



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

**ANNUAL REPORT
ON THE PERFORMANCE OF ALKALOID AD SKOPJE
FOR THE PERIOD JANUARY - DECEMBER 2009**

February 2010

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1. General information

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

Aleksandar Makedonski 12 1000 Skopje, Republic of Macedonia.

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

The main scope is production of pharmaceutical products.

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

The annual report on the performance of Alkaloid AD Skopje has been prepared in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/2004) and the Rulebook for accounting ("Official Gazette of the Republic of Macedonia" no. 40/1997, 73/1999, 94/2004, 11/2005 and 159/2009). The report is prepared in accordance with the concept of purchase price, excluding the land property, construction buildings and investments and available -for-sale financial assets, which are presented by their market price.

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

2. Financial risk management

Financial risk factors

The 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 risk

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.

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.

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

3. Additions to non-current assets

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

Additions to non-current assets - segment reporting

| Segments | (In 000 MKD) | | | | |
|--------------------------------|---------------------|------------|----------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Pharmacy | 470,985 | 97 | 357,200 | 95 | 132 |
| Chemistry Cosmetics Botanicals | 13,234 | 3 | 19,075 | 5 | 69 |
| Total: | 484,219 | 100 | 376,275 | 100 | 129 |

4. Dividends

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

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

5. Borrowings

| Borrowings | (In 000 MKD) | | | | |
|-------------------|---------------------|------------|----------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Non-current | 811 | - | 12,911 | 3 | 6 |
| Current | 412,340 | 100 | 463,575 | 97 | 89 |
| Total: | 413,151 | 100 | 476,486 | 100 | 87 |

The maturity of the borrowings is as follows:

| Maturity | (In 000 MKD) | | | | |
|----------------------|---------------------|------------|----------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Up to 1 year | 412,340 | 100 | 463,575 | 97 | 89 |
| Between 1 to 3 years | 811 | - | 12,911 | 3 | 6 |
| Total: | 413,151 | 100 | 476,486 | 100 | 87 |

6. Major transactions

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

7. Related party transactions

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

Alkaloid AD Skopje has investments in subsidiaries in Macedonia and abroad. Sales and purchases of goods and services between related parties are based on regular market terms and prices.

Investments in subsidiaries and associates

| Subsidiaries | (In 000 MKD) | | | | |
|---|---------------|------------|----------------|------------|-----------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Alkaloid DOO Ljubljana, Slovenia | 557 | 2 | 557 | - | 100 |
| Alkaloid DOO Zagreb, Croatia | 14,822 | 47 | 14,822 | 11 | 100 |
| Alkaloid DOO Sarajevo, Bosnia and Herzegovina | 39 | - | 39 | - | 100 |
| Alkaloid DOO Beograd, Serbia | 2,537 | 8 | 2,537 | 2 | 100 |
| ALK&KOS Shpk Prishtina, Kosovo | 307 | 1 | 307 | - | 100 |
| Alkaloid EOOD Sofia, Bulgaria | 2,748 | 9 | 2,748 | 2 | 100 |
| Alkaloid Shpk Tirana, Albania | - | - | 59 | - | - |
| Alkaloidfarm SA Fribourg, Switzerland | 4,285 | 14 | 4,285 | 3 | 100 |
| Alkaloid Kons DOOEL Skopje, Macedonia | 154 | - | 154 | - | 100 |
| Alkaloid USA LLC Columbus, Ohio US | 2,365 | 7 | 2,365 | 2 | 100 |
| Alkaloid Premazi DOO Skopje, Macedonia | - | - | 102,450 | 77 | - |
| Fund "Trajce Mukaetov" Skopje, Macedonia | 3,000 | 10 | 3,000 | 2 | 100 |
| OOO Alkaloid RUS, Moscow, Russia | 619 | 2 | 619 | 1 | 100 |
| Alkaloid DOO Podgorica, Montenegro | - | - | - | - | - |
| Total: | 31,433 | 100 | 133,942 | 100 | 23 |

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

Investment in Alkaloid Premazi DOO Skopje is disposed off.

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

Prepayments and short-term loans

| Subsidiary | (In 000 MKD) | | | | |
|---------------------------------------|---------------|------------|---------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Alkaloid Kons DOOEL Skopje, Macedonia | 30,641 | 34 | 23,351 | 100 | 131 |
| Alkaloid DOO Beograd, Serbia | 12,978 | 14 | - | - | - |
| OOO Alkaloid RUS, Moscow, Russia | 46,146 | 51 | - | - | - |
| Total: | 89,765 | 100 | 23,351 | 100 | 384 |

8. Share capital

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

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

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

Earning per share

| | (In MKD) | | |
|---|---------------|---------------|------------|
| | 2009 | 2008 | IND |
| | Amount | Amount | 09/08 |
| Profit attributable to shareholders (in denars) | 503,267,196 | 451,151,292 | 112 |
| Number of shares | 1,422,696 | 1,422,846 | 100 |
| Basic earning per share (in denars): | 353.74 | 317.08 | 112 |

9. Key management compensations

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

10. Production and sales

Production in tons

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

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

Total sales

| Market | (In 000 MKD) | | | | |
|-----------------|---------------------|------------|------------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Domestic market | 1,814,094 | 39 | 1,546,860 | 37 | 117 |
| Foreign market | 2,874,051 | 61 | 2,679,940 | 63 | 107 |
| Total: | 4,688,145 | 100 | 4,226,800 | 100 | 111 |

The total sales revenues for 2009 are 4,688,145 thousand denars which indicate 11% growth compared to the sales revenues from 2008 (4,226,800 thousand denars). The growth in total sales revenues is a result from the increase of sales revenues on domestic market for 17% and on foreign market for 7%.

The largest portion of total sales revenues, 61% belongs to the foreign market sales.

Total sales - segment reporting

| Segment | (In 000 MKD) | | | | |
|--------------------------------|---------------------|------------|------------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Pharmacy | 3,811,328 | 81 | 3,462,676 | 82 | 110 |
| Chemistry Cosmetics Botanicals | 876,817 | 19 | 764,124 | 18 | 115 |
| Total: | 4,688,145 | 100 | 4,226,800 | 100 | 111 |

The largest portion in total sales revenues belongs to the Pharmacy segment with 81%, which compared to last year indicates an increase of 10%.

Domestic market sales - segment reporting

| Segment | (In 000 MKD) | | | | |
|--------------------------------|---------------------|------------|------------------|------------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Pharmacy | 1,359,570 | 75 | 1,182,173 | 76 | 115 |
| Chemistry Cosmetics Botanicals | 454,524 | 25 | 364,687 | 24 | 125 |
| Total: | 1,814,094 | 100 | 1,546,860 | 100 | 117 |

Total sales revenues on domestic market are 1,814,094 thousand denars, which compared to last year have increased for 17%.

The largest portion in total sales revenues belongs to the Pharmacy segment with 75%, which compared to last year indicates an increase of 15%.

Foreign market sales - segment reporting

| Segment | (In 000 MKD) | | | | |
|--------------------------------|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Pharmacy | 2,451,758 | 85 | 2,280,503 | 85 | 108 |
| Chemistry Cosmetics Botanicals | 422,293 | 15 | 399,437 | 15 | 106 |
| Total: | 2,874,051 | 100 | 2,679,940 | 100 | 107 |

Total sales revenues on foreign market are 2,874,051 thousand denars, which compared to last year have increased for 7%.

The largest portion in total sales revenues belongs to the Pharmacy segment with 85%, which compared to last year indicates an increase of 8%.

Foreign market sales by regions/countries

| Region/Country | (In 000 MKD) | | | | |
|-------------------------------------|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| South Eastern Europe | 2,304,453 | 80 | 2,231,641 | 83 | 103 |
| Albania | 110,044 | 4 | 104,185 | 4 | 106 |
| Bosnia and Herzegovina | 592,921 | 21 | 546,515 | 20 | 108 |
| Kosovo | 244,746 | 8 | 216,835 | 8 | 113 |
| Serbia | 871,252 | 30 | 928,141 | 35 | 94 |
| Croatia | 338,057 | 12 | 318,421 | 12 | 106 |
| Monte Negro | 147,433 | 5 | 117,544 | 4 | 125 |
| Russia and CIS | 312,941 | 11 | 152,952 | 6 | 205 |
| Russia and CIS | 280,460 | 10 | 134,856 | 5 | 208 |
| Georgia | 286 | - | 2,776 | - | 10 |
| Armenia | 8,863 | - | 10,594 | 1 | 84 |
| Ukraine | 23,332 | 1 | 4,726 | - | 494 |
| Western Europe (EU and EFTA) | 219,036 | 8 | 253,733 | 9 | 86 |
| Bulgaria | 73,305 | 3 | 58,002 | 2 | 126 |
| Belgium | 388 | - | - | - | - |
| Great Britain | 10,915 | - | - | - | - |
| Germany | 44,551 | 2 | 37,876 | 1 | 118 |
| Romania | - | - | 6,882 | - | - |
| Slovenia | 83,491 | 3 | 113,185 | 4 | 74 |
| France | 1,534 | - | 8,097 | - | 19 |
| Switzerland | 4,852 | - | 29,691 | 1 | 16 |
| Other countries | 37,621 | 1 | 41,614 | 2 | 90 |
| Australia | 4,171 | - | 6,105 | - | 68 |
| Jordan | 1,365 | - | 1,639 | - | 83 |
| Norway | 113 | - | 1,082 | - | 10 |
| USA | 31,972 | 1 | 32,788 | 1 | 98 |
| Total: | 2,874,051 | 100 | 2,679,940 | 100 | 107 |

Russia and CIS region has the largest increase in foreign market sales compared to last year.

The largest portion of 80% of the total sales in foreign markets belongs to the South Eastern Europe region, which compared to last year indicates an increase of 3%.

Total revenues

| Revenues | (In 000 MKD) | | | | |
|---|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| 1. Revenues from sales of goods and services | 4,688,145 | 97 | 4,226,800 | 95 | 111 |
| -Domestic market | 1,814,094 | 38 | 1,547,939 | 35 | 117 |
| Sales of goods | 1,574,922 | 33 | 1,388,938 | 31 | 113 |
| Sales of commodities | 186,033 | 4 | 142,938 | 3 | 130 |
| Sales of services | 14,637 | - | 694 | - | 2,109 |
| Other sales revenues | 38,502 | 1 | 15,369 | - | 251 |
| -Foreign market | 2,874,051 | 59 | 2,678,861 | 60 | 107 |
| Sales of goods | 2,733,221 | 56 | 2,549,837 | 57 | 107 |
| Sales of commodities | 140,830 | 3 | 129,024 | 3 | 109 |
| Sales of services | - | - | - | - | - |
| Other sales revenues | - | - | - | - | - |
| 2. Other operating income | 143,355 | 3 | 210,407 | 5 | 68 |
| Collected written off receivables | 48,032 | 1 | 46,493 | 1 | 103 |
| Income from previous years | 16,009 | - | 9,055 | - | 177 |
| Dividends income | 38 | - | 38 | - | - |
| Interest income | 2,304 | - | 752 | - | 306 |
| Foreign exchange transaction gains | 49,506 | 1 | 99,949 | 2 | 50 |
| Income from available-for-sale financial assets | - | - | 2,111 | - | - |
| Other income | 27,466 | 1 | 52,009 | 1 | 53 |
| 3. Finance income | 1,430 | - | 254 | - | 563 |
| Foreign exchange transaction gains on borrowings | 38 | - | - | - | - |
| Interest income on borrowings | 1,392 | - | 254 | - | 548 |
| Total: | 4,832,930 | 100 | 4,437,461 | 100 | 109 |

Total revenues for 2009 of 4,832,930 thousand denars have increased for 9%, compared to last years' 4,437,461 thousand denars.

The largest portion of 97% in the total revenues belong to the sales revenues, which compared to last year have increased for 11%.

Other operating income have a portion of 3% in total revenues. Compared to last year other operating income has decreased for 32%.

Finance income only includes income on borrowings. Finance income has increased drastically but the portion of finance income in total revenue is irrelevant.

Sales by category

| Sales revenue | (In 000 MKD) | | | | |
|----------------------|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Sales of goods | 4,308,143 | 92 | 3,938,775 | 93 | 109 |
| Sales of commodities | 326,863 | 7 | 271,962 | 7 | 120 |
| Sales of services | 14,637 | - | 694 | - | - |
| Other sales revenues | 38,502 | 1 | 15,369 | - | 251 |
| Total: | 4,688,145 | 100 | 4,226,800 | 100 | 111 |

Total expenses by nature

| Expenses | (In 000 MKD) | | | | |
|--|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| 1. Changes in the inventories | -39,202 | -1 | -195,492 | -5 | - |
| 2. Raw and other materials | 1,448,691 | 34 | 1,451,423 | 37 | 100 |
| Raw materials | 1,292,581 | 30 | 1,270,097 | 33 | 102 |
| Energy | 107,901 | 3 | 134,914 | 3 | 80 |
| Spare parts | 39,693 | 1 | 31,378 | 1 | 126 |
| Written off small items | 8,516 | - | 15,034 | - | 57 |
| 3. Cost of commodities | 254,602 | 6 | 199,281 | 5 | 128 |
| 4. Services | 309,267 | 7 | 312,482 | 8 | 99 |
| Transport | 51,401 | 1 | 60,472 | 2 | 85 |
| Maintenance | 35,984 | 1 | 32,928 | 1 | 109 |
| Rent | 6,704 | - | 9,338 | - | 72 |
| Utilities | 215,178 | 5 | 209,744 | 5 | 103 |
| 5. Depreciation and amortization | 252,777 | 6 | 223,300 | 6 | 113 |
| 6. Provision for impaired trade receivables | 84,273 | 2 | 25,856 | 1 | 326 |
| 7. Employee benefits | 860,434 | 20 | 799,536 | 21 | 108 |
| Gross salaries | 674,504 | 16 | 628,374 | 16 | 107 |
| Transport of employees | - | - | - | - | - |
| Food allowances | 21,373 | 1 | 9,601 | - | 223 |
| Holiday allowances | 20,504 | - | 27,960 | - | 73 |
| Termination benefits | 20,554 | - | 23,963 | - | 86 |
| Bonuses for employees | 123,301 | 3 | 109,031 | 3 | 113 |
| Retirement benefits | 198 | - | 409 | - | 48 |
| Jubilee awards | - | - | - | - | - |
| Other expenses | - | - | 198 | - | - |
| 8. Other operating expenses | 1,076,376 | 26 | 1,047,009 | 27 | 103 |
| Cost of business trips | 35,241 | 1 | 32,590 | 1 | 108 |
| Advertising and marketing | 583,935 | 14 | 430,680 | 11 | 136 |
| Insurance | 22,836 | 1 | 13,496 | - | 169 |
| Taxes and contributions | 23,379 | 1 | 11,230 | - | 208 |
| Bank charges and memberships | 15,320 | - | 16,057 | - | 95 |
| Interest | 423 | - | 74 | - | 572 |
| Exchange differences from receivables and payables | 51,953 | 1 | 108,308 | 3 | 48 |
| Fair value of financial assets | 21,129 | 1 | - | - | - |
| Expenses from previous years | 18,808 | - | 162,078 | 4 | 12 |
| Other expenses | 303,352 | 7 | 272,496 | 7 | 111 |
| 9. Finance costs (borrowings) | 39,724 | 1 | 31,257 | 1 | 127 |
| Foreign exchange transaction losses on borrowings | -31 | - | - | - | - |
| Interest expense on borrowings | 39,755 | 1 | 31,257 | 1 | 127 |
| Total: | 4,286,942 | 100 | 3,894,652 | 100 | 110 |

The Total expenses for 2009 of 4,286,942 thousand denars have increased for 10% compared to last years' 3,894,652 thousand denars. The increase is a result from the increase in Depreciation and Amortization (IND 113), Employee benefits (IND 108), Provision for impaired trade receivables (IND 326), Other operating expenses (IND 103) and Finance cost (IND 127).

The largest portion in the total expenses belong to Raw materials, 34%. Employee benefits have a portion of 20%, Other operating expenses have a portion of 26%. Finance costs, which include only expenses on borrowings have, a portion in the total expenses of 1%.

Income statement - expenses by nature

| Income statement | 2009 | | (In 000 MKD) | | |
|--|-------------------|------------|---------------------|------------|------------------|
| | Amount | % | 2008 | % | IND 09/08 |
| Total revenues | 4,832,930 | 100 | 4,437,461 | 100 | 109 |
| Domestic market | 1,814,094 | 38 | 1,547,939 | 35 | 117 |
| Foreign market | 2,874,051 | 59 | 2,678,861 | 60 | 107 |
| Other operating income | 143,355 | 3 | 210,407 | 5 | 68 |
| Finance income | 1,430 | - | 254 | - | 563 |
| Total expenses | -4,286,942 | 89 | -3,894,652 | 88 | 110 |
| Inventories | 39,202 | -1 | 195,492 | -4 | 20 |
| Raw materials | -1,448,691 | 30 | -1,451,423 | 33 | 100 |
| Cost of commodities | -254,602 | 5 | -199,281 | 4 | 128 |
| Services expenses | -309,267 | 6 | -312,482 | 7 | 99 |
| Gross salaries | -674,504 | 14 | -628,374 | 14 | 107 |
| Depreciation and amortization | -252,777 | 5 | -223,300 | 5 | 113 |
| Provision for impaired trade receivables | -84,273 | 2 | -25,856 | 1 | 326 |
| Other operating expenses | -1,262,306 | 26 | -1,218,171 | 27 | 104 |
| Finance cost | -39,724 | 1 | -31,257 | 1 | 127 |
| Profit before income tax | 545,988 | 11 | 542,809 | 12 | 101 |
| Income tax | -42,721 | 1 | -91,658 | 2 | 47 |
| Profit for the year | 503,267 | 10 | 451,151 | 10 | 112 |

Profit before income tax for 2009 is 545,988 thousand denars, which compared to last years' 542,809 thousand denars has increased for 1%. The portion of profit before income tax in the total revenue is 11%.

The calculated Income tax for 2009 is 42,721 thousand denars, which compared to last years' 91,658 thousand denars has decreased for 53%.

Profit for the year 2009 is 503,267 thousand denars, which compared to last years' 451,151 thousand denars has increased for 12%. The portion of net income in the total revenue is 10%.

Income statement - expenses by function

| Income statement | (In 000 MKD) | | | | |
|---|---------------------|-----------|------------------|-----------|--------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Sales | 4,688,145 | 97 | 4,226,800 | 95 | 111 |
| Cost of sales | -2,476,599 | -51 | -2,238,536 | 50 | 111 |
| Gross profit | 2,211,546 | 46 | 1,988,264 | 45 | 111 |
| Research and development expenses | -66,698 | -1 | -39,318 | - | 170 |
| Selling and marketing expenses | -1,207,939 | -25 | -1,031,944 | 23 | 117 |
| Administrative expenses | -246,538 | -5 | -239,209 | 5 | 103 |
| Provisions for liabilities and charges | -124,136 | -3 | - | - | - |
| Other income | 143,355 | 3 | 210,407 | 5 | 68 |
| Other expenses | -123,878 | -3 | -314,388 | 7 | 39 |
| Operating profit | 585,712 | 12 | 573,812 | 13 | 102 |
| Net foreign exchange transaction (losses) / gains | 31 | - | - | - | - |
| Finance expenses | -39,755 | 1 | -31,003 | 1 | 128 |
| Profit before income tax | 545,988 | 11 | 542,809 | 12 | 101 |
| Income tax | -42,721 | 1 | -91,658 | 2 | 47 |
| Profit for the year | 503,267 | 10 | 451,151 | 10 | 112 |

The income statement by function model presents the expenses as: Production costs, Research and development expenses, Selling and marketing expenses and Administrative expenses. The finance costs are presented in net values.

The largest portion in total expenses, 51% belongs to Cost of sales, which have increased for 11% as a result of the larger volume of sales.

Selling and marketing expenses have a portion of 25% in total expenses. Compared to last year Selling and marketing expenses have increased for 17% as a result of increased marketing expenses incurred to increase sales.

Administrative expenses have a portion in total expenses of 5% and have increased for 3% compared to last year.

Research and development expenses have a portion of 1% in the total expenses and have increased for 70% compared to last year.

Balance sheet

| | (In 000 MKD) | | | | |
|--|------------------|------------|------------------|------------|------------|
| | 2009 | | 2008 | | IND |
| | Amount | % | Amount | % | 09/08 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Intangibles | 243,332 | 3 | 191,533 | 3 | 127 |
| Property, plant and equipment | 3,844,203 | 52 | 3,497,825 | 50 | 110 |
| Investments in subsidiaries and associates | 31,433 | 1 | 133,942 | 2 | 23 |
| Investments in subsidiaries | - | - | - | - | - |
| Available-for-sale financial assets | 6,394 | - | 7,381 | - | 87 |
| Other non-current assets | - | - | - | - | - |
| Other non-current receivables | 19,493 | - | 81,322 | 1 | 24 |
| Deferred tax assets | 11,288 | - | 14,434 | - | 78 |
| Total non-currents assets: | 4,156,143 | 56 | 3,926,437 | 56 | 106 |
| Current assets | | | | | |
| Inventories | 1,050,798 | 14 | 1,112,445 | 16 | 94 |
| Trade receivables | 1,901,510 | 26 | 1,544,737 | 22 | 123 |
| Other receivables | 93,963 | 1 | 124,290 | 2 | 76 |
| Short-term financial investments | 88,499 | 1 | 62,038 | 1 | 143 |
| Cash and cash equivalents | 123,123 | 2 | 210,077 | 3 | 59 |
| Total current assets: | 3,257,893 | 44 | 3,053,587 | 44 | 107 |
| Total assets: | 7,414,036 | 100 | 6,980,024 | 100 | 106 |
| Equity and liabilities | | | | | |
| Equity | | | | | |
| Share capital | 2,206,548 | 30 | 2,206,783 | 32 | 100 |
| Share premiums | 734 | - | 906 | - | 81 |
| Legal reserves | 596,146 | 8 | 596,146 | 9 | 100 |
| Other reserves | 1,369,508 | 18 | 1,522,389 | 22 | 90 |
| Retained earnings | 1,924,380 | 26 | 1,366,473 | 20 | 141 |
| Total equity: | 6,097,316 | 82 | 5,692,697 | 82 | 107 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 872,726 | 12 | 751,720 | 11 | 116 |
| Borrowings | 412,340 | 6 | 463,575 | 7 | 89 |
| Income taxes | 4,480 | - | 33,738 | - | 13 |
| Total current liabilities: | 1,289,546 | 18 | 1,249,033 | 18 | 103 |
| Non-current liabilities | | | | | |
| Borrowings | 811 | - | 12,911 | - | 6 |
| Deferred tax liabilities | 13,488 | - | 14,409 | - | 94 |
| Retirement benefit obligations | 12,875 | - | 10,974 | - | 117 |
| Total non-current liabilities: | 27,174 | - | 38,294 | 1 | 71 |
| Total liabilities: | 1,316,720 | 18 | 1,287,327 | 18 | 102 |
| Total equity and liabilities: | 7,414,036 | 100 | 6,980,024 | 100 | 106 |

Performance indicators

| Indicators | 2009 | 2008 | (In %) |
|--------------------------|--------|--------|--------------|
| | | | IND 09/08 |
| Revenue / expense ratio | 112.74 | 113.94 | 99 |
| Net profit margin | 10.41 | 10.17 | 102 |
| EBITDA (%) | 17.89 | 18.86 | 95 |
| Current ratio | 2.53 | 2.44 | 103 |
| Net debt to equity ratio | 0.07 | 0.08 | 81 |
| Return of equity | 0.08 | 0.08 | 104 |
| Return of assets | 0.07 | 0.06 | 105 |

Number of employees on 31 December

| Segment | 2009 | | 2008 | | IND 09/08 |
|--------------------------------|--------------|------------|--------------|------------|--------------|
| | Number | % | Number | % | |
| Pharmacy | 564 | 56 | 560 | 56 | 101 |
| Chemistry Cosmetics Botanicals | 177 | 18 | 179 | 18 | 99 |
| Corporate unit | 264 | 26 | 268 | 27 | 99 |
| Total: | 1,005 | 100 | 1,007 | 100 | 100 |

The total number of employees on 31 December 2009 is 1,005.

23.02.2010

General Manager
Zhivko Mukaetov