



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

**CONSOLIDATED ANNUAL REPORT
ON THE PERFORMANCE OF ALKALOID AD SKOPJE**

FOR THE PERIOD JANUARY - DECEMBER 2009

March 2010

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1. General information

Alkaloid AD Skopje, the Parent Company is a joint stock company, established and with head office in the Republic of Macedonia. The registered address of the Company is:
Aleksandar Makedonski 12 1000 Skopje, Republic of 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 subsidiaries in Republic of 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 maintains its books of accounts and prepares its consolidated financial statements in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/2004 and 84/2005) and the Rulebook for accounting ("Official Gazette of RM" no.94/2004, 11/2005, 116/2005 and 159/2009). According to this Rulebook, accounting standards applicable in the Republic of Macedonia are the International Accounting Standards (IAS), in effect as at 31 December 2003, established by the International Accounting Standards Board (IASB). The addition to this Rulebook dated 10 February 2005, relates to the application of the International Financial Reporting Standards (IFRS) 1, as well as the addition dated 28 December for application of IFRS 2, 3, 4, 5, 6 and 7. The consolidated financial statements are prepared in accordance with the concept of purchase price, excluding the land property, construction buildings and investments in available-for-sale financial assets, which are presented by their market price.

The presentation of the consolidated financial statements 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 financial statements. These estimations and assumptions are based on information available to us, 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

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)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Pharmacy	495,850	97	367,095	94	135
Chemistry Cosmetics Botanicals	13,234	3	19,512	5	68
Coatings	-	-	5,738	1	-
Total:	509,084	100	392,345	100	130

4. Dividends

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

The dividends approved by shareholders on 16 April 2009 were Denar 195,637 thousand. Approved dividends in 2009 in respect of 2008 are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Non-current	9,753	2	18,636	4	52
Current	459,466	98	463,575	96	99
Total:	469,219	100	482,211	100	97

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Up to 1 year	459,466	98	463,575	96	99
Between 1 to 3 years	9,753	2	18,636	4	52
More than 3 years	-	-	-	-	-
Total:	469,219	100	482,211	100	97

6. Major Transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2009.

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	2009	2008
	% of ownership	% of ownership
Alkaloid DOO Ljubljana, Slovenia	100%	100%
Alkaloid DOO Zagreb, Croatia	100%	100%
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100%	100%
Alkaloid DOO Beograd, Serbia	100%	100%
ALK&KOS Shpk Prishtina, Kosovo	100%	100%
Alkaloid EOOD Sofia, Bulgaria	100%	100%
Alkaloid Shpk Tirana, Albania	100%	100%
Alkaloidfarm SA Fribourg, Switzerland	100%	100%
Alkaloid Kons DOOEL Skopje, Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio US	49%	49%
Alkaloid Premazi DOO Skopje, Macedonia	-	-
Fund "Trajce Mukaetov" Skopje, Macedonia	100%	100%
OOO Alkaloid RUS, Moscow, Russia	100%	100%
Alkaloid DOO Podgorica, Montenegro	100%	100%

All subsidiaries are 100% owned by the Company, except the investment in Alkaloid USA with equity share of 49%.

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

Investment in Alkaloid Premazi DOO Skopje is disposed off.

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

8. Share capital

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2008	1,426,599	2,220,127	-7,374	2,212,753	12,299
Treasury shares purchased	-3,812	-	-5,970	-5,970	-11,393
Sale of treasury shares	59	-	-	-	-
At 31 December 2008	1,422,846	2,220,127	-13,344	2,206,783	906
Treasury shares purchased	-150	-	-235	-235	-172
At 31 December 2009	1,422,696	2,220,127	-13,579	2,206,548	734

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

During 2009, the Parent Company acquired 150 of its own shares through Macedonian stock exchange and held as treasury shares. From the total portion of treasury shares 8,657 are still treasury shares. The number of 3,287 shares are reserved for former proprietors.

Earning per share

	(In MKD)		
	2009 Amount	2008 Amount	IND 09/08
Profit attributable to shareholders (in denars)	558,485,271	501,784,231	111
Number of shares	1,422,696	1,422,846	100
Basic earning per share (in denars):	392.55	352.66	111

9. Key management compensations

No compensations were paid to the Management Board members. In 2009, the amount of Denar 3,391 thousand were paid to the Supervision Board members (2008: Denar 3,341 thousand).

Production and sales

Consolidated production in tons

Segment	(In tons)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Pharmacy	782	11	1,002	13	78
Chemistry Cosmetics Botanicals	6,619	89	6,437	87	103
Total:	7,401	100	7,439	100	99

The total amount produced for 2009 is 7,401 tons, which is close to last years' production amount of 7,439 tons.

Total consolidated sales

Market	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Domestic market	2,237,773	41	1,780,221	38	126
Foreign market	3,228,616	59	2,945,516	62	110
Total:	5,466,389	100	4,725,737	100	116

The total sales revenues for 2009 are 5,466,389 which compared to last years' 4,725,737 have increased for 16%. The growth in total sales revenues is a result of the increase of sales revenues on domestic market for 26% and on foreign market for 10%.

The largest portion of total sales revenues of 59%, belongs to the foreign market sales.

Total consolidated sales - segment reporting

Segment	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Pharmacy	4,593,584	84	3,955,402	84	116
Chemistry Cosmetics Botanicals	872,805	16	770,335	16	113
Total:	5,466,389	100	4,725,737	100	116

The largest portion in total sales revenues belongs to the Pharmacy segment with 84%, which compared to last year indicates an increase of 16%.

Consolidated domestic market sales - segment reporting

Segment	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Pharmacy	1,789,239	80	1,424,181	80	126
Chemistry Cosmetics Botanicals	448,534	20	356,040	20	126
Total:	2,237,773	100	1,780,221	100	126

Total sales revenues on domestic market are 2,237,773 thousand denars, which compared to last year have increased for 26%.

The largest portion in total sales revenues belongs to the Pharmacy segment with 80%, which compared to last year indicates an increase of 26%.

Consolidated foreign market sales - segment reporting

Segment	(In 000 MKD)				
	2009		2008		IND 09/08
	Amount	%	Amount	%	
Pharmacy	2,804,345	87	2,531,221	86	111
Chemistry Cosmetics Botanicals	424,271	13	414,295	14	102
Total:	3,228,616	100	2,945,516	100	110

Total sales on foreign market are 3,228,616 thousand denars, which compared to last year have increased for 10%. Foreign market sales growth is a result of the increase of sales in all segments.

The largest portion of the foreign market sales of 2,804,345 or 87% belongs to Pharmacy segment.

Consolidated foreign market sales by regions / countries

Region / country	(In 000 MKD)				
	2009		2008		IND 09/08
	Amount	%	Amount	%	
South Eastern Europe	2,549,283	79	2,418,807	82	105
Albania	110,044	3	104,185	4	106
Bosnia and Herzegovina	595,222	18	546,917	19	109
Kosovo	239,934	7	223,752	8	107
Serbia	855,706	27	930,998	32	92
Croatia	600,944	19	495,411	17	121
Monte Negro	147,433	5	117,544	4	125
Russia and CIS	317,547	10	152,952	5	208
Russia	285,066	9	134,856	5	211
Georgia	286	-	2,776	-	10
Armenia	8,863	-	10,594	-	84
Ukraine	23,332	1	4,726	-	494
Western Europe (EU and EFTA)	314,708	10	332,143	11	95
Austria	110	-	-	-	-
England	10,915	-	-	-	-
Belgium	388	-	-	-	-
Bulgaria	76,731	2	143,835	5	53
Germany	44,551	1	37,876	1	118
Ireland	350	-	-	-	-
Romania	-	-	6,882	-	-
Slovenia	151,533	5	134,375	5	113
France	1,709	-	8,097	-	21
Hungary	23,821	1	-	-	-
Switzerland	4,600	-	1,078	-	427
Other countries	47,078	1	41,614	1	113
Australia	4,171	-	6,105	-	68
Yemen	-	-	1,639	-	-
Jordan	1,365	-	-	-	-
South Africa	113	-	-	-	-
Cyprus	-	-	1,082	-	-
USA	41,429	1	32,788	1	126
Total:	3,228,616	100	2,945,516	100	110

Russia and CIS region has the largest increase of 108% compared to last year.

The largest portion of foreign market sales of 79% belongs to the South Eastern Europe region, which compared to last year indicates an increase of 5%.

Consolidated Income statement

	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Continuing operations					
Sales	5,466,389	96	4,725,737	94	116
Cost of sales	-2,897,457	-51	-2,468,716	-49	117
Gross profit	2,568,932	45	2,257,021	45	114
Research and development expenses	-66,698	-1	-39,318	-1	170
Selling and marketing expenses	-1,508,028	-26	-1,288,937	-26	117
Administrative expenses	-246,538	-4	-239,209	-5	103
Provision for other liabilities and charges	-124,136	-2	-	-	-
Other income	238,515	4	289,566	6	82
Other expenses	-193,188	-3	-326,791	-7	59
Operating profit	668,859	12	652,332	13	103
Net foreign exchange transaction gains / (losses)	-55	-	-	-	-
Finance expenses	-46,751	-1	-41,467	-1	113
Profit before income tax	622,053	11	610,865	12	102
Income tax expense	-63,568	-1	-103,994	-2	61
Profit from continuing operations	558,485	10	506,871	10	110
Profit/(Loss) from discontinued operations	-	-	-5,087	-	-
Profit for the year	558,485	10	501,784	10	111
Attributable to the:					
Shareholders of the Parent Company	558,571	10	501,855	10	111
Minority interests	-86	-	-71	-	121
Profit for the year	558,485	10	501,784	10	111

Sales by category

Sales	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Sales of goods	4,637,067	81	4,223,061	84	110
Sales of commodities	775,715	14	494,806	10	157
Sales of services	39,209	1	5,094	-	770
Other sales revenues	14,398	-	2,776	-	519
Total:	5,466,389	96	4,725,737	94	116

Other income

Other income	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Collected written off receivables	70,506	1	98,265	2	72
Dividend income	38	-	38	-	100
Interest income	2,458	-	3,957	-	62
Foreign exchange transaction gains	104,296	2	142,276	3	73
Other income	61,217	1	45,030	1	136
Total:	238,515	4	289,566	6	82

Finance income

Finance income	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Foreign exchange transaction gains on borrowing	37	-	-	-	-
Interest income on borrowings	126	-	254	-	50
Total:	163	-	254	-	64
Total revenues:	5,705,067	100	5,015,557	100	114

Total revenues for 2009 are 5,705,067, which compared to last year have increased for 14%.

The largest portion of total revenues 96%, belongs to sales of goods and sales of commodities, which compared to last year have increased for 16%.

Other income have decreased for 18% and have a portion in total revenues of 4%.

Finance income consist of foreign exchange transaction gains on borrowings and interest income on borrowings. The portion in total revenues is irrelevant. Compared to last year finance income have decreased for 36%.

Expenses by nature

Expenses	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Raw materials	1,356,665	27	1,320,848	30	103
Employee benefit expense	1,093,884	22	993,667	23	110
Depreciation and amortization	263,480	5	233,650	5	113
Energy	119,413	2	144,904	3	82
Impairments	84,724	2	26,112	1	324
Transportation	65,318	1	77,208	2	85
Changes in the inventories	-45,496	-1	-158,322	-4	-
Cost of commodities	657,389	13	419,561	10	157
Provision for other liabilities and charges	124,136	2	-	-	-
Other expenses	1,123,344	22	978,552	22	115
	4,842,857	95	4,036,180	92	120

Employee benefit expense

Expenses	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Gross salaries	899,138	18	789,943	18	114
Other employees benefits	194,746	4	203,724	5	96
	1,093,884	22	993,667	23	110

Other expenses

Expenses	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Interest expenses	992	-	300	-	331
Foreign exchange transaction loss	104,049	2	175,677	4	59
Effect of disposal of associate	21,129	1	118,225	2	18
Expenses from last year	22,511	0	32,589	1	69
Other expenses	44,507	1	-	-	-
	193,188	4	326,791	7	59

Finance cost

Expenses	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Foreign exchange transaction losses on borrowings	92	-	-	-	-
Interest expense on borrowings	46,877	1	41,721	1	112
Total:	46,969	1	41,721	1	113
Total expenses:	5,083,014	100	4,404,692	100	115

Total expenses in 2009 are 5,083,014 thousand denars, which compared to last year have increased for 15%.

The largest portion in total expense of 27% belongs to Raw materials. Employee benefit expense has a portion of 22%, Other expenses 4% and Finance costs have a portion in total expenses of 1%.

Consolidated Income before taxes for 2009 is 622,053 thousand denars, which compared to last years' 610.865 thousand denars has increased for 2%. The portion of consolidated income before taxes in total revenues is 11%.

Consolidated income tax for 2009 is 63,568 thousand denars, which compared to last years' 103,994 thousand denars has decreased for 39%.

Consolidated Net Income for 2009 is 558,485 thousand denars, which compared to last years' 501,784 thousand denars has increased for 11%. The portion of consolidated Net Income in total revenues is 10%.

Consolidated Balance Sheet

	(In 000 MKD)				
	2009		2008		IND
	Amount	%	Amount	%	09/08
Assets					
Non-current assets					
Intangible assets	254,770	3	194,179	3	131
Property, plant and equipment	3,881,420	51	3,529,381	50	110
Investments in associate	-	-	102,450	2	-
Available-for-sale financial assets	6,394	-	7,381	-	87
Other non current assets	20,697	-	82,072	1	25
Deferred tax assets	11,288	-	14,434	-	78
Total non-current assets:	4,174,569	54	3,929,897	56	106
Current assets					
Inventories	1,238,006	16	1,256,941	18	98
Trade receivables	1,906,001	25	1,417,019	20	135
Other receivables	171,640	2	175,043	2	98
Cash and cash equivalents	187,838	3	292,555	4	64
Total current assets:	3,503,485	46	3,141,558	44	112
Total assets:	7,678,054	100	7,071,455	100	109
Equity and liabilities					
Equity					
Share capital	2,206,548	29	2,206,783	31	100
Share premiums	734	-	906	-	81
Legal reserves	599,416	8	599,575	9	100
Other reserves	1,558,488	20	1,713,528	24	91
Retained earnings	1,904,497	25	1,291,739	18	147
Minority interests	1,329	-	1,414	-	94
Total equity:	6,271,012	82	5,813,945	82	108
Liabilities					
Current liabilities					
Trade and other payables	894,980	12	708,214	10	126
Borrowings	459,466	6	463,575	6	99
Income taxes	16,480	-	41,702	1	40
Total current liabilities:	1,370,926	18	1,213,491	17	113
Non-current liabilities					
Borrowings	9,753	-	18,636	-	52
Deferred income tax liabilities	13,488	-	14,409	-	94
Retirement benefit obligations	12,875	-	10,974	-	117
Total non-currents liabilities:	36,116	-	44,019	1	82
Total liabilities:	1,407,042	18	1,257,510	18	112
Total equity and liabilities:	7,678,054	100	7,071,455	100	109

Performance indicators

Indicators	2009	2008	(In %)
			IND 09/08
Net profit margin (net profit / total revues)	9.79	10.00	98
Net profit margin (net profit / sales)	10.22	10.62	96
EBITDA	17.06	18.75	91
Current ratio	2.56	2.59	99
Net debt to equity ratio	4.49	3.26	138
Return of equity	8.91	8.63	103
Return of assets	7.27	7.10	103

Number of employees on 31 December

Segment	2009		2008		IND 09/08
	Number	%	Number	%	
Pharmacy	776	64	704	61	110
Chemistry Cosmetics Botanicals	177	15	179	16	99
Corporate unit	264	22	265	23	100
Total:	1,217	100	1,148	100	106

Total number of employees on 31 December 2009 is 1,217, which compared to last year has increased for 6%.

02.03.2010
**General Manager
Zhivko Mukaetov**