations of injuries

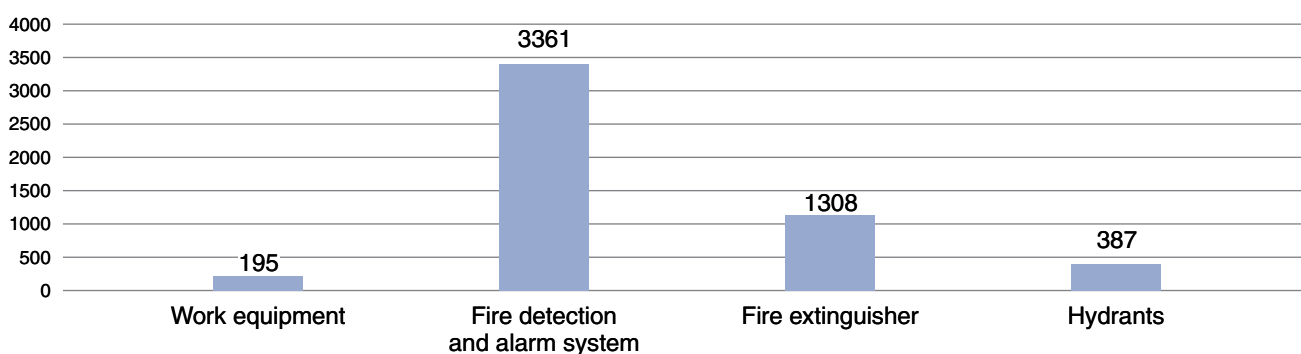
at the workplace, accompanied with prescribed corrective measures. In 2021, there were 29 injuries at the workplace at Alkaloid, which is a reduction in the number of injuries compared to 2020 - in 2021 there were 7 injuries less than in 2020. The Key Performance Indicators (KPIs) related to workplace injuries set at the company level were achieved. The same applies to the number of reported near miss incidents in 2021.

WORK ACCIDENTS TREND

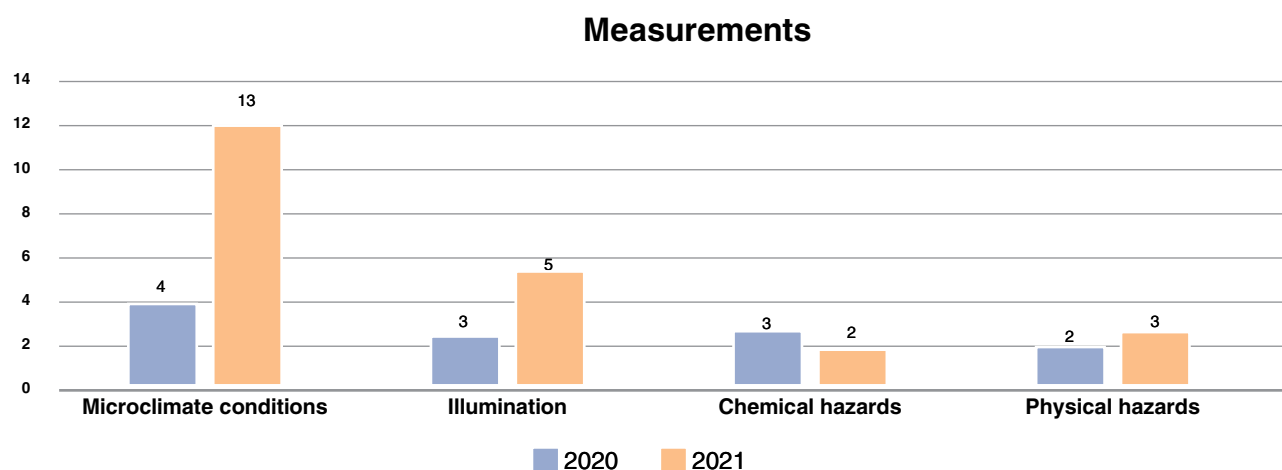


► Number of Examined Pieces of Equipment

TESTED EQUIPMENT



► **Measurements of microclimate conditions, physical and chemical hazards at the workplace**



► **(2020/2021) Corrective Measures**

The General Administrative Sector is continually involved in the processes for advancement of the integrated management system at Alkaloid by coordinating corrective and improvement measures in the area of safety and health at work, fire protection and rescue and protection activities, which encompass all organizational units. Annually, there are about 100 corrective and improvements measures, following injuries at work, then following near miss incidents, as well as monthly safety and health at work controls, internal and external controls of the safety and health and work management system ISO 45001:2018 and recommendations given by safety and health work representatives coming from the ranks of employees. Multi-disciplinary teams are established, joining representatives from a number of sectors, depending on the ownership of the improvement or corrective measure. These teams are tasked with implementing corrective and improvement measures, while participating in designing solutions and in detecting the causes for incidents, applying cause detection methodologies, such as the 5Why's and the Ishikawa diagram. The rate of implementation of safety and health at work corrective and improvement measures is more than 50%, which clearly demonstrates that all stakeholders actively participate in the processes for improvement of the safety and health at work management system.

► **Safety and Health at Work Board**

Under the Rulebook on employee representatives for safety and health at work at Alkaloid, adopted in June 2020, the Safety and Health at Work Board had 2 (two) meetings in 2021. The first meeting was on 5 July 2021 and the second on 30 December 2021. Various issues and topics related to safety and health at work were discussed at the these meetings.

► **Legislative Compliance**

The established safety and health at work system, i.e., the operation of the key elements of this system, such as reduction of workplace injuries, goals, and programs for improvement, then safety and health at work trainings, launching investigations following incidents and following near miss incidents, internal and external controls, has been fully aligned with the relevant laws, while the Company has implemented standards and fulfilled other requirements in this area.

2. Improvement measures

With a view to continually improving the safety and health at work system, the General Administrative Sector pursues continual activities focused on achieving defined targets in establishing a safe and healthy working environment. The following are just some of the series of measures for the improvement of the safety and health at work system, undertaken in 2021:

- ✓Improvement of the Procedure for examining physical, chemical and biological hazards in the work environment;
- ✓Improvement of the Procedure for regular examination, control, and inspection of work equipment;
- ✓Developing SOPs for Training on safety and health at work, on protection against fires and explosions and on protection and rescue operations;
- ✓Improving SOPs for visitors;
- ✓Increasing the number of reported near miss incidents, which reduces possibilities for workplace injuries;

✓Launching an initiative for Alkaloid AD Skopje to acquire a license for conducting trainings on safety and health at work and developing the Company programs for trainings on safety and health at work;

✓Pursuing the initiative for designating paths of movement of forklifts and of employees in line with the 5S methodology;

✓Launching an initiative for complete digitalization, under a developed software for safety and health at work;

✓Improving the process of internal communication, by utilizing the DMS system for filling in forms under this system, which reduces paper load and facilitates the communication between and among various sectors;

✓Installing a software for visualization / graphic representation of constitutive elements of the systems for detection, alarming and putting down fires.

Environment

Alkaloid AD Skopje is a socially responsible company that thinks globally and pays attention to its actions' social and environmental impact on people and environment.

With our long-term thinking, fairness, transparency, corporate responsibility, respect of human rights, protection of the environment, circular economy and long-term strategy, we set and nurture sustainable values in every step of our operation.

Creating value for people and the community, aiming at better, easier, and healthier life is the Alkaloid' strategic and sustainable commitment.

Protecting the environment is among the Alkaloid's highest business strategy priorities. The company continuously follows and applies the latest developments in this area, thus contributing to a healthier and cleaner environment in which we all live. As a socially responsible company, Alkaloid AD Skopje has integrated its Environmental Management System into its Integrated Management System (IMS).

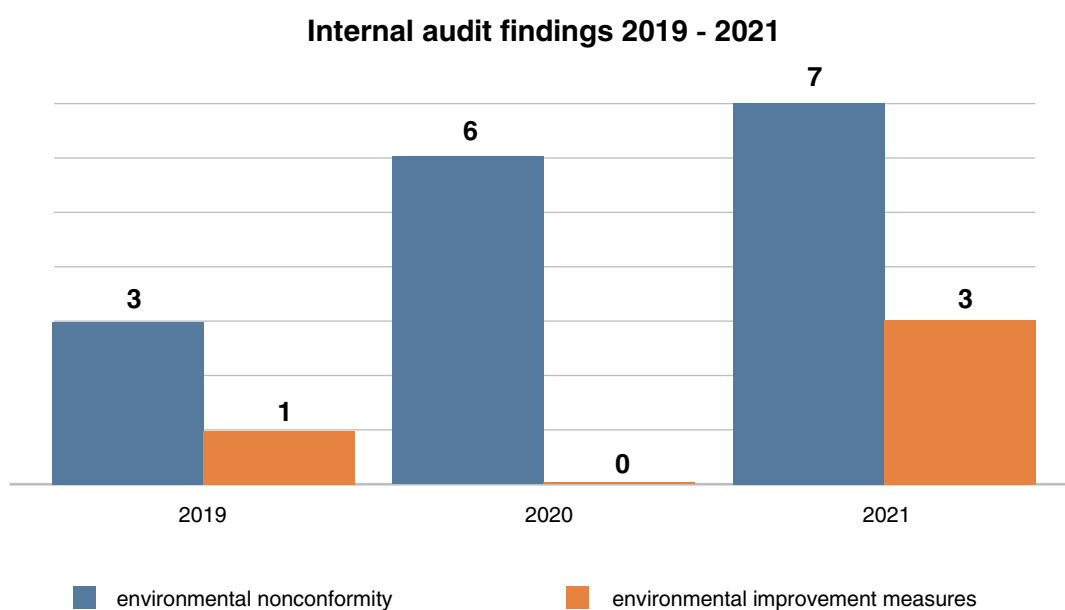
We build one of our key values "People Above All!" through trust, transparency and good communication. We continuously show our involvement in the community in our daily work and numerous projects, because we strongly believe that it is our responsibility to give back to the community in which we live and work!

Below, we will present the key elements and improvements to the Environmental Management System, impact monitoring, and compliance with regulatory and other requirements. We will also present the projects for environmental performance improvement and compare 2021 to 2020 and 2019.

1. Improvements to the environmental management system

► Internal and external tests of the Environmental Management System ISO 14001:2015

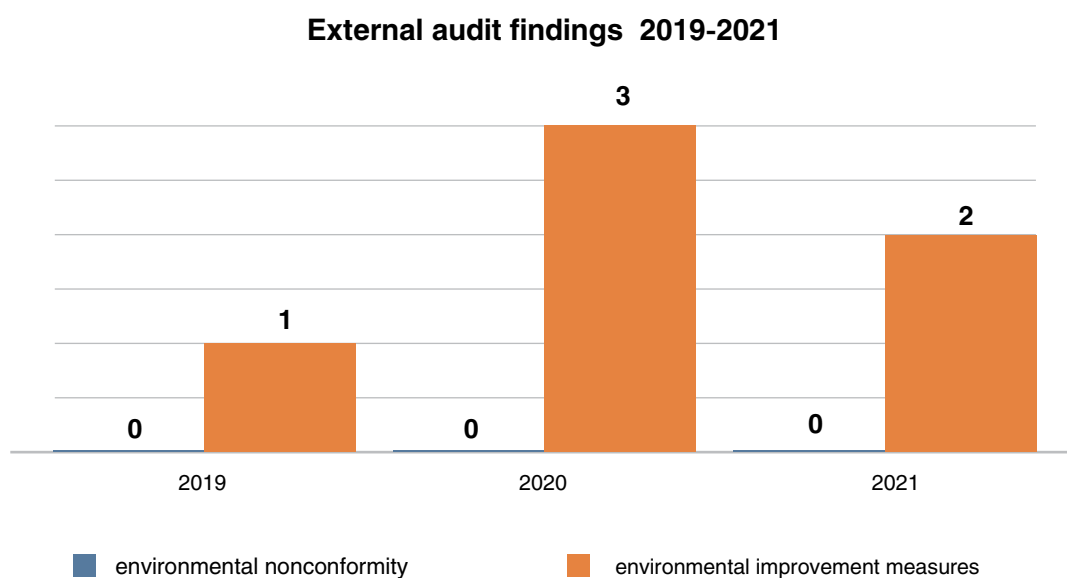
In 2021 we carried out a total of 5 internal inspections covering the profit centers, programs, and corporate services and inspected all requirements of the ISO 14001: 2015 standard. Graph 1 shows the findings from the internal inspection on the environment (non-compliances and improvement measures) for the 2019 - 2021 period.



Graph 1: Internal inspection findings 2019-2021

Quality Austria performed an external inspection on 15.03.2021. The inspection found no noncompliance in the field of environment. They suggested 2 environmental im-

provement measures. Graph 2 shows the findings from the external inspections on the environment (non-compliances and improvement measures) for the 2019 – 2021 period.



Graph 2: External Inspection Findings 2019-2021

► Improvement of the environmental management processes in the current year

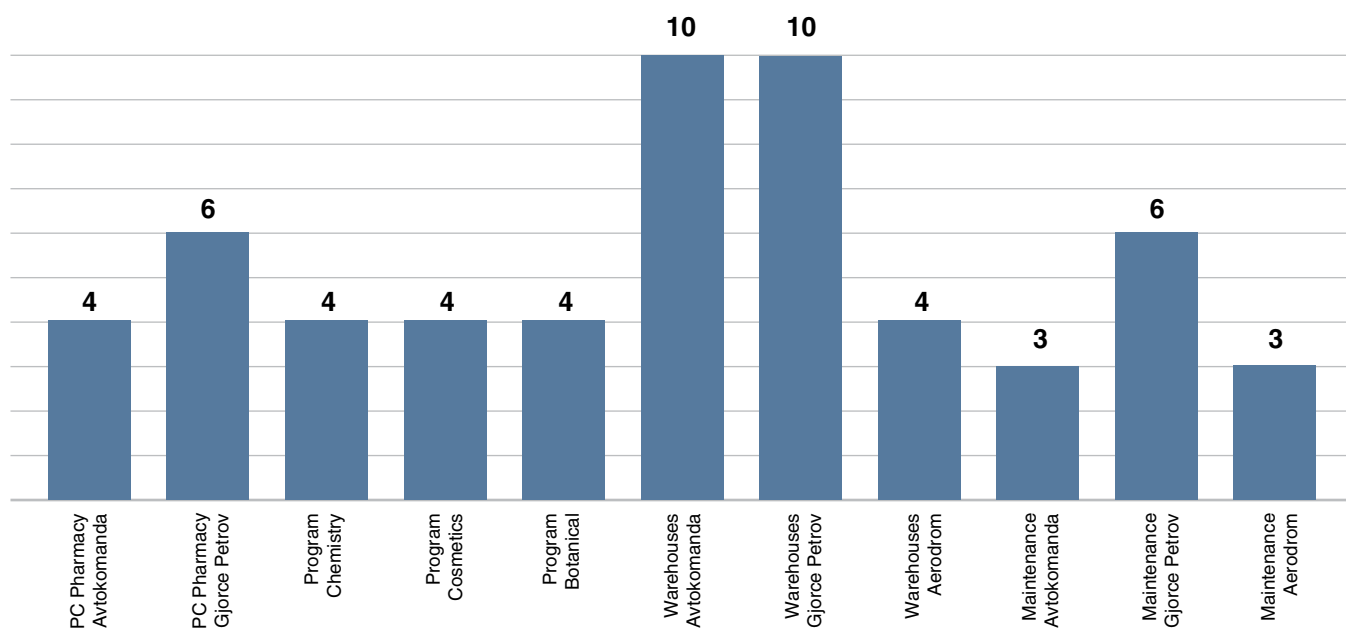
The process of handling and responding to environmental aspects in accidents and emergencies

✓ Improved procedure and prepared plans for responding and reacting to environmental impacts and aspects in accidents and emergencies.

✓ Defined key personnel for response and action

✓ 304 organizational unit (OU)/department managers and process managers trained on the procedure

Plans for responding and dealing with environmental aspects in case of accidents and emergencies

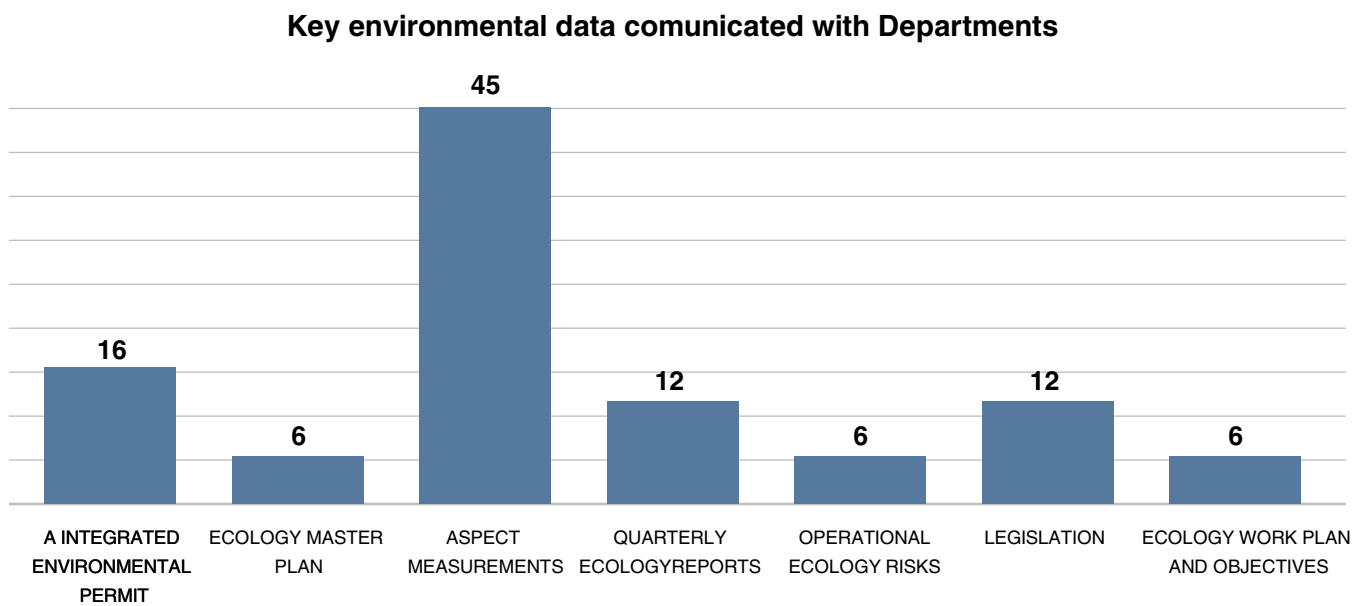


Graph 3: Number of prepared response and action plans

► Change in the process of managing environmental aspects

- ✓ Improved procedure, new SOP for EMP preparation
- ✓ Improved methodology for evaluation of aspects
- ✓ Improved Environmental Master Plans and included all processes
- ✓ Full involvement of stakeholders
- ✓ 300 organizational unit (OU)/department managers and process managers trained on the procedure

► **Improvement of the internal environmental communication and integration of all concerned services/ departments**



Graph 4: Key Environmental data integrated with OU/departments

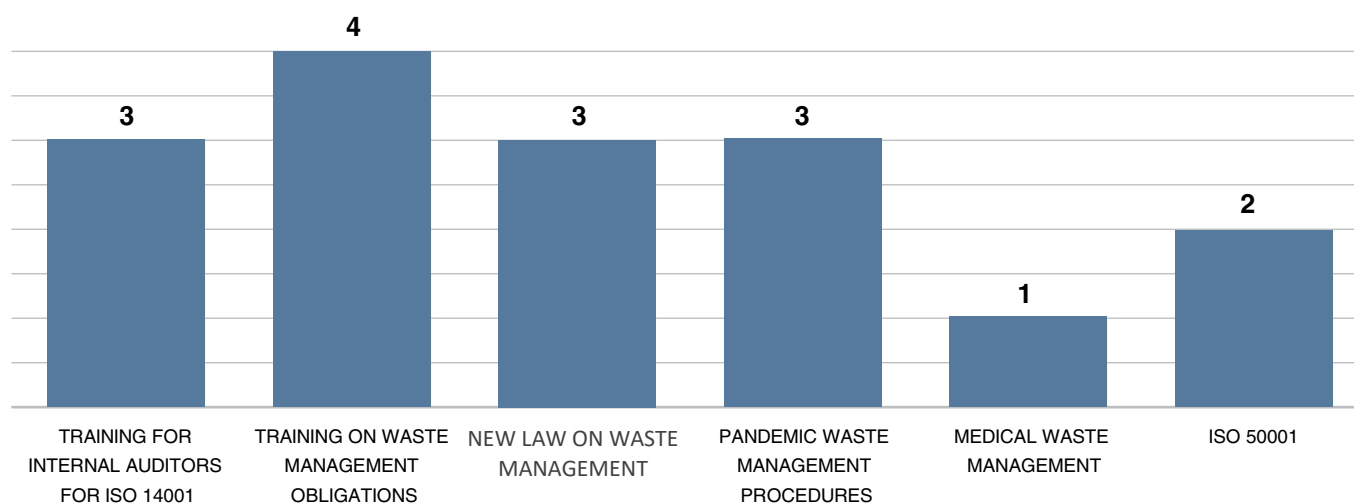
► **Training of Alkaloid employees in the field of environmental protection**

The Quality Assurance Department is permanently improving its employees’s competence and the competence of all Alkaloid employees. For its employees, it provides external professional trainings in various fields and for the other Alkaloid employees it organizes internal trainings on various aspects of the Quality Assurance Department’s operations.

The following graphs show an analysis of the external trainings conducted for the employees of QA - Environment Unit and the internal trainings for the other Alkaloid employees on various environmental topics and the numbers of trained personnel

► External training of the employees in QA - Environment

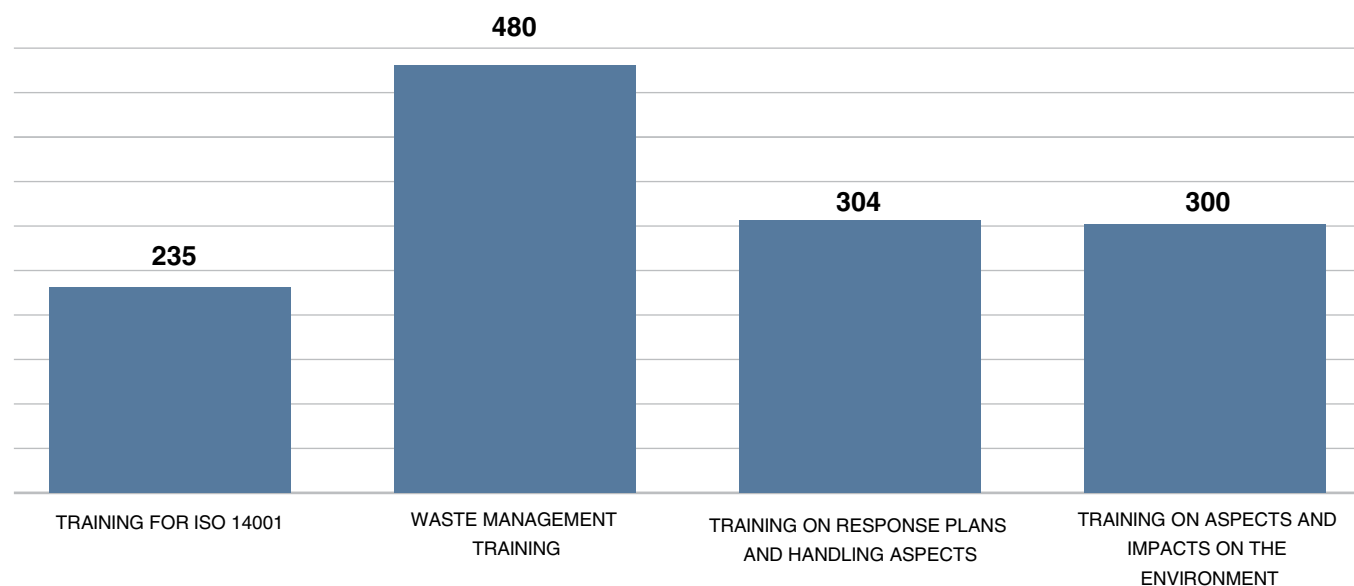
External trainings of the QA-Ecology team (area of training / trained staff)



Graph 5: Internal and external trainings of the employees of Quality Assurance - Environment

► Internal trainings conducted by the employees of QA - Environment

Number of trained employees in different ecology areas in 2021



Graph 6: Number of Employees trained in internal trainings conducted by the employees of Quality Assurance - Environment

2. Monitoring of impacts and compliance with regulatory and other requirements

We constantly monitor and control industrial processes to protect the environment by reducing/preventing impacts and increasing energy efficiency. We continuously identify, evaluate, and monitor the environmental impacts to the air, water, noise, waste generation and consumption of natural resources and energy. According to the measurements of environmental aspects, the processes in Alkaloid are compliant with the legislation and the requirements of international standards and stakeholders.

We monitor air pollution to minimize the GHG and CO₂ emissions. To achieve this, in its manufacturing process the company switched from heavy oil to natural gas at the manufacturing sites in Avtokomanda and Gjorce Petrov.

Below we present analyses of the measurements of environmental aspects and impacts, looking at air, discharges to sewage, noise, waste generation, and energy and natural resources consumption.

In the analysis of air emissions, we processed data on emissions of solid particles/dust and gases from boiler rooms and solid particles/dust from dedusting systems at the three locations.

► **Air emissions from the boiler room at the Avtokomanda site**

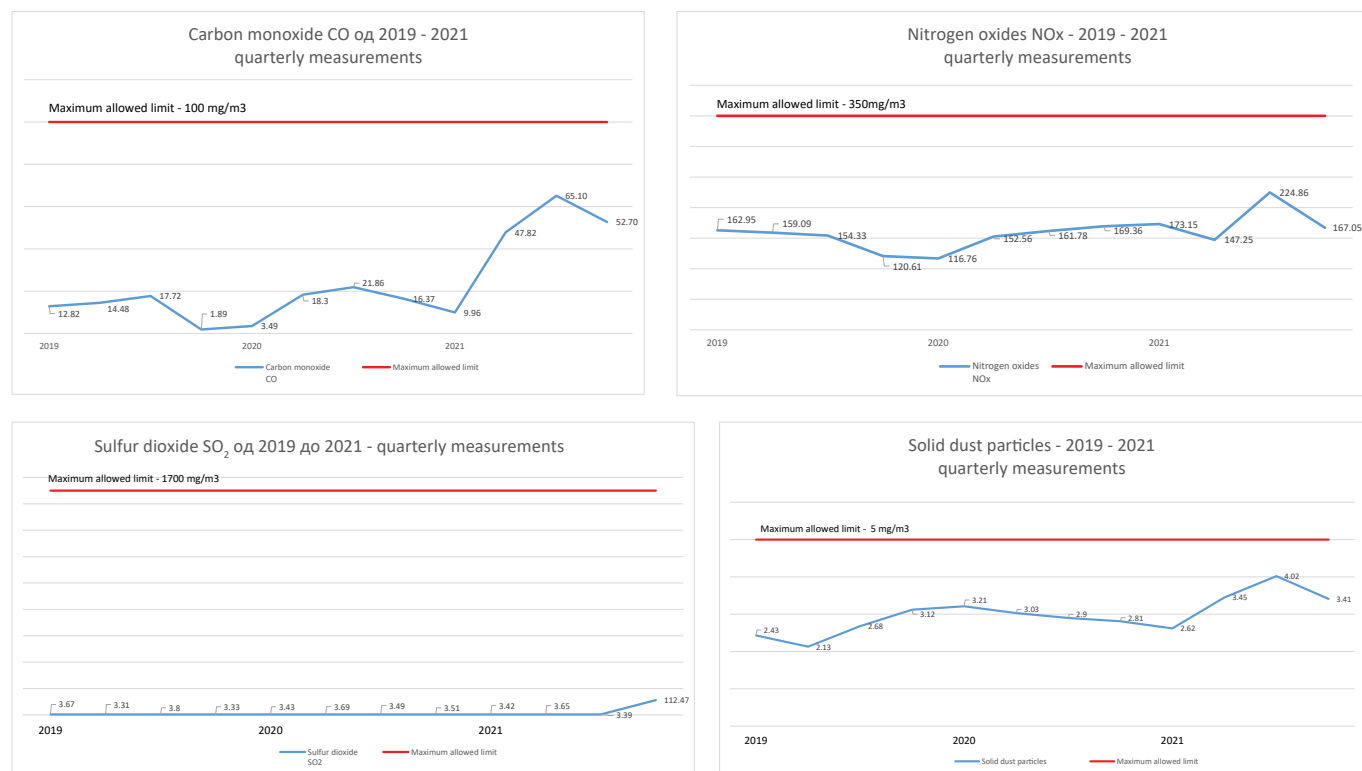
Each quarter the accredited authorized laboratory Technolab DOO Skopje measures the emissions of solid particles/dust and gases (O₂, CO, CO₂, NO_x, and SO₂) from the stationary source of the boiler room at the Alkaloid site.

Each quarter we send reports to the Ministry of Environment and Physical Planning.

Data analysis for the measurement of emissions from the boiler room in Avtokomanda in 2021



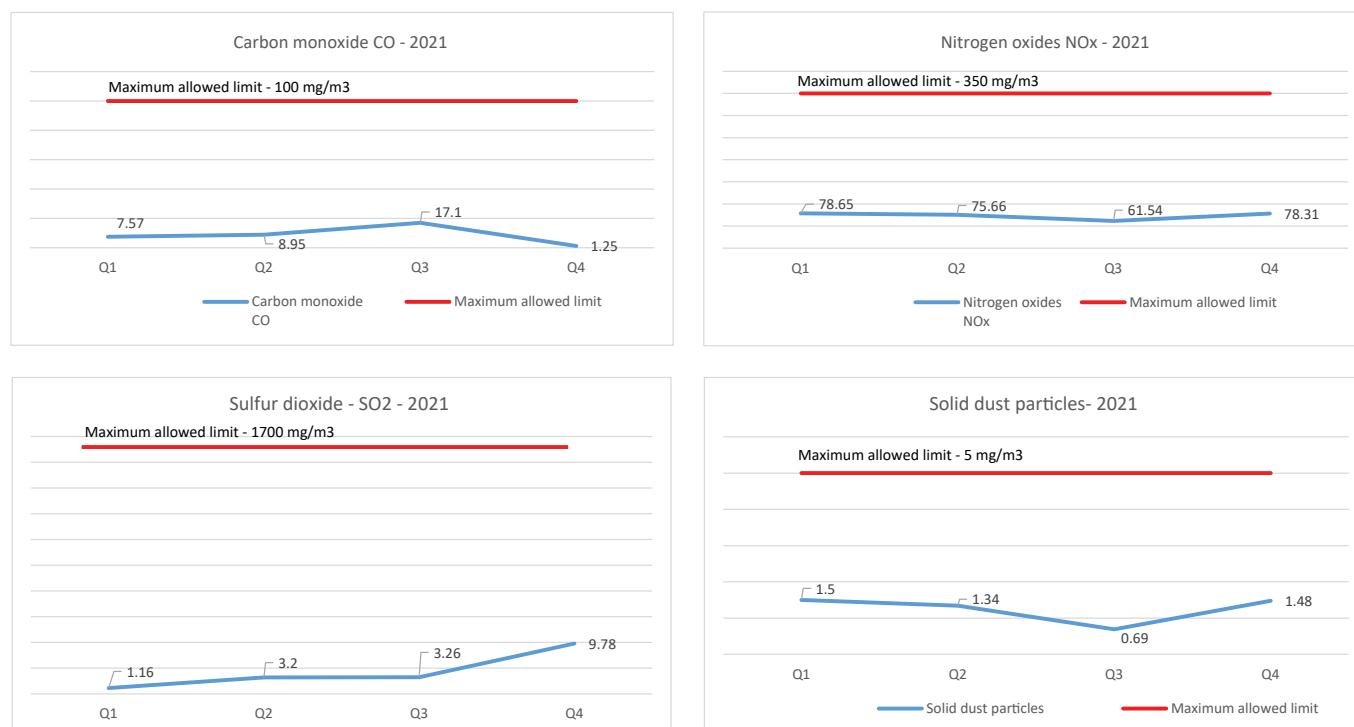
Graph 7: Quarterly measurements of air emissions (CO, NOx, SO2, and solid particles/dust) from the boiler room in Avtokomanda in 2021

Data analysis for the measurement of emissions from the boiler room in Avtokomanda by year 2019 - 2021**2019-2021**

Graph 8: Quarterly measurements of air emissions (CO, NOx, SO₂, and solid particles/dust) from the boiler room in Avtokomanda for the 2019 – 2021 period

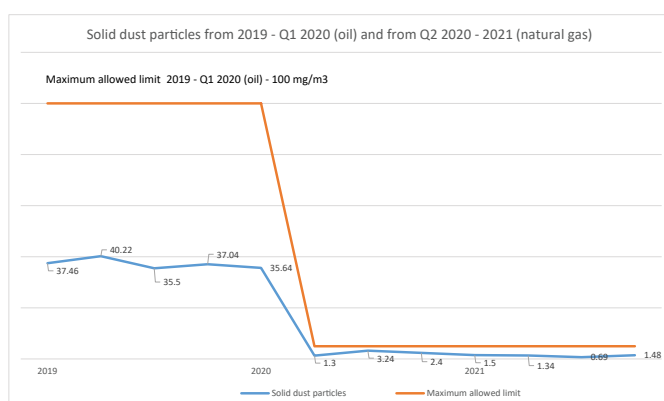
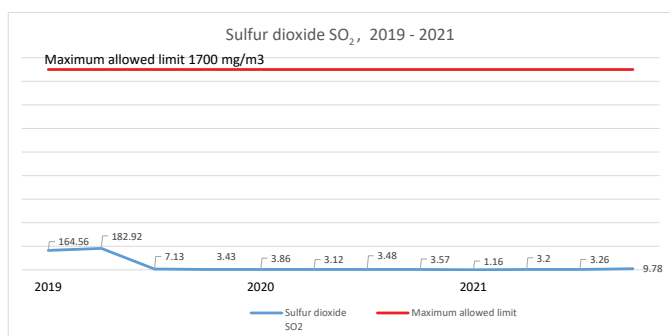
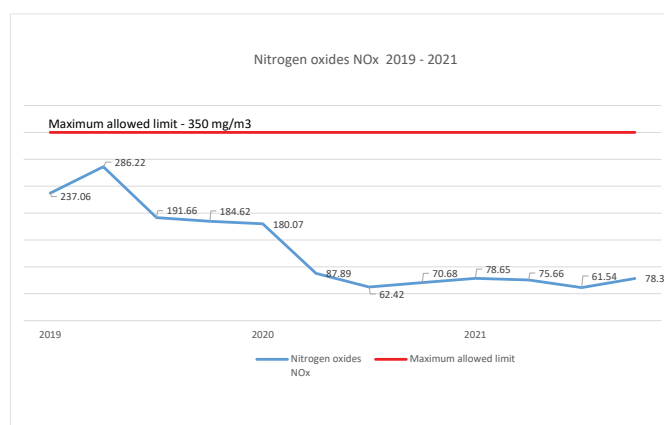
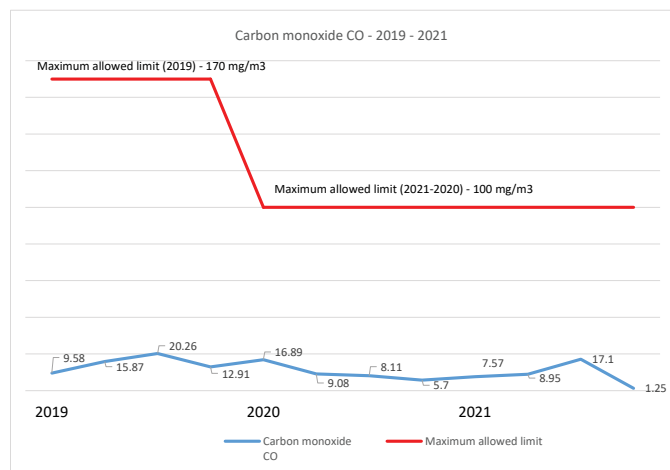
► Quarterly measurement of air emissions from the boiler room at the Gjorce Petrov site

Data analysis for the measurement of emissions from the boiler room in Gjorce Petrov in 2021



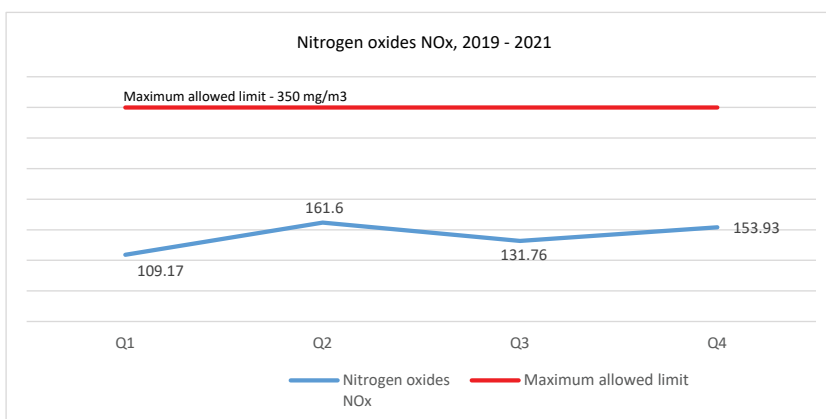
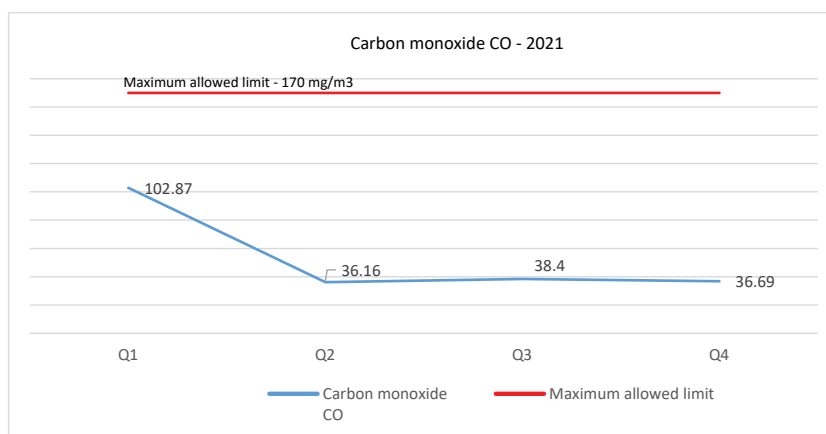
Graph 9: Quarterly measurements of air emissions (CO, NOx, SO2, and solid particles/dust) from the boiler room in Gjorce Petrov in 2021

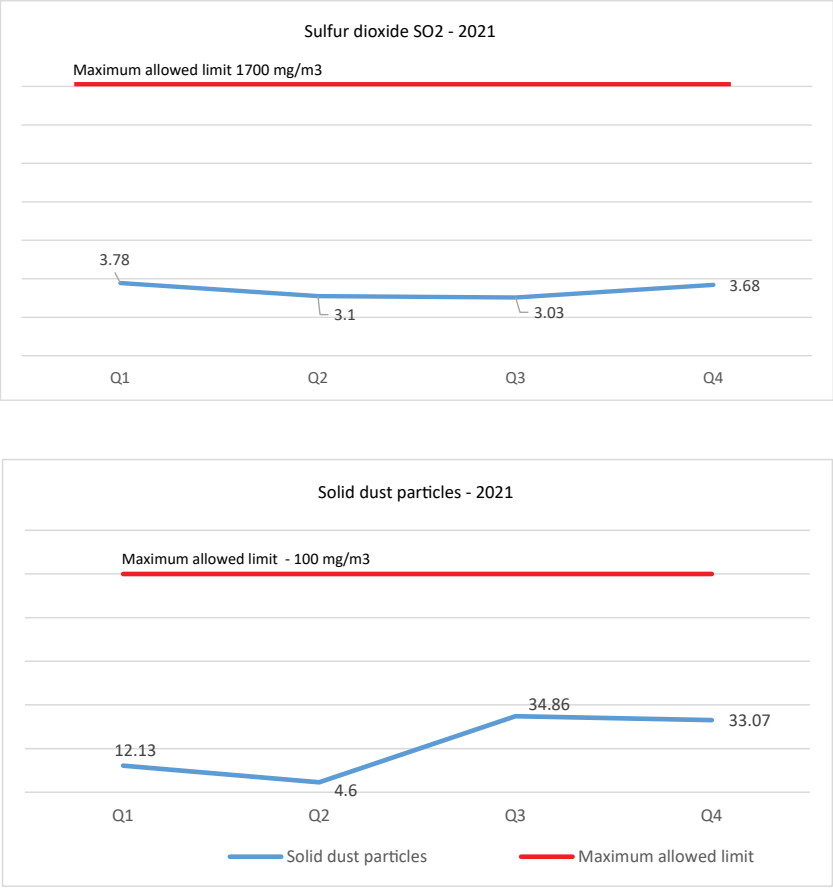
Data analysis for the measurement of emissions from the boiler room in Gjorce Petrov by year 2019- 2021



Graph 10: Quarterly measurements of air emissions (CO, NOx, SO₂, and solid particles/dust) from the boiler room in Gjorce Petrov for the 2019 – 2021 period

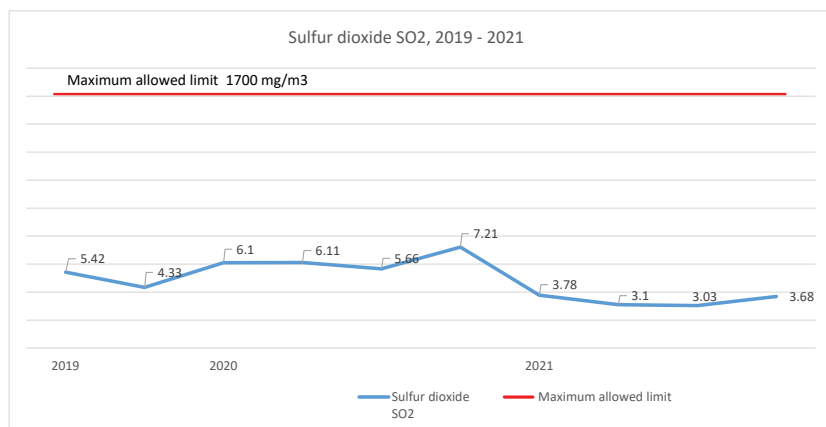
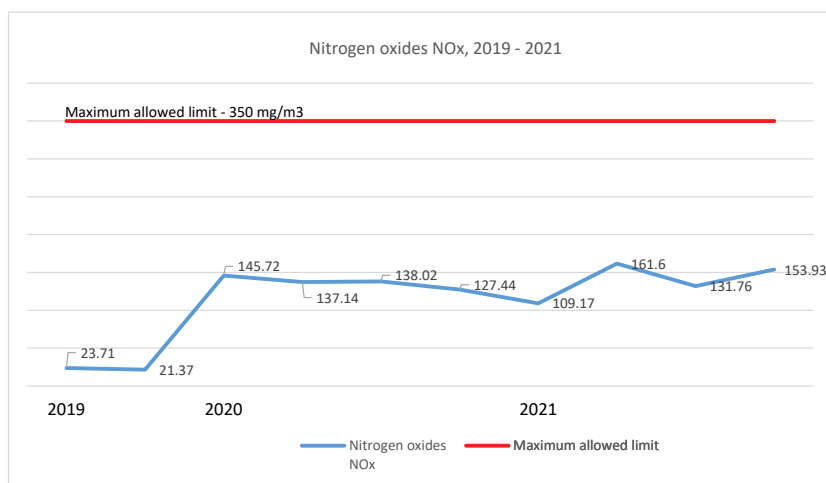
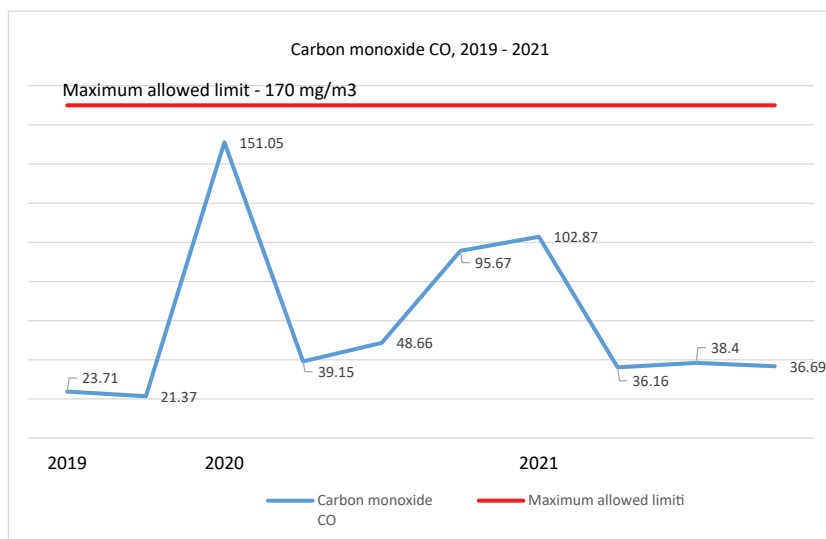
- Quarterly measurements of air emissions from the boiler room at the Aerodrom site Data analysis for the measurement of emissions from the boiler room in Aerodrom in 2021

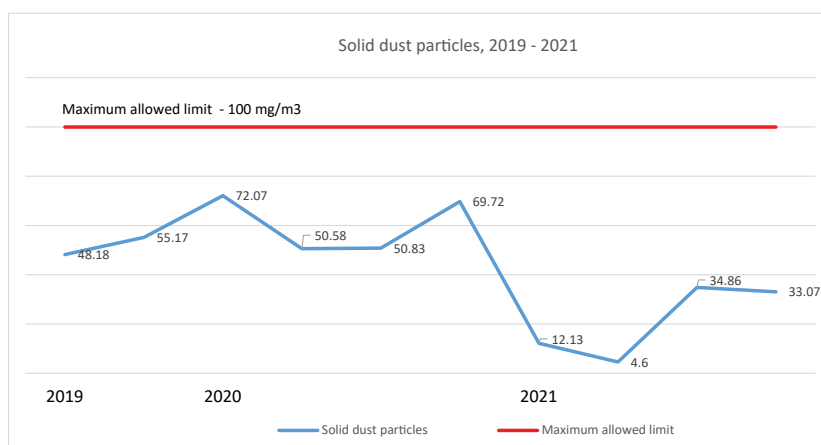




Graph 11: Quarterly measurements of air emissions (CO, NOx, SO2, and solid particles/dust) from the boiler room in Aerodrom in 2021

Data analysis for the measurement of emissions from the boiler room in Aerodrom by year 2019- 2021





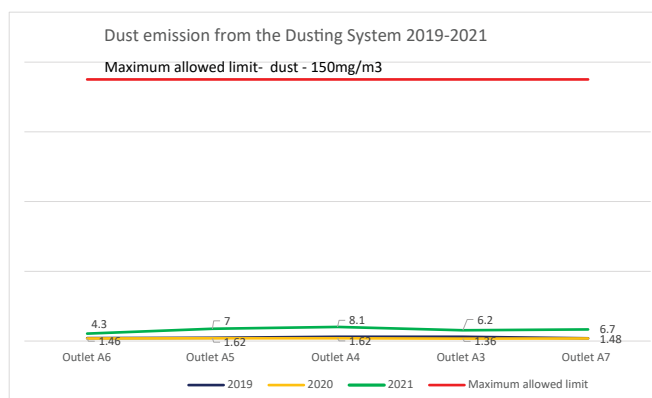
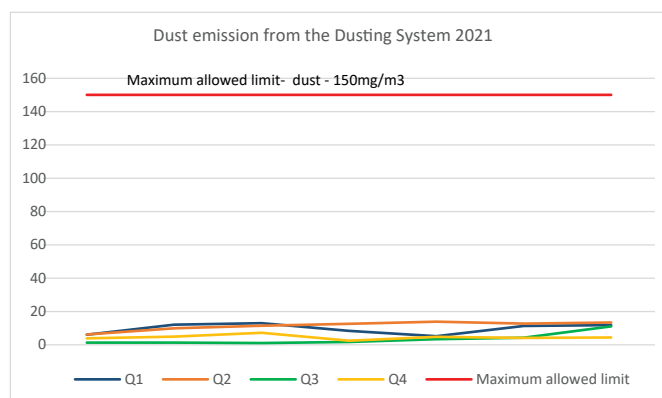
Graph 12: Quarterly measurements of air emissions (CO, NO_x, SO₂, and solid particles/dust) from the boiler room in Aerodrom for the 2019 – 2021 period

► Air emissions from dedusting systems at PC Pharmaceuticals at the Avtokomanda site

The dedusting system consists of Ultra-Web and HEPA dust collection filters. These filters clean the air that goes back to the environment with 99.999% efficiency.

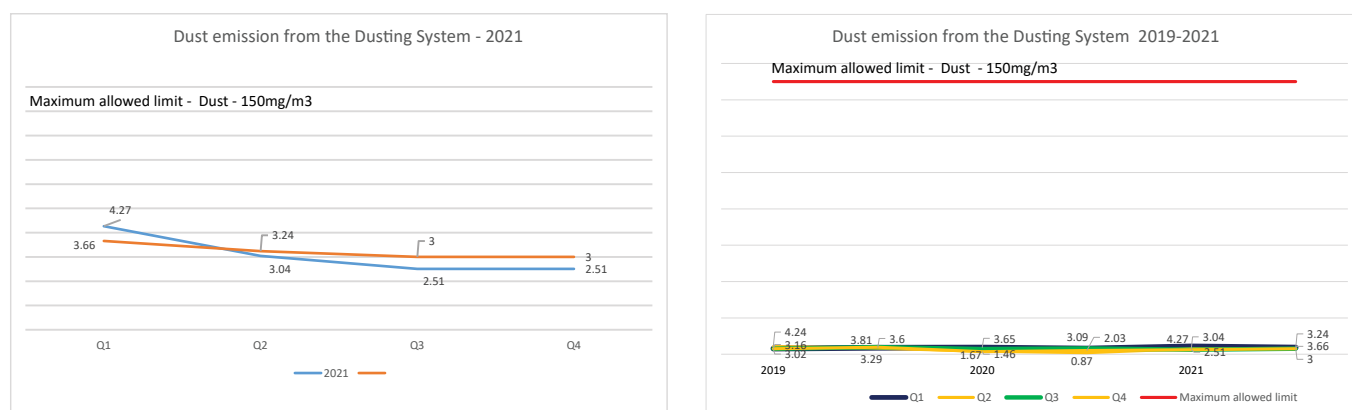
Each quarter the accredited authorized laboratory Tehnolab DOO Skopje measures the emissions of solid particle/dust from the outlets of the dedusting systems.

Each quarter we send reports to the Ministry of Environment and Physical Planning



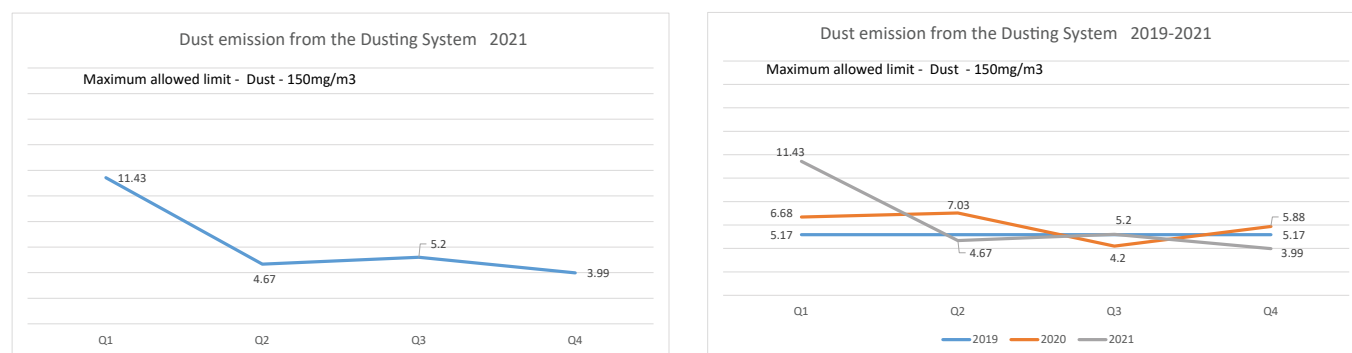
Graph 13: Quarterly measurements of emissions of solid particles/dust from the dedusting systems in Avtokomanda in 2021 and comparisons by year for the 2019 – 2021 period

► **Air emissions from the dedusting systems at PC Pharmaceuticals in Gjorce Petrov**



Graph 14: Quarterly measurements of emissions of solid particles/dust from the dedusting systems in Gjorce Petrov in 2021 and comparisons by year for the 2019 – 2021 period

► **Air emissions from the dedusting systems at the Aerodrom site**



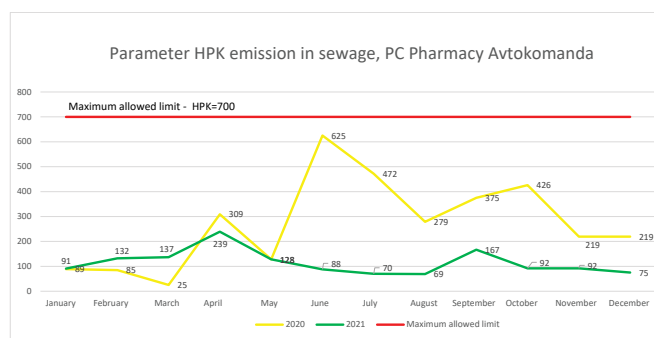
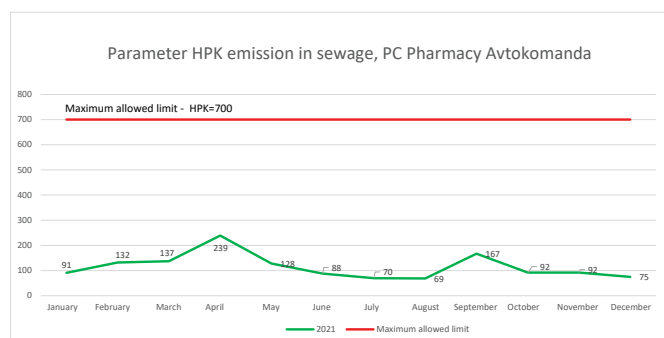
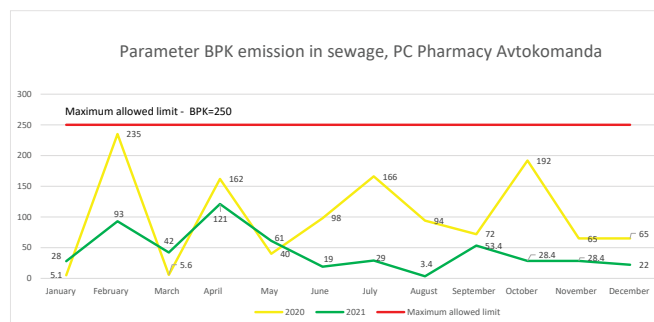
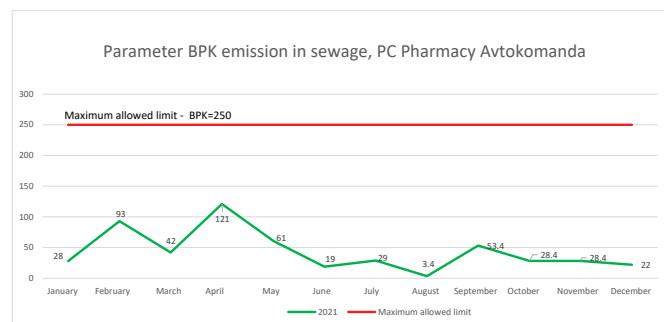
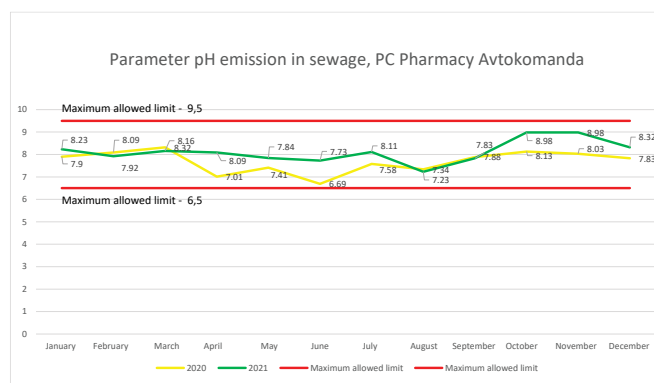
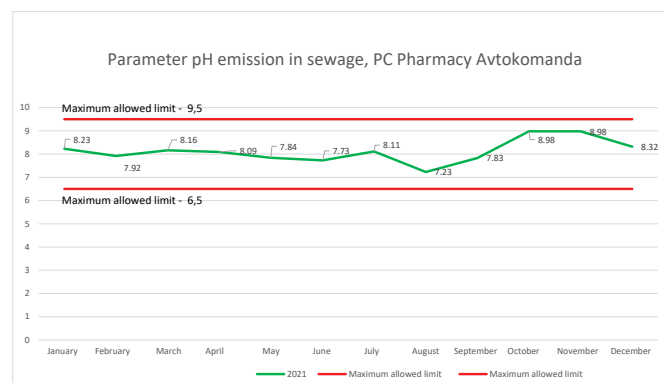
Graph 15: Quarterly measurements of emissions of solid particles/dust from the dedusting systems in Aerodrom in 2021 and comparisons by year for the 2019 – 2021 period

► Wastewater discharge to sewage

The manufacturing waste water is generated during cleaning of the manufacturing equipment. Under the technological process, the equipment is cleaned with large amounts of water according to defined and validated recipes.

The authorized accredited laboratory Pharmachem DOOEL Skopje measures wastewater discharges to sewage monthly.

► Data analysis for the discharge to sewage measurements in 2021 and comparison 2020 - 2021 at the Avtokomanda site



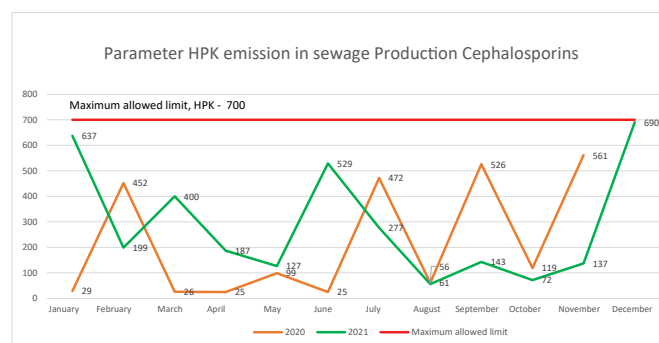
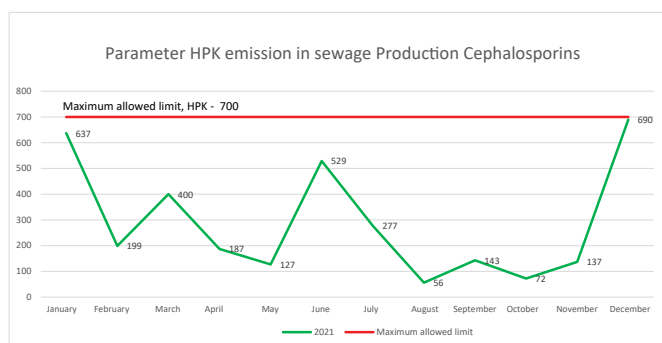
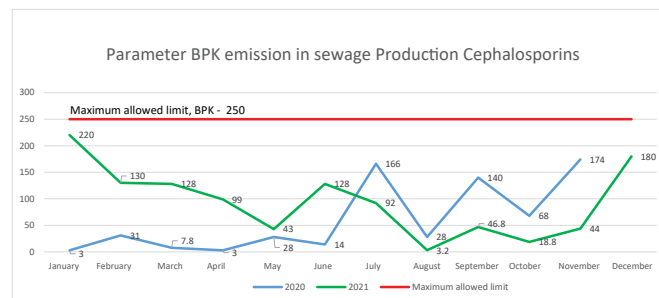
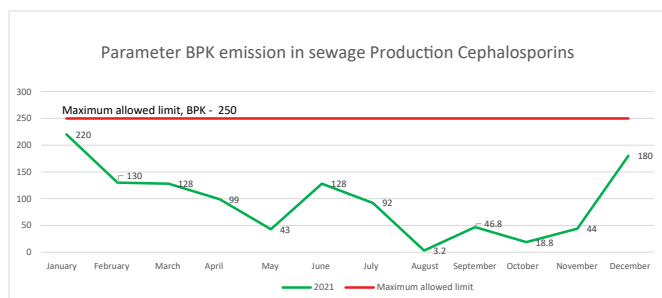
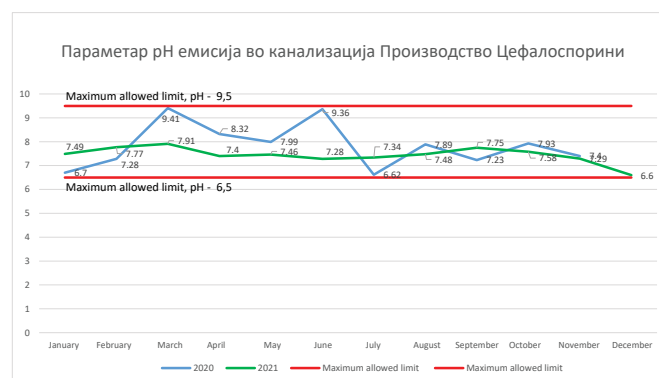
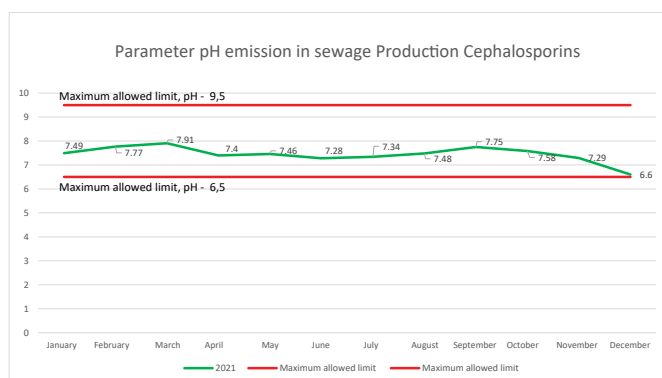
Graph 16: Monthly measurements of discharge to sewage from the Avtokomanda site in 2021 and comparison by year 2019 - 2021

Data analysis for the discharge to sewage measurements in 2021 and comparison 2020 - 2021 at the Avtokomanda site

The Gjorce Petrov site hosts several manufacturing plants. We monitor each outlet from the plants for manufacturing of cephalosporins, pharmaceutical raw materials, and the chemistry program (Parshall Flume).

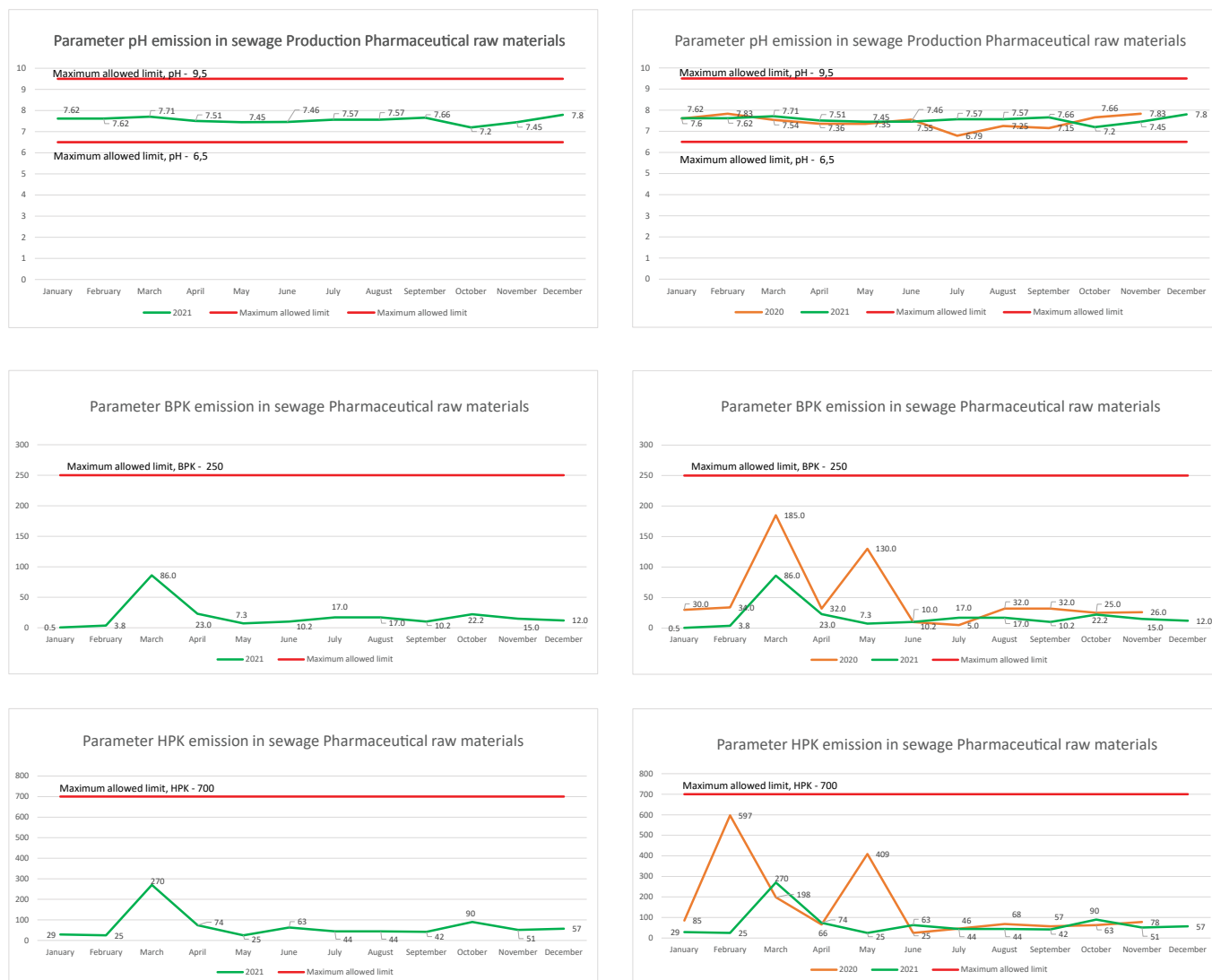
The authorized accredited laboratory Pharmachem DOOEL Skopje measures wastewater discharges to sewage monthly.

Manufacturing of cephalosporins, data analysis for the discharge to sewage measurements in 2021 and comparison by year 2019 - 2021



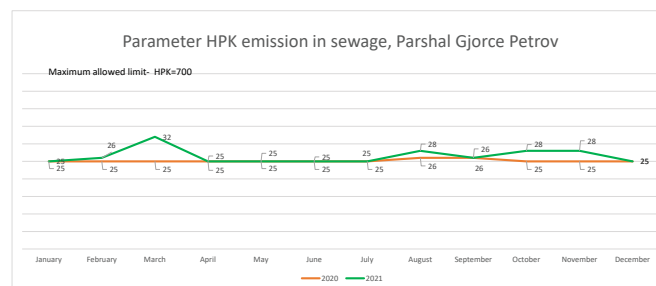
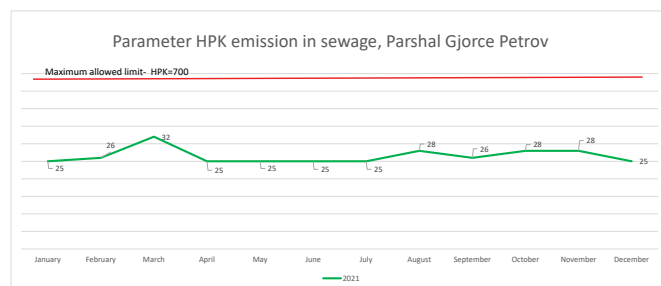
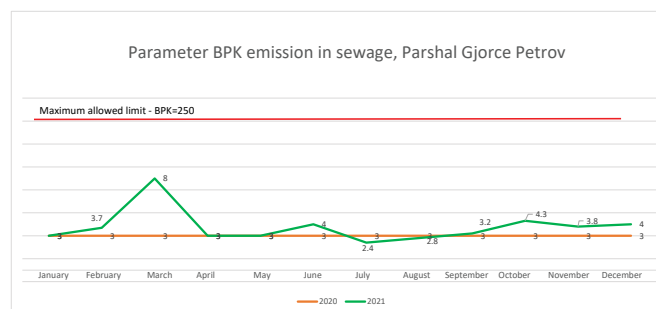
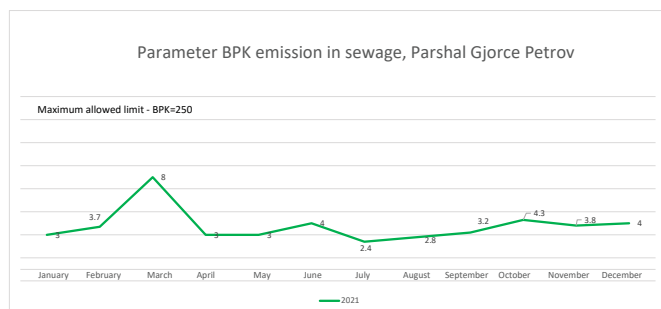
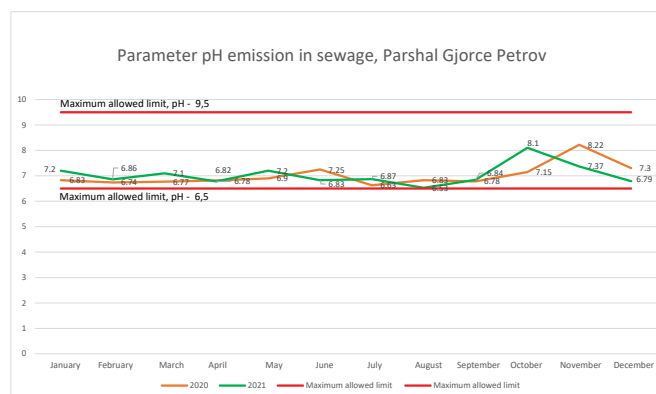
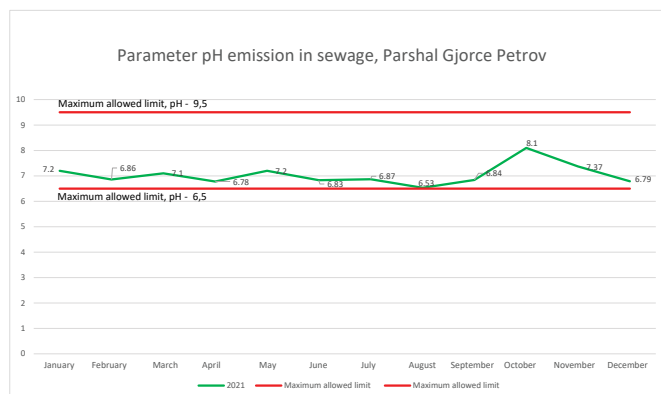
Graph 17: Monthly measurements of discharges to sewage from the cephalosporins manufacturing plant in Gjorce Petrov in 2021 and comparison 2020 – 2021

Manufacturing of pharmaceutical raw materials, data analysis for discharge to sewage measurements in 2021 and comparison 2020 - 2021



Graph 18: Monthly measurements of discharges to sewage from the pharmaceutical raw materials manufacturing plant in Gjorce Petrov in 2021 and comparison 2020 - 2021

Manufacturing of chemicals program – Parshall Flume, data analysis for the discharge to sewage measurements in 2021 and comparison 2020 - 2021

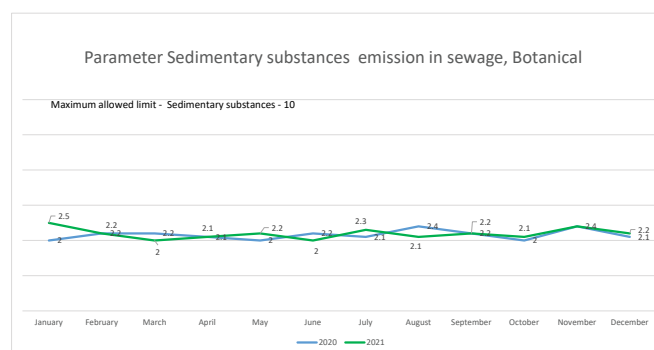
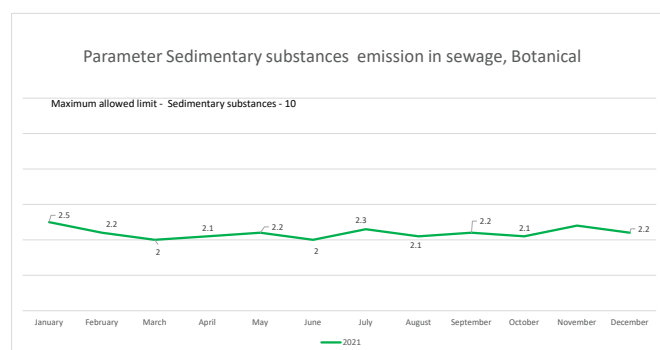
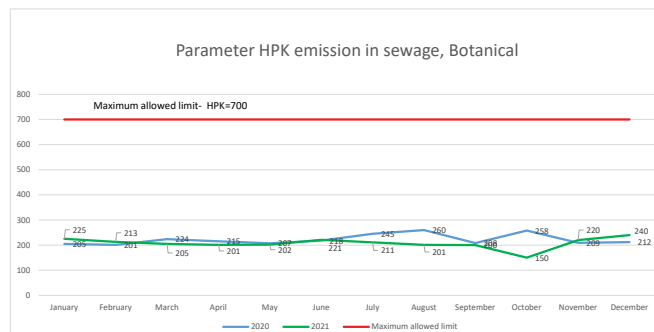
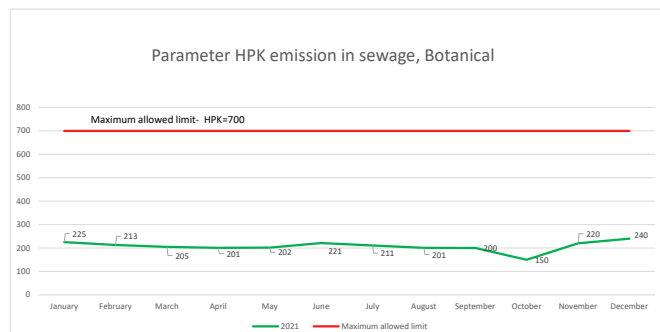
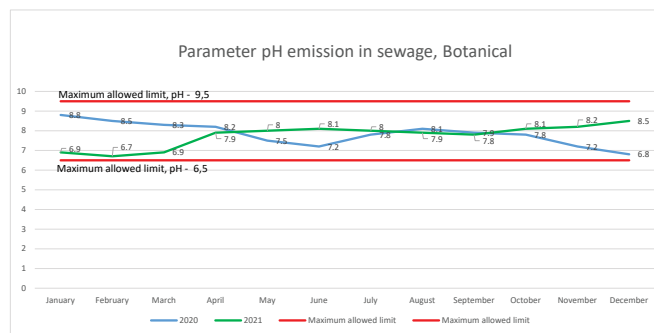
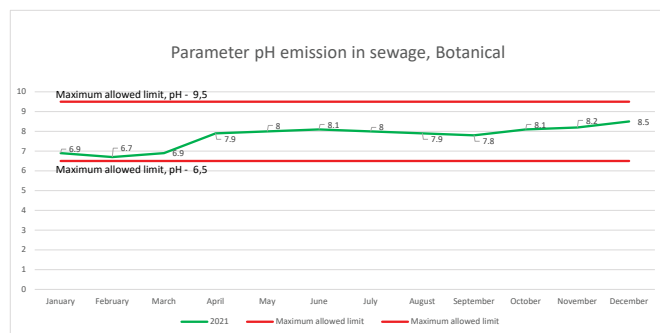


Graph 19: Monthly measurements of discharges to sewage from the manufacturing of chemicals program - Parshall Flume in Gjorce Petrov in 2021 and comparison 2020 - 2021

Manufacturing of botanicals, data analysis for discharge to sewage measurements at the Aerodrom site in 2021 and comparison 2020 - 2021

Waste water is generated while cleaning the manufacturing equipment.
The discharge of wastewater to sewage is measured monthly.

Manufacturing of botanicals, data analysis for the discharge to sewage measurements in 2021 and comparison 2020 - 2021

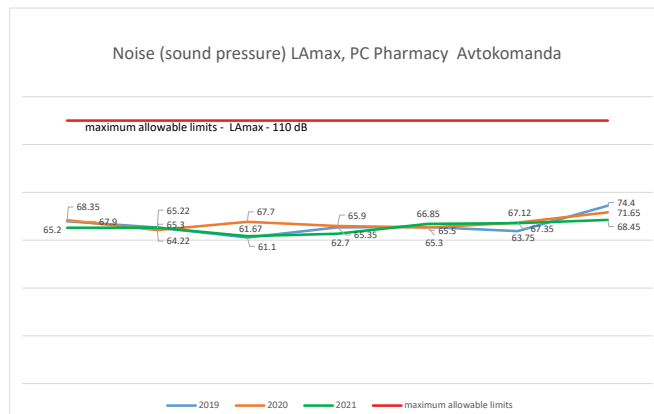
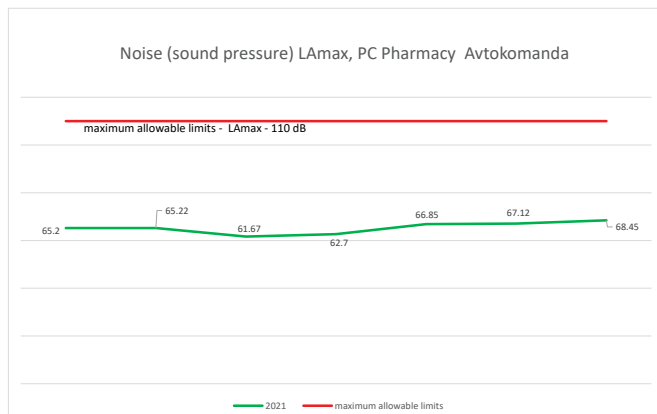
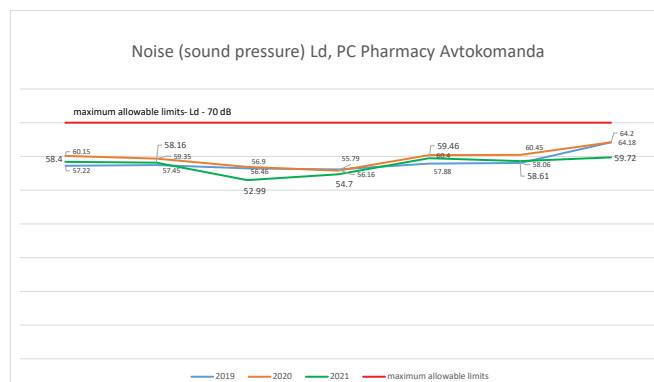
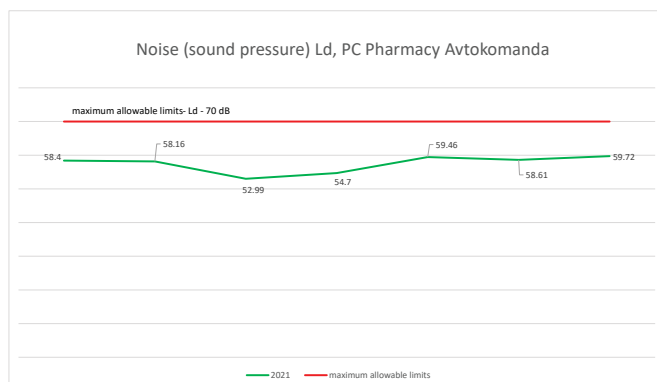


Graph 20: Monthly measurements of discharge to sewage from manufacturing of botanicals program in Aerodrom in 2021 and comparison 2020 - 2021

► Noise management

The operation of the manufacturing equipment and the ancillary equipment placed outside the production facilities emit noise into the environment. The authorized accredited laboratory Tehnolab DOO Skopje monitors the noise at the production sites quarterly.

Data analysis for noise emissions measurements at the Avtokomanda site in 2021 and comparison 2020 - 2021



Graph 21: Noise measurement (Ld and LAmax noise pressure) at PC Pharmaceuticals in Avrokomanda in 2021 and comparison by year 2019 – 2021

Data analysis for noise emissions measurements at the Gjorce Petrov site in 2021 and comparison 2020 - 2021



Graph 22: Noise measurement (Ld and LAmx noise pressure) at the Gjorce Petrov site in 2021 and comparison 2019 – 2021

Data analysis for noise emissions measurements at the Aerodrom site in 2021 and comparison 2020 - 2021



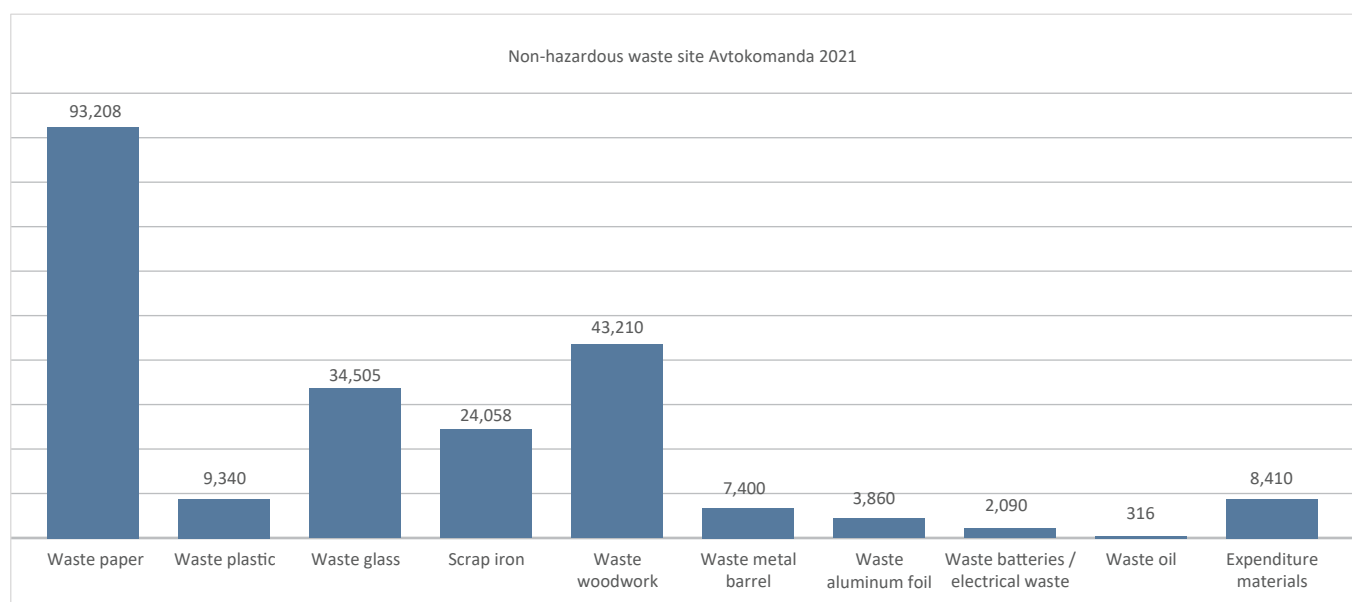
Graph 23: Noise measurement (Ld and LAmx noise pressure) at the Aerodrom site in 2021 and comparison for 2019 – 2021

► Waste management

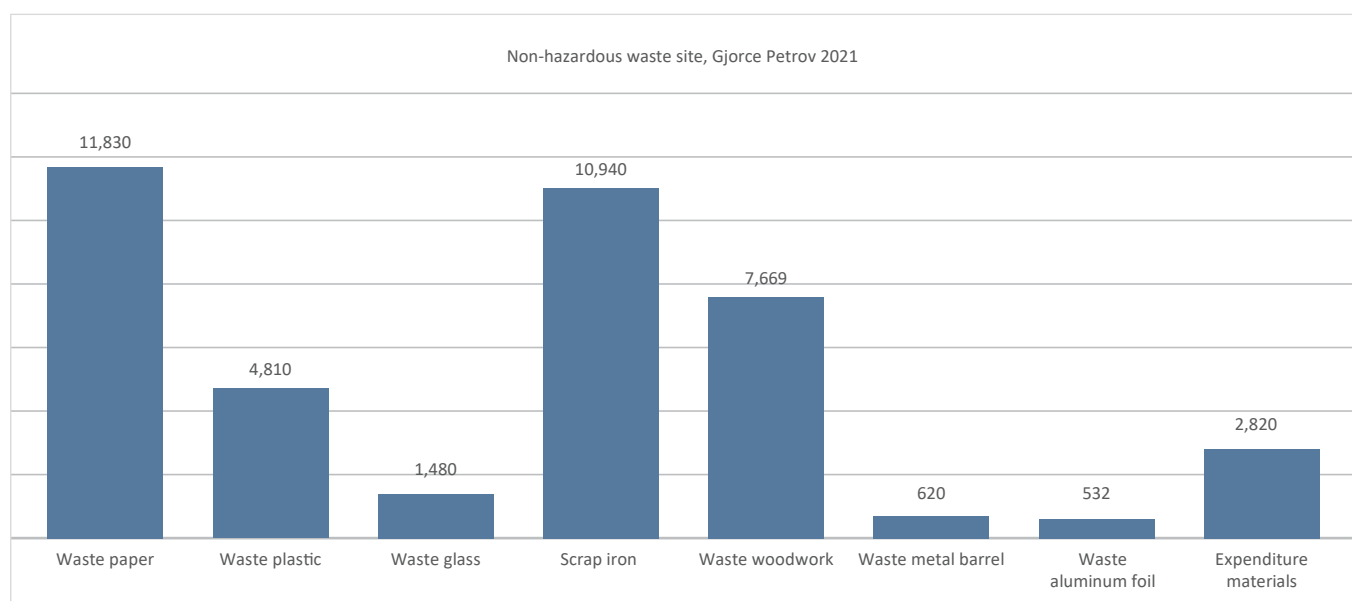
The waste generated during Alkaloid's operation, is selected, appropriately marked, temporarily stored on site, and handed over for recycling or disposal to organizations authorized by the Ministry of Environment and Physical Planning.

Quantity of waste generated by site and Profit Center/Program in 2021

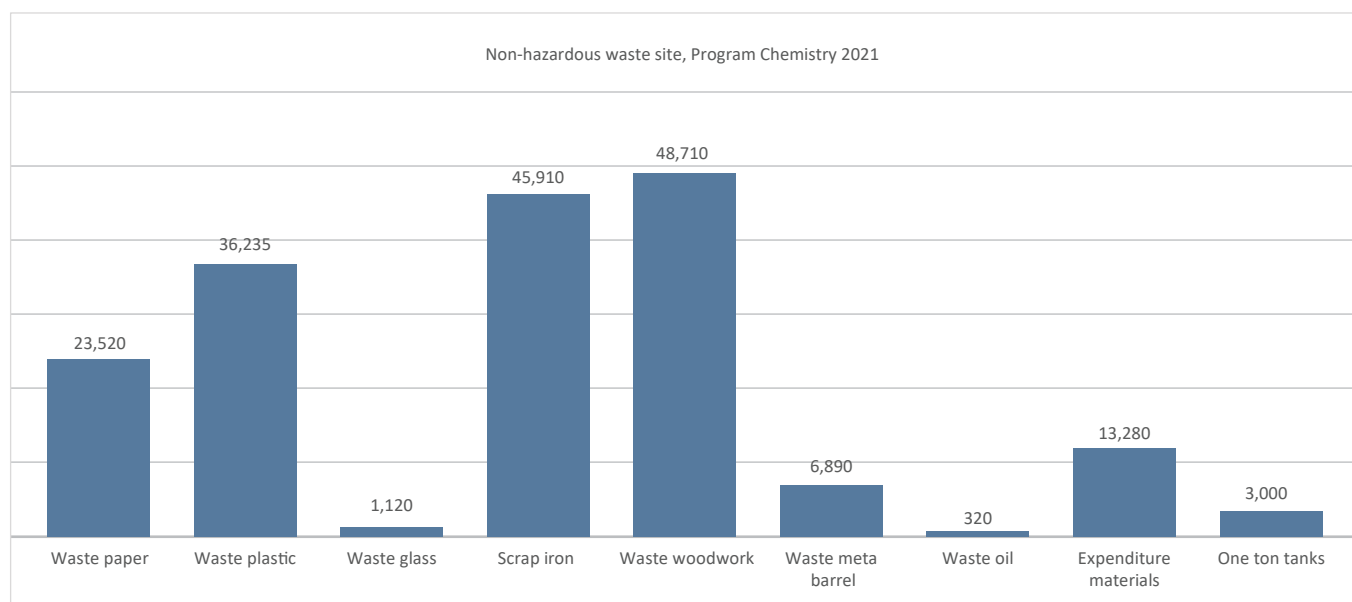
- Nonhazardous waste



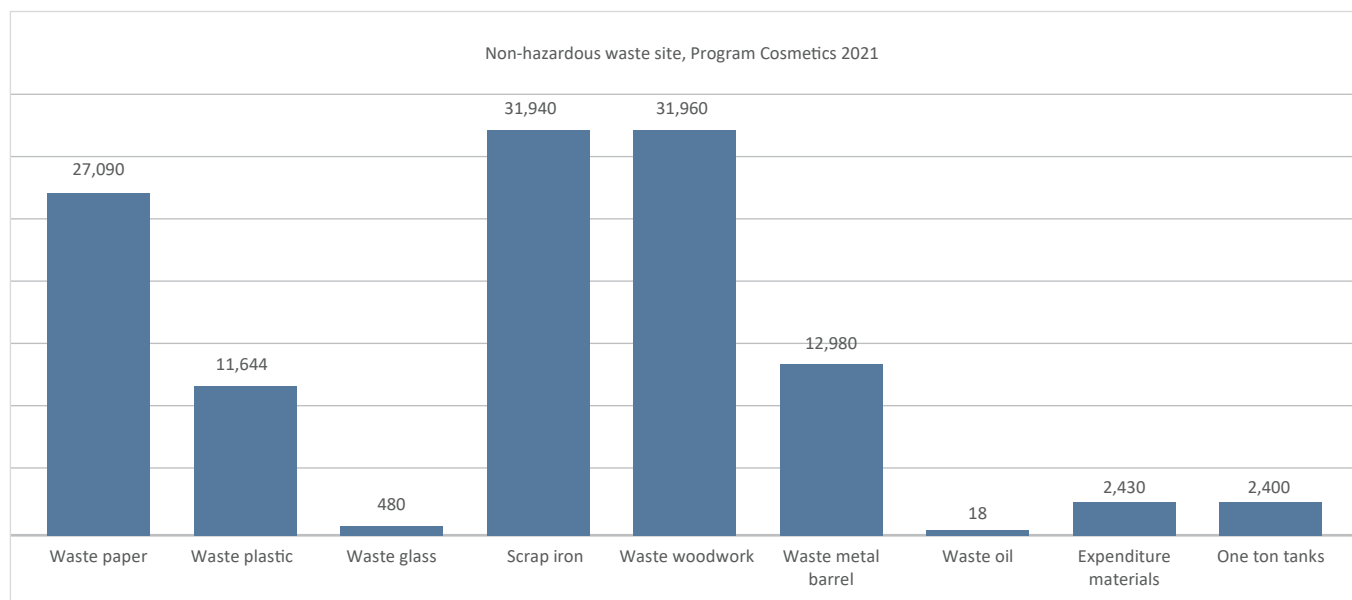
Graph 24: Nonhazardous waste generated at the Avtokomanda site in 2021



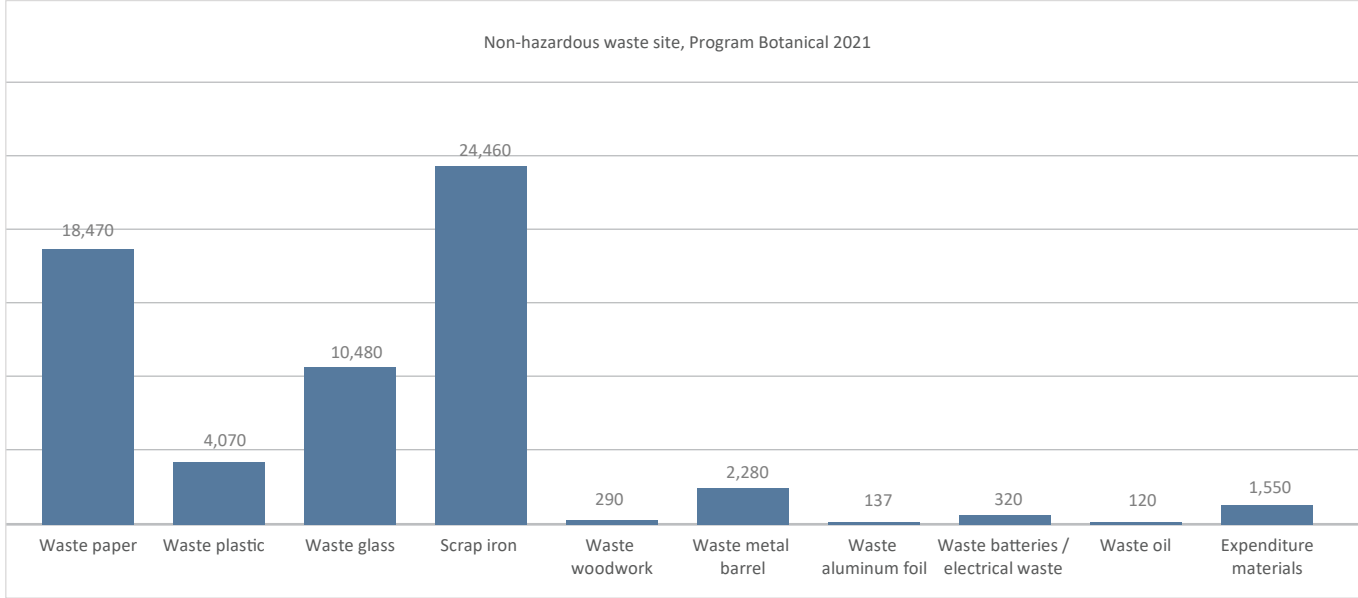
Graph 25: Nonhazardous waste generated by PC Pharmaceuticals at the Gjorce Petrov site in 2021



Graph 26: Nonhazardous waste generated by the Chemistry Program at the Gjorce Petrov site in 2021

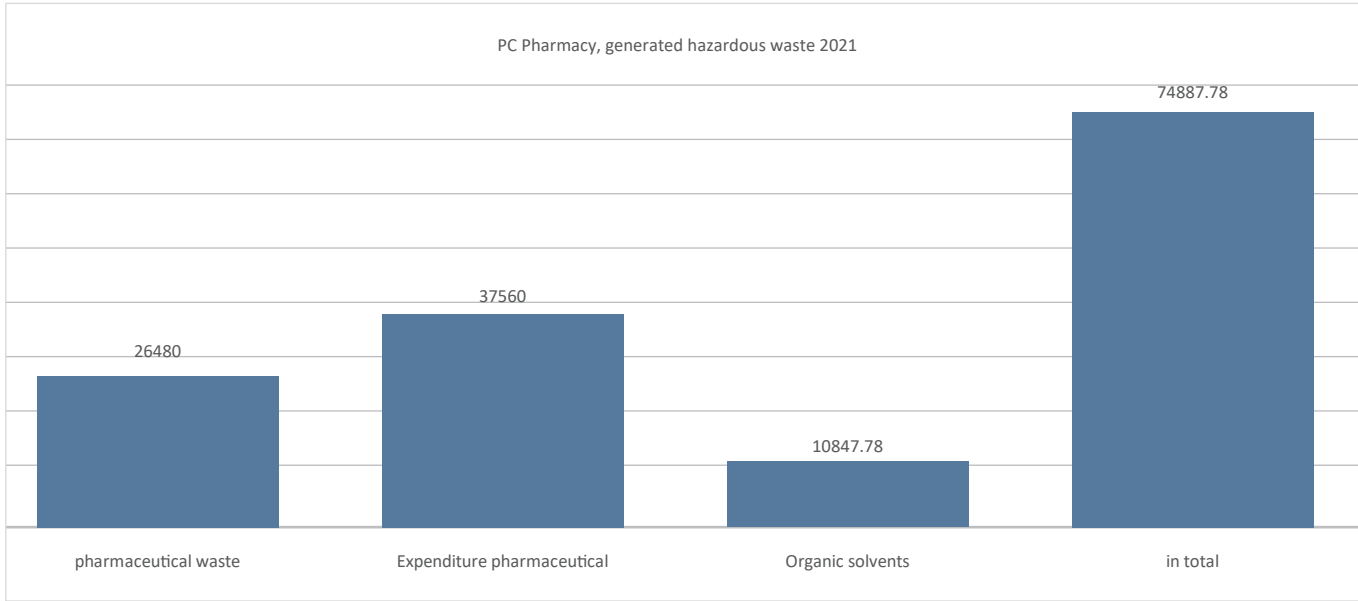


Graph 27: Nonhazardous waste generated by the Cosmetics Program at the Gjorce Petrov site in 2021

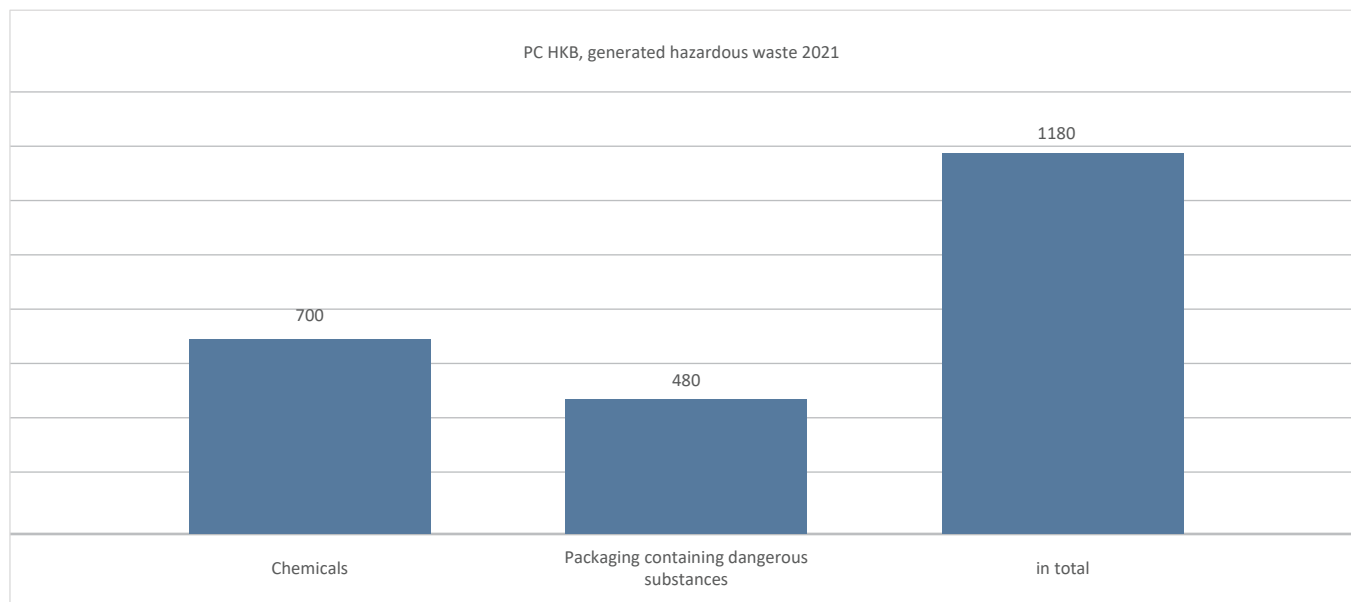


Graph 28: Nonhazardous waste generated by the Botanicals Program at the Aerodrom site in 2021

- Hazardous waste

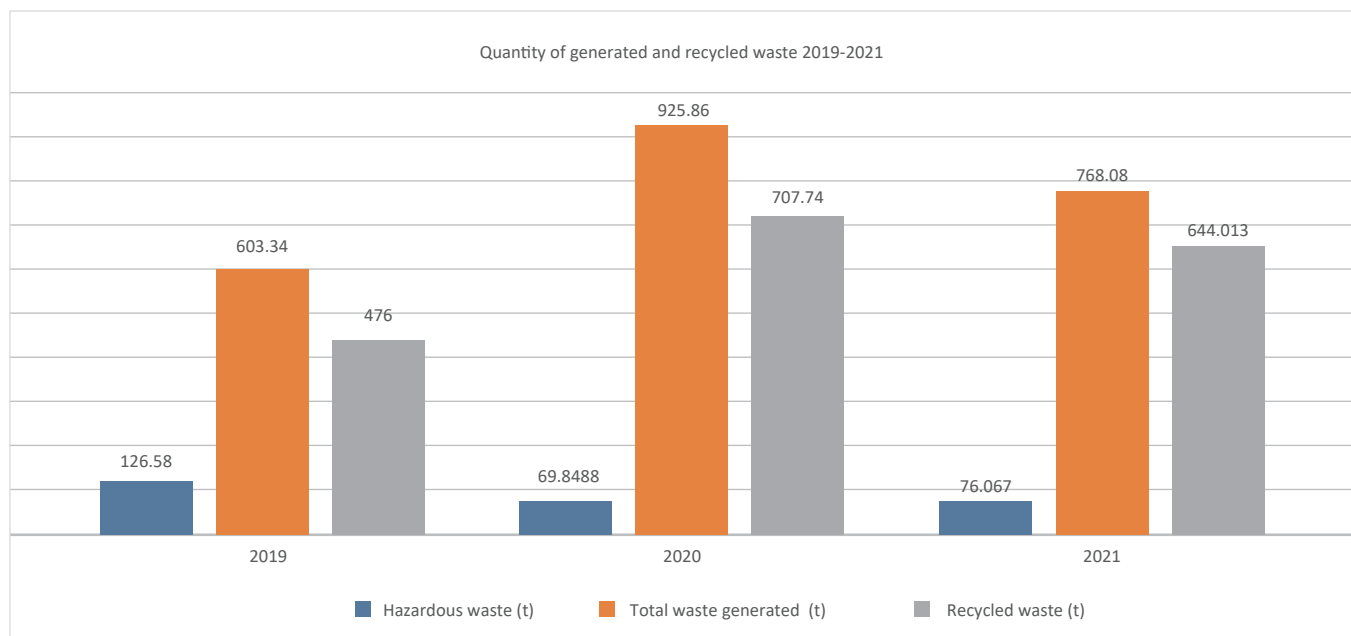


Graph 28: Hazardous waste generated by PC Pharmaceuticals in 2021



Graph 29: Hazardous waste generated by PC Chemistry, Cosmetics, and Botanicals in 2021

- Comparison of total quantities of generated waste in the 2019-2021 period



The total quantity of waste generated in 2021 is lower than in 2020 because there were more construction activities in the preceding year. Out of the 768.08 tons of generated waste, 644,013 tons or 83.8% were handed over to authorized recyclers.

► Regulatory compliance

The key elements of the established environmental system: environmental aspects management, goals and programs for improvement, training on the environment, environmental change, response to environmental incidents, environmental impact monitoring and measurement, and internal and

external system checks are compliant with the legislation, implemented standards and other requirements accepted by the organization.

3. Environmental performance improvement projects

► Integrated environmental permits in 2021

On 1 April 2021 we applied for an A-Integrated Environmental Permit for PC Pharmaceuticals at the Avtokomanda site, PC Pharmaceuticals at the Gjorce Petrov site and the Chemistry Program at PC CCB, at the Gjorce Petrov site.

In 2021, representatives of the Ministry of Environment and Physical Planning inspected the site and had positive findings, in line with the submitted documentation.

On 27 December 2021, Alkaloid AD Skopje received a Decision for issuance of an A-Integrated Environmental Permit for PC Pharmaceuticals, at the Avtokomanda site located at Blvd. Aleksandar Makedonski, No. 12, 1000 Skopje.

On 30 December, 2021, Alkaloid AD Skopje received a Decision for issuance of an A-Integrated Environmental Permit for PC Pharmaceuticals, at the Gjorce Petrov site, located at Blvd. Partizanski Odredi, No. 98 A, 1000 Skopje.

On 27 December January, Alkaloid AD Skopje received a Decision for issuance of an A-Integrated Environmental Permit for the Chemistry Program in PC CCB, at the Gjorce Petrov site, located at Blvd. Partizanski Odredi,



► **Replacement of four dedusters in Manufacturing - Solid Forms to reduce noise and air emissions**

We replaced four dedusters in Manufacturing - Solid Forms. To compare air emissions and noise, which we expect to decrease, we will monitor them in the next two quarters of 2022. Then we will be able to give a % of reduction of air and noise emissions.

► **Landfilled waste quantity reduction by 5% (calculated as part of total quantity of generated waste).**

Throughout the year we conduct many activities, controls, inspections, and trainings on best practices in waste management. The purpose of these activities is to better select, sort, and increase the quantity of waste handed over to authorized waste collection companies for recycling.

In 2021, Alkaloid generated a total of 768.08 tons of waste. We handed over 644,013 tons or 83.8% of the total generated waste for recycling.

Our target in 2021 was to reduce landfilled/increase recycled waste by 5%. In 2021, we recycled 83.8% of the total waste. For comparison, in 2020 we recycled 76.44% of the total waste. This is a 7.36% decrease in the quantity of landfilled waste from 2020 to 2021.

Business environment and future development

Pharmacy

OUR BUSINESS ENVIRONMENT IS CHANGING

Although 2021 was another year influenced by covid19, Alkaloid was able to successfully adapt to the “new normal” and prove its resilience. Besides the obvious lockdowns, we had various uncertainties including but not limited to: procurement delays and interruptions, raw materials and energy inflation, inability to normally promote our products during the entire year etc.

Still, Alkaloid showed flexibility in its operations and adaptability to the new circumstances, successfully avoided major shortages in supply, and maximized its investments in ethical marketing and sales in the territories where growth was possible considering the circumstances in 2021. Maybe the largest change in our business environment is the labor market. For most companies talent search is the biggest challenge. After lockdowns, migration started again, developed Europe is in constant search of talent and we are in constant challenge to keep the talent from migrating. We are aware that our experts are a target for most European pharmaceutical business and we need additional focus on keeping them at our premises.

OUR FUTURE DEVELOPMENT

Our strategy considers Alkaloid as independent company on the generic pharmaceutical market. Besides closing portfolio gaps in the current generic business, our future plans include expansion of our generic portfolio in the areas without current presence but also, long term investments in our OTC and supplement brands. Besides the common generic products, Alkaloid invests in the development of added value medicines (AVM), which will be the basis for rapid global presence with our unique and patented products in the future.

Alkaloid will continue expanding its marketing and sales footprint by enlarging the territories in which we have subsidiaries and promote our products directly. This is possible due to our in-house knowledge for market access and ability to enter new generic markets and capture market-share even though we didn't have traditional presence in the particular market in the past. Besides the direct market business, which will continue to be the main revenue contributor, Alkaloid will continue to be partner of choice in our b2b activities, by supplying after licensing to the leading generic companies in the world.

So far, Alkaloid's growth was purely organic. As we have plans to enter new business segments, we don't exclude the possibility to acquire portfolios/businesses or simply new markets through acquisitions. Acquisitions are not our strategy, but a possible tool to achieve the strategic goals of the company.

We regularly introduce new products and maintain their competitiveness in over 40 countries. The R&D Institute is developing 40 in-house products that comply with the most stringent requirements for quality, safety and efficacy, by using advanced analytics and technology solutions. The quality is incorporated from the starting raw materials throughout laboratory scale batches of finished product, subsequently transferred to industrial scale batches in the production facility. We are increasing production capacity to optimize batch sizes and production cost, but also to deliver the most demanding projects in terms of techniques and technologies by introducing new pharmaceutical forms.

RESEARCH AND DEVELOPMENT

We invested a lot in knowledge in the last five (5) years in order to upgrade our R&D processes, workflow, and project management. We've increased the capacity to handle complex project from IP perspective. The goal for all generic companies in order to be competitive on the market is to have faster go-to market strategy; to have as much as possible first-time successful developments; to launch product immediately after market exclusivity... We are using a lot of external capacity in order to build our internal capacity to better cope with the above-mentioned industry challenges.

Still, we should never forget that the aim of generic medicines is for every new generic medicine to be developed and delivered as therapeutically equivalent to the originator through adequately designed pharmacokinetics studies with a main aim to prove the equivalence with the originator and ultimately to deliver new product on the market with already proven efficacy and safety profile. Our processes involve comprehensive and complex technological, analytical, pK and bioequivalence studies and procedures for the production of a new generic medicine. We use state-of-the-art equipment to deliver the most demanding projects in terms of technologies and new pharmaceutical forms, like for example ODTs.

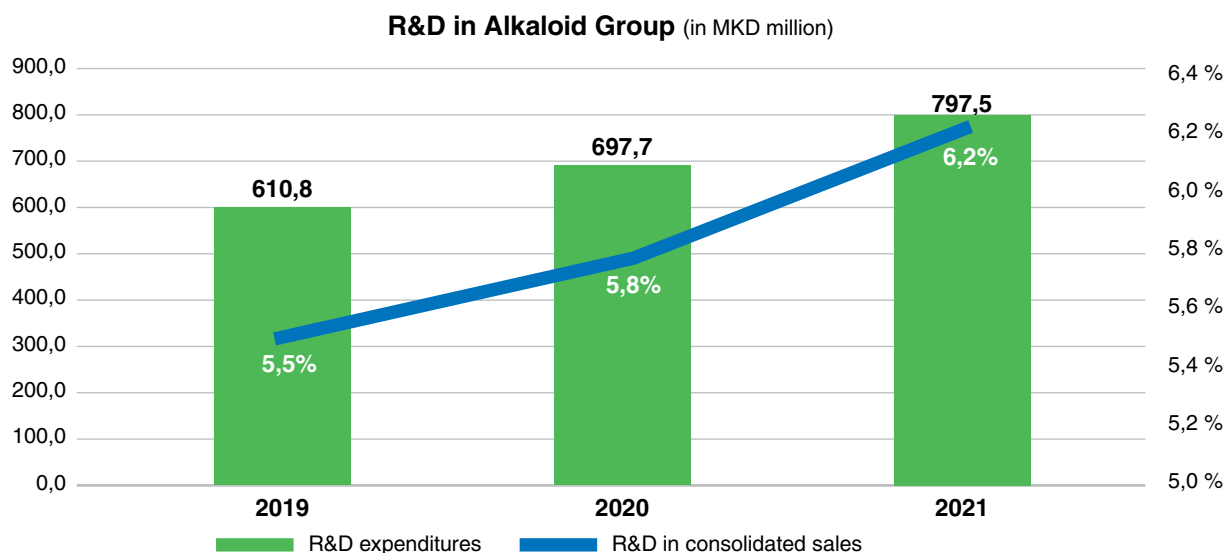
All studies sponsored and conducted by ALKALOID AD in 2021, were performed with support of well-established and qualified Contract Research Organizations (CROs) and Vendors, located worldwide, in accordance with applicable regulatory requirements and international quality standards.

During the pharmaceutical development, R&D employs in-house methods to control product quality during manufacturing processes by using state-of-the-art instruments and techniques to analyze physical and chemical properties of active pharmaceutical ingredients and finished products. In the past year we have been continuously upgrading our resources with high-end analytical instruments in order to ensure quality of a medicine throughout its shelf life, according to the latest strictest regulatory requirements.

Our R&D operations and investments are growing in accordance with the corporate strategy; we are now investing in AVMs, have dedicated teams working on added value generic medicines besides the usual generic developments.

We work on our own research-and-development solutions to develop new products and use them to overcome patent obstacles. In the meantime, we have filled 3 our own international patent applications to ensure patent protection.

We have 20 newly employed personnel joined the environment where more than 150 subject matter experts work on research and development, the fundamental part of the generic business. Our highly qualified experts are our biggest asset in order to accomplish new products development. Taking that into consideration, support and funding is provided for different types of advanced educations in academic institutions in the country and abroad, reinforcing the technical and scientific qualifications of our employees.



We are currently developing 40 in-house products. More than 100 experts working on research and development.

Due to the environment we live in, and the need to support our educational system to bring as good as possible future students, in 2021 Alkaloid established the first partial-dual education program for pharmaceutical technicians in pharmaceutical industry and participated in the founding of the first training center dedicated for the dual education and for education of new employees in the company. Our R&D is fully involved in growing future prospects for our company and our society.

As an added value to the development activities, the R&D scientists working on the new development projects have also published 3 original scientific papers during 2021, in high quality, peer reviewed international scientific journals.

Chemicals, Cosmetics and Botanicals

2021 in the Profit Center Chemicals, Cosmetics and Botanicals of Alkaloid AD was also marked with constant challenges of supply chain and operational nature and continuation of the growth perspective from an aspect of production capacity increase as well as targeting of new markets.

With the opening of the new state-of-the-art production unit of wet wipes, we have fully transferred the production of baby and personal care wipes in-house. By doing so, we have not only increased production capacity for our own products, but plan to be the partner of choice for production of this kind of products in the wider region, and to provide a turn-key solution from research and development and manufacturing point of view.

Opening of new markets for the personal care products has always been part of the continuous strive for sales and reach expansion of our products and during the year we have finalized our first shipment of goods and product placement of baby care products on the market of the Kingdom of Saudi Arabia. This marks a new era for Becutan baby care products by furthering the reach toward the MENA and particularly the GCC region.

In the Chemicals part of the business we commenced activities for construction of new facility for production and storage of Hemodialysis solutions. Being one of the largest producers of Hemodialysis fluids in the wider region we have made the decision to increase capacity for production of this kind of products in order to meet the market needs in line with the newest EU Medical Device Directives. We expect the activities on this project to be completed during the first half of 2022.

During 2021 we have also started activities for construction and equipping of a new Microbiology laboratory for the needs for in-house testing of the products from the Profit Center Chemicals, Cosmetics and Botanicals. This will further increase our internal quality control and testing capacity in all areas putting and even higher stress on the excellent quality of the products produced and put on the market by Alkaloid AD Skopje.

This year also marked the increase in sales of our Good Nature brand teas on the market of the USA through online and traditional distribution channels. The portfolio of Good Nature teas was extended with new products in both organic and conventional sections. Production of other private labels of tea products continued and also was extended with new products.

Purchasing

In 2020 and 2021, we felt the effects of the COVID crisis in the form of volatile demand for certain materials, border closures and complication of transport corridors, and raw material and energy price hikes on the world markets. The Purchasing Department has managed to mitigate for most of that with the team effort of existing staff, and adapting and mobilising all available resources. The long-standing healthy business relations based on great mutual trust, ethics and fair play by Alkaloid with its business partners in the country and abroad were the foundation upon which we ensured the unhindered continuity of logistics during the crisis period, without any substantial disruptions in the production process.

The deft reaction and adaptation to the new environment is due to the vast experience of Alkaloid's staff. We optimised internal processes by automating some of the processes and by improving and streamlining communications and the speed of information sharing. Near the end of 2020, the markets became more stable, expectations were clearer, and estimates about the future more realistic. Before the crisis, we worked on finding alternative vendors and raw materials from various parts of the world, which came in handy for the Company during the crisis.

Last year, the four production units and their warehouses, took in approximately 17.000 deliveries of raw materials of all types and groups or nearly 600 million units.

Investments

2021 brought a lot of unpredictability and uncertainty, with continued risks to human health and social stability – rather than economic vitality and sustainability – and even so, Alkaloid continued to boldly and persistently invest and deliver.

In the whirlwind of risks brought about by the pandemic and the economic recovery, we continued to invest in capital projects and engineering solutions, new production plants, improved technological processes, new premises, and improved working conditions for employees. We proudly maintain the status of a socially responsible company and we keep contributing to a healthier and cleaner environment, addressing the issues of reducing the consumption of natural resources and energy, generating electrical energy for proprietary use, noise reduction, as well as paying particular attention to energy efficiency, energy supervision, and energy support as chief components of energy management.

In a year marked by hope that the coronavirus would be brought under control, a year that manifested the downsides of finely tuned supply chains and distributed production, Alkaloid focused on diversifying its investments in all segments of its production portfolio.

Improving technological processes, new production plants, laboratories and warehouses

To maintain the pace of growth and development of the company, we have made a series of investments worth €900.000 in the production of pharmaceutical preparations. We built a new 500 m² facility, providing warehouse and administration premises. This has opened up room for expanding the analytics laboratory at the Research and Development Institute and purchasing new laboratory equipment. At the technology development laboratory, we have placed new thermotechnical and electrical installations regulating and controlling relative humidity parameters to provide for the technological environment for conducting analyses and tests of new products.

In the Pharmaceuticals segment, we have invested €230.000 to ensure the conditions for future pharmaceutical development. The investment was in clean premises and purchase of equipment for accurate and expedient pulverisation of raw materials before they enter the manufacturing process, in line with the master formula for each product.

One of the leading projects that marked 2021 was the launch of the wet wipes production plant. The wet wipes are part of the Becutan brand portfolio, first marketed in 2006 and made under the original recipe developed by Alkaloid's pharmacy experts. The wet wipes were manufactured abroad for 15 years until the opening of the new Alkaloid production plant located at the Lafoma plant in Gjorche Petrov, in Skopje.

The production process starts by purifying water, then by preparing the wet-wipe emulsion, moistening, cutting, and wrapping the wet wipes in foil, and robotized packaging in boxes. The proprietary lotion formula used in the wet wipes is prepared in special mixers that can mix up to 12.000 litres per 8 hours. The equipment can detect any wet wipes package that fails to meet the prescribed standards and can eliminate it automatically. This process assures consistent quality and continuous product monitoring.

Alkaloid invested €4 million in this production plant. The process consisted of adapting the production and storage space of 3200 m², housing the fully automated equipment. The annual capacity of the new facility is 50 million packaged items, manufactured in line with the strict norms for good manufacturing practices and the EU Cosmetics Regulation.

Furthermore, within this project, to improve the production environment for other products in the Cosmetics range, we completely reconstructed the HVAC system in the entire Cosmetics facility, for the amount of €100.000.

The start of the project for producing haemodialysis concentrates with a warehouse section was an important part in the investment cycle at the Gjorche Petrov site. It is a full reconstruction and adaptation of existing premises of 3000 m², and purchase of new manufacturing, packaging, and auxiliary process equipment. The chief objective is to provide adequate premises for the manufacturing and packaging of haemodialysis concentrate, in line with the good manufacturing practices guidelines, ensuring microbiologically clean products.

The continuous expansion of manufacturing capacities inevitably requires appropriate auxiliary premises. In 2021, we started the phased implementation of the Pharmaceuticals Warehousing project, with a production area, logistics and operative administration. In the first stage of the project, for about €800.000, we will provide a 1200 m² space for pharmaceutical raw materials, half of which are going to be special storage chillers.

In addition, 2021 saw the implementation of a number of smaller interventions aimed at providing new manufacturing and work premises and improving existing working conditions.

In 2021, in Manufacturing of Pharmaceuticals, we have invested in new machinery and equipment for the existing production units, and for the newly designed unit Manufacturing of Solid Dosage Forms 2:

- Installation of a new, second line, for dosage of liquids for oral use in volumes between 10 ml and 1000 ml, in glass and PET packaging worth €1.950.000.
- In Manufacturing of Solid Dosage Forms 1, we installed a fourth FETTE 2090 tablet press worth €599.000.
- In June 2021, we ordered a new strip packaging line for Caffetin and Paracetamol tablets for the new Packaging 2 unit worth €EUR 1,890,000.
- In the project for the new Manufacturing of Solid Dosage Forms 2 unit, we have ordered two aqueous granulation lines from GEA, one of which is PMA/MP5 Classic with a capacity of 600 litres (twice as large as the existing ones in Solid Dosage Forms 1), as well as a second 60 litre Pharma Connect Plus line for pilot series and technology transfer from the laboratory into production. The value of the two lines is €3.555.000.
- The new unit Solid Dosage Forms 2 has been designed for the manufacturing of high-volume series and, accordingly, we have ordered a Glatt GCS 350 Pan Coater for film coated tablets worth €1.022.222.
- There is ongoing work for the other equipment in the Solid Dosage Forms 2 project: tablet presses, one of which is for manufacturing bilayer tablets, granulation and dry mixers, dry granulation equipment, a washing and drying line, barrels and parts, as well as smaller auxiliary equipment.

Investment in education premises, education and internship, in line with the company motto “People Above All”

Investing in human potential is hugely important for the growth and development of Alkaloid AD Skopje.

The end of this successful year was marked by the launch of our own Education and Training Centre in 1000 m² premises. The Education Centre houses a Training Laboratory that includes a central laboratory, a data processing room, special rooms for precision scales and ultrasonic baths, two lecture rooms and other auxiliary rooms, all together providing a technological unit for the regular operation of about 50 staff. This investment of €1 million affirms Alkaloid’s commitment and its company motto: People Above All.

In addition to the launch of the new Education and Training Centre at the Gjorche Petrov site, last year Alkaloid invested €300.000 to protect and stabilise the unstable bank of land behind the existing Education Centre in Dojran. The project involved cooperation with reputable professional institutions to implement a particular engineering undertaking on a construction area of 550 m². This has continued the positive trend of continued care of staff, expert associates and consultants, as well as of educating doctors and pharmacists in the country and abroad, by providing safe training premises, and investing in our own and the good of the environment.

Developing project documentation and engineering design

Last year, in addition to the construction of the facilities above, to prepare for the upcoming investment cycle, Alkaloid also invested in developing capital project designs.

Based on a design by the Alkaloid engineering team, and in cooperation with a local design studio, we developed designs for constructing a Central Wardrobe, a solution to provide more than 900 lockers for staff in the Manufacturing of Pharmaceuticals unit. The Central Wardrobe is the first link in the good manufacturing practices chain. The first step in the manufacturing plants is made in the Central Wardrobe.

We invested a lot of time and effort in the project for establishing a new unit for the production of solid dosage form pharmaceutical preparations, on approximately 2000 m²; a very important and prominent project among a number of projects aimed to increase production capacities. This is handled by Alkaloid’s engineering team in cooperation with a foreign design partner.

We also invested in the development of a full design for the reconstruction of the microbiology laboratory – chemistry.

The environment, energy, and energy efficiency

Energy efficiency and care about the environment are some of the top priorities in the company's business strategy. The continued care about energy as a fundamental aspect of any process, project, product and capacity has resulted in a number of investment and operative actions implemented in 2021.

- In April 2021, we launched a photovoltaic plant with 340 kW installed capacity. The investment worth €165.000
- We replaced the air filtering equipment for the production lines, an investment of €100.000
- We invested €20.000 in a water supply monitoring system, with 9 control points at the three production sites

Authenticity and tradition

ALKALOID AD is a company with 85 years of history. Our past and tradition are our cornerstone for the future. Last year, we invested €60.000 to restore one of the oldest facilities on the site. The factory stack that testifies to the beginnings, growth and development of the company. The greatest challenge in this project was to maintain the stability and security of the facility, taking care of its authenticity, and underlining the architectural details in the overall industrial landscape.

Investing in new production capacities, state-of-the-art equipment, developing high quality projects, taking care of the environment and energy efficiency shall remain the primary strategic commitment of Alkaloid AD in times to come.

Transport

Supply chain challenges grew in 2021 in the transport segment as well. Fuel price hike predictions gradually came true in 2021, resulting in higher transport costs and prices. Notices of possible longer lead times by vendors were an additional challenge, and delivery times were frequently extended. Naturally, there were some delays in delivery and changes in transport routes. All these challenges demanded significantly greater effort and dedication to optimise risks, leading to their successful mitigation and avoiding any substantial impact on current operations.

Import and export needs have been met with 11.100 various vehicles, 54% of which owned by the Company, with as little as 3% unused volume/capacity.

Energy Management

Energy management is the basis of risk management, business continuity management, environmental management and of overall business management, business efficiency and sustainable development. The main components of energy management are 1. Energy/Resource Efficiency, 2. Energy Monitoring, and 3. Energy Support.

1. Energy Efficiency

Alkaloid AD pays great attention to energy/resource efficiency by reducing energy and resource consumption. Our target is to reduce the specific energy and water consumption by product mass by at least 1% in 2021 compared to 2020, making it one of the company's most important strategic goals. This reduction relies on several investment and operational measures.

• The following **operational measures** were applied in 2021:

■ Using energy efficient Teflon-based filters, instead of glass based, in the airconditioned chambers at the G. Petrov antibiotics plant as a pilot project for all other airconditioned chambers. Using these filters, which are about 20% more expensive, brings the following gains:

1. Airconditioned chambers consume about 20% less electricity or about 4% of the total electricity consumed at the production sites. This corresponds to annual savings of 600 MWh, or €48.000 and reduction in GHG emissions of 600t of CO₂ equivalent (potentially worth €30.000). These savings are valued at the 2021 price of electricity and GHG emissions, which may double in 2022.
2. About 20% longer periods between changes of coarse, fine, and hepa filters in airconditioned chambers, practically making the annual costs for filters the same. This means that costs are even lower because it takes fewer working hours to change them, spare filters use less storage space, etc.
3. As Teflon (PTFE) filters are more reliable than glass-based (SiO₂) filters, there is a lower risk of breakage/decay or damage/contamination of adjacent filter sections, i.e. in the case of terminal, for example HEPA filters, the safety of cleanliness of the premises, products and staff increases.

■ Program for monitoring of the condensate pot operation.
 ■ Using air conditioners, usually used only in summer for cooling, during the heating season too, independently or in combination with steam heating. Each air conditioner used in this way saves thermal energy equivalent to 2/3 of its heat capacity, or 2.5kW on average. Only in the Bilka plant this brings annual savings of €26.000 in oil used for central heating.

• The following **investment measures** were applied in 2021:

■ Photovoltaic power plant was built on the roof of a production facility (B-Avtokomanda). We invested around €165.000 in this project. After becoming operational, the powerplant will produce/save 408 MWh annually, or €31.416. The savings may be twice this amount or more, depending on the increase of the price of electricity. With most of the electricity in our country produced by thermal power plants, a coefficient of 0.4-1 kg CO₂/kWh fuel would correspond to reduction of up to 408 tons of CO₂ discharged into the atmosphere per year. The power plant became operational in April 2021, with an installed capacity of over 340 kWe.

■ Rehabilitation of the water supply network and rehabilitation and repair of sanitary facilities and installation of water saving devices (aerators and regulators) at the Avtokomanda and Aerodrom premises. With a €8.324.557 investment, we make annual savings of 36.143 m³ of drinking water and €47.260.

■ Installation of bypass on absorber wheel in the dry-air air conditioning chamber at the Development Institute in Avtokomanda. Virtually without any investment, by including this requirement in the conceptual pre-design phase, we save 867MWh of electricity or €26.000 per year (or more depending on the increase in the price of electricity).

■ An investment of €1.000 in air conditioners replacing steam heaters at the Bilka plant will bring annual savings of about €26.000 in heating oil consumption.

■ An investment of €76.000 for replacement of dust collectors at the pill production department in Avtokomanda brings annual savings of 98MWh of electricity, or about €8.000.

■ Further investment of €8.700 in a more efficient chiller, that also releases less GHG gasses during refrigeration, at the Development Institute of the chemistry plant in Gjorce Petrov, brings annual savings of 26MWh of electricity, or about €1.000 and 6.4t of CO2 equivalents (potentially worth about €1.000).

■ €2.000 invested in valve insulation jackets in new substations or substations in new or refurbished buildings saves 50 MWh of steam per year valued at €2.000.

■ €12.000 invested in an automation and digitization of the fire safety reservoir system, saves 50.000 m3 of well water per year, worth €25.000 and 8.400t of CO2 equivalents. Besides the savings in water consumption the system has additional benefits, like safer maintenance of water levels, maintenance of the temperature required in the cooling process, leading to faster cooling and production).

2. Energy Monitoring

Although energy monitoring is not a direct saver of energy and resources, it serves as a benchmark for defining energy efficiency measures and for monitoring and auditing their impact. Energy monitoring is improved by taking investment and operational measures.

• The following operational measures were applied in 2021:

■ Monitoring of the condenser water loop system in the boiler room in Gjorce Petrov through manual sampling and analysis on several points and parameters: conductivity, hardness, acidity, temperature.

• The following investment measures were applied in 2021:

■ €2.000 invested in a monitoring server at the photovoltaic powerplant on the roof of Block B in Avtokomanda.

■ €8.000 invested in a ground water monitoring system at the fire safety station.

■ €20.000 invested in water supply monitoring system with 9 measuring points at the three production locations.

3. Energy Support

Energy is an important part of any project – investment, operation, process, change, and improvement, regardless whether it improves energy efficiency and energy monitoring. Energy and resource support consist of **supplying, assessing, designing, educating on, representing, standardizing, auditing, innovating, and financing** energy and resources.

3.1. Energy Supply

Safe, continuous, and quality supply of energy and natural resources is the starting point for any company function, process, operation, project, and program. The following measures were taken in 2021:

- Continuous/operational monitoring of the **supply of energy and resources** through functioning monitoring systems and,
- Continuous/operational monitoring of national and international **energy supply and consumption regulations and standards (energy and resources)**.
- Operational analysis and forecasting of **energy and resource needs**, per minute, hourly, daily, monthly, quarterly, annually, and multi-annually (5, 10, 20, and 50-year plans).
- Operational analysis and advice on **energy and resource supply contracts**.
- Operational analyzes and advice on **possibilities for energy and resource supply**:
 - Company (plants, facilities, sites, between sites).
 - Local (neighborhood, local community, municipality, city, state).
 - International regions, intercontinental, global.
 - Hourly, daily, monthly, quarterly, annually, multi-annually (5, 10, 20, and 50-year plans).

3.2. Energy assessment/analysis

Fully understanding each process, operation, technology, project or investment, requires assessment of their energy aspect. The energy assessment measures applied in 2021 included:

- Assessment of the needs for wastewater treatment at the Gorce Petrov site to align the related projects and programs of the separate services for:
 - Separation of waste water and chemically unchanged cooling water
 - Reuse of wastewater
 - Use for watering, and solving the problem of greenery watering
 - Use of process cooling in a closed instead of an open circuit.
 - Wastewater treatment, and
 - Wastewater drainage
- Assessment of the needs for process cooling in the preparation process at the cosmetics plant in G. Petrov to perform process cooling in a closed instead of an open circuit. After assessing all phases and alternative process phases for the different products, conditions and situations, concept and project design and implementation offers were requested.
- The need to extend the use of the PPSC solar collectors to heat-pump supported heating of the airconditioned chambers was assessed, aiming to secure continuity of operations in case of boiler room shutdowns. This needs assessment was conducted to meet the inspection requirement and to reduce the risks to processes, products, premises, equipment, and personnel. Another goal was to improve the process' energy efficiency.

Energy design

To fully define any new process, operation, technology, project, or investment, we need to conceptualize its energy aspect and consumption, regardless of whether we save in the meantime. The following energy design measures were taken in 2021:

- Concept and project were developed and bids were collected to extend the use of the PPSC solar collectors for heat-pump supported heating of the airconditioned chambers.
- Concept and project were developed and bids were collected for a filtering station for production of sanitary ground water at the G. Petrov site.

Education in energy

As one of the most complex and important areas in any company, energy requires continuous following and education, including on related laws and bylaws. In 2021, the following continuous education measures were applied:

- Training for national experts on advanced financial and banking processing/analysis of projects, organized by UNIDO (the UN's highest industry organization).
- Basic, intermediate and advanced training on Intellectual Property Rights organized by the Association of European Energy Managers in Macedonia (EUREM-MK), in cooperation with/sponsored by the German Organization for International Cooperation (GIZ), conducted by the Patlib Center of the multi-university organization Area Science Park from Trieste, Italy, the No. 1 Institution for Business Development in the EU.
- Training on practical experience with dry-air cooling and heating air conditioning systems and self-cleaning/rinsing dust extraction systems, organized by the manufacturers of air conditioners AL-KO and dusting systems TRM.
- Presentation and training on systems for production of sanitary ground water organized by the manufacturer Clarvin.

- Presentation and training on automation of the ground water system in the fire safety station at the G. Petrov site (at user and advanced programming level) organized by the manufacturer Darbo.

- Presentation and training on energy efficient facade systems based on interior and exterior paint organized by GIZ and the German manufacturer MIG.

- Presentation and training on energy efficient and automated systems and lubricants organized by the manufacturer Chesterton.

Energy Representation

Energy is one of the most important areas in any company, organization, community, country, and international organization. Participation by representing the company in these institutions brings benefits such as:

- Participation in the adoption of laws, bylaws and other regulations and representing the interests of the company and the broader community.
- Ensuring security in the supply of energy and resources, both for the company and the broader community, by including the company's information and forecasts
- Ensuring representation and visibility and contributing to the company's image, brand and value, at various levels, from local, to national and international.
- Obtaining first-hand information on relevant new developments and trends to better adapt to them.

The following more important participations, representations and visits took place in 2021:

- Representation in the procedure for obtaining an electricity generation license from the Energy Regulatory Commission. In this procedure we obtained a very valuable license for production and sales of electricity with a market potential estimated at €500 million.
- Representation in the procedure for inclusion in the Energy Agency's list of renewable electricity producers. This procedure made it possible for registered participants to trade with CO2 emissions.
- Participation in the working group on energy industry, energy efficiency, and sustainable development, preparing a new international standard for sustainable development, organized by UNIDO and ISO.
- Participation at the biennial UNIDO general conference. This year's main topic is sustainable development
- Participation at meetings of the working group within the Ministry of Economy's Energy Sector for drafting bylaws under the Law on Energy Efficiency.
- Chairing the commission for evaluation and selection of energy efficiency projects at the annual conference of the Association of European Energy Managers EUREM-MK.
- Participation at meetings of the Management Board of the Association of European Energy Managers EUREM-MK
- Participation at meetings of the Department of Green Economy and Sustainable Development of the SBCh Chamber.
- Participation in a public debate on sustainable development and green economy organized by the Consumer Organization of RNM and the Organization of European Energy Managers - EUREM-MK.
- Participation in the preparatory and founding assembly of the Association of National UNIDO Energy Efficiency Experts under the auspices of UNIDO.
- Visit of energy efficiency projects in: Pivara - Skopje, Vitaminka - Prilep, and Kostal - Ohrid.

3.3. Energy standardization and audit

Alkaloid has a solid human resource base in energy, energy efficiency and energy management. Like in no other field, it is represented in the highest national and international expert levels. We would single out:

- 10 Lead Auditor Trainings for ISO 50001 and 8 ISO 50001 Certified Lead Auditors.
- 5 trainings for EUREM - European Energy Managers and 3 certified EUREM energy managers.
- 3 trainings for UNIDO national experts for steam system optimization and 1 UNIDO certified national expert for steam system optimization.
- 4 trainings for UNIDO national energy management system experts and 3 certified national energy management system experts.
- 2 trainings for UNIDO national experts on compressed air systems and 1 certified UNIDO national expert on compressed air systems.
- 1 training for UNIDO national experts on electric motor systems and 1 certified national expert on electric motor systems.
- 12 Trainings on UNIDO cooling system optimization and 12 certificates in UNIDO cooling system optimization.
- 2 trainings for energy controllers, 2 trainings for extension of the authorization for energy controllers, and 1 authorized energy controller.
- 1 expert on energy efficiency authorized by the Chamber of Engineers and Architects.
- At the UNIDO MSO training Alkaloid held a presentation for its colleagues from ELEM. The presentation was about optimization of water softening and purification systems, where we have significant experience.
- Alkaloid has been appointed internal consultant for introduction of UNIDO EnMS at ELEM-REK-Bitola, the largest energy producer in the Republic of Macedonia. (Visit, IA and Report)
- During examinations on steam system optimization, we scored the most points in the shortest time in the global competition of about 200 countries.

In 2021 we mainly worked on analysis of new developments in regulations, standards and practices by applying appropriate measures such as:

- In 2020-2021, the first water audit at the three sites in Skopje was completed in cooperation with the Aquasave company, which is member of the International Water Association (IWA), the world's highest authority on water management and water savings, which cooperates with the World Bank and its Water Loss Specialist Group.
- After the first energy audit (2018-2019) and the first water supply systems audit (2020-2021), the planned audit of energy and water resources was conducted.
- Energy efficiency objectives at company level were adopted and conveyed down to sites, facilities, departments, processes, persons, and projects.
- Various aspects of energy efficiency were defined, such as: energy potential (energy efficiency potential/potential for energy efficiency improvements, by implementing investment and operational measures), energy operability.

3.4. Innovations in Energy

The energy aspect is fundamental in each process, project, product, capacity, facility, site and business in general. Fully assessing and understanding it can bring more innovations, improvements, industrial and intellectual property, products, etc.

The following innovations were introduced in 2021:

- Use of LORA technology for wireless ICT communication in a customized non-standard LORAWAN format. It is classified as advanced 5G and even 6G technology in the construction of the water supply monitoring systems at the three locations. This resulted in state-of-the-art energy efficiency of wireless telecommunications. It solved the problem of communication between very distant communication nodes (up to 30 km line of site distance). Using standard Industrial Shield components, it covers entire locations with any obstacles.

- Precise control with on/off valve automation.
- Automatic switching between summer and winter water supply modes in the water-to-water heat pump depending on the needs and capabilities.
- Automatic system maintenance by occasional switching on.
- At the training for optimization of steam systems in cooperation with the USA-DOE experts, a 12-module software tool Steam Valuatori™ was created to estimate the savings in the optimization of steam systems operating online and offline in each platform.
- Alkaloid is the first company in the UNIDO program in Macedonia that bases its energy management on Integral Energy Analysis™ which combines assessments of all individual energy sources, including water.
- Developing a unique methodology for assessment of the energy savings in a large number of diverse products, increasing product value at same product mass, reducing risks to products (protection from freezing, improving product storage conditions, etc.).
- We are developing a unique mathematical methodology for nonlinear data analysis, time variable basis (Continuous Baseline™ based on data science and artificial intelligence), and multiparametric specific consumption.
- Alkaloid is the first to develop a legal database of laws and regulations in the field of energy and related fields based on their logical connection and hierarchical representation.

3.5. Energy Financing

Because energy, energy efficiency, and all energy aspects of the business are so important, there are many funds and financial instruments to support energy efficiency and energy management improvement projects.

In 2021 we have considered and studied several such opportunities:

- Grants, for example, the Green Development Fund which supports projects of €10 million and above.
- Interest-free lending, such as the analyzed UNIDO program – which allows for up to 10 years of interest-free lending.
- Equity models. These are models of joint investment, where a financial institution, for example the World Bank, as in the analyzed case, partially or even fully finances the project for energy efficiency improvement, while the company participates with land or buildings, building rights, design and supervision, know-how, execution, management, operations, sales, and marketing. This would result in a project, plant, facility, etc. without an investment. As part of the planned introduction of energy and business efficiency measures, it would generate income equal to our own investment, practically without any financial investment.
- ESCO models. We analyzed the ESCO model for alternative sanitary water supply (from the drinking water pipeline). Unlike the standard own investment, this model involves neither investment nor operating costs, and brings:
 - Significantly cheaper water.
 - No risk to the beneficiary for equipment malfunction, expensive consumables, and spare parts.
 - Alternative/additional water supply source, reducing the risk from water supply failure.
 - Better oversight and lower risk regarding the quality of the delivered water.

Human Resources

Dealing with another year of a pandemic, the Human Resource Department successfully overcame the challenges it faced. It served as a bright example of teamwork, dedication, and relevant approach to tackling problems and implementing large number of ambitious projects, with a view to accomplishing the Company goals.

To continue achieving and succeeding, in 2021 we employed 214 new professionals who will bring new results and help the Company grow overall.

We remained to be a desired employer for professionals, focused on permanent development and progress by training our employees and pursuing many new projects in 2021.

One of the projects we implemented in 2021 was the Alkaloid's partially dual class at the Secondary Medical School Dr. Panche Karagjov. Following the approvals that we received by the Secondary Vocational Education Centre and the Ministry of Education and Science on 3 February 2021, a class was established to study under a new curriculum - Pharmaceutical Technician in the Pharmaceutical Industry, approved on 19 March 2021.

Responding to the needs to implement training programs in this context and organize staff orientation and trainings required at the laboratories in all Alkaloid's profit centres, we came to an idea and built a new training laboratory, which is part of the Alkaloid Training Centre at the Lafoma site.

Providing internships is an ongoing project, so this year, in addition to the 41 university-student-interns, after one season in a pandemic, we started engaging secondary-school-student-interns again.

We extended the talent management system to several departments, dispersing it throughout the company and completing the evaluation process by introducing the 180/360 feedback development tool. The tool helped evaluate more than 2,000 questionnaires for more than 200 colleagues/employees.

As part of the Employer Branding project, in cooperation with the Marketing Communication Department, this year we started publishing new social media content, called "A Working Day at Alkaloid."

For the first time this year, we conducted an employee satisfaction survey across the company, which resulted in receiving opinions from all employees, electronically and in hardcopy.

As part of the employee care activities, we launched the project "Benefits for the Children of Employees" and prepared a welcome package for the new employees.

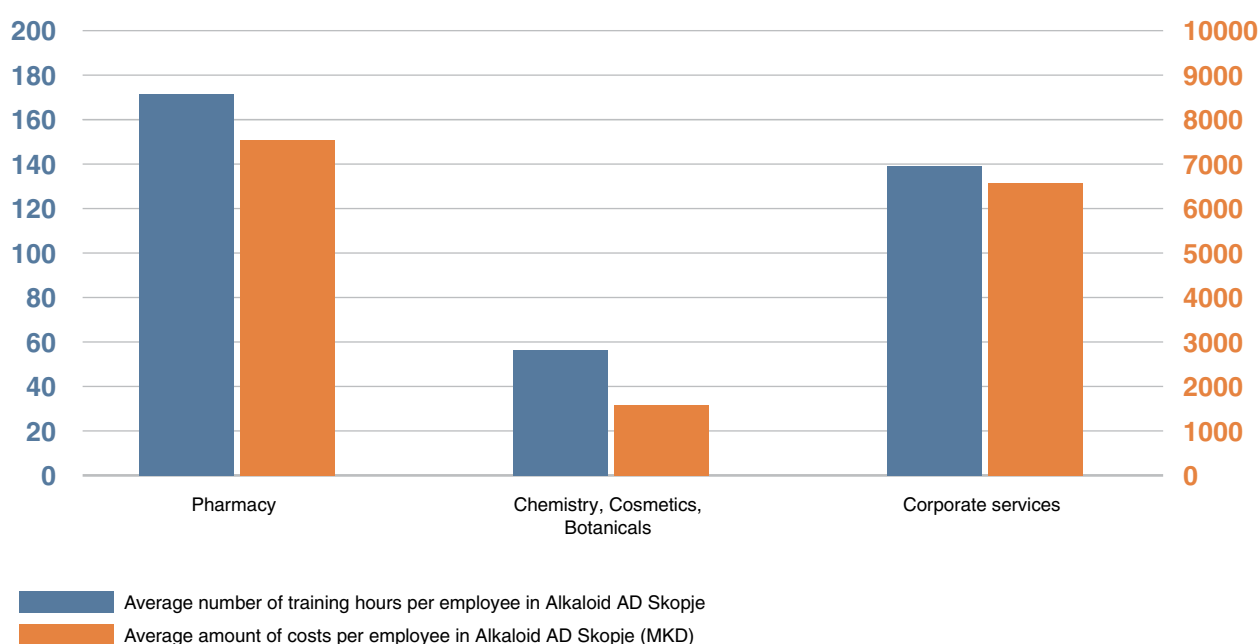
Aiming to develop and digitalize our processes, we are in the process of implementing a new recruitment and selection software, which should be fully operational in the second half of 2022.

Training and development

In 2021, we conducted many internal and external trainings focused on upgrading and advancing the knowledge, skills, and competences of our employees. On average, each em-

ployee attended 145,07 hours of training, while the average cost of trainings per employee was MKD 6.398,10.

Training hours and training costs per employee in Alkaloid AD



We continued to train the new employees under the mentorship and development programs which we followed and updated in line with the latest business requirements, despite the numerous challenges posed by the pandemic throughout the year.

In 2021, Alkaloid established the first partially dual class Pharmaceutical Technician in the Pharmaceutical Industry with **23 secondary school students** from the Medical Secondary School Dr. Panche Karagjozov in Skopje. For this class and for the future training and development needs of our new staff, interns, and future new classes of this type, we opened the first training laboratory at the Lafoma Training Centre where we invested around €1 million.

Talent Management System (TMS)

In 2021, as part of the Management by Objectives (MBO) system, we designed a new form based on the Balanced Scorecard and MBO methodology. We provided trainings intended to introduce the methodology to the employees and to prepare them for the process of development of annual objectives.

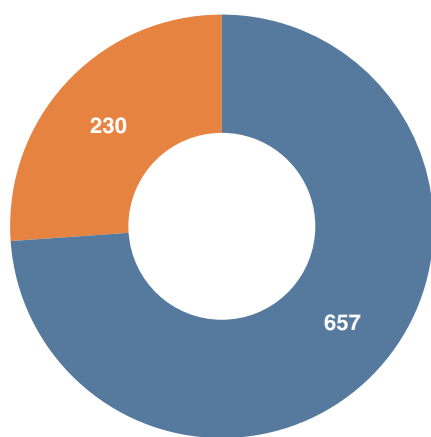
180/360 Feedback

In 2021, the Human Resource Department developed questionnaires for evaluation of competences, in line with the TMS concept, adjusted to the levels of employees within the organizational structure.

230 employees participated in this process, who set objectives for 2021. 657 evaluators, colleagues from the company, conducted the 180/360 assessment. A total of 2.578 questionnaires were answered, 2.488 of which were valid and processed.

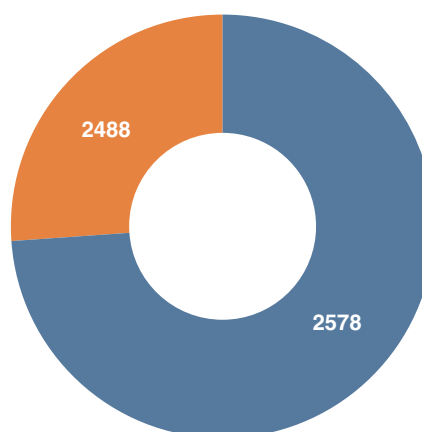
180 / 360

No. of raters and number of rated employees



■ No. of raters
■ No. of rated employees

No. of filled-in and number of valid questionnaires

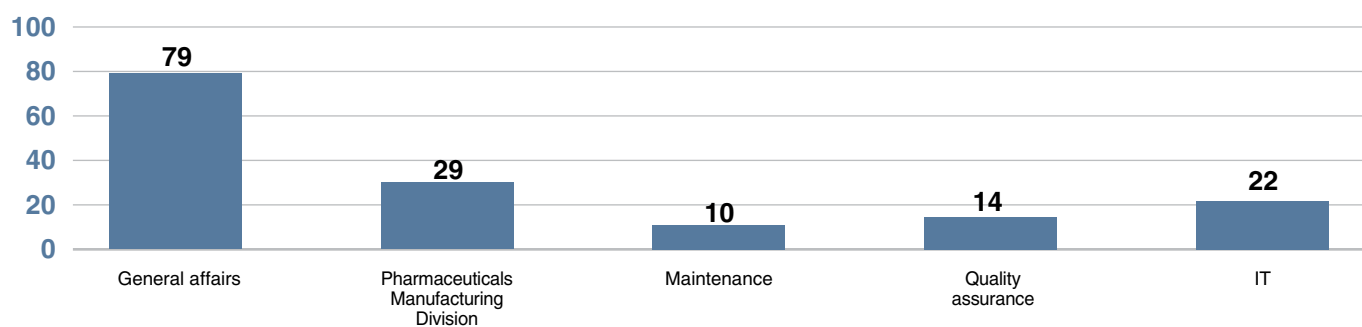


■ No. of filled-in questionnaires
■ No. of valid questionnaires

Feedback on employees who did not set annual objectives

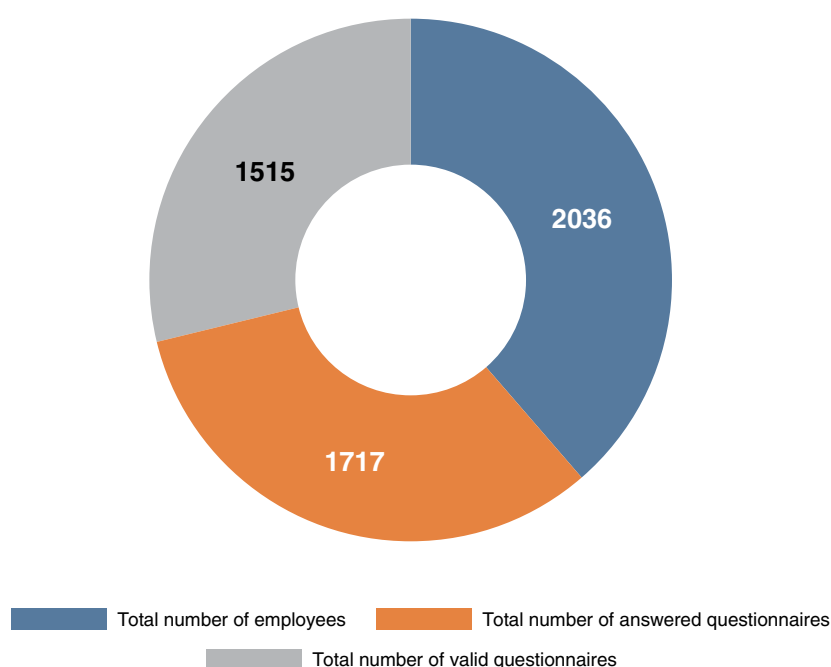
In 2021, 154 employees, who did not set annual objectives gave feedback. Together with their superiors, as a result of the process for providing feedback, they developed career development plans.

Number of employees per department who did not set annual objectives but received feedback.



Employee Satisfaction Survey

The employee satisfaction survey was conducted between 28 September and 15 October 2021. Out of the total of 2.036 employees working at Alkaloid at that time, 1.717 answered the questionnaire with 1.515 valid answers.



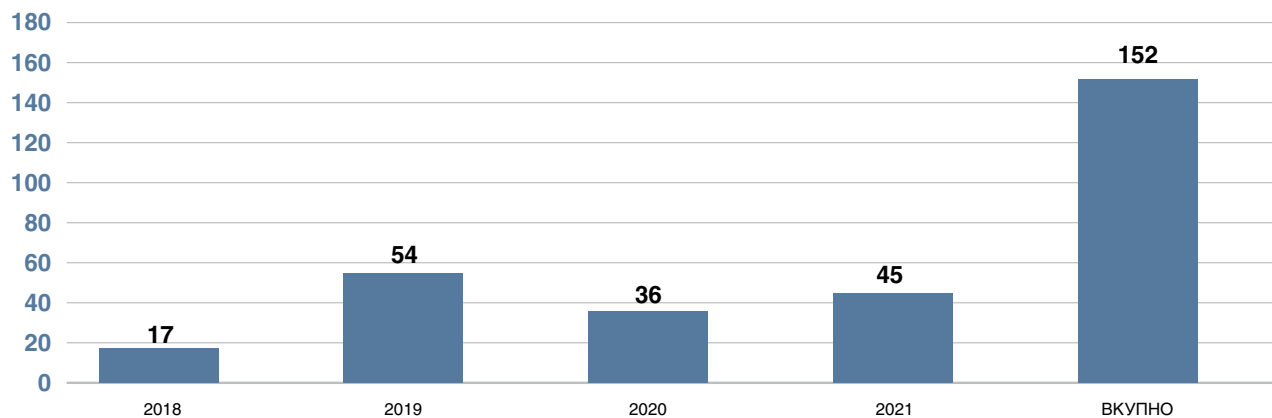
The overall employee satisfaction rate was **71,74%**. The highest employee satisfaction rate on company level was “Satisfaction with work,” standing at **81,18%**.

A comprehensive report was produced for the overall survey with separate reports for the individual organizational units. Based on the survey results we prepared a list of findings, some of which were set as priorities for the future. Based on this, action plans for the relevant organizational units will be developed.

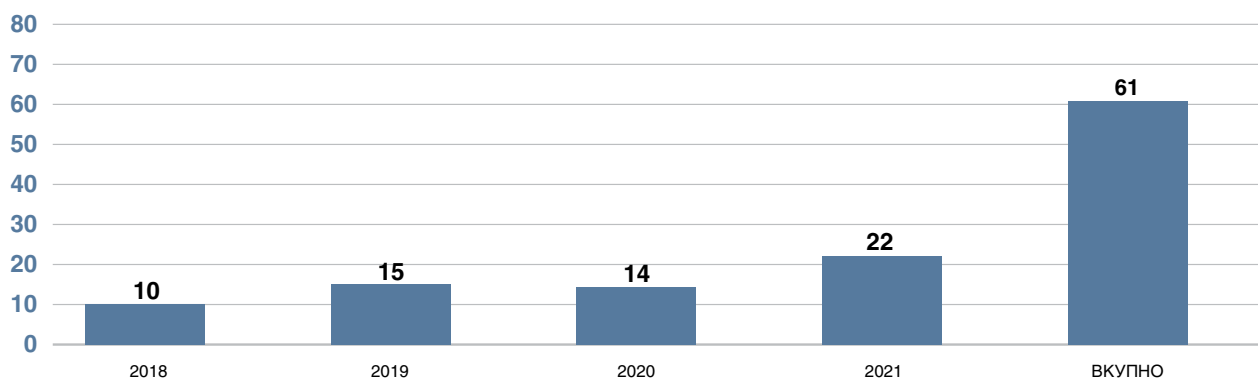
Young Talent Program - 2021 Internship

Young Talent Program - Internship at Alkaloid through the years:

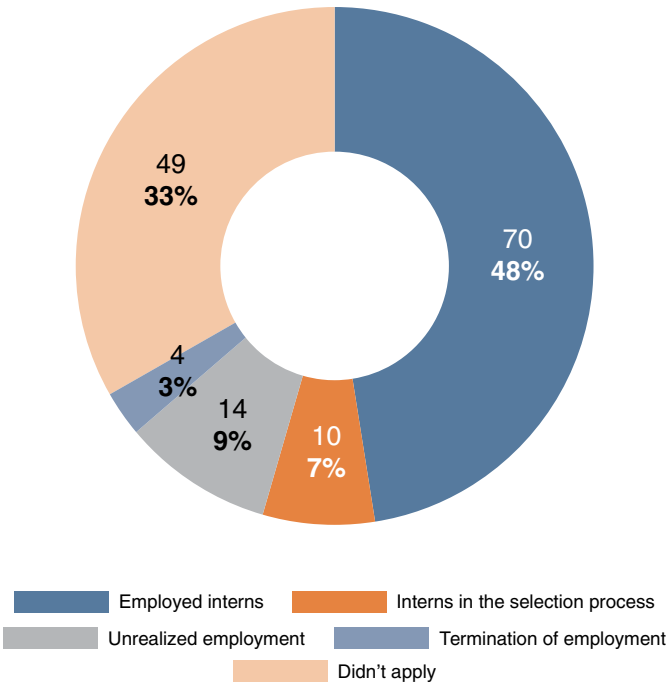
Number of interns by year



Number of employed interns by year

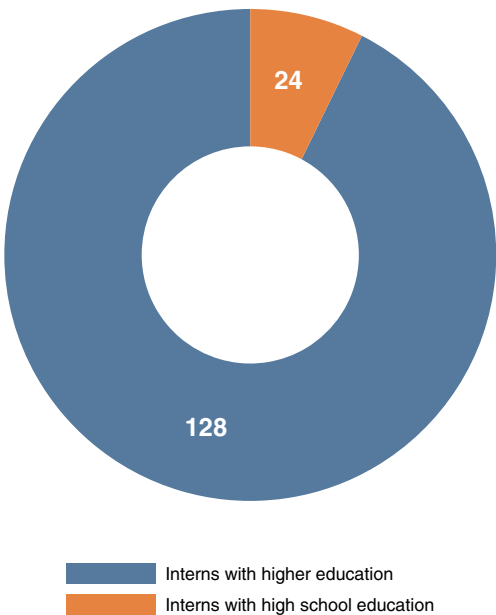


Implementation for all years (total)



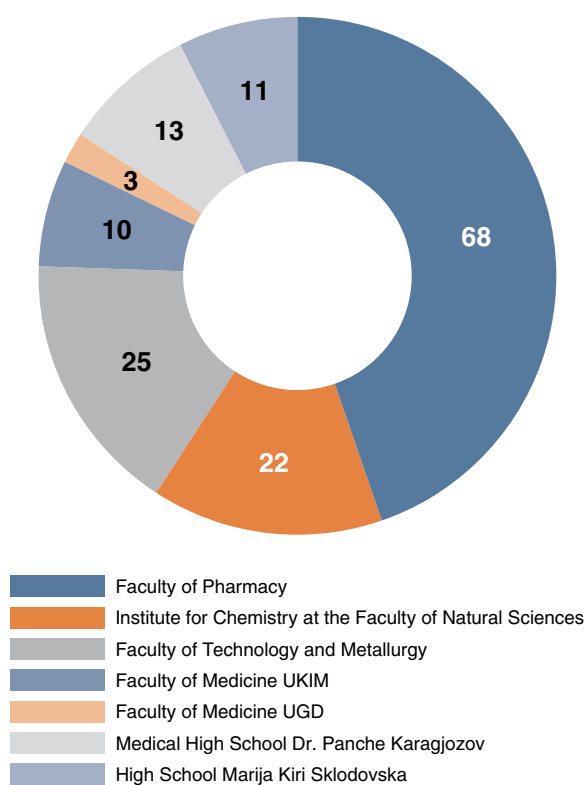
Educational level of interns

Vocational readiness of interns



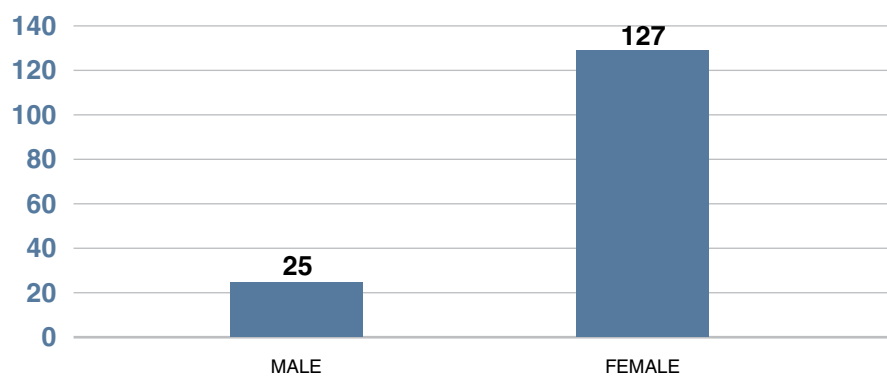
Education institutions of interns

Educational institutions

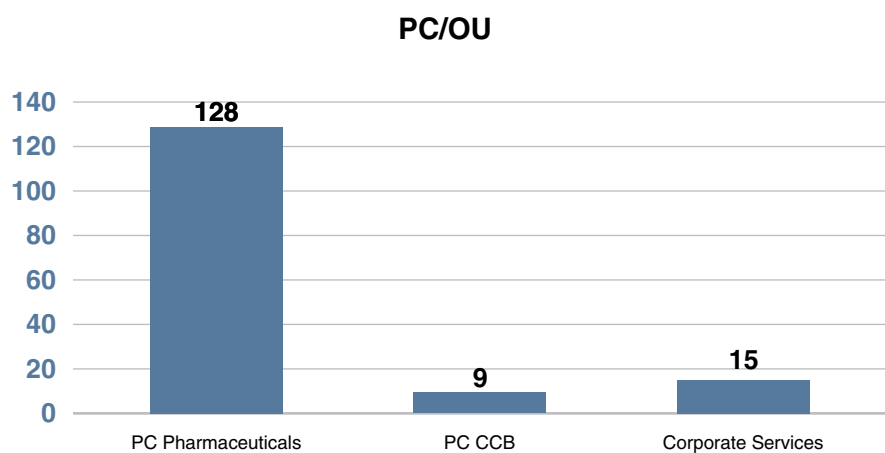


Gender of interns

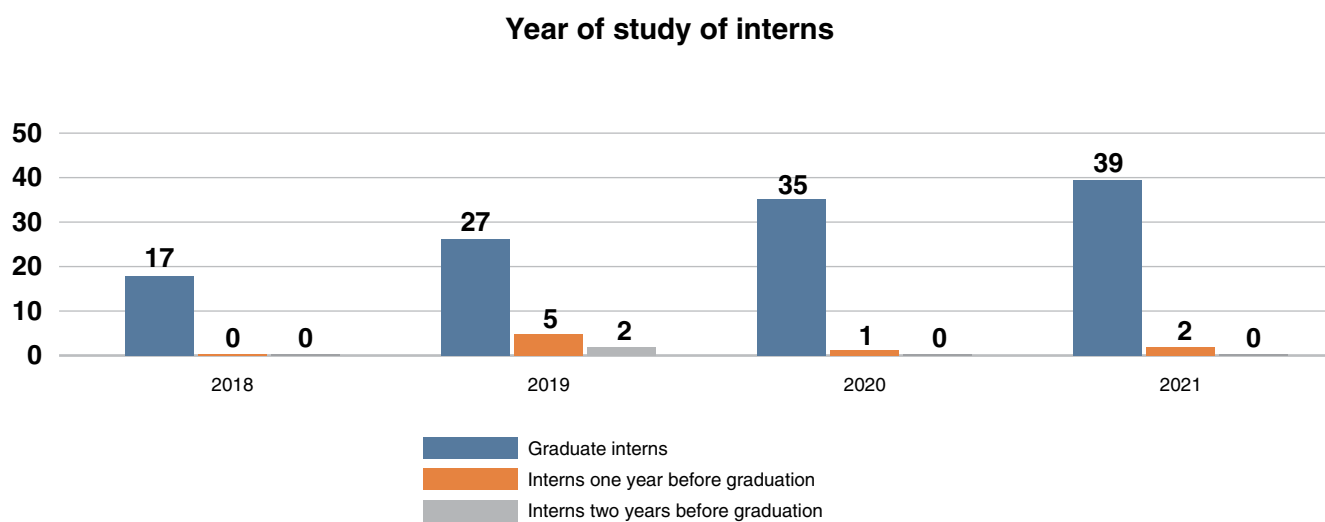
Gender



Profit Centre/Organizational Unit of interns

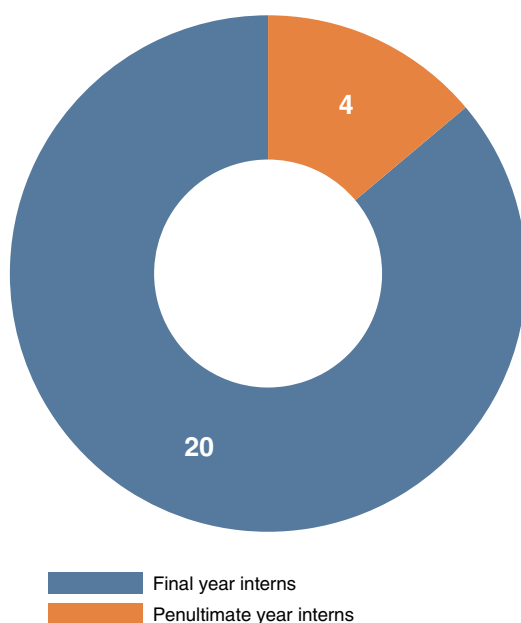


Year of study of university interns



Year of study of secondary school interns

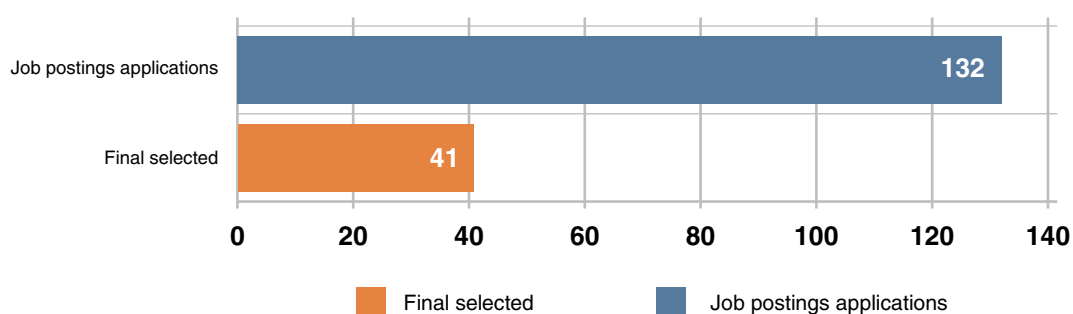
Year of secondary school interns



Young Talent Program - Internship at Alkaloid in 2021:

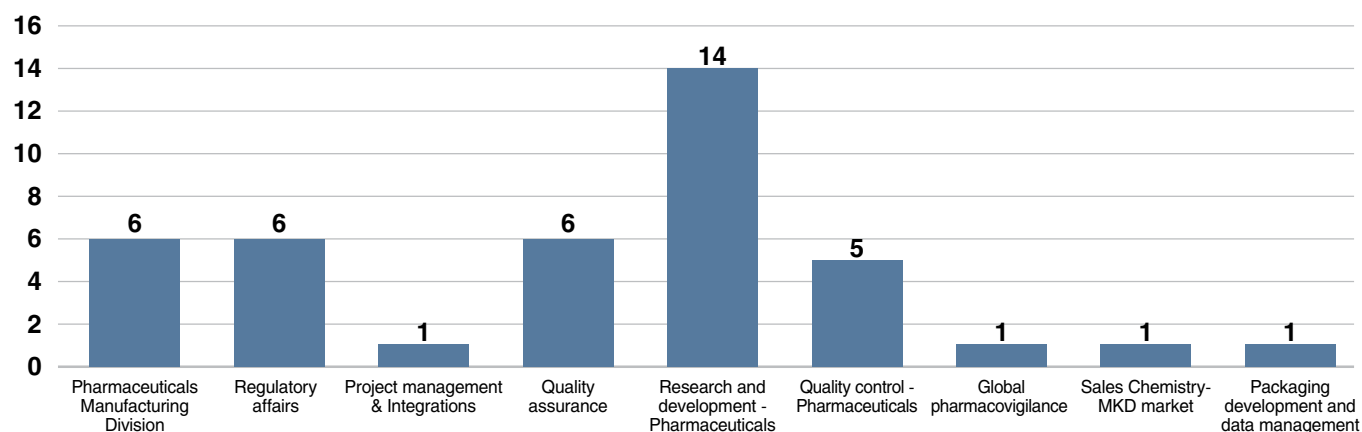
The selection process started with individual interviews conducted at the Human Resource Department. Later there were group interviews together with heads of departments, where university interns were to be assigned.

Number and selection of university interns



In 2021, a total of **41 (forty-one) interns** - university students - were assigned to departments, as shown in the graph below:

Number of university degree interns per Department

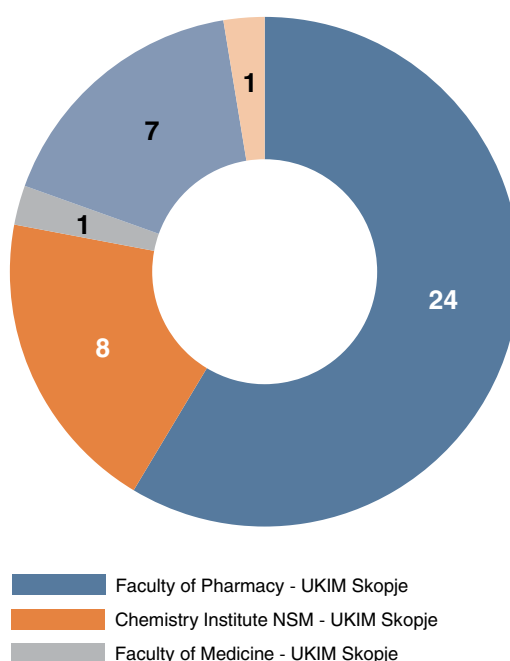


The Alkaloid internship program for the summer of 2021 covered five higher education institutions from the Ss Cyril and Methodius University in Skopje, as follows: Faculty of Pharmacy – Skopje, Chemistry Institute at the Faculty of Natural Sciences and Mathematics - Skopje, Faculty of Technology

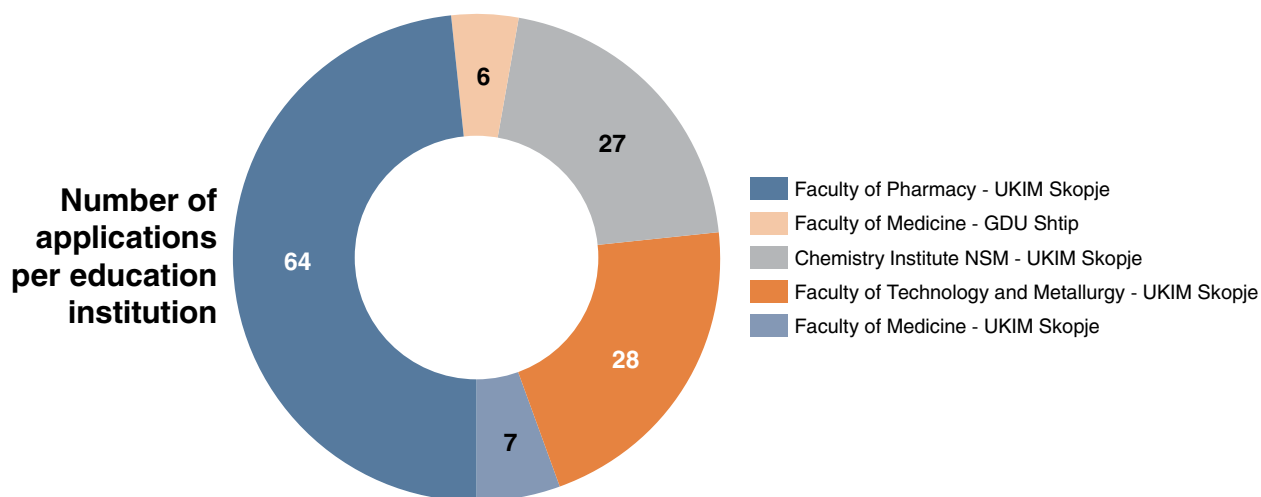
and Metallurgy – Skopje, Faculty of Medicine - Skopje and the Faculty of Medicine, at the Goce Delchev University in Shtip.

The final selection of students per education institution is shown in the graph below:

Numbers of students per education institution

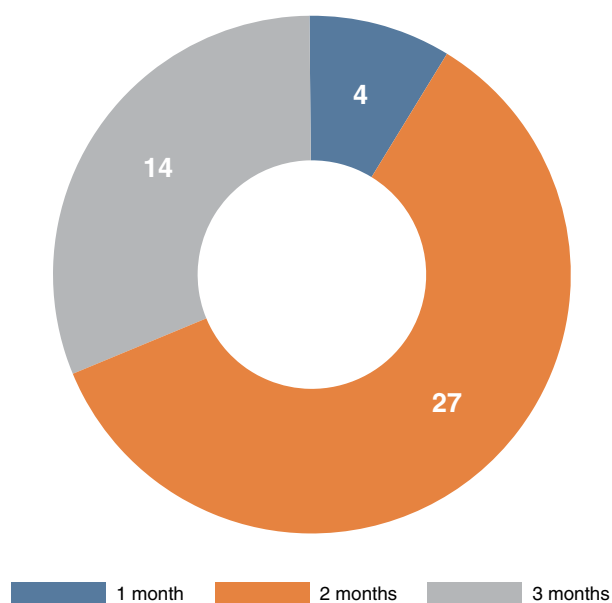


We received a total of **132** applications following the public call. The applications are shown per education institution in the graph below:



Furthermore, under the Memorandum of Cooperation with the Chemistry Secondary School Marija Kiri Sklodovska and the need for interns at the Production of Pharmaceuticals Department, we selected 4 (four) interns for a one-month internship.

**Internship duration per intern
(High-school degree and University degree)**



Sports, Health and Wellbeing

In 2021 Alkaloid employees traditionally participated at the 17th Wizz Air Skopje Marathon. With as many as 133 employees participating, 114 Alkaloid runners competed in the 5km race and 19 in the half marathon race. The employees who ran the Wizz Air Skopje Marathon confirmed their commitment to team play. They showed that team spirit is an equally critical driving force, both in the workplace and in other fields of life.

At the starting point of the race, which was in front of the A1 Boris Trajkovski Arena, Alkaloid had set up a promotional corner, where it gave away Multi Essence Magnesium 400 + B Complex and Good Nature samples and/or leaflets.

Despite the fierce competition, the Alkaloid women's team finished 5th out of 68 in the 5km race, while the men's team finished 24th out of 70. In the half marathon, the Alkaloid women's team finished 8th while the men's team finished 13th.

Employee Care

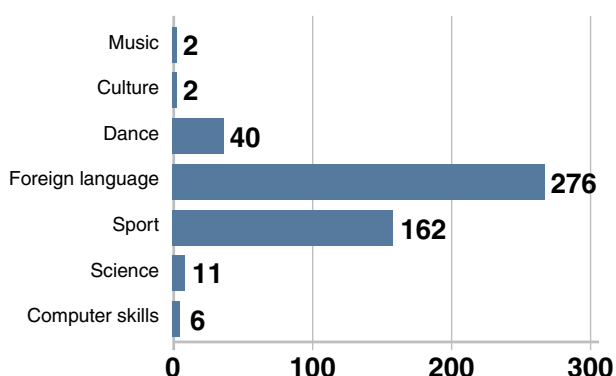
Alkaloid is a socially responsible company striving to introduce novelties in its work and employee care system. This year to the welcome package for new employees containing the New Employee Manual and Code of Ethical and Professional Conduct, we added Company branded products - a notebook, pen, USB stick, company ID holder, keychain, and coffee cup, invigorating the key Company values.

Furthermore, as of the 2021/2022 school year, we started the Benefits for Children of Employees project, in which we distribute MKD 1.000 per each employee child monthly, intended for learning foreign languages, attending computer courses, sports, and recreational activities, and activities in the area of science and culture, throughout the entire school year.

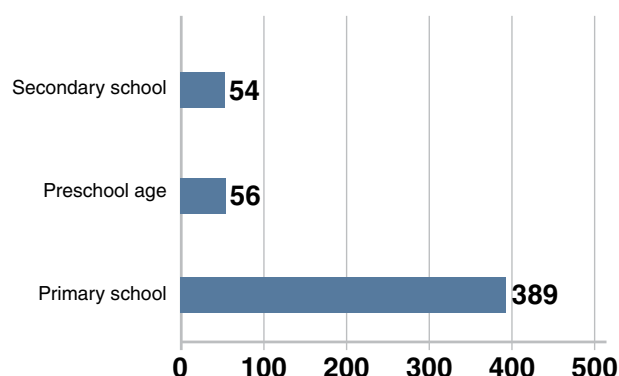
ALKALOID AD Skopje celebrated in 85th anniversary in a year filled with uncertainties and challenges. However, human resources have always been in the forefront, in line with the company principle "People Above All." In times when, as a result of the global health crisis, we have to face a new reality and redefine our operational processes and daily lives, Alkaloid decided to pay an anniversary bonus of MKD 28.000 to its employees. In addition, in the first quarter, in March 2021, the Company paid an annual vacation bonus of MKD 28.050 to its employees and renewed the elective private health insurance.

The positive feedback from our employees, including the number of received applications, is a proof of the project success. This project reaffirms our care for our employees and the future generations, whose development and education we are committed to support.

Category status



Education degree status



Recruitment and selection

Recruitment and selection were some of the greater challenges for a safe, and yet, quality implementation of our sizeable annual employment plans during the COVID-19 pandemic.

The online interviews we conducted throughout 2021 turned to be a safe and efficient way of filling vacancies, without having to compromise the quality of the selection process.

The recruitment strategy consisted of numerous public and internal vacancy announcements, proactive talent recruitment, internship programs, and the new dual secondary education program.

It is important that this year we started the upgrade of the recruitment and selection software, which is expected to be over in 2022.

In 2021, we fulfilled and advanced our mission and strategic commitment to be an attractive company, offering its employees modern employment conditions, learning possibilities, and continual development.

The Human Resource Department will remain committed to select candidates with dedication, thoroughness and focus on quality, ensuring safety and security of working processes, while observing government measures and recommendations throughout the pandemic.

At the end of 2021 we had the following number of employees:

Number of employees as at 31.12.2021

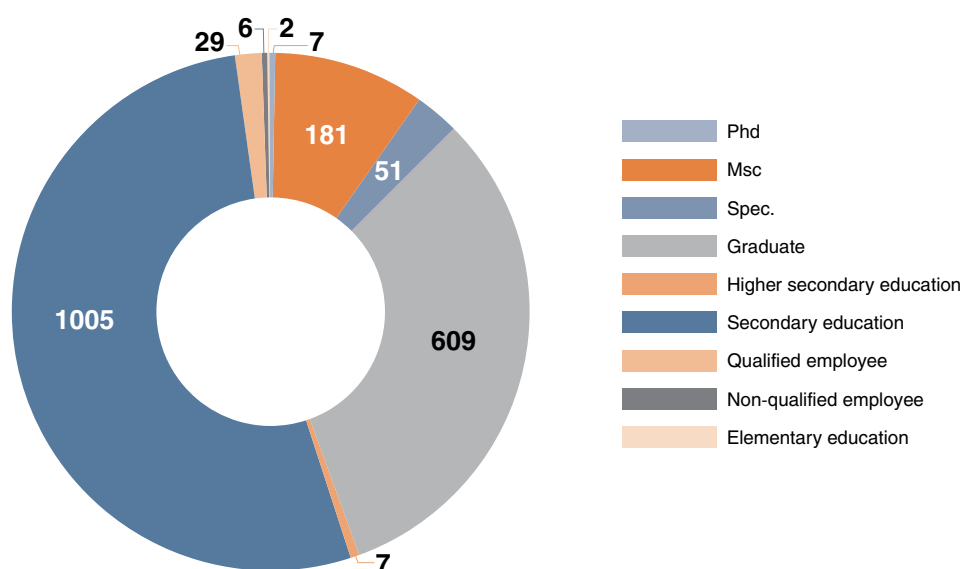
PC/OU	Number of employees
Pharmaceuticals	1.024
Chemistry	85
Cosmetics	112
Botanicals	47
Corporate unit	630
Total ALKALOID AD Skopje	1.898
Subsidiaries	616
Rep. offices	14
Total	2.528

ALKALOID AD Skopje continually invests in improvement of the educational structure of its employees. We are certain that only well-educated and trained staff can help meet the Company's strategic goals and commitments.

848 of the total number of employees in ALKALOID AD Skopje have university level qualifications.

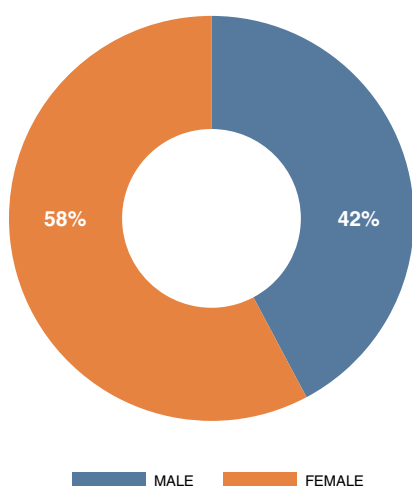
Here is a detailed educational structure of employees:

Educational structure of employees

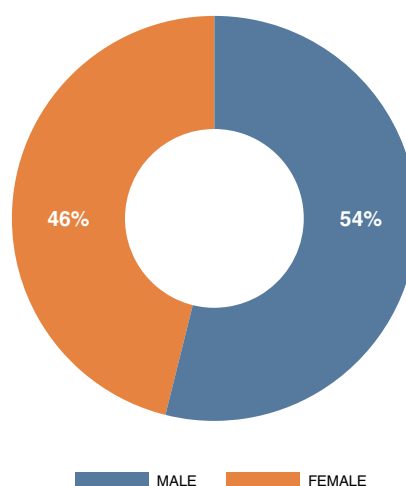


The gender structure of ALKALOID AD Skopje employees is as follows:

Gender structure in Alkaloid AD Skopje



Gender structure of head positions in Alkaloid AD Skopje

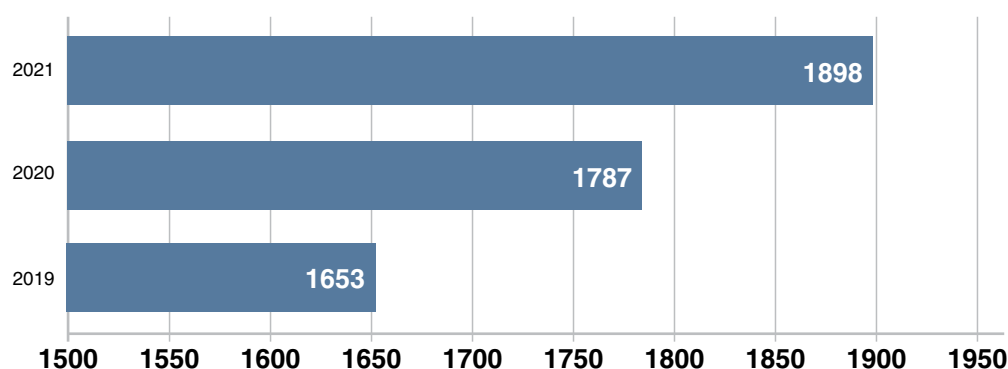


Below is the average age of ALKALOID AD Skopje employees:

Average age of employees at ALKALOID AD Skopje	38 years of age
-------------------------------------------------------	------------------------

In the past several years, the number of employees steadily grew.

No. of employees by years



Last year (2021), there were 214 new employees.

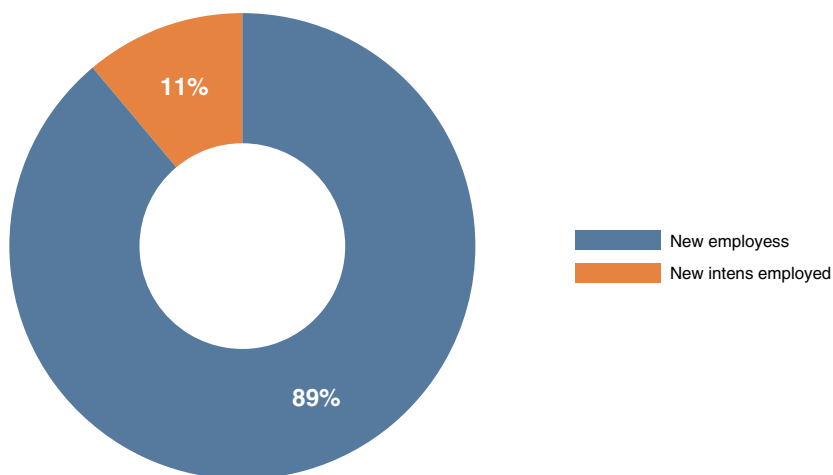
New employments in ALKALOID by PC/OU	Number of employees
Pharmaceuticals	105
Chemistry	20
Cosmetics	26
Botanicals	4
Corporate unit	57
Total ALKALOID AD Skopje	212
ALKALOID KONS DOOEL Skopje, N.Macedonia	1
BILNA APTEKA ALKALOID DOOEL Skopje, N.Macedonia	1
Total	214

Same as in the previous years, in 2021 the internship program proved to be an efficient module for attracting talented staff.

11% of the total number of employees were employed under this program.

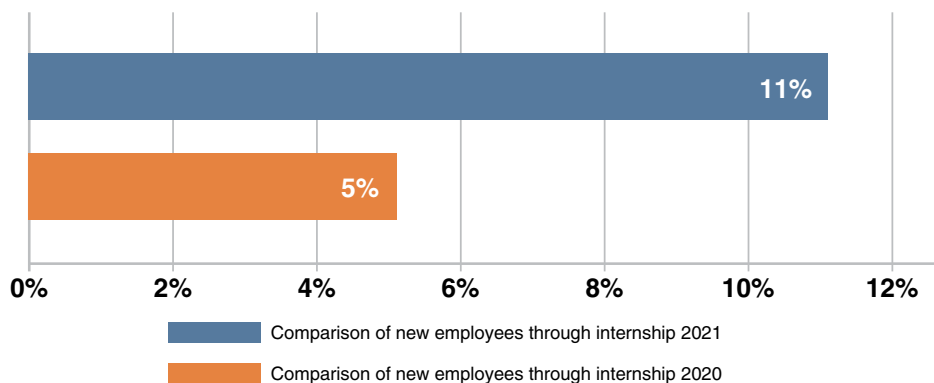
	Employed Interns University Degree	EMPLOYED interns Secondary School Diploma	Total	% of University Degree Interns	% of Secondary School Diploma Interns	Total % Interns
PC Pharmaceuticals	18	2	20	51 %	3 %	20 %
PC CSB	/	/	/	/	/	/
OU Corporate Services	2	/	2	4 %	/	4 %
Total	20	2	22			11 %

Employments through internship



Compared with previous years, there is an increase in the number of employed interns.

Comparations of new employees through internship



Вкупно 45 вработени заминале од компанијата на свое барање, а процентот на одливот е даден подолу.

Outflow of Employees (%)

2,44 %

Corporate social responsibility

Opening of retrospective exhibition and mkd 4 millions donation for the pediatric clinic to mark the 85th jubilee of Alkaloid

The first authentic film for Alkaloid from 1950, the oldest original box and authorization for production and marketing of Caffetin, the first packaging of Becutan, the oldest industrial machines and other company memorabilia were part of the exhibition opened on the occasion of the 85th anniversary of Alkaloid at the Museum of the City of Skopje.

“We usually mark the company anniversaries with a wider audience, as Alkaloid is a company for all! The occasions for this jubilee imposed a different format, and therefore, we decided to open our past and our present for all! We collected dear memories and in an area of around 300m2, we packed the most significant moments of our and your history” – said the CEO of Alkaloid, Zhivko Mukaetov in his address.

This year, Alkaloid's 85th jubilee started with the promotion of the humanitarian video of the anthology song “Chukni vo drvo” by the guitar virtuous Vlatko Stefanovski, performed by the children from the project “Dajte muzika”, whereby for each view on the digital channels of Alkaloid from 10 June to 20 September 2021, the company set to donate one denar to the University Pediatric Clinic.

“With this video, the children spread optimism, gratitude and empathy for the social categories of citizens mostly affected by the pandemics. For all the positive energy and good thoughts shared with the views of this video, we decided to donate two denars instead of one per view, or a total amount of MK 4,099,448 denars intended for the Pediatric Clinic” – said Mukaetov.

The children from “Dajte muzika” handed over the symbolic cheque to Prof. dr Aspazija Sofijanova who then emphasized:

“The sensitivity in the treatment of the children was taken one step ahead referring to what you are doing here for us today. I would sincerely like to thank you, as in these hard times, you have shown that you care for the health, above all. Especially the health of those who are most sensitive, most vulnerable and those who represent our future”.

Alkaloid promoted another jubilee video using authentic film excerpts from 1950 and 1962 combined with modern processes presently performed at the company's production facilities. The parallel between the past and the present for the 85th jubilee was encircled with the master piece graphic especially made for Alkaloid by the famous Macedonian artist Mihail Korubin. In the quest for a timeless element, this great artist rested the power and protection in the human hands whereas the sun, which symbolizes force of life, contains the logo of Alkaloid.

Upon Alkaloid's Initiative, Medical High School Dr. Panche Karagjozov Opens Dual Class

At the medical high school Dr. Panche Karagjozov the school year started with a new, partially - dual-class Pharmaceutical Technician for the Pharmaceutical Industry. The school introduced this class for the first time. Alkaloid initiated the introduction of this class as part of the Learn Smart, Work Professionally campaign to promote secondary vocational education. The campaign was implemented by the Ministry of Education and Science and supported by the Swiss Embassy in Skopje. The aim of this class is for students to acquire practical knowledge and skills and help create a professional and high-quality teaching staff that will be capable of meeting the company's needs. The high school students received the initiative with great interest and recognized the importance of this type of vocational education. Because of the large number of applicants, only the 23 best students were selected and had the opportunity to attend this class. In this class, they have the privilege to see how hard work can help them gain practical experience at one of the country's best companies.

Responding to the needs of the pharmaceutical industry, the high school professors and the Alkaloid mentors carefully and purposefully designed the curriculum for third and fourth-year students.

As a socially responsible company continuously investing in the community and supporting education, by constantly investing in youth education and science and the future of the whole community, Alkaloid reaffirmed its commitment to sound and quality education.

The company provides each student in this class with a 3.000-denars monthly scholarship, protective equipment, systematic health checks, and a hot meal.

We believe that the support and effort invested in this campaign will contribute to better vocational education. We hope to be an example other companies will follow and will support the creation of high-grade, educated, and young professionals.

“Alkaloid” puts in use its own education and training center

Human potential is of great importance for the growth and development of “Alkaloid” AD Skopje, and the professional approach to operations, the prosperity of the company and its credibility are due to decades of investment in the company principle “People Above All”.

In the last 15 years, the number of employees in “Alkaloid” AD Skopje has grown from 1.200 to 2.500. The decades of investments in education of Macedonian doctors and pharmacists, the recent internship programs, the latest venture for partial dual education and similar projects have necessitated the establishment of an own education and training center within the company, which will serve for performing exercises, rehearsals and trainings for company staff, interns and students.

“In less than 8 months, an area of around 1.000 square meters was adapted, modernized and equipped in accordance with the latest requirements for good laboratory practice, so the company employees, interns and students can have the possibility to upgrade their knowledge and improve their skills in modern facilities. Alkaloid has invested over 1 million euros in this so far and in the future, this facility will be expanded and upgraded to grow into a modern education center, which will fully serve the requirements of the dynamic scientific disciplines we work with”, said Mr. Zhivko Mukaetov, CEO and President of the Management Board of Alkaloid AD Skopje.

The education and training center is built with full energy efficiency and the installed systems are powered by renewable energy sources i.e. they have a low impact on the environment. Within the education center there is a training laboratory, which includes a central laboratory, a room for data processing, special rooms for precision scales and ultrasonic baths, two lecture halls and other auxiliary rooms, which provide a technological unit for normal operation of about 50 professionals.

Trajche Mukaetov Foundation awards 40 new scholarships in the 2021/2022 academic year

For fourteen years, Trajche Mukaetov Foundation has been awarding scholarships for students to attend the faculties of pharmacy and medicine at St. Kiril and Metodij University in Skopje. Following the public call for applications, the Foundation's Management Board selected the 2021/2022 scholarship recipients from the shortlist proposed by the Scholarship Committee, which consists of representatives of the Foundation, both faculties, and the students.

Forty new scholarships were awarded in 2021 to 20 students of the Faculty of Pharmacy and 20 students of the Faculty of Medicine at St. Kiril and Metodij University in Skopje. In 2021, the one-off grant of 1.200 EUR in MKD equivalent, awarded by the Foundation to the top students of both faculties for 12 years, went to Zoran Gavrilov from the Faculty of Pharmacy (GPA 9.49) and Milena Grivchevska from the Faculty of Medicine (GPA 9.94). Both of them are scholarship holders of the Trajche Mukaetov Foundation.

"I am very pleased that in the past 14 years, Alkaloid and the Trajche Mukaetov Foundation are part of the success stories of 579 students of pharmacy and medicine at the state universities. I am even happier knowing that our company stimulates and motivates students in their education to achieve new, higher successes in their professions where education is of exceptional importance. To date, 92 of the award recipients have already started their careers in our company. Despite the challenges of the new era requiring specific functioning of the processes in all areas, our effort to invest in education and knowledge - in people first of all - will remain our company's top priority," said Zhivko Mukaetov, President of the Trajche Mukaetov Foundation and CEO of Alkaloid AD Skopje.

With the forty 2021/2022 academic year recipients, the Foundation supported a total of 579 students of pharmacy and medicine since the 2007/2008 academic year. 218 pharmacy and 211 medical students have already graduated. Since 2009, ninety-two of the scholarship recipients - eighty-five pharmacy and seven medical students - started their careers at the Alkaloid Pharmaceuticals Department.

The scholarship grants 6.500 Denars for 12 months, and by 31 December 2021, the Trajche Mukaetov Foundation has awarded a total of 111.843.088,00 Denars in scholarships and one-off grants for top students.

Project “BENEFITS FOR THE CHILDREN OF EMPLOYEES” in Alkaloid AD Skopje

In the 85-year growth and development of the successful story of Alkaloid, the human resources have been one of the strongest pillars and the care for the employees is one of the top priorities in the company. There are 2000 employees in the headquarters of Alkaloid in Skopje and like in any successful and ambitious company, it is a special challenge to maintain a high level of organizational culture, focus on results and high level of ethical values, especially in working conditions filled with a number of unpredictable economic, political and pandemic aspects.

At annual level, “Alkaloid” AD Skopje allocates significant resources for various benefits for the employees, in form of financial benefits, internal and external training, additional education, additional health insurance, etc.

The latest project of “Alkaloid” AD Skopje includes benefits for the children of the employees, through financial participation of the company in the amount of 1000 denars monthly per child per employee. This amount is intended for additional education in the field of foreign languages, IT courses, sports and recreational activities, as well as activities in the field of science and culture, throughout the school year. The project covers children from all categories of employees in Alkaloid AD Skopje - children of preschool age and those who are regularly enrolled in primary and secondary school.

“In the initiation phase of this new project we have put the focus on a higher goal – our children, who are our future. We wanted to encourage the practice of extracurricular activities and engagements which, as additional values and knowledge, will actively contribute to their formation into well-rounded personalities, who in the future will give their personal contribution to improving the environment in which they live and work. Through caring for our employees and through the initiatives to provide benefits to their family members, we show the key values of the large Alkaloid family – People above all - a maxim that especially affects the youngest”, said Zhivko Mukaetov, CEO and President of the Management Board of Alkaloid AD Skopje.

In 2021, the company had 499 administrative applications for benefits for children of employees, of which 56 applications are for preschool children, 389 applications for primary school children and 54 applications for children of employees enrolled in high school. Divided by categories, there are 6 application for IT courses, 11 applications for activities in the field of science, 162 applications in the field of sports and recreational activities, 276 applications for foreign language courses, 40 applications for dance schools and 2 application for activities in the field of music and 2 in the field of culture. These numbers are expected to change and increase in the forthcoming period.

HC Alkaloid Founded – for the Good of the Macedonian Handball!

Continuing the unconditional support of Macedonian sports and upholding its sports values, Alkaloid founded its own handball club. In times when youth proactivity and proper physical education are an integral part of collective health, a team of sports professionals and enthusiasts dared to breathe new energy into the Macedonian sports fabric.

This significant sports project, currently mainly supported by Alkaloid, had partnered with the world-class handball brand Kiril Lazarov and his established KL7 seal. The team will rely on young players, who will have a chance to prove themselves and grow into top handball names.

“We aim to guide and mold young talents who have desire and potential according to a defined system, appropriate work, and true sports and life values. As a company sponsoring the building and guiding of young Macedonian handball talent, this is our main goal. We will transpose Alkaloid’s basic principles to this club as well. I will be the happiest man if one day this club brings Macedonia a European or World Cup medal. It will be the priority that will guide this sports and management team,” said Mukaetov at the launching of the club.

The world-famous Macedonian handball legend Kiril Lazarov stressed that this was a necessary segment of the effort for a better future of the Macedonian sport.

“This project is for the good of Macedonia. I am honored and pleased to be part of a project where the main player will be the world-renowned and recognized company Alkaloid. We will work together. We will have to establish a good and quality foundation because working with the youth is crucial. We are quite behind in this respect. We will try to grow new Macedonian athletes who deserve to be part of the Macedonian national team. We will try to copy the French and German models for young handball players, even though our country is much smaller than theirs. We will nevertheless do our best to be able to sleep well at night and say we have done something,” said Lazarov in his address.

Goran Minov, the President of HC Alkaloid, said that the task of this team is to raise the level of the game and improve its quality. “HC Alkaloid’s goal is to play modern handball and take the game to the highest level.

It is a fact that many children in our country want to play handball. There is plenty of talent, but our primary goal will be to offer quality and systematic work. We aim to raise the quality using systems, practice, and techniques. We will work with the children to turn them into competitive handball players who will prove themselves as athletes,” emphasized Minov.

In its first season, HC Alkaloid started playing in the First Men’s Senior League. It is the entry on the path to the Super League. Apart from the men’s senior team, there are new teams in all youth categories competing in all respective state championships: pioneers, cadets, and juniors.

In addition to the core handball club, HC Alkaloid is opening children’s handball schools throughout Macedonia that will follow the same principles and values. These handball schools aim to guide young talent towards proper development from their earliest age, creating a sound foundation to develop top-class handball players. By the end of 2021, twelve handball schools were established in several Macedonian cities, gathering more than 450 children. As the club and handball schools develop, the aim is to grow these numbers significantly. HC Alkaloid will practice and play in the Boris Trajkovski Arena. At the moment, Alkaloid is 100% owner of this handball team, but other partners may join in the future too.

ALKALOID AD Skopje Wins Most Transparent Listed Company and Stock of the Year Awards in 2021

At the end of the calendar year, the Macedonian Stock Exchange traditionally awards prizes to the most recognizable and most active securities issuers. ALKALOID AD Skopje has won the prestigious award for the Most Transparent Listed Joint Stock Company in 2021 in two categories, according to the selection of market participants and journalists.

It is the company's ninth award in recognition of its high-level corporate governance, transparency of operations, and quality of communication with investors, institutions, media, and the general public.

This year, Alkaloid AD Skopje will include another award in its portfolio. It also won the 2021 Stock of the Year Award, chosen by a public vote in a joint survey organized by Macedonian Stock Exchange and the Factor portal.

Alkaloid AD Skopje continuously achieves positive results from its operations and strives to build a sustainable model of growth and development of the company while offering clear predictability of expectations to the wider community and all stakeholders. We will continue to strengthen these segments of our operations in the years to come.

The CEO/President of the Management Board of Alkaloid AD Skopje, Mr. Zhivko Mukaetov, decorated with the Order of Merit by the President of Republic of North Macedonia, Stevo Pendarovski

On a solemn ceremony at villa "Vodno", President Pendarovski decorated Goran Stefanovski, Zafir Hadzhi-manov, Remzi Nesimi, all posthumously, and Zhivko Mukaetov with the Order of Merit of the Republic of North Macedonia. The Order of Merit is an acknowledgement granted to persons whose engagements led to high achievements in various social and public spheres in the country.

In the edict issued by President Pendarovski, it is stated that the referenced order to Mr. Mukaetov is granted based on the continuity, innovation, vision and impeccable professional standards in the modern corporate management in the pharmaceutical industry, for the proven quality in the production of the brands that were built, maintained and modernized with generations, for the investments in the new technology, education and expertise of the personnel working on the brands as well as his philanthropic culture and broad social responsibility.



During the solemn ceremony, Mr. Mukaetov expressed his gratitude for the high honor awarded to him with this prestigious national acknowledgement thus stating:

“I am receiving this Order in the year of the 85th jubilee of Alkaloid. Fifteen years ago, I stepped on the forefront of this system of firmly set principles of corporate management but I inserted a new energy in accordance with the modern currents, always having in mind the maxim of my father, Trajche Mukaetov, saying: ‘Alkaloid is a company for all times and we must think of our future’. Alkaloid is company of 2500 families, 1100 domestic suppliers and over 5000 shareholders, it is a company belonging to all of us. The investments in the community we live and work in will remain on my list of top priorities, supporting the healthcare and pharmaceuticals sector, education, culture, sports, through my function as Consul General of the Kingdom of Denmark and the philanthropy in general. I will continue to be dedicated to presenting the Macedonian success story beyond the borders of my country.

Hence, here and now, I would not be a complete person without my family and I am immensely grateful for their unconditional support! In these times of great uncertainties and challenges, I am grateful to God we are all here with positive thoughts and good intentions and all I can wish for is that we all stay in good health!”

The Order of Merit is a decoration presented by the President of the state, first introduced in 2007. It is made of pure silver with gold plating and 8 inbuilt rubies, having 65mm star shaped diameter. It was designed by Petar Gajdov, phalerist, heraldist and vexilologist.

Sustainable Development

Award for Sustainable Development Goals (SDGs) Leading Company

All UN Member-States have adopted the Sustainable Development Goals that have to be achieved by 2030. SDGs represent a global action plan for fair globalization and a better future for all. In addition to receiving the award in 2020, ALKALOID AD Skopje, being a socially responsible company, received the Award for Sustainable Development Goals - SDGs Leading Company in 2021, as well.

In 2021, the Company applied with the following projects in the Sustainable Development Goals -SDGs context:

- The donations for dealing with the COVID-19 pandemic, the reduction of prices of Alkaloid products, and the donation for the Kavadarci General Hospital contribute to SDG 3 – (Good Health and Wellbeing)
- The scholarships for young students provided through the Trajche Muaketov Foundation, the Young Talent Program (internship at Alkaloid AD Skopje), the Education for Employment program of the Helvetas Swiss Intercooperation and the donation of disinfectants to the university and secondary school dormitories in Skopje contribute to SDG 4 (Quality Education) and SDG 17 (Partnership for the Goals)
- The high percentage of female employees at Alkaloid AD Skopje - 60% - contributes to SDG 5 (Gender Equality)
- The construction of the photovoltaic electricity generation plant contributes to SDG 7 (Affordable and Clean Energy)
- The development of the new Code of Ethical and Professional Conduct contributes to SDG 8 (Decent Work and Economic Growth)
- The start of operations of the new production facility for solid dosage forms and the incorporation of a new company in the UK - ALKALOID UK LIMITED contributes to SDG – 8 (Decent Work and Economic Growth) and SDG – 9 (Industry, Innovation, and Infrastructure)
- The increase of export and production volumes contributes to SDG 12 (Responsible Consumption and Production)

Environmental Social Governance - ESG

In light of the Alkaloid's responsibility to its shareholders and investors, and even more importantly, to the public at large, in 2021, the Company started pursuing a number of activities, measures and restructuring operations, with the ultimate goal of preparing its Environmental Social Governance Report. The adoption and implementation of the

Environmental Social Governance criteria in the everyday operations, and the reporting standards will result in further activities for environmental protection, while helping to identify and manage risks, ensure timely and relevant information to local and international investors, resulting in permanent growth of the Company in the domestic and international setting.

Consolidated financial annual report

KEY FINANCIAL INDICATORS

In 000 MKD	Amount 2021	Amount 2020	Index 21/20
Total revenues	13.196.695	12.553.883	105,12
Sales	12.794.180	12.132.328	105,46
Gross profit	5.765.075	5.433.835	106,10
Earnings before financial cost, taxes and depreciation (EBITDA)	2.302.590	2.077.935	110,81
Earnings before financial cost, taxes and depreciation (EBITDA margin) (in %)	18,0%	17,1%	105,08
Operating profit	1.479.152	1.346.216	109,87
Profit before income tax	1.459.924	1.328.399	109,90
Net profit	1.304.960	1.167.485	111,78
Total assets	15.878.621	15.014.534	105,76
Capital	11.662.585	10.908.136	106,92
Net cash flow	161.547	(22.340)	-
Additions to non-current assets	1.186.125	1.571.227	75,49
Number of employees	2.528	2.392	105,69
Sales per employee	5.061	5.072	99,78
Current ratio	2,12	2,03	103,19
Long term debt	5,8%	5,7%	101,81
ROE – return on equity	11,56	11,01	105,00
EPS – earnings per share (in denars)	928,5	828,6	112,05
Total number of shares	1.431.353	1.431.353	100,00
1 EUR/1 MKD (average)	61,6275	61,6742	99,92

SELECTED FINANCIAL INDICATORS

	Amount 2021	Amount 2020	(In 000 EUR) Index 21/20
Total revenues	214.136	203.552	105,20
Sales	207.605	196.716	105,54
EBITDA	37.363	33.692	110,90
EBIT – earnings before interest and taxes	24.001	21.828	109,96
Net profit	21.175	18.930	111,86
EPS – earnings per share	15,07	13,44	112,13

1. General information

Alkaloid AD Skopje, the Parent Company is a joint stock company, established and with head office in the Republic of North Macedonia. The registered address of the Company is: Aleksandar Makedonski 12 1000 Skopje, Republic of North Macedonia.

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

Major business activity: Alkaloid AD Skopje produces and sells wide range of pharmaceutical, chemical and cosmetic products, as well as goods from herbal origin. According to the Trade Registry, Alkaloid AD Skopje can perform wholesale operations and foreign trading with food and non food products.

The main scope is production of pharmaceutical products.

The shares of Alkaloid AD Skopje have been listed on the Macedonian Stock Exchange, since 2002.

Alkaloid AD Skopje is comprised of twenty subsidiaries and one foundation in Republic of North Macedonia and abroad. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The Company's Annual consolidated report on the performance has been prepared in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 71/06, 25/07, 87/08, 17/09, 23/09, 42/10, 48/10, 8/11, 21/11, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 13/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18, 120/18, 195/2018, 225/2018, 239/2018 and 290/20) and the Rulebook for accounting ("Official Gazette of RM" no.159/09, 164/10 and 107/11). The consolidated report is prepared in accordance with the concept of purchase price, excluding the land property, construction buildings and available-for-sale financial assets, which are presented by their market value.

The presentation of the consolidated report on the performance in accordance with the Trade Companies Law and the Rulebook for Accounting requires management to make best estimates and reasonable assumptions that affect the amounts presented in the consolidated report. These estimations and assumptions are based on reasonable information available, as of the date of preparation of the financial statements. However, actual results may vary from these estimates.

2. Financial risk management

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 preformed 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 risk

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 wholesale sales 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.

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 makes assumptions that are based on public information for recent arm's length transactions or reference to other instruments that are substantially the same.

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

The Company's estimates are based on experience and other factors, including expectations of future events that are believed to be probable in the present circumstances.

3. Additions to non-current assets

Additions to non-current assets include additions to property, plant and equipment and Intangibles.

Additions to non-current assets - segment reporting

Segments	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Pharmacy	1.044.110	88	1.277.293	81	82
Chemistry Cosmetics Botanicals	142.015	12	293.934	19	48
Total:	1.186.125	100	1.571.227	100	75

4. Dividends

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

The dividends for 2020 approved by shareholders on 5 April 2021 were Denar 572,541 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Non-current	681.883	57	626.459	51	109
Current	518.320	43	613.748	49	84
Total:	1.200.203	100	1.240.207	100	97

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Up to 1 year	518.320	43	613.748	49	84
Between 1 to 3 years	681.883	57	626.459	51	109
Total:	1.200.203	100	1.240.207	100	97

6. Major transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2021.

The Group has no ultimate parent. The shares are widely held.

7. Related party transactions

The consolidated annual report on the performance includes the financial results of the parent Company and the following subsidiaries:

Subsidiary	2021	2020
	% of ownership	% of ownership
Alkaloid DOO Zagreb, Croatia	100 %	100 %
Alkaloid DOO Beograd, Serbia	100 %	100 %
Alkaloid INT DOO Ljubljana, Slovenia	100 %	100 %
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100 %	100 %
Alkaloidfarm SA Fribourg, Switzerland	100 %	100 %
Alkaloid EOOD Sofia, Bulgaria	100 %	100 %
ALK&KOS Shpk Prishtina, Kosovo	100 %	100 %
Alkaloid Bilna apteka DOOEL Skopje, N.Macedonia	100 %	100 %
Alkaloid Kons DOOEL Skopje, N.Macedonia	100 %	100 %
Alkaloid USA LLC Columbus, Ohio US	49 %	49 %
Fund "Trajce Mukaetov" Skopje, N.Macedonia	100 %	100 %
Alkaloid DOO Podgorica, Montenegro	100 %	100 %
OOO Alkaloid RUS, Moscow, Russia	100 %	100 %
Alkaloid FARM DOO Ljubljana, Slovenia	100 %	100 %
Alkaloid Veleđrogerija DOO Beograd, Serbia	100 %	100 %
Alkaloid ILAC TLS Istanbul, Turkey	100 %	100 %
ALKA-LAB DOO Ljubljana, Slovenia	100 %	100 %
Alkaloid Kiev CO. LTD., Ukraine	100 %	100 %
Alkaloid Shpk Tirana, Albania	100 %	100 %
Alkaloid LGL DOO, Zagreb	100 %	100 %
Alkaloid UK LIMITED	100 %	-

All subsidiaries are 100% owned by the Company, except investment in Alkaloid USA with the equity share of 49%. Although the investment of Alkaloid AD Skopje in Alkaloid USA LLC Columbus, Ohio USA is 49%, the Company exercises control.

In 2021 a new subsidiary was established in UK with a name Alkaloid UK LIMITED. In 2020 a new subsidiary was established in Croatia with a name Alkaloid LGL DOO, Zagreb. The subsidiaries are 100% owned by the Company.

The Company has representative offices in Russia and Ukraine. The operational results of the representation offices are included in the financial statements of the Company.

8. Share capital

	Ordinary shares	Treasury акции	Total	Share premium
At 1 January 2020	2.220.127	-33.745	2.186.382	-65.060
Purchase of treasury shares	-	-1.262	-1.262	-9.218
At 31 December 2020	2.220.127	-35.007	2.185.120	-74.278
Purchase of treasury shares	-	-	-	-
At 31 December 2021	2.220.127	-35.007	2.185.120	-74.278

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. As of 31.12.2021 the number of voting shares is 1.405.509 shares.

During 2020, the Company acquired 800 of its own shares through Macedonian stock exchange and held as treasury shares. The total number of treasury shares is 22,557. The number of 3,287 treasury shares is reserved for former proprietors out of which 3,228 are priority shares and 59 are ordinary shares.

Earning per share

	(In MKD)		
	2021 Amount	2020 Amount	IND 21/20
Profit attributable to shareholders (in denars)	1.304.959.828	1.167.484.742	112
Number of shares	1.405.509	1.408.938	100
Basic earning per share (in denars):	928,46	828,63	112

9. Key management compensations

No compensations were paid to the Management Board members in 2021 and 2020.

In 2021, the amount of Denar 4,393 thousands were paid to the Supervision Board members (2020: Denar 4,288 thousands).

10. Revenues

Total consolidated sales

Market	(In 000 MKD)				
	2021 Amount	%	2020 Amount	%	IND 21/20
Domestic market	4.440.652	35	4.268.849	35	104
Foreign market	8.353.528	65	7.863.479	65	106
Total:	12.794.180	100	12.132.328	100	105

The total sales revenues for 2021 are 12,794,180 which compared to last years' 12,132,328 have increased for 5%. The growth in total sales revenues is a result of the increase of sales revenues on domestic market for 4% and foreign market for 6%.

The largest portion of total sales revenues of 65%, is generated on foreign markets.

Total consolidated sales - segment reporting

Segment	(In 000 MKD)				
	2021 Amount	%	2020 Amount	%	IND 21/20
Pharmacy	11.237.563	88	10.527.723	87	107
Chemistry Cosmetics Botanicals	1.556.617	12	1.604.605	13	97
Total:	12.794.180	100	12.132.328	100	105

The largest portion in total sales revenues is generated on the Pharmacy segment with 11,237,563 thousand denars or 88%, which compared to last years' 10,527,723 thousand denars indicates an increase of 7%.

Consolidated sales by group of products

	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Antibiotics	2.701.945	21	1.969.364	16	137
OTC products	2.527.441	20	2.674.369	22	95
Cardiovascular products	1.759.941	14	1.756.304	14	100
Neurological products	1.695.852	13	1.628.399	13	104
Other	1.024.590	8	1.104.404	9	93
Total products – ALKALOID	9.709.769	76	9.132.840	75	106
ALKALOID KONS	1.447.903	11	1.339.629	11	108
Услуги и други приходи	79.891	1	55.254	1	145
Total – Pharmacy	11.237.563	88	10.527.723	87	107
Total – Chemistry	330.989	3	289.025	2	115
Total – Cosmetics	973.371	8	926.587	8	105
Total – Botanicals	252.257	2	388.993	3	65
Total:	12.794.180	100	12.132.328	100	105

Consolidated domestic market sales - segment reporting

Segment	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Pharmacy	3.662.206	82	3.546.326	83	103
Chemistry Cosmetics Botanicals	778.446	18	722.523	17	108
Total:	4.440.652	100	4.268.849	100	104

Total sales revenues on domestic market are 4,440,652 thousand denars, which compared to last years' 4,268,849 thousand denars have increased for 4%.

The largest portion in total sales revenues on domestic market is generated on the Pharmacy segment with 3,662,206 thousand denars or 82%.

Consolidated foreign market sales - segment reporting

Segment	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Pharmacy	7.575.357	91	6.981.397	89	109
Chemistry Cosmetics Botanicals	778.171	9	882.082	11	88
Total:	8.353.528	100	7.863.479	100	106

Total sales on foreign market are 8,353,528 thousand denars, which compared to last years' 7,863,479 thousand denars have increased for 6%.

The largest portion of the foreign market sales of 7,575,357 or 91% is generated on the Pharmacy segment.

Consolidated foreign market sales by regions / countries

Region / country	2021		2020		(In MKD) IND
	Amount	%	Amount	%	21/20
South Eastern Europe	4.094.400	49	4.018.485	51	102
Albania	68.539	1	94.912	1	72
Bosnia and Herzegovina	845.890	10	866.891	11	98
Kosovo	513.762	6	463.529	6	111
Serbia	2.405.367	29	2.347.335	30	102
Montenegro	260.842	3	245.818	3	106
Russia and CIS	1.647.457	20	1.147.211	15	144
Russia	1.183.682	14	815.636	10	145
Georgia	24.213	-	24.681	-	98
Armenia	39.916	-	34.294	-	116
Ukraine	399.646	5	272.600	3	147
Western Europe (EU and EFTA)	2.494.739	30	2.416.683	31	103
Bulgaria	441.599	5	380.583	5	116
Croatia	910.320	11	897.655	11	101
Germany	174.320	2	67.130	1	260
Romania	212.468	3	260.303	3	82
Hungary	113.321	1	86.958	1	130
Czech	49.791	1	44.330	1	112
Poland	71.064	1	30.794	-	231
Slovenia	331.457	4	313.822	4	106
Great Britain	150.092	2	312.984	4	48
Spain	1.342	-	802	-	167
Lithuania	977	-	970	-	101
Italy	5.881	-	-	-	-
Sweden	140	-	-	-	-
Portugal	8.680	-	-	-	-
Finland	-	-	2.035	-	-
Netherlands	749	-	289	-	259
Greece	11.882	-	12.784	-	93
Cyprus	1.918	-	154	-	1.245
Austria	5.396	-	216	-	2.498
Switzerland	3.342	-	4.874	-	-
Other countries	116.932	1	281.100	4	42
USA	81.396	1	230.933	3	35
Canada	1.020	-	30.424	-	3
Turkey	13.814	-	15.666	-	88
Saudi Arabia	8.804	-	-	-	-
Jordan	8.285	-	-	-	-
Other	3.613	-	4.077	-	89
Total:	8.353.528	100	7.863.479	100	106

The largest portion of foreign market sales of 49% is generated on the South Eastern Europe region, which compared to last year indicates an increase of 2%.

Sales by category

(In 000 MKD)					
Sales	2021		2020		IND
	Amount	%	Amount	%	21/20
Sales of goods	9.289.260	70	8.814.421	70	105
Sales of commodities	3.370.618	26	3.216.176	26	105
Other sales revenues	134.302	1	101.731	1	132
Total:	12.794.180	97	12.132.328	97	105

Other income

(In 000 MKD)					
Other income	2021		2020		IND
	Amount	%	Amount	%	21/20
Foreign exchange transaction gains	234.551	2	263.758	2	89
Collected written off receivables	23	-	768	-	3
Surpluses	6.913	-	8.361	-	83
Interest income	2.979	-	1.579	-	189
Other income	157.746	1	147.088	1	107
Total:	402.212	3	421.554	3	95

Finance income

(In 000 MKD)					
Finance income	2021		2020		IND
	Amount	%	Amount	%	21/20
Foreign exchange transaction gains on borrowing	303	-	1	-	-
Interest income on borrowings	-	-	-	-	-
Total:	303	-	1	-	-
Total revenues:	13.196.695	100	12.553.883	100	105

Total revenues for 2021 are 13,196,695 thousand denars, which compared to last year have increased for 5%.

The largest portion of total revenues 97%, belongs to sales of goods, sales of commodities and other sales revenues, which compared to last year have increased for 5%.

Other income have a portion in total revenues of 3% and compared to last year have decreased for 5%.

Finance income consist of foreign exchange transaction gains on borrowings and interest income on borrowings. The portion in total revenues is insignificant.

11. Expenses

Expenses by nature

Expenses	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Raw materials	3.226.901	27	3.079.953	27	105
Employee benefit expense	2.890.669	25	2.663.368	24	109
Depreciation and amortization	823.410	7	731.680	7	113
Energy	199.095	2	190.494	2	105
Impairments	-	-	2.639	-	-
Transportation	147.858	1	212.183	2	70
Changes in the inventories	-107.135	-1	135.545	-1	79
Cost of commodities	2.301.440	20	2.195.992	20	105
Other expenses	1.889.886	16	1.764.484	16	107
Total:	11.372.124	97	10.705.248	95	106

Employee benefit expense

(In 000 MKD)					
Expenses	2021		2020		IND 21/20
	Amount	%	Amount	%	
Gross salaries	2.540.792	22	2.313.259	21	110
Other employees benefits	349.877	3	350.109	3	100
Total:	2.890.669	25	2.663.368	24	109

Other expenses

(In 000 MKD)					
Expenses	2021		2020		IND 21/20
	Amount	%	Amount	%	
Foreign exchange transaction loss	214.229	2	365.225	3	59
Shortages	36.617	-	43.879	-	83
Expenses from previous year	7.345	-	39.725	-	18
Other expenses	86.925	1	53.589	-	162
Total:	345.116	3	502.418	4	69

Finance cost

(In 000 MKD)					
Expenses	2021		2020		IND 21/20
	Amount	%	Amount	%	
Foreign exchange transaction losses on borrowings	121	-	65	-	186
Interest expense on borrowings	19.410	-	17.753	-	109
Total:	19.531	-	17.818	-	110
Total expenses:	11.736.771	100	11.225.484	100	105

Total expenses in 2021 are 11,736,771 thousand denars, which compared to last years' 11,225,484 thousand denars have increased for 5%.

The largest portion in total expense of 27% belongs to Raw materials. Employee benefit expense has a portion of 25%, Other expenses 3%. Finance costs consist of expenses on borrowings, the portion in total expenses is insignificant.

Consolidated Income statement

	(In 000 MKD)				
	2021		2020		IND
	Amount	%	Amount	%	21/20
Sales	12.794.180	97	12.132.328	97	105
Cost of sales	-7.029.105	-	-6.698.493	-	105
		53		53	
Gross profit	5.765.075	44	5.433.835	43	106
Research and development expenses	-151.663	-1	-121.368	-1	125
Selling and marketing expenses	-3.619.311	-27	-3.409.148	-27	106
Administrative expenses	-563.260	-4	-466.502	-4	121
Provision for other liabilities and charges	-8.785	-	-9.737	-	90
Other income	402.212	3	421.554	3	95
Other expenses	-345.116	-3	-502.418	-4	69
Operating profit	1.479.152	11	1.346.216	11	110
Finance expenses (net)	-19.228	-	-17.817	-	108
Profit before income tax	1.459.924	11	1.328.399	11	110
Income tax expense	-154.964	-1	-160.914	-1	96
Profit from continuing operations	1.304.960	10	1.167.485	9	112
Attributable to the:					
Shareholders of the Parent Company	1.304.988	10	1.167.524	9	112
Minority interests	-28	-	-39	-	72
Profit for the year	1.304.960	10	1.167.485	9	112

Consolidated profit before taxes for 2021 is 1,459,924 thousand denars, which compared to last years' 1,328,399 thousand denars has increased for 10%. The portion of consolidated profit before taxes in total revenues is 11%.

Consolidated Net profit for 2021 is 1,304,960 thousand denars, which compared to last years' 1,167,485 thousand denars has increased for 12%. The portion of consolidated Net profit in total revenues is 10%.

Consolidated income tax for 2021 is 154,964 thousand denars, which compared to last years' 160,914 thousand denars has decreased for 4%.

Consolidated Balance Sheet

(In 000 MKD)					
	2021		2020		IND
	Amount	%	Amount	%	21/20
Assets					
Non-current assets					
Property, plant and equipment	6.452.141	40	6.163.085	41	105
Intangible assets	1.897.561	12	1.829.491	12	104
Deferred tax assets	16.508	-	4.211	-	392
Available-for-sale financial assets	8.867	-	7.114	-	125
Other non current receivables	138.041	1	64.049	-	216
Total non-current assets:	8.513.118	53	8.067.950	54	106
Current assets					
Inventories	4.037.576	26	3.698.352	25	109
Trade receivables	2.477.483	16	2.603.483	17	95
Other receivables	353.889	2	309.741	2	114
Cash and cash equivalents	496.555	3	335.008	2	148
Total current assets:	7.365.503	47	6.946.584	46	106
Total assets:	15.878.621	100	15.014.534	100	106
Equity and liabilities					
Equity					
Share capital	2.185.120	14	2.185.120	15	100
Share premiums	-74.278	-	-74.278	-	100
Legal reserves	620.479	4	618.262	4	100
Other reserves	1.656.404	10	1.640.357	11	101
Retained earnings	7.274.270	46	6.538.057	44	111
Minority interests	590	-	618	-	95
Total equity:	11.662.585	73	10.908.136	73	107
Liabilities					
Current liabilities					
Trade and other payables	2.936.754	19	2.773.572	18	106
Income taxes	19.833	-	30.964	-	64
Current borrowings	518.320	3	613.748	4	84
Total current liabilities:	3.474.907	22	3.418.284	23	102
Non-current liabilities					
Non-current borrowings	681.883	4	626.459	4	109
Non-current provisions	58.995	-	50.300	-	117
Deferred income tax liabilities	251	-	11.355	-	2
Total non-currents liabilities:	741.129	5	688.114	5	108
Total liabilities:	4.216.036	27	4.106.398	27	103
Total equity and liabilities:	15.878.621	100	15.014.534	100	106



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