

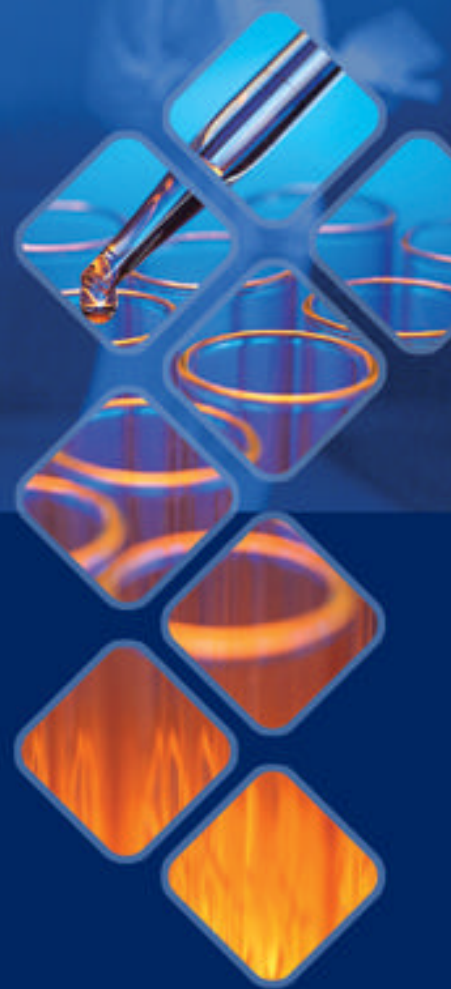


ANNUAL REPORT 2003



**ALKALOID
SKOPJE**

PHARMACEUTICAL CHEMICAL COSMETIC INDUSTRY



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ALKALOID GROUP

KEY FINANCIAL INDICATORS

	<i>All amounts in 000 MK denars</i>		
	2003	2002	2001
Total revenues	3,319,447	3,432,038	3,584,964
Sales	3,196,214	3,182,848	3,431,410
Operative profit	1,206,801	990,462	922,931
Earnings before tax	365,150	355,154	278,254
Profit before tax	275,115	264,114	225,814
Profit after tax	236,454	220,802	195,981
Net profit	236,454	220,347	195,420
Total assets	5,540,132	5,556,475	5,516,207
Shareholders' capital	4,541,872	4,348,992	4,221,336
Net cash flow	-106,272	-49,010	55,060
Investments in fixed assets	74,793	132,467	583,642
Average number of employees	1,337	1,378	1,420
Sales per employee	2,391	2,310	2,416
Current ratio	2.64	3.13	2.68
Indebtedness / Capital	2.92	11.39	11.12
ROE - Return of earnings	5.21	5.07	4.63
EPS - Earnings per share (in MK Denars)	181.72	169.34	150.18
DPS - Dividend per share (in MK Denars)	70.50	70.50	58.43
Number of shares at the end of the year	1,301,230	1,301,230	1,301,230
EURO/MKD (31 December)	61.2931	61.0707	60.9610

The Management Board suggested DPS for 2003 amounting to 70.50 denars

FINANCIAL HIGHLIGHTS

	<i>In 000 EURO</i>		
	2003	2002	2001
Total revenues	54,157	56,198	58,807
Sales	52,146	52,117	56,289
EBIT	5,957	5,815	4,564
Net profit	3,858	3,608	3,206
EPS (in EURO)	2.96	2.77	2.46



ALKALOID
B K O P J E





In 2000 PC Pharmaceuticals enrolled the European Generic Association.

In April 2000, the new high rack warehouses for raw materials and packaging materials were commissioned.

The facility for production of solid dosage forms and the factory for semi synthetic cephalosporines were launched in May 2002.

In November 2003 the construction works of the new microbiological laboratory were completed, and it was officially launched in January 2004.

US PATENT (No US 6,572,891 B1, 2003) for pharmaceutical sublingual solid dosage form comprising morphine salt.

In March 2003 the facilities for production of solid dosage forms and semi-synthetic cephalosporines were certified by the GMP Authorities of the Macedonian Ministry of Health.

In November 2003 a GMP Certificate was granted by the Romanian authorities in accordance with WHO & Pharmaceutical Inspection Co-operation Scheme recommendations.



SHAREHOLDER'S ASSEMBLY

SUPERVISORY BOARD

MANAGEMENT BOARD

CEO

PC CHEMISTRY
& COSMETICS

COMMERCIAL
DIVISION

R&D, QA/QC
REGULATORY
AFFAIRS

PRODUCTION OF
CHEMICALS &
COSMETIC PRODUCTS

PC BOTANICALS

COMMERCIAL
DIVISION

R&D, QA/QC
REGULATORY
AFFAIRS

PRODUCTION OF
HERBAL PRODUCTS
& SEASONINGS

ORGANIZATIONAL CHART

PRODUCTION DIVISION

RESEARCH & DEVELOPMENT

LOGISTICS

COST CONTROL

QUALITY ASSURANCE,
QUALITY CONTROL &
ENVIRONMENTAL
PROTECTION

PC COATINGS

COMMERCIAL
DIVISION

R&D, QA/QC
REGULATORY
AFFAIRS

PRODUCTION OF
COATING AGENTS

PC PHARMACEUTICALS

GENERAL SERVICES

REGULATORY &
MEDICAL AFFAIRS

MARKETING & SALES

DOMESTIC SALES

EXPORT SALES

SUBSIDIARIES



Prof. D-r Miodrag Micajkov

President, Ph.D in Law. Born on 27 August 1944 in Kavadarci, Republic of Macedonia. Employed at the Faculty of Law in Skopje.



Prof. D-r Ilija Dzonov

Member of the Supervisory Board, MD, Dr. sci. med. Born on 24 November 1943 in Stip, Republic of Macedonia. Employed at the Clinic for Neurology at the Clinical Centre Skopje, Professor at the Faculty of Medicine in Skopje.



Bojanco Krlevski

Member of the Supervisory Board, B.Sc. in Chemical Engineering. Born on 8 March 1951 in Skopje, Republic of Macedonia. Employed in PC Coatings as Assistant Area Manager, in charge for the production segment.

**MESSAGE FROM THE PRESIDENT
OF THE SUPERVISORY BOARD**

In accordance with the existing laws in the Republic of Macedonia and the Statute of the Company, the Supervisory Board conducts supervision of the operations of Alkaloid AD Skopje since it was established in 1998.

At its last meeting held on 31 March 2004, the Supervisory Board reviewed the draft decisions of the Management Board regarding the operations of the Company for the fiscal year 2003, thus passed a proposal for their approval and acceptance at the Shareholders' Assembly of Alkaloid AD.

Supervisory Board
Prof. D-r Miodrag Micajkov
President



Trajce Mukaetov

Chairman of the Management Board and CEO of the Company, B. Sc. in Electro-technical Engineering. Born on 20 September 1945 in Kavadarci, Republic of Macedonia. He has 32 years of professional experience. In charge of the overall operations of the Company.



Cvetanka Simonovska

Member of the Management Board, CFO of the Company, B. Sc. in Economy. Born on 27 November 1953 in Gevgelija, Republic of Macedonia. She has 25 years of professional experience, and is in charge of the financial operations of the Company.



Milkica Gligorova

Member of the Management Board, B.Sc Pharm, Specialist on Pharm. Tech. Born on 10 April 1959 in Skopje, Republic of Macedonia. She has 22 years professional experience, and is in charge of the production segment in PC Pharmaceuticals.



Zorka Zlatanovic

Member of the Management Board and Director at OU Strategic Investments, IT & General Affairs, B. Sc. Tech. Engineering. Born on 13 January 1947 in Gevgelija, Republic of Macedonia. She has 33 years of professional experience and is in charge of the strategic investments of the Company.



Dimitar Pejcinovski

Member of the Management Board and Director at OU Strategic Investments, IT & General Affairs, B. Sc. in Electro-technical Engineering. Born on 22 December 1946 in Skopje, Republic of Macedonia. He has 30 years of professional experience and is in charge of the information technology of the Company, legal issues, and personnel.

VISION

Our vision is to develop as an export oriented company, with stabile market position, open to new markets and new partnerships, which manufactures and markets products of highest quality, employing the latest production technologies and business standards.

MISSION

In order to achieve the vision, we have defined our mission as permanent endeavor for healthier world, superior quality of the products and the services, but also professionalism and successful business operations.

Our imperative is protection of the interests of the customers, the employees, the shareholders and the business partners.

Our basic determination is to provide healthier life for each individual, quality healthcare system and environmental protection.

OBJECTIVE

Our objective is to ensure consistency and improvement of the business performances by maintaining the leading position the Company has in the Republic of Macedonia, as well as to consolidate our positions in the export markets. Therefore, our subsidiaries, established in eight European countries, function by the principle "projection of the headquarters" and make us directly present and fully acquainted with the market situation.

Trajce Mukaetov
CEO, President of the Management Board



MESSAGE FROM THE CHAIRMAN

All activities undertaken by Alkaloid in the course of 2003 share one single goal: to get closer to our Vision, to attain our Mission, to give effect to our Objective.

We have continued the positive trend of growth and ended 2003 with an increase in both, sales and profit. What we consider to be of essential importance is the fact that for the first time, sales of the pharma unit in foreign markets were higher than the domestic sales. Thereby, domestic sales noted 5% increase while export sales were 10% higher compared to 2002.

The results we achieved came from our permanent efforts aimed towards building a more efficient, market-oriented modern company, using well-educated and trained personnel, launching new products and implementing aggressive proactive marketing strategy as basic tools. In addition, we established the Logistics and Cost Control divisions as support in improving efficiency and making decisions.

Alkaloid through years of operations and investments has learned that investing is not a choice, but necessity. In the present conditions of intensive technological growth and strong market competition the companies are forced to permanent investments in their production processes.

In November 2003, we completed the construction works of the new microbiological laboratory, a part of Alkaloid's investment project "Entry into the World Market". The total amount invested in this project, fully compliant with the Good Laboratory Practice standards, was EUR 1,2 mil.

Regarding the convertible EBRD / IFC Loan, due to the positive financial standing, the Company effectuated a bullet prepayment of EUR 4 mil. thus the total outstanding debt to the IFIs was significantly decreased.

The solid financial position enables the company to service its liabilities towards the state institutions. Based on VAT, Alkaloid monthly effectuates approximately EUR 460,000 and that is nearly EUR 5,5 mil. per year while our total fiscal liabilities amount to EUR 10 mil. annually.

In the forthcoming period, Alkaloid will continue its investment projects: production facility for morphine-based active pharmaceutical ingredients; new packaging department and new liquid non-sterile product line. These will contribute to further modernization of the facilities as well as manufacturing new products with superior quality that will comply even with the strictest standards.

In March 2003, our new production facility for solid oral dosage forms has been certified as GMP compliant by the Macedonian authorities and in November 2003 by the Romanian GMP Inspectorate.

This year, Alkaloid has been granted a US patent for a particular pharmaceutical formulation of sublingual morphine tablets.

Above all, pursuing its basic postulates for permanent endeavor for healthier life for each individual, quality healthcare system and environmental protection, Alkaloid will continue demonstrating its humanity through different projects.



**THE HUMAN BODY
IS A PERFECT CREATION
OF NATURE**



**Every shape, every movement,
every breath and touch
carries the pulse of life,
of that perfect balance
called HEALTH**





P.C. PHARMACEUTICALS

Maintaining its trend of professionalism in the business operations in synergy with advanced know-how, Alkaloid Pharmaceuticals has once again completed a successful year.

Near the end of 2003, Zivko Mukaetov, formerly heading the Marketing and Sales Department, was assigned as a new director to PC Pharmaceuticals. That change induced several reorganizations within the divisions of PC Pharmaceuticals and contributed to improvement of the business operations of the whole Center.

Following our endeavors to consolidate actual positions in the markets of export and striving to attain our objective and become an export oriented company, in 2003 we managed to raise the level of export sales above the domestic. Thereby, export sales were 52% compared to the 48% effectuated in the domestic market.

For the purposes of promoting the efficiency of the overall operations of PC Pharmaceuticals two new divisions were introduced, those being Cost Control and Logistics.

COST CONTROL

The implementation of the new Cost Accounting System will improve the cost recording procedures within the Company thus enabling cost allocation by functional units (cost centers), that will be the basis for more accurate tracing of the costs (direct and indirect) by product unit and that means more realistic determination of the cost price of certain products and their profitability.

Taking into consideration the diversity of our products assortment and complex company structure, this project is especially important for the overall Company operations since the clear image of the costs incurred by types, locations and cost objects will enable more focused efforts for promotion of the efficiency through cost management and their reduction.

LOGISTICS DIVISION

For the purposes of establishing a flat management structure, during the reorganization of PC Pharmaceuticals, Logistics Division was introduced as a new function that will coordinate several sub-functional units previously managed by the Production Department. These include: Procurement, Warehousing, Production Planning and Preparation, Inventory Management and Transportation.

The main reason for establishing this organizational unit was to enable the functional managers focus on their core activities.

Two main objectives are supposed to be achieved by introducing Logistics:

- Maximum efficiency in moving goods from the raw materials stage through work in-process up to a finished good state;
- Maximum level of customer service as an overall logistics output.

Until the end of 2003, the Logistics management introduced new and redefined the present Standard Operative Procedures in compliance with the GMP standards and ISO requirements.

An Action Plan was prepared, incorporating the following projects:

- Implementation of Management Information System (incoming and outgoing reports);
- Cost reduction project;
- Reduction of order cycle time;
- Installation of RFID bar code technology in the raw materials and finished products warehouses - real time inventory system that shall provide instant product tracking and better space utilization;
- Inventory management - keeping signal levels of stock in the warehouses in order to minimize back order occurrences;
- Usage of interactive WEB opportunities for communication with potential suppliers;
- Implementation of performance measuring system;
- Inclusion of Logistics personnel and specific logistics issues in the HR educational programme
- Introduction of methods for control of logistics performance.

ALKALOID KONS

Starting from 1979, Alkaloid-Pharmaceuticals established a division that deals with agency of foreign companies and consignment stock warehousing.

Through this segment, we have been among the first companies that were present in the former Yugoslav market with the citostatics programme of drugs.

Years of successful operation of Alkaloid-Pharmaceuticals in the field of agency and consignment stock enabled presence of world-renowned pharmaceutical companies in this market such as:

- SPECIA (Including the Animal Health Programme)
- ROGER BELLON
- RHONE PULENC RORER (AVENTIS)
- DELAGRANGE
- SYNTHELABO (SANOFI SYNTHELABO)
- MERCK
- AM ADMEL
- FUJI FILM
- SCHERING AG
- PFIZER
- PHARMACIA & UPJOHN (PFIZER ENTERPRISES SARL)

In 2003, the net sales of this segment amounted to EUR 841,829.

The experience obtained while operating this segment, was the basis for establishing ALKALOID KONS Ltd., a wholesale that should continue and expand our non-domicile programme of drugs while maintaining competitive prices and improving our market presence.

It is also important to mention that in February 2003, Alkaloid has entered into a Supply-distribution Disclosure Agreement with Bilim Pharmaceuticals from Turkey. By means of this Agreement, Alkaloid appointed Bilim Pharmaceuticals as contract manufacturer of the finished products Ampicillin (ampicillin) and Almacin (amoxicillin) capsules and powder for oral suspension.

NEW LAUNCHES IN 2003



HOLLESTA® simvastatin



FLUFENAZIN ALKALOID®



METADON A



LORATADIN A

loratadin

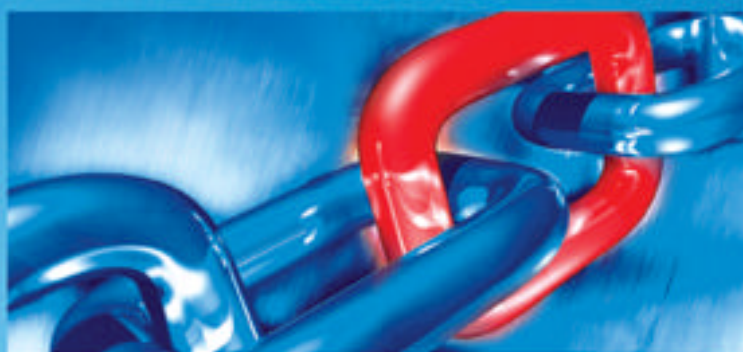
ALKALOID
DROGUE





HIDROHLOROTIAZID ALKALOID®

ALKALOID®



ROXAR®

rofecoxib

NEW NONSTEROIDAL ANTIINFLAMMATORY DRUG
SELECTIVE COX-2 INHIBITOR

ACUTE PAINS

PRIMARY
DISMENORRHEA

OSTEOARTHRITIS

RHEUMATOID
ARTHRITIS



ALKALOID
SKOPJE
www.alkaloid.com.mk

ALKALOID®

таблетки и раствор



KLINDAMICIN ALKALOID®

...the first of these is the fact that the ...

...the second of these is the fact that the ...

...the third of these is the fact that the ...

...the fourth of these is the fact that the ...

...the fifth of these is the fact that the ...

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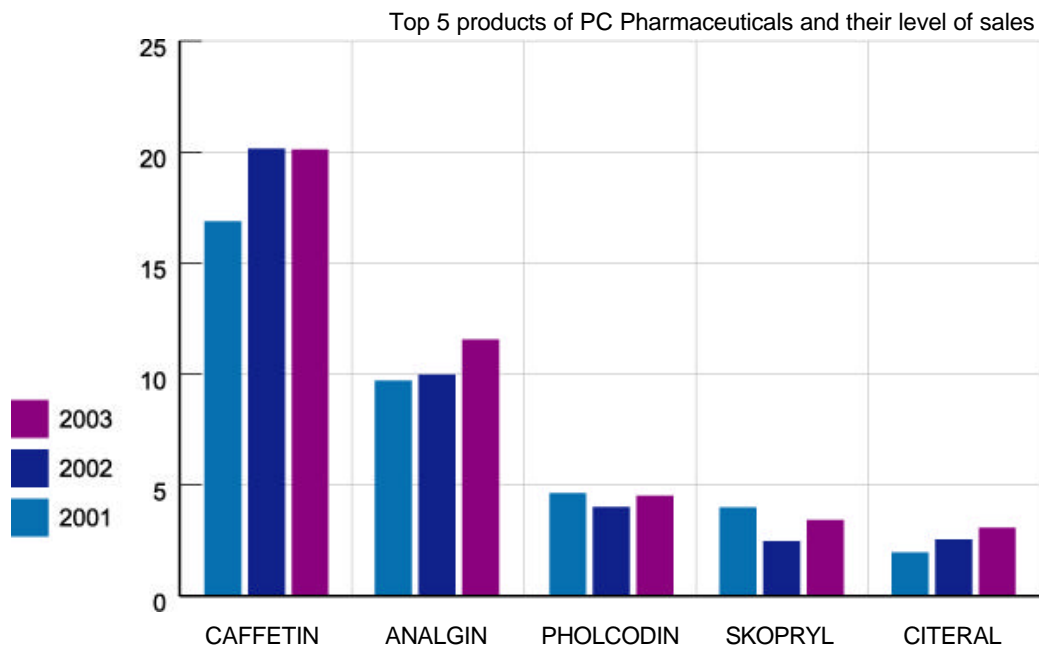
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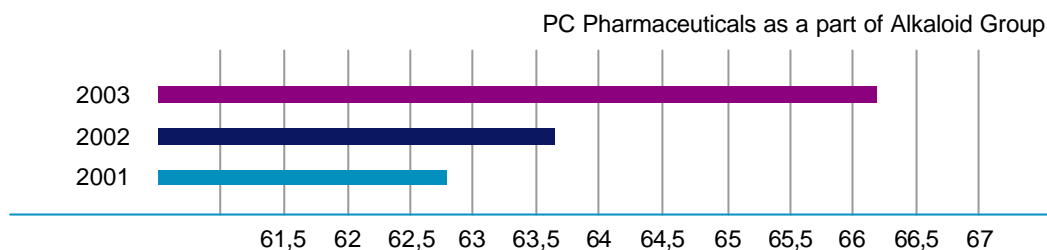
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SALES

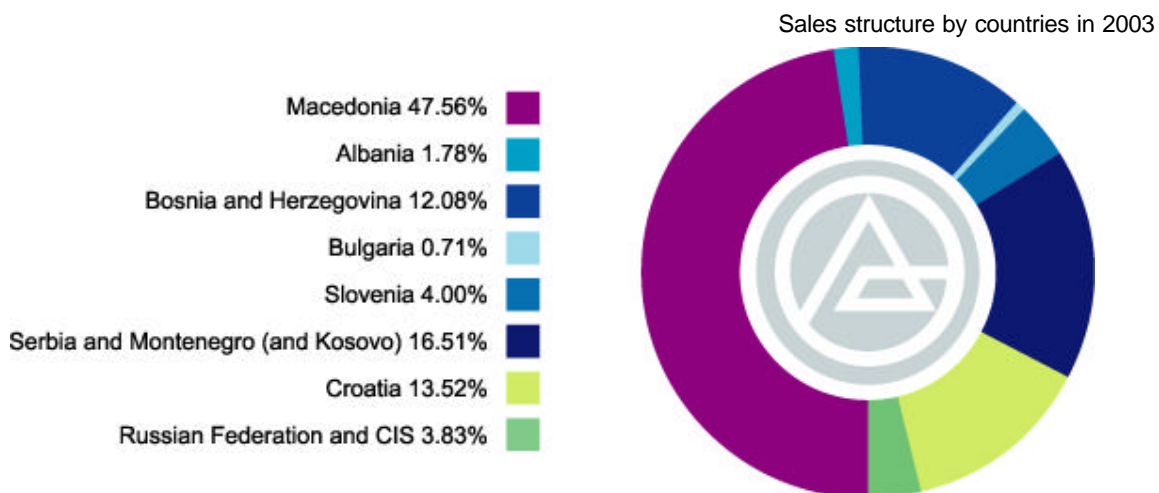
In 2003, the net sales of this Center amounted to MK Den. 2,115 bil which is 66.2% of the overall sales of Alkaloid Group and 8% higher than the 2002 sales.

Product	% Share in the overall sales of PC Pharmaceuticals		
	2003	2002	2001
CAFFETIN	20.15	20.18	16.90
ANALGIN	11.55	9.97	9.70
PHOLCODIN	4.51	4.01	4.64
SKOPRYL	3.42	2.47	3.98
CITERAL	3.08	2.54	1.96
Animal Health	1.15	0.95	1.06
Others	56.14	59.88	61.76





In 2003, for the first time, export sales of the Pharma unit exceeded the domestic. Although higher than last year for 5%, the domestic sales participated with 47.56% in the overall sales of this Center and the export markets reached 52.44% noting 10% increase compared to 2002.



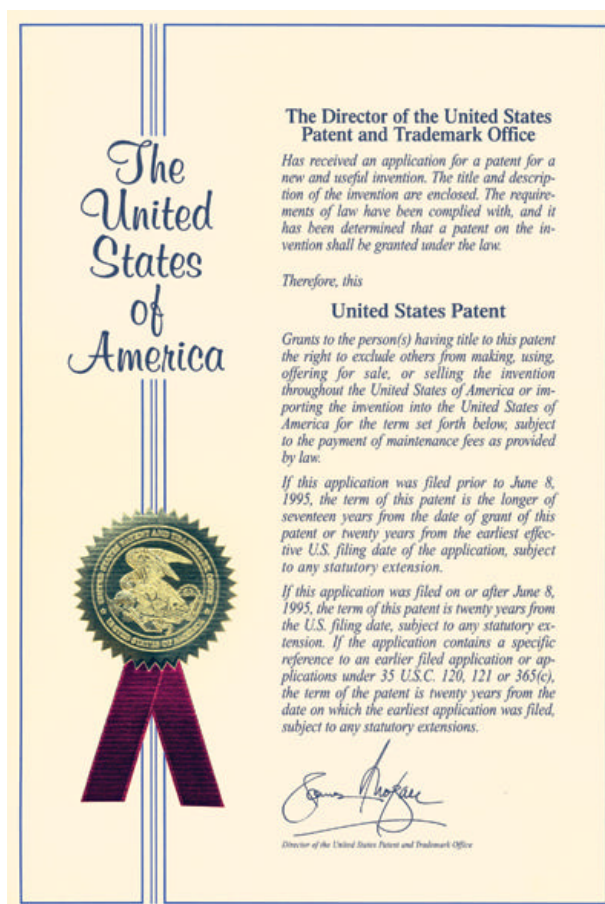
AN ACHIEVEMENT WE ARE PROUD OF ...

One of the achievements for 2003 we are very proud of is the US patent dated 9th September 2003, granted by the United States Patent Office for the invention of our R&D team at PC Pharmaceuticals.

The invention refers to a pharmaceutical formulation for sublingual dosage form comprising a morphine salt together with excipients including saccharide, a binder and disintegrant.

The owner, having the title to the patent has exclusive right to use the invention and right to exclude others from making, using, importing, offering for sale or selling the invention in the territory of the United States of America.

With this patent, Alkaloid was once again granted an industrial property right, which is of significant importance for the Company. It is a confirmation for the years of experience and tradition spent in promotion and protection of this type of property rights, as well as confirmation of the continuous efforts of our Company aimed at investments in knowledge and development of new pharmaceutical formulations.





MICROBIOLOGICAL LABORATORY

An event that is considered as benchmark for 2003 for Pharmaceuticals is the launching of the new Microbiological laboratory, part of the investment project of Alkaloid "Entry into the World Market".

The Micro-lab investment amounted to EUR 1,200,000; completely executed in accordance with the Good Laboratory Practice Standards and validated by an independent UK company.

It was officially launched on the occasion of the visit of Mr. Branko Crvenkovski, now President of the Republic of Macedonia, and Prime minister at the time.

The laboratory is equipped with the most sophisticated validated instruments providing continuous monitoring of all defined parameters including microbial contamination tests, sterility, efficacy of antimicrobial preservation, fertility of the test media, differential microbiology and others. It also enables monitoring of all pre-conditions for quality production, as well as monitoring of the product flow from the production preparation up to its finalization.

With the finalization of this project, we have once again confirmed our basic determination for manufacturing safe, efficient and quality drugs while implementing the world-renowned standards in our operations.



ALKALOID'S DAYS

Starting from 2003, ALKALOID-Pharmaceuticals renewed the tradition for annual gathering of the key personnel in PC Pharmaceuticals. This year, there were about 150 employees at the gathering, representatives from various segments of PC Pharmaceuticals and employees from all Alkaloid's subsidiaries.

The formal part of the gathering was highly beneficial, knowledge sharing and educational for the attendants. Lectures were given on the latest releases from Alkaloid such as: Risperidon (risperidone); Losartan (losartan); Hollesta® (simvastatin) and Roxar® (rofecoxib).

The employees from the base shared their medical, marketing and sales experience for Alkaloid's Legofer® (ferriprotein succinylate) with the employees from the other subsidiaries, and got acquainted with the new NSAID Roxar® (rofecoxib)

There was lots of fun, lots of lectures and we definitely intend to continue this tradition every year, since the employees from 8 different countries working for the same company unite, improve their mutual communication, share their expert and marketing knowledge and learn information that are of crucial importance for the Company.



ALKALOID'S
DAYS 2003
September 3rd - 6th

THIRD CONGRESS ON PHARMACY IN MACEDONIA WITH INTERNATIONAL PARTICIPATION

Teamwork was greatly improved in 2003. The Marketing & Sales division of PC Pharmaceuticals was enforced with several new employments of staff that had excellent educational and professional background.

The impeccable operating of that team has proven its functioning on the Third Congress on Pharmacy in Macedonia with International Participation held every fourth year in Macedonia, this time in Ohrid from 5th to 9th October 2003. We received acknowledgments on the performance Alkaloid had on the social and medical session of the Congress even from our major competitors in Macedonia.

Emphasis was given on the presentation of our new NSAID Roxar[®] that was attended by nearly 700 Congress participants out of 800 registered.



HIGHLY SELECTIVE COX-2 INHIBITOR

LEADER among nonsteroid antiinflammatory drugs

ROXAR[®]
rofecoxib



- ✓ **ACUTE PAIN IN ADULTS**
(postoperative, dental pain, pain occurring in sport injuries)
- ✓ **PRIMARY DISMENORRHEA**
- ✓ **OSTEOARTHRITIS**
- ✓ **RHEUMATOID ARTHRITIS**
- ✓ **ACUTE MIGRAINE WITH OR WITHOUT AURA**

Roxar® (rofecoxib) is a new nonsteroid antiinflammatory drug from the group of selective COX-2 inhibitors, the only COX-2 inhibitor registered in the Republic of Macedonia.

It exhibits inhibitory action on the synthesis of prostaglandines that results in analgesic, antiinflammatory and antipyretic action.

It is indicated in the treatment of acute pain (postoperative, dental pain, pain occurring in sport injuries), acute migraine, primary dismenorrhea, rheumatoid arthritis and osteoarthritis.

Roxar® is a product that has long half-life of elimination, thus once per day dosage is sufficient.

The advantages of Roxar® compared to other NSAIDs confirmed in several comparative studies indicate:

- Reduced incidence of gastrointestinal adverse drug reactions, a fact that is especially important for patients that are on chronic therapy;
- It is recommended for pre-operative analgesia especially in interventions with increased bleeding risk since it does not interfere with thrombocyte aggregation and the bleeding time;
- Roxar® is the only selective COX-2 inhibitor, approved by the FDA for the treatment of acute migraine with or without aura.

All above mentioned, firmly establishes rofecoxib among the leading nonsteroid antiinflammatory drugs.

Roxar® is available in packs of 30 tablets of 12.5 mg and 25 mg.

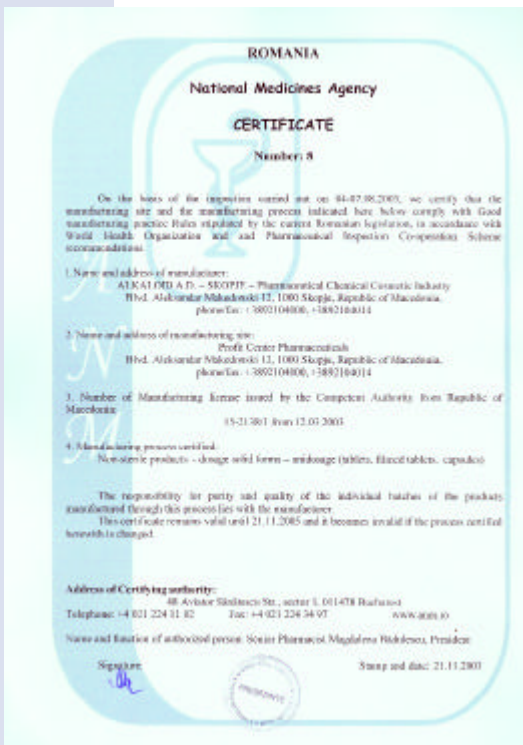
STANDARDS AND CERTIFICATIONS

(GMP; ISO 9001:2000; ISO 14001:1996; ISO 18644; Ph.Eur.; USP; BP; DAB)

In March 2003, Alkaloid-Pharmaceuticals obtained a GMP certificate issued by the Macedonian Ministry of Health pursuant to the EU Directives and the Guidelines of the World Health Organization.

In November 2003, as a result of the rendered inspection by the regulatory authorities of the Republic of Romania, Alkaloid-Pharmaceuticals was granted a GMP Certificate pursuant to the Guidelines of the WHO and PIC/s (Pharmaceutical Inspection Co-operation Scheme).

Our Manual for Quality and Environmental Protection is a collection of procedures and other documents that are crucial for the regular functioning of PC Pharmaceuticals and is applicable in all activities of the main process as a unique system of inter-connected procedures that fulfill the posed objectives of this organization.



EXPORT INSURANCE

In October 2003, Alkaloid has entered into an contract with the Macedonian Bank for Development Support for insurance of Alkaloid's exports in the Russian Federation. According to the contract, the maximum exposure amounts to USD 760,000 and it is valid for one year.

By means of this contract, Alkaloid has provided insurance of its interest connected with he losses that might originate from the insolvency of the foreign partner. Thereby, Alkaloid has secured its market position in the Russian Federation and promoted its capabilities for establishment of new partnerships in this market.

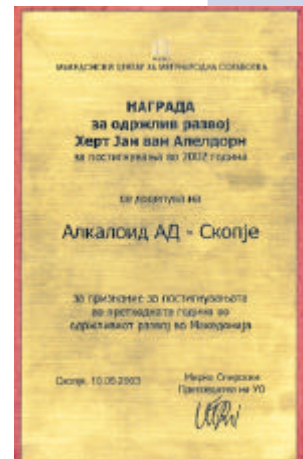
SOCIAL ACTIVITIES

Pursuing one of our basic postulates for permanent endeavor for healthier life for each individual, quality healthcare system and environmental protection, Alkaloid demonstrated its humanity through several symbolic actions.

In July 2003, Alkaloid was granted the Reward for Sustainable Development, Hert Jan van Apeldorn by the Macedonian Center for International Cooperation, granted annually for achievements in the past year. The financial assets granted on this basis were donated by Alkaloid to the Special Healthcare Institution for Persons with Special Needs in Demir Hisar, Macedonia.

Whenever there are events involving children, patients and people with special needs, Alkaloid tends to be present and aid as much as possible.

In future, we plan to assist financially the reconstruction of the Pediatric Clinic as well as other clinics from the Clinical Center in Skopje, for the purposes of improving the conditions and helping patients get the quality care they deserve.





THE HUMAN BODY
IS A PERFECT CREATION
OF NATURE



Every shape, every movement,
every breath and touch
carries the pulse of life,
of that perfect balance
called HEALTH



KING | QUEEN | deodorant

Q CHESS COLLECTION **K**

P.C. CHEMISTRY AND COSMETICS

In 2003, PC Chemistry and Cosmetics worked on rationalization and improvement of the production assortment i.e. exclusion of obsolete and less profitable products, and introduction of several new market demanded products.

A new product was introduced in the household agents collection. That is GLOSS Antibacterial, a dishwashing agent.

Our CHESS collection of perfumes was expanded with KING and QUEEN deodorants and gift sets for men and women.

Taking into consideration the old fashioned design and low level of sun protection factors, as well as the market feed back we were receiving, we have completely redesigned and improved our Black Up Suntan Collection.

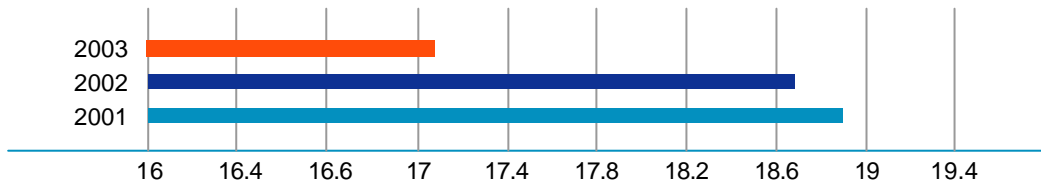
For the purposes of reducing the administrative overload, in 2004 we plan to merge PC Botanicals and PC Chemistry and Cosmetics in one single profit center that will incorporate all consumer goods assortment.

SALES

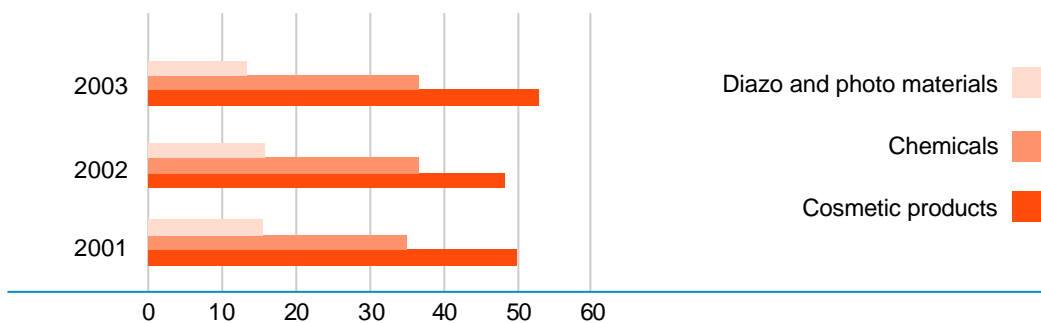
Sales in 2003 reached MK Den 547 mil. which is 17.1% participation in the overall sales of Alkaloid Group.

	% Share of the production programmes in the sales of PC Chemistry and Cosmetics:		
	2003	2002	2001
Cosmetic products	51.65	47.98	49.73
Chemicals	36.51	36.45	34.88
Diazo and photo materials	11.84	15.57	15.39

PC Chemistry and Cosmetics as a part of Alkaloid Group



% Share of the production programmes in the sales of PC Chemistry and Cosmetics

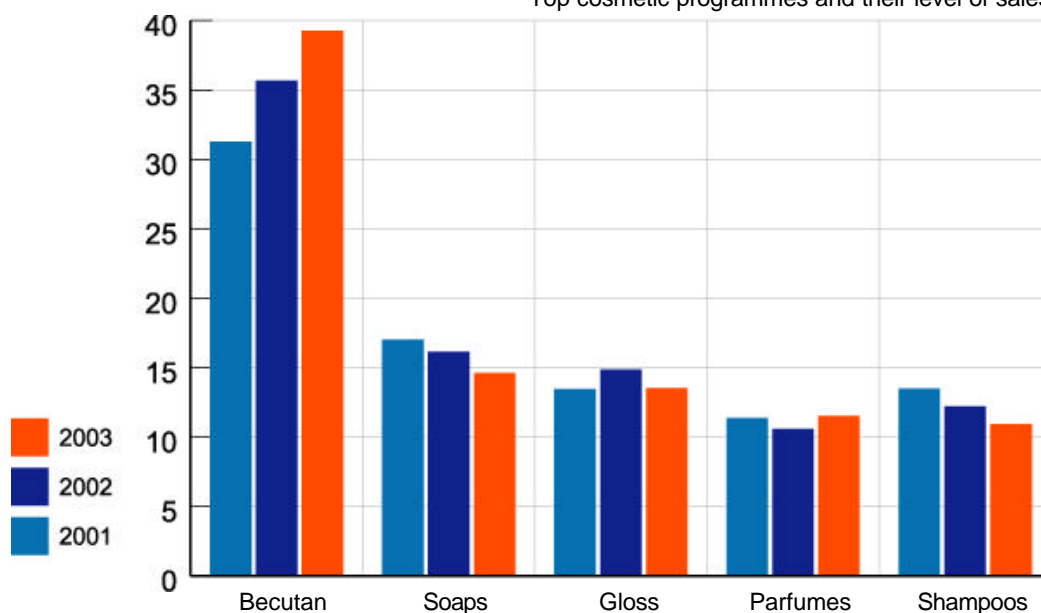


In 2003, export sales of PC Chemistry and Cosmetics were 12% higher compared to 2002. In assortments the highest increase was noted in our Becutan collection, with level of sales 23% higher compared to 2002.

Sales structure of
Cosmetic products and programmes:

	2003	2002	2001
BECUTAN	39.25	35.69	31.27
SOAPS	14.61	16.15	17.02
GLOSS	13.54	14.86	13.46
PERFUMES	11.52	10.59	11.38
SHAMPOOS	10.95	12.22	13.48
Others	10.13	10.49	13.40
% Share of the cosmetics in the sales of PC Chemistry and Cosmetics	51.65	47.98	49.73

Top cosmetic programmes and their level of sales

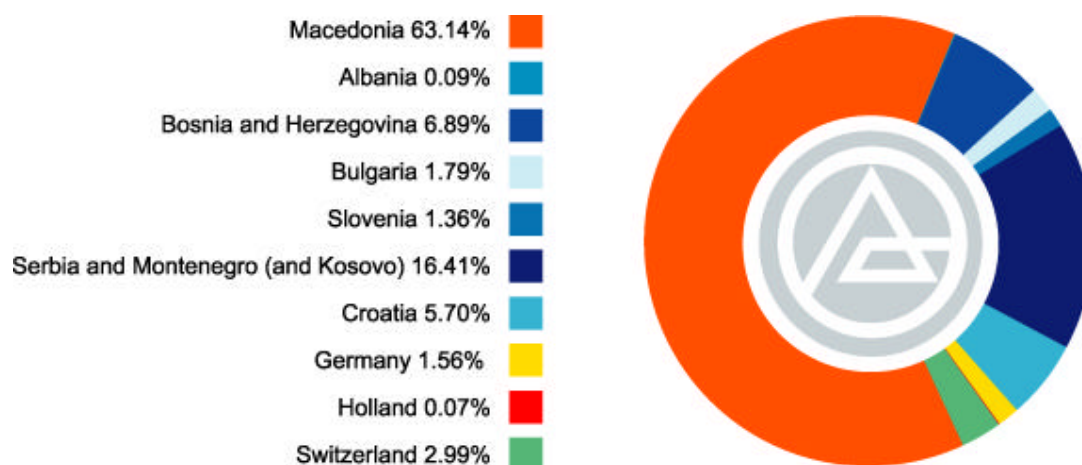


Sales structure
of chemicals, diazo and photo materials:

	2003	2002	2001
Chemicals			
Haemodialysis solutions	29.51	19.89	11.27
Argentum salts	13.33	19.40	42.86
Acidum aceticum	6.47	6.04	18.35
Others	50.69	54.68	27.52
% Share in the sales of PC Chemistry and Cosmetics	36.51	36.45	34.88
Diazo and Photo Materials			
X-ray film	32.46	29.09	13.58
XEROX paper	15.81	15.67	24.69
NCR paper	15.79	19.97	18.91
Others	35.94	35.26	42.82
% Share in the sales of PC Chemistry and Cosmetics	11.84	15.57	15.39

63.14% of the overall sales in 2003 were effectuated on the domestic market, whereas 36.86% were for the export markets.

Sales structure by countries in 2003







THE HUMAN BODY
IS A PERFECT CREATION
OF NATURE



Every shape, every movement,
every breath and touch
carries the pulse of life,
of that perfect balance
called HEALTH

PC BOTANICALS



A cup full of nature





P.C. BOTANICALS

Due to the revision of our production assortment and exclusion of many less profitable and obsolete products, such as wholesale herbs that led to closing of majority of our purchase stations (except the one in Skopje), there was a slight decrease in the overall operations of this profit center.

Emphasis was given to the teas programme, both packed and loose, branded as GOOD NATURE, as well as our food seasoning ZACINAL.

In future we plan to focus our activities on the OTC programme.

NEW OTC PRODUCTS

In 2003 we worked on launching three new herbal drops:

EHINAL®

A natural product for enhancing the immunity made of Echinacea purpurea extract.

TIMIAL®

Herbal drops made of wild thyme extract, exhibiting strong antibacterial, expectorant and antiviral action.

VALERIAL®

Made of valerian extract for treating conditions such as insomnia, anxiety, menstrual pain, headache, stomach disorders etc.

Based on the performed market researches, and the scan of the general public opinion, we plan to redesign the whole OTC programme and form an umbrella brand "Herbal Pharmacy".



A CUP FULL OF NATURE

Under the slogan "A Cup Full of Nature" in January 2003 we started the campaign for promotion of our tea programmes and introduced our new tea: Forest Fruits. A wonderful tea blend made of hibiscus flowers, apple fruits, blueberries, pears, rose hip...

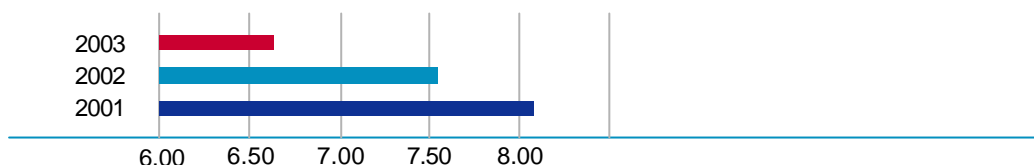
SALES

Sales in 2003 reached MK Den 199 mil. which is 6.2% participation in the overall sales of Alkaloid Group.

% Share of production programmes in the sales of PC Botanicals

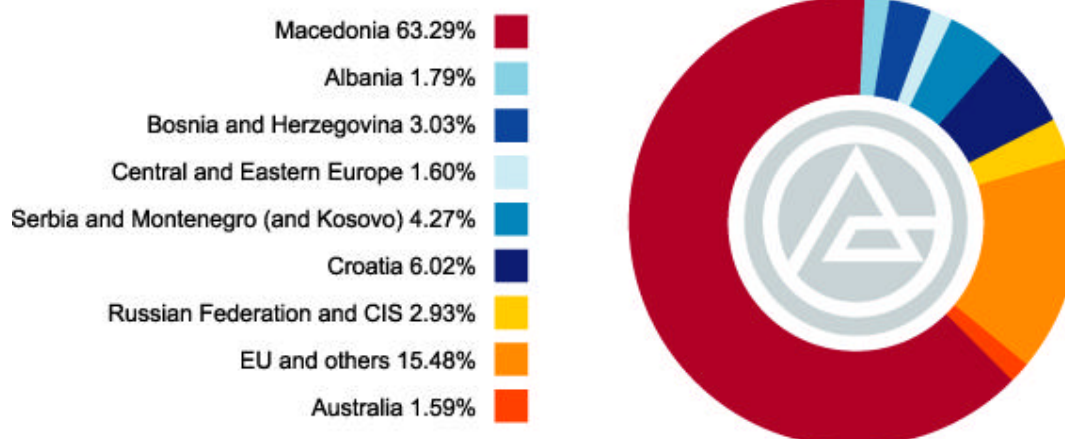
	2003	2002	2001
GOOD NATURE	37.80	37.11	31.50
Wholesale herbs	23.77	24.90	32.47
ZACINAL	17.87	15.58	16.32
Others	20.56	22.41	19.71

PC Botanicals as a part of Alkaloid Group:



63.29% of the overall sales in 2003 were effectuated in the domestic market, whereas 36.71% were in the export markets.

Sales structure by countries in 2003



CERTIFICATES

The certificate for organic products, production and areas, granted by SKAL, an international inspection organization, was re-issued for the year 2003. Our products are the only ones with ECO (organic) label in Republic of Macedonia.

We have started the implementation of the HACCP (Hazard analysis of critical control points) system.

Certificates ISO 9001:2000 and ISO 14001:1996 were re-issued for the year of 2003 and they continue to confirm the quality of our products.



THE HUMAN BODY
IS A PERFECT CREATION
OF NATURE



We have united our knowledge,
experience and discoveries
with the most contemporary technology
creating products
that satisfy standards
of highest QUALITY



ЕКО-НАА
2000

ЕКО-НАА
2000

ЕКО-НАА
2000



АЛКАЛОИД
СКОПЈЕ

P.C. COATINGS

With tradition of almost 60 years in the production of coating agents, Alkaloid-Coatings is the biggest manufacturer of coating agents in the Republic of Macedonia, covering 70 % of the Macedonian market.

Alkaloid-Coatings offers wide assortment of coating agents for various applications such as: protection of interior and exterior walls and concrete surfaces, surface processing of construction elements and furniture, parquet protection agents, protection and decoration of wood and metal surfaces etc.

In 2003, in our production assortment, we introduced acrylic facet paints, parquet glue and we have improved the performances of some of the existing products such as: PUROLIN (polyurethane parquet lacquer) and polyurethane lacquers for industrial use.

For the purposes of maintaining its leading position in the market, and keeping pace with the environmental trends thus promoting the safety of the consumers, a change was made in the packaging materials of our diluents. The glass and plastic packagings were changed with tin containers.

Key products for protection and decoration of interior walls are EKONAL and PRONAL. The quantities of sold products in 2003 equaled 10 mil. square meters of coated surface, and we note a continual growing trend in their production.

The quality of our products and positive customer feed back are basic postulates for Alkaloid-Coatings. Quality control is regularly implemented in all levels, while the quality of our operations is verified according to the international ISO standards.

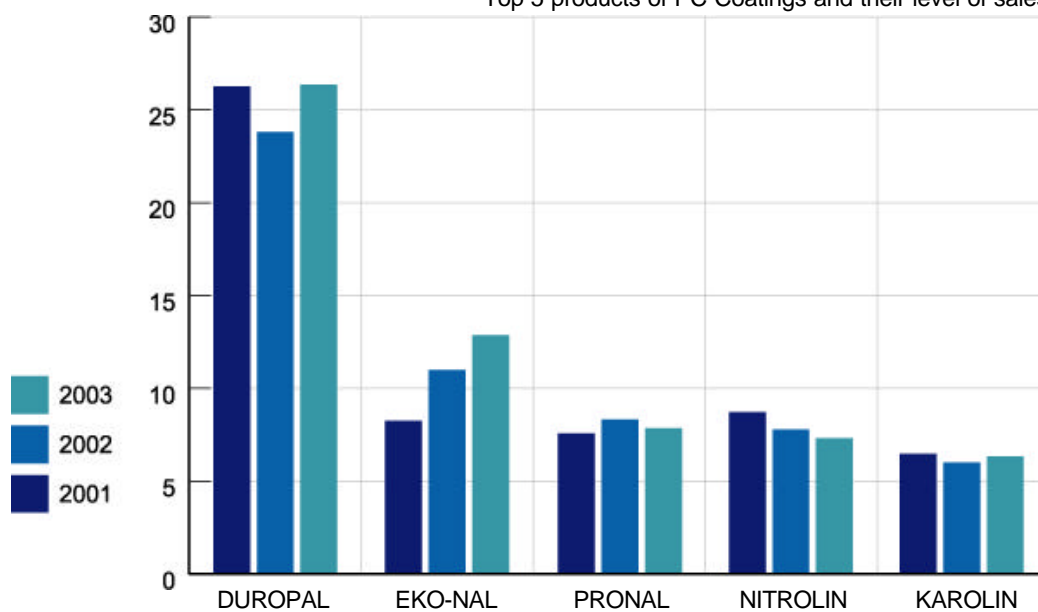
SALES

Sales in 2003 reached MK Den 336 mil. which is 10.5% participation in the overall sales of Alkaloid Group.

% Share of production programmes in the sales of PC Coatings

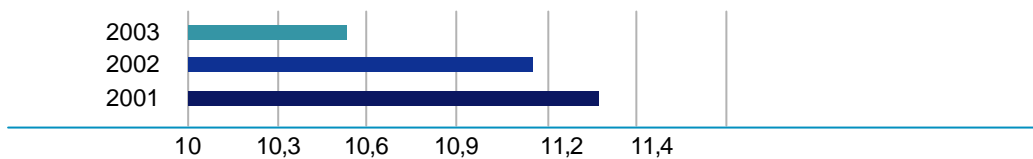
	2003	2002	2001
DUROPAL	26.37	23.80	26.27
EKO-NAL	12.86	10.98	8.25
PRONAL	7.85	8.31	7.57
NITROLIN	7.31	7.77	8.71
KAROLIN	6.34	6.00	6.47
Others	39.27	43.14	42.73

Top 5 products of PC Coatings and their level of sales



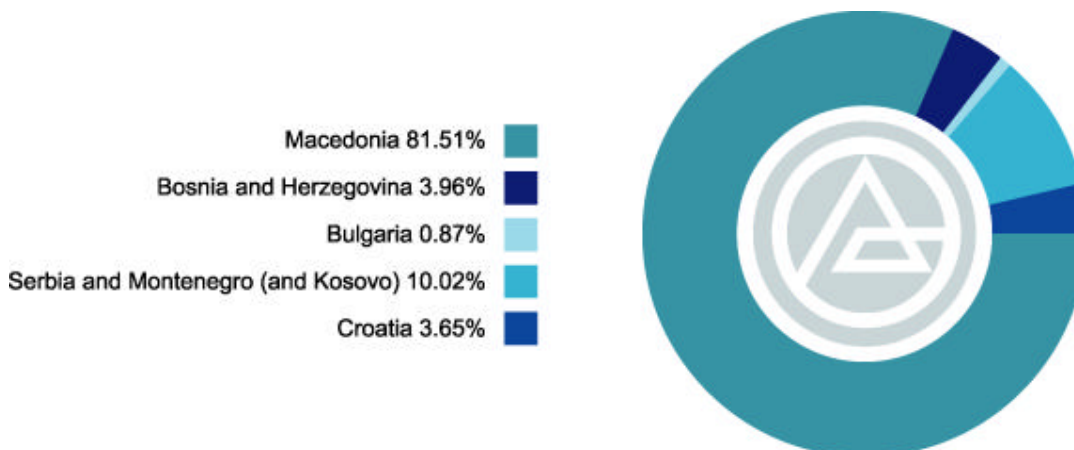
In 2003, in PC Coatings, a substantial increase in the sales for 19% was noted in both brands: DUROPAL and EKONAL.

PC Coatings as a part of Alkaloid Group



81.51% of the overall sales in 2003 were effectuated on the domestic market, whereas 18.49% were for the export markets.

Sales structure by countries in 2003



STANDARDS

The overall assortment of PC Coatings is manufactured under DIN, ISO and MKS quality standards for the starting raw materials as well as for the finished product. Certificate of quality is issued for each product.

PERSONNEL

The educational structure of the employees was as follows:

	2003	2002	2001
Master of Arts	5	6	23
University Degree	298	305	298
Junior College Degree	36	39	49
High School Degree	526	531	539
Qualified Workers	294	330	376
Junior High School Degree	72	78	99
Total	1231	1294	1384

Number of employees in organizational units:

	2003	2002	2001
PC Pharmaceuticals	762	717	793
PC Chemistry and Cosmetics	208	245	253
PC Botanicals	78	115	123
PC Coatings	115	124	113
OU Strategic Investments, IT & General Affairs	27	48	48
OU Finances	41	45	54
Subsidiaries	73	70	69

In 2003, Alkaloid had 21 new employments.

ENVIRONMENTAL PROTECTION

Permanent care for the environment is one of the basic principles in determining the objectives and the directions for fulfillment of the business strategy and long-term policy of Alkaloid AD, defined in our Environmental Policy.

Pursuant to the Environmental Action Plan, the legislative and the requirements of EMS ISO 14001, Alkaloid AD Skopje regularly monitors the following: waste waters, exhaust gas emission, microclimate conditions, noise and respiratory dust in the production areas as well as waste management.

In the course of 2003, Alkaloid's representatives participated in several seminars and workshops in the area of environmental protection and environmental management, those being:

- Establishment of HACCP Information Center;
- Possibilities for Development of Eco-Labeling System in the Republic of Macedonia within the EU Regulatory Frames;
- Environmental Management and ECO Industrial Parks;
- Support of the Macedonian Legal System with the International EIA Procedures;
- International Programme for Health, Environment and Work Safety
- Environmental Privatization;
- Strategy for Promoting Public Awareness on the Persisting Organic Pollution.

In 2003, representatives of Alkaloid AD Skopje participated in the realization of the following projects:

- Improvement of the Capacities of the Ministry of Environmental Protection and Physical Planning - parts: monitoring and data base;
- LEAP for the City of Skopje - part: Promotion of the Environmental Management System in Organizations in the City of Skopje;
- Draft National Programme for Persisting Organic Pollution Matters.

Within the frames of the project: LEAP for the City of Skopje representatives of ALKALOID AD Skopje visited German companies and extinguished experts regarding mutual experience in the implementation of environmental management systems.

In 2003 Alkaloid was granted the Reward for Sustainable Development, Hert Jan van Apeldorn by the Macedonian Center for International Cooperation, granted annually for achievements in the past year. This reward referred to the new facilities for solid dosage forms and semi synthetic cephalosporines as well as the efforts made by Alkaloid in the field of environmental protection.



ОРГАНСКО ПРОИЗВОДСТВО



FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Managing Board of Alkaloid Group

1. We have audited the accompanying balance sheet of Alkaloid Group as of 31 December 2003, and the related income and cash flow statements for the year then ended. These financial statements set out on pages 3 to 28 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements present fairly, in all material respects, the financial position of Alkaloid Group as at 31 December 2003, and of the results of its operations and cash flows for the year that ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS 

Skopje
23 March 2004

PricewaterhouseCoopers

GENERAL

Alkaloid A.D.- Skopje was established in 1936 and in the past years grows in contemporary industrial capacity with wide pallets of products. Production program consists of the variety of pharmacy, chemistry and cosmetics products, as well as paints and polishes for the construction and wood processing industry.

The Alkaloid Group, consist of 8 (eight) subsidiaries, in different countries. The names of the subsidiaries are stated in Note 11, from the Notes to the financial statements.

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

The registered address of the company is:

Aleksandar Makedonski 12
1000 Skopje,
Republic of Macedonia

Commencing the 2002, the shares of the Alkaloid AD - Skopje became listed on the Macedonian Stock Exchange, above their par value.

As of 31 December 2003 Alkaloid Group employed 1,337 people (31 December 2002 1,378).

The names of the members of Managing Board of Alkaloid Group serving during the financial year and to the date of this report are as follows:

- Trajce Mukaetov - Chairman
- Dimitar Pejcinovski
- Cvetanka Simonovska
- Zorka Zlatanovic
- Milkica Gligorova

The names of the Directors of Alkaloid Group serving during the financial year and to the date of this report are as follows:

- Trajce Mukaetov - General Manager
- Dimitar Pejcinovski - Manager of PC SIIG
- Cvetanka Simonovska - Manager of PC Finance
- Zivko Mukaetov - Manager of PC Pharmacy
- Petar Angelovski - Manager of PC Chemistry and cosmetics
- Nikola Dimovski - Manager of PC Botanicals
- Lidija Sofrevska Andonova - Manager of PC Coatings

CONSOLIDATED INCOME STATEMENT

(all amounts in thousands of Denars)	Notes	Year ended 31 December	
		2003	2002
Sales	2	3,196,214	3,182,848
Cost of sales		(1,989,413)	(2,192,386)
Gross profit		1,206,801	990,462
Other operating income		123,233	249,190
Administrative and distribution costs		(628,685)	(679,656)
Other operating expenses		(336,199)	(204,842)
Operating profit	3	365,150	355,154
Finance (expenses) income	5	(90,035)	(91,040)
Profit before tax		275,115	264,114
Income Tax	6	(38,661)	(43,312)
Net profit		236,454	220,802
Minority interest	25	-	(455)
Group profit		236,454	220,347
Earnings per share			
Basic (in Denars)	7	181.72	169.34
Diluted (in Denars)	7	173.13	157.03

CONSOLIDATED BALANCE SHEET

(all amounts in thousands of Denars)	Notes	Year ended 31 December	
		2003	2002
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,224,259	3,285,109
Intangible assets	10	4,026	6,141
Advances for investments		4,240	9,319
Available-for-sale Investments	11	10,474	11,893
Other long term receivables		15,027	15,027
Deferred tax assets	18	409	1,585
Total non-current assets		3,258,435	3,329,074
Current assets			
Inventories	12	983,981	933,331
Payments in advance	13	7,947	18,523
Trade receivables	14	962,731	860,099
Other current assets	15	72,545	54,683
Cash and cash equivalents	16	254,493	360,765
Total current assets		2,281,697	2,227,401
TOTAL ASSETS		5,540,132	5,556,475
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	2,016,057	1,675,470
Treasury shares		(2,583)	-
Legal reserves		234,298	190,872
Other reserves		1,416,604	1,154,742
Retained earnings		877,496	1,327,908
Total capital and reserves		4,541,872	4,348,992
Minority interest	25	834	834
Long term liabilities			
Long term borrowings	17	132,512	485,628
Deferred tax liabilities	18	-	9,440
Other long-term liabilities		-	71
Total long term liabilities		132,512	495,139
Current liabilities			
Trade payables	19	465,752	439,737
Customer prepayments	20	9,902	11,561
Short term borrowings	21	191,059	48,000
Other current liabilities	22	97,439	142,097
Current portion of long term borrowings	17	100,762	70,115
Total current liabilities		864,914	711,510
Total liabilities		997,426	1,206,649
TOTAL EQUITY AND LIABILITIES		5,540,132	5,556,475

Trajce Mukaetov
General Manager



Cvetanka Simonovska
Director of PC Finance



CONSOLIDATED CASH FLOW STATEMENT

(all amounts in thousands of Denars)	Year ended 31 December	
	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	2,935,439	2,424,254
Cash paid to suppliers and employees	(2,401,229)	(2,060,298)
Cash generated from operations	534,210	363,956
Interest received	5,815	(12,903)
Income taxes paid	(22,921)	(26,774)
(Payment in advance) / Advances received (net)	(5,216)	(16,621)
(Payments to) /proceeds from insurance company	(25,188)	(24,131)
Loans to Employees	(54,103)	-
NET CASH FROM OPERATING ACTIVITIES	432,597	283,527
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(74,793)	(132,467)
Sale of fixed assets	2,737	5,958
Dividends received	702	1,695
NET CASH USED IN INVESTING ACTIVITIES	(71,354)	(124,814)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from / (payment) of short-term borrowings	100,000	(101,000)
Proceeds from / (payment) of long-term borrowings	(322,746)	43,671
Interest paid	(72,604)	(60,992)
Acquisition of treasury shares	(61,725)	-
Dividends paid	(110,440)	(89,402)
NET CASH USED IN FINANCING ACTIVITIES	(467,515)	(207,723)
NET INCREASE / (DECREASE) IN CASH	(106,272)	(49,010)
Movements in the cash and cash equivalents		
At the beginning of the year	360,765	409,775
Net increase in cash	(106,272)	(49,010)
At the end of the year	254,493	360,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In the Notes all amounts are shown in Denars thousands)

1 Segment information

Primary reporting format - business segments					
31 December 2003	Pharmaceuticals	Chemicals & Cosmetics	Botanicals	Coatings	Group
Sales	2,114,701	546,813	198,777	335,922	3,196,214
Segment result	353,870	23,069	(36,267)	8,429	349,101
Unallocated profit					16,049
Profit from operations					365,150
Finance costs - net					(90,035)
Profit before tax					275,115
Income tax					(38,661)
Net profit					236,454
Segment assets	3,070,229	1,323,634	414,344	731,925	5,540,132
Unallocated assets					-
Total assets					5,540,132
Segment liabilities	(719,386)	(123,700)	(44,188)	(110,151)	(997,425)
Unallocated liabilities					-
Total liabilities					(997,425)
31 December 2002	Pharmaceuticals	Chemicals & Cosmetics	Botanicals	Coatings	Group
Sales	1,962,597	594,481	250,308	375,462	3,182,848
Segment result	357,408	41,178	(36,605)	11,030	373,011
Unallocated costs					(17,857)
Profit from operations					355,154
Finance costs - net					(91,040)
Profit before tax					264,114
Income tax					(43,312)
Net profit					220,802
Segment assets	3,051,631	1,344,406	376,606	730,735	5,503,378
Unallocated assets					53,097
Total assets					5,556,475
Segment liabilities	(993,283)	(89,802)	(41,066)	(82,498)	(1,206,649)
Unallocated liabilities					-
Total liabilities					(1,206,649)

1 Segment information (continued)

At 31 December 2003, the Company is organised on a worldwide basis into four main business segments:

- **Pharmaceuticals** - production of medicines for human use, medicines for veterinary use and pharmaceutical raw materials.
- **Chemicals & Cosmetics** - production of chemicals, diazo, photo-materials, X-rays, cosmetics and soaps.
- **Botanicals** - production of teas, food products, medicines and herbal raw materials.
- **Coatings** - production of coatings and synthetic resins.

Secondary reporting format - geographical segments

Although the Group's four business segments are managed on a worldwide basis, they operate in five main geographical areas. The Republic of Macedonia is the home country of the parent company, which is also the main operating company.

The sales by the main geographical areas are as follows:

Sales	2003	2002
Republic of Macedonia	1,777,675	1,809,298
Central and Eastern Europa	1,291,068	1,086,895
Russian Federation and other countries in CIS	48,569	141,616
Western Europa (EU and EFTA)	76,537	144,380
Other countries	2,365	659
	3,196,214	3,182,848

With the exception of Republic of Macedonia, no other individual country contributed more than 10% of consolidated sales. Sales are based on the country in which the customer is located.

2 Analysis of sales

	2003	2002
Sale on domestic market	1,777,675	1,804,751
Sale on foreign market	1,398,536	1,372,935
Other	20,003	5,162
	3,196,214	3,182,848

3 Operating profit

	2003	2002
Sales	3,196,214	3,182,848
Other operating income	123,233	249,190
Materials	(1,180,186)	(1,331,504)
Energy	(101,542)	(99,416)
Transport costs	(64,350)	(63,273)
Depreciation (Note 9)	(141,278)	(107,290)
Employee costs (Note 4)	(754,427)	(800,633)
Changes in Work in progress and finished goods	34,451	21,133
Provision for bad and doubtful debts	(128,460)	(10,566)
Other expenses	(618,505)	(625,800)
Tax on financial transactions	-	(59,535)
	2,954,297	3,076,884
	365,150	355,154

4 Employee costs

	2003	2002
Gross wages and salaries	597,803	623,321
Transport expenses	29,195	29,395
Food allowances	28,605	41,291
Holiday allowances	15,214	14,658
Termination costs	47,831	33,452
Costs for business trip	29,137	28,434
Other benefits	6,642	30,082
	754,427	800,633

5 Finance costs

	2003	2002
Interest income	5,817	12,903
Dividend income	701	8,784
Other	2,029	917
	8,548	22,604
Net foreign exchange transaction gains/(losses)	(32,008)	34,476
Interest expense	(62,957)	(60,623)
Other	(3,618)	(87,497)
	(66,575)	(148,120)
	(90,035)	(91,040)

6 Income tax

	2003	2002
Current income tax	30,228	35,457
Deferred income tax (Note 18)	8,433	7,855
	38,661	43,312

The income tax differs from the amount that would arise using the base tax rate of the home country of the Company as follows:

Profit before tax	275,115	264,114
Tax calculated at a tax rate of 15%	41,267	39,617
Income not subject to tax	(5,375)	(11,162)
Expenses not deductible for tax purposes	11,186	30,570
Reduction of the tax base	(8,530)	(14,786)
Tax assets	(457)	(1,416)
Effect of different tax rates in other countries	570	489
Tax charge	38,661	43,312
Effective tax rate	14,05 %	16,39 %

Tax authorities audited the Company 's taxes for year 2003. No remarks were found.

Tax authorities can audit the documents and reports at any time, for a period of five years after the year the audit has been performed and can make adjustments and stipulate penalties.

Management of the Company does not expect any material consequences.

7 Earnings per share

	2003	2002
Net profit attributable to shareholders	236,454	220,347
Weighted average number of shares	1,301,230	1,301,230
Basic earnings per share (in Denars)	181.72	169.34
Net profit attributable to shareholders	236,454	220,347
Interest expense on convertible debt	14,901	39,900
Net profit used to determine diluted earnings per share	251,355	260,247
Weighted average number of shares	1,301,230	1,301,230
Assumed conversion of convertible debt	150,596	356,025
Weighted average number of shares for diluted earnings per share	1,451,826	1,657,255
Diluted earnings per share (in Denars)	173.,13	157.03

8 Dividend per share

Liabilities for dividends will be recorded in the Group financial statements for 2004, after approving by shareholder on annual meeting.

At the Annual General Meeting during the 2003, a gross dividend in respect of 2002 of Den. 98,529,000 was approved and paid. The amount of net dividends for shareholders is Den. 91,737,000 (Den. 70.50 per share). The dividend declared is disclosed in the equity as an appropriation of the retained earnings.

9 Property, plant & equipment

(all amounts in thousands of Denars)	Land and buildings	Equipment	Construction in progress	Total
Cost or valuation				
At 1 January 2003	3,170,279	1,195,491	273,445	4,639,215
Additions in the year	21,948	2,816	58,516	83,325
Transfer from construction in progress	16,361	14,708	(31,069)	-
Disposal in the year	(10,625)	(10,454)	-	(21,079)
Translation differences	21	(1,430)	-	(1,409)
At 31 December 2003	3,197,984	1,201,176	300,892	4,700,052
Depreciation				
At 1 January 2003	698,333	655,773	-	1,354,106
Charge for the year 2003	60,189	79,059	-	139,248
Disposal in the year	(6,691)	(9,880)	-	(16,571)
Translation differences	(187)	(803)	-	(990)
At 31 December 2003	751,644	724,149	-	1,475,793
Net book value at 31 December 2003	2,446,340	477,027	300,892	3,224,259
Net book value at 31 December 2002	2,471,946	539,718	273,445	3,285,109

According to the long-term agreement with EBRD and IFC the company has pledged as the loan securities part of the new drug factory, part of the administration buildings and land, in total amount of Den. 1,062,785,000.

10 Intangible assets

Intangible assets consist of seals for registration of trademarks for medicaments, chemistry and cosmetics, botanicals and coatings.

	2003	2002
Cost or valuation		
At 1 January	10,615	11,979
Additions in the year	338	288
Transfer from construction in progress	-	-
Transfer to costs	-	-
Disposal in the year	(425)	(1,652)
Translation differences	(19)	-
At 31 December	10,509	10,615
Depreciation		
At 1 January	4,474	2,543
Charge for the year	2,024	1,931
Disposal in the year	(15)	-
At 31 December	6,483	4,474
Net book value at 31 December	4,026	6,141

11 Investments

	2003	2002
Investments in banks	17,806	17,806
Investments in insurance company	1,116	1,116
Investments in enterprises	3,732	3,372
	22,654	22,645
Less: Provision	(12,180)	(10,761)
	10,474	11,893

The investments are carried at fair value.

Investments in banks:	2003	2002
Komercijalna banka A.D. - Skopje	14,758	14,758
Stopanska Banka - Skopje	2,550	2,550
Invest Banka	439	439
Other	59	59
	17,806	17,806
Less: Provision	(11,178)	(9,832)
	6,628	7,974

Investments in insurance companies:	2003	2002
QBE Macedonia	1,116	1,116
Less: Provision	(1,002)	(929)
	114	187

Held-to-maturity investments, comprising of investments in subsidiaries and other companies not controlled by the Company.

Investment in subsidiaries	%	2003	2002
Alkaloidfarm, Switzerland	100	5,474	5,474
Alkaloid, Bulgaria	100	901	901
Albalkaloid, Albania	51	199	199
Alkaloid, Slovenia	100	557	557
Alkaloid, Croatia	100	29,441	29,441
Alkaloid, Serbia and Montenegro	100	2,132	2,132
Alkaloid, Bosnia and Herzegovina	100	56	56
Total		38,760	38,760

During the 2003 there are no investments in new companies or sales of existing subsidiaries.

Alkaloid's representative offices in Prishtina, Kosovo (Serbia and Montenegro) and in Moscow, Russia are included in the financial statements of the Company.

12 Inventories

	2003	2002
Raw materials	426,416	425,559
Spare parts	10,803	12,644
Tools and consumable stores	21,797	21,562
Work in progress	68,798	58,761
Finished goods	463,633	427,258
Commodities	11,710	6,287
	1,003,157	952,071
Less: Provision	(19,176)	(18,740)
	983,981	933,331
Provision on inventories relates to:	2003	2002
Provision on tools and consumable stores	19,176	18,740
	19,176	18,740

13 Payments in advance

	2003	2002
Payments in advance for raw materials	7,947	18,523
	7,947	18,523

Payments in advance to foreign suppliers are made for purchasing of raw materials.

14 Trade receivables

	2003	2002
Domestic customers	745,747	650,584
Foreign customers	549,277	443,663
Less: Provision	(332,293)	(234,148)
	962,731	860,099

15 Other current assets

	2003	2002
Receivables from employees	54,121	3,521
Prepaid expenses	185	7,369
Receivables for prepaid VAT	12,779	17,345
Receivables for prepaid Income tax	-	21,065
Other current assets	5460	5,383
	72,545	54,683

In December 2003 short-term no interest rate loan has been granted to the employees, for acquisition of treasury shares in amount of MKD 54,102,796. Loan is due within 8 months. Users of this credit are also a part of the management in amount of MKD 20,467,782. The receivables for VAT are refunded from the Tax authorities on regular basis.

16 Cash and bank balances

	2003	2002
Bank accounts -in denars	3,095	22,788
Bank accounts-in foreign currency	243,474	330,525
Letters of credit in foreign currency	695	(4)
Cash in hand-in foreign currency	6,263	6,251
Cash in hand-in denars	243	236
Other	723	969
	254,493	360,765

17 Long term borrowings

Banks	Due date	Interest rate	2003	2002
EBRD	2002	Variable	118,180	277,872
IFC	2002	Libor (6 months)	115,094	277,871
			233,274	555,743
Less: Current portion of long term borrowings			(100,762)	(70,115)
			132,512	485,628

The Group entered into long-term agreement with EBRD in total amount of EUR 8,700,000, available in two tranches, Transhe 1 in amount of EUR 4,900,000 and Transhe 2 in amount of EUR 3,800,000.

The Group entered into long-term agreement with IFC in total amount of EUR 8,700,000, available in two tranches, Transhe 1 in amount of EUR 4,900,000 and Transhe 2 in amount of EUR 3,800,000.

The maturity of the long-term borrowings are as follows:

Banks	1 year	1 - 3 years	Total
EBRD	50,706	67,474	118,180
IFC	50,056	65,038	115,094
	100,762	132,512	233,274

The Group has issued convertible bonds as guaranty for long-term borrowings named on the creditors. The details about the issued convertible bonds are presented below:

Banks	Number of issued bonds	Nominal value in EUR	Value in EUR
EBRD	164,209	25.57	4,199,981.59
IFC	164,209	25.57	4,199,981.59
	328,418	25.57	8,399,963.18

In accordance with the long-term agreements, the difference between the liability for long-term borrowings and the issued convertible bonds as at 31 December 2003, the Group has right to withdraw. As at 31 December 2003, the amount of convertible bonds transferable to ordinary shares is 150,596 ordinary shares in total value of approximately EUR 3,850,740 (MKD 236,012,000).

18 Deferred taxes

	2003	2002
Deferred tax asset	(17,873)	(1,585)
Deferred tax liability	9,440	9,440
	8,433	7,855
At 1 January	7,855	-
Deferred income tax in Income statement	8,433	7,855
Deferred income tax in Equity	(16,697)	-
At 31 December	(409)	7,855
Tangible asstes	16,633	-
Intangible asstes	64	-
At 31 December	16,697	-

Deferred tax credited to equity represents deferred tax on the difference between the revalued value of the tangible and intangible assets in accordance with local requirements and their cost.

19 Trade payables

	2003	2002
Domestic suppliers	222,167	216,400
Foreign suppliers	225,734	202,614
Uninvoiced suppliers (goods in transit)	6,410	8,164
Commission sale	11,441	12,559
	465,752	439,737

20 Customer prepayments

	2003	2002
Prepayments from domestic customers		
Prepayments from foreign customers	7,980	10,448
	1,922	1,113
	9,902	11,561

21 Short-term borrowings

	2003	2002
Stopanska banka AD -Bitola	120,000	30,000
Komercijalna banka AD - Skopje	28,000	18,000
Erste & Steiermarkische Bank dd - Rijeka, Croatia	43,059	-
	191,059	48,000
Effective interest rates for short-term loans on 31 December are as follows:	8,5 - 15 %	15 - 18 %

22 Other current liabilities

	2003	2002
Liabilities to the employees for salaries and wages	30,433	36,075
Dividends payable	7,262	5,980
Accrued expenses	36,000	25,285
Taxes	12,333	17,298
Interest	1,305	701
Other	10,106	56,758
	97,439	142,097

23 Shares

The shareholder structure is:

31 December 2003					
Owners structure	Type of Share	No. shares	%	Value in EUR	Value in MKD'000
Shareholders	Ordinary	1,209,550	92.95	30,929,133.92	1,874,002
Pension fond	Preference	88,452	6.80	2,261,983.91	137,054
Ex-owners	Preference	3,228	0.25	82,539.89	5,001
		1,301,230	100.00	33,273,657.72	2,016,057

The total number of authorised and issued shares is 1,301,230 with nominal value of EUR 25.56 per share. The issued shares are fully paid.

During the 2003, the Group has not issued new shares.

24 Treasury shares

In 2003, The Group purchased 58,681 treasury shares (4,5% of all shares) in total amount of MKD 114,835,000. The shares were disposed during the same year, of which 29,605 shares in total amount of MKD 58,019,286 were given to the employees as participation in profit, 28,450 shares in total amount of 54,102,796 were bought out by the employees and the management (Notes 15 and 24), and the rest of 626 shares in total amount of MKD 1,122,351 were sold on the market to various parties. The total amount for disposal of treasury shares is MKD 111,252,000.

25 Minority interest

	2003	2002
At 1 January	834	1,093
Appropriation of net profit	-	455
Payment of the minority interest	-	(714)
	834	834

26 Related party transactions

Alkaloid Ad - Skopje has investments in seven subsidiaries stated in Note 11 above. Sales and purchases of goods and services are based on regular market terms and prices.

26 Related party transactions (continue)

The transactions with the related parties are stated below:

Sale of goods and services	2003	2002
Alkaloidfarm, Switzerland	60,845	85,388
Alkaloid, Croatia	299,792	267,186
Alkaloid, Albania	33,284	31,913
Alkaloid, Serbia and Montenegro	17,425	26,031
Alkaloid, Bosnia and Herzegovina	32,080	30,993
Alkaloid, Bulgaria	20,081	23,239
Alkaloid, Slovenia	4,091	4,911
	467,598	469,661

Purchases of goods and services	2003	2002
Alkaloidfarm, Switzerland	68,734	67,451
Alkaloid, Slovenia	24,655	24,374
Alkaloid, Bosnia and Herzegovina	29,856	23,023
Alkaloid, Serbia and Montenegro	31,004	31,284
Alkaloid, Bulgaria	2,635	1,133
Alkaloid, Croatia	41,362	31,701
Albalkaloid, Albania	3,968	4,464
	202,214	183,430

Outstanding balances arising from the transactions mentioned above are presented below:

Accounts receivable	2003	2002
Alkaloidfarm, Switzerland	23,583	66,109
Alkaloid, Croatia	168,627	158,548
Alkaloid, Serbia and Montenegro	108,858	128,643
Alkaloid, Bosnia and Herzegovina	26,181	22,249
Alkaloid, Bulgaria	11,882	10,792
Alkaloid, Albania	20,433	11,580
Alkaloid, Slovenia	3,179	3,949
	362,743	401,870

Accounts payable	2003	2002
Alkaloidfarm, Switzerland	106,450	124,615
Alkaloid, Serbia and Montenegro	27,590	33,507
Alkaloid, Slovenia	6,591	7,241
Alkaloid, Bosnia and Herzegovina	5,445	5,319
Alkaloid, Croatia	22,247	29,411
Alkaloid, Bulgaria	-	-
Albalkaloid, Albania	1,221	40
	169,544	200,133

26 Related party transactions (continue)

Receivables from the Management	2003	2002
Loan	20,468	-
	20,468	-

In December 2003, short-term loan has been granted to the Management in total amount of MKD 20,467,782, for acquisition of own shares. The loan has no interest rate and is due in 8 months.

Advances received	2003	2002
Alkaloidfarm, Switzerland	7,537	9,632
	7,537	9,632

Profit Transfer	2003	2002
Alkaloid Zagreb	46,253	-
	46,253	-

Liabilities for received loans	2003	2002
Alkaloidfarm, Switzerland	61,293	-
	61,293	-

In November 2003, Alkaloidfarm granted long-term loan in amount of EUR 1,000,000, with annual interest rate 3,5% and greis period of 40 months. The loan due on 1 April 2007.

Management compensation

In 2003, the amount of MKD 2,160,470 (2002, MKD 811,589) was paid to the Management Board members

In 2003, the amount of MKD 3,413,874 (2002, MKD 1,249,344) was paid to the Supervision Board members

27 Post balance sheet event

Long-term Loans

In 2003 and 2004, The Group paid of annuities due, according to the agreements with EBRD and IFC. In 2003, were paid in advance some of the instalments of the loans.

In February 2004, The Group was successful in servicing its debts towards EBRD and IFC.

Liabilities, on EBRD and IFC loans on 29.02.2004 are as follows:

(In EUR)	Principal	Interest	Annuity
EBRD	1,514,483	103,142	1,617,625
IFC	1,469,425	98,626	1,568,051
Total	2,983,908	201,768	3,185,676

SHAREHOLDING

The share capital of the Company amounts to 1,301,230 shares with par value of EUR 25.56 per share or total sum of EUR 33,265,416.73.

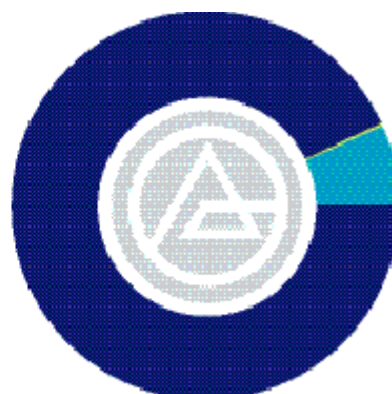
The shares are freely transferable. All individuals included in the Shareholders Registry, which in compliance with the existing regulations is kept with the Central Depository for Securities, shall be deemed as shareholders. The shareholders shall enjoy equal status and shall retain the voting right at the Company's Assembly i.e. one vote for every ordinary share, as well as the right to a dividend.

As of 31st December 2003, ALKALOID AD Skopje has totally 2544 shareholders holding regular shares. 92.95% (1,209,550) of the shares are ordinary shares; 6.8% (88,452) are preference shares held by the Pension and Disability Insurance Fund of the Republic of Macedonia and 0.25% (3,228) are preference shares, reserved for former proprietors and proprietors who need to prove their ownership right of inheritance for estate now belonging to ALKALOID AD Skopje.

Ordinary shares
 (legal and physical persons) 92.95 %

Preference shares
 (former proprietors) 0.25 %

Preference shares
 (PDI Fund) 6.80 %



Shareholders	Type of shares	Number of shares
Legal and Physical persons	Ordinary	1,209,550
Pension and Disability Insurance Fund of the Republic of Macedonia	Preference	88,452
Former proprietors	Preference	3,228
Total		1,301,230

According to the evidence of the Macedonian Stock Exchange, the shares of Alkaloid AD Skopje in the course of 2003 stood for the most traded and most liquid shares. 854 transactions were made, 77,194 shares were traded (being 5.94% of the overall share capital of Alkaloid AD Skopje), with total amount of EUR 2,372,126.

Alkaloid AD Skopje, the leading company on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 28.57% of the total trade effectuated on the first official market of the Macedonian Stock Exchange.

The price of Alkaloid's shares ranged from MKD 1,300 to MKD 2,300 with average of MKD 1,720. The capital gain on Alkaloid's shares in December 2003 compared to January 2003 was 34%, while the capital gain on the average price of Alkaloid's shares in 2003 compared with 2002 was 30.4%.

Commencing from 1995, the year when the company was restructured, ALKALOID AD Skopje is regularly effectuating the dividends on annual basis.

Net dividend per share for 2003 amounted to MKD 70.50 and the fixed date for performing the right to a dividend is 19th May 2004.

The amount of the dividend per share in the past three years ranged as follows:

In MK Denars	2003	2002	2001
Net dividend per share	70.50	70.50	58,43

In January 2004, the Board of directors of the Macedonian Stock Exchange elected Alkaloid AD Skopje as the most transparently listed company for 2003. This election was made based on criteria such as: forwarding timely and correct information and their regular distribution enabling easy access, as well as proper cooperation with the public and the Stock Exchange. Alkaloid AD Skopje was chosen as most suitable for the election among many listed Macedonian companies.





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