

ANNUAL
REPORT '08



ALKALOID
SKOPJE



ALKALOID
SKOPJE

www.alkaloid.com.mk

Annual Report 2008

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Alkaloid group 2008 Key Financial Indicators

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	(In 000 MKD)		
	Amount	Amount	Index
	2008	2007	08/07
Total Revenues	5.015.557	4.198.043	119,47
Sales	4.725.737	4.023.349	117,46
Gross Profit	2.257.021	1.854.693	121,69
Operative Profit	652.332	522.838	124,77
Profit Before Tax	610.865	477.049	128,05
Net Profit	501.784	376.529	133,27
Total Assets	7.071.455	6.758.183	104,64
Capital	5.813.945	5.466.114	106,36
Net Cash Flow	-18.201	106.237	-17,13
Investments in Fixed Assets	392.345	226.461	173,25
Average Number of Employees	1.148	1.090	105,32
Sales per Employee	4.116	3.691	111,52
Current Ratio	2,59	2,26	114,31
Long-term Debts	0,00	0,01	24,71
ROE Return on Equity	8,63	6,89	125,29
EPS Earnings per Share (in MK Denars)	352,66	263,93	133,62
DPS Dividend per Share (in MK Denars)	123,00	100,00	123,00
Total Number of Shares	1.431.353	1.431.353	100,00
1 EUR / 1 MKD	61,2654	61,1838	100,13

FINANCIAL HIGHLIGHTS


	(In 000 EUR)		
	Amount	Amount	Index
	2008	2007	08/07
Total Revenues	81.866	68.614	119,31
Sales	77.135	65.758	117,30
EBIT Earnings Before Interest and Taxes	10.648	8.545	124,60
Net Profit	8.190	6.154	133,09
EPS Earnings per Share	5,76	4,31	133,44



Caffetin®, besides being a Superbrand for Serbia and Montenegro in 2007, also acquired a Superbrand status for the territory of Bosnia and Herzegovina for its remarkable achievements on this market



The **Trajche Mukaetov Foundation** granted scholarships to 41 new students, thus totaling 62 scholarships for students of medicine and pharmacy



Alkaloid signed a cooperation agreement with Sts. Cyril and Methodius University with the purpose of exchanging knowledge and experience, as well as joint implementation of various projects



Alkaloid entered into a partnership agreement with the renowned manufacturer of dialyzers and hemodialysis solutions, **NIPRO Corporation** from Osaka, Japan. This partnership is aimed at a joint performance on the markets in this region and wider

HIGHLIGHTS 2008

The new **Institute for Development and Quality Control** of Alkaloid AD officially started its operations

Alkaloid was granted the **Crystal Bell Award** by the Macedonian Stock Exchange for being the most transparent quoted company for 2008

Shareholders Assembly

Supervisory Board

Management Board

Chief Executive Officer

Internal Audit Department

PC PHARMACEUTICALS

Production of
Pharmaceuticals

Marketing and sales

Domestic Market Medical Marketing
Export Markets OTC Division

PC CHEMISTRY,
COSMETICS AND
BOTANICALS

Production Division
Chemicals (Industry chemicals
dialysis, X-ray and diazo)
Cosmetics
Botanicals

Commercial
Department
Cemical Cosmetics
Botanicals

CORPORATE
SERVICES

Finances

Logistics

Corporate
Development
Department

Legal and
Personnel
Affairs
Human Resources

DOMESTIC DAUGHTER
COMPANIES AND
SUBSIDIARIES ABROAD

ORGANIZATIONAL CHART

Regulatory and Medical Affairs, Intellectual Property Protection

R&D, Validation, GMP Education

Quality Control Department

Pharmaceutical Quality Assurance Environmental Protection

R&D Department
Cosmetics
Botanicals

Quality Control
Chemicals
Cosmetics
Botanicals



Bussines Planning and Reporting

Informatics and Telecommuni-cations

Marketing Communications

Shareholding, Property Issues

General Services

In 2008, the Supervisory Board of Alkaloid AD Skopje operated as follows:



Prof. D-r Miodrag Micajkov

President of the Supervisory Board,
Ph.D. in Law
Born on August 27, 1944, in Kavadarci, Republic of Macedonia.
Professor at Justinijan I Faculty of Law at Sts. Cyril and Methodius University in Skopje.



Prof. D-r Ilija Dzonov

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



Bojanco Krlevski

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

Report on the work of the Supervisory Board of Alkaloid AD Skopje

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

In the course of 2008, the Supervisory Board held its sessions in the presence of all members and discussed all important issues that fell within the scope of its competences, including the Balance Sheet of the Company, the results of its operations and the non-consolidated individual financial reports, as well as the unrevised consolidated reports.

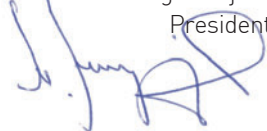
The Supervisory Board carried out an inspection of the management of the Company i.e. the work of the Management Board, and reviewed the Annual Report on the Company operations for the period from January to December 2008. Thereafter, the Supervisory Board asserted that the operations of the Company and its management were successful, based on the achieved results in 2008, which were confirmed by the authorized auditor.

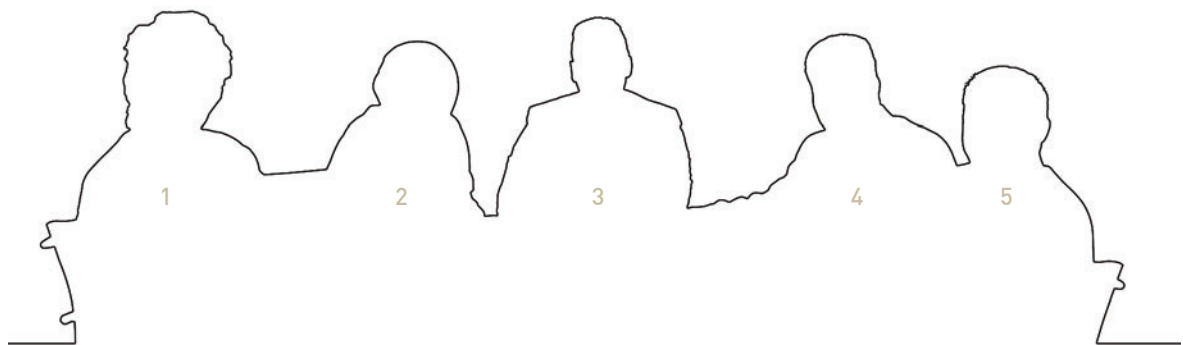
In this regard, the Supervisory Board proposed that the Company Assembly should endorse the work of the Management Board of ALKALOID AD Skopje and the Company operations in the course of 2008, and adopt the Annual Report on the Company operations for the year 2008.

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

The Supervisory Board reviewed the Financial reports for the year that ended on 31 December 2008 and the independent auditor's report prepared by Deloitte Skopje, the proposed decisions by the Management Board that will be submitted to the Shareholders' Assembly: Proposal of the Annual Report for the period January – December 2008, Decision Proposal for allocation and distribution of the profit, Decision Proposal for determination of the date for payment of the dividend for 2008 (dividend calendar), Decision Proposal for acquisition of proper shares with buyout, Decision proposal for selling proper shares, put forward to the Shareholders' Assembly on its session to pass the Decisions as proposed.

Supervisory Board
Prof. D-r Miodrag Micajkov
President





1
Milkica Gligorova

Member of the Management Board, Director of the Production segment of PC Pharmaceuticals

Holds a B. Sc. degree in Pharmaceuticals, Specialist in Pharmaceutical Technology. Born on 10 April 1959 in Skopje, Republic of Macedonia. She has 25 years of professional experience and is responsible for the overall production operations in PC Pharmaceuticals.

2
Cvetanka Simonovska

Member of the Management Board and Chief Financial Officer

Holds a B.Sc. degree in Economics. Born on 27 November 1953 in Gevgelija, Republic of Macedonia. She has 29 years of professional experience and is responsible for the financial operations of the company.

Report on the work of the Management Board of Alkaloid AD Skopje



3

Zhivko Mukaetov

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

Holds a B.Sc. degree in Mechanical Engineering, and a postgraduate degree from the Chartered Institute of Marketing in London. Born on 3 May 1974 in Skopje, Republic of Macedonia. He has 15 years of professional experience, and is responsible for the overall operations of Alkaloid Group

4

Gjorgi Jovanov

Member of the Management Board and Director of Shareholding Operations

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

5

Kire Icev

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

B. Sc. in Mechanical Engineering. Born on 19 June 1974 in Kavadarci, Republic of Macedonia. He has 8 years of professional experience and is responsible for the overall operations of the General Services Department.

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

In compliance with the Company Law and the Statute of the Company, the Management Board submits a Report on its operations in the course of the year 2008.

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

The Management Board held its sessions on a regular basis and in the course of 2008 it held 48 sessions on which important decisions/conclusions were made.

Report on the work of the Management Board of Alkaloid AD Skopje

- The Management Board of the Company adopted the Business Plan of the Company and specified the guidelines for its implementation. It also adopted the Work Plans for ALKALOID's companies abroad, as well as the Statements of accounts.
- The Management Board reviewed the Income statement of ALKALOID AD Skopje and the Report on the current operation of ALKALOID COATINGS Sole Proprietorship Limited Liability Company - Skopje and ALKALOID CONS Sole Proprietorship Limited Liability Company - Skopje on a monthly basis, and brought decisions/conclusions specifying the obligations for the directors of the Profit Centres in ALKALOID AD Skopje, as well as the managers of ALKALOID COATINGS, and ALKALOID CONS.
- The Management Board of the Company passed a Decision for making an inventory and establishment of commissions for making an inventory of the capital assets and the sources of assets, and prepared the Annual Account and the Report on the Operation of the Company.
- The Management Board passed a Decision whereby the establishment of subsidiaries of Alkaloid AD Skopje in Novi Sad, Kragujevac and Nis, Republic of Serbia; in Kiev, Ukraine was endorsed, as well as the establishment of limited liability companies in Podgorica, Republic of Montenegro and Moscow, Russia.
- Regarding the strategic partnership of Alkaloid Coatings, a contract for a share transfer with ZORKA COLOR AD - Sabac was signed, whereby a Decision was passed to endorse the harmonization of the operations, from a limited liability company (sole proprietorship) into a limited liability company (Ltd). In addition, the correlation of the shares' participation in the principal has changed and the ownership structure has changed in the following manner: ALKALOID AD Skopje 45% and ZORKA COLOR AD - Sabac 55%.
- The Management Board passed Decisions that endorse the implementation and certification of the HACCP standard in the General Services, the cafeteria, the Dojran Resort as well as the PC Chemistry, Cosmetics and Botanicals.
- The Management Board adopted the financial report of the Trajche Mukaetov Foundation - Skopje for the previous year, as well as the Work Programme for the Trajche Mukaetov Foundation - Skopje for 2009.

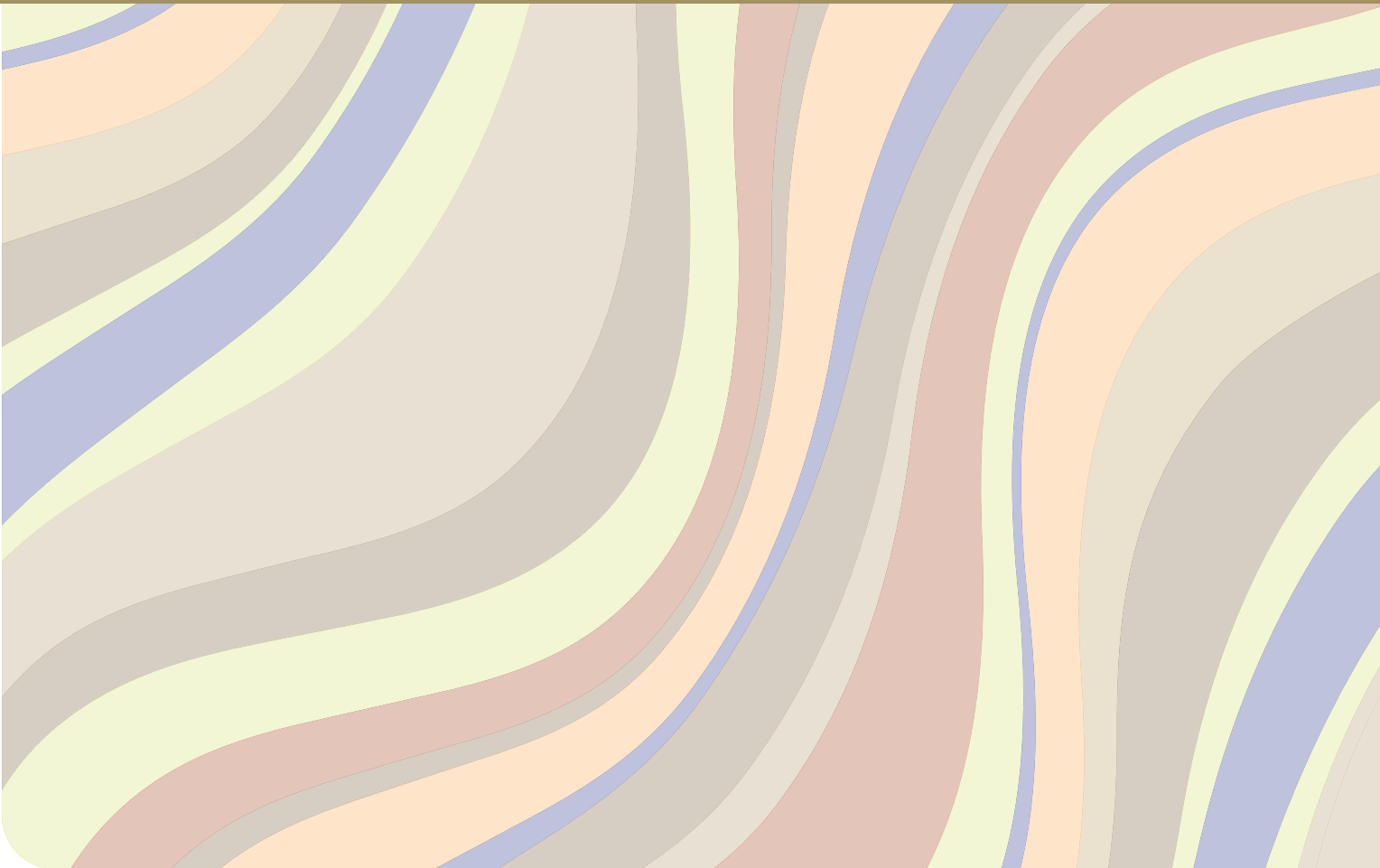
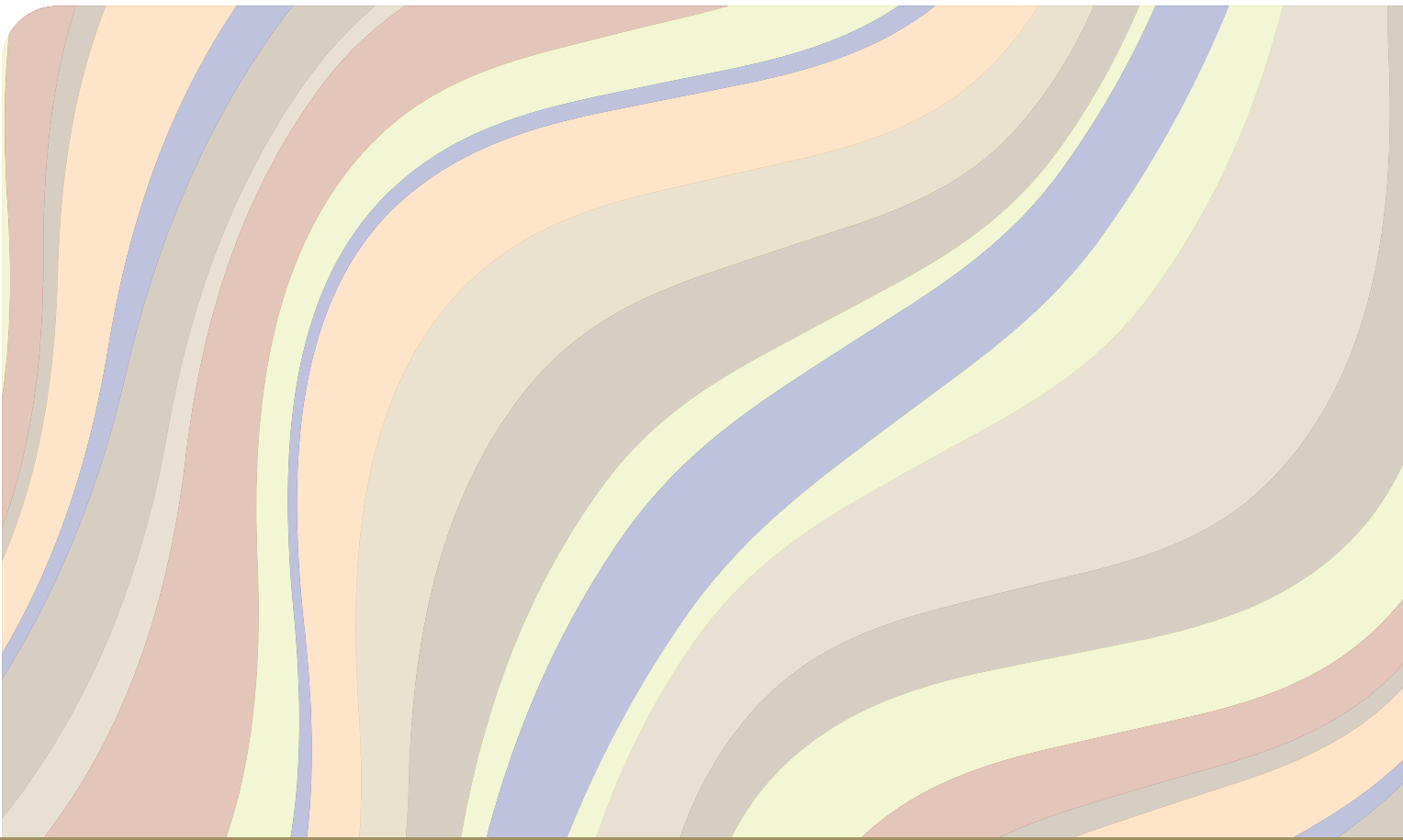
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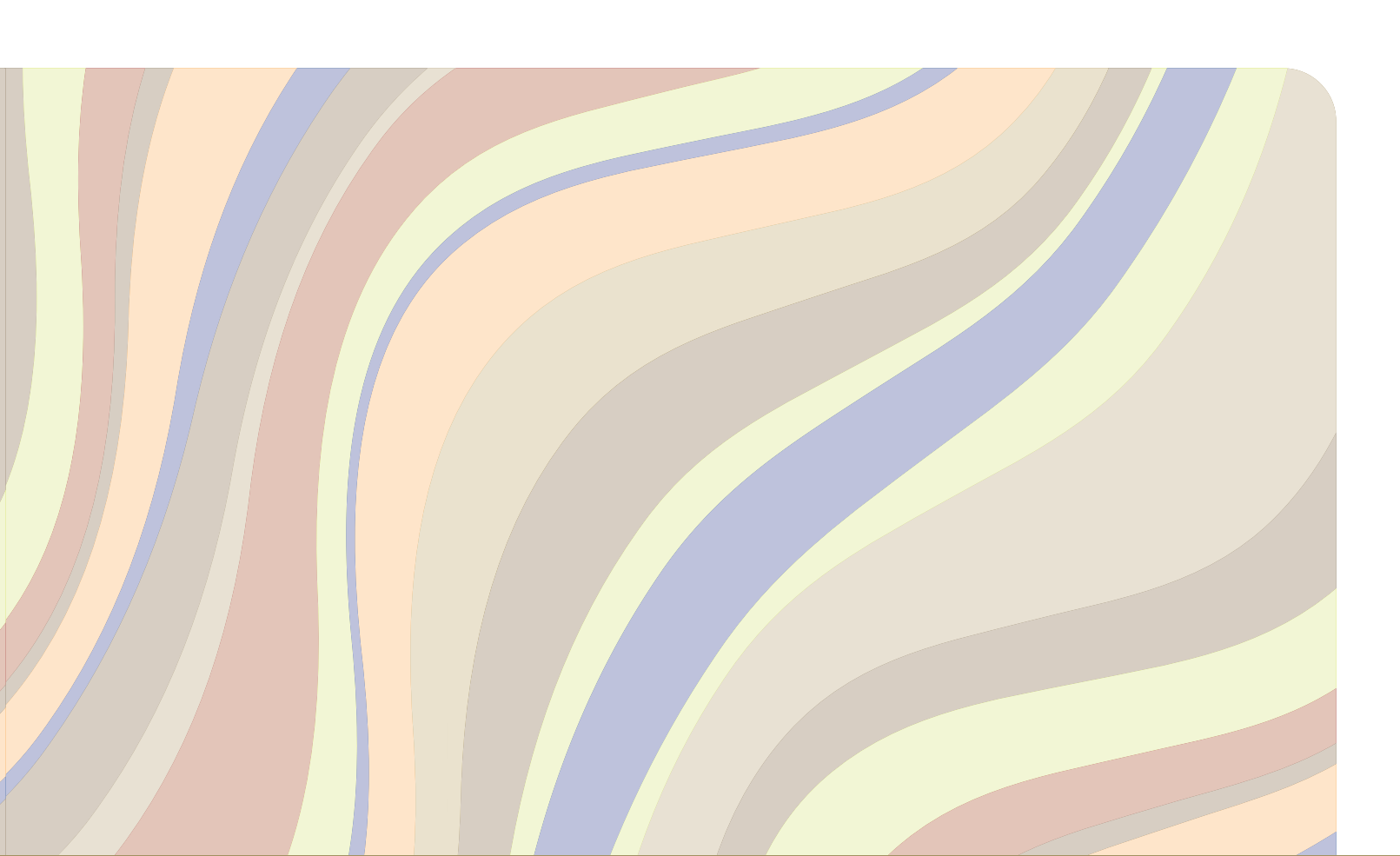
MANAGEMENT BOARD

President

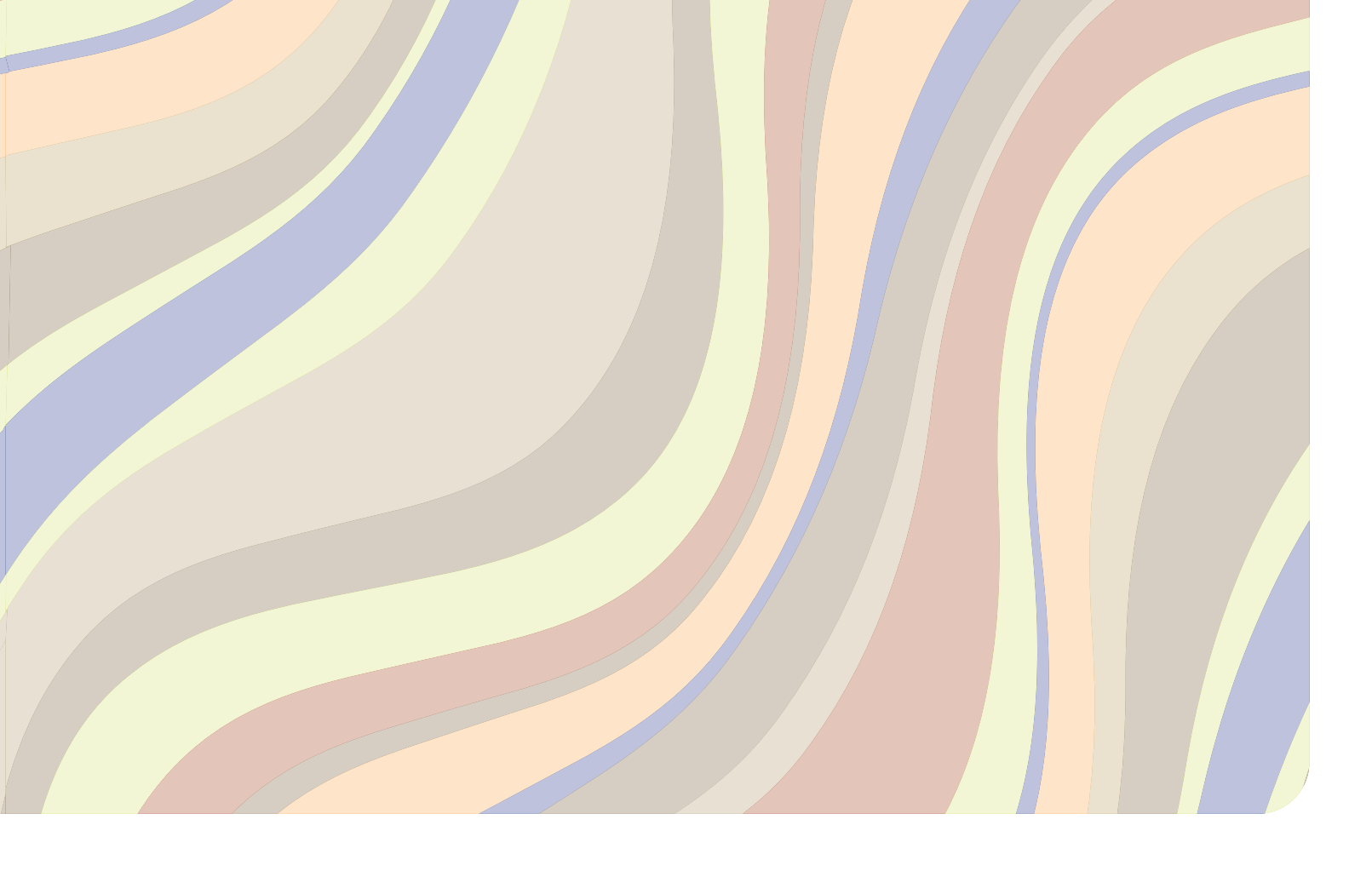
16.03.2009

Zhivko Mukaetov





CORPORATE
INFORMATION



Address of Mr. Zhivko Mukaetov CEO and MB President

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Alkaloid AD Skopje continues its successful story. According to the achieved results, Alkaloid is one of the best companies in Macedonia. This is due to the professionalism in its operation, our employees' focus on the accomplishment of even greater results and the investment, primarily in advanced technologies with the purpose of maintenance of the superior quality of our products and extension of the production portfolios.

INVESTMENTS

The general determination for continuous investment is the essence of the success of Alkaloid AD, the Macedonian leader in the pharmaceutical sector, which keeps up with the worldwide recognized drug producers with its dedication to permanent development. We invest in technologies, equipment, personnel, production facilities, quality control, laboratories and warehouses.

In line with the quality and the development of new preparations is the new Institute for Development and Quality Control, which started its operation on 11 March 2009.

The Institute covers 1540 square metres of used area, and is equipped with cutting edge laboratory and pilot manufacturing equipment. More than 8 million euros have been invested in the Institute. The establishment of the Institute is actually an added value to the drugs in terms of development and introduction of new technologies and methods, maintenance of the quality, continuous improvement and meeting the strictest reference demands of the European and American regulatory bodies. This new technological and analytical unit is supported by state-of-the-art laboratory and

pilot manufacturing equipment from prominent American, English, German and Japanese manufacturers, and most modern instrumental techniques and technologies have been implemented. The area where the technological development takes place has been furnished according to the cleanliness class ISO 8. In accordance with the employment plans, 80 highly specialized and skillful employees should work in this facility.

In the developmental strategy of Alkaloid AD, particular emphasis is laid on the extension of the current portfolio with new, efficient, safe, high-quality tested drugs; the general determination being specialization in specific pharmaco-therapeutic groups, and better positioning on the generic preparations market. With this purpose investments have been made in two new lines for packing solid dosage forms and cephalosporins, equipment for filming tablets, machines for printing foils for blister packs...

In the course of 2008 the gasification of the locality of Avtokomanda was completed, while considerable investments were also made in the production plant for dialysis solutions, with the purpose of obtaining a CE certificate as a prerequisite for penetrating the demanding foreign markets.

The investments in personnel and knowledge, as well as the social responsibility, have always been some of the priorities in the developmental policy of Alkaloid AD. In addition to the separate cooperation agreements that the Company had established with the Faculty of Pharmacy and the Veterinary Faculty, in 2008 Alkaloid signed a general cooperation agreement with Sts. Cyril and Methodius University aiming to exchange knowledge and experience. We are convinced that the



tradition and the experience, along with the practical knowledge and the young talents will result in the attainment of the mutual goals of the academic and the business community.

To this end, the "Trajche Mukaetov Foundation" that supports projects in the field of pharmacy, medicine and science, currently supports 62 talented students of medicine and pharmacy.

REGOGNITIONS

The consumers' awareness about Caffetin®, one of our leading preparations, the continuous investment in the product, the new extensions, the plans for further development, as well as its leading position, was confirmed by its selection as a Superbrand on the market of Bosnia and Herzegovina, too.

The Becutan brand, the leader in the cosmetics line, which in the communication with its consumers relies on its top quality, safety and longstanding tradition, in 2008 was selected as a Superbrand in Bosnia and Herzegovina. In the course of 2008, the Becutan collection has been enriched with several new products for the youngest ones.

Based on the signed partnership agreement with the renowned world producer of dialyzers and disposable material for hemodialysis, NIPRO Corporation from Osaka, Japan, we plan a joint advent in the field of hemodialysis on the markets in the region and even wider, so as to ensure a major step forward in the overall operation, whereby the hemodialysis solutions from the Alkaloid production range will be placed on the market under the brand name of NIPRO.

RESULTS

The crisis started and will finish on the Stock Exchange. We have witnessed a huge fall in the value of shares on our Stock Exchange and the Stock Exchanges worldwide. The value of our share also dropped, although it is in total contradiction with our successful results for the year 2008. The good financial indicators demonstrated by the firms had simply no positive effect on the price of their shares.

Despite the global economic crisis, last year Alkaloid AD still managed to demonstrate good results, penetrate new markets, and make new investments.

The consolidated incomes from sales for 2008 amount to 4.7 billion denars (or 77 million euros) which indicates an increase of 17.5 percent compared to 2007. The successful placement of products on the market and the resource management of the Company,

resulted in the accomplishment of a consolidated net profit 501.8 million denars (or 8.2 million euros) which indicates an increase of 33.3 percent compared to 2007, when it amounted to 376.5 million denars (or 6.1 million euros).

It is a fact that the recession that actually started in 2008, did not cause any greater problems in our current operations, due to the fact that its transfer to the European land, as well as to South-East Europe, started towards the end of the year, while more serious consequences are expected in 2009. However, the positive results are evident despite the fact that, just like the other companies, Alkaloid AD started facing the difficult liquidity problems of the health funds and the buyers, the devaluations of the local currencies, difficulties with the payments, formal and informal barriers with the purpose of protecting the domestic industries.

It is my pleasure to conclude that in the sales income structure, our export sales are predominant and have a continuously growing trend, particularly in the pharmaceutical segment, which demonstrates an increase of 21 percent compared to 2007.

Changes also took place in the export structure, which participates with 62.33 percent in 2008. The increase in the export of 19.86 percent indicates that our products are accepted and recognized in many countries, which is primarily due to their quality, the application of professional standards in our operations and our recognizability as a trustworthy and reliable partner. According to the research carried out by the prestigious CEE business magazine, bearing these indicators in mind, Alkaloid is ranked as the sixth pharmaceutical company in the region.

PRIORITIES

There are no doubts that the year 2009 will be hard, that it will be a year of great challenges not only for us, but also for the global economies. The crisis slowly penetrates takes over Macedonia, and a large section of the Macedonian economy is faced with its consequences. This situation definitely requires exceptional caution while investing, greater flexibility and of course, enhancing the cooperation with our traditional partners, the reliable ones. In terms of the positioning on the markets for our crucial products, it is beyond any doubt that without investments, it will be very hard to ensure growth. Our strategic goals for 2009 are: continuation of the trend of a two-digit annual growth home and abroad, investment in the strengthening of our market positions, cutting costs in the non-productive segments of the operation, cautiousness in the financial exposure towards the buyers due to their possible liquidity difficulties, greater aggressiveness and flexibility in relation to our competition, enriching the portfolios with brand extensions, such as those of Caffetin and Becutan, intensification of the cooperation with the multinational companies and building new partnerships.

In simple terms, I believe that, in addition to building a leading brand in the pharmaceutical industry in the region, we are successfully building a brand as an employer and we are setting an extraordinary example of corporate management of a socially responsible company.

I believe the synergy among all these parameters will contribute to further global growth of the Alkaloid brand, increase in the value of the Company, greater satisfaction among the stakeholders and greater incomes for the shareholders.

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



41 New Scholarship Recipients of the Trajche Mukaetov Foundation

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The "Trajche Mukaetov" Foundation awarded 41 new scholarships in the academic year 2008/09: 20 scholarships were awarded to students of pharmacy and 21 scholarships were awarded to students of medicine.

In accordance with the published open competition, the selection of scholarship recipients was adopted by the Management Board of the Foundation based on a preliminary list proposed by the commissions for scholarships allocation, which included representatives from the Foundation, representatives from both faculties: the Faculty of Pharmacy and the Faculty of Medicine, as well as representatives from the students.

The "Trajche Mukaetov" Foundation was established on 9 May 2007 and it supports projects in the field of pharmacy, medicine and science, by primarily supporting young and ambitious students who have devoted their career to these areas. In the academic year 2007/08, the "Trajche Mukaetov" Foundation awarded scholarships to the best 21 students from the Faculty of Pharmacy. If these students who have been awarded scholarships fulfill the specified requirements, their scholarships will be extended in the course of the following academic year.

The Foundation was established in honour of Trajche Mukaetov, who had been the leading of the Company for many years. Increasing the intensity of the growth of Alkaloid and its development into a leading pharmaceutical company in the region were the major accomplishments of his managing mandate that began in the year 1985. In the context of our dedication to permanent development, this great strategist and visionary considered it essential to increase the level of investment in scientific, research and development activities, which is vital for the achievement of the desired prosperity.

The Chief Executive Officer and president of the Management Board of Alkaloid AD, Zhivko Mukaetov, announced that in the future the inauguration of the Trajche Mukaetov award is planned for a well-founded paper in the field of pharmacy, medicine, health-care or science.

According to the deans of the Faculty of Pharmacy and the Faculty of Medicine at Sts. Cyril and Methodius University, the interest for the scholarships of the "Trajche Mukaetov" Foundation was extremely high. More than 150 students submitted their applications, and the expert commission found it really difficult to select the best.



Human Resources Management Department

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Another year filled with changes, challenges and novelties goes by. We tested our abilities and potentials, we set our goals on a higher level, we revised and improved the internal systems in certain segments and we achieved tremendous results. We have managed to exceed our plans, to set new limits to our expectations, new limits to our operation, and we have achieved all this thanks to our most valuable and noble resources – our employees.

Despite the great market challenges, the global economic crisis, the local and the global increase in unemployment, the number of our employees also grew. The increase in the number of employees by almost 10% on a corporate level, indicated an achievement and a challenge at the same time.

Attracting the best, top-quality candidates on the labour market who are able to cope with the challenges of the modern era, has been a long-term project entitled creating a BRAND as an employer.

The working conditions, the continuous development and growth in terms of their career, are some of the benefits enjoyed by our employees. Having provided the conditions, we seek dedication, loyalty and professional development. Each employee is encouraged to develop professionally in his/her own field of expertise, as well as to introduce innovations, think pragmatically and strategically, be adaptable and flexible, plan his/her endeavours, bearing in mind the success of the undertaken operations, the success of the business and the coordination with the surroundings.

Being constantly faced with the challenges of:

- economic and technological changes;
- availability of high-quality and competent workforce;
- demographic and diversity issues;
- organizational restructuring,

we set our high criteria as a guiding principle on our way to the accomplishment of our goal: a unique team of people from different cultural backgrounds, who work on the achievement of the shared vision and on the accomplishment of the mission, adjusted to the surroundings and the authentic conditions of the working environment.

Following the developmental policies of the Company, the Department for Human Resources Management recommends steps that should be taken in order to accomplish the mission and the vision of the Company, improves the crucial processes so as to achieve a more efficient and systematic approach to the changes and challenges.

In accordance with this are our plans for technological modernization of the department, synthesizing the crucial operations into a modern unit that will play a strategic part in the Company: planning and needs analysis, recruitment of highly professional people with tremendous potentials, organization of the Company, development and improvement of the services and continuous enhancement of their performances.

Professional development and training



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Regardless of their country of origin, which can be any of the 14 countries where Alkaloid operates, all our employees strive to achieve the only goal – continuous improvement. To this end, last year we fully redecorated and restarted the Educational Center in Dojran, which is a closed-type facility that fulfills the highest standards for a modern education center.

Our company grows by developing and perfecting the skills of its employees. Our goal is to provide continuous education and training for more than 1200 of our employees in the course of their career. We are convinced that this approach has changed the perception of business, the delivery of the required results and the awareness of the broader potentials.

We are guided by the philosophy that the most rewarding investment is the investment in people, in their knowledge and skills.

Alkaloid days 2008

- „One team – higher achievements”

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In 2008 we held the sixth in a row Alkaloid days, under the motto that symbolizes the team spirit and the determination for permanent growth and higher achievements. Once again we confirmed our last year's success, we set higher goals for the Company, we defined the business plans for the following year and we verified the improvements in our operations.

With a victorious spirit, enthusiasm and realistic optimism, we continued our meetings with our colleagues from all countries of our operation. Irrespective of our cultural, language and ethnic differences, we demonstrated how together we contribute to the creation of a unique successful environment: lovely socialization moments, exchange of experiences and achievements, but above all, confirmation and practicing of the common corporate values.



CORPORATE INFORMATION

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Personnel and Education

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	Number of employees
Profit centre / Organizational Unit	
Pharmaceuticals	560
Chemistry	49
Cosmetics	90
Botanicals	40
Corporate Services	268
TOTAL in Alkaloid AD	1007
	Number of employees
Daughter companies / Subsidiaries abroad	
Alkaloid Coatings Ltd.	63
Alkaloid CONS Ltd.	15
Botanical Pharmacy	4
Subsidiaries abroad	147
Total in daughter companies and subsidiaries abroad	229
TOTAL in Alkaloid GROUP	1236

Qualification structure of Alkaloid AD Skopje in 2008

Master Degree	5
University degree	324
Junior college degree	21
High school degree	474
Qualified workers	154
Non-qualified workers	29
Total:	1007

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

H.E. Mr. Philip Reeker, US Ambassador to Macedonia, visited Alkaloid

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On 4 November 2008 His Excellency Mr. Philip T. Reeker, US ambassador to the Republic of Macedonia, came on an official working visit to Alkaloid AD Skopje.

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

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

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

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

Ambassador Reeker emphasized that Alkaloid sets an example for a successful and competitive company, and is thus interesting for the American market in the field of pharmaceuticals and chemistry. His Excellency offered words of praise for the operation of the company and its success on the domestic and the foreign markets, pointing out that the development of Alkaloid indicates that Macedonia has economic potential and that it has got what it takes to impress the American investors as well.

Ambassador Reeker wished Alkaloid further growth and success on the pharmaceutical markets.

CORPORATE INFORMATION



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A Donation for the Steinway Piano of Maestro Trpceski

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As a socially responsible company, Alkaloid AD supported the initiative of Mrs. Norunn Wibye, wife of the Ambassador of the Kingdom of Norway to the Republic of Macedonia, His Excellency Mr. Carl S. Wibye, for purchasing a Steinway concert piano for maestro Simon Trpceski, who is one of the greatest piano virtuosos at the age of less than 30.

The Steinway concert piano of maestro Trpceski is a black model D piano, it was produced in Hamburg and was Simon's personal choice. In addition to the instrument, the donation also included two concert stools, a transportation set and a special surprise, Klavier Roller.

Apart from Alkaloid AD, contributions to the accomplishment of this initiative were given by Makstil AD, the international foundation Apollonia, and it was also supported by the Chamber of Commerce of Macedonia, as well as the company Beton AD. The cultural association KulturOp also participated in the this project.

With this donation, Alkaloid AD Skopje confirmed once again that it has always supported and will still support projects in which it believes. Trpceski, the Macedonian piano virtuoso, with an incredible ease, without a lot of pomp, with his self-confidence and talent, amazes the auditoria worldwide, is greeted with ovations even by the most sophisticated audience and the greatest masters. Reviews about him claim that he is the best thing that comes from Macedonia.

According to maestro Trpceski, the accomplishment of this initiative is a historic move in Macedonia, which could inspire even greater support for culture and for artists. "I cannot find the right words to describe what I'm feeling at this moment. It is probably natural for an artist to want a fine instrument, and I am no exception to that. To receive such an instrument, to have it in your own home seems so unreal", said Trpceski.

Steinway pianos are considered the best pianos worldwide. The first Steinway piano was made in 1853, and soon this brand of instruments became the most wanted one in the music circles worldwide, but also the most expensive one. Trpceski held his first concert with his new instrument on 23 April 2008 at the Metropolis Arena of the Skopje Fair.



Handball Fan Zone in Varazdin under the Alkaloid Logo

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The handball fans in Varazdin, where the Macedonian national team participated in the World handball championship that took place in Croatia, had their fan zone, which since the beginning of the championship was one of the main attractions, not only for the loyal fans and handball lovers, but also for the citizens of this Croatian town. In the heart of the old town, in the pedestrian zone, on the Stancevik square, Alkaloid made it possible for each match to be enjoyed on several big screens, while for warming up the atmosphere a wide range of cheering devices were provided to support the Macedonian national team.

In addition to their adrenalin, fans and visitors were kept warm by the Good nature teas. In the presence of numerous supporters, in the tents with the logo of the Macedonian leader in the pharmaceutical sector, one could drink a toast to the spectacular goals with the high-quality Dudin wine which was promoted in Croatia for the first time. With this fan zone, Alkaloid wholeheartedly supported the Macedonian handball players on their way to the achievement of their success – 11th place in the world.

Alkaloid AD, as a socially responsible company, recognizable for its humanitarian activities, as well as the support of various cultural, sport and scientific events, organized the fan zone in cooperation with the local administration of the town of Varazdin.



Cooperation Agreement with University Sts. Cyril and Methodius

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Aiming to establish cooperation and facilitate the exchange of knowledge and experience, as well as to stimulate the accomplishment of joint projects and other forms of cooperation, on 31 March 2008 Alkaloid AD and Sts. Cyril and Methodius University signed a cooperation agreement.

The agreement was signed by the Rector of Sts. Cyril and Methodius University, Gjorgji Martinovski and the Chief Executive Officer and President of the Management Board of Alkaloid AD, Zhivko Mukaetov. The mutual cooperation will be accomplished by means of projects and establishment of research funds, application of the University patented inventions, provision of donations and necessary equipment for scholarly and research activities, awarding scholarships to students by Alkaloid, as well as making use of the scholarly and research potential of the University to meet the needs of this company.

According to Mukaetov, Alkaloid as a Company has always paid particular attention to the competence of its employees, which necessitates continuous education, an appropriate training and professional development. In his opinion, the mutual cooperation between business and science, practice and theory, tradition and experience, along with the practical knowledge and the young talents will result in the attainment of the mutual goals of the academic and the business community, which is a universal form of progress. The Company has already established several individual cooperation agreements with the Faculty of Pharmacy, the Faculty of Agriculture and the Veterinary Faculty at Sts. Cyril and Methodius University.

According to the Rector Martinovski, this agreement is the culmination of a longer preparation stage that will represent the basis for the common goals of the academic and the business community. He hopes that this cooperation will make possible the development and advancement of the scholarly and research activities, as well as the following of developmental programmes and scientific achievements that are relevant for the pharmaceutical industry.



Environmental Protection

38

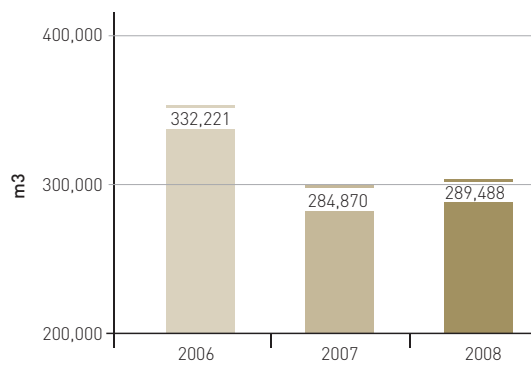
Permanent care for the environment is one of the basic principles in the determination of the objectives and the directions for fulfilment of the business strategy and long-term policy of Alkaloid AD, defined in our Environmental Policy.

In accordance with the legal regulations on integrated prevention and control of pollution, and in relation to its operation plan, Alkaloid installed two new boilers in the locality of Avtokomanda with combined burners for crude oil and natural gas.

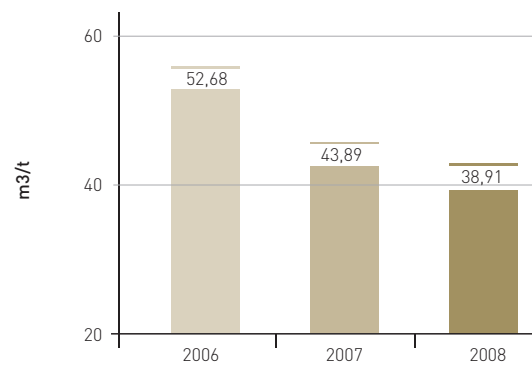
The monitoring of waste water, exhaust gas emissions and waste management is a permanent process in Alkaloid.

In addition, Alkaloid demonstrates its care for the environment by permanent monitoring and by constantly striving to reduce the consumption of water, which is presented in Figure 1, and to reduce the consumption of water per ton of finished product, which is presented in Figure 2.

Consumption of water

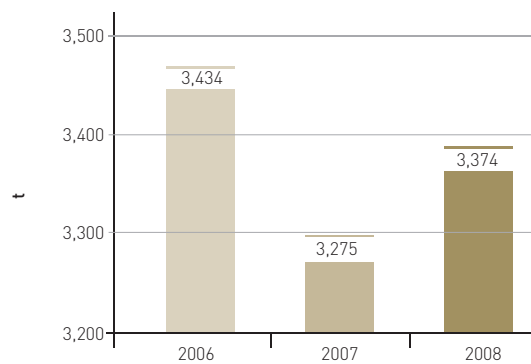


Consumption of water per 1 ton of finished product

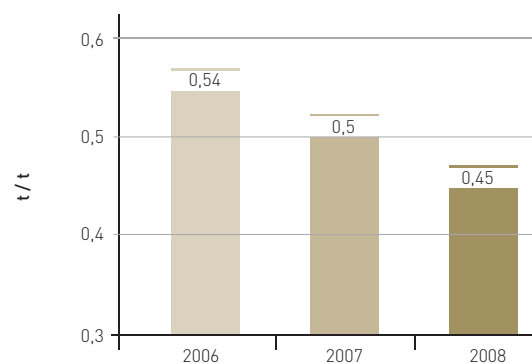


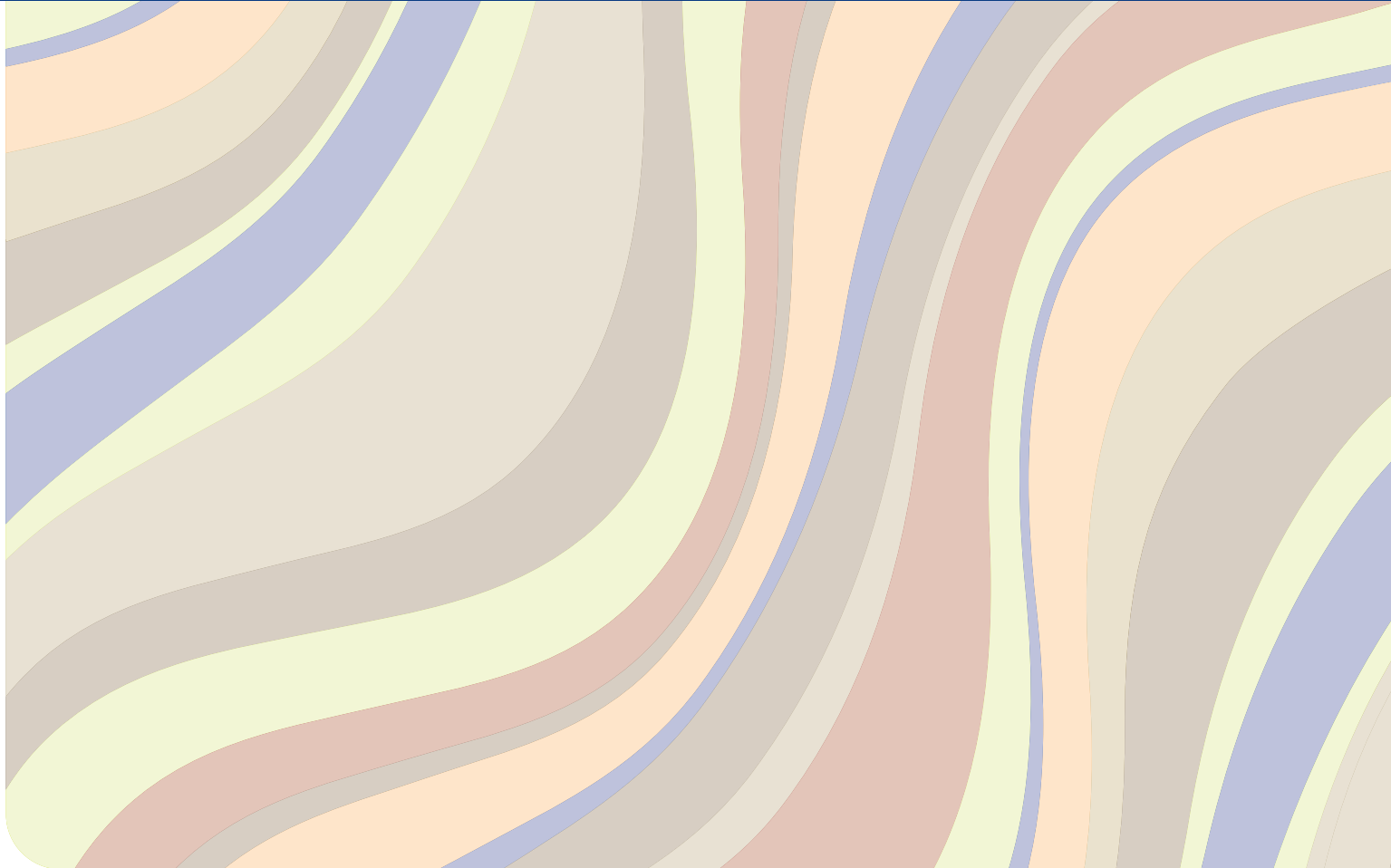
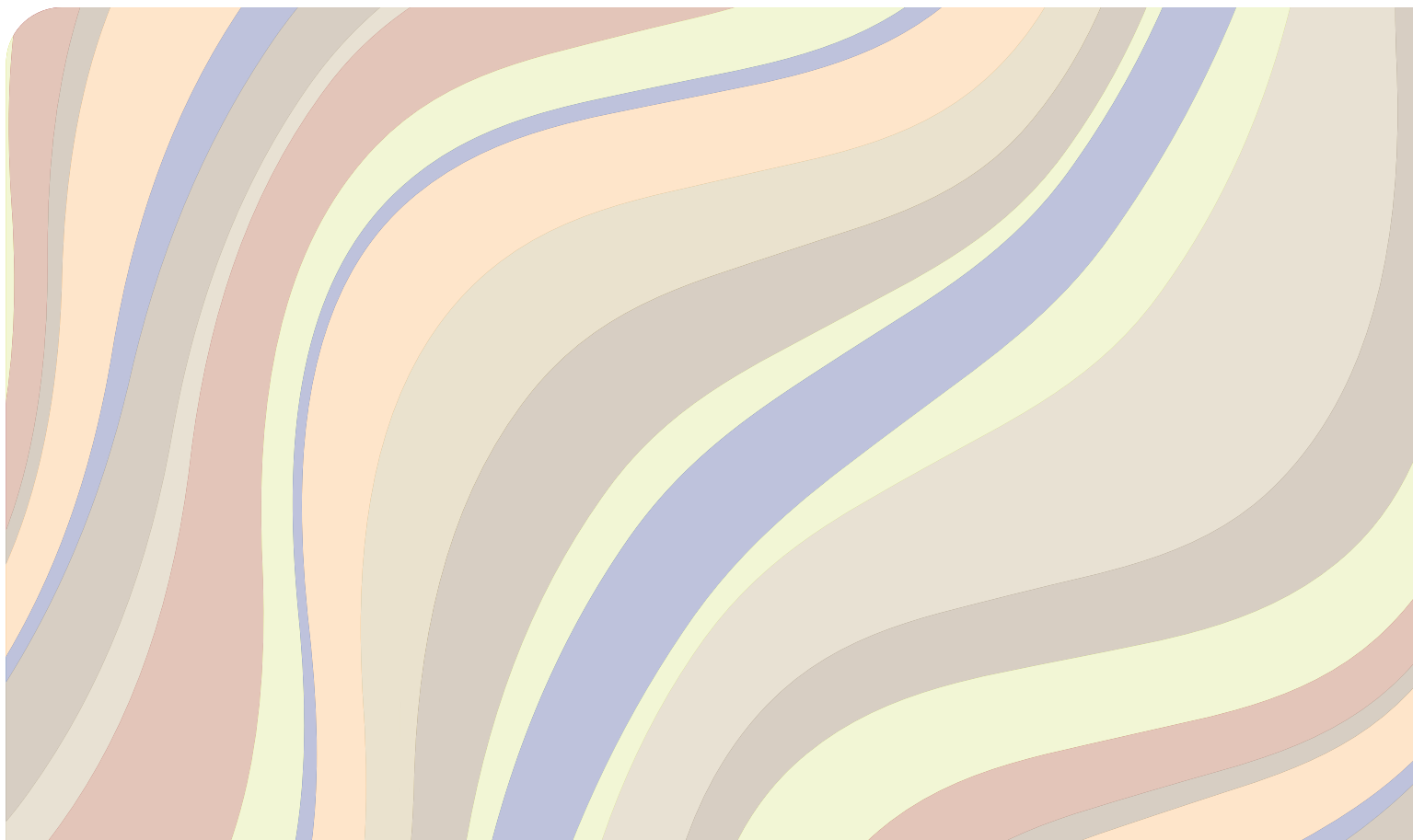
Even though the consumption of fuel for the boilers demonstrated growth in 2008 compared to 2007 (Figure 3), the consumed fuel per one ton of finished product continuously declines (Figure 4).

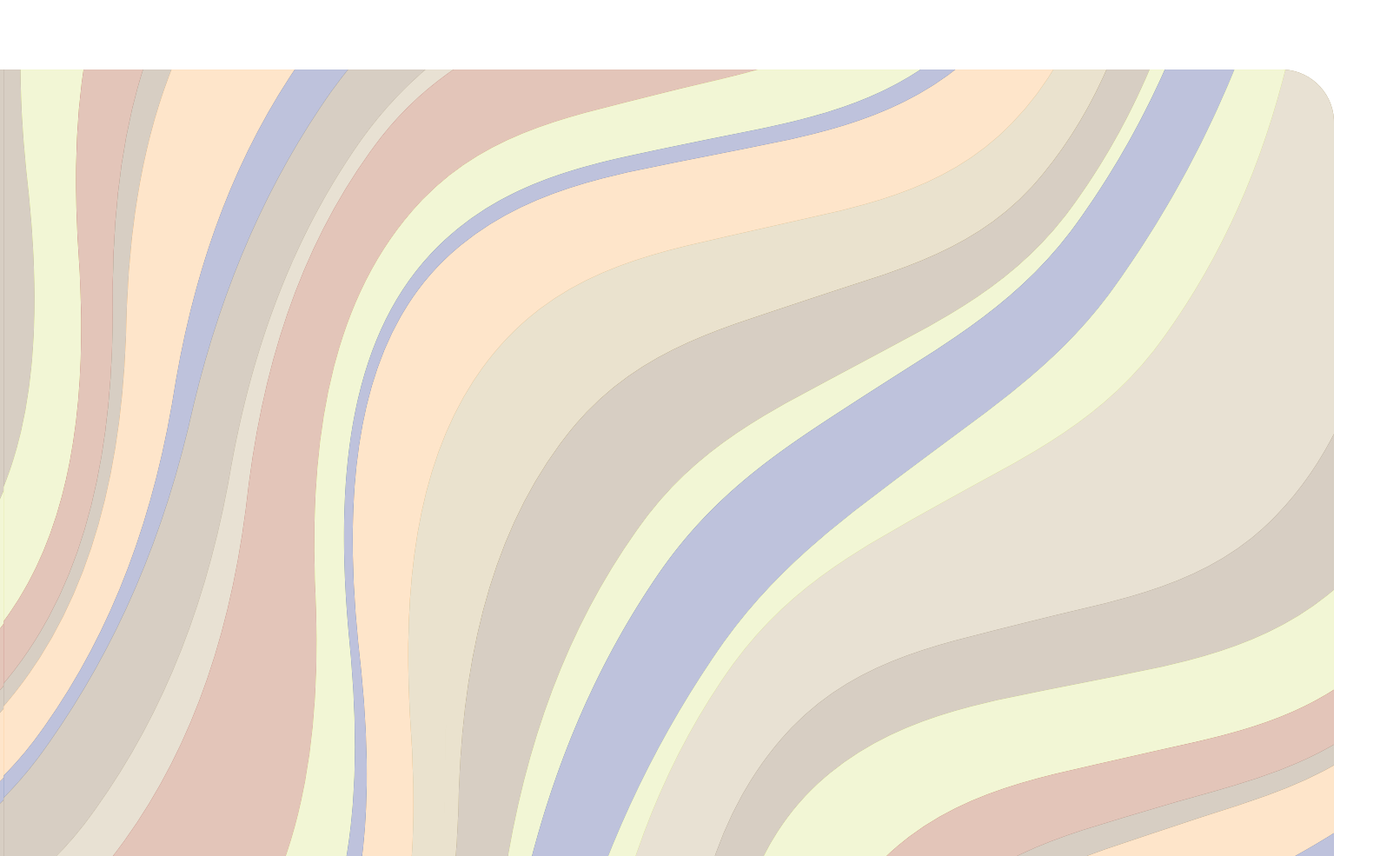
Fuel consumption



Fuel consumption per 1 ton of finished product

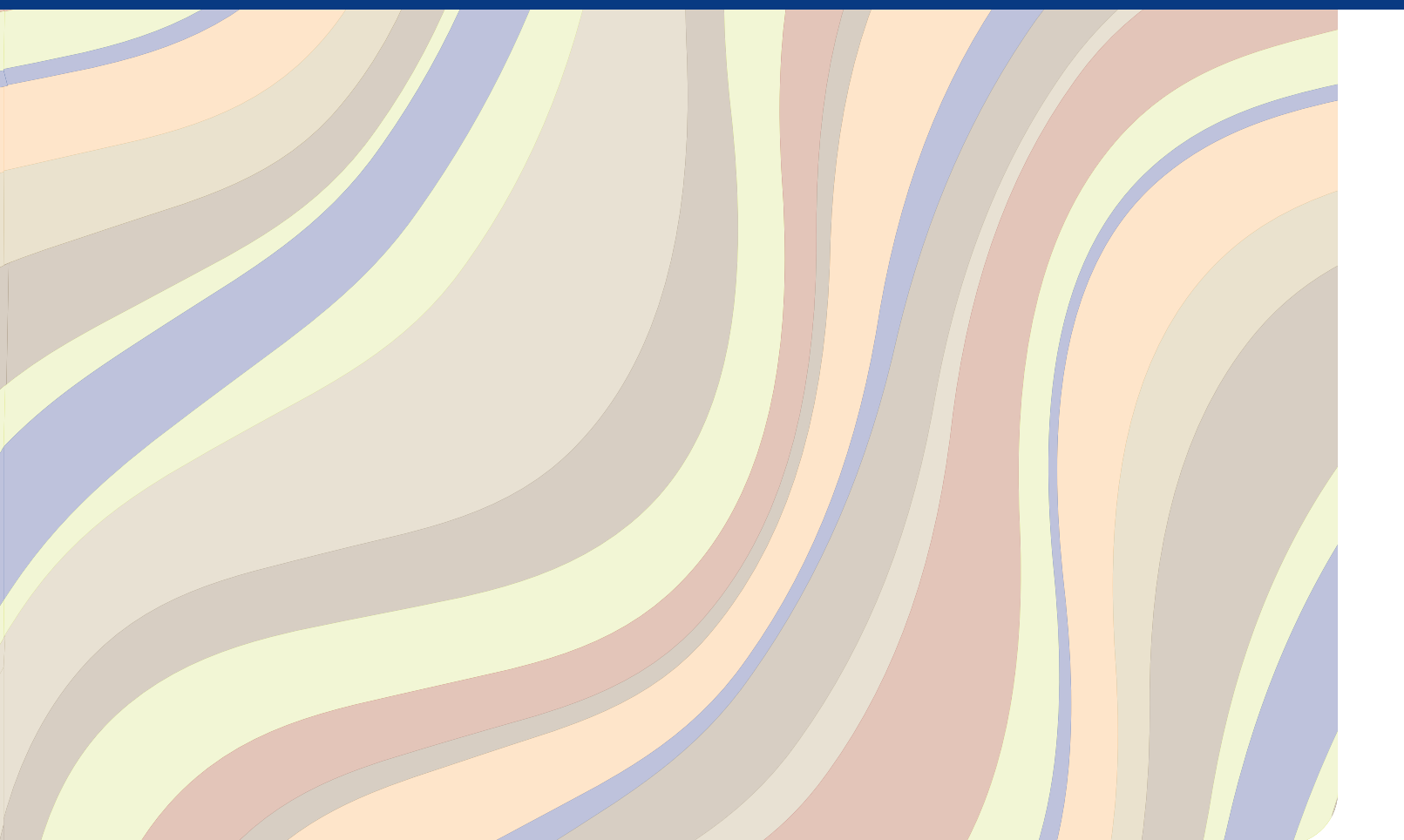






PC

PHARMACEUTICALS



Marketing and Sales

42

In 2008, PC Pharmaceuticals had 575 employees working in its headquarters in Skopje and 147 employees in the subsidiaries abroad. The total net sales of PC Pharmaceuticals amounted to 3.955 billion MK denars, which is a share of 83.70% in the total sales of Alkaloid Group.

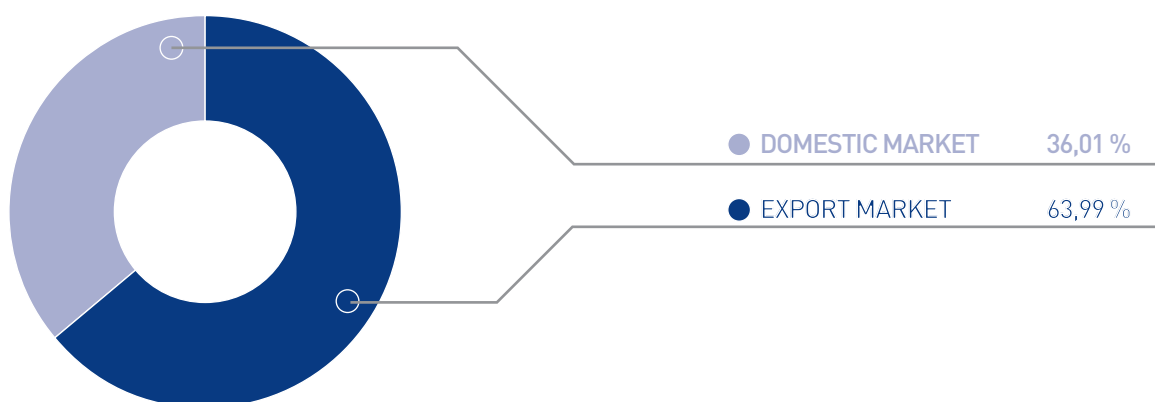
In 2008, the products of PC Pharmaceuticals were available on the markets in 16 countries. We have obtained more than 60 (or more precisely 65) marketing authorizations, of which 52 were for the foreign markets.

PC Pharmaceuticals as a part of Alkaloid Group

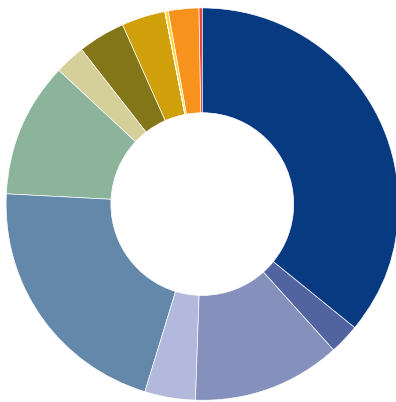


In 2008 we managed to increase the sales level by 18.77% compared to last year. This was primarily due to the increase in the domestic sales by 14.73%, as well as the increase in the export sales, which surpass the domestic sales and have risen by nearly 21.19% compared to 2007.

SALES PER MARKETS



SALES PER COUNTRIES 2008



REGION / COUNTRY	%
Macedonia	36.01
Albania	2.56
Bosnia and Herzegovina	11.99
Kosovo	4.38
Serbia	20.99
Croatia	11.14
Montenegro	2.41
Russia and CIS	3.87
Bulgaria	3.62
Romania	0.17
Slovenia	2.79
Switzerland	0.02
Other countries	0.04
Total:	100.00

As far as the sales per preparations are concerned, Pancef® (Cefixime) recorded the highest growth in PC Pharmaceuticals with an increase of 51.4% compared to 2007.

Top 5 products

of PC Pharmaceuticals

	2008	2007	2006
CAFFETIN	12,96	14,19	14,72
PANCEF	11,79	8,48	5,71
ANALGIN	8,32	8,72	7,47
SKOPRYL	4,14	3,55	8,52
RISPERIDON	3,58	4,13	4,40



'08 | LATEST
RELEASES

BUPRENORFIN ALKALOID

- 0,4 mg sublingual tablets
- 2 mg sublingual tablets
- 8 mg sublingual tablets



CEFAZ (Ceftazidime)

- 500 mg powder for solution for injection
- 1 g powder for solution for injection



FUREXA (Cefuroxime)

- 250 mg powder for injection
- 750 mg powder for injection
- 1,5 g powder for solution for injection or infusion



PIMEF (Cefepime)

- 1 g powder for solution for injection or infusion
- 2 g powder for solution for injection or infusion



caffetin

www.caffetin.com.mk



ALKALOID
SKOPJE

Health above all

www.alkaloid.com.mk

Caffetin®

– A Superbrand in Bosnia and Herzegovina

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In competition with over 800 brands, the leading product of PC Pharmaceuticals, Caffetin®, was selected as a Superbrand on the market in Bosnia and Herzegovina for the year 2008. The event was organized for the first time in this country by Superbrands International, which is present in 89 countries in the world as the only global and independent authority in the field of branding.

The awards were presented during the ceremony entitled Superbrands Bosnia and Herzegovina that took place at the Youth Centre in Sarajevo.

These awards are considered to be huge recognitions and confirm that Alkaloid and its products are highly rated on the foreign markets. The Superbrands recognitions for Caffetin result from the long-lasting investment in this brand, the good strategy and vision, but most of all, the excellence and the quality of the product are essential.

Caffetin was launched back in the year 1957, and in the course of the past 52 years of its existence, it grew into one of the most recognizable trademarks and became a first choice in the entire region. The confirmed awareness of its quality and efficiency is handed down from one generation to another, whereby this product acquired the title of a symbol of the struggle against pain.

The essential value of the Caffetin brand arises from its power to remain a leading brand in a period of over half a century. The consumers' awareness of Caffetin, as well as its considerable recognizability is confirmed by the selection of Caffetin as a superbrand in Serbia in the year 2007.

As an organization based on identifying and designating exceptional trademarks, Superbrands analyses the accomplishments of certain trade marks, recognizes those that accomplish more than their competition and awards them with the highly acclaimed status of Superbrands. The criteria for the selection of all superbrands are recognizability, quality, confidence, distinctiveness and the emotional influence of the trademark upon the consumers.

PC PHARMACEUTICALS



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The Institute for Development and Quality Control Opened

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Alkaloid AD Skopje confirmed its determination for production of high-quality, safe and efficient drugs and its dedication to permanent development by opening the Institute for Development and Quality Control. This unique highly-sophisticated technological and analytical unit is one of its kind in our country. Only one year since its cornerstone was laid it was officially launched and started its operation on 11 March 2009.

In the presence of His Beatitude Stefan, head of the Macedonian Orthodox Church, the Minister of Health Dr. Bujar Osmani and numerous guests, business partners and employees, the Institute was officially opened by the President of the Government of the Republic of Macedonia, Mr. Nikola Gruevski and the Chief Executive Officer and President of the Management Board of Alkaloid AD Skopje, Mr. Zhivko Mukaetov.

The Institute covers 1540 square metres of used area. It is equipped with cutting edge laboratory and pilot manufacturing equipment that will enable the development of new, modern, forms of generic drugs implementing of the latest advances in the field of pharmaceuticals.

More than 8 million euros have been invested in the Institute for Development and Quality Control, while the necessary funds were provided mostly from resources of Alkaloid AD and partly from allocated credit lines.

The establishment of the Institute is actually an added value to the drugs in terms of development and introduction of new technologies and methods, maintenance of the quality, continuous improvement and meeting the strictest reference demands of the European and American regulatory bodies.

This new technological and analytical unit is supported by state-of-the-art laboratory and pilot manufacturing equipment from prominent American, English, German and Japanese manufacturers, and most modern instrumental techniques and technologies have been implemented. The area where the technological development takes place has been furnished according to the cleanliness class ISO 8. In accordance with the plan for human resources, it is planned that 80 highly specialized and trained employees should work at the Institute.

“The growth of its operation, the modernization of the production process, the penetration into the foreign markets and the investment of the capital into new production plants makes Alkaloid set an outstanding shining example for all the other companies”, said Prime Minister Gruevski, who stressed his pleasure that highly specialized and trained employees will be employed at the Institute, of which 50 are new employments in the Analytics and Technological Development sectors.

Several types of activities will be performed at the Institute for Development and Quality Control, such as: activities that are complementary to the process of development of generic drugs and their introduction into industrial production, activities for continual monitoring of the quality of the drugs on the market, as well as activities that ensue from the legal obligation to monitor the stability of the drugs until their expiry date. Thus, on one hand, the increasingly strict requirements of the regulatory bodies will be met, but on the other hand, the development of products that demonstrate the implementation of the latest advances in the field of pharmaceuticals will be ensured as well. As it is widely known, the pharmaceutical industry is unique in terms of the requirements, procedures and methods employed in its practice, with the purpose of ensuring that the drugs produced meet the established specifications and are safe for the patients.

According to the Minister of Health Dr. Bujar Osmani, precisely the protection and the promotion of the citizens' health is a top priority for the Government of the Republic of Macedonia and the Ministry of Health. "Along with that, we also take care of the interests of the business sector, which is one of the crucial instigators of healthcare development and our permanent partner", Osmani emphasized. At the ceremony, the Minister of Health presented the Chief Executive Officer of Alkaloid with the first GMP certificate for the Institute, which is an official document indicating that this facility is also in compliance with the highest designated standards in the pharmaceutical sectors.

With the establishment of the Institute, Alkaloid AD makes a step forward, which, according to its recognizable motto 'Health above all', confirms its determination to follow the current requirements that determine the quality, efficiency and safety of the drugs.



Partnership with the NIPRO Corporation

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Alkaloid signed a Partnership Agreement with the renowned world producer of dialyzers and disposable materials for hemodialysis, NIPRO Corporation from Osaka, Japan. The agreement was signed by the executive director of NIPRO Europe NV, the European office of the NIPRO Corporation, Sven Axel Krentorz and the president of the Management Board and Chief Executive Officer of Alkaloid AD Skopje, Zhivko Mukaetov.

By means of a joint advent on the markets in the region and even wider, in the field of hemodialysis, the partnership between Alkaloid AD and NIPRO Europe NV aims to ensure a major step forward in the overall operation, whereby the hemodialysis solutions from Alkaloid's range of products will be placed on the market under the brand of NIPRO.

The NIPRO Corporation is one of the three world leaders in the production of equipment and disposable medical material for hemodialysis. With this partnership agreement, opportunities are created for a new stage in the development of the production facilities for hemodialysis solutions of Alkaloid AD Skopje, which is recognizable as a brand and a synonym for quality, efficiency and safety.

Alkaloid AD initiated the production of hemodialysis solutions in 1990 within the framework of PC Pharmaceuticals, with a projected capacity of approximately 10 tons daily. In compliance with its determination for continuous investments, at the beginning of this year Alkaloid rounded up the process of modernization of this production facility. New and modern equipment has been installed that ensures a closed technological system, complete microbiological protection, as well as maximum safety of the products. At the same time, the production capacities have been raised to 15 tons of solutions daily. Thus Alkaloid AD continued its determination for introduction of new technologies and methods, constant improvement and meeting the strictest requirements of the international regulatory bodies.

The NIPRO motto "Your partner in safety and quality" and the recognizable slogan of Alkaloid AD "Health above all" undoubtedly testify that what is paramount in this partnership is caring for the health of each individual. This partnership agreement is a strategic document that combines tradition, knowledge and experience in the accomplishment of the defined vision for strengthening of the existing and conquering new market positions in the field of hemodialysis, to which considerable financial resources are allocated from the health budgets in every country.

The NIPRO Corporation is the biggest producer of hemodialysis filters worldwide, with an annual capacity of over 60 million units. There are 2080 employees in this company, and its range of products is available on all continents.



Complete list of pharmaceutical products registered in Macedonia

(in alphabetical order)

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Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
ACIKLOVIR ALKALOID®		
aciclovir	5% cream, 5 g	D06BB03, topical antiviral
ACIKLOVIR ALKALOID®		
aciclovir	3% eye ointment, 5 g	S01AD03, ophtalmological antiviral
ACIKLOVIR ALKALOID®		
aciclovir	200 mg tablets, 25 tablets	J05AB01, antiviral for systemic use
ALBENDAZOL ALKALOID®		
albendazole	200 mg film-coated tablets, 6 and 60 tablets	P02CA03, antihelminthic
ALDIZEM®		
diltiazem	60 mg and 90 mg prolonged release tablets, 30 tablets	C08DB01, calcium channel blocker
ALKADIL®		
captopril	25 mg and 50 mg tablets, 40 tablets	C09AA01, ACE inhibitor
ALKAVIT® vitamin E		
tocopherol, α	100 mg chewable tablets, 30 tablets	A11HA03, vitamin
ALMACIN®		
amoxicillin	500 mg capsules, hard 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml suspension	J01CA04, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		
ALMETEX®		
carbazochrome	25 mg tablets, 20 tablets 10mg/2ml solution for injection, 30 ampoules	B02BX02, haemostatic
ALVEN®		
heparin, dexpanthenol, allantoin	30.000 IU/100 g, cream and gel, 40 g 50.000 IU/100 g, cream and gel, 40 g	C05BA53, combined heparin for topical use

Alkaloid

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
ALYCEF®		
cefadroxil	500 mg capsules, hard 16 capsules 250mg/5 ml granules for oral suspension, 100 ml	J01DB05, first-generation cephalosporins
AMINOFILIN ALKALOID®		
aminophylline	100 mg film-coated tablets, 50 tablets 350 mg prolonged release tablets, 20 tablets 250mg/10ml solution for injection, 50 ampoules	R03DA05, bronchodilator
AMLODIPIN ALKALOID®		
amlodipine	5 mg and 10 mg tablets, 30 tablets	C08CA01, calcium channel blocker
AMPICILIN ALKALOID®		
ampicillin	500 mg capsules, hard 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml suspension	J01CA01, broad spectrum penicillin
Manufactured in cooperation with Bilim Pharmaceuticals A.S. - Turkey		
ANALGIN®		
metamizole	500 mg tablets, 10 and 500 tablets 1g/2ml and 2.5g/5ml solution for injection, 50 ampoules	N02BB02, analgesic and antipyretic
AQUA AD INIJECTABILIA ALKALOID®		
water for injections	2 ml, 5 ml and 10 ml 50 ampoules	V07AB, solvent and diluting agent
ATENOLOL ALKALOID®		
atenolol	50 mg film-coated tablets, 15 tablets 100 mg film-coated tablets, 15 and 30 tablets	C07AB03, selective β -blocker

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
BETADINE®		
povidone - iodine	10 % ointment, 20 g 7.5 % and 10 % cutaneous solution, 100 ml and 1000 ml solution	D08AG02 and D11AC06, antiseptic & disinfectant;
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BETADINE®		
povidone - iodine	200 mg vaginal pessaries, 14 pessaries	G01AX11, gynecological antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BETADINE®		
povidone - iodine	1% gargle, 100 ml solution	R02AA15, throat antiseptic
Manufactured under the license of Mundipharma AG Basel, Switzerland		
BIPRESSO®		
bisoprolol	2.5mg, 5 mg and 10 mg film-coated tablets, 30 tablets	C07AB07, selective β blocker
BRONLES®		
carbocisteine	375 mg capsules, hard 30 capsules 250mg/5ml syrup, 150 ml solution 125mg/5ml syrup for children, 150 ml solution	R05CB03, mucolytic
CAFFETIN sc®		
paracetamol, propyphenazone, caffeine	(250 mg+210 mg+50 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
CAFFETIN trio®		
paracetamol, caffeine, codeine	(500 mg+50 mg+10 mg) tablets, 10 and 500 tablets	N02BE51, combined analgesic
CAFFETIN®		
paracetamol, propyphenazone, caffeine, codeine	(250 mg+210 mg+50 mg+10 mg) tablets, 6, 10, 12 and 500 tablets	N02BE51, combined analgesic
CAFFETIN COLD®		
paracetamol, ascorbic acid, dextromethorphan, pseudoephedrine	(500 mg+60 mg+15 mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
CAFFETIN COLD® PLUS		
paracetamol, vitamin c (ascorbic acid + acerola), dextromethorphan, pseudoephedrine	(500 mg+60 mg (50 mg +10 mg) +15 mg+30 mg) film-coated tablets, 10 tablets	N02BE51, cough & cold medication
CAFFETIN® menstrual		
ibuprofen (in a form of lysinate)	200 mg film-coated tablets, 10 tablets	M01AE01, NSAID
CEFACTOR ALKALOID®		
cefactor	500 mg capsules, hard 16 capsules 125mg/5ml and 250mg/5ml powder for oral suspension, 60 ml suspension	J01DC04, second-generation cephalosporins
CEFALEXIN ALKALOID®		
cefalexin	500 mg capsules, hard 16 and 100 capsules 250mg/5ml powder for oral suspension, 100 ml suspension	J01DB01, first-generation cephalosporins
CHLORAMPHENICOL ALKALOID®		
chloramphenicol	5 % ointment, 5 g	D06AX02, antibiotic for topical use
CHLORAMPHENICOL ALKALOID®		
chloramphenicol	1 % eye ointment, 5 g	S01AA01, ophthalmological antibiotic
CINEDIL®		
cinnarizine	75 mg tablets, 50 tablets	N07CA02, calcium channel blocker, antivertigo preparation
CIKLOSPORIN ALKALOID®		
ciclosporin	25 mg, 50 mg and 100 mg capsules, soft 50 capsules 100 mg/ml oral solution, 50 ml solution	LO4AD01, immunosuppressant
CITERAL®		
ciprofloxacin	250 mg and 500 mg film-coated tablets, 10 tablets 100mg/10ml concentrate for solution for infusion, 5 ampoules	J01MA02, quinolone for systemic use

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
CITERAL®		
ciprofloxacin	0.3 % eye and ear drops, 5 ml solution	S01AX13, ophthalmological antiinfective
CODEINI PHOSPHATIS ALKALOID®		
codeine	30 mg tablets, 10 tablets	R05DA04, antitussic
DECOTAL®		
diflucortolone	1mg/g cream, 20 g 1mg/g ointment, 20 g	D07AC06, potent corticosteroid dermotherapeutic
DIABINESE®		
chlorpropamide	250 mg tablets, 30 tablets	A10BB02, oral antidiabetic
Manufactured under the license of Pfizer Corporation		
DIAZEPAM ALKALOID®		
diazepam	2 mg and 5 mg coated tablets, 30 tablets 10mg/2ml solution for injection, 10 ampoules	N05BA01, anxiolytic
DIPROL®		
paracetamol	500 mg tablets, 10 and 500 tablets 120mg/5ml oral suspension, 100ml suspension	N02BE01, analgesic and antipyretic
DOXYCYCLIN ALKALOID®		
doxycycline	100 mg capsules, hard 5 and 100 capsules	J01AA02, tetracycline antibiotic
DIMYCON®		
fluconazole	150 mg capsules, hard 1 capsule 50 mg capsules, hard 7 capsules 2mg/ml solution for infusion, 100 ml solution	J02AC01, antimycotic for systemic use
Manufactured under the license of Pfizer Corporation		
DicloJet®		
diclofenac	75 mg gastroresistant capsules, hard, 20 capsules	M01AB05, NSAID
Manufactured in cooperation with Temmler Werke GmbH, Munchen, Germany		

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

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

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

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

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
METFORMIN ALKALOID®		
metformin	500mg, 850mg and 1000 mg film-coated tablets, 30 tablets	A10BA02, oral antidiabetic
MORFIN HIDROHLORID ALKALOID®		
morphine	20 mg/ml solution for injection, 10 ampoules	N02AA01, opioid analgesic
NIFADIL® retard		
nifedipine	20 mg prolonged release film-coated tablets, 30 tablets	C08CA05, calcium channel blocker
NIFLAM® 200 retard		
ketoprofen	200 mg film-coated tablets, 20 tablets	M01AE03, NSAID
NIFLAM®		
ketoprofen	50 mg capsules, hard 20 capsules 100mg/2ml solution for injection, 10 ampoules 100 mg suppositories, 12 suppositories	M01AE03, NSAID
NOVAMORF®		
morphine	10 mg and 20 mg sublingual tablets, 20 and 60 tablets 30 mg sublingual tablets, 20 tablets	N02AA01, opioid analgesic
NOZINAN®		
levomepromazine	25 mg and 100 mg film-coated tablets, 20 and 100 tablets	N05AA02, antipsychotic
Manufactured in cooperation with Sanofi Aventis, France		
OMEZOL®		
omeprazole	20 mg gastroresistant capsules, hard 14 capsules	A02BC01, antiulcer drug
PANCEF®		
cefixime	400 mg film-coated tablets, 10 tablets 100mg/5ml powder for oral suspension, 100 ml	J01DD08, third-generation cephalosporins

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
PARACETAMOL ALKALOID®		
paracetamol	120mg/5ml oral solution, 100 ml solution	N02BE01, analgesic, antipyretic
PARSEDIL®		
dipyridamole	75 mg coated tablets, 15 tablets	B01AC07, platelet aggregation inhibitor
PENTOKSIFILIN ALKALOID®		
pentoxifylline	400 mg prolonged release film-coated tablets, 20 tablets 100 mg/5 ml solution for injections, 5 ampoules	C04AD03, peripheral vasodilator, rheolytic
PHENOBARBITAL ALKALOID®		
phenobarbital	15 mg and 100 mg tablets, 30 tablets	N03AA02, antiepileptic
PHOLCODIN ALKALOID®		
pholcodine	10 mg capsules, hard 20 capsules 15mg/15ml oral solution, 150 ml solution	R05DA08, antitussic
PHOLCODIN ALKALOID®		
for children pholcodine	4mg/5ml oral solution, 60 ml solution	R05DA08, antitussic
PROCULIN®		
naphazoline, boric acid	(0.3mg+15mg)/ml eye drops, 10 ml solution	S01GA51, ophthalmic decongestant
PROPAFENON ALKALOID®		
propafenone	150 mg film-coated tablets, 40 tablets 35mg/10 ml solution for injection, 10 ampoules	C01BC03, antiarrhythmic
PROPILTIOURACIL ALKALOID®		
propylthiouracil	50 mg tablets, 20 tablets 100 mg tablets, 45 tablets	H03BA02, thyrostatic

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
REGLAN®		
metoclopramide	10 mg tablets, 40 tablets 5mg/5ml oral solution, 120 ml solution 10 mg/2 ml solution for injection, 30 ampoules	A03FA01, antiemetic
Manufactured in cooperation with Sanofi Aventis, France		
REMOXICAM®		
piroxicam	20 mg capsules, hard 20 capsules	M01AC01, NSAID
RISPERIDON ALKALOID®		
risperidone	1 mg, 2 mg, 3 mg and 4 mg film-coated tablets, 20 tablets	N05AX08, antipsychotic
SALBUTAMOL ALKALOID®		
salbutamol	2 mg tablets, 60 and 100 tablets 2mg/5ml oral solution, 150 ml solution 5mg/ml nebuliser solution, 20 ml solution	R03CC02, R03AC02, bronchodilator
SINEQUAN®		
doxepin	10 mg and 25 mg capsules, hard 30 capsules	N06AA12, antidepressant
Manufactured under the license of Pfizer Corporation		
SIZAP®		
olanzapine	2.5 mg, 5 mg and 10 mg film-coated tablets, 30 tablets	N05AH03, antipsychotic
SKOPRYL®		
lisinopril	5 mg, 10 mg and 20 mg tablets, 20 tablets	C09AA03, ACE inhibitor
SKOPRYL plus®		
lisinopril, hydrochlorothiazide	(20 mg + 12.5mg) tablets, 20 tablets (20 mg + 25 mg) tablets, 20 tablets	C09BA03, combined antihypertensive

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves	8.3mg/g eye gel, 5 g	S01XA, ophthalmic wound and ulcer treatment
Manufactured under the licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves	2.07mg/g ointment, 20g 4.15 mg/g jelly, 20 g 42.5 mg/ml solution for injection, ampoules of 2 ml and 5 ml, 25 ampoules	D03BA, treatment of wounds and ulcers C04AX
Manufactured under the licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
SOLCOSERYL®		
protein-free haemodialysate of blood from veal calves, polidocanol	(2.125mg+10mg)/g dental adhesive paste, 5 g	A01AD, local oral treatment
Manufactured under the licence of Valeant Pharmaceuticals Switzerland GmbH, Switzerland		
SUMETRIN®		
sumatriptan	50 mg film-coated tablets, 6 and 3 tablets	N02CC01, antimigraine preparation
SYNETRA®		
clopidogrel	75 mg film-coated tablets, 30 tablets	B01AC04, antithrombotic agent
TAMLOS®		
tamsulosin	0.4 mg modified release capsules, hard 30 capsules	G04CA02, drug used in benign prostatic hypertrophy
TIMOLOL ALKALOID®		
timolol	0.5% eye drops, 5 ml solution	S01ED01, antiglaucoma preparation

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
TRAMADOL ALKALOID®		
tramadol	50 mg capsules, hard 20 capsules 50mg/1ml solution for injection, 5 and 50 ampoules 100mg/2ml solution for injection, 5 and 50 ampoules	N02AX02, opioid analgesic
TORVEX®		
atorvastatin	10 mg, 20 mg, 40 mg and 80 mg film-coated tablets, 30 tablets	C10AA05, hypolipaemic
TRICEF®		
cefepodoxime	100 mg film-coated tablets, 10 and 20 tablets 200 mg film-coated tablets, 10 and 20 tablets	J01DD13, third-generation cephalosporins
ULCODIN®		
ranitidine	75 mg, 150 mg and 300 mg film-coated tablets, 20 tablets 50mg/2ml solution for injection, 5 ampoules	A02BA02, antiulcer drug
VASOFLEX®		
prazosin	1 mg tablets, 30 tablets 2 mg and 5 mg tablets, 60 tablets	C02CA01, selective α_1 -adrenergic blocker
Manufactured under the license of Pfizer Corporation		
VERAPAMIL ALKALOID® retard		
verapamil	240 mg prolonged release film-coated tablets, 20 tablets	C08DA01, calcium channel blocker
VERAPAMIL ALKALOID®		
verapamil	40 mg coated tablets, 30 tablets 80 mg coated tablets, 30 tablets 5 mg/2 ml solution for injection, 10 and 50 ampoules	C08DA01, calcium channel blocker

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
VITAMIN B₁ ALKALOID®		
thiamine	100 mg/1 ml solution for injection, 50 ampoules	A11DA01, vitamin
VITAMIN B₁₂ ALKALOID®		
cyanocobalamin	500 mcg/1 ml solution for injection, 50 ampoules	B03BA01, antianaemic
VITAMIN B₆ ALKALOID®		
pyridoxine	20 mg tablets, 20 tablets 50 mg/2 ml solution for injection, 50 ampoules	A11HA02, vitamin
VITAMIN C ALKALOID®		
ascorbic acid	500 mg tablets, 250 tablets	A11GA01, vitamin
ZANFEXA®		
venlafaxine	37.5mg, 50 mg and 75mg tablets, 30 tablets	N06AX16, antidepressant
ZANFEXA® XR		
venlafaxine	37,5 mg, 75 mg and 150 mg prolonged release capsules, hard 30 capsules	N06AX16, antidepressant
ZYTRON®		
ondansetron	4 mg and 8 mg film-coated tablets, 10 tablets 4mg/2ml and 8mg/4ml solution for injections, 5 ampoules	A04AA01, antiemetic and antinauseant

Latest releases:

Registered name, INN (generic)	Presentation (strength, pharmaceutical form, pack size)	ATC-code, pharmaco-therapeutic group
BUPRENORFIN ALKALOID®		
buprenorphine	0,4 mg, 2 mg and 8 mg sublingual tablets, 7 and 28 tablets	N07BC01, drugs used in opioid dependance
Manufactured in cooperation with Ethypharm, France		
FUREXA®		
cefuroxime	250 mg and 750 mg powder for injection 5 vials	J01DC02, second-generation cephalosporins
Manufactured in cooperation with Facta Farmaceutici S.p.A.-Teramo, Italy		
FUREXA®		
cefuroxime	1,5 g powder for solution for injection or infusion 5 vials	J01DC02, second-generation cephalosporins
Manufactured in cooperation with Facta Farmaceutici S.p.A.-Teramo, Italy		
CEFAZ®		
ceftazidime	500 mg and 1 g powder for solution for injection 5 vials	J01DD02, third-generation cephalosporins
Manufactured in cooperation with Facta Farmaceutici S.p.A.-Teramo, Italy		
PIMEF®		
cefipime	1 g and 2 g powder for solution for injection or infusion 5 vials	J01DE01, forth-generation cephalosporins

Alkaloid CONS

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

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

In 2004 Alkaloid CONS Ltd. officially commenced its operation with 5 employees.

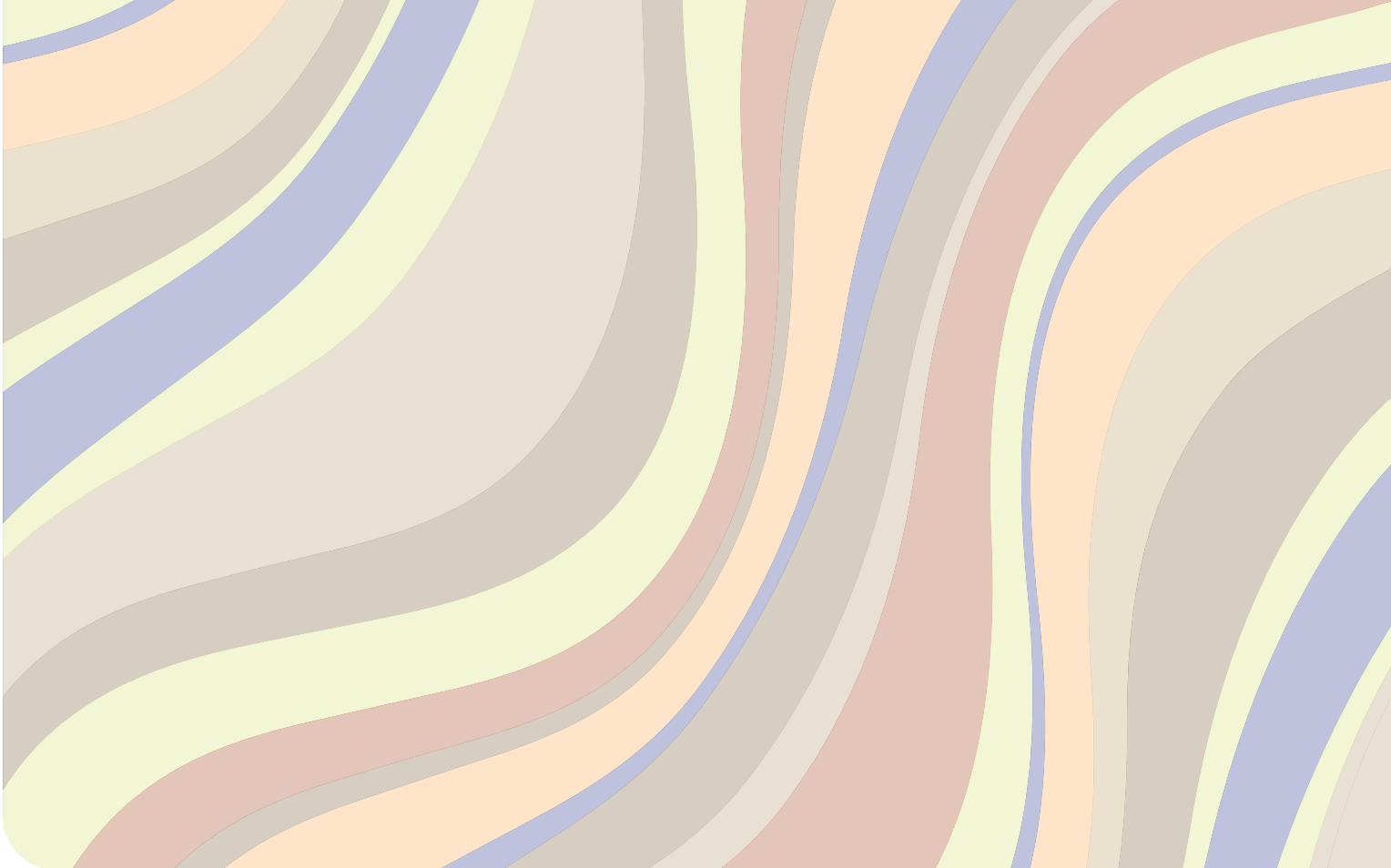
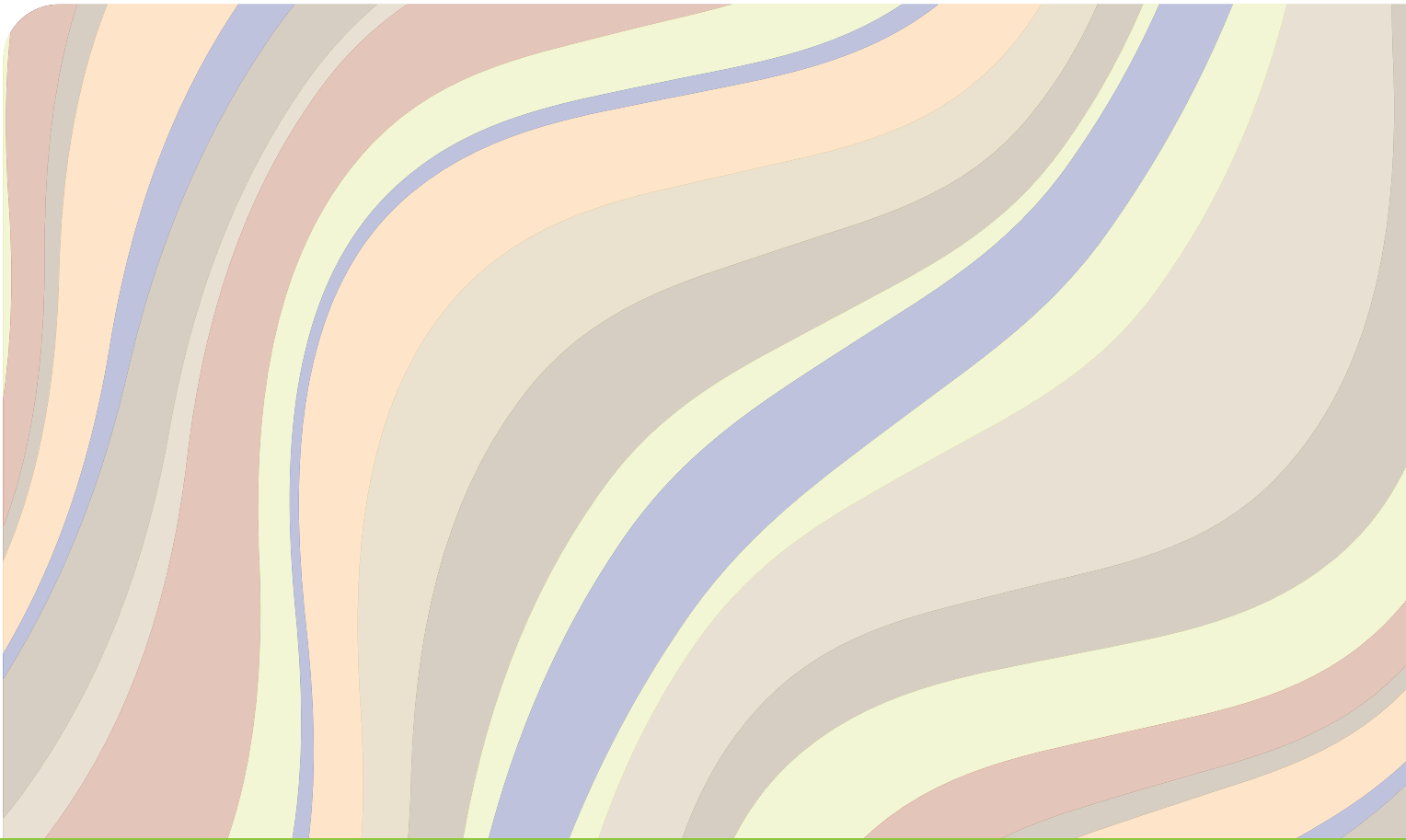
Year after year, the growth of Alkaloid CONS is becoming ever more impressive, both in terms of sales and in terms of its business portfolio, which we believe is a trend that will continue.

In the course of 2008, Alkaloid CONS cooperated with more than 10 non-domicile companies and represented approximately 200 pharmaceutical products, whereby it acquired a significant market share.

Alkaloid CONS Limited Liability Company (Sole Proprietorship) has cooperation agreements with the following companies:

1. **SANOFI-AVENTIS**,
France
2. **PFIZER H.C.P. CORPORATION**,
USA
3. **NOVARTIS PHARMA SERVICES INC.**,
Switzerland
4. **TALECRIS BIOTHERAPEUTICS**,
USA
5. **BILIM ILAC**,
Turkey
6. **FUJIFILM CORPORATION**,
Japan
7. **TORREX CHIESI**,
Austria
8. **INFOMED FLUIDS S.R.L.**,
Romania
9. **HARTINGTON PHARMA LTD.**,
UK
10. **PRIZMA D.O.O.**,
Serbia
11. **LOLA RIBAR**,
Croatia
12. **DUTCHMED INTERNATIONAL B.V.**,
the Netherlands
13. **SHIRE PHARMACEUTICALS IRELAND LIMITED**,
Ireland
14. **INTRAPLANT GmbH**,
Austria

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





PC CHEMISTRY, COSMETICS
AND BOTANICALS

Marketing and Sales

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In 2008, PC Chemistry, Cosmetics and Botanicals had 183 employees working in its headquarters in Skopje. The total net sales of PC Chemistry, Cosmetics and Botanicals amounted to 770.3 million MK denars, which is a share of 16.30% in the total sales of Alkaloid Group.

In 2008, the products of PC Chemistry, Cosmetics and Botanicals were available on the markets in 14 countries.

PC Chemistry, Cosmetics and Botanicals as a part of Alkaloid Group

	2006	2007	2008
	26.57%	21.48%	16.30%

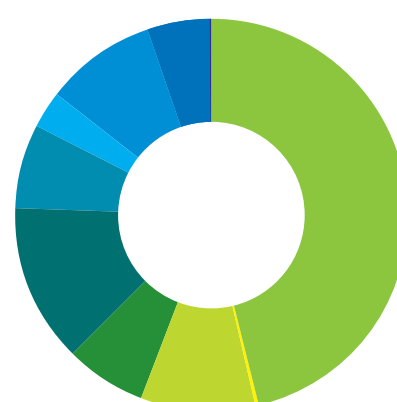
In 2008 the sales level demonstrated an increase of 11.11% compared to last year. This was primarily due to the increase in export sales by 12.54%, as well as the increase in domestic sales, which has increased by nearly 9,50% compared to 2007.

SALES PER MARKETS



- DOMESTIC MARKET 46,22 %
- EXPORT MARKET 53,78 %

SALES PER COUNTRIES 2008



- Macedonia 46.22
- Albania 0.36
- Bosnia and Herzegovina 9.41
- Kosovo 6.56
- Serbia 13.06
- Croatia 7.09
- Montenegro 2.87
- EU Countries 9.24
- USA 4.26
- Other countries 0.93
- Total: 100.00**

PC CHEMISTRY, COSMETICS AND BOTANICALS

The participation of the three programmes in the overall sales of this Profit Centre in terms of their percentage was as follows:

Production programmes	% participation
Chemistry	14.98
Domestic market	6.01
Export sales	8.97
Cosmetics	63.30
Domestic market	27.49
Export sales	35.81
Botanicals	21.72
Domestic market	12.71
Export sales	9.01

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The sales structure of the programmes arranged in descending order starting from the best selling products was as follows:

Sales structure - Cosmetics	2008	2007	2006
Becutan collection	70.43	65.44	56.90
Shampoos	6.74	7.44	10.42
Perfumes	6.06	8.48	8.67
Gloss	5.92	6.16	8.12
Soaps	3.92	4.71	6.33
Other products	6.92	7.78	9.55
Total Cosmetics	100.00	100.00	100.00

Sales structure - Chemicals	2008	2007	2006
Argentum salts	42.71	47.33	52.75
Acidum aceticum	8.82	7.54	11.90
Other	48.46	45.13	35.35
Total Chemicals	100.00	100.00	100.00

Sales structure - Botanicals	2008	2007	2006
Teas	70.54	68.26	69.94
Zacinal	13.03	15.11	14.54
Medical herbs	7.95	8.06	5.89
Other	8.48	8.56	9.64
Total Botanicals	100.00	100.00	100.00

Becutan: Quality. Confidence. Tradition. Superbrand in Bosnia and Herzegovina

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Having completed three decades of its existence, Becutan received its first international recognition for the best trademark in its category: a Superbrand in Bosnia and Herzegovina.

There were more than 800 branded products in competition for this unique award, all of which are available on the market of Bosnia and Herzegovina. The Superbrands organization selected Becutan because of its quality, the consumers' confidence, distinctiveness compared to its competition and the emotional relationship that the consumers have developed with it.

The success of Becutan is based on the long-standing and continuous investment, research and development by the Alkaloid team of pharmacists, as well as the permanent cooperation with the clinical specialists in the field of dermatology and pediatrics. In addition to the confirmation of the neutrality and efficiency of the entire collection by thousands of consumers, the expert team of the Clinic for Child Diseases and the Clinic of Dermatology at the Faculty of Medicine in Skopje also expressed its positive opinion. The Becutan collection is recommended by the Association of Pediatricians of the Republic of Macedonia.

For a brand to persist on the market, it must continually fulfill its promises and have the confidence of its consumers, and this confidence can be won and kept only if the product guarantees superior and constant quality.

The products from the Becutan collection are produced from raw materials of verified superior quality that corresponds to the European directives for high-quality products. During the production process, the entry materials and the finished product are subjected to constant supervision. Our proved quality is our most important competitive advantage, which is why we declare with utmost responsibility that the products from the Becutan range of products are at the same level as the most renowned skin care preparations for children on the market.

In the course of these three decades, Becutan proved that it is a brand worth investing in. Our vision, to create an image of the brand that will unite tradition and quality with the needs of modern everyday life, makes us constantly adjust to our consumers' needs.

To this end, we paid particular attention to the extension of the production portfolio of the Becutan brand. The successful start of the extensions took place in 2006 when we introduced the wet wipes, and it continues all the way to this year, when 6 new products were introduced into the collection, all of which share all the features that are common for the recognizable quality of Becutan.

In the course of the first year from their launch on the Macedonian market, the Becutan baby diapers demonstrated a constant rising trend in the sales and they occupy an ever increasing share in the diapers market, establishing their position at the very top, among the most widely sold brands in this category of products.

In 2008 we extended the Becutan portfolio by introducing two new cremes: Becutan vitamin cream for children and Becutan protective cream with Zink oxide, intended for care and protection of the babies' skin in the areas covered with diapers.

Next year, the extension of the brand will continue by introducing a new collection of products intended for the protection of the children's skin from the harmful influence of the sunrays and for nourishment of the skin after sunbathing.

In the future, the team of experts concerned with the Becutan collection will remain focused on customer satisfaction, and on the maintenance of the superior quality of our products vis-à-vis the affordable prices. Only thus shall we uphold the tradition and meet the requirements of even the most demanding consumers.

Did you know:

- The leading product of the Becutan collection is the Becutan cream for children with over 40 million sold jars.
- In 1978 the Becutan collection consisted of only 5 products (shampoo, oil, powder, foam bath and children's cream). In 2008 the Becutan collection consisted of 13 products, i.e.18 products.
- All Becutan products are dermatologically and clinically tested.
- The Becutan collection is recommended by the Association of Pediatricians of the Republic of Macedonia.



Good Nature New Products

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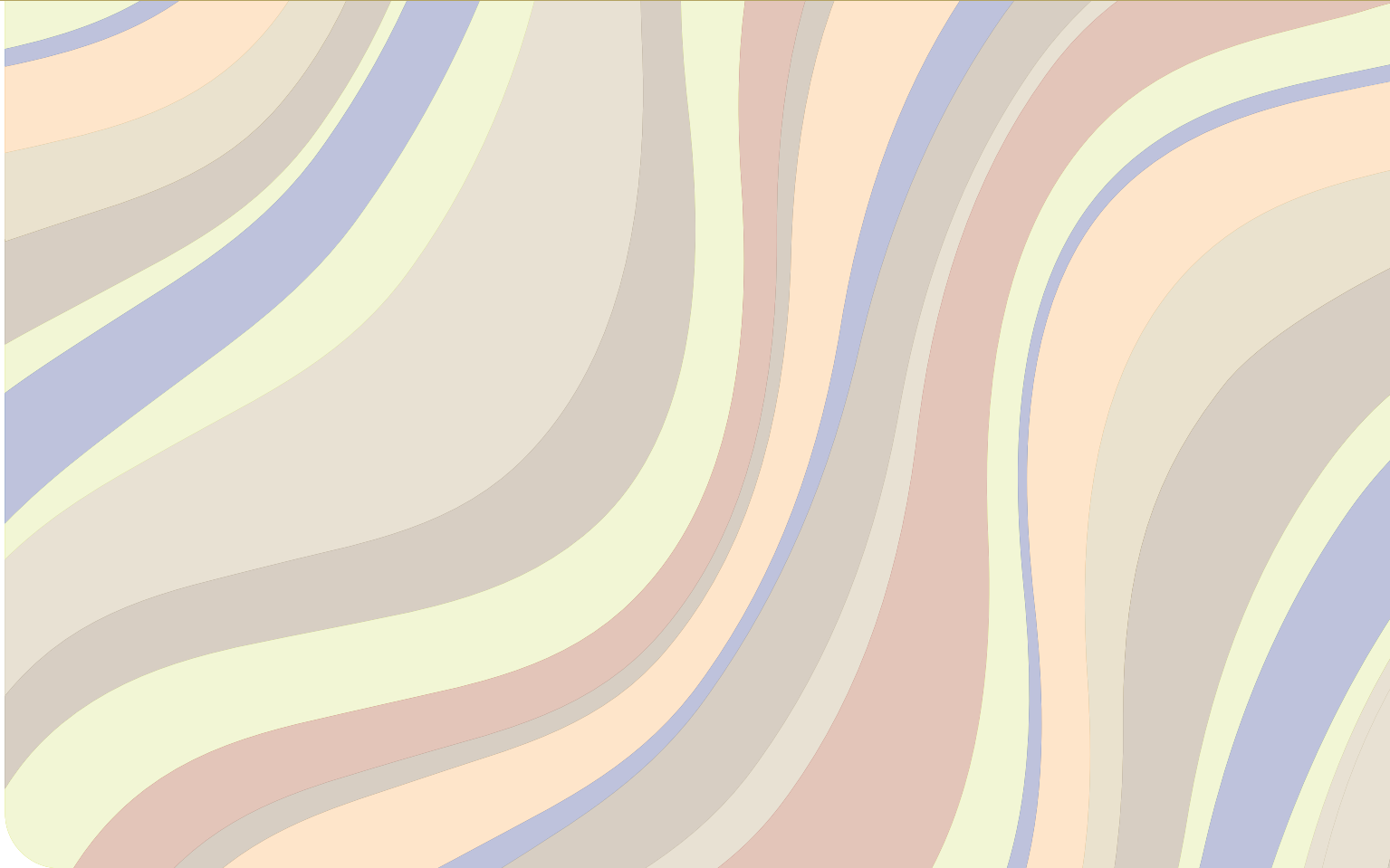
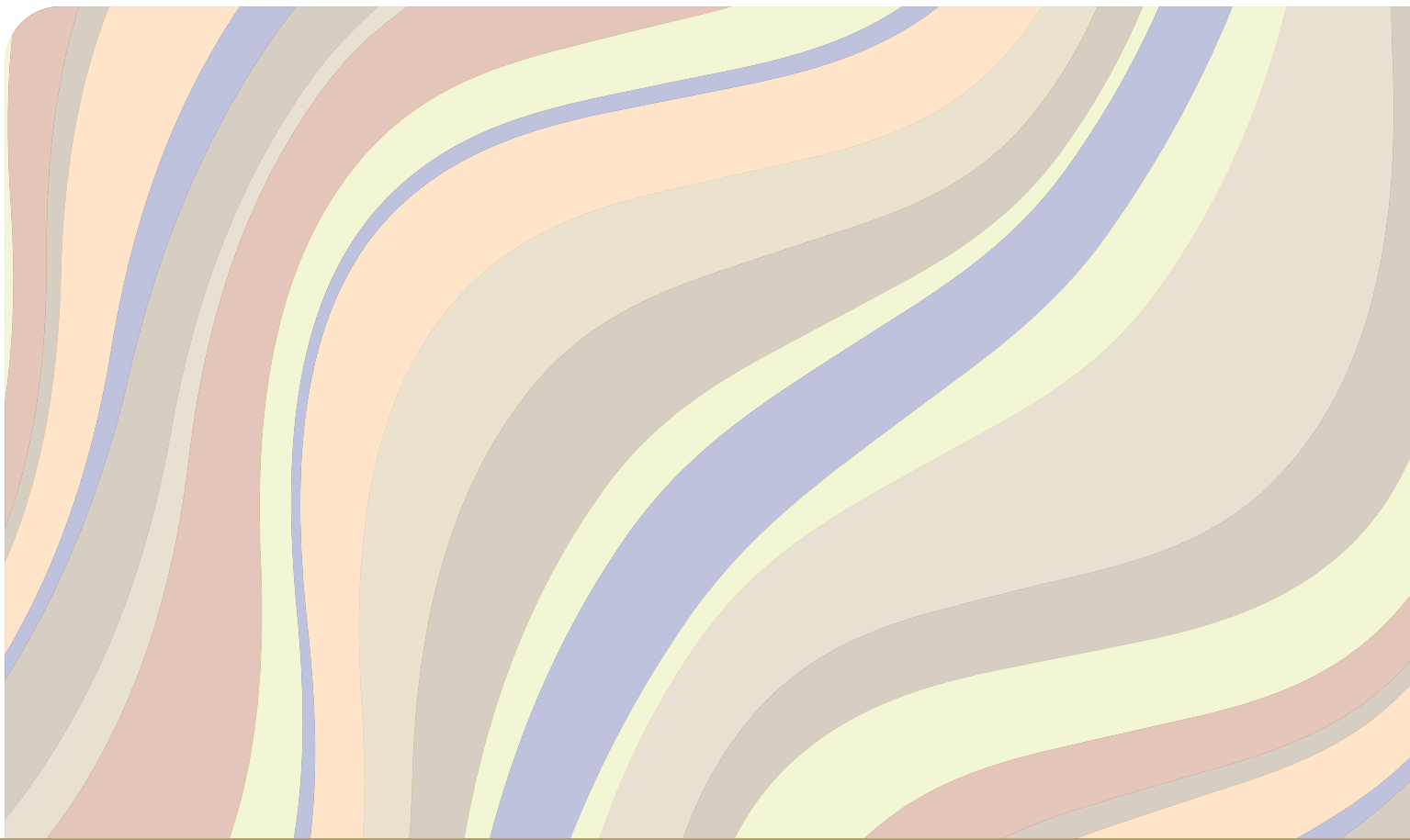
Following the pioneering redesign of the range of fruit teas in 2007, in 2008 we successfully completed the redesign of the range of domestic teas. Thus, we finalized the process of segmentation of the Botanicals production range into: fruit, domestic, organic and loose teas in a brand new package.

In compliance with the global trend of going back to nature, Alkaloid - Botanicals introduced 9 certified organic teas to the market, of which eight consist of one component only and one is a mixture. These are all produced from 100% organic herbs.

Following the market trends, in 2008 the product range of Good Nature was extended with new fruit teas: strawberry with vanilla and apple with cinnamon, both of which aroused great interest, especially among the youngest population.

PC CHEMISTRY, COSMETICS AND BOTANICALS







INVESTOR
INFORMATION

OU

Finances

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The year 2008 was marked by several significant moments that can affect our Company and its operation. The most important among these is the global financial crisis, which triggered the implementation of a series of measures and activities to minimize its negative effects.

These measures were directed towards increasing the export, thus providing enough foreign currency resources to pay for the current obligations towards the foreign suppliers; furthermore, they were directed towards reducing the credit risk by maintaining the credit indebtedness on a low level and by transforming the foreign currency credits into current credits in denars, so as to overcome the currency risk.

We shall also remember the year 2008 as it was in this year that the successful accomplishment of one of our major investment endeavours took place - the project for the Institute for Development and Quality Control, which within the framework of our determination for continuous investment, was officially launched and started operating this year, as a new step forward towards our harmonization with the strictest requirements of the Good Manufacturing Practice and the development of new drugs. We have also invested in the procurement of new equipment for the production of final drug products and for Botanicals, and we have also invested in other machinery. Of these investments, the two major ones amount to approximately one million euros each.

Striving to reduce the costs of our operation, and in compliance with the corporate policy for environmental protection, in 2008 we initiated and completed the project for gasification of the locality of Avtokomanda.

The financial reports of Alkaloid AD Skopje have been prepared in compliance with the Company Law and the Accounting guidelines. The application of international standards for financial operation and reporting was established at our Company a long time ago, and these reports form a solid base for the modifications and amendments to the International Accounting Standards (IAS) and the new International Standards of Financial Reporting (ISFR).

In comparison to the year 2007, despite the global trend of crisis, better results have been achieved in all segments of the operation of the Company, and this has resulted in greater consolidated profit and greater basic earnings per share.

Cvetanka Simonovska

Chief Financial Officer /

Member of the Management Board



Shareholding

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The capital of Alkaloid AD Skopje amounts to 1,431,353 shares with a par value of EUR 25.56 per share, or a total sum of EUR 36,585,382.68. All shares are freely transferable. All individuals registered in the Shareholders Registry, which is kept with the Central Depository for Securities in compliance with the valid legal regulations, are considered shareholders. The shareholders enjoy an equal status and have the right to vote at the Company's Assembly with one vote for each ordinary share, and they also have the right to a dividend.

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

Structure of the shareholders in Alkaloid AD Skopje

Legal and physical persons / Ordinary shares	1,428,125	99.77%
Former proprietors / Preference shares	3,228	0.23%

According to the records of the Macedonian Stock Exchange, the shares of Alkaloid in the course of 2008 were some of the most traded and most liquid ones. There were 5,108 transactions made, 135,966 shares were traded (which is 9.50% of the total share capital of Alkaloid AD Skopje), worth a total of EUR 16,182,112.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 15.48% of the total turnover recorded on the first official market of the Stock Exchange. The share price of Alkaloid AD Skopje ranged from MKD 2,850 to MKD 11,151, with an average of MKD 7,536.61.

Alkaloid was granted the Crystal Bell Award by the Macedonian Stock Exchange for being the most transparent quoted company in the year 2008.

Price movement of Alkaloid's shares (reference: maximum price)

Source: Macedonian Stock Exchange

	2008	2007	2006
January	11.151	5.701	4.239
February	11.000	6.700	4.198
March	10.500	8.100	4.100
April	11.100	10.738	4.250
May	9.000	10.999	4.250
June	8.500	10.050	4.150
July	8.600	10.500	4.710
August	7.900	14.500	5.000
September	7.400	14.000	5.890
October	6.198	13.301	5.798
November	4.905	12.128	5.798
December	3.701	11.451	5.600

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

Year	Number of traded shares	% of shareholders' capital
2006	166,647	11.64 %
2007	215,729	15.07 %
2008	135,966	9.50 %

As of 31st December 2008, Alkaloid had 5,414 shareholders holding ordinary shares. The fact that the number of shareholders is continually increasing, particularly in the last three years, is a sufficient indicator of the interest in the Company and its successful operations.

Since 1995, when the company was restructured, Alkaloid AD Skopje has regularly paid dividends to its shareholders on an annual basis. The net dividend per share for the year 2008 amounted to MKD 123.00

Net dividend per share (in MK Denars)

2008	2007	2006
123.00	100.00	80.50

Gjorgji Jovanov,
Director / MB Member



Alkaloid AD Skopje

The Crystal Bell winner for 2008

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The Selection Committee for selecting the most transparent joint stock company quoted on the Macedonian Stock Exchange AD Skopje had the obligation to choose the most transparent quoted company at the Macedonian Stock Exchange for the year 2008.

The Committee consisted of representatives from the Stock Exchange, the Quotation Committee, institutional investors, brokers and representatives from the electronic and printed media.

Transparency in the operation of the quoted companies is a prerequisite for the existence of a fair, transparent and efficient capital market. The Stock Exchange trade has already become an integral part of the investment climate in the Republic of Macedonia, while the transparency of the quoted companies, and the reports they publish through the electronic reporting system of the Macedonian Stock Exchange, exert substantial influence on the creation of the image of the companies' operations and on the investors' decisions for buying, selling or keeping the securities.

The increased interest to invest on the Macedonian Stock Exchange by domestic and foreign, legal and physical persons in recent years has increased the interest in precise and timely financial and non-financial price-sensitive information from the quoted companies, i.e. greater transparency on the part of the companies, which enhanced the general interest of the public and the media coverage of the quoted companies' operation.

The several years' existence of the private pension funds and the appearance of the domestic investment funds further supported this process, and the number of financial analysts who perform fundamental analyses of the financial reports of the quoted companies also increased.

The Selection Committee would like to thank the Board of Directors of the Macedonian Stock Exchange for their trust, the Candidacy Committee for the superbly completed task and the use of suitable criteria for selecting the 5 short-listed quoted companies and, at the same time, the Selection Committee would like to emphasize that in the course of 2008 there was a notable increase in the quality of information reported by the quoted companies on the Stock Exchange.

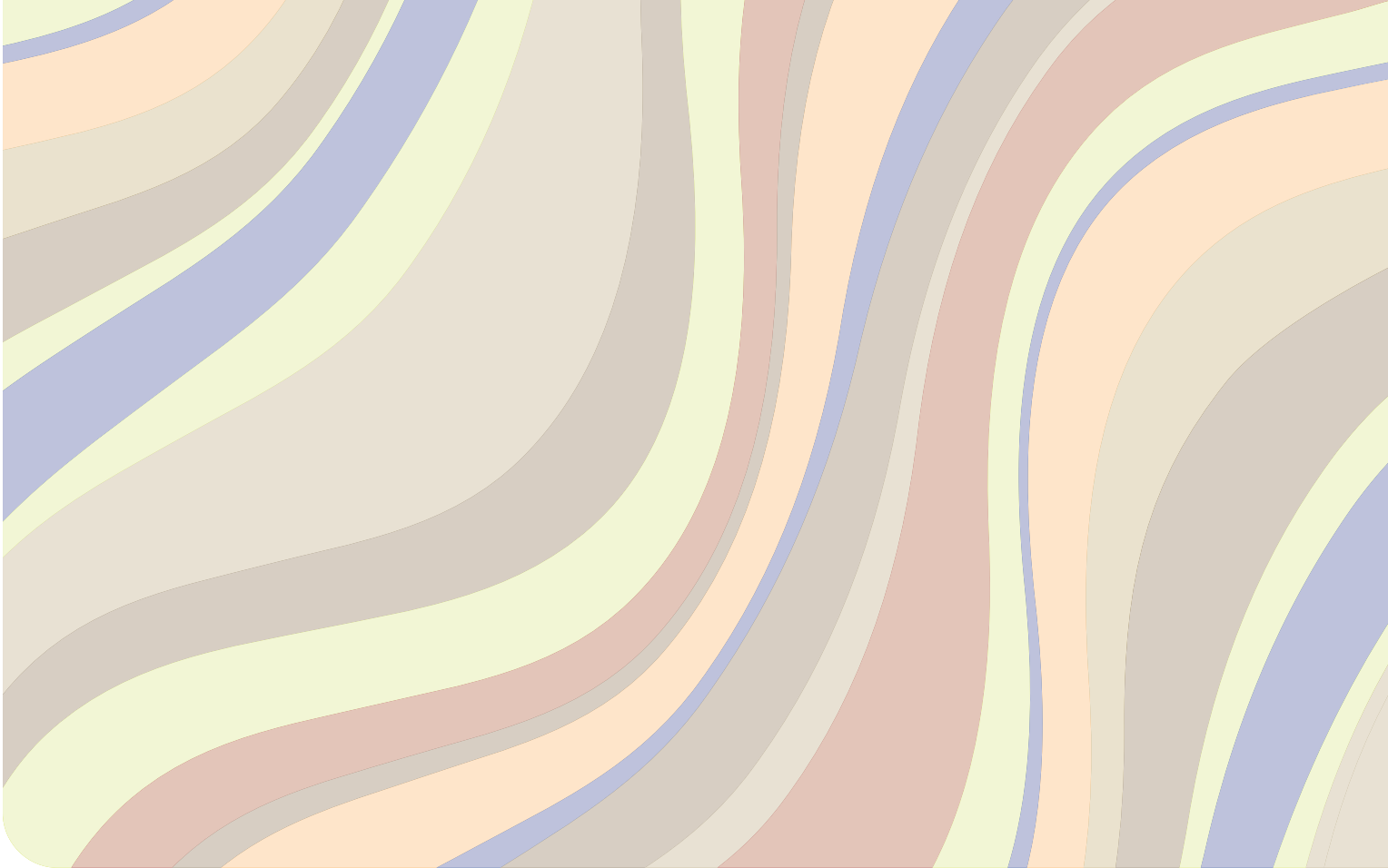
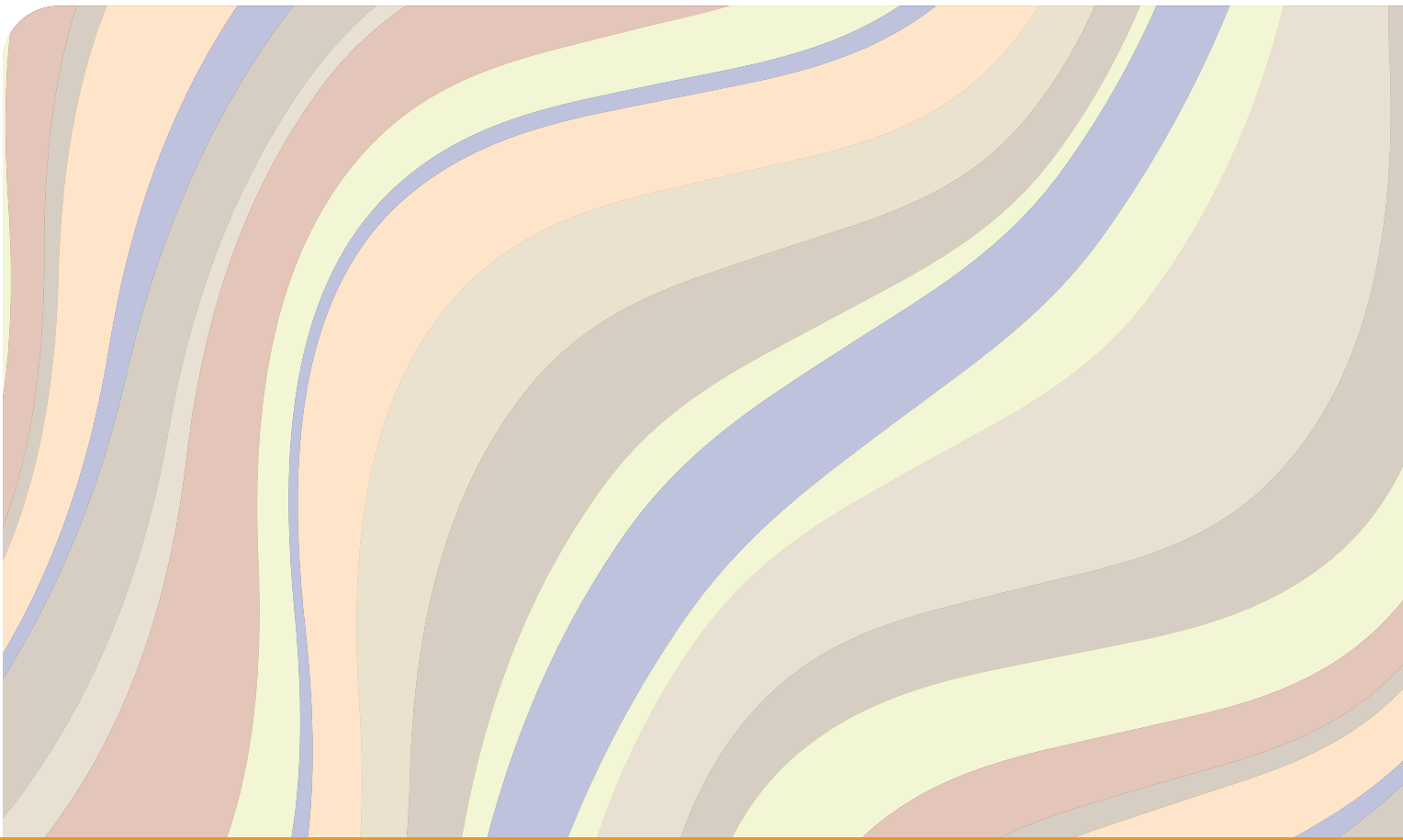
Bearing in mind the quality of the overall information reported to the public in the course of 2008 and, above all, the significant advancement in the transparency of its operation, the Selection Committee decided to declare Alkaloid AD Skopje to be the most transparent company quoted on the Macedonian Stock Exchange for 2008.



At the same time, the Selection Committee unanimously reached a conclusion to recognize the preserved high level of transparency in 2008 of Komercijalna banka AD Skopje, the Crystal Bell winner for 2007.

The Selection Committee emphasizes once again that Alkaloid AD Skopje is a company that needs to be quoted in the sub-segment of Super quotation on the Official Market of the Macedonian Stock Exchange, because of its transparency, quality of the published reports and the unquestionable capacities it possesses.

On this occasion, the Committee would like to encourage Alkaloid AD Skopje to quote its shares in the sub-segment of Super quotation, where the Company rightfully belongs.





CONSOLIDATED
FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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To the Management Board and the Shareholders of Alkaloid AD Skopje

We have audited the accompanying consolidated financial statements (page 3 to 36) of Alkaloid AD Skopje (hereinafter referred to as the "Company") and subsidiaries, which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alkaloid AD, Skopje and subsidiaries as at 31 December 2008, and the results of their consolidated financial performance, changes in equity and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Deloitte DOOEL
Skopje, Macedonia
16 March 2009



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December	
		2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,529,381	3,573,264
Intangible assets	7	194,179	173,983
Deferred income tax assets	18	14,434	13,149
Available-for-sale financial assets	9	7,381	9,922
Investments in associate	10	102,450	242,624
Trade and other receivables	12	82,072	35,576
		3,929,897	4,048,518
Current assets			
Inventories	11	1,256,941	997,415
Trade and other receivables	12	1,592,062	1,401,494
Cash and cash equivalents	13	292,555	310,756
		3,141,558	2,709,665
TOTAL ASSETS		7,071,455	6,758,183
EQUITY			
Capital and reserves			
Share capital	14	2,206,783	2,212,753
Share premiums	14	906	12,299
Legal reserves		599,575	600,064
Other reserves	15	1,713,528	1,689,903
Retained earnings		1,291,739	949,610
Minority interests		1,414	1,485
		5,813,945	5,466,114
LIABILITIES			
Non-current liabilities			
Borrowings	16	18,636	70,529
Retirement benefit obligations	17	10,974	8,666
Deferred income tax liabilities	18	14,409	16,480
		44,019	95,675
Current liabilities			
Trade and other payables	19	708,214	617,711
Income taxes		41,702	50,570
Borrowings	16	463,575	528,113
		1,213,491	1,196,394
Total liabilities		1,257,510	1,292,069
TOTAL EQUITY AND LIABILITIES		7,071,455	6,758,183

(In thousands of denars)

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

These consolidated financial statements have been approved for issue by the Managing Board on 20 February 2009.

Approved by:

Zhivko Mukaetov

General Manager



Cvetanka Simonovska

Finance Manager



CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2008	2007
Continuing operations			
Sales	5	4,725,737	4,023,349
Cost of sales		(2,468,716)	(2,168,656)
Gross profit		2,257,021	1,854,693
Research and development expenses		(39,318)	(14,949)
Selling and marketing expenses		(1,288,937)	(1,096,763)
Administrative expenses		(239,209)	(289,775)
Share of loss of associate	10	(118,225)	(9,444)
Other income	20	289,566	155,755
Other expenses	21	(208,566)	(76,679)
Operating profit		652,332	522,838
Net foreign exchange transaction gains / (losses)	25	-	3,432
Finance expenses	25	(41,467)	(49,221)
Profit before income tax		610,865	477,049
Income tax expense	26	(103,994)	(106,681)
Profit from continuing operations		506,871	370,368
Profit/(Loss) from discontinued operations		(5,087)	6,161
Profit for the year		501,784	376,529
Attributable to the:			
Shareholders of the Company		501,855	376,869
Minority interests		(71)	(340)
		501,784	376,529
Earnings per share (in denars)			
- Basic	27	352.66	263.93

The comparative figures for 2007 are restated for the effect of discontinued operations

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

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Minority interests	Total equity
As at 1 January 2007	2,214,321	(36,913)	599,821	1,573,957	830,622	2,010	5,183,818
Purchase of treasury shares	(39,768)	(7,600)	-	-	-	-	(47,368)
Sales of treasury shares	38,200	56,812	-	-	-	-	95,012
Allocation of profit	-	-	44	126,680	(126,724)	-	-
Fair value of investments (Note 9)	-	-	-	2,682	-	-	2,682
Other movements	-	-	-	(66)	-	-	(66)
Deferred taxes (Note 18)	-	-	-	(7,952)	-	-	(7,952)
Dividends	-	-	-	-	(125,922)	-	(125,922)
Profit for the year	-	-	-	-	376,869	(340)	376,529
Tax loss coverage	-	-	-	-	(5,198)	-	(5,198)
Translation differences	-	-	199	(5,398)	(37)	(185)	(5,421)
As at 31 December 2007	2,212,753	12,299	600,064	1,689,903	949,610	1,485	5,466,114
Purchase of treasury shares	(5,970)	(11,393)	-	-	-	-	(17,363)
Allocation of profit	-	-	(658)	24,251	(23,593)	-	-
Fair value of investments (Note 9)	-	-	-	(3,760)	-	-	(3,760)
Deferred taxes (Note 18)	-	-	-	2,071	-	-	2,071
Dividends (Note 28)	-	-	-	-	(159,038)	-	(159,038)
Profit for the year	-	-	-	-	501,855	(71)	501,784
Effect from discontinued operations	-	-	-	-	5,086	-	5,086
Translation differences	-	-	169	1,063	17,819	-	19,051
As at 31 December 2008	2,206,783	906	599,575	1,713,528	1,291,739	1,414	5,813,945

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

(In thousands of denars)

Annual Report '08

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	4,430,577	3,432,729
Cash paid to suppliers and employees	(3,618,053)	(2,930,775)
Cash generated from operations	812,524	501,954
Interest received	3,648	2,091
Income tax paid	(111,072)	(63,825)
Net cash generated from operations	705,100	440,220
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(419,740)	(177,697)
Proceeds from sale of PP&E	461	711
(Purchases)/disposals of available-for-sale financial assets	25,261	3,438
Dividends received	560	33
(Repayments)/proceeds from loans to employees	(1,761)	4,762
Net cash used in investing activities	(395,219)	(168,753)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of borrowings	847,866	213,000
Repayments of borrowings	(961,797)	(354,220)
Interest paid	(39,205)	(49,564)
Purchase of treasury shares	(17,363)	(47,368)
Sales of treasury shares	-	95,012
Compensation to shareholders	(158,672)	(16,112)
Net cash provided by financing activities	(329,171)	(159,252)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(19,290)	112,215
Cash and cash equivalents at beginning of year	310,756	204,519
Discontinued operations	315	(5,213)
Translation differences	774	(765)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	292,555	310,756

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

(In thousands of denars)

Notes to the Consolidated Financial Statement

1. GENERAL INFORMATION

Alkaloid AD, Skopje (the Company) produces and sells wide range of pharmaceutical, chemical and cosmetic products, as well as goods from herbal origin. The Company was comprised of thirteen subsidiaries in the Republic of Macedonia and other countries. For the list of the subsidiaries refer to Note 2.4.

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

Aleksandar Makedonski 12
1000 Skopje, Republic of Macedonia

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the year presented.

2.1 Basis of preparation

The consolidated financial statements of Alkaloid AD, Skopje have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Standards and Interpretations effective in the current period

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 12 Service Concession Arrangements (effective January 1, 2008); IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2008); IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after July 1, 2008); and IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective October 1, 2008). There were also amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (effective on or after 1 July 2008). The adoption of these Interpretations and amendments to existing standards has not led to any changes in the accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 (Revised) Presentation of financial statements (effective for accounting periods beginning on or after 1 January 2009);
- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3 (Revised) Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);
- Improvements to IFRSs (2007) (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and separate financial statements – Cost of Investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IFRS 2 Share-Based Payment - Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009);
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009);

- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 17 Distribution of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009);
- IFRIC 18 Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009).

The management anticipate that all of the above Interpretations will be adopted in the Company's financial statements for the period commencing 1 January 2009 and that the adoption of those Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

2.4 Subsidiaries

Subsidiaries are all legal entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The cost of acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The investments in subsidiaries are recorded at cost less any eventual impairment.

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

CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Subsidiaries (Continued)

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

	2008 % of ownership	2007 % of ownership
Alkaloid DOO Ljubljana, Slovenia	100%	100%
Alkaloid DOO Zagreb, Croatia	100%	100%
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100%	100%
Alkaloid DOO Beograd, Serbia	100%	100%
ALK&KOS Shpk Prishtina, Kosovo (Serbia)	100%	100%
Alkaloid EOOD Sofia, Bulgaria	100%	100%
Alkaloid Shpk Tirana, Albania	100%	100%
Alkaloidfarm SA Fribourg, Switzerland	100%	100%
Alkaloid Kons DOOEL Skopje, Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio USA	49%	49%
Alkaloid Premazi DOOEL Skopje, Macedonia	-	100%
Fund "Trajce Mukaetov" Skopje, Macedonia	100%	100%
OOO Alkaloid RUS Moscow, Russia	100%	-
Alkaloid DOO Podgorica, Montenegro	100%	-

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

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

During 2008 Alkaloid established new subsidiaries in Montenegro: Alkaloid DOO Podgorica and in Russia: OOO Alkaloid RUS Moscow.

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

2.5 Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an

interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Investment in associate (Continued)

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

2.6 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.7 Leasing

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

2.8 Foreign currency translation Functional and presentation currency

The consolidated financial statements are presented in thousands of Macedonian Denar, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences of monetary securities denominated in foreign currency classified as available for sale are recognized in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting differences are recognized as a separate component of equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment

Property plant and equipment were initially recorded at cost. Land, buildings and part of equipment are stated at fair value, based on appraisal performed by external independent valuers, less subsequent depreciation. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. Other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. The revaluation surplus is transferred to retained earnings upon ultimate disposal of revaluated asset.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.10 Intangibles

Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (5 years).

Research expenditure is recognized as an expense as incurred. Internal development costs are recognized as intangible assets when it is probable that future economic benefits will flow to the Company and costs can be measured reliably. The Company considers that regulatory and other uncertainties inherent in the development of new products mean that such criteria are not met until the commercial launch of the product and therefore, pre-launch internal development costs are expensed as incurred. No significant direct development costs are incurred after the commercial launch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.14)

Available-for-sale financial assets

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. The purchase value of investments includes transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the available-for-sale financial assets are presented in the equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Company's right to receive payments is established.

The fair values of quoted investments are based on last traded prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost, less impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Method for evaluation of impairment of trade receivables is explained in Note 2.14.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the actual cost method. The cost of finished goods and work in progress comprises direct production costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial dif-

iculties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'selling and marketing costs'.

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity. Purchases of the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and are included in equity attributable to the Company's equity holders.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Deferred tax

Current income tax is calculated and paid in accordance with the Income tax Law. The estimated tax is paid in advance on a monthly basis. The final tax is payable at the rate of 10% calculated on the profit reported in the income statement, adjusted for certain items as defined by the local tax legislation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries excepts where timing of the reversal of temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

Pension liabilities

The Company has both defined benefit and defined contribution plans.

- Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Company pays contributions into publicly and privately administered pension plans on a mandatory, basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

Pension liabilities (Continued)

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and is expected that will be paid not more than 12 months.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a decision of a Managing Board. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and is expected that will be paid not more than 12 months.

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown, net of value-added tax, estimated returns, discounts and rebates. Revenue is recognized as follows:

Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (continued)

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognized when the right to receive payment is established.

2.22 Dividends

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

2.23 Comparative figures

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purposes. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the accompanying consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The financial risk management is performed by the Company's financial department, based on Decisions from Managing board.

Market risk

a) Foreign exchange risk

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

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

b) Price risks

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Trade receivables consist of large number of balances. The Company has policies that limit the amount of credit exposure.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Interest risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flow are substantially independent of changes in market interest rates.

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

3.2 Fair value estimation

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4. ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Fair value of property, plant and equipment

The Company tests annually whether fair value of land and buildings has suffered material changes compared with their fair value as assessed in the last appraisal. The Company estimation is that the difference between their fair value recorded into the books and the current market value is not material, and do not affect the result.

Fair value of financial assets

The available-for-sale financial assets that are not traded in an active market are stated at their cost. The Company estimation is that the difference between their fair value and cost is not material, and do not affect the result. This financial assets are insignificant both in the books in the Company and as a percentage of participation in the issuer capital.

Trade receivables

The Company assessed annually the fair value of trade receivables.

5. SEGMENT REPORTING

Primary reporting format – business segments

At 31 December 2008, the Company is organized on a worldwide basis into three main business segments:

- **Pharmaceuticals** - Production of medicines for human use, medicines for veterinary use and pharmaceutical raw materials;
- **Chemicals Cosmetics Botanicals** - production of chemicals, diazo, X-rays; cosmetics and soaps; teas, food products, medicines and herbal raw materials.

The segment results for the year ended 31 December 2008 are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Total
Continuing operations			
Sales	3,955,402	770,335	4,725,737
Operating profit/Segment result	671,181	(18,778)	652,403
Minority interests			(71)
Finance costs			(41,467)
Profit before income tax			610,865
Income tax expense			(103,994)
Profit from continuing operations			506,871
Discontinued loss			(5,087)
Profit for the year			501,784

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

Primary reporting format – business segments (Continued)

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

	Pharmacy	Chemicals Cosmetics Botanicals	Total
Continuing operations			
Sales	3,330,023	693,326	4,023,349
Operating profit/Segment result	467,829	55,349	523,178
Minority interests			(340)
Finance costs			(45,789)
Profit before income tax			477,049
Income tax expense			(106,681)
Profit from continuing operations			370,368
Discontinued profit			6,161
Profit for the year			376,529

Other segments item included in the income statement for the year ended 31 December 2008 are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Total
Depreciation (Note 6)	165,218	34,790	200,008
Amortization (Note 7)	26,774	3,201	29,975
Impairment	26,212	3,577	29,789

(In thousands of denars)

5. SEGMENT REPORTING (Continued)**Primary reporting format – business segments (Continued)**

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

	Pharmacy	Chemicals Cosmetics Botanicals	Total
Depreciation (Note 6)	158,081	34,264	192,345
Amortization (Note 7)	9,382	-	9,382
Impairment	32,764	5,432	38,196

The segment assets and liabilities as at 31 December 2008 and capital expenditures for the year then ended are as follows:

	Pharmacy	Chemicals Cosmetics Botanicals	Coatings	Total
Assets	5,838,002	1,233,453	-	7,071,455
Liabilities	1,093,039	164,471	-	1,257,510
Capital expenditures	367,095	19,512	5,738	392,345

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

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

Capital expenditures comprise additions to property, plant and equipment (Note 6) and intangibles (Note 7).

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (Continued)

Secondary reporting format – geographical segments

The Republic of Macedonia is the home country of the parent company, which is also the main operating company

The sales by the main geographical areas are as follows:

Sales	2008	2007
Macedonia	1,780,221	1,566,007
South East Europe	2,418,807	2,053,050
Russia and CIS	152,952	94,738
Western Europe (EU and EFTA)	332,143	277,465
Other countries	41,614	32,089
	4,725,737	4,023,349

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

Sales by category	2008	2007
Sales of goods	4,223,061	3,783,009
Sales of commodities	494,806	200,437
Revenue from services	5,094	18,744
Other revenue	2,776	21,159
	4,725,737	4,023,349

(In thousands of denars)

5. SEGMENT REPORTING (Continued)

Secondary reporting format – geographical segments (Continued)

Total assets	2008	2007
Macedonia	6,668,334	6,385,772
South East Europe	303,127	309,670
Western Europe (EU and EFTA)	96,471	60,521
United States of America	2,901	2,220
Russia	622	-
	7,071,455	6,758,183
Capital expenditures	2008	2007
Macedonia	383,276	211,498
South East Europe	4,795	14,963
Western Europe (EU and EFTA)	4,274	-
	392,345	226,461

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Construction in progress	Total
Cost or valuation					
At 1 January 2007	856,099	3,206,696	1,258,546	161,044	5,482,385
Additions	-	-	18,207	117,440	135,647
Transfer from construction in progress	-	37,360	114,387	(151,747)	-
Disposals	(2,757)	(10)	(13,368)	-	(16,135)
Translation differences	-	36	19	-	55
At 31 December 2007	853,342	3,244,082	1,377,791	126,737	5,601,952
Accumulated depreciation					
At 1 January 2007	-	1,345,577	498,796	-	1,844,373
Depreciation charge	-	75,077	120,549	-	195,626
Disposals	-	(10)	(11,305)	-	(11,315)
Translation differences	-	(1)	5	-	4
At 31 December 2007	-	1,420,643	608,045	-	2,028,688
Net book value					
At 31 December 2007	853,342	1,823,439	769,746	126,737	3,573,264

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(In thousands of denars)

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Equipment	Construction in progress	Total
Cost or valuation					
At 1 January 2008	853,342	3,244,082	1,377,791	126,737	5,601,952
Additions	23,794	-	16,137	302,730	342,661
Transfer from construction in progress	-	49,055	115,770	(164,825)	-
Disposals	-	(108,423)	(39,071)	(85,098)	(232,592)
Translation differences	-	(49)	(932)	-	(981)
At 31 December 2008	877,136	3,184,665	1,469,695	179,544	5,711,040
Accumulated depreciation					
At 1 January 2008	-	1,420,643	608,045	-	2,028,688
Depreciation charge	-	50,104	152,938	-	203,042
Disposals	-	(39,333)	(9,928)	-	(49,261)
Translation differences	-	(5)	(805)	-	(810)
At 31 December 2008	-	1,431,409	750,250	-	2,181,659
Net book value					
At 31 December 2008	877,136	1,753,256	719,445	179,544	3,529,381

The land with surface of 304,358 m², which in accordance with the latest title deeds issued by DZGR is granted for permanent usage and governing of Alkaloid AD, Skopje, is currently in procedure of transformation in accordance with the Bylaw on the manner

and procedure for alienation of construction land ownership of Republic of Macedonia (Official Gazette of RM 31/2003) and the Law for privatization and lease of construction land in state property (Official Gazette of RM 4/2005).

(In thousands of denars)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and buildings were revaluated on 1 January 2004 and equipment was revaluated on 31 December 2006 by independent valuers.

The historical cost of land and buildings and construction in progress that relates to building is as follows:

Property, plant and equipment	2008	2007
Cost	5,470,941	5,429,675
Accumulated depreciation	(2,110,434)	(1,993,914)
Net book value	3,360,507	3,435,761

The Company has no mortgage as the borrowings secured by a mortgage have been repaid. (2007: Denar 530,072 thousand) (Note 16).

7. INTANGIBLES

	Trademarks and licenses	Software	Other intangibles assets	Construction in progress	Total
Cost or valuation					
At 1 January 2007	387	31,829	10,236	67,504	109,956
Additions	12,863	132	-	77,819	90,814
Transfer from construction in progress	19,447	77,871	-	(97,318)	-
Translation differences	19	-	-	(267)	(248)
At 31 December 2007	32,716	109,832	10,236	47,738	200,522
Accumulated amortization					
At 1 January 2007	195	6,726	10,236	-	17,157
Charge for the year	2,068	7,314	-	-	9,382
At 31 December 2007	2,263	14,040	10,236	-	26,539
Net book value as at 31 December 2007	30,453	95,792	-	47,738	173,983
Cost or valuation					
At 1 January 2008	32,716	109,832	10,236	47,738	200,522
Additions	13	142	-	49,529	49,684
Transfer from construction in progress	22,148	4,640	745	(27,533)	-
Translation differences	-	13	-	527	540
At 31 December 2008	54,877	114,627	10,981	70,261	250,746
Accumulated amortization					
At 1 January 2008	2,263	14,040	10,236	-	26,539
Charge for the year	7,961	21,978	87	-	30,026
Translation differences	-	2	-	-	2
At 31 December 2008	10,224	36,020	10,323	-	56,567
Net book value as at 31 December 2008	44,653	78,607	658	70,261	194,179

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

(In thousands of denars)

8. FINANCIAL INSTRUMENTS

Capital risk management

In order to be able to continue as going concern, the Company uses loans from banks and intends to max-

imize the return to the stakeholders through the optimization of the debt and equity balance.

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

	2008	2007
Debt	482,211	598,642
Cash and cash equivalents	(292,555)	(310,756)
Net debt	189,656	287,886
Equity	5,813,945	5,466,114
Net debt to equity ratio	3.26 %	5.27 %

Categories of financial instruments and risk management objectives

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

Foreign currency risk

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

(In thousands of denars)

8. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (Continued)

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

	Liabilities		Assets	
	2008	2007	2008	2007
EUR	272,500	484,260	1,168,206	1,000,045
USD	9,316	94,265	67,110	89,436
CHF	22,924	6,565	5,449	-
Other currencies	31,748	-	214,160	-

The Company is mainly exposed to Euro currency

The following table details the Company's sensitivity analysis to a 10% increase and decrease in the Macedonian Denar ("MKD") against the relevant foreign

currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number below indicates an increase in profit and equity, and negative number below indicates a decrease.

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2008	2007	2008	2007
EUR	(89,571)	(51,578)	89,571	51,578
USD	(5,779)	484	5,779	(484)
CHF	1,747	656	(1,747)	(656)
Other currencies	(18,241)	-	18,241	-
Profit and loss and equity	(111,844)	(50,438)	111,844	50,438

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

(In thousands of denars)

8. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

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

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

	Increase of 10% in MKD		Decrease of 10% in MKD	
	2008	2007	2008	2007
Borrowings	4,146	4,618	(4,146)	(4,618)
Profit and loss and equity	(4,146)	(4,618)	4,146	4,618

If interest rates had been 10% higher the Company's profit for the year ended 31 December 2008 and retained earnings would decrease by MKD 4,146 thousand and opposite if interest rates had been 10% lower

the Company's profit for the year ended 31 December 2008 and retained earnings would increase by MKD 4,146 thousand.

8. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

The management of the Company has responsibility for maintenance adequate liquidity. In certain cases the Company uses short and long-term funding for liquidity purposes. The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows. At

any time, the Company can draw additional borrowings from banks with relatively low interest rates, which reduce further liquidity risk.

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

2008	Less than 1 month	1 – 3 months	3 - 12 months	12 - 60 months	Total
Trade and other payables	592,885	65,678	49,651	-	708,214
Income tax	-	41,702	-	-	41,702
Borrowings	-	57,574	406,001	18,636	482,211
	592,885	164,954	455,652	18,636	1,232,127
2007	Less than 1 month	1 – 3 months	3 - 12 months	12 - 60 months	Total
Trade and other payables	513,839	96,746	7,126	-	617,711
Income tax	3,920	11,367	35,283	-	50,570
Borrowings	14,329	41,395	472,389	70,529	598,642
	532,088	149,508	514,798	70,529	1,266,923

(In thousands of denars)

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8. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

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

2008	Less than 1 month	1 – 3 months	3 - 12 months	12 - 60 months	Total
Trade and other receivables	845,580	692,924	53,558	-	1,592,062
Other long term receivables	-	-	-	82,072	82,072
Available-for-sale financial assets	-	-	-	7,381	7,381
	845,580	692,924	53,558	89,453	1,681,515
2007	Less than 1 month	1 – 3 months	3 - 12 months	12 - 60 months	Total
Trade and other receivables	681,337	660,856	59,301	-	1,401,494
Other long term receivables	-	-	-	35,576	35,576
Available-for-sale financial assets	-	-	-	9,922	9,922
	681,337	660,856	59,301	45,498	1,446,992

(In thousands of denars)

8. FINANCIAL INSTRUMENTS (Continued)

Taxation risks

Macedonian tax legislation is subject to varying interpretations and changes that occur frequently. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional

taxes, penalties and interest, which can be significant. The period that remains opened for review by the tax and customs authorities with respect to tax liabilities is five years.

Fair values

The Company's financial instruments are:

	Carrying amount		Fair value	
	2008	2007	2008	2007
Financial assets				
Cash and cash equivalents	292,555	310,756	292,555	310,756
Trade and other receivables	1,592,062	1,401,494	1,592,062	1,401,494
Other long term receivables	82,072	35,576	82,072	35,576
Available-for-sale financial assets	7,381	9,922	7,381	9,922
Financial liabilities				
Trade and other payables	708,214	617,711	708,214	617,711
Income tax	41,702	50,570	41,702	50,570
Borrowings	482,211	598,642	482,211	598,642

(In thousands of denars)

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9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008	2007
At 1 January	9,922	275,250
Reclassification	-	(266,803)
Additions	30,586	-
Disposals	(29,367)	(1,207)
Fair value adjustment	(3,760)	2,682
At 31 December	7,381	9,922
Available-for-sale financial assets consist of:		
	2008	2007
Available-for-sale financial assets in non quoted companies	2,413	2,413
Available-for-sale financial assets in quoted companies	3,256	7,509
Available-for-sale financial assets in bonds	1,712	-
Available-for-sale financial assets in non related parties	7,381	9,922

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

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

Available-for-sale financial assets in quoted companies are presented by market value.

10. INVESTMENTS IN ASSOCIATE

	2008	2007
PZU Gradska Apteka Skopje	-	242,624
Alkaloid Premazi DOO Skopje	102,450	-
	102,450	242,624

(In thousands of denars)

10. INVESTMENTS IN ASSOCIATE (Continued)

PZU Gradska Apteka Skopje

The investment in PZU Gradska Apteka Skopje, where equity share was 25 % is disposed off in 2008.

Alkaloid Premazi D00 Skopje

On 30 November 2008, has been sold 55% from the stake in Alkaloid Premazi D00EL Skopje which cause cease of control over the entity, and the remaining stake is treated as an associate.

The results of discontinued operations are included in the consolidated financial statements through net effect, till the moment of control over the entity:

Discontinued operations

Balance sheet	2008	2007
Total assets	337,324	305,753
Total liabilities	(103,340)	(85,015)
Net assets	233,984	220,738
Share in associate	102,450	220,738
Income statement	2008	2007
Sales	228,017	217,483
Cost of sales	(210,174)	(199,074)
Gross profit	17,843	18,409
Operating expenses	(24,074)	(12,216)
Other incomes	1,144	128
Profit/(Loss) before tax	(5,087)	6,321
Income tax	-	(160)
Net effect from discontinued operations	(5,087)	6,161

(In thousands of denars)

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11. INVENTORIES

	2008	2007
Raw materials	557,716	529,646
Spare parts	2,019	4,911
Tools and consumable stores	4,267	20,324
Work in progress	180,189	94,266
Finished goods	405,825	317,755
Commodities	106,925	30,513
	1,256,941	997,415

12. TRADE AND OTHER RECEIVABLES

	2008	2007
Trade receivables	1,538,276	1,485,775
Less: provision for impairment of receivables	(121,257)	(180,339)
Trade receivables – net	1,417,019	1,305,436
Prepayments	101,451	50,678
Receivables from employees	33,295	15,216
Prepaid VAT	56,308	31,023
Other receivables	66,061	34,717
	1,674,134	1,437,070
Less: non-current portion	(82,072)	(35,576)
	1,592,062	1,401,494

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

(In thousands of denars)

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12. TRADE AND OTHER RECEIVABLES (Continued)

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

	2008	2007
Trade and other receivables	82,072	35,576

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

	2008	2007
Receivables from employees	5.35%	5.35 %

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, internationally dispersed.

Prepayments for VAT are refunded from the Tax authorities on regular basis.

13. CASH AND CASH EQUIVALENTS

	2008	2007
Cash at banks	286,322	306,217
Cash in hands	4,816	3,507
Other	1,417	1,032
	292,555	310,756

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Numbers of shares	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2007	1,427,600	2,220,127	(5,806)	2,214,321	(36,913)
Treasury shares purchased	(25,630)	-	(39,768)	(39,768)	(7,600)
Sale of treasury shares	24,629	-	38,200	38,200	56,812
At 31 December 2007	1,426,599	2,220,127	(7,374)	2,212,753	12,299
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

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

During 2008, the Company acquired 3,812 its own shares through Macedonian stock exchange and held as treasury shares. From the total portion of treasury shares 8,507 are still treasury shares.

(In thousands of denars)

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15. OTHER RESERVES

	Property, plant and equipment	Available- -for-sale investments	Fund for shares	Reinvested profit	Total
At 1 January 2007	1,328,301	18	245,638	-	1,573,957
Allocation of profit	-	-	-	126,680	126,680
Revaluation	(66)	2,682	-	-	2,616
Deferred tax	(7,952)	-	-	-	(7,952)
Translation differences	(5,398)	-	-	-	(5,398)
At 31 December 2007	1,314,885	2,700	245,638	126,680	1,689,903
Allocation of profit	-	-	-	24,251	24,251
Revaluation	-	(3,760)	-	-	(3,760)
Deferred tax	2,071	-	-	-	2,071
Translation differences	1,063	-	-	-	1,063
At 31 December 2008	1,318,019	(1,060)	245,638	150,931	1,713,528

(In thousands of denars)

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16. BORROWINGS

	2008	2007
Non-current borrowings	18,636	70,529
Current borrowings	463,575	528,113
	482,211	598,642

The Company has no mortgage as the borrowings secured by a mortgage have been repaid. (2007: Denar 530,072 thousand) (Note 6).

The maturity of the borrowings is as follows:

	2008	2007
Up to 1 year	463,575	528,113
Between 1 to 3 years	18,636	67,960
Over 3 years	-	2,569
	482,211	598,642

The borrowings are denominated in following currencies:

	2008	2007
EUR	65,282	288,380
MKD	416,929	310,262
	482,211	598,642

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

	31 December 2008		31 December 2007	
	EUR	MKD	EUR	MKD
Interest rates	3 months EURIBOR +3%	5 – 7.5 %	3 months EURIBOR +3%	5 – 7.5 %

(In thousands of denars)

17. RETIREMENT BENEFITS

	2008	2007
Retirement benefits	10,974	8,666

The retirement benefits are calculated based on legal obligation for payment of two net monthly salaries on the retirement date.

The amounts recognized in the Income statement are as follows:

	2008	2007
Beginning of the year	8,666	8,921
Increase in calculation	2,717	468
Retirement benefits	(409)	(723)
Actuarial (gains)/losses	-	-
At 31 December	10,974	8,666

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

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	9.0 %	9.0 %
Future salary increase	3.0 %	3.0 %

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

18. DEFERRED INCOME TAX

	2008	2007
Deferred income tax assets	(14,434)	(13,149)
Deferred income tax liabilities	14,409	16,480
	(25)	3,331

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

	2008	2007
At 1 January	3,331	(1,909)
Income tax in income statement	(1,285)	(2,712)
Income tax in equity	(2,071)	7,952
At 31 December	(25)	3,331

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

	Provisions	Accruals	Fair value	Total
At 1 January 2007	(9,099)	(1,338)	8,528	(1,909)
Charged to Income statement	(3,010)	298	-	(2,712)
Charged to equity	-	-	7,952	7,952
At 31 December 2007	(12,109)	(1,040)	16,480	3,331
Charged to Income statement	(1,227)	(58)	-	(1,285)
Charged to equity	-	-	(2,071)	(2,071)
At 31 December 2008	(13,336)	(1,098)	14,409	(25)

(In thousands of denars)

18. DEFERRED INCOME TAX (Continued)

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

	2008	2007
Trade receivables	(1,227)	(3,010)
Retirement benefits	(58)	298
	(1,285)	(2,712)

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

	2008	2007
Land and buildings	(2,071)	7,952
	(2,071)	7,952

19. TRADE AND OTHER PAYABLES

	2008	2007
Trade payables	555,494	467,123
Customer's prepayments	33,205	15,275
Payables to employees	55,341	49,081
Dividends	7,434	7,123
Interest	57	1,158
Other payables and accrued expenses	56,683	77,951
	708,214	617,711

(In thousands of denars)

CONSOLIDATED FINANCIAL STATEMENTS

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20. OTHER INCOME

	2008	2007
Collected written-off receivables	98,265	86,550
Dividends income	38	33
Interest income	3,957	2,221
Foreign exchange transaction gains	142,276	37,130
Other income	45,030	29,821
	289,566	155,755

21. OTHER EXPENSES

	2008	2007
Interest expenses	300	3,861
Foreign exchange transaction loss	175,677	50,204
Other expenses	32,589	22,614
	208,566	76,679

22. EXPENSES BY NATURE

	2008	2007
Raw materials	1,320,848	1,013,802
Employee benefit expense	993,667	853,075
Depreciation and amortization	229,983	201,727
Utilities	144,904	136,334
Impairments	29,789	52,773
Transportation	77,208	66,098
Changes in the inventories	(158,322)	43,014
Cost of commodities	419,561	279,163
Other expenses	978,542	924,157
	4,036,180	3,570,143

(In thousands of denars)

23. EMPLOYEE BENEFIT EXPENSE

	2008	2007
Gross salaries	789,943	642,840
Transportation	1,914	764
Food allowances	35,595	30,479
Holiday allowances	31,962	16,073
Termination benefits	23,963	11,406
Profit-sharing	109,683	138,551
Retirement benefits	409	723
Jubilee awards	-	10,864
Other expenses	198	1,375
	993,667	853,075
Average number of employees	1,148	1,090

24. OPERATING LEASING

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

	2008	2007
Minimum operating leasing	3,868	-
	3,868	-
Future non-cancellable obligations	2008	2007
Up to 1 year	4,961	-
Between 2 to 5 years	15,977	-
Over 5 years	-	-
	20,938	-

(In thousands of denars)

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25. FINANCE COSTS

	2008	2007
Net foreign exchange transaction gains/(losses)	-	3,432
Interest expense	(41,467)	(49,221)
	(41,467)	(45,789)

26. INCOME TAX

	2008	2007
Current income tax	105,279	109,106
Deferred income tax (Note 18)	(3,072)	(2,712)
Effect of change of income tax rate	1,787	287
	103,994	106,681

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

	2008	2007
Profit before tax	610,865	477,048
Tax calculated at tax rate of 10% (2007: 12%)	61,086	57,246
Income not subject to tax	(4)	(4)
Expenses not deductible for tax purposes	63,333	56,026
Tax allowances	(15,093)	(4,760)
Utilization of previous tax credit	(7,115)	(2,712)
Effect of change of income tax rate	1,787	287
Discontinued operations	-	598
	103,994	106,681

(In thousands of denars)

27. EARNING PER SHARE

	2008	2007
Basic earnings per share (in denars)		
Profit attributable to shareholders (denars)	501,784,231	376,529,000
Average number of shares	1,422,846	1,426,599
	352.66	263.93

28. DIVIDENDS PER SHARE

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

The dividends approved by shareholders on 21 April 2008 were Denar 159,038 thousand. Approved dividends in 2008 in respect of 2007 are paid and retained earnings are appropriately decreased.

29. COMMITMENTS

Capital expenditures contracted for acquisition of property, plant and equipment at balance sheet date but not yet incurred are in amount of Denar 10,646 thousand; (2006: Denar 43,876 thousand).

30. CONTINGENCIES

The Company has contingent liabilities with respect to issued guaranties to third parties in the amount of Denar 25,609 thousand (2007: Denar 23,665 thousand).

(In thousands of denars)

31. RELATED PARTY TRANSACTIONS

The transactions with the related parties are stated below:

Sale of goods and services	2008	2007
PZU Gradska Apteka Skopje	-	101,576
Alkaloid Premazi DOO Skopje, Macedonia	4,553	6,161
Purchase of goods and services	2008	2007
PZU Gradska Apteka Skopje	-	-
Alkaloid Premazi DOO Skopje, Macedonia	9,777	19,078
Accounts payables	2008	2007
Alkaloid Premazi DOO Skopje, Macedonia	20,086	18,346

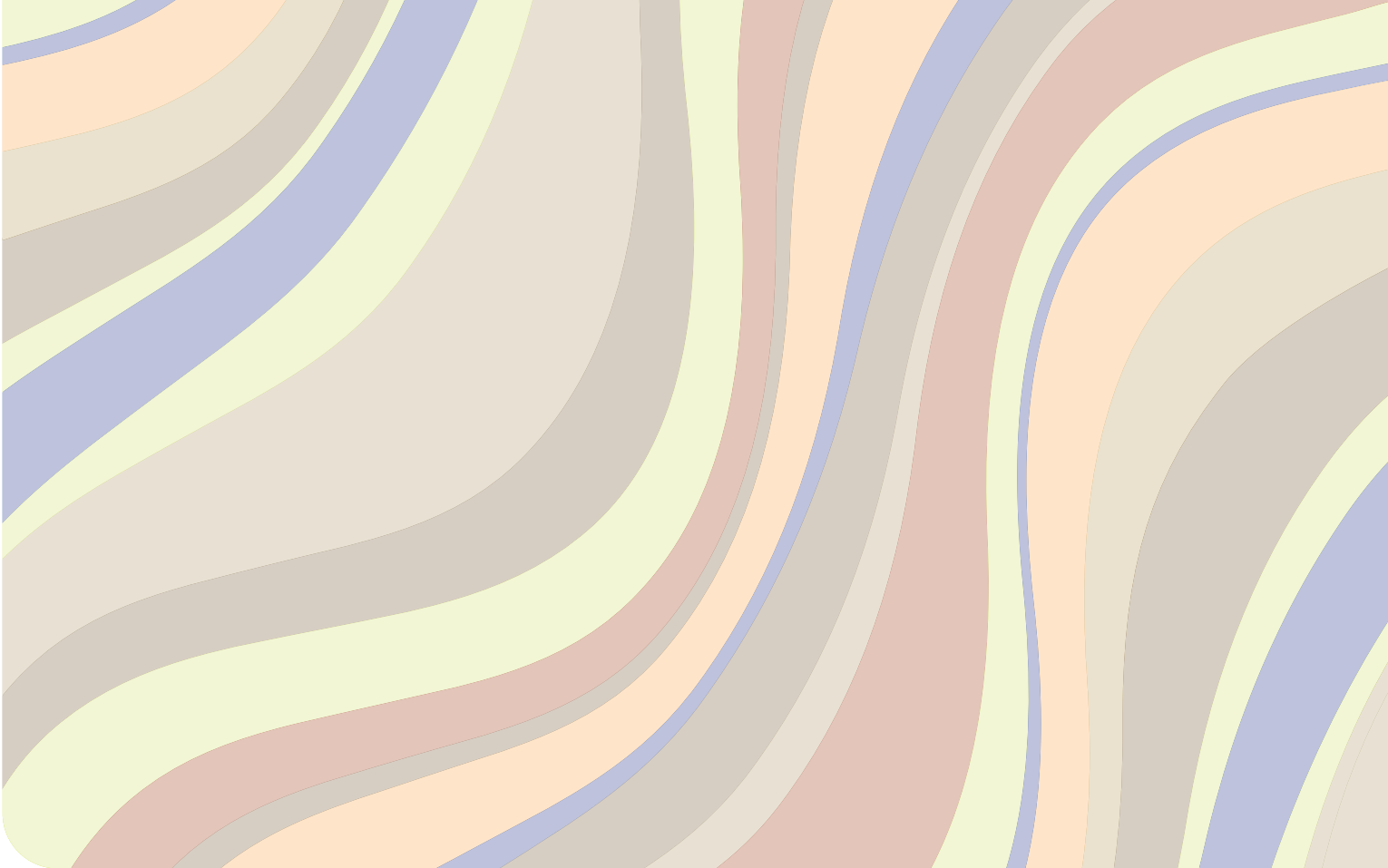
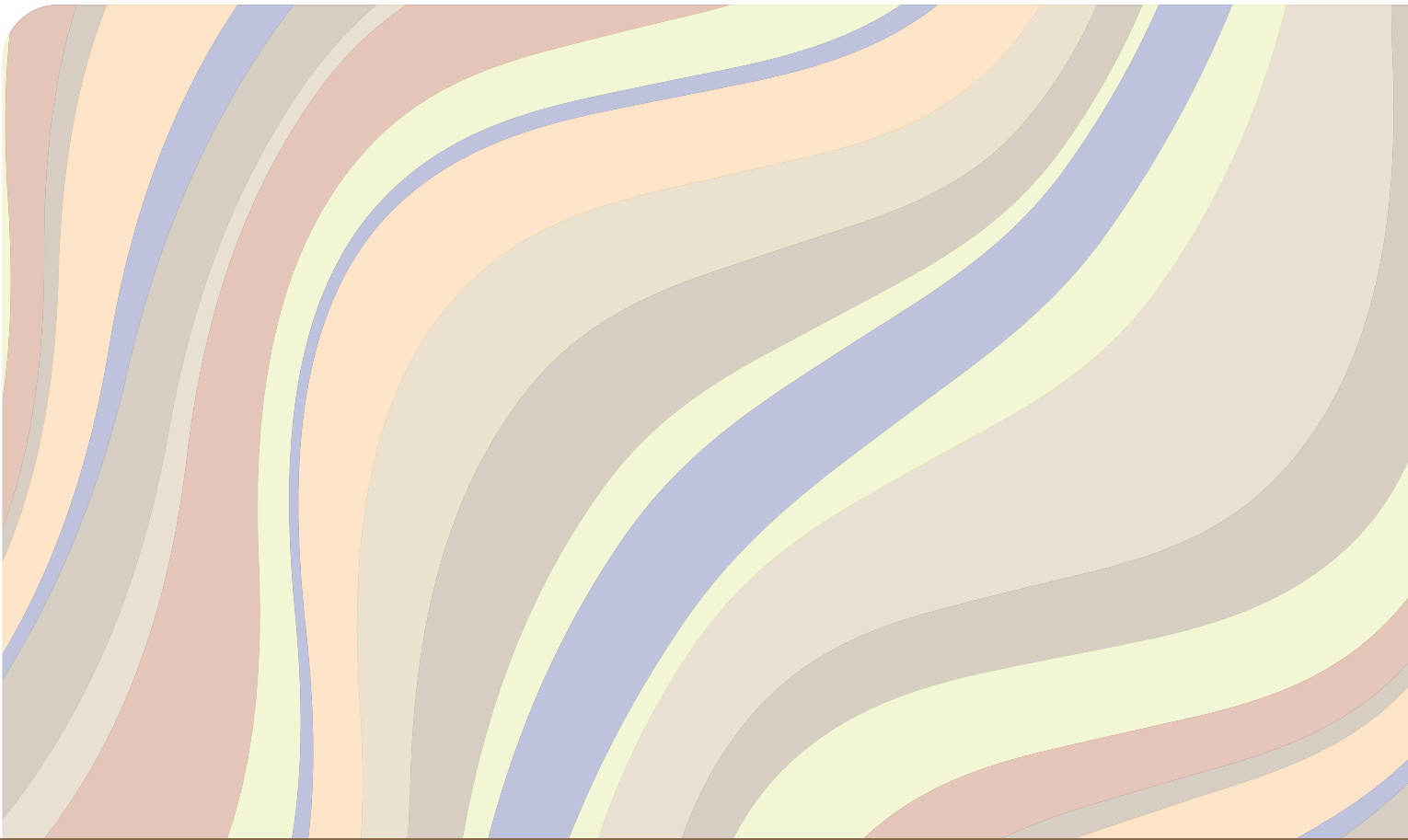
Key management compensations

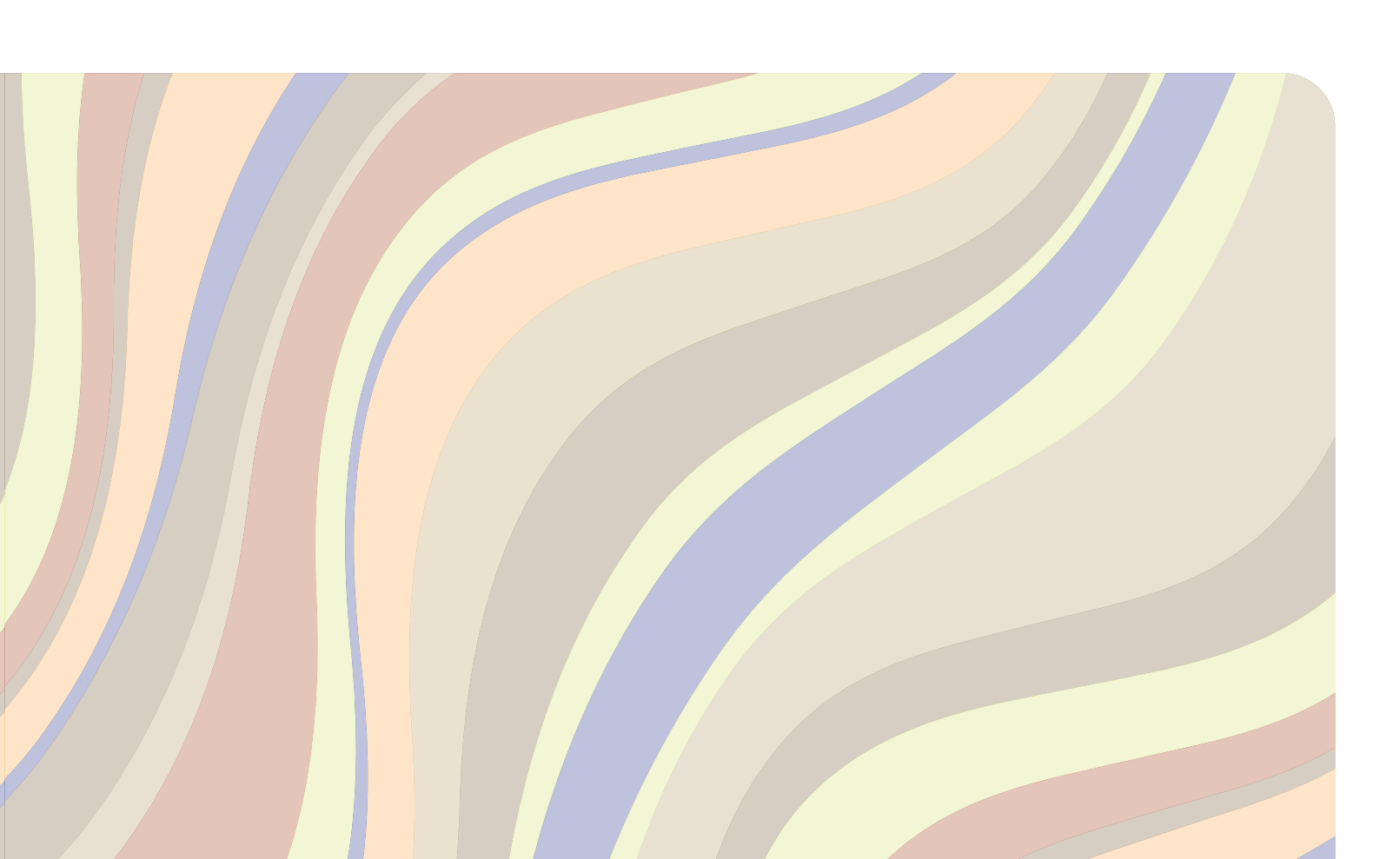
No compensations were paid in 2008 and 2007 to the Management Board members. In 2008, the amount of Denars 3,341 thousand were paid to the Supervision Board members (2007: Denar 3,152 thousand).

32. POST BALANCE SHEETS EVENTS

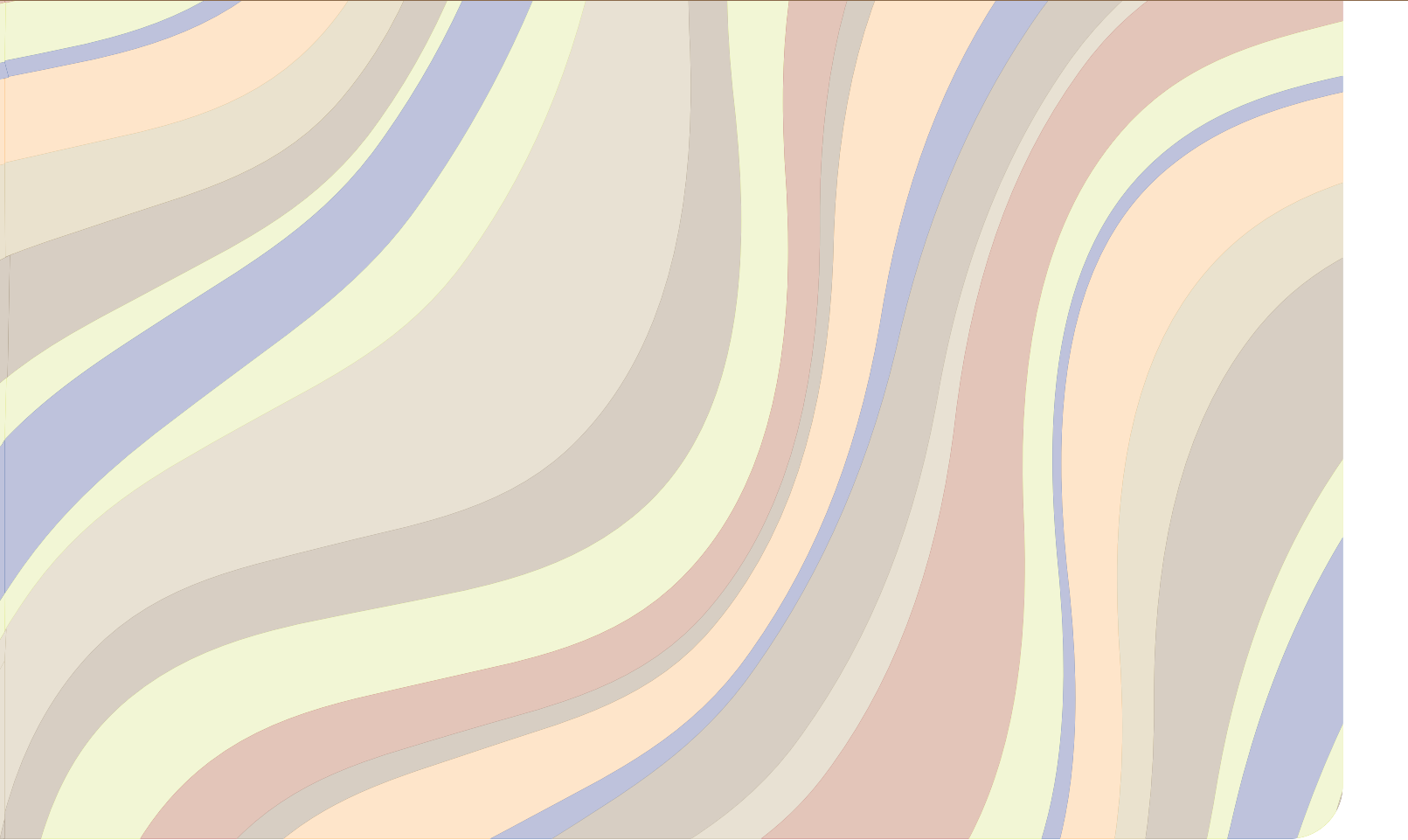
Changes in the Labor law and Law for social security

In accordance with the changes in the Labor Law and the Law for social security, starting from 1 January 2009 the concept of gross salaries was introduced. Also, the rate of social contributions is decreased from 32% in 2008 to 28.4% in 2009. Further the rate will decrease to 25.2% in 2010 and 22.5% in 2011.





CONTACTS
SUBSIDIARIES



ALKALOID AD Skopje

Bldv. Aleksandar Makedonski 12, 1000 Skopje;
R. Macedonia
Telephone: + 389 2 310 40 00
Facsimile: + 389 2 310 40 14
e-mail: alkaloid@alkaloid.com.mk
www.alkaloid.com.mk

**CHIEF EXECUTIVE OFFICER /
PRESIDENT OF THE MANAGEMENT BOARD**

Zhivko Mukaetov
Telephone: + 389 2 310 40 01
Facsimile: + 389 2 310 40 04
e-mail: zmukaetov@alkaloid.com.mk

Elfterija Davceva, Personal Assistant to the CEO
Telephone: + 389 2 310 40 01
Facsimile: + 389 2 310 40 04
e-mail: edavceva@alkaloid.com.mk

FINANCES

Cvetanka Simonovska, CFO /
MB Member
Telephone: + 389 2 310 40 07
Facsimile: + 389 2 310 40 81
e-mail: csimonovska@alkaloid.com.mk

SHAREHOLDING OPERATIONS

Gjorgi Jovanov, Director /
MB Member
Telephone: + 389 2 3104 003
Facsimile: + 389 2 3104 004
e-mail: gjovanov@alkaloid.com.mk

INTERNAL AUDIT DEPARTMENT

Robert Manasiev, Director
Telephone: + 389 2 310 42 80
e-mail: rmanasiev@alkaloid.com.mk

BUSINESS PLANNING AND REPORTING

Victor Stojcevski
Telephone: + 389 2 310 4 305
Facsimile: + 389 2 310 40 82
e-mail: vstojcevski@alkaloid.com.mk

GENERAL AFFAIRS

Kire Icev, Director /
MB Member
Telephone/Fax.: + 389 2 310 40 43
e-mail: kicev@alkaloid.com.mk

LEGAL ISSUES

Nikola Kolevski
Telephone: + 389 2 310 40 75
Facsimile: + 389 2 317 24 66
e-mail: nkolevski@alkaloid.com.mk

HUMAN RESOURCES MANAGEMENT

Nikola Eftimov
Telephone: + 389 2 310 40 44
Facsimile: + 389 2 317 16 44
e-mail: neftimov@alkaloid.com.mk

LOGISTICS DEPARTMENT

Zoran Kostovski, Director
Telephone: + 389 2 310 40 35
Facsimile: + 389 2 310 40 36
e-mail: zkostovski@alkaloid.com.mk

MATERIAL-TECHNICAL PURCHASING

Dejan Krzovski
Telephone: + 389 2 310 40 77
Facsimile: + 389 2 310 40 28
e-mail: dkrzovski@alkaloid.com.mk

RAW MATERIALS SUPPLY

Liljana Popovic
Telephone: + 389 2 301 40 71
Facsimile: + 389 2 310 40 36
e-mail: lpopovic@alkaloid.com.mk

MARKETING COMMUNICATIONS

Dusko Markovski
Telephone: + 389 2 310 40 26
Facsimile: + 389 2 317 16 44
e-mail: dmarkovski@alkaloid.com.mk

IT AND TELECOMMUNICATIONS

Nikola Dimovski
Telephone: + 389 2 310 40 57
Facsimile: + 389 2 310 40 41
e-mail: ndimovski@alkaloid.com.mk

PC PHARMACEUTICALS

PRODUCTION DIVISION

Milkica Gligorova, Director /
MB Member
Telephone/Fax: + 389 2 310 40 05
e-mail: mgligorova@alkaloid.com.mk

MEDICAL MARKETING

Dimitar Stojmenovski
Telephone: + 389 2 310 40 37
Facsimile: + 389 2 310 42 25
e-mail: dstojmenovski@alkaloid.com.mk

OTC DIVISION

Milos Radulovic
Telephone: + 389 2 310 42 67
Facsimile: +389 2 310 42 25
e-mail: mradulovic@alkaloid.com.mk

CHEMICALS, MEDICAL X-RAY FILMS, SOLUTIONS FOR CHEMODIALYSIS

Ilija Kovacevski
Telephone: + 389 2 310 40 74
Facsimile: + 389 2 310 40 41
e-mail: ikovacevski@alkaloid.com.mk

MARKETING & SALES**DOMESTIC MARKET**

Vladimir Indov
 Telephone: + 389 2 310 40 61
 Facsimile: + 389 2 310 40 56
 e-mail: vindov@alkaloid.com.mk

EXPORT SALES

Emil Micajkov
 Telephone: + 389 2 310 43 88
 Facsimile: + 389 2 310 42 25
 e-mail: emicajkov@alkaloid.com.mk

SALES IN SERBIA, MONTENEGRO AND BOSNIA AND HERZEGOVINA

Sasa Curkovski
 Telephone: + 389 2 310 40 53
 Fax: + 389 2 310 42 25
 e-mail: scurkovski@alkaloid.com.mk

SALES IN SLOVENIA, BULGARIA AND ROMANIA

Natasa Nikolovska
 Telephone: + 389 2 310 43 72
 Fax: + 389 2 310 42 25
 e-mail: nnikolovska@alkaloid.com.mk

SALES IN CROATIA, RUSSIA, UKRAINE AND CIS

Gjorgij Angelovski
 Telephone: + 389 2 310 40 22
 Fax: + 389 2 310 42 25
 e-mail: gangelovski@alkaloid.com.mk

SALES IN ALBANIA AND KOSOVO, JORDAN

Ilir Veseli
 Telephone: + 389 2 310 40 262
 Fax: + 389 2 310 42 25
 e-mail: iveseli@alkaloid.com.mk

NEW MARKETS DEVELOPMENT

Tatjana Ivanoska
 Telephone: + 389 2 310 43 79
 Fax: + 389 2 310 42 25
 e-mail: tivanoska@alkaloid.com.mk

REGULATORY AND MEDICAL AFFAIRS

Natasa Nasteva
 Telephone: + 389 2 310 41 00
 Facsimile: + 389 2 310 40 21
 e-mail: nnasteva@alkaloid.com.mk

R&D, VALIDATION, GMP, EDUCATION

Sonja Ugarkovic
 Telephone/faks: + 389 2 310 4 049
 e-mail: sugarkovic@alkaloid.com.mk

PHARMACEUTICAL QA

Miroslava Ilievska
 Telephone: + 389 2 310 40 91
 Facsimile: + 389 2 310 40 05
 e-mail: milievska@alkaloid.com.mk

PHARMACEUTICAL QC

Hristina Babunovska
 Telephone: + 389 2 310 40 65
 Facsimile: + 389 2 310 40 05
 e-mail: hbabunovska@alkaloid.com.mk

DAUGHTER COMPANIES

ALKALOID CONS

Marija Petrusevska
Telephone: + 389 2 323 99 99
Facsimile: + 389 2 322 96 01
e-mail: meripetrusevska@alkaloid.com.mk

Nenad Simonovski
Telephone: + 389 2 320 44 33
Facsimile: + 389 2 320 44 31
e-mail: nsimonovski@alkaloid.com.mk

PC CHEMISTRY, COSMETICS & BOTANICALS

Nikola Mizo, Director
Telephone: + 389 2 310 40 02
Facsimile: + 389 2 310 40 27
e-mail: nmizo@alkaloid.com.mk

SALES FOR COSMETICS AND BOTANICALS DOMESTIC MARKET

Rosa Jovanovska
Telephone: + 389 2 310 40 42
Facsimile: + 389 2 317 55 31
e-mail: rjovanovska@alkaloid.com.mk

SALES FOR COSMETICS AND BOTANICALS EXPORT SALES

Goran Matic
Telephone: + 389 2 310 40 33
Facsimile: + 389 2 310 40 27
e-mail: gmatic@alkaloid.com.mk

SALES FOR CHEMICALS

Ljube Danilovski
Telephone: + 389 2 310 40 19
Facsimile: + 389 2 310 40 27
e-mail: ljdanielovski@alkaloid.com.mk

PRODUCTION AND R&D COSMETICS

Dobriša Sekulovska - Popovska
Telephone: + 389 2 203 79 29
Facsimile: + 389 2 203 72 16
e-mail: dsekulovska@alkaloid.com.mk

PRODUCTION AND R&D BOTANICALS

Andrijana Muceva
Telephone/ Facsimile + 389 2 246 15 61
e-mail: amuceva@alkaloid.com.mk

PRODUCTION OF CHEMICALS AND X-RAY FILMS

Mite Mitevski
Telephone: + 389 2 203 79 53
Facsimile: + 389 2 203 22 16
e-mail: mmitevski@alkaloid.com.mk

BOTANICAL PHARMACY

11 Oktomvri Street No. 46
Telephone: + 389 2 323 79 75

SUBSIDIARIES**UNITED STATES OF AMERICA**

Alkaloid USA LLC.
6535 West Campus Oval
Suite 130, New Albany,
Ohio 43054, USA
Telephone/Facsimile:
+ 1 614 939 9488; + 1 614 939 9498
e-mail: vstavroff@alkaloid.com.mk;
e-mail: vstavroff@alkaloidusa.com
Contact person: Vera Stavroff

SWITZERLAND

Alkaloidpharm SA
Rue Georges-Jordil 4
1700 Fribourg, Switzerland
Telephone: + 41 26 323 41 90
Facsimile: + 41 26 323 41 72
e-mail: info@alkaloid.ch
Contact person: Natasa T. Milkovska

RUSSIAN FEDERATION**ALKALOID-RUS LLC**

Ul. Stasovoy d. 4 ft.2 of. A 180
Bisnis centar DONSKOY POSAD
117292 Moskow, Russia
Telephone/Facsimile: + 7 499 500 86 56
e-mail: alkmos@mail.ru
Contact person: Petar Poposki

SLOVENIA

Alkaloid d.o.o.
Celovska 40a
1000 Ljubljana, Slovenija
Telephone:
+ 386 1 3004 290
+ 386 1 3004 292
Facsimile: + 386 1 3004 291
e-mail: info@alkaloid.si
Contact person: Emil Micajkov

CROATIA

Alkaloid d.o.o.
Ul. Grada Vukovara 226f
10000 Zagreb, R.Hrvatska
Telephone: + 385 16 311 920
Facsimile: + 385 16 311 922
e-mail: alkaloid@alkaloid.hr
Contact person: Neven Sukarovski

SERBIA

Alkaloid d.o.o.
Bul. Kneza Aleksandra Karadjordjevica 6, Dedinje
11000 Beograd
Telephone/Facsimile:
+ 381 11 3679 070
+ 381 11 3679 071
e-mail: office@alkaloid.co.yu
Contact person: Igor Petrov

MONTENEGRO

Alkaloid d.s.d. Podgorica
Ul. Vase Raickovica bb
81000 Podgorica, Montenegro
Telephone/Facsimile:
+ 382 20 246 207
+ 382 20 246 208
e-mail: alkaloid@cg.yu
Contact person: Vladislav Stanisic

BOSNIA AND HERZEGOVINA

Alkaloid d.o.o.
Isevic sokak 4-b
Saraevo, BiH
Telephone/Facsimile:
+ 387 33 475 790
+ 387 33 475 791
e-mail: alkaloid@bih.net.ba
Contact person: Boris Jotevski

BULGARIA

Alkaloid e.o.o.d Sofia
2. Rikardo Vakarini str. Fl.3 ap 10
1404 Sofia, Bulgaria
Telephone: + 35 92 80 81 081
Facsimile: + 35 92 95 89 367
e-mail: office@alkaloid.bg
Contact person: Goran Kadiev

ALBANIA

ALKALOID Rep. Office
Brigada 8 3/6, 5th floor, apt.19
Tirana, Albania
Telephone: + 355 42 223 599
Facsimile: + 355 42 233 320
e-mail: ademiraga@alkaloid.al
Contact person: Arben Demiraga

KOSOVO

ALK&KOS Pharmaceuticals
Ganimete Terbeshi nr. 19
10000 Prishtina, Kosovo
Tel./ Fax.: + 381 3 8247 159
+ 381 3 8247 160
e-mail: alkkos@hotmail.com;
Contact person: Dritan Ismaili

ROMANIA

Alkaloid Romanian Rep. Office
s.c. INCOMBUSINESS s.r.l.
Blv. Lacul Tei No. 109
70000 Bucharest, Romania
Tel./ Fax.: + 40 21 24 22 88 4
e-mail: alexandru.arsenescu@alkaloid.ro
Contact person: Aleksandru Arsenescu

UKRAINE

Alkaloid Rep. Office, Ukraine
Of. 81, 38/41 Horiva str.,
04071, Kiev, Ukraine
Tel./ Fax.: + 38(044) 545 65 05
e-mail: info@alkaloid.com.ua
Contact person: Bosko Sibinovski

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PHARMACEUTICAL, CHEMICAL, COSMETIC INDUSTRY

Blvd. Aleksandar Makedonski 12;
1000 Skopje, Republic of Macedonia
Tel: +389 2 3104 000;
Fax: + 389 2 3104 036;
www.alkaloid.com.mk