



**PHARMACEUTICAL CHEMICAL COSMETICAL INDUSTRY**

**ANNUAL REPORT  
ON THE PERFORMANCE OF ALKALOID AD SKOPJE  
FOR THE PERIOD JANUARY - DECEMBER 2011**

**February 2012**

## CONTENTS

- 1. General information**
- 2. Financial risk management**
- 3. Additions to non-current assets**
- 4. Dividends**
- 5. Borrowings**
- 6. Major transactions**
- 7. Related party transactions**
- 8. Share capital**
- 9. Key management compensations**
  
- 10. Production and sales**
  - Production in tons**  
  
**Total sales**  
Sales by segments  
Domestic market sales by segments  
Foreign market sales by segments  
Foreign market sales by regions/countries  
  
**Total revenues, determination and allocation of profit**  
  
Total revenues  
Total expenses  
Income statement  
Balance sheet  
Performance indicators  
  
**Number of employees**

## 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, 84/2005, 25/2007 and 87/2008) and the Rulebook for accounting ("Official Gazette of the Republic of Macedonia" no. 94/2004, 11/2005, 116/2005, 159/2009 and 164/2010). 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 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 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

<b>Segments</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Pharmacy	487,665	90	267,226	95	182
Chemistry Cosmetics Botanicals	56,677	10	13,412	5	423
<b>Total:</b>	<b>544,342</b>	<b>100</b>	<b>280,638</b>	<b>100</b>	<b>194</b>

**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 18 April 2011 were Denar 238,564 thousands. Tax of paid dividend and other allocation of profit was amounting Denar 36,507 thousands. Approved dividends are paid and retained earnings are appropriately decreased.

**5. Borrowings**

<b>Borrowings</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Non-current	29,541	6	223	-	-
Current	435,423	94	391,891	100	111
<b>Total:</b>	<b>464,964</b>	<b>100</b>	<b>392,114</b>	<b>100</b>	<b>119</b>

The maturity of the borrowings is as follows:

<b>Maturity</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Up to 1 year	435,423	94	391,891	100	111
Between 1 to 3 years	29,541	6	223	-	-
<b>Total:</b>	<b>464,964</b>	<b>100</b>	<b>392,114</b>	<b>100</b>	<b>119</b>

**6. Major transactions**

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2011.

## 7. Related party transactions

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

Alkaloid AD Skopje has investments in twelve subsidiaries and one foundation 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

Subsidiary	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
Alkaloid DOO Zagreb, Croatia	14,822	20	14,822	20	100
Alkaloid DOO Beograd, Serbia	43,131	60	43,131	60	100
Alkaloid INT DOO Ljubljana, Slovenia	557	1	557	1	100
Alkaloid DOO Sarajevo, Bosnia and Herzegovina	39	-	39	-	100
Alkaloidfarm SA Fribourg, Switzerland	4,285	6	4,285	6	100
Alkaloid EOOD Sofia, Bulgaria	2,748	4	2,748	4	100
ALK&KOS Shpk Prishtina, Kosovo	307	-	307	-	100
Alkaloid Kons DOOEL Skopje, Macedonia	154	-	154	-	100
Alkaloid USA LLC Columbus, Ohio US	2,365	3	2,365	3	100
Fund "Trajce Mukaetov" Skopje, Macedonia	3,000	4	3,000	4	100
OOO Alkaloid RUS, Moscow, Russia	619	1	619	1	100
Alkaloid DOO Podgorica, Montenegro	-	-	-	-	-
Alkaloid FARM DOO Ljubljana, Slovenia	461	1	461	1	100
Alkaloid Veleddrogerija DOO Beograd, Serbia	31	-	-	-	-
<b>Total:</b>	<b>72,519</b>	<b>100</b>	<b>72,488</b>	<b>100</b>	<b>100</b>

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

During 2010 Alkaloid AD, Skopje established a new subsidiary in Slovenia, Alkaloid Farm DOO Ljubljana. The new subsidiary is 100% owned by the Company. The existing subsidiary in Slovenia is rebranded into Alkaloid INT DOO Ljubljana. During 2011 Alkaloid AD Skopje established a new subsidiary in Serbia, Alkaloid Veleddrogerija DOO Beograd.

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

### Prepayments and short-term loans

Subsidiary	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
Alkaloid Kons DOOEL Skopje, Macedonia	36,439	37	17,409	23	209
Alkaloid DOO Beograd, Serbia	13,615	14	12,982	17	105
OOO Alkaloid RUS, Moscow, Russia	47,435	49	45,195	60	105
<b>Total:</b>	<b>97,489</b>	<b>100</b>	<b>75,586</b>	<b>100</b>	<b>129</b>

**8. Share capital**

	Number of shares	Ordinary shares	Treasury shares	Total	Share premium
<b>At 1 January 2010</b>	<b>1,422,696</b>	<b>2,220,127</b>	<b>-13,579</b>	<b>2,206,548</b>	<b>734</b>
Treasury shares purchased	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-
<b>At 31 December 2010</b>	<b>1,422,696</b>	<b>2,220,127</b>	<b>-13,579</b>	<b>2,206,548</b>	<b>734</b>
Treasury shares purchased	-100	-	-157	-157	-241
Sale of treasury shares	-	-	-	-	-
<b>At 31 December 2011</b>	<b>1,422,596</b>	<b>2,220,127</b>	<b>-13,736</b>	<b>2,206,391</b>	<b>493</b>

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 2011 the Entity acquired 100 of its own shares through Macedonian stock exchange and held as treasury shares. The total number of treasury shares is 8,757. The number of 3,287 shares is reserved for former proprietors of which 3,228 are priority shares and 59 are ordinary shares.

**Earning per share**

	<b>(In MKD)</b>		
	<b>2011</b>	<b>2010</b>	<b>IND</b>
	<b>Amount</b>	<b>Amount</b>	<b>11/10</b>
Profit attributable to shareholders (in denars)	605,550,300	581,577,640	104
Number of shares	1,422,596	1,422,696	100
<b>Basic earning per share (in denars):</b>	<b>425.67</b>	<b>408.79</b>	<b>104</b>

**9. Key management compensations**

No compensations were paid to the Management Board members in 2011 and 2010.

In 2011, the amount of Denar 4,032 thousands were paid to the Supervision Board members (2010: Denar 3,584 thousands).

**10. Production and sales**
**Production in tons**

<b>Segment</b>	<b>(In tons)</b>					
	<b>2011</b>		<b>2010</b>		<b>IND</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>	
Pharmacy	799	10	808	11	99	
Chemistry Cosmetics Botanicals	6,851	90	6,847	89	100	
<b>Total:</b>	<b>7,650</b>	<b>100</b>	<b>7,655</b>	<b>100</b>	<b>100</b>	

The total amount produced for 2011 is 7,650 tons, which is on the same level compared to last years' production amount of 7,655 tons.

**Total sales**

<b>Market</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Domestic market	2,136,659	38	1,972,723	38	108
Foreign market	3,433,912	62	3,169,794	62	108
<b>Total:</b>	<b>5,570,571</b>	<b>100</b>	<b>5,142,517</b>	<b>100</b>	<b>108</b>

The total sales revenues for 2011 are 5,570,571 thousand denars which indicates 8% growth compared to the sales revenues from 2010 (5,142,517 thousand denars). The growth in total sales revenues is a result from the increase of sales revenues on domestic market and on foreign market for 8%.

The largest portion of total sales revenues, 62% belongs to the foreign market sales.

**Total sales - segment reporting**

<b>Segment</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Pharmacy	4,445,203	80	4,200,041	82	106
Chemistry Cosmetics Botanicals	1,125,368	20	942,476	18	119
<b>Total:</b>	<b>5,570,571</b>	<b>100</b>	<b>5,142,517</b>	<b>100</b>	<b>108</b>

The largest portion in total sales revenues, 4,445,203 thousand denars belongs to the Pharmacy segment with 80%, which compared to last years' 4,200,041 thousand denars is an increase of 6%.

**Domestic market sales - segment reporting**

<b>Segment</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
Pharmacy	1,625,934	76	1,489,825	76	109
Chemistry Cosmetics Botanicals	510,725	24	482,898	24	106
<b>Total:</b>	<b>2,136,659</b>	<b>100</b>	<b>1,972,723</b>	<b>100</b>	<b>108</b>

Total sales revenues on domestic market are 2,136,659 thousand denars, which compared to last years' 1,972,723 have increased for 8%.

The largest portion in total sales revenues belongs to the Pharmacy segment with 1,625,934 thousand denars or 76%.



**Foreign market sales - segment reporting**

Segment	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
Pharmacy	2,819,269	82	2,710,216	86	104
Chemistry Cosmetics Botanicals	614,643	18	459,578	14	134
<b>Total:</b>	<b>3,433,912</b>	<b>100</b>	<b>3,169,794</b>	<b>100</b>	<b>108</b>

Total sales revenues on foreign market are 3,433,912 thousand denars, which compared to last years' 3,169,794 have increased for 8%. The increase of total sales revenue is a result from increased export in all operating segments

The largest portion in total sales revenues belongs to the Pharmacy segment with 2,819,269 thousand denars or 82%.

**Foreign market sales by regions/countries**

Region/Country	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
<b>South Eastern Europe</b>	<b>2,539,143</b>	<b>74</b>	<b>2,298,124</b>	<b>73</b>	<b>110</b>
Albania	145,025	5	114,329	4	127
Bosnia and Herzegovina	603,364	18	612,695	19	98
Kosovo	313,024	8	258,126	8	121
Serbia	857,248	25	738,469	23	116
Croatia	445,473	13	406,783	13	110
Monte Negro	175,009	5	167,722	5	104
<b>Russia and CIS</b>	<b>406,781</b>	<b>12</b>	<b>523,307</b>	<b>17</b>	<b>78</b>
Russia and CIS	384,626	12	451,328	14	85
Armenia	8,024	-	6,591	-	122
Ukraine	14,131	-	65,388	2	22
<b>Western Europe (EU and EFTA)</b>	<b>419,042</b>	<b>12</b>	<b>311,057</b>	<b>10</b>	<b>135</b>
Bulgaria	142,438	4	131,176	4	109
Germany	179,113	5	81,139	3	221
Romania	4,441	-	3,839	-	116
Slovenia	92,639	3	94,727	3	98
Switzerland	411	-	176	-	234
<b>Other countries</b>	<b>68,946</b>	<b>2</b>	<b>37,306</b>	<b>1</b>	<b>185</b>
Australia	966	-	4,419	-	22
Jordan	-	-	1,239	-	-
USA	56,096	2	30,109	1	186
Other countries	11,884	-	1,539	-	-
<b>Total:</b>	<b>3,433,912</b>	<b>100</b>	<b>3,169,794</b>	<b>100</b>	<b>108</b>

Western Europe (EU and EFTA) region with 35% has the largest increase in foreign market sales compared to last year.

The largest portion of 74% of the total sales in foreign markets belongs to the South Eastern Europe region.

**Total revenues**

Revenues	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
<b>1. Revenues from sales of goods and services</b>	<b>5,570,571</b>	<b>97</b>	<b>5,142,517</b>	<b>97</b>	<b>108</b>
<b>-Domestic market</b>	<b>2,136,659</b>	<b>37</b>	<b>1,972,723</b>	<b>37</b>	<b>108</b>
Sales of goods	1,866,322	33	1,727,426	33	108
Sales of commodities	220,559	4	192,250	3	115
Other sales revenues	49,778	1	53,047	1	94
<b>-Foreign market</b>	<b>3,433,912</b>	<b>60</b>	<b>3,169,794</b>	<b>60</b>	<b>108</b>
Sales of goods	3,232,925	57	3,013,810	57	107
Sales of commodities	192,322	3	155,984	3	123
Other sales revenues	8,665	-	-	-	-
<b>2. Other operating income</b>	<b>153,044</b>	<b>3</b>	<b>151,829</b>	<b>3</b>	<b>101</b>
Collected written off receivables	2,919	-	12,789	-	23
Income from previous years	35,974	1	30,445	1	118
Dividends income	40,040	-	34	-	-
Interest income	924	-	251	-	368
Foreign exchange transaction gains	49,559	1	68,025	1	73
Other income	23,628	-	40,285	1	59
<b>3. Finance income</b>	<b>4,069</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>8,138</b>
Foreign exchange transaction gains on borrowings	258	-	-	-	-
Interest income on borrowings	3,811	-	50	-	-
<b>Total:</b>	<b>5,727,684</b>	<b>100</b>	<b>5,294,396</b>	<b>100</b>	<b>108</b>

Total revenues for 2010 of 5,727,684 thousand denars have increased for 8%, compared to last years' 5,294,396 thousand denars.

The largest portion of 97% in the total revenues belong to the sales revenues, which compared to last year have the largest increase of 8%.

Other operating income have a portion of 3% in total revenues. Compared to last year other operating income has increased for 1%.

Finance income only includes income on borrowings. The portion of finance income in total revenue is insignificant.

**Sales by category**

Sales revenue	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
Sales of goods	5,099,247	92	4,741,236	92	108
Sales of commodities	412,881	7	348,234	7	119
Other sales revenues	58,443	1	53,047	1	110
<b>Total:</b>	<b>5,570,571</b>	<b>100</b>	<b>5,142,517</b>	<b>100</b>	<b>108</b>

**Total expenses by nature**

Expenses	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
<b>1. Changes in the inventories</b>	<b>-60,232</b>	<b>-1</b>	<b>-55,321</b>	<b>-1</b>	<b>109</b>
<b>2. Raw and other materials</b>	<b>1,796,885</b>	<b>35</b>	<b>1,574,292</b>	<b>34</b>	<b>114</b>
Raw materials	1,591,980	31	1,403,742	30	113
Energy	169,154	3	137,697	3	123
Spare parts	31,806	1	29,621	1	107
Written off small items	3,945	-	3,232	-	122
<b>3. Cost of commodities</b>	<b>343,214</b>	<b>7</b>	<b>276,681</b>	<b>6</b>	<b>124</b>
<b>4. Services</b>	<b>277,305</b>	<b>5</b>	<b>341,846</b>	<b>7</b>	<b>81</b>
Transport	102,322	2	86,024	2	119
Maintenance	41,356	1	42,504	1	97
Rent	14,608	-	10,954	-	133
Utilities	119,019	2	202,364	4	59
<b>5. Depreciation and amortization</b>	<b>289,377</b>	<b>6</b>	<b>260,342</b>	<b>6</b>	<b>111</b>
<b>6. Provision for impaired trade receivables</b>	<b>23,580</b>	<b>-</b>	<b>25,216</b>	<b>1</b>	<b>94</b>
<b>7. Employee benefits</b>	<b>836,428</b>	<b>16</b>	<b>867,145</b>	<b>19</b>	<b>96</b>
Gross salaries	671,610	13	718,898	15	93
Food allowances	20,756	-	20,140	-	103
Holiday allowances	42,420	1	22,655	1	187
Termination benefits	21,364	-	13,298	-	161
Bonuses for employees	78,678	2	90,000	2	87
Retirement benefits	128	-	195	-	66
Other expenses	1,472	-	1,959	-	-
<b>8. Other operating expenses</b>	<b>1,550,459</b>	<b>30</b>	<b>1,361,157</b>	<b>29</b>	<b>114</b>
Cost of business trips	40,582	1	37,729	1	108
Advertising and marketing	823,350	17	664,344	15	124
Insurance	19,590	-	16,799	-	117
Taxes and contributions	18,125	-	17,877	-	101
Bank charges and memberships	17,803	-	15,621	-	114
Interest	1,164	-	797	-	146
Exchange differences from receivables and payables	58,028	1	80,393	2	72
Expenses from previous years	16,931	-	20,180	-	84
Other expenses	554,886	11	507,417	11	109
<b>9. Finance costs (borrowings)</b>	<b>33,687</b>	<b>1</b>	<b>31,965</b>	<b>1</b>	<b>105</b>
Foreign exchange transaction losses on borrowings	191	-	7	-	-
Interest expense on borrowings	33,496	1	31,958	1	105
<b>Total:</b>	<b>5,090,703</b>	<b>100</b>	<b>4,683,323</b>	<b>100</b>	<b>109</b>

The Total expenses for 2011 of 5,090,703 thousand denars have increased for 9% compared to last years' 4,683,323 thousand denars, as a result from the increase in Raw materials (IND 114), Cost of commodities (IND 124), Depreciation and amortization (IND 111) and Other operating expenses (IND 114).

The largest portion in the total expenses belongs to Raw and other materials, 35%. Employee benefits have a portion of 16%, Other operating expenses have a portion of 30%. Finance costs, which include only expenses on borrowings have, a portion in the total expenses of 1%.

**Income statement - expenses by nature**

<b>Income statement</b>	<b>(In 000 MKD)</b>				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
<b>Total revenues</b>	<b>5,727,684</b>	<b>100</b>	<b>5,294,396</b>	<b>100</b>	<b>108</b>
Domestic market	2,136,659	37	1,972,723	37	108
Foreign market	3,433,912	60	3,169,794	60	108
Other operating income	153,044	3	151,829	3	101
Finance income	4,069	-	50	-	-
<b>Total expenses</b>	<b>-5,090,703</b>	<b>89</b>	<b>-4,683,323</b>	<b>88</b>	<b>109</b>
Inventories	60,232	-1	55,321	-1	109
Raw materials	-1,796,885	31	-1,574,292	30	114
Cost of commodities	-343,214	6	-276,681	5	124
Services expenses	-277,305	5	-341,846	6	81
Gross salaries	-671,610	13	-718,898	14	93
Depreciation and amortization	-289,377	5	-260,342	5	111
Provision for impaired trade receivables	-23,580	-	-25,216	-	94
Other operating expenses	-1,715,277	30	-1,509,404	29	114
Finance cost	-33,687	1	-31,965	1	105
<b>Profit before income tax</b>	<b>636,981</b>	<b>11</b>	<b>611,073</b>	<b>12</b>	<b>104</b>
Income tax	-31,431	1	-29,495	1	107
<b>Profit for the year</b>	<b>605,550</b>	<b>11</b>	<b>581,578</b>	<b>11</b>	<b>104</b>

Profit before income tax for 2011 is 636,981 thousand denars, which compared to last years' 611,073 thousand denars has increased for 4%. The portion of profit before income tax in the total revenue is 11%.

The calculated Income tax for 2011 is 31,431 thousand denars, which compared to last years' 29,495 thousand denars has increased for 7%.

Profit for the year 2011 is 605,550 thousand denars, which compared to last years' 581,578 thousand denars has increased for 4%. The portion of net income in the total revenue is 11%.

**Income statement - expenses by function**

<b>Income statement</b>	(In 000 MKD)				
	<b>2011</b>		<b>2010</b>		<b>IND</b>
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>11/10</b>
<b>Sales</b>	<b>5,570,571</b>	<b>97</b>	<b>5,142,517</b>	<b>97</b>	<b>108</b>
Cost of sales	-2,822,943	-49	-2,537,517	-48	111
<b>Gross profit</b>	<b>2,747,628</b>	<b>48</b>	<b>2,605,000</b>	<b>49</b>	<b>105</b>
Research and development expenses	-45,543	-1	-76,484	-1	60
Selling and marketing expenses	-1,793,936	-31	-1,574,837	-30	114
Administrative expenses	-292,637	-5	-257,817	-5	114
Provisions for liabilities and charges	-993	-	-2,693	-	37
Other income	153,044	3	151,829	3	101
Other expenses	-100,964	-2	-202,010	-4	50
<b>Operating profit</b>	<b>666,599</b>	<b>12</b>	<b>642,988</b>	<b>12</b>	<b>104</b>
Net foreign exchange transaction (losses) / gains	67	-	-7	-	-957
Net interest	-29,685	-1	-31,908	-1	93
<b>Profit before income tax</b>	<b>636,981</b>	<b>11</b>	<b>611,073</b>	<b>12</b>	<b>104</b>
Income tax	-31,431	-1	-29,495	-1	107
<b>Profit for the year</b>	<b>605,550</b>	<b>11</b>	<b>581,578</b>	<b>11</b>	<b>104</b>

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, 49% 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 31% in total expenses. Compared to last year Selling and marketing expenses have increased for 14% as a result of increased marketing expenses incurred to increase sales on existing markets and gain entrance on new markets.

Administrative expenses have a portion in total expenses of 5% and have increased for 14% compared to last year.

**Balance sheet**

	(In 000 MKD)				
	2011		2010		IND
	Amount	%	Amount	%	11/10
<b>Assets</b>					
<b>Non-current assets</b>					
Intangibles	497,821	6	346,613	4	144
Property, plant and equipment	3,781,827	46	3,680,282	47	103
Investments in subsidiaries and associates	72,519	1	72,488	1	100
Available-for-sale financial assets	4,442	-	5,695	-	78
Other non-current assets	-	-	-	-	-
Other non-current receivables	35,323	-	37,660	-	94
Deferred tax assets	8,828	-	10,557	-	84
<b>Total non-currents assets:</b>	<b>4,400,760</b>	<b>53</b>	<b>4,153,295</b>	<b>53</b>	<b>106</b>
<b>Current assets</b>					
Inventories	1,220,112	15	1,190,257	15	103
Trade receivables	2,230,732	27	2,242,649	29	99
Other receivables	202,513	2	127,632	2	159
Short-term financial investments	97,707	1	75,586	1	129
Cash and cash equivalents	92,556	1	63,858	1	145
<b>Total current assets:</b>	<b>3,843,620</b>	<b>47</b>	<b>3,699,982</b>	<b>47</b>	<b>104</b>
<b>Total assets:</b>	<b>8,244,380</b>	<b>100</b>	<b>7,853,277</b>	<b>100</b>	<b>105</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	2,206,391	27	2,206,548	28	100
Share premiums	493	-	734	-	67
Legal reserves	596,146	7	596,146	8	100
Other reserves	1,304,934	16	1,278,359	16	102
Retained earnings	2,670,470	32	2,337,168	30	114
<b>Total equity:</b>	<b>6,778,434</b>	<b>82</b>	<b>6,418,955</b>	<b>82</b>	<b>106</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	974,059	12	999,113	13	97
Borrowings	435,423	6	391,891	5	111
Income taxes	2,495	-	7	-	-
<b>Total current liabilities:</b>	<b>1,411,977</b>	<b>18</b>	<b>1,391,011</b>	<b>18</b>	<b>102</b>
<b>Non-current liabilities</b>					
Borrowings	29,541	-	223	-	-
Deferred tax liabilities	7,868	-	27,521	-	29
Retirement benefit obligations	16,560	-	15,567	-	106
<b>Total non-current liabilities:</b>	<b>53,969</b>	<b>-</b>	<b>43,311</b>	<b>-</b>	<b>125</b>
<b>Total liabilities:</b>	<b>1,465,946</b>	<b>18</b>	<b>1,434,322</b>	<b>18</b>	<b>102</b>
<b>Total equity and liabilities:</b>	<b>8,244,380</b>	<b>100</b>	<b>7,853,277</b>	<b>100</b>	<b>105</b>

**Performance indicators**

Indicators	(In %)		
	2011	2010	IND 11/10
Revenue / expense ratio	112.51	113.05	100
Net profit margin	10.57	10.98	96
EBITDA (%)	17.16	17.57	98
Current ratio	2.72	2.66	102
Net debt to equity ratio	0.07	0.06	112
Return of equity	0.09	0.09	99
Return of assets	0.07	0.07	99

**Number of employees on 31 December**

Segment	2011		2010		IND 11/10
	Бpoj	%	Бpoj	%	
Pharmacy	588	57	584	56	101
Chemistry Cosmetics Botanicals	184	17	180	17	102
Corporate unit	298	28	271	26	110
<b>Total:</b>	<b>1,070</b>	<b>100</b>	<b>1,035</b>	<b>100</b>	<b>103</b>

The total number of employees on 31 December 2011 is 1,070, which compared to 2010 is an increase of 3%.

22.02.2012

**General Manager**  
**Zhivko Mukaetov**