



PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY

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

FOR THE PERIOD JANUARY - DECEMBER 2020

February 2021

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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 North Macedonia. The registered address of the Company is: Aleksandar Makedonski 12 1000 Skopje, Republic of North Macedonia.

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

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

The main scope is production of pharmaceutical products.

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

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

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

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

2. Financial risk management

Financial risk factors

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

Market risk

a) Foreign exchange risk

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

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

b) Price risk

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

Credit risk

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

Liquidity risk

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

Interest risk

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

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

Fair value estimation

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

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

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

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

3. Additions to non-current assets

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

Additions to non-current assets - segment reporting

Segments	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Pharmacy	1.277.293	81	1.015.044	93	126
Chemistry Cosmetics Botanicals	293.934	19	76.588	7	384
Total:	1.571.227	100	1.091.632	100	144

4. Dividends

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

The dividends for 2019 approved by shareholders on 6 April 2020 were Denar 515,287 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Non-current	626.459	51	312.812	40	200
Current	613.748	49	466.656	60	132
Total:	1.240.207	100	779.468	100	159

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Up to 1 year	613.748	49	466.656	60	132
Between 1 to 3 years	626.459	51	312.812	40	200
Total:	1.240.207	100	779.468	100	159

6. Major Transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2020.

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

7. Related party transactions

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

Subsidiary	2020	2019
	% of ownership	% of ownership
Alkaloid DOO Zagreb, Croatia	100%	100%
Alkaloid DOO Beograd, Serbia	100%	100%
Alkaloid INT DOO Ljubljana, Slovenia	100%	100%
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	100%	100%
Alkaloidfarm SA Fribourg, Switzerland	100%	100%
Alkaloid EOOD Sofia, Bulgaria	100%	100%
ALK&KOS Shpk Prishtina, Kosovo	100%	100%
Alkaloid Bilna apteka DOOEL Skopje, N.Macedonia	100%	100%
Alkaloid Kons DOOEL Skopje, N.Macedonia	100%	100%
Alkaloid USA LLC Columbus, Ohio US	49%	49%
Fund "Trajce Mukaetov" Skopje, N.Macedonia	100%	100%
Alkaloid DOO Podgorica, Montenegro	100%	100%
OOO Alkaloid RUS, Moscow, Russia	100%	100%
Alkaloid FARM DOO Ljubljana, Slovenia	100%	100%
Alkaloid Veledrogerija DOO Beograd, Serbia	100%	100%
Alkaloid ILAC TLS Istanbul, Turkey	100%	100%
ALKA-LAB DOO Ljubljana, Slovenia	100%	100%
Alkaloid Kiev CO. LTD., Ukraine	100%	100%
Alkaloid Shpk Tirana, Albania	100%	100%
Alkaloid LGL DOO, Zagreb	100%	-

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

In 2020 a new subsidiary was established, named Alkaloid LGL DOO, Zagreb. In 2020 the Company has increased its investment in one of its subsidiaries i.e. in Alkaloidfarm SA Fribourg by CHF 20 thousand.

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

8. Share capital

	Ordinary shares	Treasury shares	Total	Share premium
At 1 January 2019	2.220.127	-23.032	2.197.095	-
Purchase of treasury shares	-	-10.713	-10.713	-65.060
At 31 December 2019	2.220.127	-33.745	2.186.382	-65.060
Purchase of treasury shares	-	-1.262	-1.262	-9.218
At 31 December 2020	2.220.127	-35.007	2.185.120	-74.278

The total authorized number of ordinary shares is 1,431,353 with a par value of EUR 25.56 per share. All issued shares are fully paid. As of 31.12.2020 the number of voting shares is 1.408.796 shares.

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

Earning per share

	(In MKD)		
	2020 Amount	2019 Amount	IND 20/19
Profit attributable to shareholders (in denars)	1.167.484.742	1.015.259.965	115
Number of shares	1.408.938	1.415.132	100
Basic earning per share (in denars):	828,63	717,43	115

9. Key management compensations

No compensations were paid to the Management Board members in 2020 and 2019.

In 2020, the amount of Denar 4,288 thousands were paid to the Supervision Board members (2019: Denar 4,402 thousands).

Consolidated production in tons

Segment	(In tons)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Pharmacy	1.201	7	1.179	8	102
Chemistry Cosmetics Botanicals	16.035	93	14.135	92	113
Total:	17.236	100	15.314	100	113

The total amount produced for 2020 is 17,236 tons, which compared to last years' production amount of 15,314 tons has increased for 13%.

Total consolidated sales

Market	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Domestic market	4.268.849	35	3.907.246	35	109
Foreign market	7.863.479	65	7.195.562	65	109
Total:	12.132.328	100	11.102.808	100	109

The total sales revenues for 2020 are 12,132,328 which compared to last years' 11,102,808 have increased for 9%. The growth in total sales revenues is a result of the increase of sales revenues on domestic market for 9% and foreign market for 9%.

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

Total consolidated sales - segment reporting

Segment	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Pharmacy	10.527.723	87	9.555.573	86	110
Chemistry Cosmetics Botanicals	1.604.605	13	1.547.235	14	104
Total:	12.132.328	100	11.102.808	100	109

The largest portion in total sales revenues is generated on the Pharmacy segment with 10,527,723 thousand denars or 87%, which compared to last years' 9,555,573 thousand denars indicates an increase of 10%.

Consolidated domestic market sales - segment reporting

Segment	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Pharmacy	3.546.326	83	3.271.664	84	108
Chemistry Cosmetics Botanicals	722.523	17	635.582	16	114
Total:	4.268.849	100	3.907.246	100	109

Total sales revenues on domestic market are 4,268,849 thousand denars, which compared to last years' 3,907,246 thousand denars have increased for 9%.

The largest portion in total sales revenues on domestic market is generated on the Pharmacy segment with 3,546,326 thousand denars or 83%.

Consolidated foreign market sales - segment reporting

(In 000 MKD)

Segment	2020		2019		IND
	Amount	%	Amount	%	20/19
Pharmacy	6.981.397	89	6.283.909	87	111
Chemistry Cosmetics Botanicals	882.082	11	911.653	13	97
Total:	7.863.479	100	7.195.562	100	109

Total sales on foreign market are 7,863,479 thousand denars, which compared to last years' 7,195,562 thousand denars have increased for 9%. The largest portion of the foreign market sales of 6,981,397 or 89%

Consolidated foreign market sales by regions / countries

(In 000 MKD)

Region / country	2020		2019		IND
	Amount	%	Amount	%	20/19
South Eastern Europe	4.018.485	51	3.610.619	50	111
Albania	94.912	1	66.703	1	142
Bosnia and Herzegovina	866.891	11	807.740	11	107
Kosovo	463.529	6	444.247	6	104
Serbia	2.347.335	30	2.052.438	29	114
Montenegro	245.818	3	239.491	3	103
Russia and CIS	1.147.211	15	1.049.143	15	109
Russia	815.636	10	742.190	10	110
Georgia	24.681	-	18.845	-	131
Armenia	34.294	-	28.620	-	120
Ukraine	272.600	3	259.488	4	105
Azerbaijan	-	-	-	-	-
Western Europe (EU and EFTA)	2.416.683	31	2.242.842	31	108
Bulgaria	380.583	5	321.237	4	118
Croatia	897.655	11	861.578	12	104
Germany	67.130	1	75.689	1	89
Romania	260.303	3	227.013	3	115
Hungary	86.958	1	67.657	1	129
Czech	44.330	1	30.763	-	144
Slovakia	-	-	215	-	-
Poland	30.794	-	35.521	-	87
Slovenia	313.822	4	281.168	4	112
Great Britain	312.984	4	315.923	4	99
Spain	802	-	-	-	-
Lithuania	970	-	1.965	-	49
Ireland	-	-	630	-	-
Finland	2.035	-	1.759	-	116
Netherlands	289	-	300	-	96
Greece	12.784	-	15.194	-	84
Cyprus	154	-	-	-	-
Austria	216	-	-	-	-
Switzerland	4.874	-	6.230	-	78
Other countries	281.100	4	292.958	4	96
USA	230.933	3	268.203	4	86
Canada	30.424	-	-	-	-
Turkey	15.666	-	12.467	-	126
Other countries	4.077	-	12.288	-	33
Total:	7.863.479	100	7.195.562	100	109

The largest portion of foreign market sales of 51% is generated on the South Eastern Europe region, which compared to last year indicates an increase of 11%.

Consolidated Income statement

	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Sales	12.132.328	97	11.102.808	98	109
Cost of sales	-6.698.493	-53	-5.974.145	-53	112
Gross profit	5.433.835	43	5.128.663	45	106
Research and development expenses	-121.368	-1	-109.931	-1	110
Selling and marketing expenses	-3.409.148	-27	-3.323.516	-29	103
Administrative expenses	-466.502	-4	-420.697	-4	111
Provision for other liabilities and charges	-9.737	-	-10.499	-	93
Other income	421.554	3	245.019	2	172
Other expenses	-502.418	-4	-308.167	-3	163
Operating profit	1.346.216	11	1.200.872	11	112
Finance expenses (net)	-17.817	-	-12.561	-	142
Profit before income tax	1.328.399	11	1.188.311	10	112
Income tax expense	-160.914	-1	-173.051	-2	93
Profit from continuing operations	1.167.485	9	1.015.260	9	115
Attributable to the:					
Shareholders of the Parent Company	1.167.524	9	1.015.318	9	115
Minority interests	-39	-	-58	-	67
Profit for the year	1.167.485	9	1.015.260	9	115

Sales by category

	(In 000 MKD)				
	2020		2019		IND
	Amount	%	Amount	%	20/19
Sales					
Sales of goods	8.814.421	70	8.076.115	71	109
Sales of commodities	3.216.176	26	2.934.861	26	110
Other sales revenues	101.731	1	91.832	1	111
Total:	12.132.328	97	11.102.808	98	109

Other income

(In 000 MKD)

Other income	2020		2019		IND
	Amount	%	Amount	%	20/19
Foreign exchange transaction gains	263.758	2	141.020	1	187
Collected written off receivables	768	-	588	-	131
Surpluses	8.361	-	8.635	-	97
Interest income	1.579	-	3.531	-	45
Other income	147.088	1	91.245	1	161
Total:	421.554	3	245.019	2	172

Finance income

(In 000 MKD)

Finance income	2020		2019		IND
	Amount	%	Amount	%	20/19
Foreign exchange transaction gains on borrowing	1	-	892	-	0
Interest income on borrowings	-	-	-	-	-
Total:	1	-	892	-	0

Total revenues: **12.553.883 100** **11.348.719 100** **111**

Total revenues for 2020 are 12,553,883 thousand denars, which compared to last year have increased for 11%.

The largest portion of total revenues 98%, belongs to sales of goods, sales of commodities and other sales revenues, which compared to last year have increased for 9%.

Other income have a portion in total revenues of 3% and compared to last year have increased for 72%

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

Expenses by nature

(In 000 MKD)

Expenses	2020		2019		IND
	Amount	%	Amount	%	20/19
Raw materials	3.079.953	27	2.953.140	29	104
Employee benefit expense	2.663.368	24	2.409.746	24	111
Depreciation and amortization	731.680	7	656.927	6	111
Energy	190.494	2	203.780	2	93
Impairments	2.639	-	6.481	-	41
Transportation	212.183	2	188.766	2	112
Changes in the inventories	-135.545	-1	-205.247	-2	66
Cost of commodities	2.195.992	20	1.995.624	20	110
Other expenses	1.764.484	16	1.629.571	16	108
Total:	10.705.248	95	9.838.788	97	109

Employee benefit expense

(In 000 MKD)

Expenses	2020		2019		IND
	Amount	%	Amount	%	20/19
Gross salaries	2.313.259	21	2.079.222	20	111
Other employees benefits	350.109	3	330.524	3	106
	2.663.368	24	2.409.746	24	111

Other expenses

(In 000 MKD)

Expenses	2020		2019		IND
	Amount	%	Amount	%	20/19
Foreign exchange transaction loss	365.225	3	108.752	1	336
Shortages	43.879	-	34.715	-	126
Expenses from previous year	39.725	-	50.719	-	78
Other expenses	53.589	-	113.981	1	47
	502.418	4	308.167	3	163

Finance cost

(In 000 MKD)

Expenses	2020		2019		IND
	Amount	%	Amount	%	20/19
Foreign exchange transaction losses on borrowings	65	-	876	-	7
Interest expense on borrowings	17.753	-	12.577	-	141
Total:	17.818	-	13.453	-	132
Total expenses:	11.225.484	100	10.160.408	100	110

Total expenses in 2020 are 11,225,484 thousand denars, which compared to last years' 10,160,408 thousand denars have increased for 10%.

The largest portion in total expense of 27% belongs to Raw materials. Employee benefit expense has a portion of 24%, Other expenses 4%. Finance costs consist of expenses on borrowings, the portion in total expenses is insignificant.

Consolidated profit before taxes for 2020 is 1,328,399 thousand denars, which compared to last years' 1,188,311 thousand denars has increased for 12%. The portion of consolidated profit before taxes in total revenues is 11%.

Consolidated income tax for 2020 is 160,914 thousand denars, which compared to last years' 173,051 thousand denars has decreased for 7%.

Consolidated Net profit for 2020 is 1,167,485 thousand denars, which compared to last years' 1,015,260 thousand denars has increased for 15%. The portion of consolidated Net profit in total revenues is 9%.

Consolidated Balance Sheet

(In 000 MKD)

	2020		2019		IND
	Amount	%	Amount	%	20/19
Assets					
Non-current assets					
Property, plant and equipment	6.163.085	41	5.418.377	40	114
Intangible assets	1.829.491	12	1.732.098	13	106
Deferred tax assets	4.211	-	5.353	-	79
Available-for-sale financial assets	7.114	-	7.411	-	96
Other non current receivables	64.049	-	116.646	1	55
Total non-current assets:	8.067.950	54	7.279.885	54	111
Current assets					
Inventories	3.698.352	25	3.262.593	24	113
Trade receivables	2.603.483	17	2.405.172	18	108
Other receivables	309.741	2	288.902	2	107
Cash and cash equivalents	335.008	2	357.348	3	94
Total current assets:	6.946.584	46	6.314.015	46	110
Total assets:	15.014.534	100	13.593.900	100	110
Equity and liabilities					
Equity					
Share capital	2.185.120	15	2.186.382	16	100
Share premiums	-74.278	-	-65.060	-	114
Legal reserves	618.262	4	616.138	5	100
Other reserves	1.640.357	11	1.670.216	12	98
Retained earnings	6.538.057	44	5.887.016	43	111
Minority interests	618	-	657	-	94
Total equity:	10.908.136	73	10.295.349	76	106
Liabilities					
Current liabilities					
Trade and other payables	2.773.572	18	2.416.637	18	115
Income taxes	30.964	-	61.767	-	50
Current borrowings	613.748	4	466.656	3	132
Total current liabilities:	3.418.284	23	2.945.060	22	116
Non-current liabilities					
Non-current borrowings	626.459	4	312.812	2	200
Non-current provisions	50.300	-	40.559	-	124
Deferred income tax liabilities	11.355	-	120	-	9.463
Total non-currents liabilities:	688.114	5	353.491	3	195
Total liabilities:	4.106.398	27	3.298.551	24	124
Total equity and liabilities:	15.014.534	100	13.593.900	100	110

Performance indicators

Indicators	(In %)		
	2020	2019	IND 20/19
Net profit margin (net profit / total revues)	9,30	8,95	104
Net profit margin (net profit / sales)	9,62	9,14	105
EBITDA	17,13	16,73	102
Current ratio	2,03	2,14	95
Net debt to equity ratio	8,30	4,10	202
Return of equity	11,01	10,54	104
Return of assets	8,16	8,06	101

Number of employees on 31 December

Segment	2020		2019		IND 20/19
	%	%	%	%	
Pharmacy	1.579	66	1.436	64	110
Chemistry Cosmetics Botanicals	214	9	215	10	100
Corporate unit	599	25	576	26	104
Total:	2.392	100	2.227	100	107

Total number of employees on 31 December 2020 is 2,392, which compared to last year has increased for 7%.

Corporate governance

To comply with the provisions of Article 1 of the Law Amending the Company Law (Official Gazette of RNM no. 290/2020 of 07.12.2020), the Management Board of ALKALOID AD Skopje established a working group to draft a Code of Corporate Governance for the Company.

The Management Board of ALKALOID AD Skopje shall adopt the Code of Corporate Governance and will make it publicly available latest by 30.06.2021.

Alkaloid AD Skopje