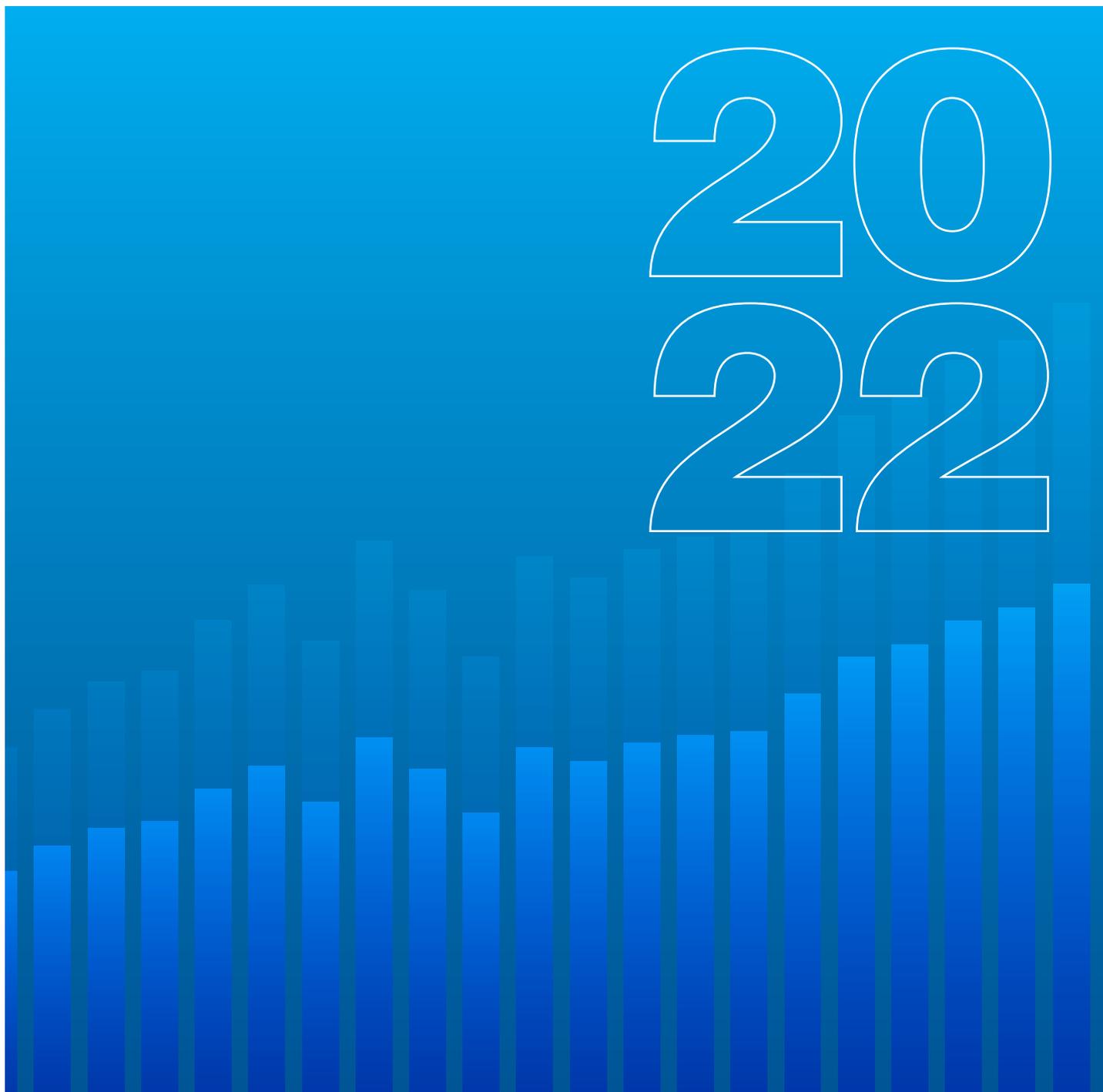


CONSOLIDATED
ANNUAL REPORT
ALKALOID AD SKOPJE

20
22



ALKALOID
SKOPJE

CONSOLIDATED
ANNUAL REPORT
ALKALOID AD SKOPJE

20
22

FOR THE PERIOD JANUARY – DECEMBER 2022



ALKALOID
SKOPJE

Health above all

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ALKALOID

highlights 2022

231.9 million EUR

sales revenues and

23.7 million EUR

net-income

16 % growth

of consolidated export

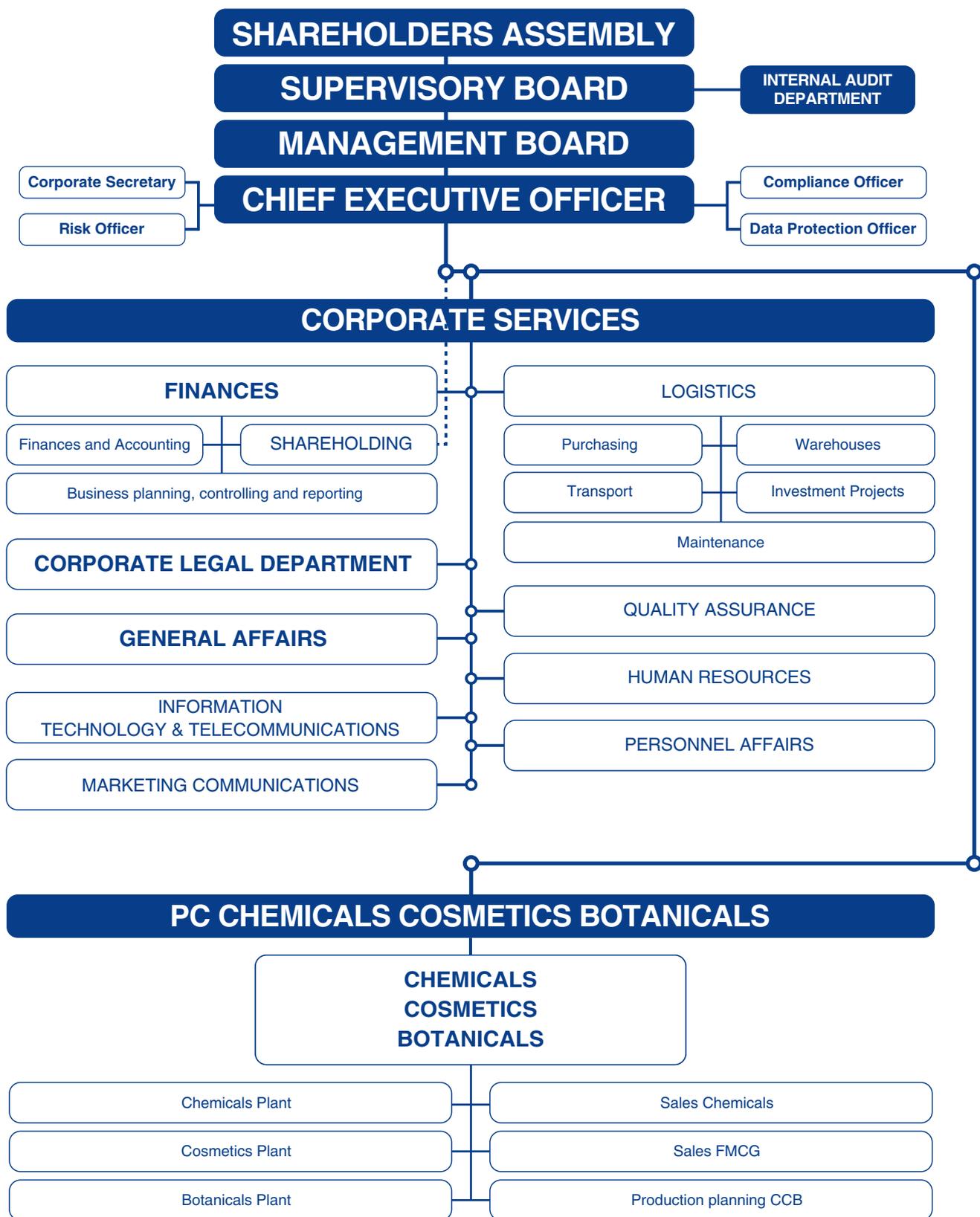
Investments in fixed
assets in amount of
EUR 23.9 million

ALKALOID AD Skopje
registered **a new subsidiary**
in Romania

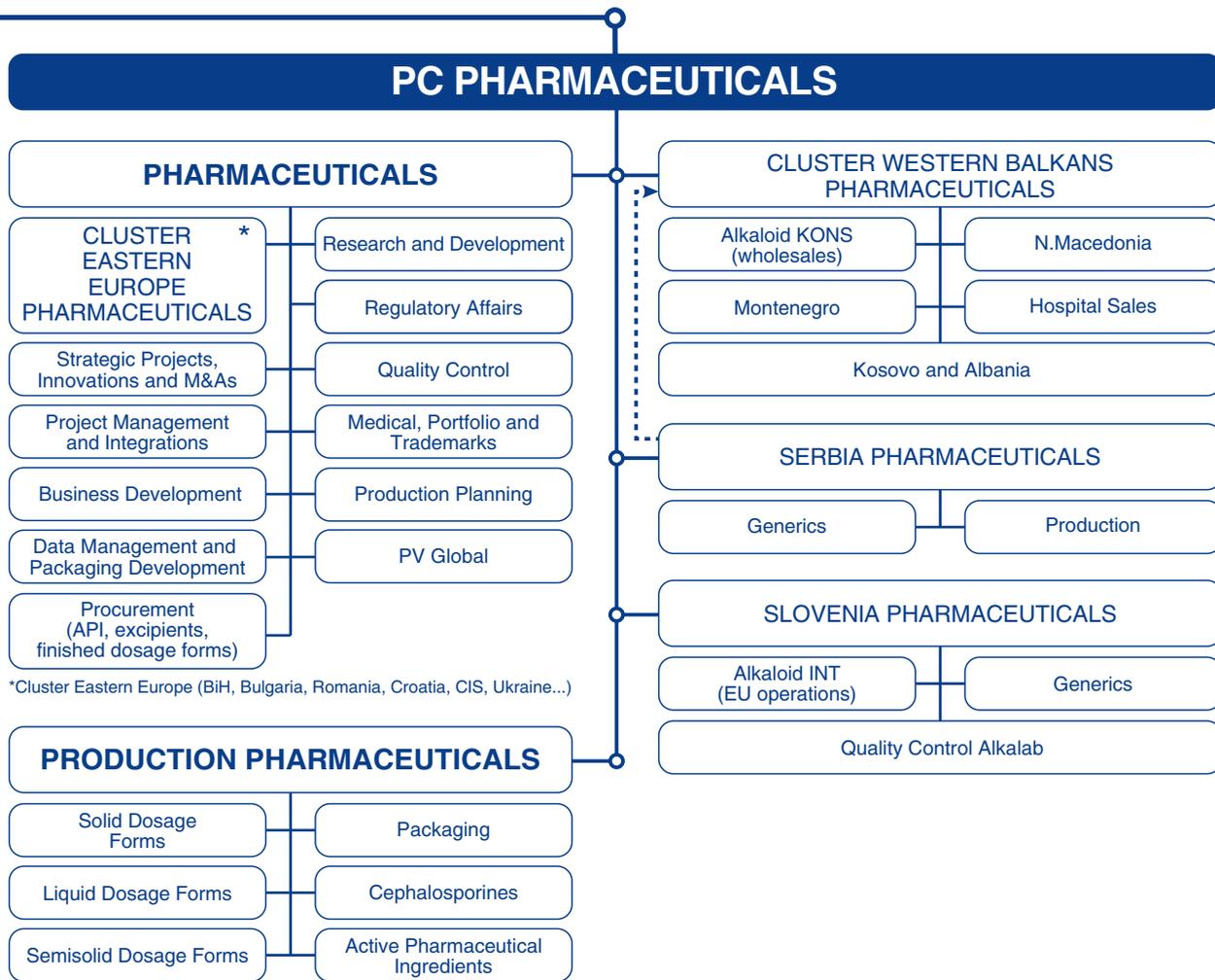
ALKALOID invested
EUR 720 thousands
in new laboratories for quality control,
research and development and for
registrations

ALKALOID AD Skopje founded
two new sport societies:
„ALKALOID HANDBALL SKOPJE“ and
„MULTI ESSENCE SKOPJE“

A new warehouse for
pharmaceutical raw materials and
primary packaging, investment of
EUR 1.3 million



2022 ORGANIZATIONAL CHART ALKALOID AD SKOPJE



Corporate governance

ALKALOID AD Skopje is a global company that firmly and continuously respects and applies its core values based on the highest ethical norms and standards. Good corporate governance is one of the basic and key values and principles of the operations of ALKALOID AD Skopje. Daily application of existing standards for good corporate governance and following the latest trends in this area, lead to continuous growth, both financially and in the field of quality human resources available to the company. All the efforts of ALKALOID AD Skopje for the application of the standards for good corporate governance are recognized and valorized, both by the professional and the wider Macedonian public. In order to give public recognition to the most recognizable and most active participants and other entities that are directly or indirectly related to the Macedonian securities market, "Macedonian Stock Exchange" AD Skopje, traditionally, at the end of the calendar year awards annual prizes in several categories. ALKALOID AD Skopje is the winner of the prestigious award for the "Most Transparent Listed Joint Stock Company in 2022", in two categories - selected by market participants and by journalists. In addition to this, ALKALOID is the winner of two more awards, namely for "Share with the highest increase in turnover in 2022", in competition with joint-stock companies with over 50 million market capitalization, and for "Share of the Year for 2022" by public choice based on the joint survey of the Macedonian Stock Exchange and the "Factor" portal.

In 2022, Alkaloid continued implementing the Code for Corporate Management of Companies Listed on the Macedonian Stock Exchange by fulfilling all compliance requirements.

The Macedonian Stock Exchange awarded ALKALOID AD Skopje with the prestigious award for the "Most Transparent Listed Joint Stock Company in 2022" in two categories – selected by market participants and by journalists, as well as in the category "Share of the Year for 2022" - by public choice.

At the Annual Meeting of Shareholders on 04.04.2022, Alkaloid amended the Statute. It adopted its consolidated version establishing basic principles of good corporate practices in the company system, and made intensive efforts to amend the existing and adopt new internal acts. For the first time, the Supervisory Board participated in the normative process by proposing significant internal acts for adoption by the Management Board.

Last year, the company actively committed to increasing female representation in its Supervisory and Management Boards to at least 30% by 2025. The company conducted extensive analyses and studies to identify qualified female candidates to achieve this goal. As a result of these efforts, the company plans to have 33% female members on its Supervisory Board in 2023. Currently, the company's Management Board has 20% female representation and is actively working towards meeting the target of having 30% of its members be women in the future.

ALKALOID AD Skopje is a company organized according to a two-tier management system consisted by the Management Board and Supervisory Board. The Management Board has the broadest authorizations in managing the company, while the Supervisory Board supervises the managing of the company. The management process in ALKALOID is fully compliant with the laws in the Republic of North Macedonia, as well as with the domestic and international good practices.

Corporate governance highlights

- The company adopted new rules of procedure for its bodies. It adopted a Rulebook for mutual relations to ensure cooperation between its bodies, which will coordinate the collaboration in implementing good corporate practices.
- Alkaloid also adopted its own Rulebook for Shareholder Relations to increase accessibility, transparency, and protection of the rights and interests of this crucial stakeholder group.
- The company established a Policy for the remuneration of employees, executives, and Management Board members, outlining principles and criteria for consistently evaluating their engagement and merits.
- At the suggestion of the Supervisory Board, the Management Board adopted a Conflict of Interest Prevention Policy and a Stakeholder Relations Policy, positioning the company among modern businesses with transparent compliance and corporate governance systems.

Corporate Secretary

- To ensure the seamless execution of all critical processes related to corporate management, Alkaloid strengthened the role of the Corporate Secretary beginning in 2022. This role centralizes and unifies the support provided by the company's management bodies. The Corporate Secretary offers professional support to the bodies, especially the Supervisory Board, and has expertise in interpreting and applying legal regulations related to corporate management, company law, securities, shareholder rights, and relationships with relevant institutions, such as the Stock Exchange and the Securities Commission.

Shareholders Assembly

The Shareholders' Assembly is the highest governance body in ALKALOID AD Skopje. In accordance with the Law on Trade Companies, every shareholder registered in the shareholders' registry from the day of record has the right to participate in the work of the Assembly and the right to vote. At the Shareholders' Assembly the fundamental decisions for the company are made, in accordance with the law, and here the shareholders exercise their rights in the company.

The Management Board convenes an annual Shareholders' Assembly no later than three months after the compilation of the annual accounts, financial statements and other reports on the company's operations in the previous business year, and no later than 6 months from the end of the calendar year or 14 months from the last annual assembly. The Shareholders' Assembly is convened by announcing a public call to the shareholders, the materials for the assembly are published from the day of the announcement of the public call.

In accordance with the financial calendar of ALKALOID AD Skopje for 2023, the annual Shareholders' Assembly will be held in the first week of April 2023. The public call, as well as the materials for the Shareholders' Assembly will be published on the SEI-NET system of the "Macedonian Stock Exchange" and on the official website of ALKALOID AD Skopje in the section "Investors".

Supervisory Board

In accordance with the laws in force in Republic of North Macedonia and the Statute of the company, the Supervisory Board performs supervision on the operations of ALKALOID AD - Skopje, since 1998 when it is first established.

The members of the Supervisory Board meet regularly on annual level, in order to review the draft decisions of the Management Board that concern the operations of the company for the current year and to state its view whether the same should be accepted or rejected by the Assembly of shareholders of ALKALOID AD – Skopje.

Members of the Supervisory Board:



PROF. D-R MIODRAG MICAJKOV

President of the Supervisory Board

Ph.D. in Law Professor and former Dean of the Faculty of Law “Justinian I” at “Sts. Cyril and Methodius University” in Skopje. President of the Board since 1998.



PROF. D-R ILIJA DZHONOV

Member of the Supervisory Board

MD, Dr. Sci. med. Professor and former Dean of the Faculty of Medicine at “Sts. Cyril and Methodius University” in Skopje. Member of the Board since 1998.



BOJANCHO KRALEVSKI

Member of the Supervisory Board

B.Sc in Chemical Engineering. Member of the Board since 1998.

In compliance with the Statute of ALKALOID AD Skopje and the Company Law, at its meetings the Supervisory Board has the authorization to oversee the management of the Company by the Management Board of ALKALOID AD Skopje, as well as to supervise the books and documents of the Company.

During 2022, the Supervisory Board consisting of President Prof. Miodrag Micajkov, Ph.D. and members Prof. Ilija Djonov, Ph.D. and Bojancho Krlevski, held ten (10) meetings and passed twenty eight (28) Decisions.

At its meetings, the Supervisory Board reviewed and discussed all important issues in the frame of its authorizations, in accordance with the Statute of ALKALOID AD Skopje and the Law on Trade Companies.

At its meetings, the Supervisory Board paid special attention to examining the unaudited stand-alone financial statements and the unaudited consolidated financial statements for the previous year and for the periods 01.01-31.03.2022, 01.01-30.06.2022 and 01.01-30.09.2022 discussing all their segments: Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity.

To enable the Supervisory Board to make appropriate decisions, the President of the Supervisory Board invited the President of the Management Board and CEO of ALKALOID AD Skopje and the managers of the relevant departments to participate at the meetings where the unaudited stand-alone and consolidated financial statements were examined and to explain the details of all items under review.

Within the scope of his defined competences the President of the Management Board gave additional explanations on the materials reviewed at the meetings. Following the principle of good corporate governance, there were open discussions on all items on the agenda and on all matters important for the Company's business.

Having directly inspected the Financial Statements and having heard the presentations of the President of the Management Board and the heads of the relevant departments of ALKALOID AD Skopje, the Supervisory Board passed decisions to adopt the Company's unaudited stand-alone and consolidated financial statements as well as the unaudited non-consolidated and consolidated income statements.

The Supervisory Board also made regular inspection in the Management Board's management of the Company and examined the non-consolidated and consolidated Annual Report on the Performance of the company in the previous year. It thereby found that the performance of the Company and its management have been successful, which is demonstrated by the Company's positive financial results in the previous year.

In exercising its competences defined in the Company Statute and the Company Law, the Supervisory Board positively assesses the cooperation with the President and the members of the Management Board in building common positions on the fulfilment of the Company's plans for successful development in 2022.

The Supervisory Board inspected the Company's books and documents related to its financial operations, status of the property and securities. When examining these documents it found the Company to be successful and compliant with regulations in this segment as well.

According to Art. 374 of the Law on Trade Companies, the Supervisory Board made a decision to re-elect the members of the Management Board: Zhivko Mukaetov, Gjorgji Jovanov, Viktor Stojchevski, Milkica Gligorova and Kire Icev. Zhivko Mukaetov, a member of the Management Board, is again appointed as the President of the Management Board. The members of the Management Board are elected for a period of 6 (six) years, counted from 21.11.2022.

The Supervisory Board also examined the Company's business plan for 2023 consisting of: sales plan, income statement forecasts per function, cost forecasts by type, human resource plan, capital expenses plan, balance sheet forecast and cash flow forecast.

The Supervisory Board considered the business plan to be well prepared, based on realistic expectation and clearly defining the goals of all management levels, thereby ensuring integrated effort in the achievement of the Company's common goals.

The business plan for 2023 is based on the expectations, forecasts about and opportunities in the current and new markets and products that were available to the Company at the time of planning.

In order to alignment the internal acts with the Statute of ALKALOID AD Skopje, the Supervisory Board adopted a draft text of the Policy for the Prevention and Management of Conflicts of Interest, a draft text of the Regulations for regulating the mutual relations of the bodies of ALKALOID AD Skopje, a draft text of the Policy on Relations with Stakeholders parties and the proposed text of the Policy for remuneration of employees, managers and members of the Management Board. The Supervisory Board submitted the proposed text of the mentioned acts to the Management Board of ALKALOID AD Skopje for adoption.

The Supervisory Board passed new Rules of Procedure of the Supervisory Board of ALKALOID AD Skopje, which enters into force on 01.01.2023.

In compliance with Article 415-v of the Law Amending the Company Law, the Supervisory Board examined the Semi-Annual Report of the Internal Audit Department, which is an independent organisational unit within the Company. The report presented the department's activities carried out in the period January - June 2022.

The Supervisory Board passed the Semi-Annual Report for 2022, assessing it as well prepared, with its content compliant with the provisions of the Law Amending the Company Law. The report contains description of the conducted performance audits, assessment of the adequacy and efficiency of the internal audit systems as well as findings and proposed measures.

In line with the 2022 Annual Internal Audit Plan the Internal Audit Department submitted to the Supervisory Board quarterly reports for the periods January - March, April - June, July - September and October - December 2022 listing the activities of the Internal audit Department carried out in the respective quarters. The findings the Internal Audit Department identified aim at further improvement of the efficiency in performance. The findings were discussed with the managers of the tested organizational units and were fully accepted.

Having examined the Internal Audit Department's quarterly reports the Supervisory Board passed a decision to adopt them.

In compliance with Article 415-b of the Law Amending the Company Law the Supervisory Board examined the 2023 Annual Work Plan of the Internal Audit Department and passed a decision to approve it.

The Annual Work Plan contains the subject of audit and description of the content of the audits planned for the various areas and schedule of controls in 2023, including their planned durations.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Supervisory Board received the Annual Report of operations for the previous year from the Internal Audit Department of Alkaloid AD Skopje, an independent organizational unit in the Company. The Annual Report presents the activities of the Internal Audit Department during the previous year, that are executed in accordance to the adopted annual plan for operations of the Internal Audit Department.

The Annual Report of the Internal Audit Department is containing the following information:

- Description of rendered activities;
- Findings/Recommendations for rendered individual revisions;
- Consultancy activities;
- Information on the Internal Audit Department

The Supervisory Board opinion is that the Annual Report of the Internal Audit Department is detailed, qualitative and objective, and gives detailed overview of the executed audits, thus passed a decision for approval of the Annual Report and submitted it to the Assembly of Shareholders of ALKALOID AD Skopje.

Internal audit

The Internal Audit department is separate and independent part of the organizational structure of Alkaloid AD Skopje and is organized under/reports directly to the Supervisory Board of Alkaloid AD Skopje. All of the internal audit activities are in compliance with The Company Law as well as the Internal audit charter and procedure.

Internal Audit helps Alkaloid AD Skopje to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, and governance processes. Its primary goal is to increase and protect Alkaloid's value by providing objective(risk-based) and confidential audit, consulting and analytical services.

The Internal Audit department aims to add value to Alkaloid AD Skopje and to be recognized as one of the bearers of the company's corporate culture and values, as well as trusted advisor and partner to stakeholders (Supervisory Board, Board of Directors, Senior management, shareholders).

The department consist of professionals, who are properly trained and certified to perform audit activities and regularly fulfill the requirements for continuous professional development.

All of the activities are performed in accordance with the Internal Audit Strategic and Annual Plans, which are prepared based on the most significant risks, and approved by the Supervisory Board of Alkaloid AD Skopje.

During 2022, the Internal Audit department has written and submitted special detailed reports, quarter audit reports (submitted to the CEO and Supervisory Board) as well as annual and semi-annual reports that are subject to approval by the Management Board and Supervisory Board of Alkaloid AD Skopje.

In line with the 2022 Annual plan, 16 audit and consulting engagements were conducted, in the following areas: sales, manufacturing, procurement of services, cash and cash equivalent, loans, corporate governance, key performance indicators, ESG reporting etc. In addition to these areas, engagements for internal audit were carried out in Alkaloid's subsidiaries abroad through direct visits. Identified findings and recommendations from all of the performed activities were presented in special detailed reports.

The head of the Internal Audit department has regular communication with the Supervisory Board and participates in all its meetings where the information's related to the internal audit work is reviewed.

External audit

The independent external auditor is appointed by the Shareholders' Assembly. The company examines in detail all issues related to the external audit, especially the criteria for determining and maintaining the independence and objectivity of the external auditor, the selection procedure and the selection criteria, the work plan, frequency and manner of reporting from external auditor as well as other issues of interest for the engagement and activities of the external auditor.

The certified auditor may not perform other services for the company that may pose a threat to its objectivity and independence while auditing, as well as at least for the previous two years.

If other employees of the auditing company where the certified auditor is employed perform other work for the company and its related parties which is not an audit, the company must provide systems in place to preserve the auditor's independence and objectivity.

The company is obliged to have an audit opinion on the financial statements no later than one month before the Shareholders' assembly. The certified auditor is appointed by the Shareholders' Assembly before the end of the business year for which the audit is performed. The Management Board is obliged to provide the certified auditor with insight into the entire documentation. The certified auditor of financial statements submits an auditors' report in accordance with International Standards on Auditing.

The Management Board submits the report on the performed audit, together with the annual account, the financial statement and the draft-decision for distribution of the profit to the Supervisory Board for their review.

The Supervisory Board is obliged to review the annual accounts, financial statements and the draft decision on profit distribution. At the request of the Supervisory Board, the certified auditor is obliged to attend the meeting of the Supervisory Board.

The Assembly of ALKALOID AD Skopje at its session held on 4.4.2022 appointed the audit firm DELOITTE DOO - Skopje as authorized auditor to audit the 2022 annual account and the financial statements of ALKALOID AD Skopje. The audit company does not perform other services for ALKALOID AD Skopje.

Management Board

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 Law on Trade Companies and the Statute of the Company, the Management Board manages the company's overall operations at its own responsibility.

Members of the Management Board are:



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 post-graduate degree from the Chartered Institute of Marketing in London, UK. Member of the Management Board since 2004; appointed for President of the Management Board in 2007. Responsible for the overall operations of Alkaloid Group.



MILKICA GLIGOROVA

Member of the Management Board, Director of the Production segment of PC Pharmaceuticals of Alkaloid AD Skopje

Holds a B. Sc. Degree in Pharmacy, Specialist in Pharmaceutical Technology. Member of the Board since 2004. Responsible for the overall production operations in PC Pharmaceuticals.



VIKTOR STOJCHEVSKI

Member of the Management Board and Chief Financial Officer of the Company

Holds a B. Sc. Degree in Economics. Member of the Board since January 2013. Responsible for the financial operations of the Company.



GJORGJI JOVANOV

Member of the Management Board and Director of Shareholding Operations and Propriety Issues of the Company

Holds a B.Sc. degree in Economics. Member of the Board since 2006. Responsible for the operations in the shareholding and property segment.



KIRE ICEV

Member of the Management Board, Director of the General Services Department of Alkaloid AD Skopje

B. Sc. in Mechanical Engineering. Member of the Board since 2007. Responsible for the overall operations of the general services department.

During 2022 year, the Management Board performed its activities within the framework of its competences and in compliance with the Law on Trade Companies and the Statute of the Company; passing decisions concerning the business policy and managing the overall operations of the Company.

The Management Board held its sessions on regular basis and in the course of 2022, completed thirty (30) sessions on which 171 (one-hundred-and-seventy-one) important decisions/conclusions were passed.

Within the Report on the performance of the Management Board of Alkaloid AD Skopje in 2022, are stated more important decisions adopted by the Management Board, including:

- Decision for making an inventory listings and establishment of commissions for making inventory listings of the fixed assets and the sources of assets, as well as adopting the compiled report on inventory listings of Alkaloid AD Skopje;
- Decision on submitting draft Annual Statement of Accounts (Balance sheet) and the Draft Annual Report on the operations of the Company (Stand-alone and Consolidated);
- Decisions to approve the Balance sheets of the companies founded by ALKALOID AD Skopje for the previous year.

On its meetings, the Management Board was conducting monthly reviews of the Income Statements of ALKALOID AD Skopje done by cost centre and the Report on the current operations of ALKALOID KONS DOOEL Skopje.

Upon MB President's invitation, the sessions were attended by executives from the Department of Logistics and ALKALOID KONS DOOEL Skopje.

The Management Board passed decisions/conclusion concerning specific tasks for the managers of the profit centers of Alkaloid AD Skopje and the manager of ALKALOID KONS DOOEL Skopje directed towards engagement of maximum efforts for fulfillment of the set objectives, intensification of settlement of outstanding debts, control of stocks as well as reduction of costs.

Pursuant to the Law on Trade Companies, the Management Board reviewed and discussed the unaudited stand-alone unconsolidated and unaudited consolidated Financial Reports for the previous year, as well as those pertaining to the periods: 1 January to 31 March 2022; 1 January to 30 June 2022, 1 January to 30 September 2022 thus assessed that the Company effectuated positive financial results.

Pursuant to the Law on Trade Companies and the Statute of Alkaloid AD Skopje, the Management Board, within the frames of its competences passed decision-proposals in accordance with the proposed agenda for the Annual Shareholders Assembly held on 4 April 2022.

The Management Board, having in consideration the functionality and improvement of the internal organization of the company, passed the Decision for amendment of the internal organization and the Rules for systematization of the employment positions. Also, the Management Board adopted amendments of the Analytical evaluation of the employment positions and the internal organization of the Alkaloid AD Skopje.

Therein, the Management Board also passed the following:

- Decision for payment of vacation leave regress;
- Decision for increase of the net value of the points starting with the salary for the month of July 2022;
- Payment of New Year's allowance;
- Increasing the amount of participation for extracurricular activities for benefits for the children of employees in of Alkaloid AD Skopje.

In 2022, the Alkaloid Management Board planned to implement a new non-financial criterion and introduce ESG reporting standards in the company's operations by issuing its first separate ESG report.

The company fully achieved this objective after completely transforming and reorganising its operations to issue its first ESG report and implement ESG reporting principles.

To facilitate this process, Alkaloid established an ESG Board in April 2022. This coordinating body led and supervised the internal operations that enabled the company to develop new internal acts and documented information related to the ESG reporting process, including:

- Environmental and Social Policy (ESG Policy)
- ESG reporting procedures
- SOPs for ESG measurement indicators
- Stakeholder Relations Policy.

As a result of these efforts, the Management Board met its performance criteria and successfully adopted the first ESG Report for 2022.

During the meetings of the Management Board in 2022, the Management Board passed the decisions for adoption of several very important internal documents as:

- Rules governing the relations between the Company and the shareholders;
- Rulebook on the method of selection, execution and reporting for external audit;
- Policy for prevention and management of conflicts of interest;
- Rules governing the mutual relations of the bodies of ALKALOID AD Skopje;
- Stakeholders relation policy
- The policy for rewarding employees, managers and members of the Management Board;
- The Rules of Procedure of the Management Board

The Management Board passed a decision on amendments and additions to the Rulebook for the procedure for approving the payment of invoices and other expenses in ALKALOID AD Skopje and the Rulebook for authorizations when signing contracts and other documents in ALKALOID AD Skopje.

The Management Board and the Trade Union Organization of ALKALOID AD Skopje passed a decision to extend the validity of the Collective Agreement of ALKALOID AD Skopje, for a period of 2 (two) years, starting from 01.01.2023.

The Management Board passed a decision for approval of the Fundamentals of the Business Plan of Alkaloid AD Skopje for 2023.

The Management Board passed a decision for approval of the Business Plan of the company for 2023 and give directions for its implementation.

The Business plan for 2023 is consisted of: sales plan, income statement forecasts per function, cost forecasts by type, human resource plan, capital expenses plan, balance sheet forecast and cash flow forecast.

The Management Board assessed that the Business plan is based on realistic expectations and compiled thoroughly encompassing the capacities and risk management policies on the existing and potentially new markets and new products, rules for risk management and increase of efficiency of internal resources. The Business plan for 2023 is based on the expectations, projections and possibilities for the present and future markets and products, available to the company in the moment of the adoption of the Business Plan. The Management Board also passed the Financial Calendar of Alkaloid AD Skopje for year 2023.

Pursuant to Article 375, Section 3 and Article 366, Section 3 of the Law on Trade companies, the Management Board passed a decision for assigning operation managers with special authorizations and responsibilities at the company during 2023.

The Management Board, within the scope of its powers, passed a decision to limit the establishment of a company with responsibility ALKALOID BUCHAREST S.R.L. in Bucharest, Romania, where the sole partner of the limited liability company is ALKALOID AD Skopje.

The Management Board passed a decision to establish a joint-stock company for sports activities HANDBALL CLUB ALKALOID HANDBALL Skopje and a decision to establish a joint-stock company for sports activities HANDBALL CLUB MULTI ESSENCE Skopje, where ALKALOID AD Skopje is the founder and sole shareholder.

The Management Board passed Decisions for approval of the financial report of the Foundation “Trajche Mukaetov” - Skopje for year 2022 and approved the work program of this Foundation for the year 2023.

The Program states the amount, method, terms and procedures for utilizing the Foundation’s funds aimed at providing scholarships and donations and financing talented students, researchers and scientific projects in the fields of medicine and pharmacy.

Also, the Management Board adopted the Program for operations for 2023 of the Chess Club “ALKALOID” and the Handball Clubs “ALKALOID” and “MULTI ESSENCE” Skopje.

Regarding the operations of the companies abroad founded by ALKALOID AD Skopje, the Management Board took a number of important decisions:

Decisions for continuation of the mandates of the directors at the subsidiaries abroad founded by ALKALOID AD Skopje: ALKALOID LAB DOO Ljubljana, ALKALOID INT DOO Ljubljana, ALKALOID FARM DOO Ljubljana, Representative Office of ALKALOID AD in Moscow, ALKALOID Ilac Ticared Limited Sirketi Istanbul, ALKALOID LGL DOO Zagreb and ALKALOID UK Limited.

Also, the Management Board adopted the decision for appointment of new manager of ALKALOID DOO Tirana, ALKALOID FARM Fribourg, ALKALOID DOO Sarajevo and Limited liability Company, ALKALOID KIEV.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Management Board received the Annual Report of operations for the previous year from the Internal Audit Department of Alkaloid AD, an independent organizational unit in the company. The Annual Report presents the activities of the Internal Audit Department performed during the previous year, in accordance with the adopted annual work plan of the Internal Audit Department.

The Annual Report of the Internal Audit Department contains the following information:

- Description of rendered activities;
- Findings/Recommendations for rendered individual revisions;
- Consulting activities;
- Information on the Internal Audit Department.

The Management Board thus passed a decision for approval of the work for the previous year of the independent organizational unit, the Internal Audit Department.

In accordance with Article 415-v of the Law on Additions and Amendments to the Law on Trade Companies, the Management Board received the Semi-Annual Report of operations from the Internal Audit Department of Alkaloid AD, in which are presented the activities of the department for the period January – June 2022.

After the evaluation of the Semi-Annual Report, the Management Board passed the decision for adoption of the Semi-Annual Report, with comment that the report is prepared in very qualitative manner, completely in accordance with the Law on Additions and Amendments to the Law on Trade Companies, in which are described the list of the internal audits of the work of the company, evaluation of the efficiency of the internal audit department, as well as findings and proposed actions by the department.

1. ALKALOID AD Skopje, as a founder and the sole cofounder of ALKALOID KONS DOOEL Skopje carries out the responsibilities of the following corporate bodies:

- Management Board of the founder, as an Assembly of Company's Cofounders;
- Controller, as a supervisory body of the Company.

The Assembly of Cofounders of ALKALOID KONS DOOEL Skopje, during 2022, held 10 (ten) meetings and passed 22 (twenty two) decisions.

In accordance with the Law on trade companies and the Statute of ALKALOID KONS DOOEL Skopje, several more important decisions were passed, among which are the following:

- Decision for inventory count, inventory count commission and sources of inventory listing;
- Decision for approval of the compiled report on inventory listings and sources of inventory listing;
- Decision for approval of the balance sheet, the annual report of the company and the unaudited stand-alone financial reports of the company;
- Decision for allocation of profit;
- Decision for approval of the Audit Report of the Financial Reports for the previous year issued by the independent auditor Deloitte LTD Skopje;
- Decision to increase the share capital in ALKALOID KONS DOOEL Skopje;
- Decision on amendments and additions to the Statute of ALKALOID KONS DOOEL Skopje;
- Decision on amendments and additions to the Statement of Establishment of ALKALOID KONS DOOEL Skopje;
- Decision for payment of vacation leave regress;
- Decision for appointment of the managerial persons;
- Decision or increase of the net value of the point starting with the salary for the month of July 2022;
- Payment of New Year's allowance.

2. ALKALOID AD Skopje, as founder and sole cofounder of Bilna Apteka Alkaloid Ltd. Skopje carries out the responsibilities of the bodies of the company, as follows:

- Management Board of the founder, as well as, as an Assembly of Company's Cofounders.

The Assembly of the shareholders of Bilna Apteka Alkaloid Ltd. Skopje held 6 (six) meetings and passed 7 (seven) decisions.

In accordance with the Law on trade companies and the Statute of Bilna Apteka Alkaloid Ltd. Skopje, several more important decisions were passed, among which are the following:

- Decision for inventory count and inventory count commission;
- Decision for approval of the Annual account of the company;
- Decision for allocation of profit;
- Decision on the re-election of the director of Alkaloid Bilna Apteka;
- Decision for payment of vacation leave regress;
- Decision or increase of the net value of the point starting with the salary for the month of July 2022;
- Payment of New Year's allowance.

The work of the Management Board in the course of the year 2022 was within the frame of the competences determined by the Law on Trade Companies and the Statute of Alkaloid AD Skopje.

Risk management and business continuity

Risk Management

The risk management process in Alkaloid is designed to meet good manufacturing practices, the standards set by ISO 31000, the company standards and application guidelines. It has been an integral part of the company's management system since 2007.

The Risk Management, Crises Management and Business Continuity Board, the Risk Management and Business Continuity Team and the heads of organisational units/process owners are responsible for overseeing risk management and ensuring business continuity.

In 2015-2016, Alkaloid identified all the company's potential strategic risks. With this important step, the management, the board, and the team initiated continuous activities to reduce the potential strategic risks of the company. We are proud to say that many of the strategic risks have been transformed into operational risks (in 2022 – 43,3%) managed daily by middle management and employees.

In 2022, three strategic new risks have been identified for which management plans have been developed. In the field of operational risks, a total of 1,778 risks were reviewed, and 169 were reduced. In 2022, assessments and reports were made for 42 risks related to quality, specific to the purpose of the product, and 110 operational risks, according to the processes at ALKALOID AD Skopje.

Regularly reviewing risks decreases the likelihood of risk occurrence and reduces the severity of consequences. We also take measures to raise awareness and prepare for, manage, and maintain risks at an acceptable level.

Business continuity

The risk management process is critical in promoting a proactive approach to secure business continuity, allowing Alkaloid to anticipate, identify, and address potential negative impacts that could impede the completion of crucial processes, achieve company objectives, and meet stakeholders' quality requirements.

Alkaloid's integrated quality system establishes business continuity procedures to address various scenarios, including IT security (2016), pharmacovigilance (2015), partnerships (2019), the COVID-19 pandemic (2020), and natural disasters.

During the pandemic, Alkaloid developed business continuity plans for all processes. The pandemic served as an opportunity for us to enhance our business continuity management process. We achieved this by adopting the requirements of the ISO 22301 standard for business continuity management.

Through the application of the continuity management system, we aim to achieve the following opportunities and benefits:

- supporting strategic goals and protecting and strengthening the company's reputation, credibility and organizational readiness and resilience;
- reduction of legal and financial exposure and reduction of direct and indirect costs during interruptions/unexpected events;
- protecting life, property and the environment and ensuring confidence in the organization's ability to achieve its goals successfully;
- improving business processes' ability to remain effective during interruptions/unexpected events.

We are fully committed to continuous improvement in these two areas – risk management and business continuity.

The commitment of management and employees to efficient risk management and business continuity gives the company a competitive advantage and builds trust with stakeholders and society.

Please read more in the
ESG report of Alkaloid AD Skopje



Corporate Compliance

Code of Ethics and Professional Conduct

Alkaloid's Code of Ethics and Professional Conduct is crucial in establishing an ethical corporate culture. Promoting its core values drives the company's sustainable growth and success. It empowers employees and managers to independently make ethical decisions in their day-to-day work, to live the company's culture and implement our shared mission and vision.

To ensure ethical behaviour remains a vital component of the company's operations, Alkaloid offers a mechanism for reporting unethical actions or violations of the Code of Ethics and Professional Conduct. In 2022, under the leadership of top management and with the assistance of the Corporate Compliance Officer and the Corporate Compliance Commission, the company continued to advance this process by providing institutional support, training personnel, and raising awareness among employees about ethical behaviour and promoting corporate integrity and culture.

Review of Procedures for Code of Ethics and Professional Conduct Violations

In 2022, the Alkaloid Corporate Compliance Commission received twelve complaints via the AlkaSpeakUp platform. Four met the criteria to be considered as reports about Code violations. Additionally, the Commission processed three reports initiated in 2021, completing one by passing a decision. In 2022, the Corporate Compliance Officer also received two verbal reports outside the AlkaSpeakUp platform, and these proceedings are still ongoing. As of 2023, the Corporate Compliance Commission continues to process eight unresolved reports, three of which are in their final stages.

Code of Interaction with Health Professionals and Ethical Promotion

The Code of Interaction with Health Professionals and Ethical Promotion is paramount to Alkaloid. It outlines the guidelines for promoting, communicating, and interacting with healthcare professionals, organizations, and the healthcare industry. Through employee training on properly implementing this Code, Alkaloid ensures consistent compliance with industry codes, laws, and regulations and the highest ethical and business standards in interactions with the healthcare community.

Personal Data Protection

In 2022, ALKALOID continued to implement all technical and organizational measures for protection of personal data of employees, shareholders, business partners, visitors, interns, candidates for employment and other subjects from which ALKALOID during its processes collects, processes and stores personal data. In order to comply with the principles in law, additional methods for transparency are implemented on the corporate website in accordance with the new Law on Personal Data Protection (<https://alkaloid.com.mk/personal-data-protection>).

We continued to comply with the EU General Data Protection Regulation (GDPR) and other privacy regulations through the implementation and monitoring of privacy practices, policies and procedures, supported by trainings and raising awareness activities. The month of November 2022 was announced as a month for raising personal data protection awareness.

Please read more in the
ESG report of Alkaloid AD Skopje



Corporate Intellectual Property

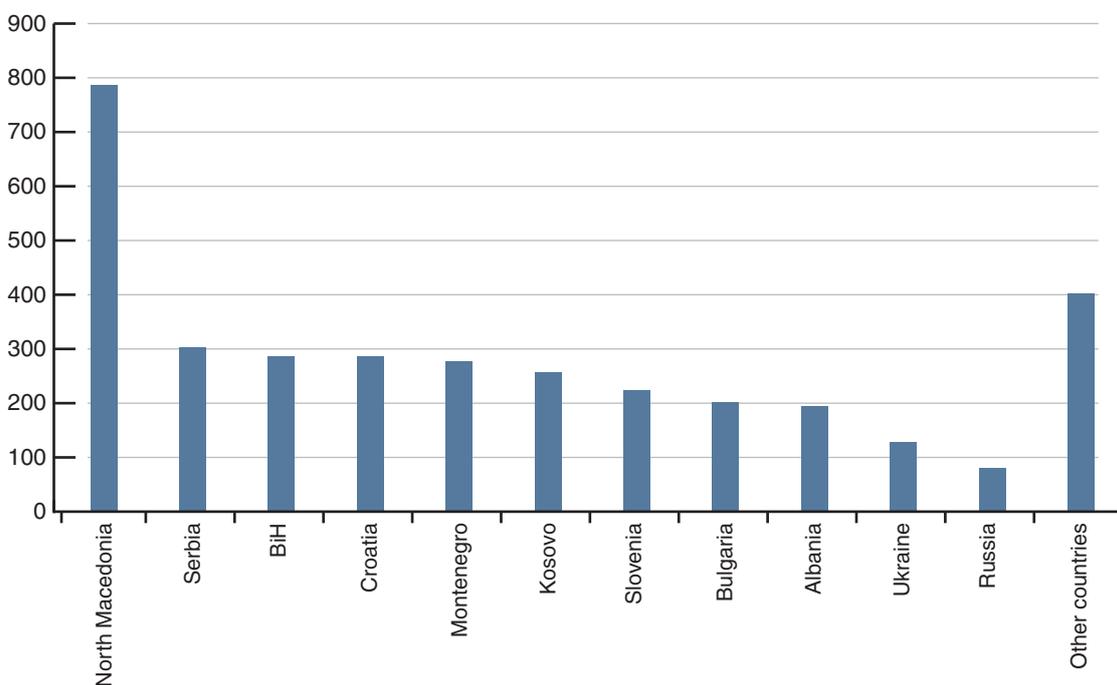
Intellectual property (IP) rights are important and valuable business asset. In the age of constant changes and innovations, IP represents central element that ensures security, stimulates innovation, promotes progress and expansion of the business.

Strong IP rights help consumers make an educated and safe choice about the safety, reliability, and effectiveness of their purchases. On the other hand, enforced IP rights ensure products are authentic, and of the high-quality that consumers recognize and expect. In brief, IP rights foster the confidence and ease of mind that consumers demand and markets rely on.

Knowing this, we are dedicated in to building strong and recognizable brands, through which we can guarantee the standard and quality of our products that consumers can easily identify. This way we are safeguarding the reputation of the company and protecting the sustainability of our growth and development.

ALKALOID's impressive trademark portfolio counts around 3,650 trademarks registered or filed in more than 100 countries, covering more than 10 classes of goods and services. Our strategy is to protect trademarks for all products and/or services of interest, in the countries where they are commercialized.

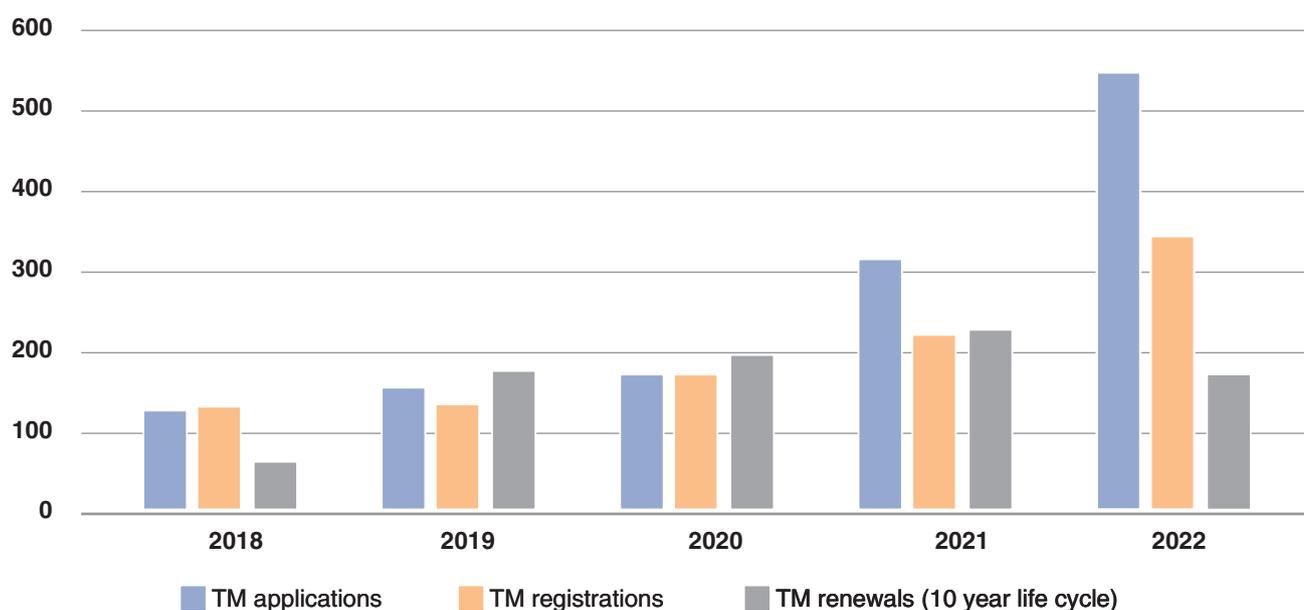
PORTFOLIO OVERVIEW BY COUNTRY



In 2022 we marked the 50th anniversary of the mark protecting the company logo. In honor of this jubilee, we initiated extension of the protection of the Company's trademark in almost 50 new territories, including Japan, Canada, Israel, the United Arab Emirates, Tunisia, Mexico, Monaco, New Zealand, Chile, Mozambique and the European Union.

In the previous years we can notice a constant portfolio growth, with increased activities for clearance searches and risk assesment for new names, preparations of new trademark fillings in different jurisdictions and continually maintaining and protecting the existing IP rights.

Managing TMs portfolio



In 2022 we filed the first trademark application before the EUIPO – The Intellectual Property Office of the European Union as a centralized office which protection covers the territories of all member states of the European Union, making ALKALOID one of the first Macedonian companies to be a holder of an EUTM.

Our, “umbrella brand’s” have a significant place in our portfolio and we take a very thoughtful approach in their maintenance and protection, as well as planning the future markets and products they would cover (in the table part of the bigger brands):

Umbrella brand	No. of countries	No. of trademarks
ALKALOID – Company brand	108	330
BECUTAN	16	584
BECUTAN KIDS VITS	11	56
CAFFETIN	26	143
GATTART & Gastro Guard	38	58
BlokMAX	12	39
Multi Essence	12	29
SATTWA	9	46
GOOD NATURE	11	88
Medical	1	6
GLOSS	2	63
Young Derm	7	19
BLACK UP	6	22



Keeping up with ALKALOID's support of Macedonian sport through founding the handball clubs ALKALOID and MULTI ESSENCE, we initiated protection of the logos that these teams wear proudly.

Managing the trademarks and industrial designs portfolio is our priority, so our main focus is to ensure that we have the best people, the best tools and the best strategy for managing, maintaining and protecting our portfolio. This includes educating people, staying up to date with the latest legal technology and AI, exploring the best strategy, etc.

As a primary software solution, the Corporate Intellectual Property department uses the software for managing IP – Patricia, a product of Patrix IP helpware and constantly upgrades it in order to improve all processes and activities related to IP.

We continue using the CompuMark platform, as a software tool for detailed TM data, to determine the potential risk of existing brands and trademarks, as well as to quickly determine the degree of risk for new trademark applications, enabling faster launch of new products.

We are well aware that the value of a brand portfolio includes consumer trust and loyalty, brand image and reputation. Therefore, we have launched a new brand protection strategy through the introduction of TM Watch - continuous tracking of potential infringement, which enables timely actions to be taken to protect our brands, thereby increasing their value.

We continue on focusing to keep up with the market trends and developing our IP strategy to best align with the business growth.

Shareholding

The shares of ALKALOID Skopje are listed on the official market of the Macedonian Stock Exchange since 2002.

MARKET SEGMENT:	STOCK EXCHANGE LISTING - ORDINARY SHARES
ISIN	MKALKA101011
Securities Code	ALK

The nominal 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. As at 31.12.2022, Alkaloid had more than 5,332 shareholders holding ordinary shares. All shares are freely transferable. All individuals registered in the Shareholders Registry, which is in compliance with the existing legislation and is kept with the Central Depository for Securities of the Republic of North Macedonia – are considered shareholders. All shareholders enjoy equal status and have the right to vote at the Company's Shareholding Assembly with one vote per each ordinary share, and they also have the right to a dividend.

99.7 % (1,428,125) of the shares are ordinary shares of which 59 shares are reserved for former proprietors, while 0.23 % 3,228 are preference shares also reserved for former proprietors and proprietors who need to prove their ownership right for estate now belonging to ALKALOID AD Skopje.

Ordinary shares give owners the right to:

1. vote in the Shareholders Assembly;
2. payment of part of the profit (dividend);
3. payment of a part of the rest of the liquidation, ie the bankruptcy estate of the company.

According to the records of the Macedonian Stock Exchange, the shares of Alkaloid in the course of 2022 were amongst the most traded and most liquid ones.. There were 3,159 transactions made 50,794 shares were traded worth a total of 887.5 million denars.

ALKALOID AD Skopje, as one of the leading companies on the Macedonian Stock Exchange, in the regular stock exchange operations participated with 20.88 % of the total turnover recorded on the first official market of the Stock Exchange in 2022. The share price of Alkaloid AD Skopje ranged from MKD 15,556.00 to MKD 19,400.00 with an average of MKD 17,475.80 which is 10.6 % up compared to the average in 2021.

Dividend

Since 1995, when the company was restructured, Alkaloid AD Skopje has regularly paid dividends to its shareholders on an annual basis.

Net dividend paid per share in the last three years:

2019	2020	2021
324.00 denars + 19.1 %	360.00 denars + 11.1 %	396.00 denars + 10.0 %

Integrated management system and quality

Quality

Alkaloid has a comprehensively designed and correctly applied integrated management system (IMS), which incorporates the cGxP, ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, 13485:2016, FSSC22000 and HALAL requirements.

The IMS's primary goal is to confirm that Alkaloid continuously manufactures products with the highest quality, safety and efficiency, satisfying our consumers' demands, relevant legal requirements, and the requirements of the implemented international standards and guides.

The senior management, responsible and committed to reaching this goal, encourages active participation and correct behaviour of all employees at all company levels through effective leadership and promotion of the appropriate quality culture, with the ultimate goal of continuous IMS improvement.

Our quality strategy focuses on compliance with good practices (cGxP) principles and regulations that define quality in the pharmaceuticals, chemicals, cosmetics, and botanicals units. It is led by the process approach of the PDCA (Plan-Do-Check-Act) cycle, by continuous improvement of our products, processes and services, and by customer satisfaction.

The IMS is regularly monitored through annual management review processes, KPIs (key performance indicators), and meetings about quality. It also undergoes internal checks and self-inspections to identify opportunities to improve products, processes, and the system.

External inspections by regulatory institutions, notification bodies, certification bodies, and partners verify the compliance and effectiveness of the IMS.

In 2022, there were 29 audits/inspections of Alkaloid:

- Successfully passed two inspections by JAZMP (Agency for Medicines and Medical Devices of the Republic of Slovenia) for GMP compliance at PC Pharmacy's two locations, 12 Aleksanadar Makedonski Blvd. and 98A Partizanski Odredi Blvd.
- Successfully passed four inspections by MALMED: renewal of the DPP Certificate for the cephalosporins plant, active pharmaceutical raw materials plant, liquid dosage form plant (Cosmetics program) on 98A Partizanski Odredi Blvd., and Haemodialysis concentrate manufacturing permit (Chemistry program).
- Successfully passed six checks from certification bodies: Quality Austria, SGS (gluten-free), Orthodox Union (Kosher), and Pro-Cert; and three checks from notifying bodies: DEKRA and Control Union Certification (2).
- Successfully passed two external audits for GMP and GCP in R&D and Clinical Unit.
- Successfully passed twelve partner audits and six partner questionnaires and supported four partner audits for subsidiary companies.

In 2022, the Quality Assurance functioned continuously through implementing corporate QA policies, continuous training, and internal audits of quality systems in Alkaloid's subsidiary companies and companies related by capital to harmonize the IMS and quality assurance processes.

Safety and health at work

Improving and maintaining good working conditions is one of Alkaloid's key priorities. Recognising that employee satisfaction and well-being are crucial in achieving company goals, we continuously invest in creating a safe and healthy workplace for all employees, contractors, and visitors. To that end, the system for managing safety and health at work, its application, and utilising modern practices are essential components of our daily operations and activities.

This approach, based on responsibility, commitment, and involvement from all parties, regardless of their position, is the foundation for achieving our desired outcomes.

Building and maintaining a safe and healthy work environment include:

- Using modern tools and equipment
- Assessing and educating employees on workplace risks and hazards
- Providing training to enhance employee knowledge and skills
- Encouraging a culture of safety during daily work activities
- Regularly inspecting work equipment and conditions in work and auxiliary premises
- Sharing information with employees on safety and health in the workplace
- Continuously improving through regular, ad-hoc, and incident-based inspections.

Compliance with legislation

Alkaloid's occupational health and safety management system complies with relevant national regulations. The ESG Report under Social Issues (Point IV) reports performance results and objective fulfilment under the set indicators.

Please read more in the
ESG report of Alkaloid AD Skopje



Environment

Alkaloid is a global, socially responsible company committed to the environmental, social and corporate impacts and the company activities' impact on the people and environment.

Alkaloid created its strategy by applying and nurturing sustainable environmental responsibility, environmental industry policies, environmental and sustainable design, environmental education, circular economy, renewable energy and environmental development, with the ultimate goal of creating sustainable company environmental values.

In its business strategy, Alkaloid makes it a priority to create a healthier environment for the community. We reach this by applying the latest achievements in sustainable environmental development, making the Environmental Management System (EMS) a part of the Integrated Management System (IMS), setting sustainable environmental goals and key measurement indicators and applying GRI standards as an ESG reporting framework.

The established practices for environmental aspects management, teamwork and selfless employee investment are the essential features of a sustainable EMS for a healthy environment for all.

In all our activities, we strive to improve environmental performance primarily through the following:

- producing renewable energy;
- promoting energy efficiency in all activities and processes;
- continuously applying good waste management practices;
- avoiding, reducing, reusing and recycling waste;
- developing environment-friendly products;
- following and using the latest innovations in water resources management for more efficient water consumption;
- following and applying the latest innovations in energy efficiency, transportation and manufacturing systems to better achieve climate neutrality.

Regulatory compliance

The key elements of the established environmental system: environmental aspects management, goals and programs for improvement, training on the environment, environmental change, response to environmental incidents, environmental impact monitoring and measurement, and internal and external system checks are compliant with the legislation, implemented standards and other requirements accepted by the organization.

We enclose the key elements and improvements to the EMS system and the system for monitoring the impacts and compliance with the national legislation and other requirements, the projects for environmental performance improvements, and the achievement of sustainable environmental goals and key measurement indicators for 2022, are presented in the ESG Report in point III. Environment.

Please read more in the
ESG report of Alkaloid AD Skopje



Business environment and future development

Pharmaceuticals

A world of continuous change

In 2020 and 2021, the world adapted to the COVID-19 environment and the “new normal.” However, 2022 brought a new global crisis linked to the war in Ukraine. Despite these challenges, we had no option but to adjust to the new global circumstances. Alkaloid is proud to announce that the company succeeded tremendously in 2022 due to its flexibility and quick decision-making process. Alkaloid coped with the ever-changing environment and daily challenges that demanded out-of-the-box thinking and solutions.

Despite the global energy crisis and inflation, we maintained fixed prices for our prescription products, demonstrating resilience in our operations. Although we rely on API and raw material suppliers and are not vertically integrated, we successfully fulfilled the demand for our finished products and avoided significant stockouts. Additionally, we were able to meet the increased market demand for essential medicines that some of the larger pharmaceutical companies did not continuously supply in our B2C markets.

Talent management is a pressing concern for businesses worldwide. However, we can proudly declare that we have managed to retain talent in our system, with relatively minimal turnover and hardly any turnover in critical positions. In 2022, we even attracted top talent to the Alkaloid Group. This accomplishment was made possible by implementing our company values into the fabric of daily company life, which helped to keep our people content and motivated. Despite the year’s difficulties, we established a subsidiary in Romania in 2022 and launched our B2C local operations.

Our future development

Our strategy changes minimally each year. Our goal is to maintain our independence and concentrate on marketing, sales excellence, and generic brand building in the B2C markets. Our independence gives us the flexibility and speed necessary to make quick decisions. Our strategy mainly focuses on B2C. However, our B2B growth is aligned with the company's expansion, and Alkaloid is a respected licensor and supplier to the largest generic companies worldwide.

We will continue to expand our B2B presence in the branded generic world and invest in differentiating our portfolio in less price-regulated segments that can be branded in the B2C environment. We do not limit our future growth to come solely from organic growth. We view M&A as a tool to acquire a strategic portfolio rather than a strategy for Alkaloid to gain market share.

The recent investment in our solid dosage forms production capacity will more than double our current capacity and allow us to produce products with different technology. Finally, this investment will speed up our new product developments due to the available pilot space and equipment.

As previously explained, we continuously invest in current and future projects to support our colleagues' personal development and professional growth. Hailing from a country still in the process of EU integration, we have no other choice but to be a competitive employer to counteract the brain drain of pharmacists, chemists, and technologists from local universities.

Research and Development (R&D)

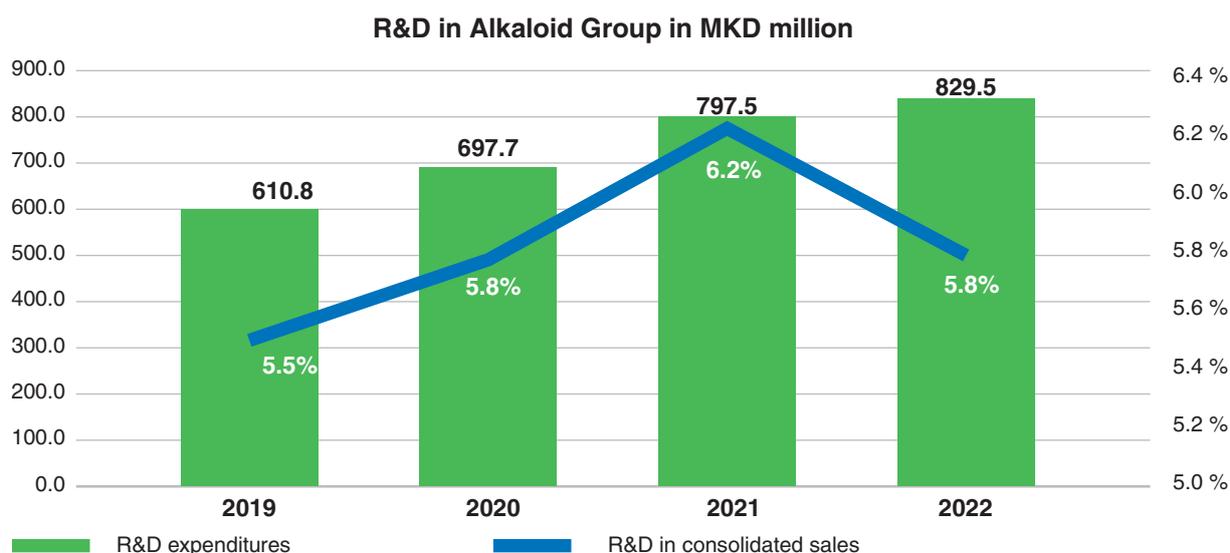
To utilize the new capacities and support future business growth quickly, our R&D must maximize in-house portfolio output. We continuously invest in bringing knowledge and best practices from top R&D experts, increasing the technical and process knowledge of our R&D experts, and improving processes, including utilizing QBD as a concept and for development of new formulations and introducing new software's and tools for faster project time lines.

We are pleased to report that our R&D generic output growth has followed the company's growth over the past five years. Our future five-year R&D output should increase at a double growth rate compared to the previous five years. These expectations are realistic and based on the project mapping of our current development projects, as generic pharmaceutical development, excluding regulatory procedures, typically takes several years.

We are currently in regulatory procedures with our first value-added medicine (VAM) in various European countries and the UK. We are also developing new VAMs to have differentiated enough products suitable for the US market in the future. Our focus is not on the US generic mass market but rather on the value-added segment, and we are diligently working towards achieving this goal.

In 2022, our R&D team increased by 13 new employees.

Our investment in R&D



Chemicals, Cosmetics and Botanicals

The supply chain challenges and price increase of energy and commodities used for production marked 2022 for the Profit Center Chemicals, Cosmetics and Botanicals. Nevertheless, through constant communication and excellent planning we continued on the path of growth in all three units.

As far as Cosmetics unit is concerned, the year was marked with increased production of the wet-wipes section of both in-house brands, as well as signing and commencement of activities for outsourcing production to some of the largest local supermarket chains. Although faced with challenges of the lower purchasing power of the regional population as well as increased prices of production inputs and operational costs, the sales have increased in accordance with expectations in most segments of the Cosmetics unit.

During 2022 a new state of the art Quality control laboratory for improving the whole process in the Cosmetics unit has commenced operation in the strive for improvement and upholding of the super quality of products placed on the market.

In the Chemicals unit, the construction of the new state of the art facility for production and filling of Hemodialysis solutions has been finished and commenced operation. This facility not only gives a larger possibility from a capacity aspect, but also proves that Alkaloid is committed to constant improvement of products processes and operations.

In the Chemistry department, new projects with global companies for the development of new products with high sales potential are underway.

The Chemicals unit sales increased during 2022 despite the lower orders from traditional partners caused by the economic downturn and the lack of sales of disinfectants that marked years 2020 and 2021.

2022 marked an overall improvement of sales in the Botanicals division both on the domestic and the International markets, especially the market of USA. Despite the challenges in sourcing superb quality materials and price increases in both raw materials as well as operational and transport costs, the Botanicals unit proved to be agile and responded well to the market demands. This was done through an immense effort from all the departments involved in the Botanicals unit operations.

Purchasing

In 2022, there were optimistic expectations and realistic forecasts for the company's business and supply chain recovery from the aftermath of the pandemic's impact. However, a significant disruption occurred in the supply chain at the beginning of the year. The closing of borders, introduction of embargoes, and interruption of energy supplies resulted in a shortage and a substantial increase in energy prices, which are the primary driving force of the economy. Consequently, there were rapid price hikes for all raw materials, inputs, and transport services, significantly increasing the burden on the finished product's price.

During this period, we were constantly analysing the impact of higher prices and delivery delays and establishing strict annual quantities for orders. Corrections were not permitted, and orders were based on actual needs.

Energy prices peaked in the third quarter of 2022 and have since declined, leading to relative stabilisation at year-end. Some material prices also moderately dropped and were corrected during this period. Stabilisation of the materials market allowed for a more precise and realistic prediction of future activities. Thanks to timely reactions, experienced employees, and quick adaptation to the new conditions in global markets, our production process and activities remained unaffected during the crisis period.

It is worth highlighting the market situation that resulted in shortages of secondary packaging cardboard, causing disruptions in the production processes of many companies worldwide. The Alkaloid team in charge of this matter implemented several measures, including detailed planning of cardboard needs, down to the packaging unit, based on the required format and weight.

In 2022, the four plant units and their warehouses received approximately 18,000 deliveries of raw materials, totalling just under 750 million input product units.

Of these, around 200 million were manufacturing raw materials, 470 million were packaging units, 20 million were finished products, and approximately 5 million were spare parts and equipment units.

Transportation

In 2022, rising transport costs, longer delivery times, delayed deadlines, delivery delays, and changes in transport routes presented significant challenges that required considerable investment and commitment to risk optimisation. The Transport Department successfully coped with these challenges and prevented substantial impacts on current operations, thanks to its associates' team effort and support.

Twelve thousand two hundred one vehicles of various types were needed to meet the demand, of which 54% were Alkaloid-owned, with a negligible 1% unused volumes/capacity.

Investments

Amidst great unpredictability and uncertainty, the energy crisis, and extreme fluctuations in energy and raw and construction material prices, Alkaloid persisted in investing and expanding across its product portfolio. Despite the challenges, the investment cycle continued to accelerate in 2022.

Large investment projects do not have a calendar-year endpoint; they have a multi-year implementation horizon.

Advancements in technological processes, new manufacturing facilities, laboratories, and storage

In 2022 Alkaloid embarked on one of its most significant investment projects in the last decade to maintain growth and stay current with advancements in the pharmaceutical industry. It is the construction of a new production plant dedicated to **manufacturing solid pharmaceutical preparations**. Preparations for the project started in 2021 by designing the project documentation. In 2022, the construction of 2,000 square meters of clean spaces, compliant with the highest standards for pharmaceutical production, EU regulations, and GMP regulations began. The installation of the equipment will be gradual. By 2022/2023, the facility will have two wet granulation lines, three mixing and homogenizing machines, a tableting machine, a washing machine for process vessels and barrels, and storage room equipment. The investment value is €6,000,000, **with €4,000,000 already invested**. We invested an additional **€3,700,000** in new manufacturing equipment in 2022. Upon completion of the investment activity in 2023, the increased production capacity will drive long-term sales growth and create new job opportunities.

In parallel, another significant project is underway: constructing a **new facility at Pharmaceuticals Manufacturing to serve as a central wardrobe**. The facility aims to provide more than 900 wardrobe spaces for Pharmaceuticals Manufacturing employees. Central wardrobes are integral to GMP manufacturing standards and are the first step when entering production facilities. The facility covers 4,000 square meters, including a basement, ground floor, and four floors with technical floors above each. It will provide the necessary secondary features to meet growing production demands and comply with GMP regulations. The project value is €4,000,000, with approximately €1,600,000 already invested.

With a history of 86 years, Alkaloid is a company that its employees hold dear and strive to preserve for future generations. In witness to this tradition, there are plans to build an Alkaloid museum on the building's 4th floor.

As production capacities grow, the need for auxiliary facilities becomes increasingly necessary. In 2022, **the Pharmaceuticals Warehouse project's first phase was completed**, which includes manufacturing, logistics, and operational administration. This phase provided a **1,200 m² space for storing raw materials for Pharmaceuticals Manufacturing**. The new warehouse is a modern and secure solution built under the Good Manufacturing Practice recommendations for warehouse operations, legal requirements for storing pharmaceutical products, and the directives of the quality assurance system. Alkaloid **invested €1,000,000** in its construction and equipment.

With the completion of the first phase of the Pharmaceuticals Warehouse Project, we have fully addressed the management of the cold chain, from receiving raw materials to delivering medications to wholesalers and end-users. The warehouse provides 800 pallet spaces for raw materials that require storage at predetermined temperature and humidity conditions. A top-of-the-line HVAC system, cold rooms, a fire-extinguishing sprinkler system, and horizontal and vertical transport machines maintain these conditions. The warehouse also features office rooms with the necessary amenities for the operators.

An additional **€300,000** went into building new traffic lanes following the projected traffic solution within the factory perimeter. These lanes facilitate smooth and safe communication between the new warehouse and the existing infrastructure. Furthermore, new parking spaces for employees were provided.

The ALKALOID Investments Team began designing a **factory to manufacture haemodialysis concentrates, including necessary raw materials, packaging and finished product warehouse spaces**, at the Gjorche Petrov location in 2020. The construction and equipping were completed in 2022, covering 2,600 square meters of internal space, with 500 square meters designated for manufacturing and 2,100 square meters for warehousing. The **€1,800,000 investment** meets GMP standards and legal requirements for medical device production and quality assurance. The factory design enables a continuous one-way flow of packaging, raw materials, and finished products. The production department consists of three units: preparation of haemodialysis concentrate, purified water treatment and production, and solution packaging. **This investment doubled the previous production capacity, met all European standards, improved operational safety and quality, and opened the possibility for future development and a broader portfolio for similar products.**

For the highest product quality, modern production must be paired with suitable facilities for control at every stage. To achieve this, **the Institute for Quality Control and Development at the Chemicals department underwent a complete renovation and equipment upgrade from 2021 through 2022**, with **€500,000** invested to date. At the same time, reconstructing and buying new laboratory equipment for the Microbiological Laboratory improved the work for the entire Chemicals, Cosmetics, and Botanicals organizational group. The new equipment upgrade modernized the Development Laboratory in the Chemicals department. Upon completion of the Chemistry Control Laboratory section in 2023, the facility will have modernized content and new equipment.

Last year, the construction and equipping of **new laboratories for quality control, research, development, and registration** finished. The new facilities, located in the **production segment for cosmetic products** in the Gjorche Petrov plant, cover an area of 400 square meters. The well-known Alkaloid brands Becutan, Sattwa, Young Derm, Black Up, and Gloss, produced under strict principles of good manufacturing and laboratory practice, now have improved laboratory facilities for quality control and monitoring the development of new products. The **€720,000 investment project**, built with the most modern operating conditions, includes spaces for laboratory work, data processing, documentation storage, reagent storage, spare sample storage, weighing, and laundry. The project complies with the applicable national and international regulations.

In 2022, many small-scale improvements also provided new manufacturing and work spaces and enhanced existing working conditions.

Investments in employee satisfaction, as part of the company principle “People Above All.”

Our company prioritizes human capital and employee satisfaction, driving a series of investments in this area.

The renovation of the employee restaurant is nearly complete, focusing on the air conditioning and ventilation system, new interior design, service line, and necessary equipment. This investment of around €220,000 covers an area of 400m² and has a capacity of 165 seats. Not only does it provide safe and efficient meal service for employees, but it also provides a comfortable and modernly designed environment.

In the past year, to its employee satisfaction, Alkaloid provided 140 well-designed bike and scooter parking spaces at all three locations, with a total investment of €14,000.

Collective success, and work continuity, also require quality leisure time. The company created a break area with a comfortable atmosphere. The €55,000 project covers 150 m², with a capacity of 80 seats and features a fully-covered space, information screens, a sound system with a quality music library, coffee and vending machines, and three solar-powered charging stations for phones and laptops.

Environment, energy and energy efficiency

Energy efficiency and environmental care are among the top priorities in our company's business strategy. To ensure the fundamental aspects in every process, project, product, and capacity, in 2022, we invested significantly in several initiatives to reduce our energy consumption, especially in light of the uncertainty of energy supply and the immensely increasing energy cost.

In 2022, Alkaloid invested in purchasing 2,697 photovoltaic panels, each with a power of 460 Wp, installed at 12 buildings at the Gjorche Petrov and Avtokomanda plants. The total installed capacity of these photovoltaic plants is 1240 kWp, with an expected annual electricity production of 1,500 MWh, resulting in a potential reduction of 1,000 tons of CO₂ emissions per year. This investment was estimated at €740,000.

To reduce the risk of unreliable electricity supply and poor-quality electricity in times of global energy crisis, Alkaloid purchased and launched four diesel power generators, with an additional unit ordered. Two units have a power of 1,100 kVA, one has a capacity of 650 kVA, and the fourth has a power of 550 kVA. The fifth unit, to be installed in March 2023, has a power of 1,100 kVA. €640,000 has been invested to date, with a planned total of €850,000. This investment ensures uninterrupted and reliable electricity supply for all of Alkaloid's production facilities at the Gjorche Petrov plant and the Pharmaceuticals manufacturing facility at the Avtokomanda plant.

Social responsibility

As a successful company, Alkaloid actively supports programs and initiatives that promote the correct development of society as a whole, focusing on the youth and contributing to a better present and future. As part of its investment 2022 program, with €500,000 invested, Alkaloid has renovated and adapted the Avtokomanda sports hall, a city landmark for handball. The project offers quality and safe conditions for sports and recreation for young people. The 1,800m² building underwent internal and external reconstruction, including a non-slip paint job on the parquet floor, replacement of windows, a new energy-efficient facade, and renovated wardrobes for all clubs. The electrical and mechanical systems were also updated. The stands were renovated to accommodate up to 900 visitors, and a professional audio system and decorative lighting were added.

In 2022, Alkaloid Chess Club, a proud bearer of the country's chess life since its establishment in 1976, equipped and opened a new 140m² space with two classrooms, aimed primarily at educating young people from a young age and hosting other chess activities. The club, known for its top member results and a decade of successful chess schools, continues to enrich the chess culture in the community.

Alkaloid remains steadfast in its strategic determination to invest in new production facilities, modern equipment, quality projects, environmental care, and energy efficiency in the coming period.

Keeping pace with the latest industry trends and producing affordable, high-quality, efficient, and safe products, where the Alkaloid brand is synonymous with quality and reliability, is a cornerstone of the company's corporate policy. A long-term investment plan over the past decade led to Alkaloid's growth, executed step by step with unwavering passion and commitment every year.

Human Resources (HR)

In 2022, the HR Department successfully navigated challenges, demonstrating team spirit and dedication towards achieving the outlined company goals.

The Alkaloid family grew with 187 newly hired professionals, who will drive new successes and company growth. We remained a desirable employer, providing staff with continuous development opportunities through employee training and new projects.

One of the projects that continued in 2022 was the partial-dual education program in cooperation with the secondary medical school Dr Panche Karagjozov. These trainings and the young talents program took place at the Alkaloid training centre's laboratory at Lafoma.

This year, 53 interns participated in our young talents program.

We expanded the talent management system to more departments, adding new OUs and Alkaloid CONS, and increased the number of employees who set goals within already-included departments. During the 180/360 evaluation process in 2022, we evaluated over 400 colleagues and employees. We adapted this process and implemented it at Alkaloid Belgrade.

In 2022, the "One Working Day at Alkaloid" marketing campaign took place. In collaboration with the marketing communications department, the recruitment team helped create social media content highlighting our employees. From January to December 2022, we shared 12 interview tips posts on social media (Facebook, Instagram, LinkedIn) as part of the campaign, which continues actively.

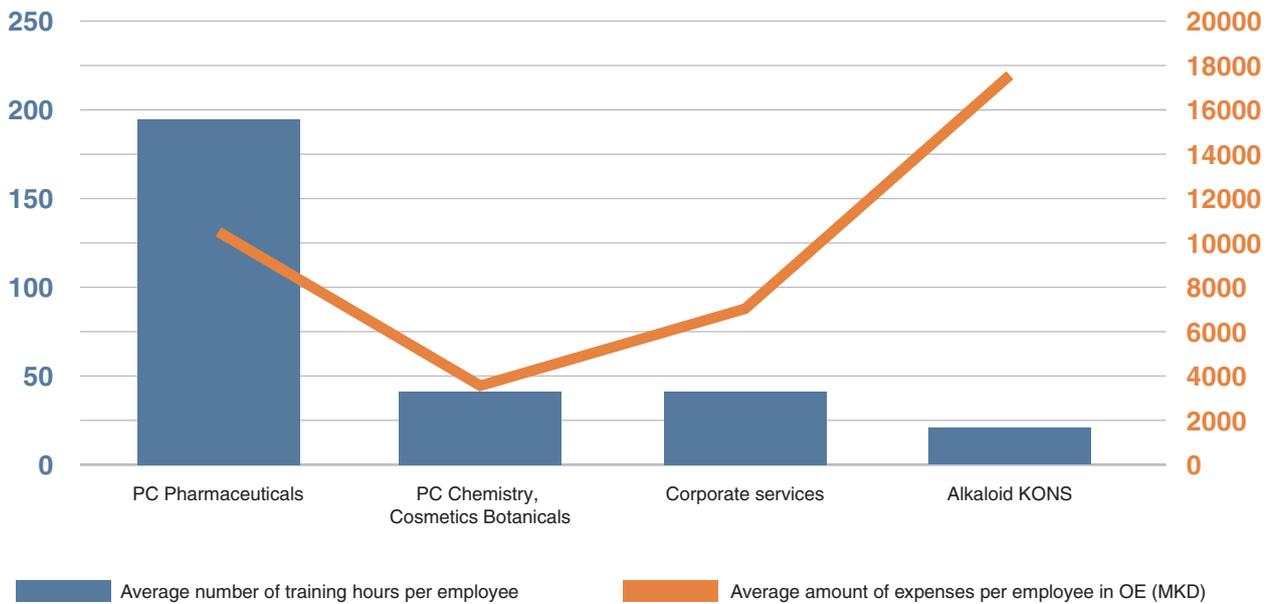
To care for our employees, we maintained the Benefits for Children of Employees project and the Welcome Package for new employees.

In the quest for process digitalisation and development, we implemented a new software package for recruitment and selection in 2022.

1. Employee Training and Development

In 2022, employees' knowledge, skills, and competencies developed and improved through numerous internal and external trainings. Each employee received 121 hours of training on average, and the average cost per employee was MKD 9,492.39.

Training hours and costs per employee



Despite challenges posed by the pandemic, mentoring and development programs for new hires continued and were updated to meet the current business needs.

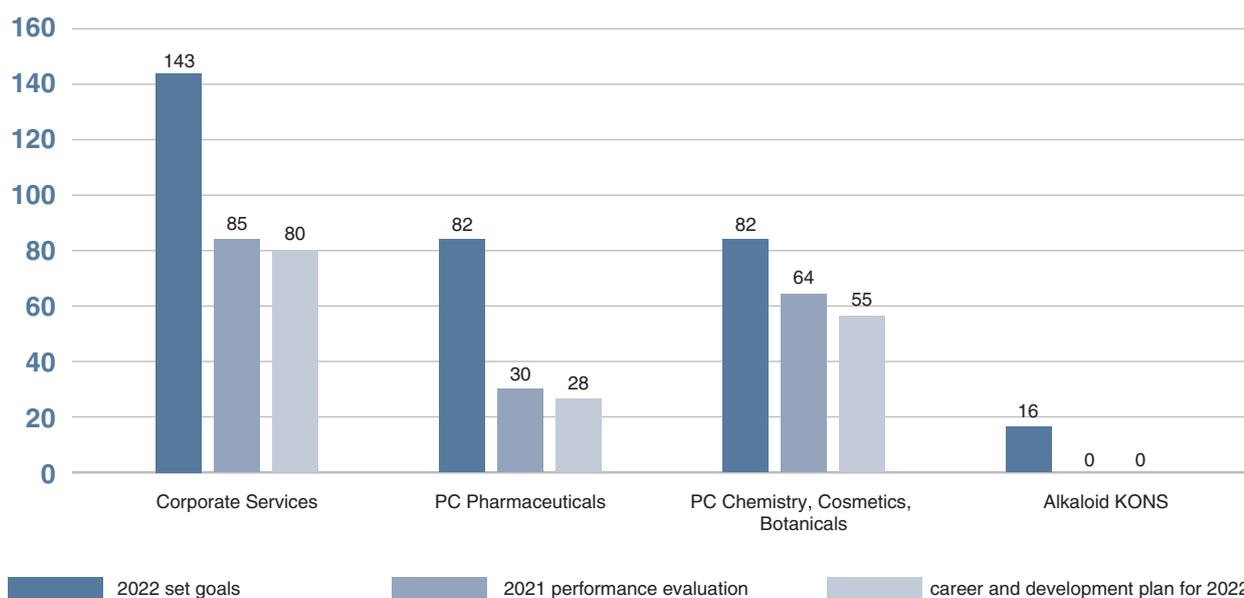
2. Talent Management System (TMS)

In 2022, the Talent Management System focused on improving, developing, and increasing employee involvement.

Assessing performance for 2021 and setting goals for 2022

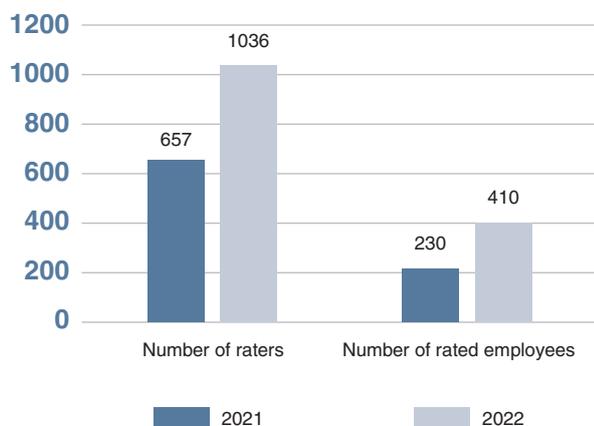
The 2021 performance evaluation ended in March 2022. Of the employees with higher education (required to set annual goals), 36.97% (322) set goals for the upcoming year.

Number of employees who set goals for 2022, performance evaluations for 2021 and career and development plan for 2022

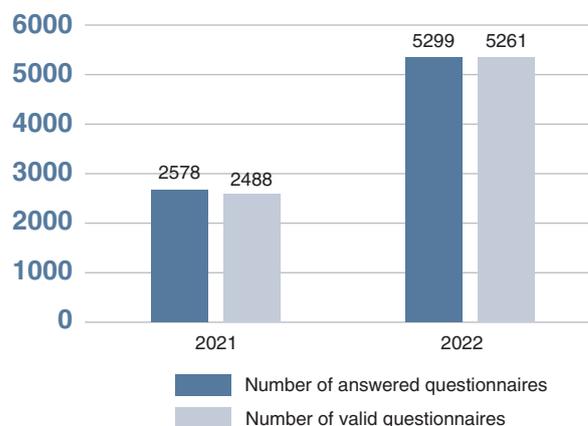


180/360 Feedback

Between 2 and 16 November 2022, a 180/360 assessment took place. It involved 410 employees, a 78% increase from the evaluation conducted in 2021.



Employees with email addresses took the assessment electronically, while those without answered hard-copy questionnaires.



Feedback to employees who did not set annual goals

In 2022, we revised and enhanced the existing feedback form and behavioural indicators. In the previous cycle, in 2021, 154 employees received feedback. In the ongoing cycle covering 2022 performance, we expect 330 employees to receive feedback, a 114% increase.

The feedback process for all Alkaloid employees will occur in January 2023, when we will determine the actual number of employees who received feedback for 2022.

Coordination of TMS activities with annual training plans

In 2022, the annual training plan creation changed to align the approach with the yearly feedback process. The development activities specified in each employee's Career and Development Plan form the basis for their annual training plan. These plans will be implemented in 2023.

Improvement of the system for setting and cascading company goals

A working group of employees from the Finance, General Affairs, HR, Quality Assurance, and Internal Audit departments was set up to work on alignment and synchronisation of Alkaloid's strategic planning with setting and measuring annual sectoral goals and employee performance.

User Requirement Specification (URS) for Talent Management Software

In the first half of 2022, we drafted the Talent Management URS. A working group of representatives from the Quality Assurance, Finance, Internal Audit, IT, and General Affairs departments shared and reviewed this document.

Reward system

The HR Department, together with Finance and Legal departments, played a role in crafting the Policy for Employee, Manager, and Management Board Member Remuneration.

In 2022, there were efforts to revise the annual employee remuneration matrixes and develop a methodology for remunerating sales staff at Pharmaceuticals Macedonia.

Successor system

With 2022 goals in mind, a draft plan to create a Succession System was developed. Its purpose is to identify potential successors for critical positions and create a pool of potential candidates.

In August 2022, potential successors' competence in management positions in the Cosmetics Plant was assessed.

Coordination of HR processes with Alkaloid Belgrade

In 2022, there were efforts to align Alkaloid Skopje's HR processes with Alkaloid Belgrade's. They included goal-setting training, performance measurement, feedback, soft skills training materials revision, and support to implementing the employee satisfaction survey and 180/360 assessment.

Employee satisfaction survey

Based on the 2021 Employee Satisfaction Survey results, we made a list of findings and suggestions for improvement. The relevant organisational units selected the primary conclusions and developed action plans.

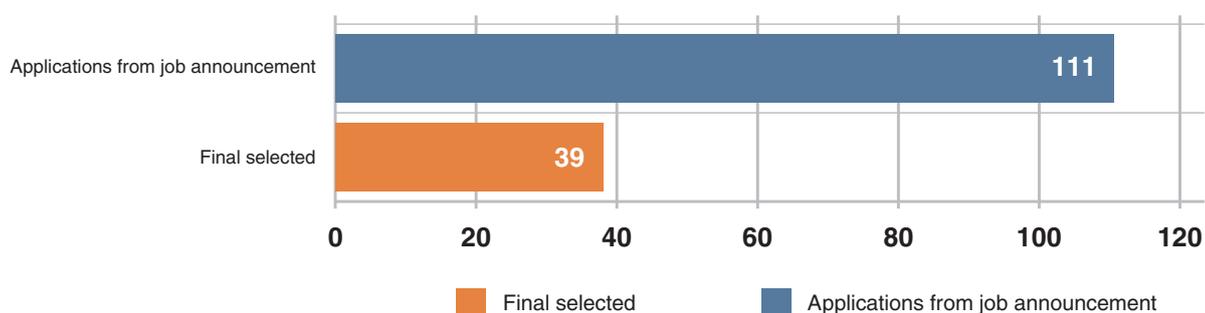
The HR Department worked to implement the following action plans: Manager Development Program (included implementation of the training matrix for the Pharmaceuticals Manufacturing Department with an 80.35% success rate and implementation of managers' career and development plans); Interdepartmental Cooperation (team-building activities organised); Placement of Screens/TVs (the working group identified where to locate screens); Career Advancement and Feedback (the number of employees in TMS increased); Developing a mentoring system in dual education and practical training (all mentors received proper training, and an SOP for rewarding mentors in dual education and practical training was developed too)

In 2022, the two Alkaloid subsidiaries, Alkaloid Belgrade and Alkaloid Sarajevo conducted employee satisfaction surveys using the same questionnaire used in the Employee Satisfaction Survey at Alkaloid Skopje.

3. Young talents program – Internship 2022

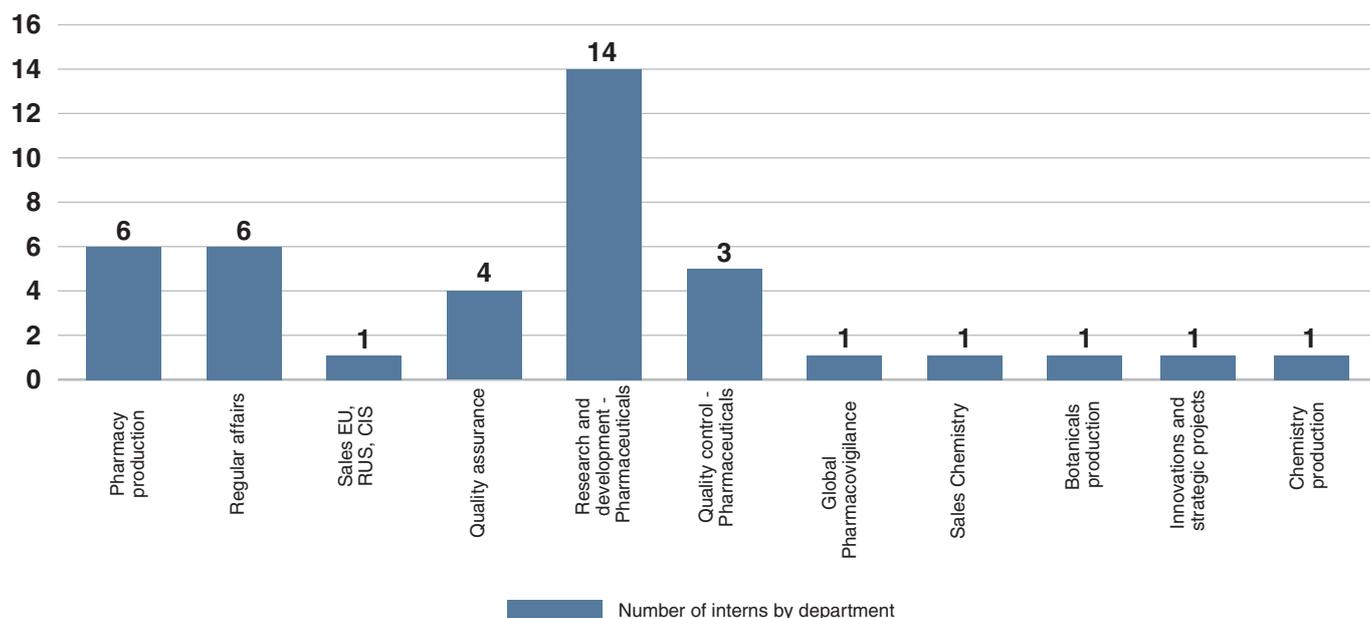
The selection process for the new cohort of interns started with the HR Department conducting individual interviews. Tane Murgoski, Tamara Kupreshanin, and Jana Velichkovska participated in the selection process. Additionally, heads of the departments planning to hire higher education interns joined to perform group interviews.

Number of higher education applicants and selection

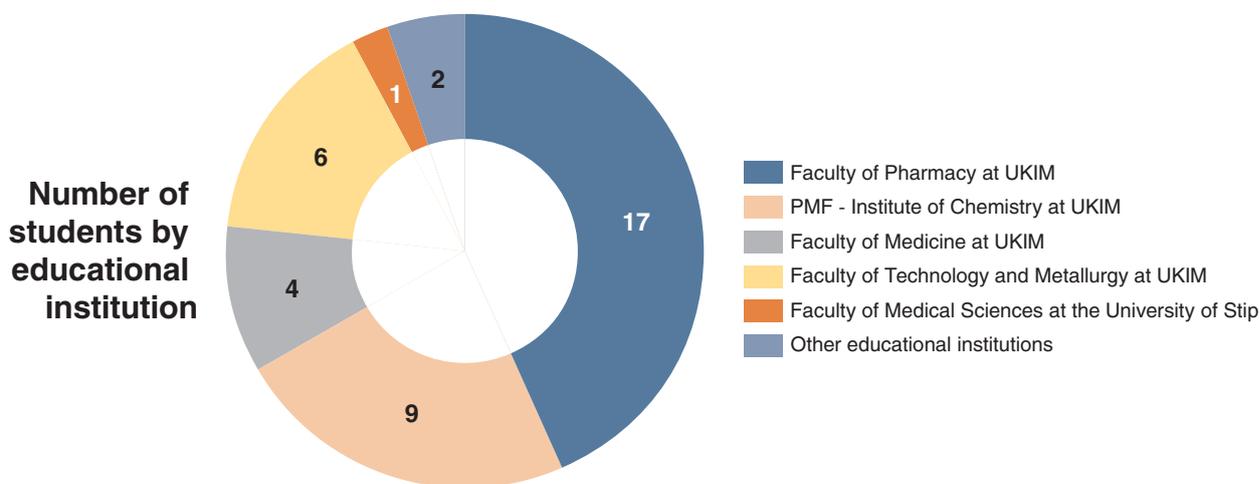


A total of **39 (thirty-nine)** higher education interns went to work in the specified departments in 2022, as shown in the chart below:

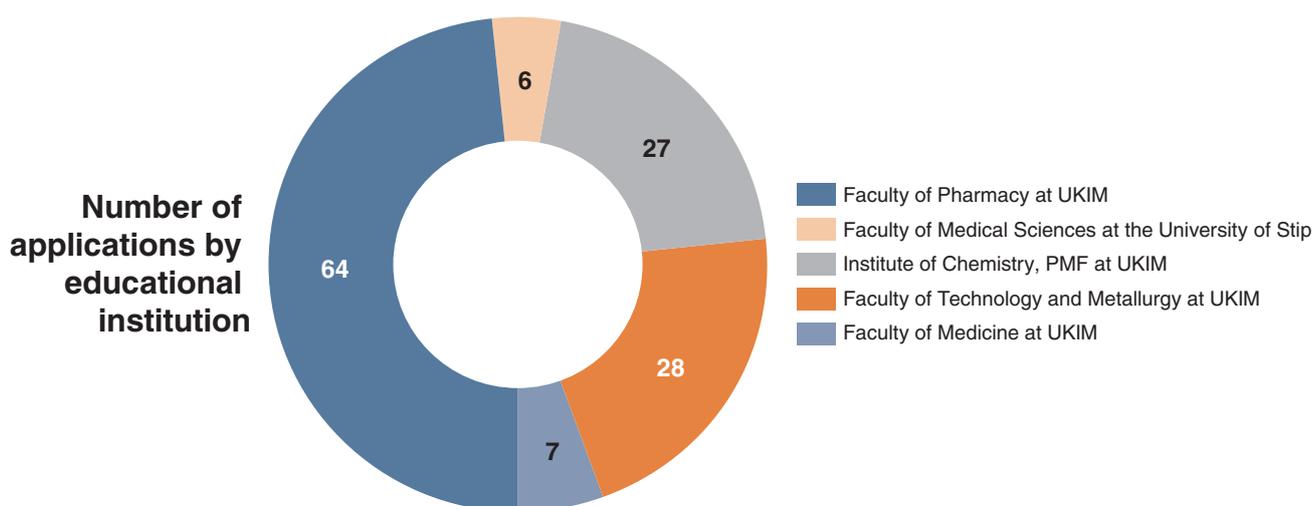
Number of higher education interns by department



The summer 2022 higher education internship program involved five higher education institutions from the University of St. Kiril and Metodij Skopje, including the Faculty of Pharmacy Skopje, the Institute of Chemistry at PMF Skopje, the Faculty of Technology - Metallurgy Skopje, the Faculty of Medicine Skopje, and the Faculty of Medical Sciences at Goce Delchev University in Shtip. This year students from other educational institutions had an opportunity to participate too. The following chart shows the final selection of students from academic institutions, with the most interns (17) coming from UKIM's Faculty of Pharmacy.

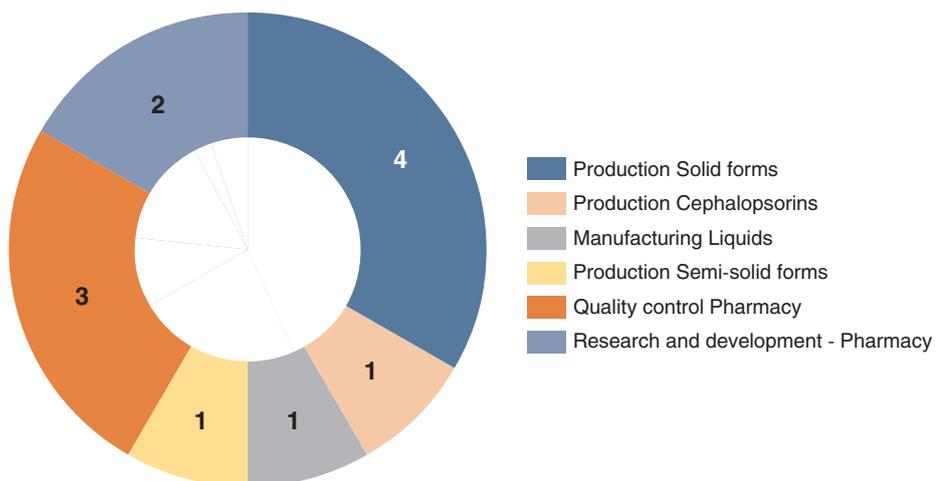


We received 111 applications after the publication of the advertisement. The chart below shows them by the educational institution:

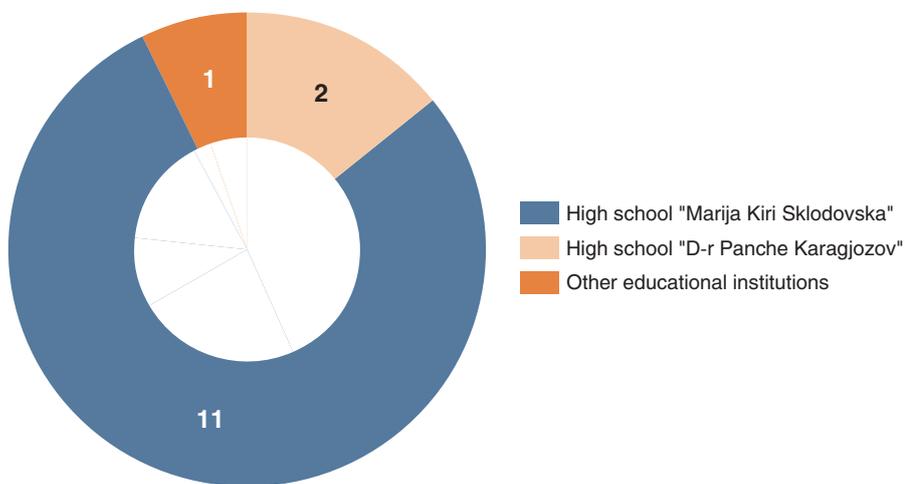


Moreover, 14 secondary school interns participated in the Young Talents Program as required by Alkaloid's OU. The following two charts show the departments where the interns worked and the educational institutions they came from.

Number of secondary school educated interns per department



No. of secondary school educated interns per educational institution



4. Partial-dual education

In July 2022, the first cohort of students in the partial-dual education course for Pharmaceutical Technicians in the Pharmaceutical Industry completed their first academic year. The education continued in September 2022 for the 4th year of the existing class, and a new cohort of 22 students began their 3rd year (2022/2023) of study. This program is a partnership with the secondary medical school Dr Panche Karagjozov – Skopje.

5. Sports, health and well-being

Alkaloid employees traditionally participated in the 18th “Wizz Air Skopje Marathon” in 2022. With 459 employees participating, 374 ran the 5km race, 52 ran the half-marathon, five competed in the marathon, and 28 participated in the relay race. The employees who ran the “Wizz Air Skopje Marathon” showed that team spirit is equally important in the workplace as in other areas of life.

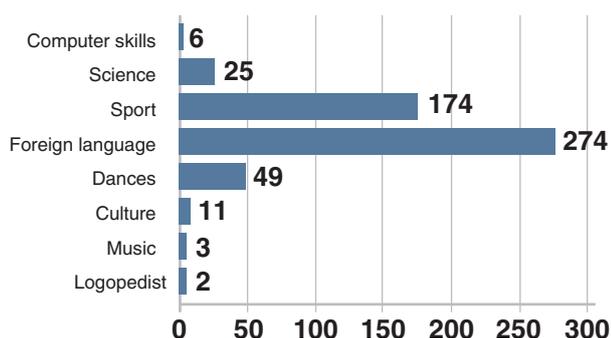
6. Care for employees

As a socially responsible company, Alkaloid strives to introduce operations and employee care innovations. To reinvigorate fundamental company values, this year, the New Employee Welcome Package includes a New Employee Manual, a Code of Ethics and Professional Conduct, branded products like a mini notepad, pen, USB, ID-card necklace, keychain, and a coffee/tea mug. The Employee Benefits for Children Project also continues.

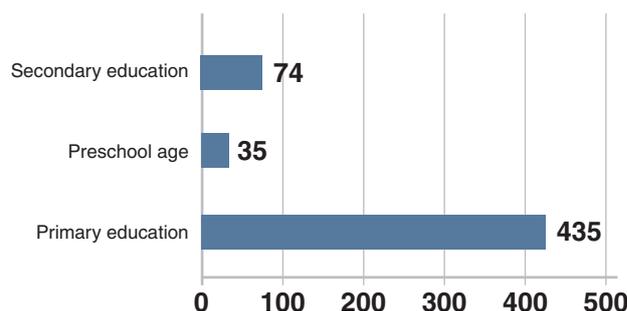
Employees receive monthly financial support of 1,000 denars per child for additional education in languages, computer courses, sports, and science and culture activities throughout the school year.

The positive employee feedback and the high number of completed applications show the success of this initiative and Alkaloid's commitment to employee and future generations' development and education.

Status by category



Status by educational level



In 2022, Alkaloid made two decisions aimed at increasing the net value of the point used for calculating gross employee salaries in response to changes in the inflation rate and the rising cost of living. The first decision involved increasing the point's value by 5%, effective from January 2022 salaries, while the second decision resulted in an additional 6% increase, starting from July 2022.

In March 2022, the Management Board approved the compensation of MKD 30,000 net as annual leave compensation for company employees. Later, in December 2022, the Management Board also approved the payment of MKD 31,000 net as a New Year and Christmas holiday bonus.

As part of the company's organisational culture, Alkaloid places great importance on employee health and investing in efficient, high-quality healthcare because HEALTH comes before all. In 2022, the company continued to offer voluntary private health insurance for its employees, extending their insurance policies through 2023.

7. Recruitment and selection

The recruitment and selection process continued faster this year, reflecting the company's growth and need for skilled and qualified personnel from various educational backgrounds.

The company continued with online interviews as a secure and efficient way to fill positions while maintaining high standards in the selection process.

This year, Alkaloid successfully implemented a new recruitment software to digitise the recruitment and selection process. It included annual staff planning, implementation of the staffing plan, and a new internet application on the corporate website.

To promote Alkaloid as a desirable employer, the company participated in job fairs and career events, conducted a marketing campaign called "One Working Day at Alkaloid," and had a career stand at the 7th Pharmacy Congress in Ohrid, highlighting our employment opportunities.

At the end of 2022, we had the following number of employees:

Employee Status on 31.12.2022

PC/OU	Number of employees
Pharmaceuticals	1050
Chemicals	72
Cosmetics	112
Botanicals	56
Sales Chemicals Cosmetics Botanicals	27
CCB Administration	2
Corporate services	656
TOTAL Alkaloid	1975
Companies	631
Representative offices	11
Total	2617

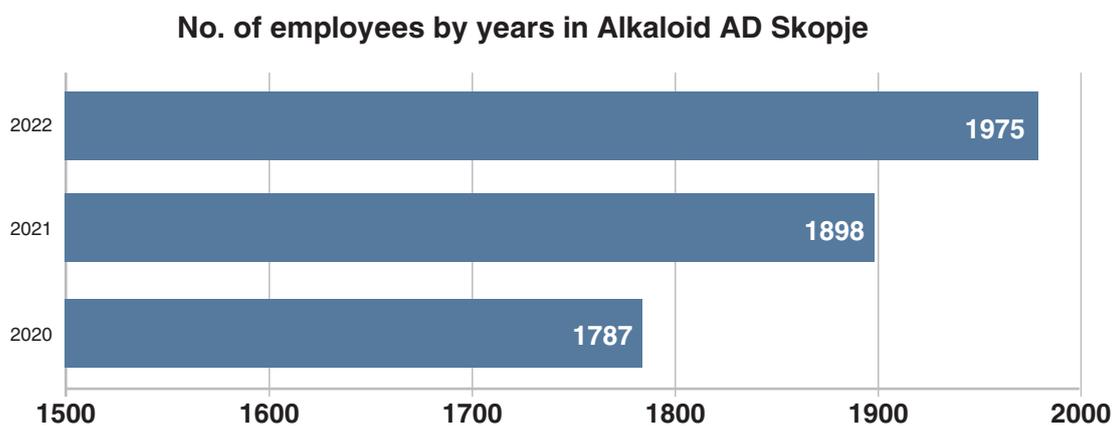
Alkaloid continuously invests in enhancing its employees' qualification structure. We believe that only a well-educated and trained workforce can successfully achieve the company's strategic goals and objectives.

Out of Alkaloid's total employees, 872 hold university-level qualifications.

The average age of our employees

The average age at Alkaloid	38 years
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The number of employees has grown constantly:

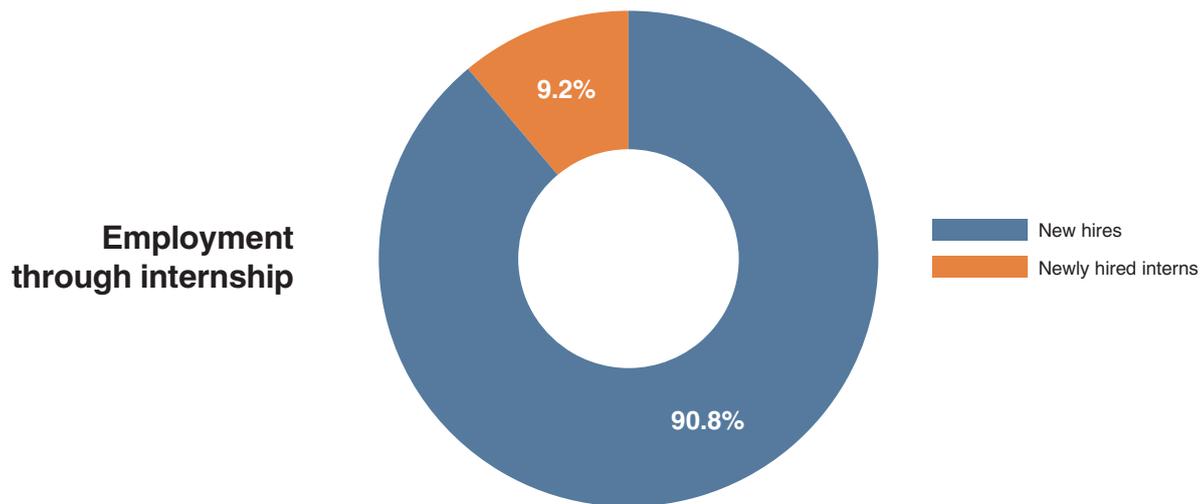


We ended 2022 with 187 new hires.

New hires at Alkaloid by PC/OU	Number
Pharmaceuticals	88
Chemicals	5
Cosmetics	27
Botanicals	10
Sales CCB	1
Corporate services	54
Total Alkaloid	185
ALKALOID KONS	2
In total	187

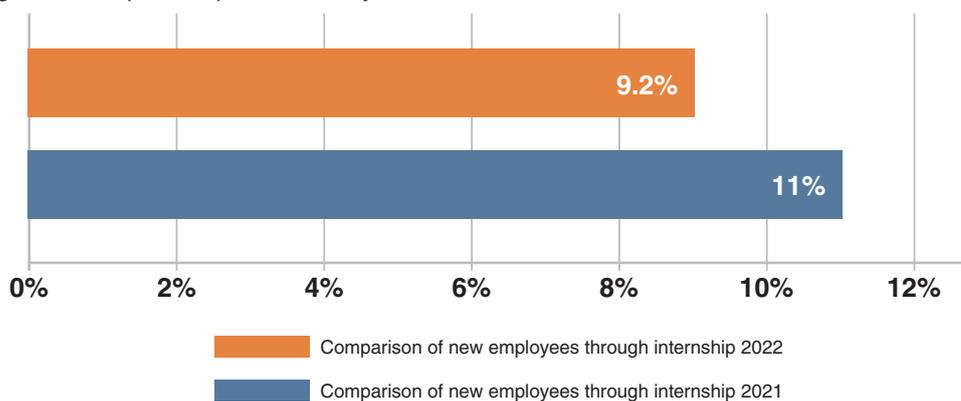
Like previous years, the internship program proved effective for attracting and hiring talent.

9.2% of the total number of new hires were employed through this program.



Number of employments through internships, compared to last year

Comparison of employment through internships



Sustainable Development

Environmental Social Governance - ESG

As a global company, ALKALOID AD Skopje is committed to following and implementing globally accepted good corporate governance trends and standards and is a leader in this field in the Republic of North Macedonia.

In 2022, Alkaloid prioritised integrating Environmental, Social, and Governance (ESG) reporting standards as a strategic imperative. It implemented several internal activities to apply ESG standards in its operations, such as establishing an ESG Board responsible for introducing and applying them in the company, adopting internal acts aligning operations in all departments with the ESG requirements, and conducting surveys to receive feedback from concerned parties such as shareholders, employees, and consumers. These efforts culminated in producing and promoting the first company ESG report for 2022.

Alkaloid is committed to fulfilling its sustainability and ESG strategies. It acknowledges its responsibility to create a sustainable future and believes that implementing ESG principles in its operations will help it retain employees and attract more talent, increase operational efficiency, and strengthen trust with stakeholders.

Please read more in the
ESG report of Alkaloid AD Skopje



Consolidated financial annual report

KEY FINANCIAL INDICATORS

In 000 MKD	Amount 2022	Amount 2021	Index 22/21
Total revenues	15,349,814	13,196,695	116
Sales	14,289,051	12,794,180	112
Gross profit	6,453,574	5,765,075	112
Earnings before financial cost, taxes and depreciation (EBITDA)	2,537,702	2,302,590	110
Earnings before financial cost, taxes and depreciation (EBITDA margin) (in %)	17.8%	18.0%	99
Operating profit	1,669,966	1,479,152	113
Profit before income tax	1,643,767	1,459,924	113
Net profit	1,463,421	1,304,960	112
Total assets	17,589,256	15,878,621	111
Capital	12,507,915	11,662,585	107
Net cash flow	-209,155	161,547	-
Additions to non-current assets	1,474,213	1,186,125	124
Number of employees	2,617	2,528	104
Sales per employee	5,460	5,061	108
Current ratio	1.87	2.12	88
Long term debt	4.7%	5.8%	81
ROE – return on equity	12.11	11.56	105
EPS – earnings per share (in denars)	1,041.2	928.5	112
Total number of shares	1,431,353	1,431,353	100
1 EUR/1 MKD (average)	61.6219	61.6275	100

SELECTED FINANCIAL INDICATORS

	Amount 2022	Amount 2021	(In 000 EUR) Index 22/21
Total revenues	249,097	214,136	116
Sales	231,883	207,605	112
EBITDA	41,182	37,363	110
EBIT – earnings before interest and taxes	27,100	24,001	113
Net profit	23,748	21,175	112
EPS – earnings per share	16.90	15.07	112

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 has investments in twenty- one subsidiaries, two sports associations and one foundation in N. 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)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Pharmaceuticals	1,285,571	87	1,044,110	88	123
Chemistry, Cosmetics and Botanicals	188,642	13	142,015	12	133
Total:	1,474,213	100	1,186,125	100	124

4. Dividends

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

The dividends for 2021 approved by shareholders on 4 April 2022 were 629,795 thousand denars. Approved dividends are paid and retained earnings are appropriately decreased.

5. Borrowings

Borrowings	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Non-current	588,881	40	681,883	57	86
Current	900,786	60	518,320	43	174
Total:	1,489,667	100	1,200,203	100	124

The maturity of the borrowings is as follows:

Maturity	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Up to 1 year	900,786	60	518,320	43	174
Between 1 to 3 years	588,881	40	681,883	57	86
Total:	1,489,667	100	1,200,203	100	124

6. Major Transactions

According to the Trade Company Law, Alkaloid AD Skopje has no major transactions in 2022.

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	2022	2021
	% 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 Veleadrogerija 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 %	100 %
Alkaloid UK LIMITED, London, UK	100 %	100 %
HC Alkaloid Handball Skopje , N. Macedonia	100 %	-
HC Multi Essence Skopje , N. Macedonia	100 %	-
Alkaloid Bucharest SRL, Romania	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 2022 a new subsidiary was established in Romania with a name Alkaloid Bucharest S.R.L. The subsidiary is 100% owned by the Company.

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 2021	2,220,127	-35,007	2,185,120	-74,278
Purchase of treasury shares	-	-	-	-
At 31 December 2021	2,220,127	-35,007	2,185,120	-74,278
Purchase of treasury shares	-	-	-	-
At 31 December 2022	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 December 2022 the number of voting shares is 1,405,509 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)		
	2022 Amount	2021 Amount	IND 22/21
Profit attributable to shareholders (in denars)	1,463,420,874	1,304,959,828	112
Number of shares	1,405,509	1,405,509	100
Basic earning per share (in denars):	1,041.20	928.46	112

9. Key management compensations

The management team of Alkaloid consists of 148 individuals, including members of the Management Board. In the reporting year, the total allowances for gross salaries and awards, annual leave allowance, New Year's bonus, management insurance, severance pay, jubilee awards, and private health insurance for the management team amounted to a total of MKD 730.4 million on a gross basis.

This amount comprises MKD 577.1 million fixed compensation and MKD 153.3 million variable compensation. No compensations were paid to the Managing Board members for the purpose of participation in the Managing board.

In 2022, the amount of 4,438 thousand denars were paid to the Supervision Board members.

10. Revenues

Total consolidated sales

Market	(In 000 MKD)				IND 22/21
	2022		2021		
	Amount	%	Amount	%	
Domestic market	4,594,347	32	4,440,652	35	103
Foreign market	9,694,704	68	8,353,528	65	116
Total:	14,289,051	100	12,794,180	100	112

The total sales revenues for 2022 are 14,289,051 thousand denars which compared to last years' 12,794,180 thousand denars have increased for 12%. The growth in total sales revenues is a result of the increase of sales revenues on domestic market for 3% and foreign market for 16%.

The largest portion of total sales revenues of 68%, is generated on foreign markets.

Total consolidated sales - segment reporting

Segment	(In 000 MKD)				IND 22/21
	2022		2021		
	Amount	%	Amount	%	
Pharmaceuticals	12,604,165	88	11,237,563	88	112
Chemistry, Cosmetics and Botanicals	1,684,886	12	1,556,617	12	108
Total:	14,289,051	100	12,794,180	100	112

The largest portion in total sales revenues is generated on the Pharmaceuticals segment with 12,604,165 thousand denars or 88%, which compared to last years' 11,237,563 thousand denars indicates an increase of 12%.

Consolidated sales by group of products

	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Antibiotics	3,335,386	23	2,701,945	21	123
OTC products	2,634,376	18	2,527,441	20	104
Cardiovascular products	1,877,025	13	1,759,941	14	107
Neurological products	1,871,427	13	1,695,852	13	110
Other	1,288,030	9	1,024,590	8	126
Total products – ALKALOID	11,006,244	77	9,709,769	76	113
ALKALOID KONS	1,538,831	11	1,447,903	11	106
Other	59,090	-	79,891	1	74
Total – Pharmaceuticals	12,604,165	88	11,237,563	88	112
Total – Chemistry	362,627	3	330,989	3	110
Total – Cosmetics	1,020,711	7	973,371	8	105
Total – Botanicals	301,548	2	252,257	2	120
Total:	14,289,051	100	12,794,180	100	112

Consolidated domestic market sales - segment reporting

Segment	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Pharmaceuticals	3,794,301	83	3,662,206	82	104
Chemistry, Cosmetics and Botanicals	800,046	17	778,446	18	103
Total:	4,594,347	100	4,440,652	100	103

Total sales revenues on domestic market are 4,594,347 thousand denars, which compared to last years' 4,440,652 thousand denars have increased for 3%.

The largest portion in total sales revenues on domestic market is generated on the Pharmaceuticals segment with 3,794,301 thousand denars or 83%.

Consolidated foreign market sales - segment reporting

Segment	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Pharmaceuticals	8,809,864	91	7,575,357	91	116
Chemistry, Cosmetics and Botanicals	884,840	9	778,171	9	114
Total:	9,694,704	100	8,353,528	100	116

Total sales on foreign market are 9,694,704 thousand denars, which compared to last years' 8,353,528 thousand denars have increased for 16%.

The largest portion of the foreign market sales of 8,809,864 thousand denars or 91% is generated on the Pharmaceuticals segment.

Consolidated market sales by regions

Region / country	2022		2021		(In MKD)
	Amount	%	Amount	%	IND 22/21
North Macedonia	4,594,347	32	4,440,652	35	103
South Eastern Europe	4,331,373	30	4,094,400	32	106
Eastern Europe (CIS, UA, ...)	2,268,295	16	1,647,457	13	138
Western Europe (EU and EFTA)	2,926,375	20	2,494,739	19	117
Other countries	168,661	1	116,932	1	144
Total:	14,289,051	100	12,794,180	100	112

The largest portion of market sales of 32% is generated on domestic market, which compared to last year indicates an increase of 3%. The largest portion of foreign market sales of 30% is generated on the South Eastern Europe region, which compared to last year indicates an increase of 6%.

Sales by category

Sales	2022		2021		(In 000 MKD)
	Amount	%	Amount	%	IND 22/21
Sales of goods	10,770,158	70	9,289,260	70	116
Sales of commodities	3,397,958	22	3,370,618	26	101
Other sales revenues	120,935	1	134,302	1	90
Total:	14,289,051	93	12,794,180	97	112

Other income

Other income	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Foreign exchange transaction gains	811,657	5	234,551	2	346
Collected written off receivables	-	-	23	-	-
Surpluses	11,459	-	6,913	-	166
Interest income	5,070	-	2,979	-	170
Other income	232,576	2	157,746	1	147
Total:	1,060,762	7	402,212	3	264

Finance income

Finance income	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Foreign exchange transaction gains on borrowing	1	-	303	-	-
Interest income on borrowings	-	-	-	-	-
Total:	1	-	303	-	-
Total revenues:	15,349,814	100	13,196,695	100	116

Total revenues for 2022 are 15,349,814 thousand denars, which compared to last year have increased for 16%.

The largest portion of total revenues 93%, belongs to sales of goods, sales of commodities and other sales revenues, which compared to last year have increased for 12%.

Other income have a portion in total revenues of 7% and compared to last year have increased for 164%.

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

11. Expenses

Expenses by nature

Expenses	2022		2021		IND
	Amount	%	Amount	%	22/21
Raw materials	3,826,386	28	3,226,901	27	119
Employee benefit expense	3,268,686	24	2,890,669	25	113
Depreciation and amortization	867,731	6	823,410	7	105
Energy	434,744	3	199,095	2	218
Impairments	47	-	-	-	-
Transportation	183,254	1	147,858	1	124
Changes in the inventories	-303,510	-2	-107,135	-1	283
Cost of commodities	2,255,705	16	2,301,440	20	98
Other expenses	2,216,111	16	1,889,886	16	117
Total:	12,749,154	93	11,372,124	97	112

Employee benefit expense

Expenses	2022		2021		IND
	Amount	%	Amount	%	22/21
Gross salaries	2,867,484	21	2,540,792	22	113
Other employees benefits	401,202	3	349,877	3	115
Total:	3,268,686	24	2,890,669	25	113

Other expenses

(In 000 MKD))					
Expenses	2022		2021		IND
	Amount	%	Amount	%	22/21
Foreign exchange transaction loss	795,207	6	214,229	2	371
Shortages	20,064	-	36,617	-	55
Expenses from previous year	5,256	-	7,345	-	72
Other expenses	110,166	1	86,925	1	127
Total:	930,693	7	345,116	3	270

Finance cost

(In 000 MKD)					
Expenses	2022		2021		IND
	Amount	%	Amount	%	22/21
Foreign exchange transaction losses on borrowings	152	-	121	-	126
Interest expense on borrowings	26,048	-	19,410	-	134
Total:	26,200	-	19,531	-	134
Total expenses:	13,706,047	100	11,736,771	100	117

Total expenses in 2022 are 13,706,047 thousand denars, which compared to last years' 11,736,771 thousand denars have increased for 17%.

The largest portion in total expense of 28% belongs to Raw materials. Employee benefit expense has a portion of 24%, Other expenses 7%. Finance costs consist of expenses on borrowings, the portion in total expenses is insignificant.

Consolidated Income statement

	(In 000 MKD)				
	2022		2021		IND
	Amount	%	Amount	%	22/21
Sales	14,289,051	93	12,794,180	97	112
Cost of sales	-7,835,477	-51	-7,029,105	-53	111
Gross profit	6,453,574	42	5,765,075	44	112
Research and development expenses	-163,070	-1	-151,663	-1	108
Selling and marketing expenses	-4,089,940	-27	-3,619,311	-27	113
Administrative expenses	-660,667	-4	-563,260	-4	117
Provision for other liabilities and charges	-	-	-8,785	-	-
Other income	1,060,762	7	402,212	3	264
Other expenses	-930,693	-6	-345,116	-3	270
Operating profit	1,669,966	11	1,479,152	11	113
Finance expenses (net)	-26,199	-	-19,228	-	136
Profit before income tax	1,643,767	11	1,459,924	11	113
Income tax expense	-180,346	-1	-154,964	-1	116
Profit from continuing operations	1,463,421	10	1,304,960	10	112
Attributable to the:					
Shareholders of the Parent Company	1,463,426	10	1,304,988	10	112
Minority interests	-5	-	-28	-	18
Profit for the year	1,463,421	10	1,304,960	10	112

Consolidated profit before taxes for 2022 is 1,643,767 thousand denars, which compared to last years' 1,459,924 thousand denars has increased for 13%. The portion of consolidated profit before taxes in total revenues is 11%.

Consolidated income tax for 2022 is 180,346 thousand denars, which compared to last years' 154,964 thousand denars has increased for 16%.

Consolidated Net profit for 2022 is 1,463,421 thousand denars, which compared to last years' 1,304,960 thousand denars has increased for 12%. The portion of consolidated Net profit in total revenues is 10%.

Consolidated Balance Sheet

	2022		2021		(In 000 MKD)
	Amount	%	Amount	%	IND 22/21
Assets					
Non-current assets					
Property, plant and equipment	6,976,234	40	6,452,141	41	108
Intangible assets	1,976,502	11	1,897,561	12	104
Deferred tax assets	27,980	-	16,508	-	169
Available-for-sale financial assets	8,551	-	8,867	-	96
Other non current receivables	307,437	2	138,041	1	223
Total non-current assets:	9,296,704	53	8,513,118	54	109
Current assets					
Inventories	4,899,072	28	4,037,576	25	121
Trade receivables	2,606,933	15	2,477,483	16	105
Other receivables	499,147	3	353,889	2	141
Cash and cash equivalents	287,400	2	496,555	3	58
Total current assets:	8,292,552	47	7,365,503	46	113
Total assets:	17,589,256	100	15,878,621	100	111
Equity and liabilities					
Equity					
Share capital	2,185,120	12	2,185,120	14	100
Share premiums	-74,278	-	-74,278	-	100
Legal reserves	623,368	4	620,479	4	100
Other reserves	1,660,233	9	1,656,404	10	100
Retained earnings	8,112,887	46	7,274,270	46	112
Minority interests	585	-	590	-	99
Total equity:	12,507,915	71	11,662,585	73	107
Liabilities					
Current liabilities					
Trade and other payables	3,494,340	20	2,936,754	18	119
Income taxes	32,752	-	19,833	-	165
Current borrowings	900,786	5	518,320	3	174
Total current liabilities:	4,427,878	25	3,474,907	22	127
Non-current liabilities					
Non-current borrowings	588,881	3	681,883	4	86
Non-current provisions	58,693	-	58,995	-	99
Deferred income tax liabilities	5,889	-	251	-	2,346
Total non-currents liabilities:	653,463	4	741,129	5	88
Total liabilities:	5,081,341	29	4,216,036	27	121
Total equity and liabilities:	17,589,256	100	15,878,621	100	111



JOINT STOCK COMPANY

Health above all

PHARMACEUTICAL CHEMICAL COSMETIC INDUSTRY

Statement of compliance with the Corporate Governance Code

We, the undersigned members of the Management Board ALKALOID AD Skopje, hereby state that in its operations ALKALOID AD Skopje adheres to the Corporate Governance Code for joint stock companies listed on the Macedonian Stock Exchange AD Skopje, published on the Stock Exchange's website at www.mse.mk.

ALKALOID AD Skopje adheres to the principles and best practices of corporate governance prescribed by the Code according to the 'comply or explain' approach by submitting questionnaires, the form and content of which are prescribed with the Code.

By this Statement we hereby confirm that the questionnaires are published on SEI-NET and the website of ALKALOID AD Skopje, and the answers contained therein are correct and true and accurately show the application of the principles and best practices of corporate governance by ALKALOID AD Skopje as prescribed by the Corporate Governance Code.

Date: 02.03.2023

Management Board of ALKALOID AD Skopje

Zhivko Mukaetov
President of the Management Board

Milkica Gligorova
Member of the Management Board

Viktor Stojchevski
Member of the Management Board

Gjorgji Jovanov
Member of the Management Board

Kire Icev
Member of the Management Board

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ALKALOID
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ENVIRONMENT
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Content of the **ESG** report

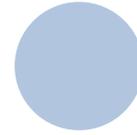
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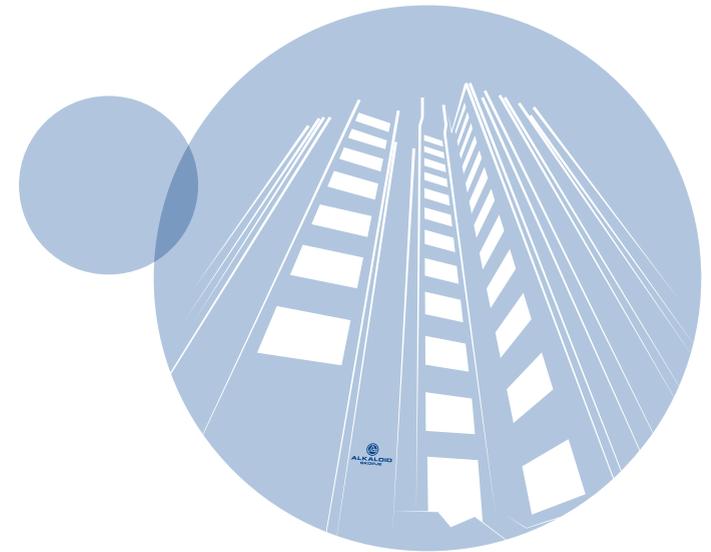
Address of the Chief Executive Officer / President of the Management Board of ALKALOID AD Skopje

Dear shareholders, colleagues, associates, and consumers of ALKALOID AD Skopje,

You are reading our first ESG report on responsible behaviour towards the environment and the community. It includes numerous activities that the company has been practising for years but has never formally presented.

Throughout its long history, the company has faced many crises. Still, each time it has shown resilience and quick adaptation to changes. The past year, 2022, was another in a series filled with numerous health, military, logistical, energy, and economic challenges, which we successfully overcame.

I am particularly proud that, despite the high level of operational crisis management, we realised a large part of our strategy for responsible behaviour towards the environment and the community. I want to mention a few highlights of our efforts:



- Caring for the environment, with a particular emphasis on energy efficiency and the use of alternative energy sources;
- Ensuring the health and safety of our employees, with a focus on improving working conditions in all company segments;
- Supporting and caring for the communities in which we live and operate through numerous humanitarian and socially responsible activities in education, sports, culture, youth development, and the promotion of positive values;
- Establish partnerships with complementary organisations, such as the Red Cross and SOS Children's Village, by donating money, clothes, and food, helping with blood drives by our employees, and supporting the homeless, among others;
- Supporting talented health and pharmacy students through the Trajche Mukaetov Foundation by providing scholarships and awards to the valedictorians.

Human capital is a critical resource in the company, as their knowledge, experience, and skills are invaluable. Applying the Code of Ethical and Professional Conduct and other company acts are the key elements in building the company's ethical and corporate culture, compliance and risk management, anti-corruption policy, and promoting its corporate governance.

Responsible behaviour towards the environment and the community is an integral part of the everyday life of every employee in the Alkaloid Group in all countries where we operate. Its goal is to enable the company's continuous progress.

In the future, we will expand and intensify awareness of responsible behaviour towards the environment and the community to all ALKALOID's shareholders, employees, and associates with the single goal of building a better, healthier, and more sustainable world.

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

Who We Are!

A healthy human body can evoke more than mere admiration. At ALKALOID AD Skopje, we find it a constant inspiration and a valuable gift of nature that we strive to protect and preserve. With unwavering passion, we create products synonymous with top quality. We constantly invest in realizing our dream of a healthier life for every individual because we believe that HEALTH COMES ABOVE ALL.

ALKALOID AD Skopje has been producing medicines, cosmetic and chemical products, and processing herbal raw materials for over eighty-five years.

ALKALOID AD Skopje is a joint-stock company with two profit centres: Pharmaceuticals; and Chemicals, Cosmetics and Botanicals. Over 5,000 shareholders, individuals and legal entities hold shares in ALKALOID AD Skopje.

Presently, ALKALOID AD Skopje boasts almost 80,000 square meters of production facilities, with a workforce of 2,019 employees within Macedonia and 598 abroad. With 19 subsidiaries and two representative offices in 15 countries (Serbia, Montenegro, Kosovo, Albania, Bosnia and Herzegovina, Croatia, Slovenia, Switzerland, Bulgaria, Turkey, Ukraine, the Russian Federation, the USA, Great Britain, and Romania), it sells 68% of its products in 40 countries worldwide.

Over the past 15 years, ALKALOID AD Skopje has invested €200 million in production facilities, laboratories, research and development facilities, top-notch technology, continuous employee education, and state-of-the-art software. These investments enable the company to offer superior quality products that meet the strictest standards for good manufacturing practice, as confirmed by prestigious organizations.

ALKALOID's key priorities remain the well-being of its employees, shareholders, the environment, business partners, the healthcare system, and, above all, people's health.

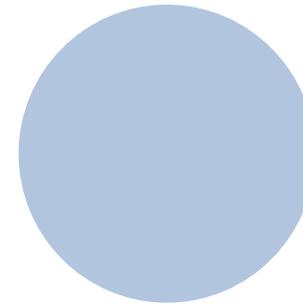


MACEDONIA


2019
 Employees
 in the country


598
 Employees
 in subsidiaries
 abroad


>5000
 Shareholder
 Entities



Mission, Vision and Values

Our Mission

We continuously strive for a healthier world, superior quality of products and services, as well as high professionalism and continuous success. It is our highest priority to protect the interests of all stakeholders. Our basic commitment is to take care of health and quality of life of every person, the health care system and the environment. We are committed towards continuous improvement of human health that is reflected through our motto: **HEALTH ABOVE ALL.**

Our Vision

ALKALOID AD Skopje, as a globally oriented company, strives to accomplish high goals and achievements, which will enable high competitiveness and market positioning. We are constantly open to building new markets and new partnerships, production and placement of superior quality products, applying the latest technologies and business standards.

Our values

ALKALOID AD Skopje, in performing its business operations, relies on the highest ethical norms and standards. We are sure that the ethical conduct of business is a prerequisite for lasting personal and professional success and our key values are:

- People above all
- Integrity and honesty
- Creating the best outcomes together
- Value based leadership



Company activity

Pharmaceuticals

People build high – to see further.
People build together – to be closer.
People build strong – to feel safer.
We build for people to achieve
better health because
HEALTH COMES ABOVE ALL!



Botanicals

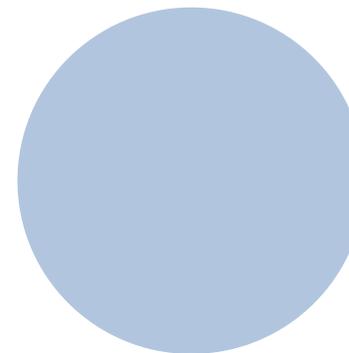
The ALKALOID's Botanicals Department produces a range of teas under the GOOD NATURE brand and various products such as spices, dried vegetables, food additives, iodized salt, and more under the GRINI label.

Cosmetics

ALKALOID's 85 years of experience and tradition are founded on the high-quality range of products offered by "Alkaloid - Cosmetics." The product line includes skincare products for all skin types, including children's, hair care products, a perfume collection for women and men, and household cosmetics.



ALKALOID
SKOPJE



Chemicals

The Chemicals Department has developed a program for producing pure chemicals and reagents of organic and inorganic origin. These products range from pro analysis, reagent grade, purum, and pharmacopoeia quality for laboratory, industrial, and general consumption. Additionally, there are products for agricultural production, medicinal purposes, and cleaning and disinfecting.

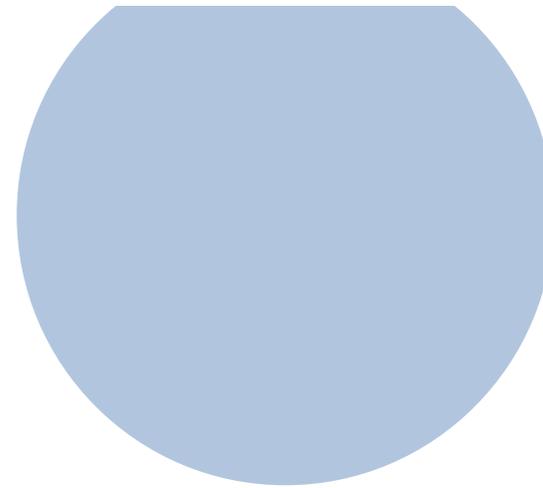


About the ESG report

The ALKALOID AD Skopje 2022 ESG report is the first non-financial independent report we issue in response to the increasing need for transparent operation and stricter regulatory requirements in these areas. In the past, we communicated our non-financial environmental, social and good corporate governance information as part of the company's annual operations reports. As a socially responsible company, we believe that the new way of separate ESG reporting will provide all stakeholders with a more detailed and precise picture of how we deal with ESG risks and the focus we devote to these segments of the operations.

Our ESG report includes qualitative information about our key activities for improving the environment and contributing to society. It also contains quantitative parameters that measure the company's performance in terms of risks, opportunities, and achievement of the key goals of ALKALOID's ESG strategy. We applied some of the ESG indicators specifically required by the GRI standards for the first time in 2022. Thus, the ESG-related trends will be visible in future ESG reports.

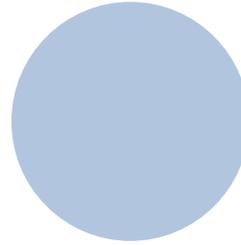
The ALKALOID ESG board prepared the 2022 ESG report covering ALKALOID's operations from **January to December 2022**, and its top management approved it. The company will transparently and fully publish it via all communication channels.



Due to their widespread/global recognition, comprehensiveness and flexibility, we used the **GRI standards** to guide us in implementing the ESG segment and preparing the ESG report. ALKALOID AD Skopje continues to follow all non-financial reporting regulations and other globally recognized ESG reporting frameworks and standards.

To help readers locate relevant information more easily, we have included a **GRI reference table** in this ESG report.



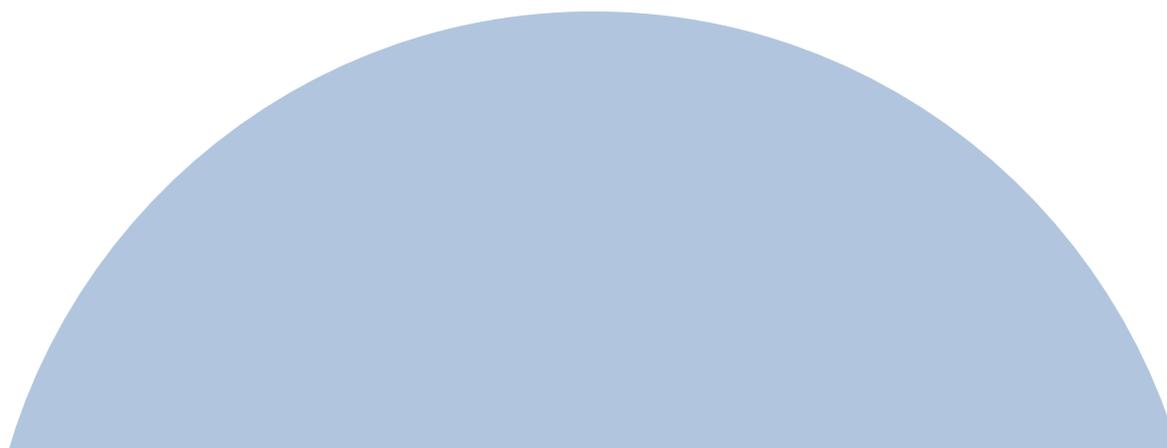


ESG at ALKALOID AD Skopje

ALKALOID's ESG Board

To apply and manage the ESG segment, we established a company ESG Board of members from different company sectors. All members contribute with knowledge, expertise and experience to ESG management and reporting. The ESG Board is directly responsible to ALKALOID's top management. It regularly sends annual activity reports to the CEO and senior management. If necessary, they send these reports to the Supervisory and Management Board and, upon request to all stakeholders and external auditors.

The ESG Board regularly holds monthly meetings. It is responsible for applying ALKALOID's ESG strategy, proposing long-term and short-term ESG goals, systematically setting up and efficiently measuring the most significant ESG indicators, defining the ALKALOID's ESG report, and communicating ESG data with stakeholders. The ALKALOID's ESG Board also brings the ESG topics closer to employees, develops a company-wide ESG culture, and finds new solutions and improvement opportunities within the ESG segment.



Environmental, social and governance (ESG) policy

Our ESG policy reflects our commitment to continuously improve all ESG segments as a basis for ethical work and professional success.

It entirely reflects our company's mission and vision, whose imperative is the protection of our stakeholders' interests and is complementary to the company core values defined in our Code of Conduct.

ESG reporting procedure

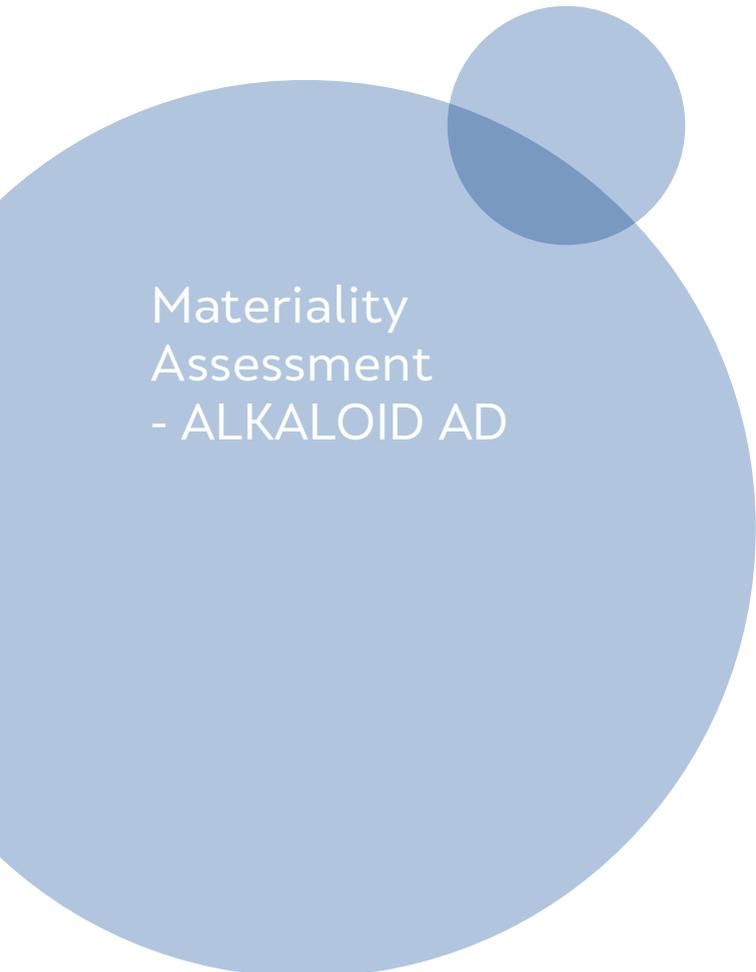
ALKALOID's ESG reporting procedure describes the management and reporting concept and strategy on environmental, social, and governance issues. In it, we define all the detailed steps necessary to obtain timely, accurate and relevant data about how our company manages ESG risks.

ESG indicators

We use ESG indicators and data systematically set up and applied in the key processes related to this segment of the company's operation to monitor the achievement and progress in the company's defined ESG goals.

Stakeholder Communication

ALKALOID AD Skopje is fully committed to building trust with and between stakeholders to maintain long-term and stable relations. In 2022, we developed a stakeholder relations policy identifying ALKALOID's stakeholders, where we prescribed the basic stakeholder relations principles and modalities.



Materiality
Assessment
- ALKALOID AD

Materiality Assessment

As we present a separate ESG report for the first time this year, we paid particular attention to assessing the materiality of our company's ESG topics. We used combined methodology through interviews and surveys of external and internal stakeholders and discussions with ALKALOID's senior management. We also conducted an employee satisfaction survey, a customer and user survey, a survey conducted by the Macedonian Stock Exchange, etc. These activities helped us identify the topics significant to our stakeholders and our company.

We selected 21 ESG material topics we believe our company can influence and can significantly impact our operations in return. We set specific short-term and long-term goals and appropriate indicators we will use to monitor our progress in all these important topics. Note that despite their ranking by importance, all identified topics are significant and interrelated and should not be viewed in isolation.

ESG Material Topics



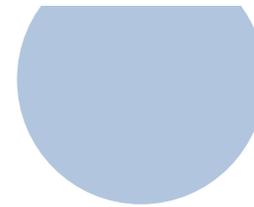
Current status

Although the world faced some of the most complex challenges of our time during the past years, especially in 2022 (health, military, energy crisis), through its short-term and long-term ESG goals, ALKALOID AD Skopje remains committed to the fulfilment of its ESG strategy. We believe the only way to overcome emerging challenges is to continuously give back to the immediate environment, the community and the people around us.

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ALKALOID AD
Skopje remains
committed to the
fulfilment of its
ESG strategy





ALKALOID's ESG strategy

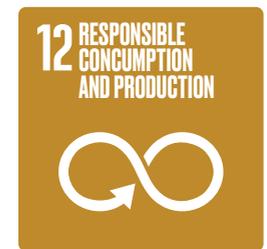
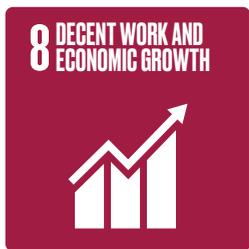
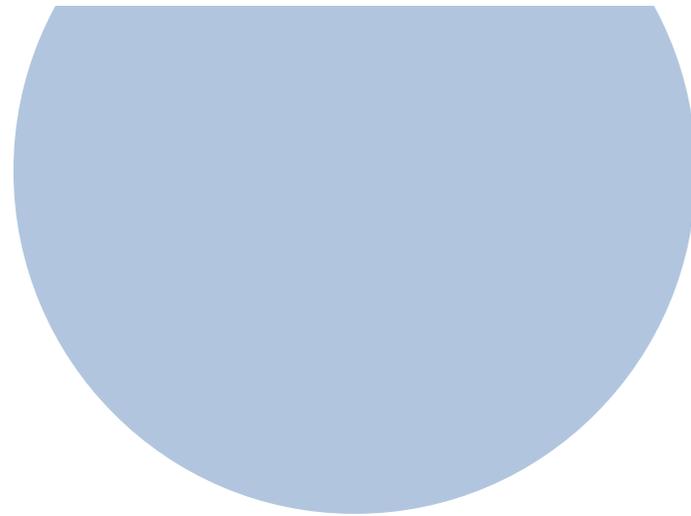
Our ESG strategy reflects how we manage and address environmental and social responsibility issues and adds new value to our company.

When developing ALKALOID's ESG strategy and ESG goals, we took into account the UN Sustainable Development Goals (SDGs). We identified the priority goals where we have an opportunity to make positive changes and where our activities can contribute to a better future.

The UN SDGs are a global vision to create a sustainable future in which we all have a stake. The UN Global Compact has turned these goals into drivers for sustainable business with economic and social benefits for the environment and people worldwide. It is vital for us to participate and act in the implementation of these goals through our daily operations and activities.



United Nations Sustainable Development Goals (SDG)



STRATEGY

Implementing
and Developing
the ESG Segment

Care for
the environment

Supporting the community
in which we work and live

People Above All!

Transparency,
business ethics & risk
management

LONG-TERM GOALS

- Identify sources and establish a carbon footprint measurement process
- Set measures to reduce CO2 emissions
- Increase production of renewable energy by 12% within 25 years
- Increase recyclable waste by 10% by 2025
- Analyse sustainable packaging for PC CCB and PC Pharmaceuticals
- Identify sources and establish a water footprint measurement process for all sites by the end of 2023



- Our primary objective is to give back to the community in which we live and operate



- Care for the health, safety, and well-being of employees, stakeholders, and all people living in the vicinity of ALKALOID's activities



- Increase transparency in informing stakeholders
- Achieve and maintain full corporate compliance with internal ethical and environmental standards
- Build a robust risk management culture and business continuity by fully integrating ESG factors







II. Our Results in 2022

ESG Highlights in 2022



185
new employees
hired in
ALKALOID AD
Skopje



5,000m3
of water
saved - **1.5%**
of the total water
consumption



40 new
scholarships



Reduced
emission of
1,285 t CO2



New
bicycle
parking
lots built



500MWh
electricity
from renewable
sources
produced



Digital platform
for professional
communication
Alkaloid ProNet
launched

ESG
Highlights in
2022



Project
60 seconds
of health
implemented



Award
**"25 years
ISO 9001
certified"**,
Quality Austria
received



Most transparent
listed joint stock
company
in 2022



November
- an awareness-raising
month about
**personal data
protection**
in ALKALOID



85%
of the total
generated waste
is not
deposited



121 hours -
average hours
of training per
employee



1,500 MWh
of energy saved
- **3.75%**
of total energy
consumption



2022 Progress against
our short-term goals

Environment

 Completed  Ongoing

Short-term goals for 2022	Progress	Implemented activities
Care for the environment		
Identify direct and indirect sources and establish a process for measuring the carbon footprint at the Avtokomanda plant		A Standard Operating Procedure (SOP) for environmental indicators measurement and a template for carbon footprint calculation (based on the GHG Protocol) were developed The sources and data necessary for carbon footprint calculation were identified, Potential areas for improvement to obtain additional data for carbon footprint calculation were noted. Top management, process owners, and subsidiary representatives received training (a total of 169 participants).
Increase the production of renewable energy from internal sources		12 photovoltaic power plants with a total peak power of 1238 kW were built at Avtokomanda and Gjorche Petrov, producing an estimated 1400 MWh of electricity each year
Reduce municipal waste, increase recycling, and reduce landfilled waste.		The waste management process was improved by - Updating the waste management procedure and SOP for pharmaceutical waste handling; - Providing waste management training to 229 employees; - Creating and distributing - flyers promoting proper waste management, presented at the training, distributed to relevant departments, and displayed on promotional screens within ALKALOID premises; 4. Establishing Key Performance Indicators (KPIs) for waste management; - Achieving a 20% reduction in municipal waste, 2.02% increase in recycled waste 4.31% reduction in landfilled waste.
Analyse sustainable packaging at PC CCB		A basic analysis of sustainable packaging was performed, and necessary improvements for obtaining accurate information and data were identified.
Identify sources and establish a process for water footprint measuring at the Avtokomanda plant.		An SOP for environmental measurement indicators and a form for water footprint calculation were drafted Sources and necessary data for water footprint calculation were defined. Necessary improvements were identified for obtaining additional data for water footprint calculation Training was held for top management, responsible persons of the processes and representatives of the subsidiaries (169 participants)

Social

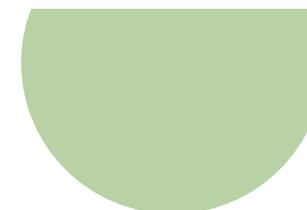
 Completed  Ongoing

Short-term goals for 2022	Progress	Implemented activities
Supporting the community in which we work and live		
Provide ongoing support to the healthcare systems in the areas where we operate.		<ul style="list-style-type: none"> - Participated in the 7th Congress of Pharmacy in Macedonia with international participation, held in Ohrid - Actively participated and supported the Third Balkan Paediatric School, held in Skopje - Launched a new and innovative website, "Alkaloid Pronet", a modern digital platform for health professionals.
Support to sports		<ul style="list-style-type: none"> - Established two handball clubs, HC Alkaloid and HC Multi Essence - Opened a new chess home for youth education and tournaments - Sponsored the Macedonian Handball Federation
Organise regular humanitarian events		<ul style="list-style-type: none"> - two blood drives were organised - a clothing drive was organised
Continuously encourage employees to participate in our corporate social responsibility initiatives		<ul style="list-style-type: none"> - More than 270 employees volunteered for blood donation during two blood drives - 1,900 kg of clothes were collected through voluntary donations and placed in 10 donation boxes at ALKALOID's 3 locations (Avtokomanda, Lafoma, Botanicals)
People above all!		
Award "Trajche Mukaetov" Foundation scholarships to top students		For the academic year 2022/2023, the "Trajche Mukaetov" Foundation awarded 40 new scholarships.
Initiate a dual education program in the Secondary Medical School		The first year of the first generation of the partial-dual class successfully ended in July 2022. Another new class began on September 1, 2022.
Create internal education and training centre		The Training and Education Centre was established and began operation. In 2022, it fully utilised its capacity to organise trainings and educate young staff in a training laboratory.
Young talents program - internships		In 2022, the young talents/internship program continued with 53 interns participating.
Employee training		In 2022, employees spent an average of 121 hours of training
Safety and Health at Work: Provide a safe, secure, and healthy working environment to achieve a reduction in LTIFR parameters.		<ul style="list-style-type: none"> - Conducted 775 legal trainings for job changes and new employees; - Conducted 300 trainings on SOPs for Near Miss application; - Created and posted flyers for Near Miss application; - Prepared/updated 108 workplace risk assessments; - 1991 preventive health exams for employees conducted; - 173 pieces of work equipment (machines, devices, etc.) inspected; - 54 microclimatic conditions, lighting, chemical, and physical hazards in the work environment measured.
Equal career development opportunities - talent management process		Equal employment opportunities through internal advertisements; feedback culture with 700 employees participating promoted.
Build and maintain an inclusive, positive and respectful work environment for all.		Corporate newspaper "Health Above All"; Alka Speak-Up, marketing campaign "One working day at ALKALOID"; Code of Conduct promoted.
Gender equality		Core company values that highlight the importance of gender equality in our company promoted.
Additional voluntary health insurance for all employees		In 2022, the project for additional voluntary health insurance continued
Benefits for children of employees		In 2022, a project to support the development and further education of employees' children was implemented. A total of 544 children received benefits.
Increase employee satisfaction		Implemented several action plans resulting from the employee satisfaction survey conducted in 2021.

Governance

 Completed  Ongoing

Short-term goals for 2022	Progress	Implemented activities
Transparency, business ethics & risk management		
Continuously improve the company's transparency		<ul style="list-style-type: none"> - Preparing an ESG report with detailed data from all segments - Opening new channels for informing the public about the company's activities
Fully integrate the company's ethical and compliance standards into the operations of our capital-related companies worldwide		Applying the Code of Conduct and compliance standards in our capital-related companies worldwide has begun.
Maintain the environmental management system per the requirements of the ISO 14001 standard, without major findings, and compliance with the environmental regulatory requirements, with the stakeholder requirements and expectations and with the obligations required in the permits and the decisions of the state and regulatory institutions		<p>Quality Austria conducted an external inspection from 13.4.2022 to 18.4.2022. No major findings were identified.</p> <p>The established environmental system through its essential elements - environmental aspects management, improvement objectives and programs, changes in the area of the environment, response and investigations in environmental incidents, monitoring and measurement of environmental impacts - is compliant with the legal regulation, the applied standards and other requirements accepted by the organisation.</p>
Integrate all ESG risks into existing risk management processes/bases of operational and strategic risks		<p>ESG risks were integrated into the integrated management system through the following:</p> <ul style="list-style-type: none"> - the company's strategic risks; - the identified operational risks for each process; - identified environmental aspects of the processes (environmental master plans according to OU/program); - risk assessments was conducted for each job.
Define the position of Risk and Business Continuity Officer within the organisational structure		The Risk and Business Continuity Officer is defined in the organisational chart.
Define the composition and the role of the Risk Management and Business Continuity Board, which reports directly to the top management.		<ul style="list-style-type: none"> - Members of the Risk Management and Business Continuity Board and the Risk Management and Business Continuity Team were appointed and their primary responsibilities defined. - A risk management procedure was developed where the responsibilities of the Board and the team were detailed.



Overview of ALKALOID's most important ESG indicators

You can find more information about these and other ESG indicators in the ESG report and its annexes

Indicator	2022	Units	GRI / other ESG indicators
Total waste generated	815.617,00	t	GRI- 306-3-a
Hazardous waste	115.731	t	GRI- 306-3-a
Non-hazardous waste	699.886	t	GRI- 306-3-a
Recycled waste	697.387	t	GRI- 306-4-a
Deposited waste	118.320,00	t	GRI- 306-5-a
Household waste	4.550,00	m3	GRI- 306-5-a
Surface water	0,00	ML	GRI- 303-3
Underground water	143.989,00	ML	GRI- 303-3
Water obtained from third parties	190.915,00	ML	GRI- 303-3
Surface water + Ground water + Water obtained from third parties	334.904,00	ML	GRI- 303-3
Electric energy	13.778,00	MWh	GRI-302-1
Oil	196.250,00	L	GRI-302-1
Natural gas	2.235.058,00	Nm3	GRI-302-1
Emissions from stationary sources - Scope 1	2.332,38	t CO2 eq	GRI-305-1
Emissions from mobile sources - Scope 1	395,88	t CO2 eq	GRI-305-1
Emissions from refrigeration equipment - Scope 1	26,54	t CO2 eq	GRI-305-1
Emissions from purchased electricity - Scope 2	9.811,20	t CO2 eq	GRI-305-2
"Business travel - Scope 3"	61,40	t CO2 eq	GRI-305-3
Employee transportation to workplace - Scope 3	14,96	t CO2 eq	GRI-305-3



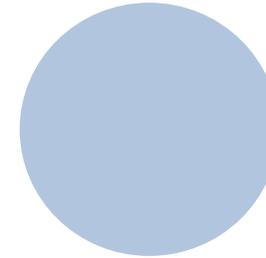
Overview of ALKALOID's most important ESG indicators

You can find more information about these and other ESG indicators in the ESG report and its annexes

Indicator	2022	Units	GRI/ other ESG indicators
Total number of company employees	2.617	number of employees	other ESG indicators
Total number of company employees in ALKALOID AD Skopje	1.975	number of employees	other ESG indicators
Share of female employees	59%	percentage of employees	GRI-405-1
Share of women in management positions	46%	percentage of employees	GRI-405-1
Share of new hires	9,37%	percentage of employees	GRI-401-1
Turnover rate	2,72%	percentage of employees	GRI-401-1
Average number of training hours per employee per year	121	hours	GRI-404-1
Employee satisfaction	71,74%	satisfaction percentage	other ESG indicators
Total reported near-miss incidents	17	number of reported near-miss incidents	GRI-403-2
Deaths	0	number and rate of deaths	GRI-403-9
Severe Bodily injuries	0	number and rate of severe injuries	GRI-403-9
Registered injuries	44	number of registered injuries	GRI-403-9
Frequency of registered injuries	11,36	Rate of registered injuries per 1,000,000	GRI-403-9
Severity of injuries	21,44	Injury Severity Rate	other ESG indicators
Injuries / 1000 employees	19,66	Number of injuries per 1000 employees	other ESG indicators



Social Responsibility in our Company



Social responsibility is a top priority in ALKALOID's corporate strategy as a concept of impact on society and the environment. Behaving transparently and ethically in our operation, we express our commitment to sustainable development and support for all stakeholders.

Social responsibility is strategically integrated throughout the company's business process. We implement specific activities and projects for the good of the community where we live and work. These projects represent our continuous and intensive investment in improving and advancing all conditions and spheres of the social environment.

Aware of our impact on all aspects of society and following our social responsibility policy, we continuously confirm our strategic commitment to support Macedonia's social, economic, educational, health, and cultural life through various collaborations, projects, and activities. Implementing multiple projects, donations, and activities adapted to the community's needs, we unreservedly and continuously help improve, advance, and develop the community where we live and work.



Donations and Sponsorships

Donation of a passenger vehicle to the State Archives

Our company has been committed to exceptional corporate social responsibility for almost nine decades, and we continue to demonstrate our dedication to social stakeholders.

We recently donated a passenger vehicle to the State Archives to improve their working conditions and facilitate the institution's daily activities and obligations.





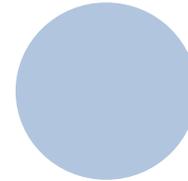
Donation of laboratory equipment to the Secondary Medical School Dr Panche Karagjovov - Skopje

In the spirit of the successful and long-standing cooperation and to equip their laboratory, ALKALOID AD Skopje has donated laboratory equipment to the Medical Secondary School Dr Panche Karagjovov - Skopje.

The donation consists of a water deionizer with a production capacity of 30 l/h of purified water. It will help to successfully organize and perform the exercises planned as part of the school's practical teaching and improve and advance the conditions in students' education.

As part of our commitment to improving the educational system, two partially dual classes already take place at ALKALOID AD Skopje, with part of the on-the-job learning curriculum held in the state-of-the-art laboratory of the company's Education and Training Centre.

We have demonstrated our commitment and contribution to social responsibility activities by implementing many education projects, aiming to improve the conditions for proper development and quality education of young people.



Partnership with SOS Children's Village

SOS Children's Village North Macedonia is part of a 70-year-old international organization active in 136 countries worldwide, dedicated to helping and supporting the most vulnerable - children

SOS Children's Village has helped over a hundred thousand children in our country. It has provided them with support, love, a warm home, a sense of belonging and security, quality education, a more secure future and an opportunity to have a better childhood. Our company has supported this organization several times and started a new partnership, naming one of the houses Bekutan.

Caring for the children is the primary goal of both entities. 'Godfathering' of the Bekutan House is more than just financial support. It also builds a sincere relationship between the foster family living in the house and the ALKALOID employees.

In 2023, under the slogan, Every Child is Our Care, we will continue our strategic partnership and implement joint activities.

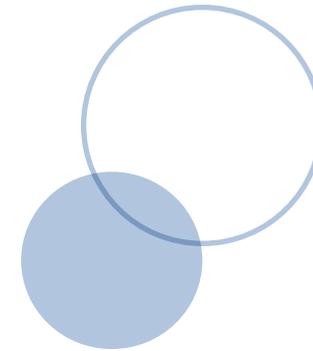


Donation of IT equipment to the Faculty of Computer Science & Engineering (FINKI)

Information technology and quality education of professional staff in this area are crucial for society and the business sector. Thus, our company signed a memorandum of cooperation with the Faculty of Computer Science & Engineering at St. Cyril and Methodius University in Skopje to invest in and support Macedonia's educational system.

This memorandum outlines the cooperation framework between the signatories about matters of common interest. It utilizes both parties' scientific, professional, technical, and spatial resources to enhance educational, research, and applied IT and computer engineering activities.

To begin this successful partnership with FINKI, we donated modern IBM servers to enhance the Faculty's laboratory and IT infrastructure. This equipment will improve the quality of the educational process, teaching conditions, and professional practice for students.



ALKALOID AD Skopje - a long-time supporter of the Macedonian Handball Federation

Recognizing true values in all aspects of our operations and actions is our priority as a successful company. We take our social responsibility seriously, aiming to initiate and contribute to better conditions across society. Sports are undoubtedly an important area for our support.

Supporting sports and sports teams is an additional incentive for the development, improvement and future investment in sports. Handball is our nation's most successful sport, and we are proud to be a part of its success.

Like in business, success in sports relies on determination, clear vision, set goals, dedication, teamwork and a competitive spirit. We proudly support Macedonian handball and are committed to its long-term success. Believing and desiring to help achieve future goals and ambitions, we stand behind our commitment to the sport.



Charitable Activities

Two large-scale blood donation drives at ALKALOID AD Skopje

ALKALOID AD Skopje continued its five-decade-long tradition of blood donation drives for its employees. We organized a large-scale blood donation drive on World Blood Donor Day, 14 June.

Under the motto Donate Blood, Save a Life, in cooperation with the Red Cross and the Institute for Transfusion Medicine, 130 employees collectively gave blood in ALKALOID's Education and Training Center.

Several record-holders among the donors have donated more than 30 times. Many younger employees also donated for the first time, which is a special honour. Young, first-time donors have yet to promote this kind of solidarity within the company. Blood donation is a voluntary act that reflects humanity and solidarity.

Later in the year, in December, due to the great interest from employees, the company organized a second large-scale blood donation drive. At the two blood donation drives, employees donated 290 units of blood. One blood donation can save 3 to 4 human lives.



To further promote voluntary blood giving and express gratitude to its blood donors ALKALOID AD Skopje created a unique visual identity - a logo for the Blood Donors Society. The Society, active for more than 50 years, aims is to promote voluntary blood giving and express gratitude to the many ALKALOID AD Skopje blood donors.

Donate Clothes - Share Kindness!

Keeping with our company values, the company recently organized another charitable drive in cooperation with the Red Cross.

Within two weeks, from 19 to 30 September 2022, employees were encouraged to donate the gently used clothing they do not wear to dedicated drop-off locations at all of our company's facilities.

Since the start, ALKALOID AD Skopje staff enthusiastically participated in the effort, donating roughly 1,900 kg of clothing. The Red Cross has several drop-off containers throughout Skopje and its municipalities, collecting over 4 tons of apparel annually. The clothes are sorted and distributed to various institutions, families, and individuals in need. These donations annually help over 1000 vulnerable people who seek assistance.

This Donate Clothes - Share Kindness action is one of a series of long-standing collaborations between ALKALOID AD Skopje and the Red Cross. This partnership has a significant humanitarian impact, valuing humanity, human solidarity, and social responsibility above all!



Support to the General Public with Informative and Educational Content



60 Seconds of Health! digital campaign

Our company's focus on people has been the core of our corporate culture for almost nine decades. Each individual's health is crucial to our business culture and ethics and is a solid foundation for company growth and development. Therefore, our employees' and their families' well-being and health are our primary focus in our company's growth. In 2022, we launched a digital campaign called 60 Seconds of Health! as part of our corporate communication activities, guided by our maxim Health Above All and keeping up with trends in digital marketing. The campaign aims to raise awareness of individual health care and educate our audience on the importance of healthy habits and lifestyles. As a company with a strong sense of responsibility towards society, we hope this campaign will successfully introduce a new chapter in our efforts to promote health and well-being.

The campaign comprises brief, easily digestible educational videos on various health topics. This campaign starts with the youngest generation because they are our future. The 60 Seconds of Health! videos feature the children of our company's employees, reminding us of the importance of healthy habits in our daily routines.

On 7 April, World Health Day, we released the first 60 seconds of health! video in a series of vlogs promoting health education. This day has been observed annually since 1948, on the eve of the World Health Organization's anniversary, to raise global awareness of important health issues. This year's theme, Our Planet - Our Health, highlights men's interconnectedness with planet Earth since their birth. The issue of a healthy environment is closely related to each individual's health. In the video, we asked the little members of our large ALKALOID family to share their thoughts on what health means to them. While their perceptions may differ from adults', we all agree that health is the most crucial aspect of life.

Support to the professionals



Pronet - a modern digital platform for medical professionals

In 2022, we launched Pronet, a modern digital platform to enhance communication between all stakeholders because people are above all. Pronet is specifically designed to provide continued support to health professionals in their daily care for patients through a modern digitized network for exchanging valuable information in line with global business trends.

Providing quick and easy access to the latest scientific information, educational content, and valuable tools, Pronet will help digitize and modernize our communication with medical personnel and the public. Health professionals in the country will have straightforward access to the latest evidence-based clinical guidelines and proven medical practices, helping them in their work.

Pronet also contains detailed information about ALKALOID's pharmaceutical product portfolio, including registered drugs, medical devices, and nutritional supplements. It includes expert content from various medical branches and specialities grouped by therapeutic area and offers innovative digital tools, expert methodology calculators, diagnostic tests, and anamnestic questionnaires. The platform also contains scientific papers, technical articles and elaborations from eminent names in Macedonian healthcare, and news about events, webinars, and symposia.

We continue to consistently promote professionalization in all segments of our key activities. Our mission is to turn ALKALOID Pronet into a detailed and relevant medical news source for healthcare professionals in our country, and we see it growing into a regional platform.



ALKALOID AD Skopje – the main supporter of the Third Balkan Pediatric School in Skopje

As part of the Third Balkan Pediatric School with International Participation, held from 26 October to 28 at the DoubleTree by Hilton hotel, our company had a symposium for the professional audience presenting the Becutan Sensitive skin care products for children from the Becutan product portfolio. The renowned neonatologist Prim. Dr Marina Pop Lazarova presented the portfolio to many paediatricians and paediatry-related professionals. She shared the latest findings from the research conducted in cooperation with many maternity wards in Macedonia.

We used this opportunity to present the Becutan KidsVits line of nutritional supplements and medicinal products, formulated using the latest scientific knowledge, pharmaceutical standards and health recommendations.

A hundred professionals from the paediatric and related fields attended the Third Balkan Paediatric School with international participation, organized by the Macedonian Paediatricians' Association. The three-day event's rich program involved eminent lecturers from throughout the world. The professional part focused on several main topics: rare diseases, neonatology, autism, neurology, immunization, pulmonology and allergology.





ALKALOID AD Skopje hosted hundreds of international participants at the VII Pharmacy Congress

Consistently supporting professional, scientific, and research events impacting the development of pharmacy and medicine in the country and abroad, we were again the main supporter of the VII Pharmacy Congress with international participation, held from 5 to 9 October 2022 in Ohrid. As the event's platinum sponsor, we helped organize the Congress, which focused on modern trends in pharmacy and the opportunities and challenges in this dynamic business.

We organized a separate symposium within the formal program to discuss pharmacists' past, present, and future roles. With professional lectures by eminent experts, the symposium answered critical questions about pharmacists' ubiquity throughout the pharmaceutical business's development.

More than 850 guests from ALKALOID's international representative offices and headquarters attended the Congress. Participants agreed that every opportunity to meet and exchange experiences adds value to the company, which always prioritizes its employees. ALKALOID's long-term regional collaborators were confident that the successful cooperation, which often lasts for decades, is primarily due to the product quality and the way the company values and collaborates with all stakeholders.

Our company will continue to invest in education, new technologies, equipment, knowledge, and staff, applying the strictest pharmaceutical industry standards. These postulates are deeply rooted in our business strategy.

Support of Sports, Culture and Education



Sports in ALKALOID

The progress of individuals, communities, and companies is contingent on the advancement of society. As an organization committed to improving, promoting, and supporting the community across all social spheres, we recognize the importance of supporting and nurturing sports.

Guided by our motto Health Above All, we consider sport one of the most vital activities that promote a healthy lifestyle. Therefore, we wholeheartedly and consistently invest in sports as part of our corporate social responsibility and culture.

Sports have always played an integral role in ALKALOID'S history and remain central to our operations.

Supporting Macedonian sports is a privilege, and all ALKALOID employees are proud of our direct involvement and contributions to sports. We take great pride in our sports clubs - two handball clubs, HC Alkaloid and HC Multi Essence, and one chess club, CC Alkaloid.





Two handball clubs were established - HC Alkaloid and HC Multi Essence

HC Alkaloid's historic season was crowned with a championship trophy

HC Alkaloid, established in 2021, primarily aims to guide young handball talents with the potential and desire to develop into top players with positive life values.

The club's vision is to meet the professional standards of European handball, promoting modern handball and elevating the game to its highest level. Its mission is to turn young talents into skilled handball players, applying specific training and professional techniques.

In their debut season in the First League, HC Alkaloid had an outstanding performance. Guided by their head coach, the Macedonian handball legend Kiril Lazarov, they qualified for the Super League for the 2022/2023 season. Their junior team also became the new junior state champion, and the youth team finished as the season's Macedonian vice-champion.

ALKALOID AD Skopje established HC Multi Essence in 2022 to form a team of talented young players with the potential to play in the Junior National Team. Our clubs have a large base of 98 registered handball players divided into five teams competing in three age categories: U14, U16, and U18. HC Alkaloid pays particular attention to the youngest players, opening handball schools in Skopje and other Macedonian cities. Over 500 children participated in HC Alkaloid's handball schools in its inaugural season.



ALKALOID AD Skopje opened an educational chess centre

Established on 26 March 1976, the Alkaloid Chess Club is considered one of the best in Europe, with an impressive history of titles. The club's most prestigious achievement was the gold medal at the European Club Cup in Novi Sad in 2016.

The club boasts many championship titles in team and individual competitions, spanning senior and junior categories and male and female competitions. Its players have won several individual European and Olympic medals; triumphed in international tournaments; and earned numerous national championship titles in all tournaments (senior/junior, male/female).

In 2022, the Alkaloid Chess Club established a modern corner for chess education and tournaments for children as young as seven. In two classrooms in the centre of Skopje, the strongest Macedonian grandmasters will work with groups of up to 20 students.

Licensed coaches from the World Chess Organization teach the club's classes. The chess house is open to all players and enthusiasts, not just club members. Chess helps children develop cognitive abilities, enhance concentration during learning, improve analytical thinking and problem-solving, and cultivate team spirit. Professional experts and teachers have praised chess as a valuable activity for children, enabling them to socialize and work together effectively.



The Trajche Mukaetov Foundation awarded 40 new scholarships for the academic year 2022/2023

In its fifteen years of existence, the Trajche Mukaetov Foundation has awarded scholarships to 619 pharmacy and medicine students at St. Cyril and Methodius University in Skopje, investing nearly 120 million denars so far.

The Foundation aims to support pharmacy, medicine, and science projects, mainly by providing scholarships to young, ambitious staff dedicated to these fields.

The Trajche Mukaetov Foundation awarded 40 new scholarships for the academic year 2022/23 following the public call for applications. The Foundation's Management Board selected the 2022/2023 academic year recipients from the shortlist proposed by the Scholarship Committees, composed of representatives of the Foundation, both faculties, and the students.



To keep up with our company's ever-increasing expansion and growing demand for competent and motivated young colleagues, we continually expand our training programs for promising and ambitious pupils and students.

We have successfully implemented the Young Talents Program for several years, which includes internships and partially dual education programs.

Internships

Since 2018, the Young Talents Program in ALKALOID AD Skopje has attracted 205 interns to learn about the company's processes and activities. 40% of them have secured employment with the company.

The program partnered with seven educational institutions, including five higher education institutions. Four higher education institutions are from St. Cyril and Methodius University in Skopje: the Faculty of Pharmacy Skopje, the Institute of Chemistry at PMF Skopje, the Faculty of Technology and Metallurgy Skopje, and the Faculty of Medicine Skopje. The fifth institution is the Faculty of Medical Sciences from the Goce Delchev University in Shtip. The program also collaborates with two secondary schools, Dr Panche Karagjozov medical school and Maria Kiri Sklodovska, both in Skopje.

Most interns who completed an internship and secured employment with ALKALOID AD Skopje were from the Faculty of Pharmacy in Skopje.



Partially dual education

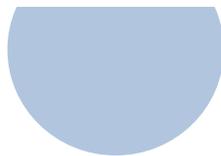
The project for partially dual education has enabled 44 students from the Medical Secondary School Dr Panche Karagjozov Skopje to acquire and apply new skills in actual processes within the company. These students underwent a recruitment and selection process before participating in the program.

The first academic year for the Pharmaceutical Technician in the Pharmaceutical Industry program in partially dual education ended in July 2022. The program, conducted in cooperation with MSS Dr Panche Karagjozov Skopje, had 22 students.

The program's fourth year began in September 2022 for the existing class. New class of 22 students started in the third year of the 2022/2023 generation.

Interns and students can study and perform practical training in existing departments and the training laboratory in the Lafoma Training Center, equipped with the most modern equipment and specially designed for education and training.





ALKALOID employees traditionally take part in the Wizz Air Skopje Marathon.

As they do every year, ALKALOID employees participated in the 18th WizzAir Skopje Marathon on 2 October 2022.

A total of 457 employees participated in the event, with 396 runners in the 5 km race, 57 in the half marathon, and four in the full marathon. The ALKALOID team members who participated in the marathon showed that team spirit is an equally critical driving force in the workplace and other fields of life.

Despite the fierce competition, our women's team finished third out of 141 in the 5 km race, while the men's team finished fifth out of 141. The women's team finished eighth in the half-marathon race, while the men's team finished fifteenth.

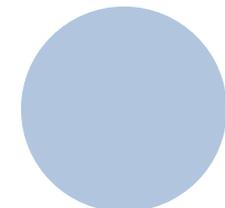


Improving Working Conditions and the Importance of Employee Satisfaction

New investment dedicated to employees: AlkCoffee - another step towards better working conditions at ALKALOID AD Skopje

We prioritize human capital and employee satisfaction in our business policy and daily operations, resulting in a new investment project for our employees at the Avtokomanda site - a corner for short breaks named AlkCoffee. Our commitment to collective success includes quality use of break time. This project provides a pleasant atmosphere for employees to rest responsibly and interact with colleagues.

As part of our ongoing commitment to protecting the environment and following world trends for green energy, we installed three smart desks that allow employees to charge their mobile phones and laptops using solar energy.





AlkaCanteen - a new meal selection software tool

We continually invest in modernizing, digitizing, and improving processes and tools, not only for our end products. We believe that caring for our employees involves a pleasant and healthy work atmosphere and equipment and tools to enhance every aspect of our operations.

Keeping up with the global trends, our recent investment, the AlkaCanteen software, allows employees to select their preferred meals and improves the overall quality of the working environment.





Environmental Protection

Riding a bicycle protects the health and the environment

The German baron Karl Freiherr von Drais created the first bicycle in 1817, which has undergone many improvements. Now it is recognized as a simple, affordable, sustainable, and healthy means of transportation that benefits people's health and the environment.

Today, there are estimated over one billion bicycles in the world.

Cycling to work is a well-established practice in our company. To mark World Bicycle Day in 2022, we created new bicycle parking lots to accommodate our employees, bringing the total to 120 lots!



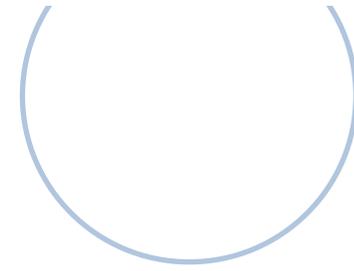
Green action Plant a Tree for the Jubilee initiated by the British Embassy in Skopje

At the invitation of the British Ambassador Matthew Lawson, the CEO and President of the Management Board, Zhivko Mukaetov, attended the Plant a Tree for the Jubilee event organized by the British Embassy in Skopje. Representatives of the State Enterprise National Forests and business community members also participated in the event.

Our company joined the Tree Planting Initiative project with great attention and pleasure. Our financial donation helped prepare one hectare of land and purchase 2,500 maple and acacia seedlings for afforestation activities.

This small but significant gesture once again sends a message and emphasizes that improving the environment in which we live and work should be a top priority for all companies, communities, and individuals.





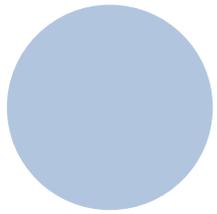
Crisis management

Operational-tactical drill for ALKALOID employees

Employees from several company units participated in a simulation drill in case of an emergency. In the exercise, we cooperated with the Skopje Fire Brigade, supervised by the Protection and Rescue Directorate and supported by the Atomic Biological and Chemical Defence Unit of the Macedonian Army. The drill aimed to prepare employees to use the procedures in case of a large chemical spill that could cause a fire.

There were various activities before the drill, including drill planning, defining the location and scenario, scenario testing, and theoretical training provided by external experts.

The Protection and Rescue Headquarters, Security and Protection and Defence, Protection, Rescue and Crisis Management departments organize such drills at all company sites.



Awards, Recognitions and Certificates

ALKALOID AD Skopje was recognized as The Company Investing the Most in OSH for Its Employees

In recognition of its good practices, ALKALOID AD Skopje received the company Investing the Most in OSH for Its Employees award in 2021. The award came on 28 April, the World Day for Safety and Health at Work, at the conference organised by three civil society organizations for safety and health at work attended by representatives of the Macedonian Ministry of Labour and Social Policy, the National OSH Council, and the International Labour Organization.



ALKALOID AD Skopje celebrated 25 years of successful cooperation with "Quality Austria"

Award "25 years ISO 9001 certified", Quality Austria



ALKALOID's activities included among the best social responsibility practices for 2021

In 2021, our Photovoltaic Power Plant project won the national best practices award in social responsibility in the Attitude towards the Environment by Large Companies category. The Ministry of Economy and the Coordinating Body for Corporate Social Responsibility presented the award.

In 2021 we also received the National Award for best practices in social responsibility for our People Above All project in the Ethical Management in Large Companies category. This award also came from the Ministry of Economy and the Coordinating Body for Corporate Social Responsibility.

We were also acknowledged for participating in the national Best Practices Award in social responsibility for our Young Talents - Internships at ALKALOID AD Skopje Program in 2021. The award was in the Investment in the Community by Large Companies category. It also came from the Ministry of Economy and the Coordinating Body for Corporate Social Responsibility.





In 2021, the Ministry of Economy and the Coordinating Body for Corporate Social Responsibility recognized our company for successfully implementing social responsibility practices. The Protection of Employees During COVID-19 project was awarded in the Attitude Towards Employees in Large Companies category.



In 2021 we also received a certificate for successfully implementing social responsibility practices for the Photovoltaic Power Plant project. It was awarded in the Attitude Towards the Environment by Large Companies category.



Furthermore, in 2021 our company received a certificate for successfully implementing social responsibility practices for the People Above All project. This award was in the Ethical Management in Large Companies category.

Awards by the Macedonian Stock Exchange

Stock of the Year in 2022, by public choice

Stock of the Year for the highest increase in turnover in 2022

Glass Bell for the most transparent listed joint stock company in 2022, chosen by the media

Glass Bell for the most transparent listed joint stock company in 2022, chosen by market participants



ALKALOID AD Skopje - winner of the Corporate Philanthropy Award in 2021



ALKALOID AD Skopje - winner of a plaque for long-term contribution and exceptional development as a founder and premium member, awarded by the European Business Association (EBA)



Certificates

COMPANY CERTIFICATION ID CARD

- MALMED - GMP compliance certificates
- JAZMP - GMP compliance certificates
- MINPROMTORG - GMP compliance certificates
- SMDS - recognition of GMP compliance certificates
- ISO 9001, ISO 14001, ISO 13485, and ISO 45001 certificates
- FSSC 22000 certificate
- HACCP certificate
- HALAL certificate
- EU, JAS, USDA-NOP and RNM certificates for organic production
- CE certificate
- Kosher





A close-up photograph of several green leaves covered in water droplets, set against a blurred green background. The droplets are in sharp focus, reflecting light. A large white circle is overlaid on the right side of the image, containing the text 'III. Environment'.

III. Environment

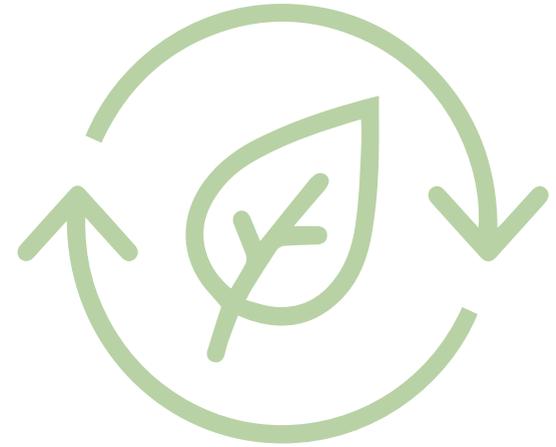


III. Environment

ALKALOID AD Skopje is a global, socially responsible company committed to the environmental, social and corporate impacts and the company activities' impact on the people and environment.

ALKALOID AD Skopje created its strategy by applying and nurturing sustainable environmental responsibility, environmental industry policies, environmental and sustainable design, environmental education, circular economy, renewable energy and environmental development, with the ultimate goal of creating sustainable company environmental values.

In its business strategy, ALKALOID AD Skopje makes it a priority to create a healthier environment for the community. We reach this by applying the latest achievements in sustainable environmental development, making the Environmental Management System (EMS) a part of the Integrated Management System (IMS), setting sustainable environmental goals and key measurement indicators and applying GRI standards as an ESG reporting framework.



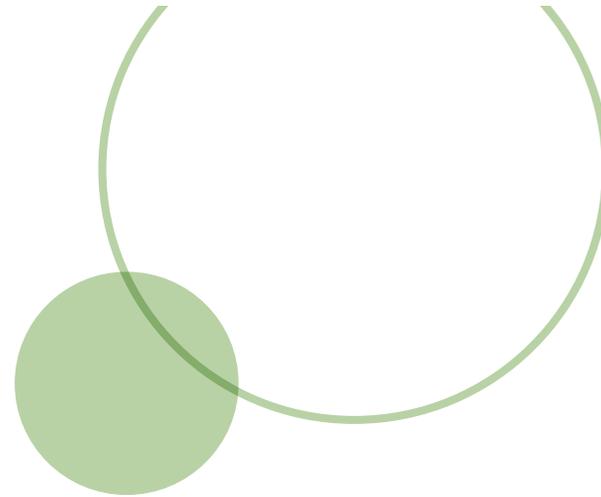
The established practices for environmental aspects management, teamwork and selfless employee investment are the essential features of a sustainable EMS for a healthy environment for all.

In all our activities, we strive to improve environmental performance primarily through the following:

- producing renewable energy;
- promoting energy efficiency in all activities and processes;
- continuously applying good waste management practices;
- avoiding, reducing, reusing and recycling waste;
- developing environment-friendly products;
- following and using the latest innovations in water resources management for more efficient water consumption;
- following and applying the latest innovations in energy efficiency, transportation and manufacturing systems to better achieve climate neutrality.

We enclose the key elements and improvements to the EMS system and the system for monitoring the impacts and compliance with the national legislation and other requirements, the projects for environmental performance improvements, and the achievement of sustainable environmental goals and key measurement indicators for 2022.

In addition to the national legislation, we use the GRI standards as a guidelines for ESG reporting.



Environmental Management System

All organizational units of ALKALOID AD Skopje, ALKALOID KONS, ALKALOID DOO Belgrade and ALKALOID Veleđrogerija DOO Belgrade have established ISO 14001-compliant EMS.

The EMS is part of IMS policy of ALKALOID AD Skopje.

IMS policy

IMS policy of ALKALOID AD Skopje defines the management's statement about its commitment to preserving the environment.

ESG policy

ALKALOID AD Skopje constantly strives for a healthier world, superior product and service quality, high professionalism, and continuous success. Our imperative is to protect the interests of all stakeholders. Our primary concern is to care about every person's health and quality of life, the healthcare system, and the environment. We are committed to continuously improving people's health, reflected in our motto, HEALTH ABOVE ALL!

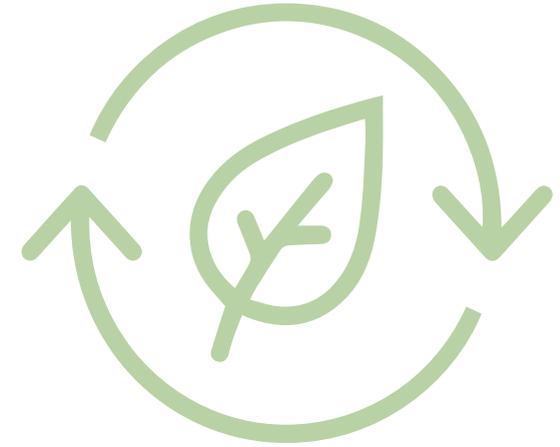


Energy policy

ALKALOID's energy policy defines the management's commitment to promoting long-term economic, environmental, and social sustainability by reducing energy intensity, improving energy performance and efficiently managing energy resources.

Waste Management Policy

It defines ALKALOID's approach to waste management by applying the UN sustainable development principles and the Waste Framework Directive 2008/98/EC guidelines.

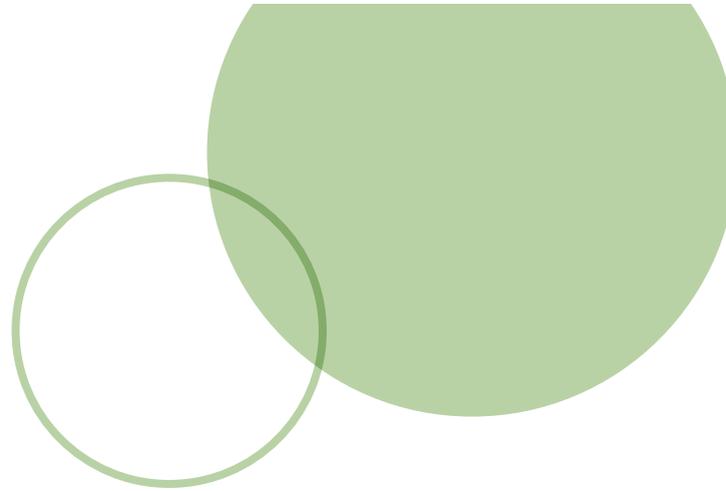


Carbon Footprint Policy

This policy aims to define the approach to managing ALKALOID's carbon footprint by applying the UN sustainable development principles and the European Commission's European Green Deal guidelines to reduce the negative impacts of climate change.

Water Footprint Policy

It defines ALKALOID's approach to managing water use by applying the UN sustainable development principles (SDG6) and the European Commission's Water Framework Directive 2000/60/EC guidelines.



Environmental aspects (EMP)

ALKALOID AD Skopje has a system for identifying and evaluating the environmental aspects of its processes. The identified aspects are monitored and observed periodically following the environmental legislation requirements.

The legislation on environmental emissions, parameters and monitoring frequency is defined in:

- Integrated “A” environmental permit for PC Pharmacy at the Autokomanda plant UP1-11/3 no. 466/2021;
- Integrated “A” environmental permit for PC Pharmacy at the Gjorce Petrov plant UP1-11/3 no. 704/2021;
- Integrated “A” environmental permit for PC CCB, Chemistry Program at the Gjorce Petrov plant UP1-11/3 no. 705/2021;
- Environmental elaborate for PC CCB, Cosmetics Program at the Gjorce Petrov plant no. 08-3931/1;
- Environmental study for PC CCB, Botanicals Program at the Aerodrom plant no. 08-4743/2.

AIR EMISSIONS

Measurement of air emissions in the above documents is defined as follows.

1. Ten measuring points for sampling and air quality monitoring (quarterly measurement) defined at PC Pharmacy at the Avtokomanda plant:

- A1, A2 and A8 – discharges from the boiler room, emitting polluting substances in the air with waste gases: solid particles (SPM), CO, CO₂, NO_x, SO₂ and solid dust particles;
- A3, A4, A5, A6, A7, A9, A10 – discharges from the dedusting system, placed in the Pharmaceuticals Manufacturing Department, expected emissions of solid particles (PM) in the air with waste gases.



2. Five measuring points for sampling and air quality monitoring (quarterly measurement) defined at PC Pharmacy at the Gjorce Petrov plant (manufacturing of cephalosporins and pharmaceutical raw materials):

- A1, A2, A3 – discharges from the dedusting system installed in the cephalosporins manufacturing plant, emitting solid particles (PM) in the air with waste gases;

- A4 and A5 – discharges from a local ventilation system installed in the pharmaceutical raw materials manufacturing plant, expected emissions of Volatile Organic Compounds (VOC) in the air with waste gases.



3. Eleven measuring points for sampling and air quality monitoring (quarterly measurement) defined at PC CCB, Chemistry Program, at the Gjorce Petrov plant:

- A1, A2 and A3 – discharges from the boiler room, emitting polluting substances into the air with waste gases: solid particles (SPM), CO, CO₂, NO_x, SO₂ and solid dust particles;

- A4 – discharges from the hood above the reactor (oxides-reduction process for obtaining silver salts) in the plant for inorganic syntheses, emitting nitrogen oxides, silver (Ag) and water vapour in the air with waste gases.

In addition and seven secondary (smaller) discharges of waste gases and polluting substances in the air and the environment:

- from A5 to A11 – discharges from the hood above the reactors, evaporators, crystallizers and dryers (neutralization, dissolution and evaporation of inorganic chemicals processes) at the plant for inorganic syntheses, expected emissions of water vapour into the atmosphere with waste gases.

4. Four measuring points for sampling and air quality monitoring (quarterly measurement) defined at PC CCB, Botanicals Program:

- two measuring points – discharges from the dedusting system, expected emissions of solid particles (PM) in the air with waste gases;

- A1 and A2 – discharges from the boiler room, emitting polluting substances in the air with waste gases: solid particles (SPM), CO, CO₂, NO_x, SO₂ and solid dust particles.

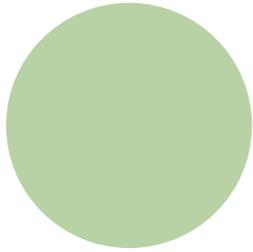
5. No air emissions were identified from PC CCB's Cosmetics Program.

Appendix 1: graphs of the obtained measurements





” ALKALOID AD Skopje has a system for identifying and evaluating the environmental aspects of its processes



EMISSIONS

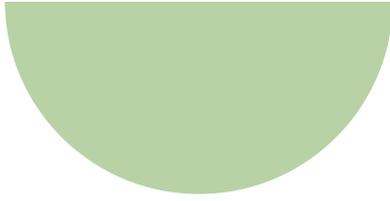
(Reporting is based on GRI 305)

The company has set the principles for calculating and monitoring the GRI 305 emissions standard on its basic processes' substance emissions in the air.

Among the other significant air emissions, these types of emissions include greenhouse gases (GHG), ozone-depleting substances (ODS), nitrogen oxides (NOx) and sulphur oxides (SOx).

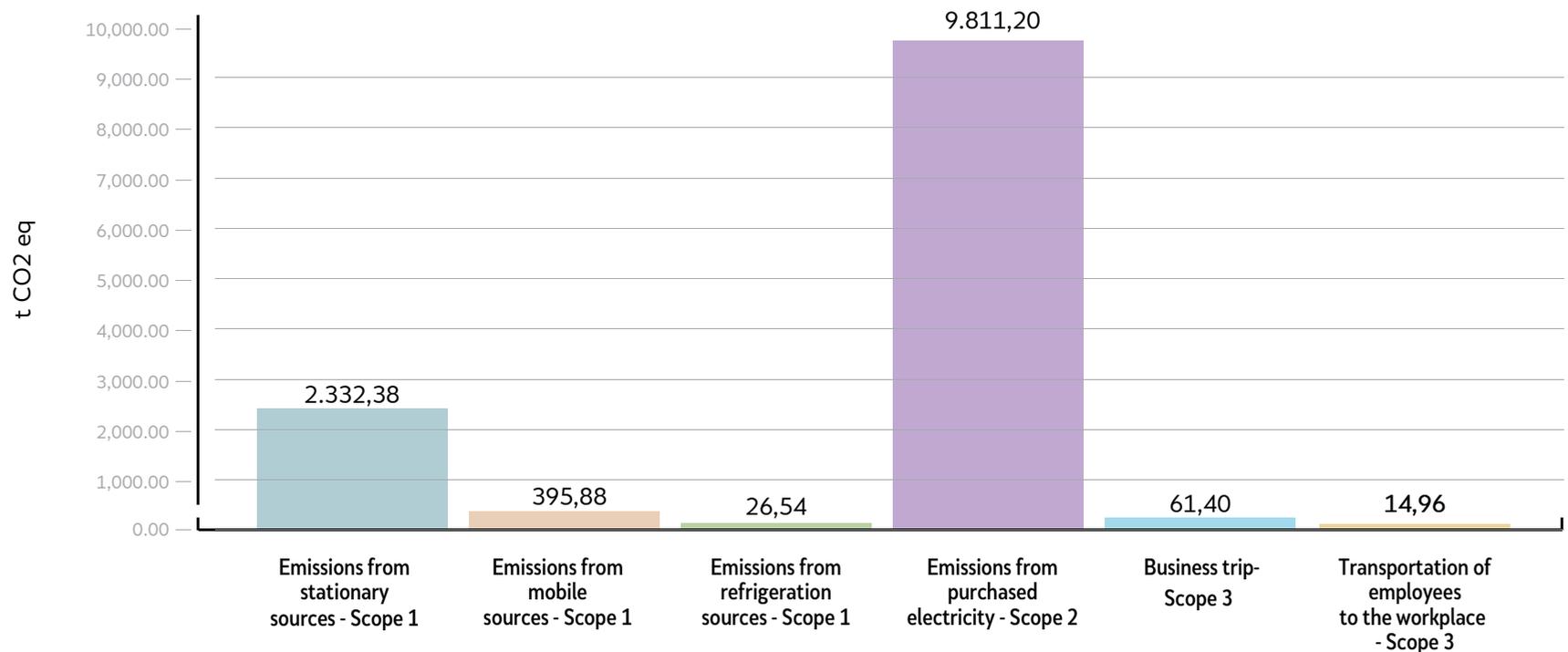
The GRI standard groups air emissions as follows:

- direct (range 1) greenhouse gas emissions;
- energy, indirect (scope 2) greenhouse gas emissions;
- other indirect (scope 3) greenhouse gas emissions.



Measurement indicators under the GRI emissions standards

Green House Gases Emitted in 2022





WASTEWATER EMISSIONS

Measurement of wastewater emissions is defined as follows.

1. Three measuring points for sampling and wastewater quality monitoring (monthly measurement) defined at PC Pharmacy at the Avtokomanda plant:

- C1 and C3 – emission points from Manufacturing – Pharmacy;
- C2 – emission point from Quality Control.

2. Two measuring points for sampling and wastewater quality monitoring (monthly measurement) defined at PC Pharmacy at the Gjorce Petrov plant for cephalosporins and pharmaceutical raw materials manufacturing:

- C1 – emission point from the cephalosporins manufacturing plant and C2 from the pharmaceutical raw materials manufacturing plant.

3. One measuring point for sampling and wastewater quality monitoring (monthly measurement) defined at PC CCB, Chemistry Program, at the Gjorce Petrov plant:

- C1 – emission point from the Chemistry Program manufacturing.

4. PC CCB, Cosmetics Program, monitors wastewater through the emission point of the Chemistry Program manufacturing.

5. One measuring point for sampling and wastewater quality monitoring (annual measurement) defined at PC CCB, Botanicals Program:

- C1 – emission point from the Botanicals Program manufacturing.

Water and effluents

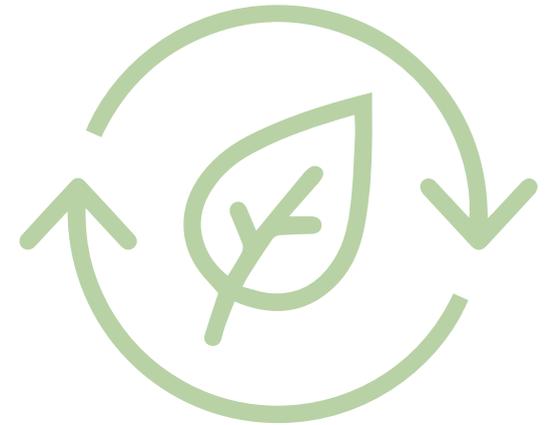
(Reporting based on GRI 303)

The company has set the principles for calculating and monitoring the GRI 303 water and effluents standard on water use and emissions in the aquatic environment that may affect water quality.

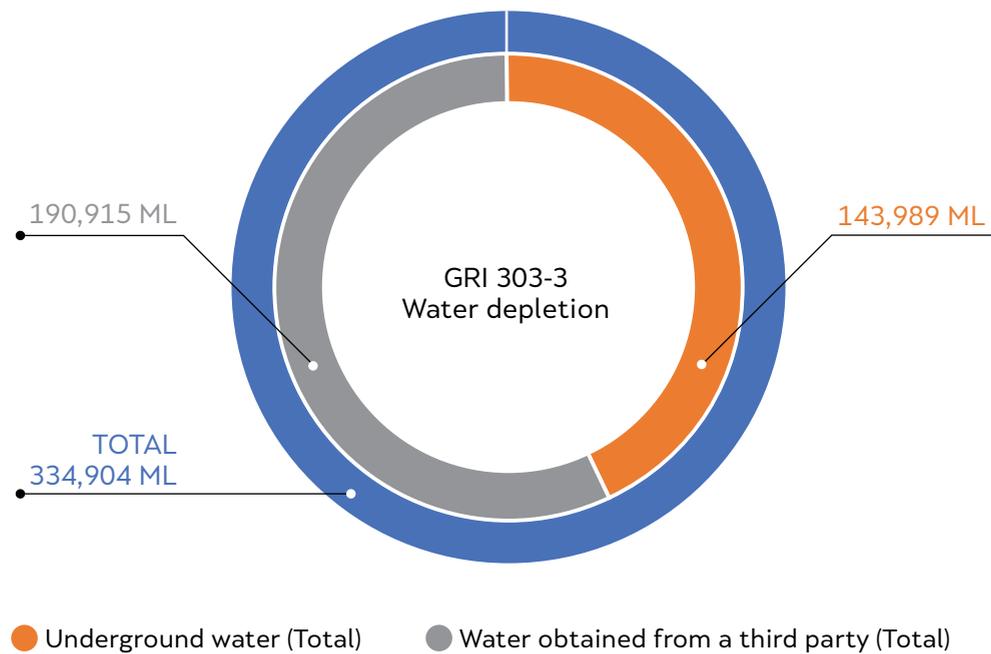
* Measurement indicators under the GRI standards for water and effluents

- Energy income statement

Through continuous monitoring, water checks and water consumption reduction measures, we halved the potential water consumption in the past five years. With the steps planned for the coming years, even better results and complete water independence are possible.



Measurement indicators under the GRI standards for water and effluents

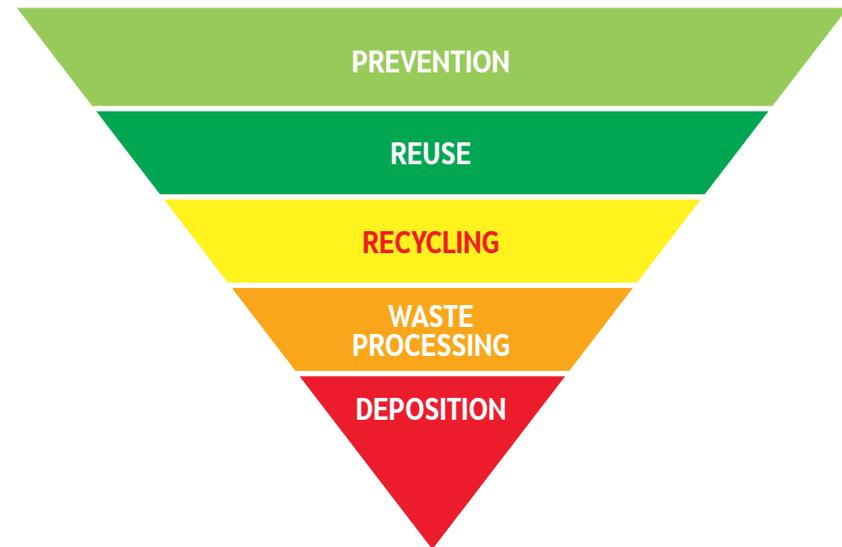


- GRI 303-3 – water depletion



Waste management

The number of errors and the unnecessary use of raw materials must go down for efficient use of materials. However, when materials end up as waste, the efficiency improves by climbing up the five-level waste management hierarchy. The higher the hierarchy level, the higher the value of the output material. Hence, the ALKALOID AD Skopje approach includes using waste materials at higher waste hierarchy levels. Sustainable development is one of the most critical challenges ALKALOID AD Skopje faces. Thus, we continuously work on reducing climate change and protecting the environment from potential impacts on the waste management process. With the ever-growing demand for resources, price increases and lack of resources on the markets, the efficient use of materials becomes a priority among the ALKALOID's operational strategies.





ALKALOID AD Skopje is dedicated to:

- avoiding and reducing waste;
- reusing and recycling waste;
- applying waste management practices, protecting the environment and the community;
- incorporating best risk management and health and safety at work practices into waste management;
- fostering an organizational culture promoting best waste management and resource recovery practices;
- engaging stakeholders and encouraging positive waste management behaviour;
- developing and maintaining environmental frameworks and reporting, promoting data integrity, and enabling transparent communication and continuous improvement.

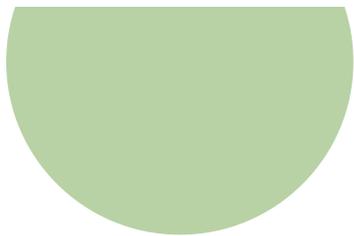




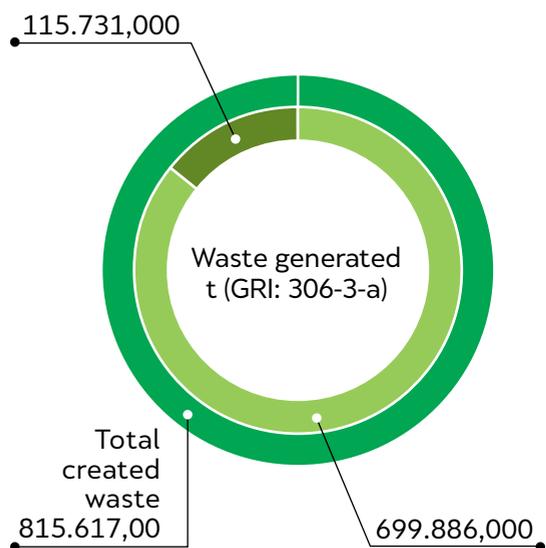
Waste

(Reporting is based on GRI 306)

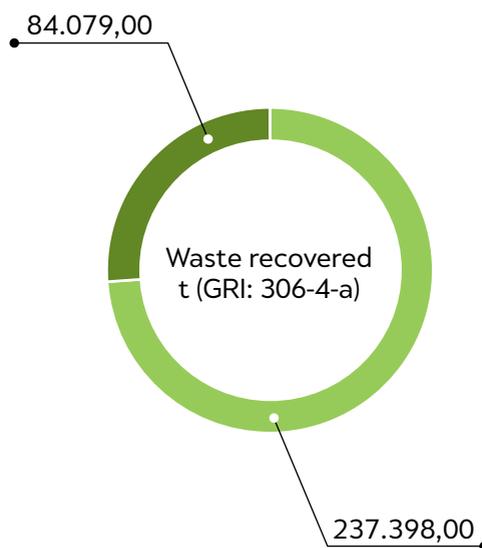
- GRI 306-1 – generation of waste and its significant impact
- GRI 306-2 – managing the significant impacts of waste
- GRI 306-3 – generated waste
- GRI 306-4 – non-landfillable waste
- GRI 306-5 – landfillable waste



Total generated waste Alkaloid 2022



● Non-hazardous ● Hazardous



● Non-hazardous ● Hazardous



● Non-hazardous ● Hazardous

”

ALKALOID AD Skopje recognizes energy efficiency as a priority in its business strategy and its care for the environment



Energy

ALKALOID AD Skopje recognizes energy efficiency as a priority in its business strategy and its care for the environment. The constant concern for energy, which is fundamental in every process, project, product, and capacity, resulted in more significant investment and operational measures implemented in 2022.

We work on continuous reduction of energy intensity; ensure continuous improvement of our energy performance by providing information and resources which help us achieve our directions and goals; we comply with the legal and other requirements on energy and efficient energy use, and undertake energy performance improvements through design and changes in our plants, facilities, equipment, systems, and processes



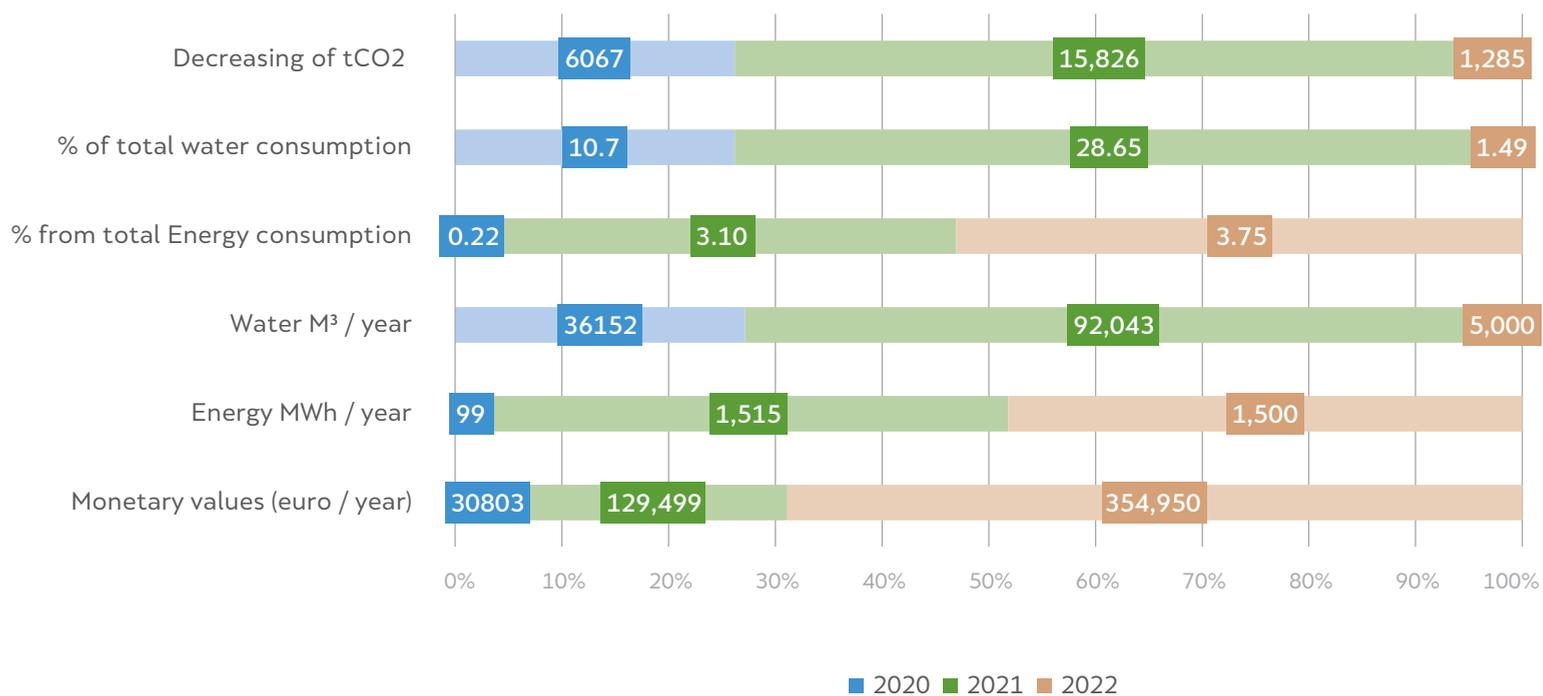


Energy income statement

Through continuous monitoring, energy checks, and energy consumption reduction measures in the past five years, we reduced the potential energy consumption by about 20%. With the efforts planned for the coming years, even better results and complete energy independence are possible.



Achieved reductions from efficiency projects





Energy

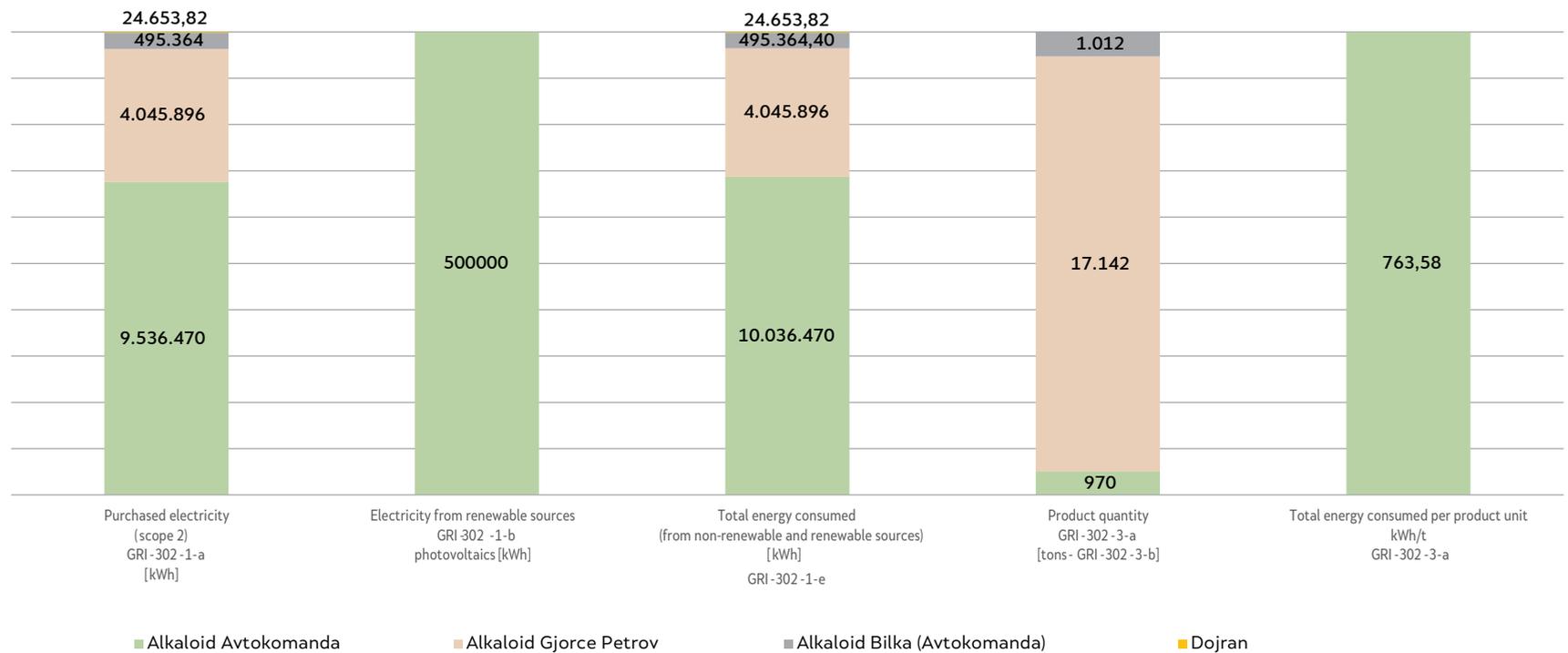
(Reporting is based on GRI 302)

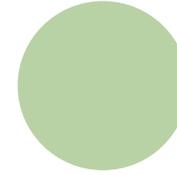
The company has set the principles for calculating and monitoring the GRI 302 energy standard on how the company manages the energy use impacts.

- GRI 302-1 – energy consumption within the company
- GRI 302-3 – energy intensity
- GRI 302-4 – reduction of energy consumption

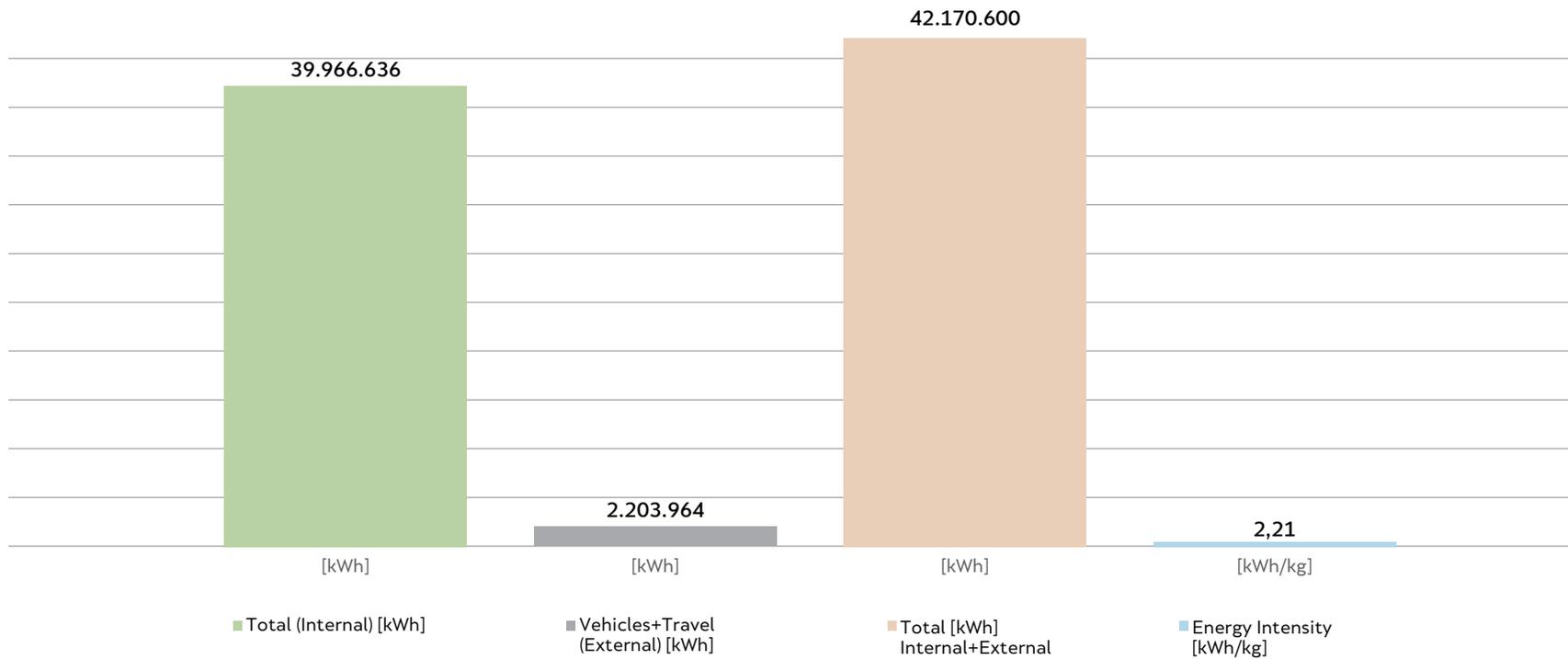


Energy consumption from non-renewable and renewable sources



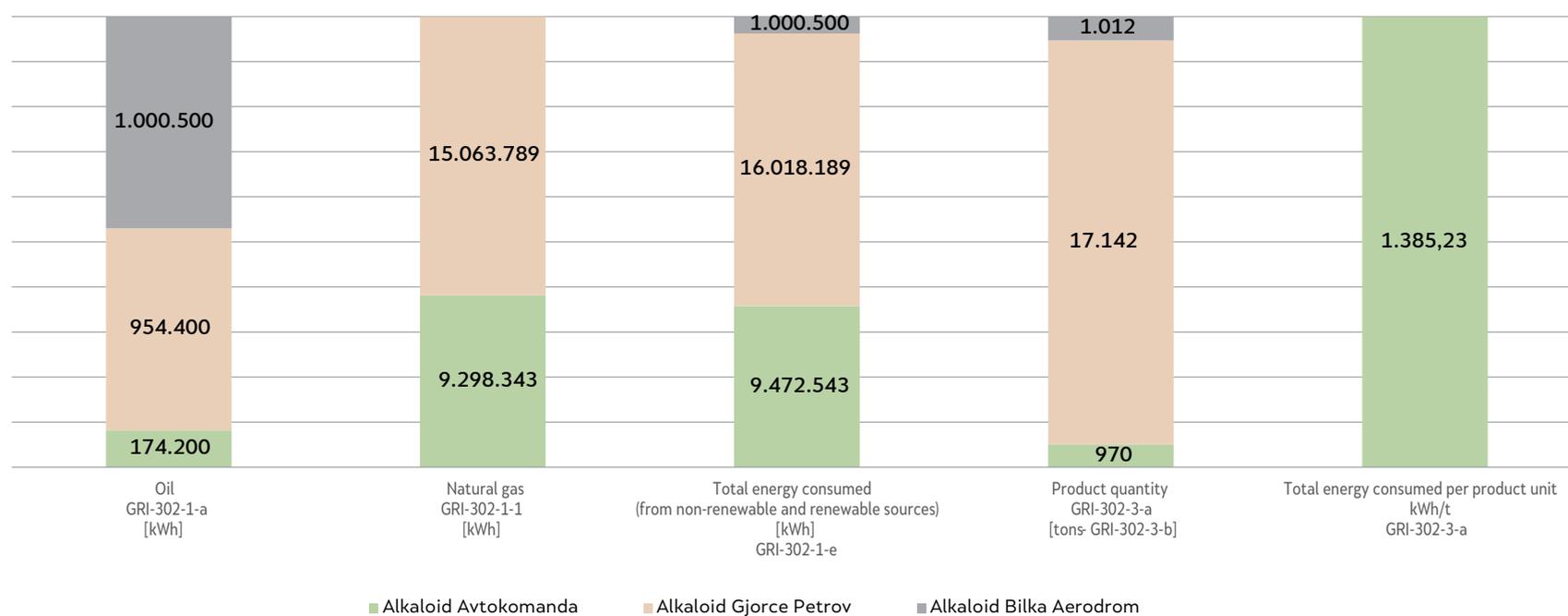


Total Fuel and Energy Efficiency





Energy Consumption for Heating





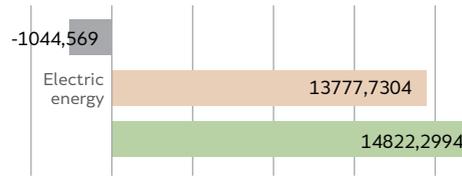
Amount of energy consumption reductions

Amount of fuel consumption reductions
GRI 302-4-a



■ Difference* (reduction) ■ 2022 GRI 302-4-c ■ Base year 2021 GRI 302-4-c

Amount of reductions in electricity
consumption GRI 302-4-a



■ Difference* (reduction) ■ 2022 GRI 302-4-c ■ Base year 2021 GRI 302-4-c

Amount of reductions in natural gas
consumption for heating GRI 302-4-a

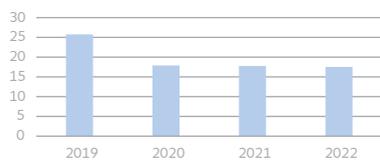


■ Difference* (reduction) ■ 2022 GRI 302-4-c ■ Base year 2021 GRI 302-4-c



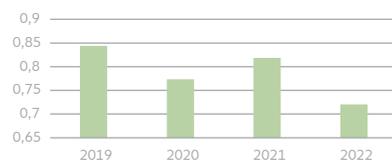
Water resource intensity

Energetic	Measure	Year	Value
Water			
	(m ³ /t)	2019	25,7
	(m ³ /t)	2020	17,9
	(m ³ /t)	2021	17,7
	(m ³ /t)	2022	17,5



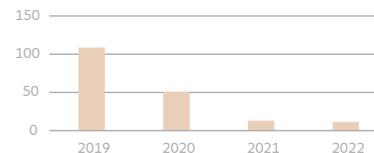
Energy intensity [MWh/t]

Energetic	Measure	Year	Value
Electric energy			
	(MWh/t)	2019	0,84
	(MWh/t)	2020	0,77
	(MWh/t)	2021	0,82
	(MWh/t)	2022	0,72



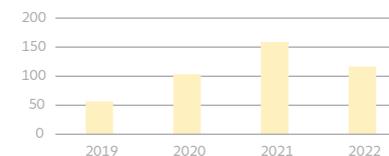
Liquid fuel intensity [l/t]

Energetic	Measure	Year	Value
Liquid fuel			
	(l/t)	2019	108,7
	(l/t)	2020	50,7
	(l/t)	2021	12,9
	(l/t)	2022	11,2



Natural gas intensity [Nm³/t]

Energetic	Measure	Year	Value
Natural gas			
	(Nm ³ /t)	2019	56,7
	(Nm ³ /t)	2020	103,4
	(Nm ³ /t)	2021	159,0
	(Nm ³ /t)	2022	116,9





The image features a background of silhouettes of several business professionals in a modern office environment. They are positioned in front of a large glass wall that reflects a bright, warm light, likely from a sunset or sunrise. The silhouettes are dark against the lighter background. A large, white, semi-transparent circle is overlaid on the right side of the image, containing the text 'IV. Social'.

IV. Social



ENVIRONMENT
SOCIAL
GOVERNANCE

IV. Social



Our company invests a lot of dedication in caring for our employees and in many socially important projects, guided by one of our fundamental values that people come above all. ALKALOID AD Skopje is what it is today thanks to its professional staff, who invest themselves daily in every process and product. We promote and adhere to our core values by promoting the Code of Conduct. In addition to the importance of people, these values also encourage integrity and honesty, value-based leadership and creating the best results together

”

In the Desired Employer Survey conducted by Vrabetovanje.com, as many as 41% of the respondents (601) stated they would work at ALKALOID AD Skopje as one of the most desired employers.



IV. Social

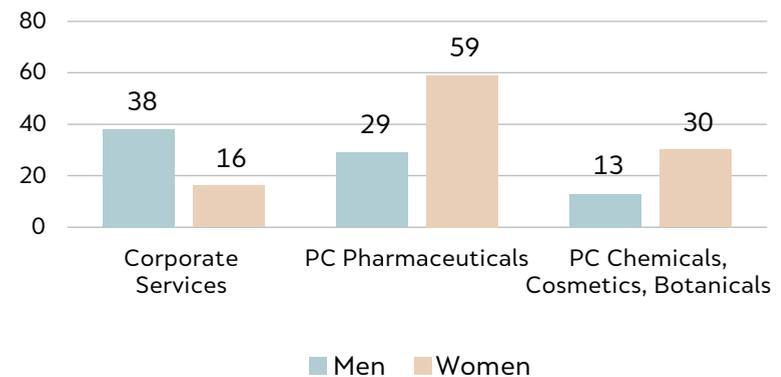
Employees, and the recruitment and selection process

To continuously grow and develop the company, the ALKALOID AD Skopje family is constantly increasing, hiring professional staff, which leads to new achievements. The company currently counts 2.617 employees, 1.975 employees in ALKALOID AD Skopje, 44 in subsidiaries in the country and 598 employees in subsidiaries and representative offices abroad. In 2022, our family increased by 185 employees in ALKALOID AD Skopje. Some of them went through the internal selection process, where we encourage and provide career development for our existing employees.

Last year we actively worked on digitising the hiring process, which resulted in new recruitment and selection software and a new career application.

In the Desired Employer Survey conducted by Vrabotuvanje.com, as many as 41% of the respondents (601) stated they would work at ALKALOID AD Skopje as one of the most desired employers.

Gender Structure of New Hires at ALKALOID AD Skopje





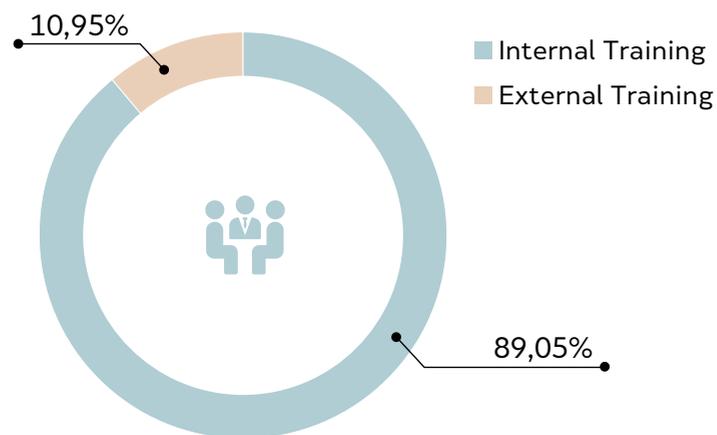
Employee training and development

At ALKALOID AD Skopje, we nurture a culture of continuous investment in the training and education of our employees to upgrade and advance their knowledge, skills and competencies. Our mission is constant career development and improvement for all our employees and following the latest industry trends.

We, therefore, conduct many external and internal trainings annually. The average number of training hours per employee for 2022 is 121.

More detailed information in Annex 3.

Hours of Internal and External Training



IV. Social

Employee satisfaction

We promote a culture of having the opinion and voices of our employees heard, and their opinion and satisfaction are particularly important to us.

1515 employees participated in the annual Employee Satisfaction Survey conducted in September 2021. The employee satisfaction index was **71.74%**. Based on the survey's results, we took several actions and activities in favour of our employees' well-being.

Talent management system and its impact

One of our objectives is to ensure that employees feel valued for their contributions and are adequately awarded and guided in their development based on their performance.

To achieve this, we encourage open communication and have incorporated an evaluation and feedback process which includes 700 employees.

”

1515 employees participated in the annual Employee Satisfaction Survey conducted in September 2021. The employee satisfaction index was 71.74%



”
544 children actively participated in the program.



Employee benefits

We provide benefits to our employees that align with our core values and prioritise their well-being and the well-being of their families. These benefits include a program for the education of our employees' children and supplemental health insurance.

The children's benefits program provides financial assistance for education in foreign languages, computer skills, science and culture, sports, and dance.

In 2022, 544 children actively participated in the program.

Adhering to our motto, **Health Above All**, we offer private health insurance to all employees, with favourable options to extend the coverage to their families.

Young Talent Program

We've run a successful program for young talents for five years, offering internships and partial dual education. 205 interns from various educational institutions learned about ALKALOID's activities and processes, and 80 have continued their careers with us.

Our partial dual education project has benefited 44 talented and ambitious students from the secondary medical school "Dr Panche Karagjozov.- Skopje." The program has allowed them to gain practical skills in actual company processes.

We continuously invest in educating young professionals in our country by providing them with opportunities to learn practical skills, on-the-job and in our state-of-the-art Education and Training Centre. The centre includes a training laboratory with modern equipment and work environment, giving pupils and students a unique learning experience.

We plan to continue this approach in the future to maintain our growth.



IV. Social

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We implement an equal opportunity and treatment policy for all, creating an atmosphere where every employee has the opportunity to showcase their values and contribute to greater corporate success.

Fair treatment of all employees

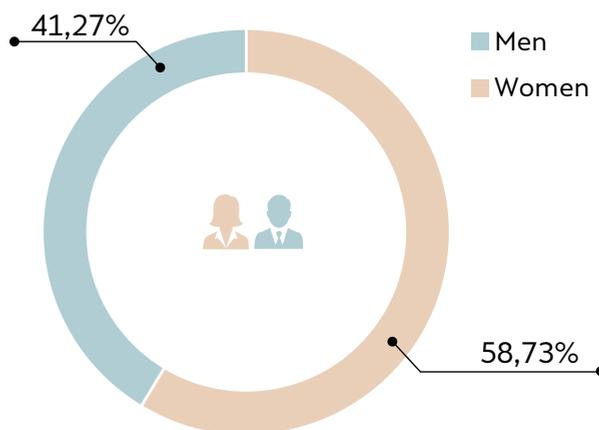
In daily communication and the selection of colleagues, partners, job candidates, customers and employees, we adopt a non-discrimination policy on all grounds. Following our core values, we promote diversity with admiration and empathy.

We implement an equal opportunity and treatment policy for all, creating an atmosphere where every employee has the opportunity to showcase their values and contribute to greater corporate success.

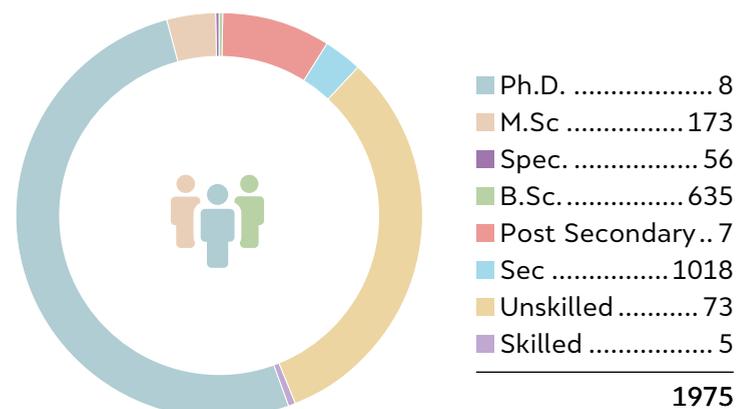
At ALKALOID AD Skopje, we employ individuals with various education levels and promote a culture of equal gender representation.



Employee Gender Structure at ALKALOID AD Skopje



Employee Educational Structure at ALKALOID AD Skopje





Occupational safety
and health



Occupational Safety and Health (OHS) management system

(Reporting is based on GRI 403-1)

The Occupational Health and Safety System is integral to ALKALOID's integrated management system. The company's motto, Health Above All, emphasises the importance of the safety of all employees, partners and those involved in the company's operations and processes. The company is committed to reducing workplace risks and continuously improving its safety and health system, meeting national legislation requirements and international regulations and standards, such as ISO45001.

In 2021, the company invested an average of €1,320 per employee. Local NGOs recognised it as the "Employer with the Biggest Investment in Safety and Health at Work" on World Day for Safety at Work. The system covers all aspects of daily processes and operations and aims to improve safety and working conditions for all employees and contractors. The company employs several occupational safety experts and also seeks the services of authorised external experts.

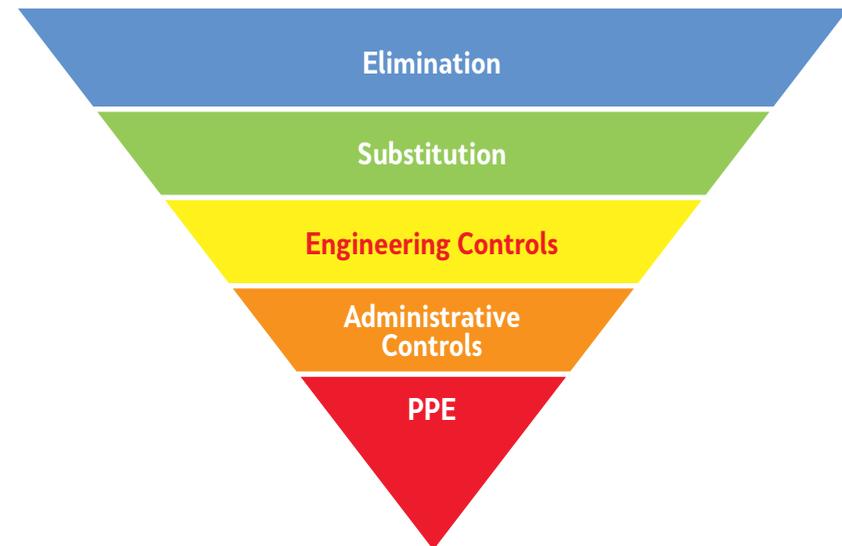
Health and safety

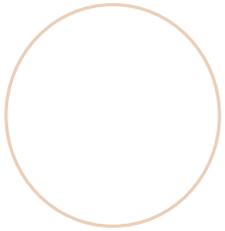
Hazard identification, risk assessment and incident investigation

(Reporting is based on GRI 403-2)

The foundation of ALKALOID's OHS System is workplace risk assessment. To accurately identify general and specific risks, the company conducts various activities and then implements control measures in a hierarchy: elimination, replacement, engineering controls, administrative controls, and personal protective equipment. The ultimate goal is to minimise the possibility of workplace injury.

In addition to conducting workplace risk assessments and implementing resulting safety measures, the company also uses other tools and methods to recognise and control work-related risks and dangers. These efforts aim to reduce these hazards to an acceptable level that established measures can manage.



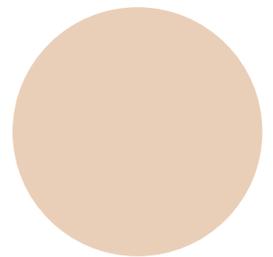


One tool that ALKALOID AD Skopje uses is an incident investigation procedure. This procedure, a legal requirement in the event of an injury, also investigates near-miss incidents to determine the root cause and implement technical, organisational, and preventive measures, including PPE, to prevent similar occurrences and injury risks.

The company also conducts regular and unscheduled tours, inspections by internal and external bodies, and checks by workers' representatives to identify any shortcomings and opportunities for improvement. Hazard identification and risk assessment are integral to the change control process (changes in technology and equipment, changes to workspaces, etc.).



Indicators for identification of occupational hazards and risks in 2022	
Total updated risk assessments	26
Total reported near-miss incidents	17



Health and safety

Occupational Medicine Statement

(Reporting is based on GRI 403-3)

ALKALOID AD Skopje places high importance on the health and well-being of its employees and bases the OHS system on it. The company has signed contracts with several authorised occupational medicine institutions to support this. All employees undergo required health examinations, based on estimated workplace risks, performed by experienced specialists in occupational medicine from contracted authorised institutions.

The following data resulted from the health examinations performed in 2022:

Cooperation agreements with occupational medicine health institutions	4
Preventive health check-ups	Number of employees
Total preventive health check-ups in 2022	1991
Recommendations for follow-up check-ups or other recommendations	83

Health checks aim to monitor and assess employees' health and work capabilities. In line with internal procedures, they are conducted during work hours, and the information in the reports is strictly protected according to the country's legal requirements.



Employee participation, information, and consultation

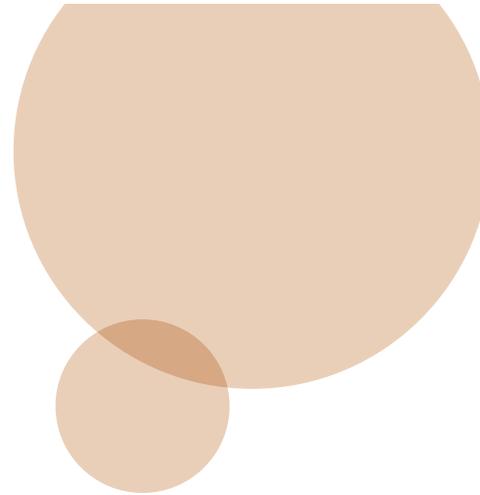
(Reporting is based on GRI 403-4)

Communication is another significant segment in the achievement of the OHS objectives. To effectively communicate and ensure the health and safety of employees, ALKALOID AD Skopje has established practices to facilitate the flow of information. Employee participation is encouraged through the appointment of worker representatives, whose rights and responsibilities are described in the Rulebook for the workers' representatives for safety and health at work, which was adopted by the top management. The Board for Occupational Safety and Health, in addition to an employee representative (coordinator), includes a representative from management and an appointed occupational safety expert.



The Board plays a crucial role in monitoring compliance with work safety and health regulations, preventing workplace risks, and safeguarding employee health and safety. It makes recommendations and gives its opinion on all aspects of the company's safety and health management system.

Health and safety



Occupational safety and health training

(Reporting is based on GRI 403-5)

One of ALKALOID's strengths is its competent and dedicated workforce. Management and leadership are dedicated to continuously increasing that competence through various training programs, knowledge upgrades, workshops, etc. In addition to mandatory training, if a need for updating a topic is determined through previously mentioned tools and methodologies, it is done through workshops or targeted training in safety and health at work. Following national legislation and the applied standard, training is mandatory for all ALKALOID AD Skopje employees. The established training program aims to familiarise employees with the risks associated with each individual job. As such, safety and health at work training is implemented with every new hire, relocation to a new job, or introduction of new equipment or work tools.

The training occurs during work hours, and the company fully covers the cost. In addition to basic, legally mandated safety and health trainings, employees are introduced to emergency procedures, including fire protection training. This training familiarises employees with the use of fire extinguishers, evacuation guidelines, and exit locations. Furthermore, employees receive first aid training in compliance with legal requirements. The consistent implementation of these procedures helps reduce the risk of workplace injuries and maintains a safe and healthy environment for all employees and visitors.



Occupational safety and health training in 2022	Number of employees
Number of conducted trainings required by law	775
Number of conducted OHS trainings	300
Number of conducted first aid trainings	45
Number of conducted fire protection trainings	610

Health and safety

Promoting and improving employee healthcare

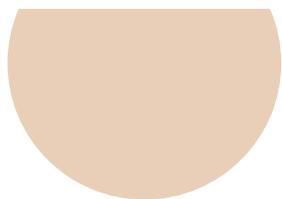
(Reporting is based on GRI 403-6)

Caring for employee health and well-being is a crucial principle in our company's daily and overall operation. Our company prioritises protecting and caring for its employees while performing their daily work, including access to quality health services. To achieve this goal, we implemented a voluntary private health insurance program for all employees starting in 2020. This program provides easy and affordable access to top health services in private institutions across the country, with all related costs covered by ALKALOID AD Skopje.

Moreover, in collaboration with our partners, we provide free access to sports fields and halls for employees to play sports and unwind after work.

Our healthcare programs cover not only employees but also their families. Hence, ALKALOID AD Skopje promotes the health and well-being of all employees' children by financing extracurricular activities, including sports, for one school year.





Prevention and reduction of business-related safety risks

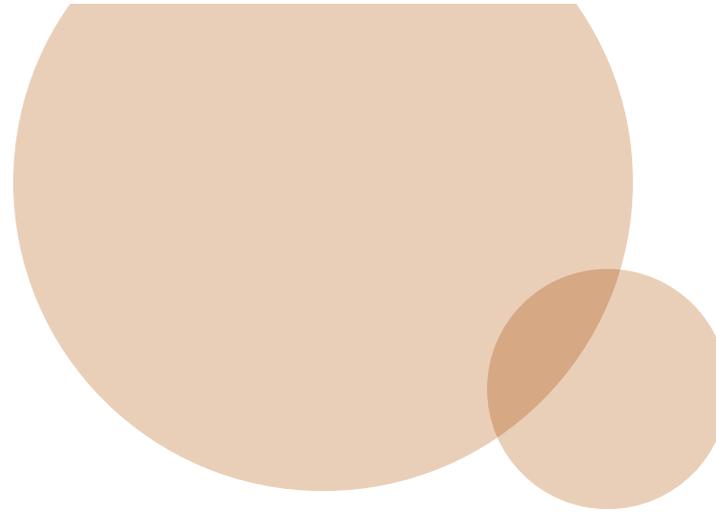
(Reporting is based on GRI 403-7)

ALKALOID AD Skopje has a comprehensive system for ensuring safety and health at work for all contractors and subcontractors with whom it has a formal business contract. This contract outlines all obligations required by national legislation to start the contract execution and includes:

- the professional and technical expertise of external contractors;
- the use of personal protective equipment (PPE);
- preparation of an OSH plan before starting work;
- the obligation to supervise work performance;
- the functionality of equipment to be used, etc.

ALKALOID AD Skopje commits to educating all external contractors on potential risks, rules of order and discipline, and emergency procedures before activities start. The company also performs ongoing monitoring of the implementation of safety measures to protect contractors' employees.

Health and safety



Employees covered by the OSH management system

(Reporting is based on GRI 403-8)

ALKALOID AD Skopje implements its OSH system for all employees, regardless of their employment type, hours worked, location, etc. It includes those employed directly by our company and by other legal entities who work within our company under an agreement.

Our system undergoes regular internal and external assessments, as per a pre-determined program, to evaluate its effectiveness and identify opportunities for improvement.

Injuries at work

(Reportings based on GRI 403-9)

Work-related injuries of company employees	2022
Number and rate of deaths	0
Number of severe injuries	0
Rate of severe injuries	0
Number of registered injuries	44
Rate/frequency of registered injuries per 1,000,000	11,36
Injury Severity Rate	21,44
Number of injuries / 1000 employees	19,66



Statement on occupational diseases

(Reporting is based on GRI 403-10)

Number of working hours	3.871.199
Main causes of work-related injuries	Slipping, tripping, falling and unsafe handling
Work-related injuries to workers not employed but under company control	
Number and rate of deaths	0
Number of severe injuries	0

Work-related occupational diseases of company employees	2022
Registered occupational diseases	0
Number and rate of deaths resulting from occupational diseases	0
Work-related Occupational diseases of workers not employed but under company control	
Registered occupational diseases	0
Number and rate of deaths resulting from occupational diseases	0

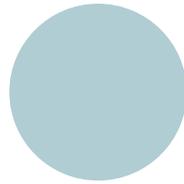




V. Governance



V. Governance



Corporate Governance

Following the adoption and taking effect of the Corporate Governance Code of companies listed on the Macedonian Stock Exchange, ALKALOID AD Skopje standardised its good corporate practices and established new processes to comply with the Code. At the Annual Shareholders' Meeting on 4.4.2022, ALKALOID AD Skopje adopted amendments and a consolidated version of its Statute, which serve as a normative framework for applying good corporate practices. The Statute lays the foundation for organising and integrating these practices into the company's system and distributing processes to each organisational unit. Based on the principles established in the Statute, ALKALOID AD Skopje further adopted internal acts to more specifically translate these principles into procedures and mechanisms for aligning corporate processes with good practices.

To this aim, until the end of 2022, ALKALOID AD Skopje carried out intensive work on updating existing internal policies and adopting new ones. For the first time, the Supervisory Board was involved in the process by proposing essential policies to the Management Board for approval.

As a result, the company's governing bodies adopted new rules of procedure that modernised their competencies and activities, aligned them with new conditions and technology, and reinforced good corporate practices at every level. To promote cooperation and consistency between the bodies, ALKALOID AD Skopje adopted a Rulebook of Mutual Relations, which is expected to coordinate cooperation and the application of good corporate practices.

V. Governance

To prioritise its relationship with shareholders, ALKALOID AD Skopje has decided to enhance its longstanding practice of caring and cooperation. The company adopted a Rulebook on Shareholder Relations, which improve accessibility, transparency, and protection of shareholder rights and interests. This move underscores ALKALOID's commitment to its shareholders as one of its most important stakeholders.

To strengthened the transparency of its corporate management, ALKALOID AD Skopje adopted a Policy for Employee, Manager, and Management Board Rewards. This policy sets the principles, criteria, and guidelines for a fair evaluation of employees, managers, and Management Board members' engagement and performance.

To ensure the implementation of the newly adopted corporate governance acts and to unify and centralise the management bodies' support, at the start of 2022, ALKALOID AD Skopje introduced a new position, the Corporate Secretary. This role is responsible for providing professional support to the bodies, particularly the Supervisory Board. The Corporate Secretary is also in charge of interpreting and implementing legal regulations related to corporate governance, company law, securities, and shareholder rights. They also oversee the company's relationships with relevant institutions, such as the Stock Exchange and the Securities Commission.



Furthermore, the Management Board of ALKALOID AD Skopje adopted a Policy for the Prevention and Management of Conflict of Interest and a Stakeholder Relations Policy at the proposal of the Supervisory Board. These policies establish ALKALOID AD Skopje as a modern company with normative assumptions for a sustainable and transparent corporate compliance and governance system. The Policy for the Prevention and Management of Conflict of Interest details the identification of potential and actual conflicts of interest, the procedure for determining conflicts, and management plans for confirmed conflicts. The Stakeholder Relations Policy identifies the company's stakeholders, determines communication channels, and integrates their attitudes, interests, and needs into the company's business strategy.

Furthermore, some of ALKALOID's new or revised acts have a corporate character and will be immediately effective in its subsidiary companies. Others will be adapted and incorporated into each subsidiary company's internal systems as they fit the conditions and structure of each.

”
At ALKALOID AD
Skopje, acting with
integrity and honesty
is essential for
business success.

Corporate Compliance

At ALKALOID AD Skopje, acting with integrity and honesty is essential for business success. The company complies with local and international regulations and internal acts and strives to maintain ethical principles and standards through the voluntary commitment and dedication of its management and employees. ALKALOID AD Skopje is dedicated to strengthening the trust of its stakeholders, including employees, shareholders, the business community, government agencies, and society as a whole, by upholding and promoting corporate integrity. These are very important foundations that the company uses to build its business upon.



Code of Conduct

In 2022, ALKALOID AD Skopje continued to emphasise the importance of its Code of Conduct, which was adopted in June 2020. The Code serves as a foundation for building an ethical corporate culture and supports sustainable growth and development of the company. It contains widely accepted ethical principles and norms adapted to the company's specific conditions. By promoting critical values and supporting the compliance system, the Code aims to empower employees and managers to make ethical decisions in their day-to-day work and embody the company's corporate culture, thereby realising its mission and vision.

In 2022, the company, led by the top management and with the support of the corporate compliance officer and the corporate compliance committee, continued to develop this process through institutional support, training of competent personnel and raising awareness among employees on ethical behaviour, and building corporate integrity and culture.



ALKASPEAKUP

Overview of procedures for Code of Conduct violations

In 2022, the ALKALOID AD Skopje Corporate Compliance Commission received twelve complaints via the AlkaSpeakUp platform. After review, the Commission deemed four complaints to contain the necessary elements to qualify as reports of Code of Ethics and Professional Conduct violations. The Commission also investigated three reports under procedures initiated in 2021, and one report was resolved, resulting in adopted findings. Apart from the AlkaSpeakUp platform, the Corporate Compliance Officer registered two verbal reports in 2022. These proceedings are currently ongoing. As of 2023, the Corporate Compliance Commission is still processing eight pending reports, three of which are in the final stage of investigation.

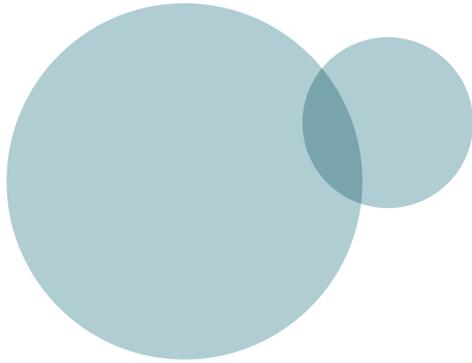
Anti-corruption policy

The Policy governs all aspects of prevention and sanctions for illegal payment and bribery of public officials and public office holders, as well as other forms of corruption, as basic parameters of our interaction with the state structure and society. The Policy aims to explain more closely the aspects of some of the principles of the Code of Conduct and the Code for Interaction with Health Professionals and Ethical Promotion, whose correct interpretation and modalities of application are more current and more present in the daily work of ALKALOID's organisational structure. The Policy reinforces the company's commitment to ensure corporate integrity and reputation, based on honesty, fair behaviour and personal integrity, applied to the jobs performed by all employees and managers and all other persons associated with the company.



Code for interaction with healthcare professionals and ethical promotion

The Code holds crucial significance for our company, as it outlines the principles for promoting, communicating, and engaging with healthcare professionals, organizations, and the healthcare community. To maintain compliance, our employees receive training on the proper application of the Code, ensuring our medical representatives adhere to all relevant industry codes and legal regulations. The Code sets a standard of ethics and business practices in interactions with the healthcare community. The ethical promotion of our pharmaceutical products is a crucial component. The information we share is accurate and balanced and does not mislead healthcare professionals. Promotional materials provide a fair assessment of our product's benefits and risks based on information outlined in the Summary of Product Characteristics.



Personal data protection

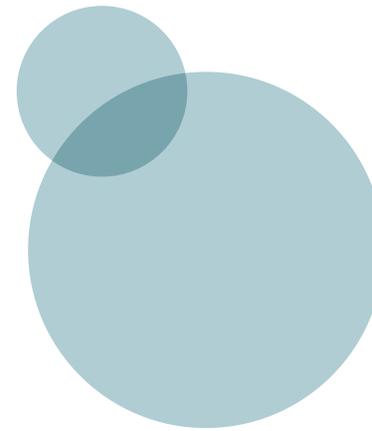
ALKALOID AD Skopje places great emphasis on protecting personal data in all its operations. It adheres to the standards set by the Law on Personal Data Protection of the Republic of North Macedonia, Regulation (EU) 2016/679 of the European Parliament and of the Council and the company standards. The company continues to implement technical and organizational measures to secure the personal data of employees, shareholders, partners, visitors, interns, job applicants, and others from whom it collects, processes, and stores information.

The internal acts for personal data protection, adopted in 2021, regulate ALKALOID's role as controller and processor to ensure dependable processing of personal data. In compliance with legal principles, ALKALOID AD Skopje applied additional transparency measures to personal data subjects in 2022, particularly on the company website.

In ALKALOID AD Skopje, we prioritise privacy and data protection by adhering to the EU General Data Protection Regulation (GDPR) and other relevant privacy regulations. We maintain a robust privacy program, including policies and procedures, training, and awareness activities. November 2022 was designated the month of data protection awareness at ALKALOID AD Skopje and its global affiliates. During this month, employees received a manual, specialised brochures, training links, and a quiz to raise data protection awareness. The corporate data protection officer worked closely with employees from all departments to ensure compliance with ALKALOID's Personal Data Protection Policy.



Risk management and business continuity



Risk Management

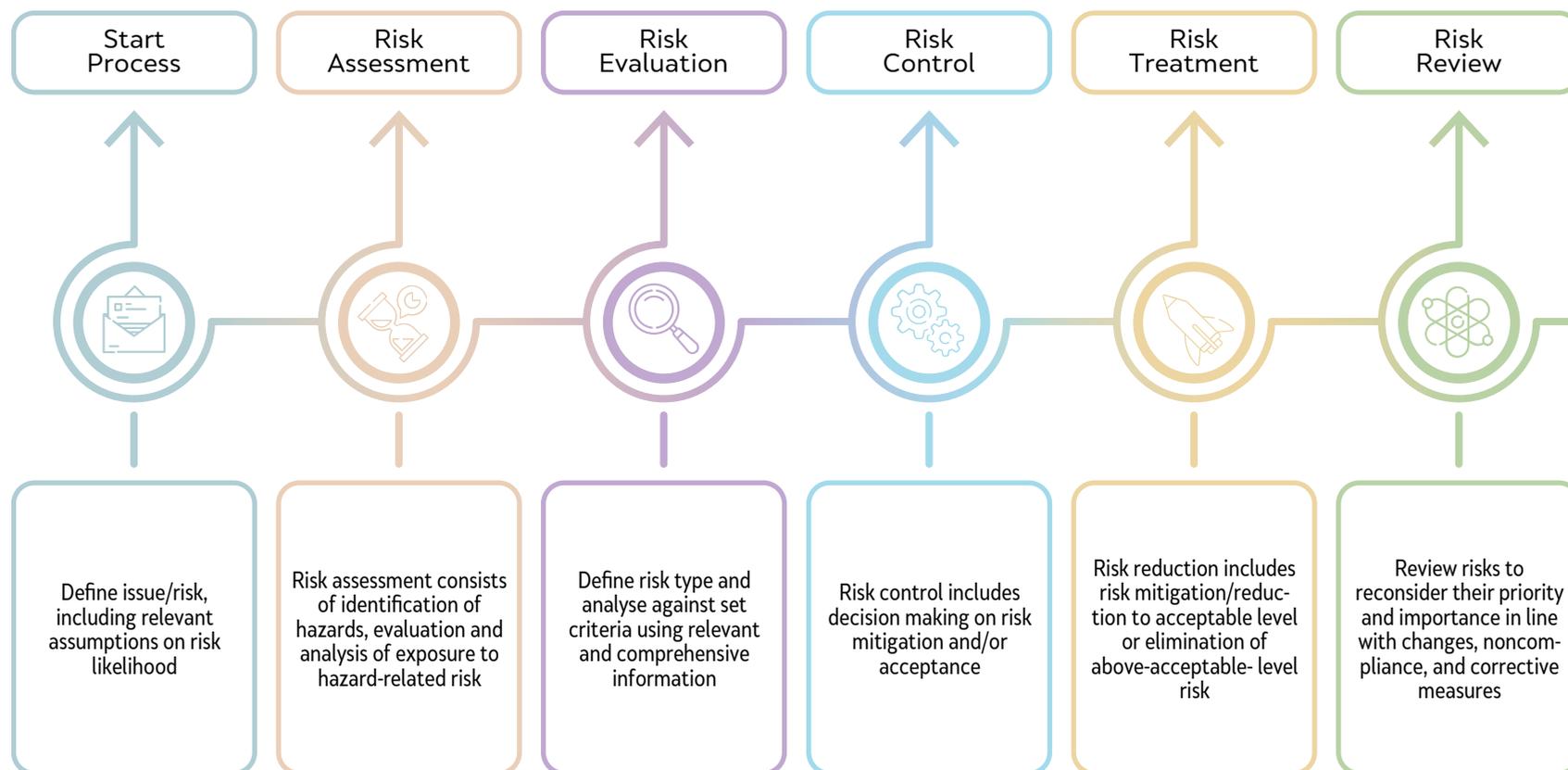
The risk management process in ALKALOID AD Skopje is designed to meet good manufacturing practices, the standards set by ISO 31000, the company standards and application guidelines. It has been an integral part of the company's management system since 2007.

The Risk Management, Crises Management and Business Continuity Board, the Risk Management and Business Continuity Team and the heads of organisational units/process owners are responsible for overseeing risk management and ensuring business continuity.

In 2015-2016, ALKALOID AD Skopje identified all the company's potential strategic risks. Since then, the management, board, and team have been working to mitigate these risks. We are proud to say that many of the strategic risks have been transformed into operational risks managed daily by middle management and employees.

The company uses a register of strategic risks and a register of operational risks to support the risk management process. These registers provide a complete overview of risks and help identify and manage factors impacting goal realisation and the company's strategy.

Regularly reviewing risks decreases the likelihood of risk occurrence and reduces the severity of consequences. We also take measures to raise awareness and prepare for, manage, and maintain risks at an acceptable level.

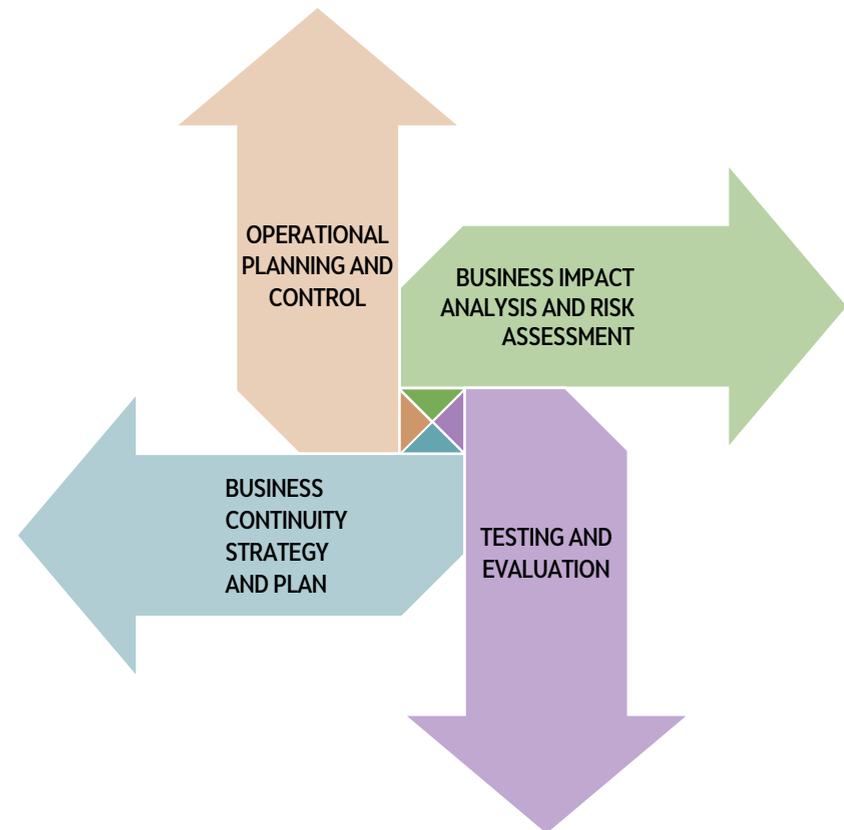


Business continuity

The risk management process is critical in promoting a proactive approach to secure business continuity, allowing ALKALOID AD Skopje to anticipate, identify, and address potential negative impacts that could impede the completion of crucial processes, achieve company objectives, and meet stakeholders' quality requirements.

ALKALOID's integrated quality system establishes business continuity procedures to address various scenarios, including IT security (2016), pharmacovigilance (2015), partnerships (2019), the COVID-19 pandemic (2020), and natural disasters.

The picture shows the basic steps in ALKALOID's business continuity management process.





During the pandemic, ALKALOID AD Skopje developed business continuity plans for all processes. The pandemic served as an opportunity for us to enhance our business continuity management process. We achieved this by adopting the requirements of the ISO 22301 standard for business continuity management.

Through the application of the continuity management system, we aim to achieve the following opportunities and benefits:

- ▶ supporting strategic goals and protecting and strengthening the company's reputation, credibility and organisational readiness and resilience;
- ▶ reduction of legal and financial exposure and reduction of direct and indirect costs during interruptions/unexpected events;
- ▶ protecting life, property and the environment and ensuring confidence in the organisation's ability to achieve its goals successfully;
- ▶ improving business processes' ability to remain effective during disruptions/unexpected events; effective, efficient and proactive risk control; and identifying and overcoming operational failures.

We are fully committed to continuous improvement in these two areas - risk management and business continuity.

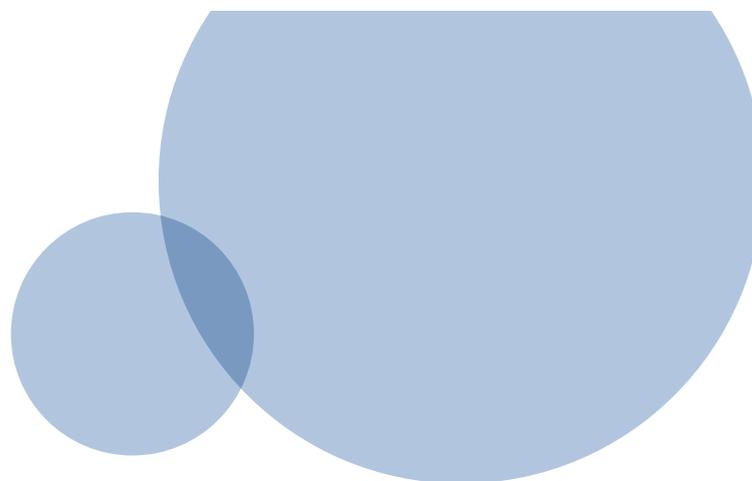




VI. Other
Information
About the
Report

VI. Other Information About the Report

GRI standard	Description	Reference
302-1	Energy consumption within the organization	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 91 & 93
302-3	Energy intensity	Environment - page 91 & 93
302-4	Reduction of energy consumption	Environment - page 94
303-3	Water withdrawal	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 81
305-1	Direct (Scope 1) GHG emissions	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 78
305-2	Energy indirect (Scope 2) GHG emissions	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 78
305-3	Other indirect (Scope 3) GHG emissions	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 78
306-3	Waste generated	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 85 Annex 2 - page 159-163
306-4	Waste diverted from disposal	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 85 Annex 2 - page 159-163
306-5	Waste directed to disposal	Overview of ALKALOID's most important ESG indicators - page 34 Environment - page 85 Annex 2 - page 159 & 161-163



401-1	New employee hires and employee turnover	Overview of ALKALOID's most important ESG indicators - page35 Annex 2 - page 165
403-1	Occupational health and safety management system	Social - page 107
403-2	Hazard identification, risk assessment, and incident investigation	Overview of ALKALOID's most important ESG indicators - page 35 Social - page 108
403-3	Occupational health services	Social - page 110
403-4	Worker participation, consultation, and communication on occupational health and safety	Social - page 111
403-5	Worker training on occupational health and safety	Social - page 112
403-6	Promotion of worker health	Social - page 114
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Social - page 115
403-8	Workers covered by an occupational health and safety management system	Social - page 116
403-9	Work-related injuries	Overview of ALKALOID's most important ESG indicators - page 35 Social - page 116
403-10	Work-related ill health	Social - page117
404-1	Average hours of training per year per employee	Overview of ALKALOID's most important ESG indicators - page 35 Annex 3 - page 166
404-3	Percentage of employees receiving regular performance and career development reviews	Annex 3 - page 166
405-1	Diversity of governance bodies and employees	Overview of ALKALOID's most important ESG indicators - page 35 Annex 3 - page 167

Annual information of changing business activity of subdivisions of companies



The background of the slide is a soft-focus photograph of a workspace. It features a silver laptop on the left, a blue pen lying horizontally across the center, and several documents with charts and tables. The overall color palette is a light, muted green, creating a professional and clean aesthetic.

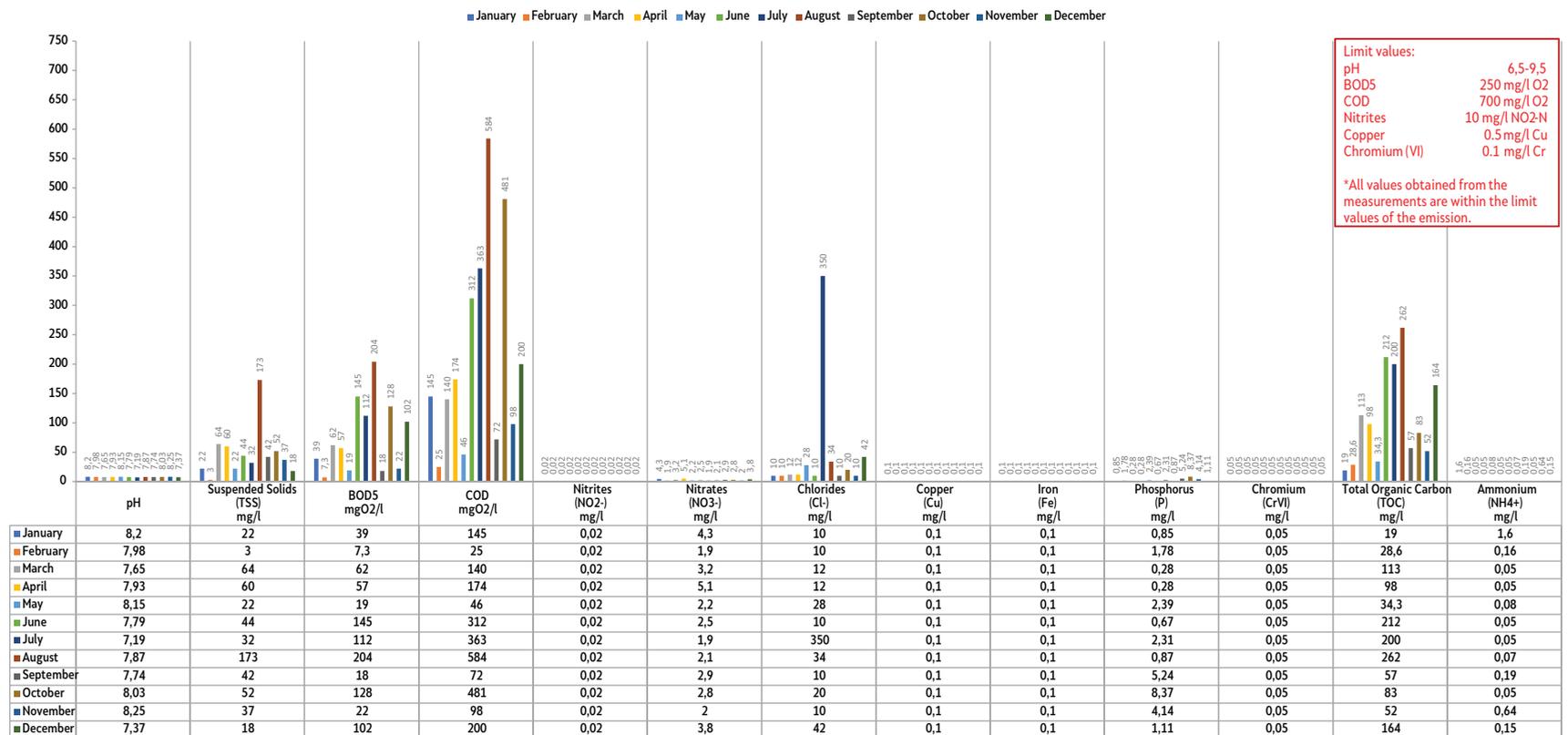
VII. Annexes



Annex 1:
Monitoring of air,
water and noise
emissions

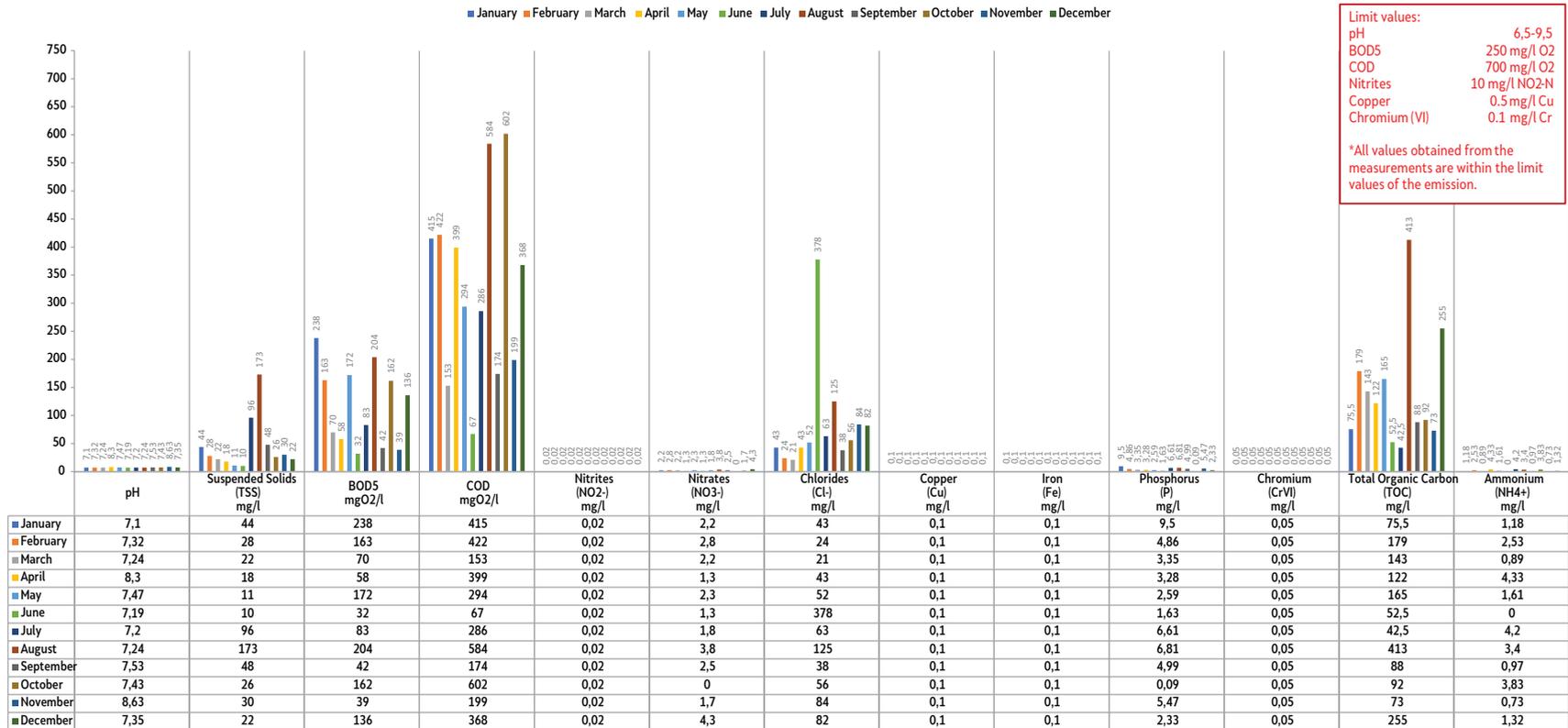
WATER EMISSION MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

MONTHLY ANALYSES OF WASTE WATER PC PHARMACEUTICALS AVTOKOMANDA, MEASURING POINT C1- WEST FOR YEAR 2022



WATER EMISSION MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

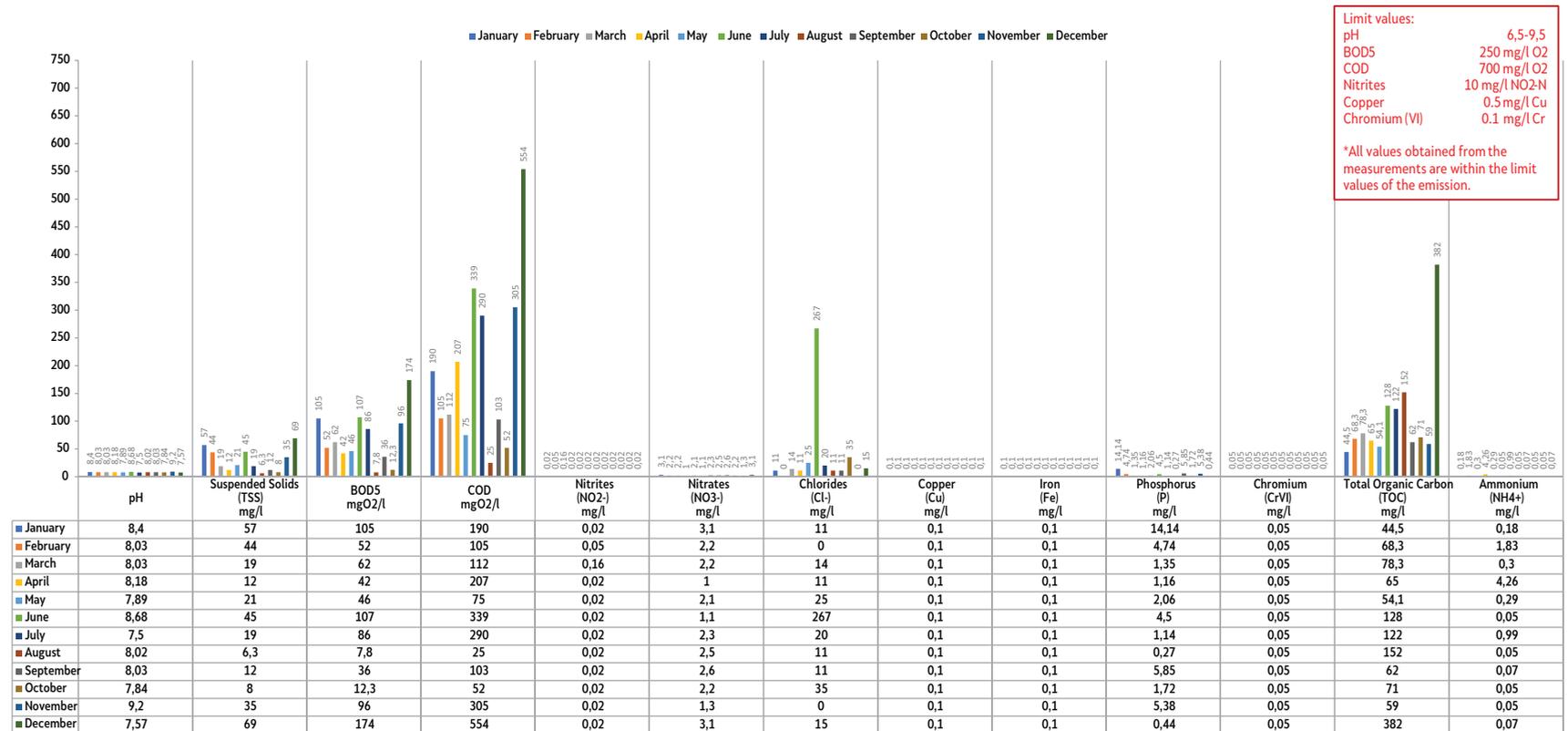
MONTHLY ANALYSES OF WASTE WATER PC PHARMACEUTICALS AVTOKOMANDA, MEASURING POINT C2- SOUTHEAST FOR YEAR 2022





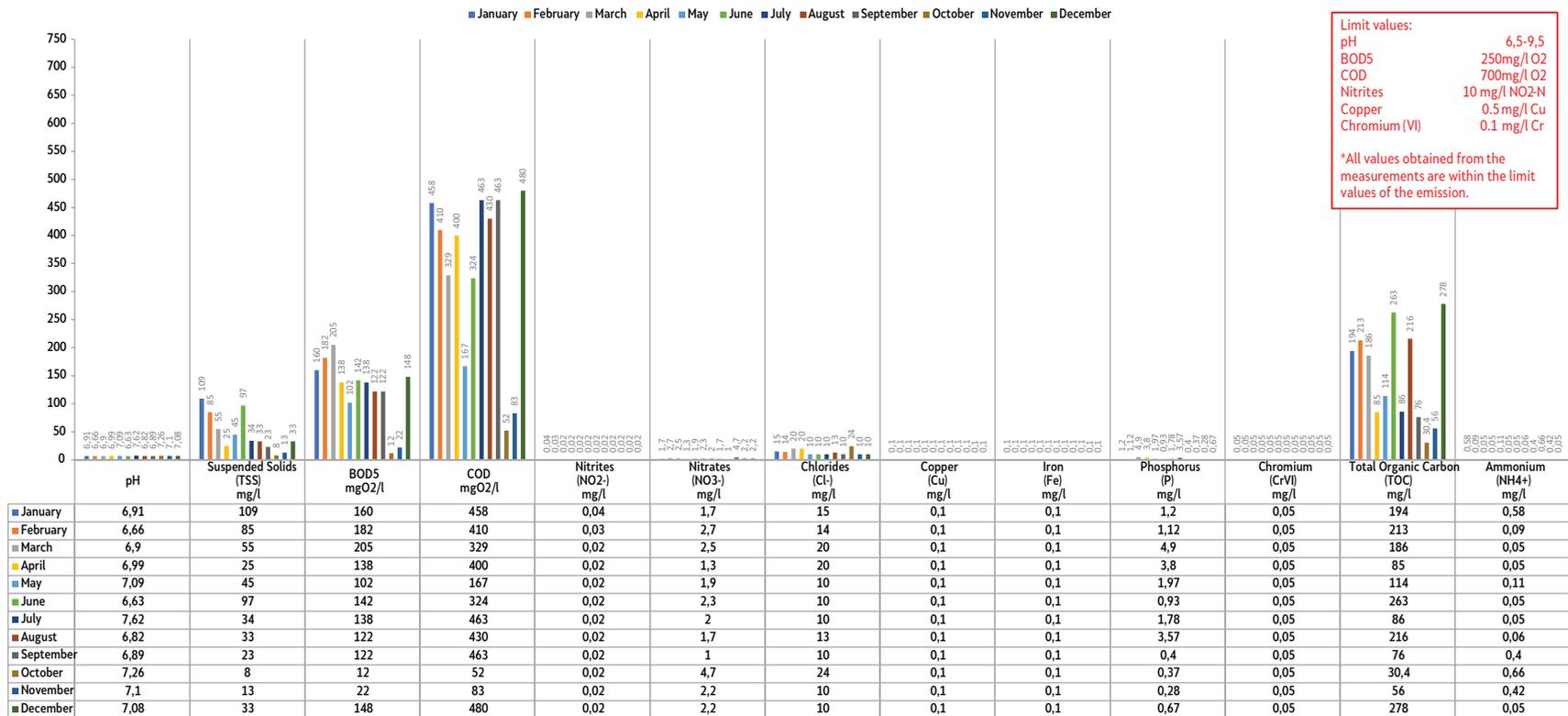
WATER EMISSION MONITORING FOR
ALL PROFIT CENTERS OF
ALKALOID AD SKOPJE FOR YEAR 2022

MONTHLY ANALYSES OF WASTE WATER PC PHARMACEUTICALS AVTOKOMANDA, MEASURING POINT C3- SOUTHWEST FOR YEAR 2022



WATER EMISSION MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

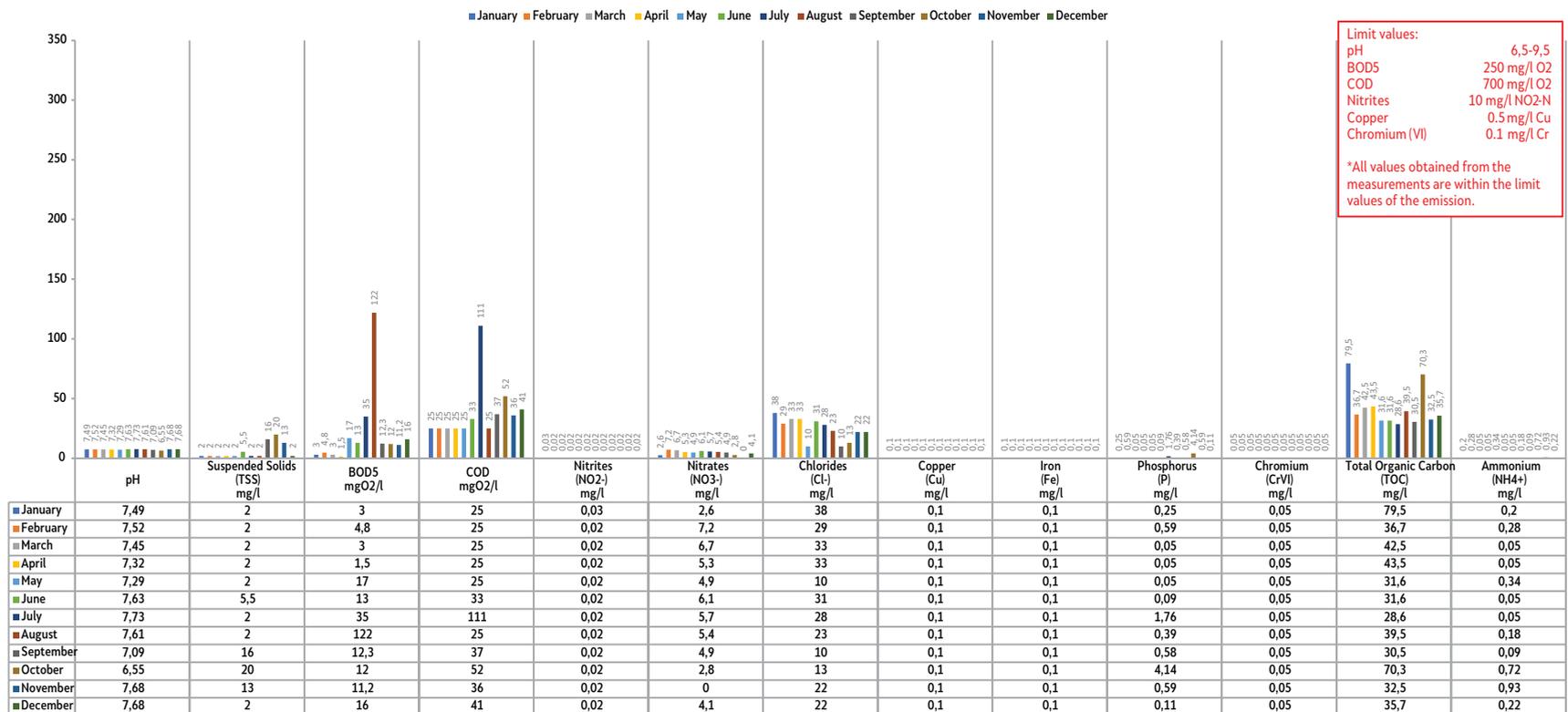
MONTHLY ANALYSES OF WASTE WATER PC PHARMACEUTICALS GJORCHE PETROV, MEASURING POINT C1- CEPHALOSPORINS FOR YEAR 2022





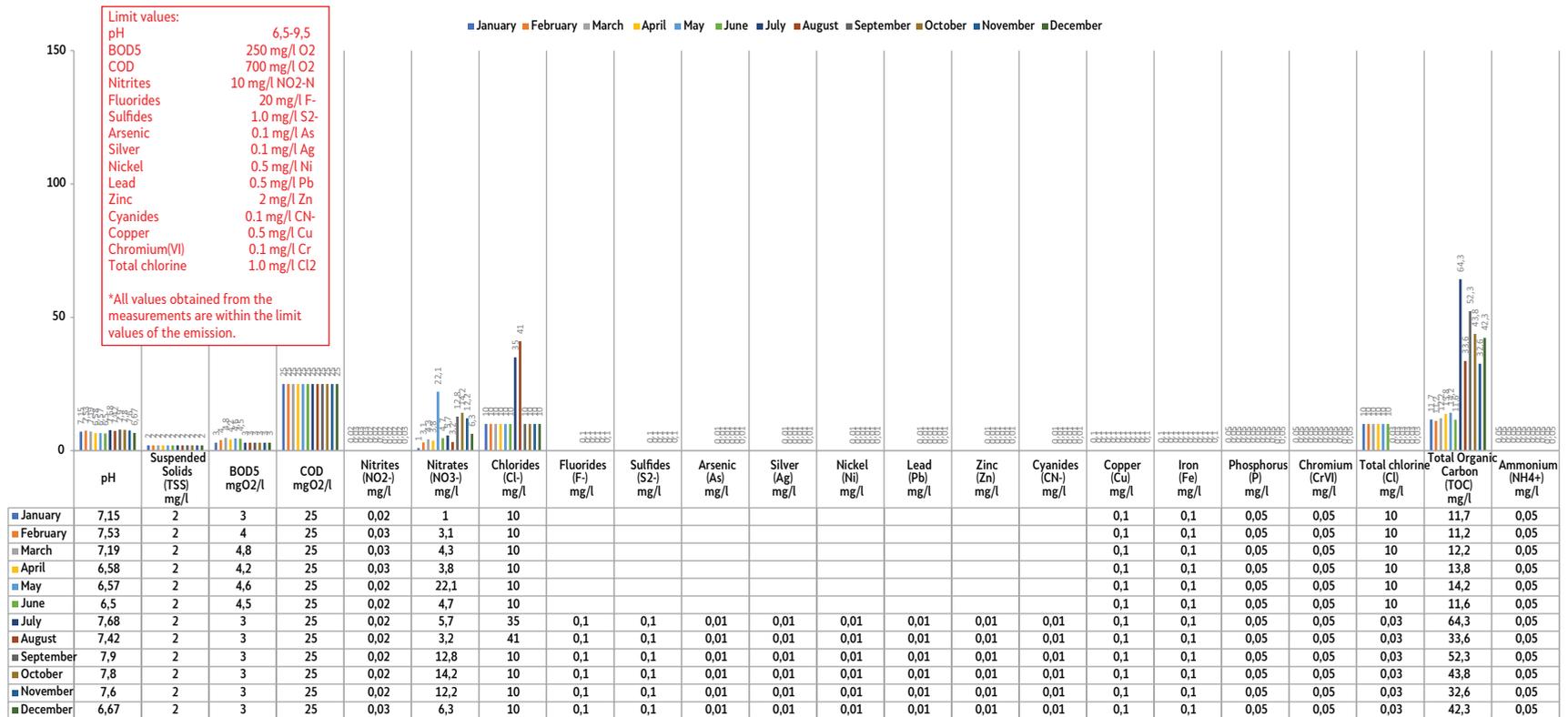
WATER EMISSION MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

MONTHLY ANALYSES OF WASTE WATER PC PHARMACEUTICALS GJORCHE PETROV, MEASURING POINT C2-ACTIVE PHARMACEUTICAL INGREDIENTS (API) FOR YEAR 2022



WATER EMISSION MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

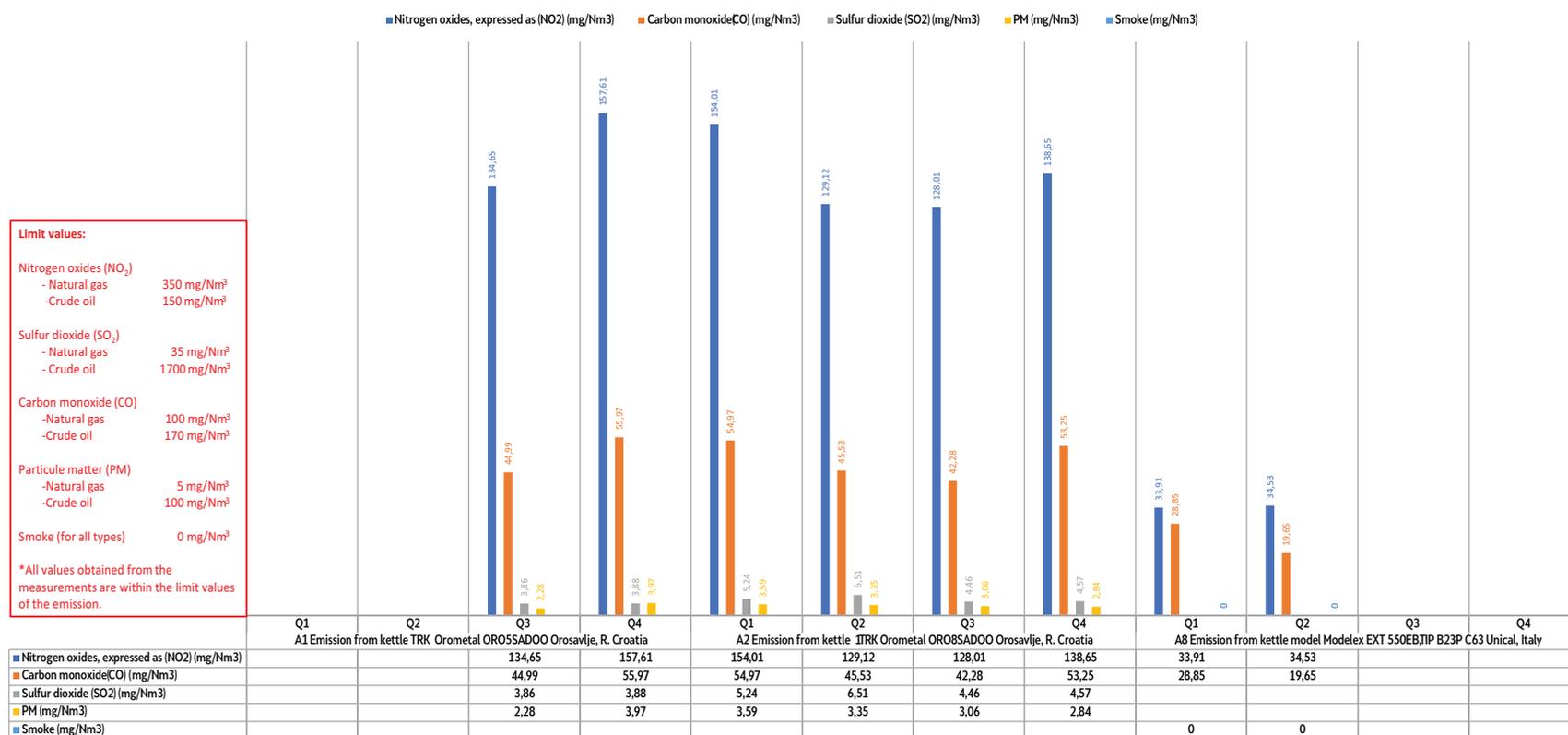
MONTHLY ANALYSES OF WASTE WATER PC CHEMISTRY COSMETICS BOTANICALS, PROGRAM CHEMISTRY & COSMETICS GJORCHE PETROV, MEASURING POINT PARSHAL CANAL FOR YEAR 2022





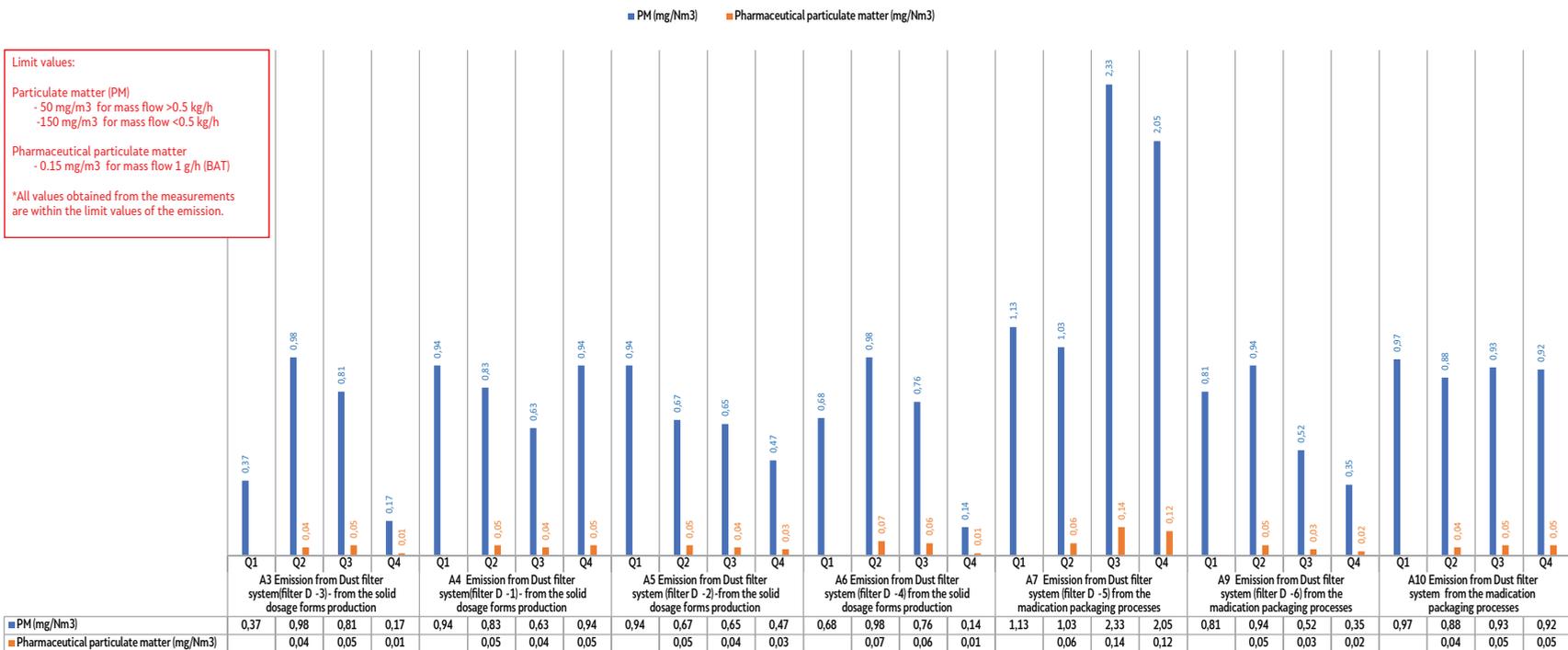
AIR EMISSIONS MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

MEASURED EMISSIONS IN AIR FROM THE KETTLE UNIT PC PHARMACEUTICALS, AVTOKOMANDA FOR YEAR 2022



AIR EMISSIONS MONITORING FOR ALL
PROFIT CENTERS OF ALKALOID AD SKOPJE
FOR YEAR 2022

MEASURED EMISSIONS IN AIR FROM THE DUST FILTER UNITS PC PHARMACEUTICALS, AVTOKOMANDA FOR YEAR 2022

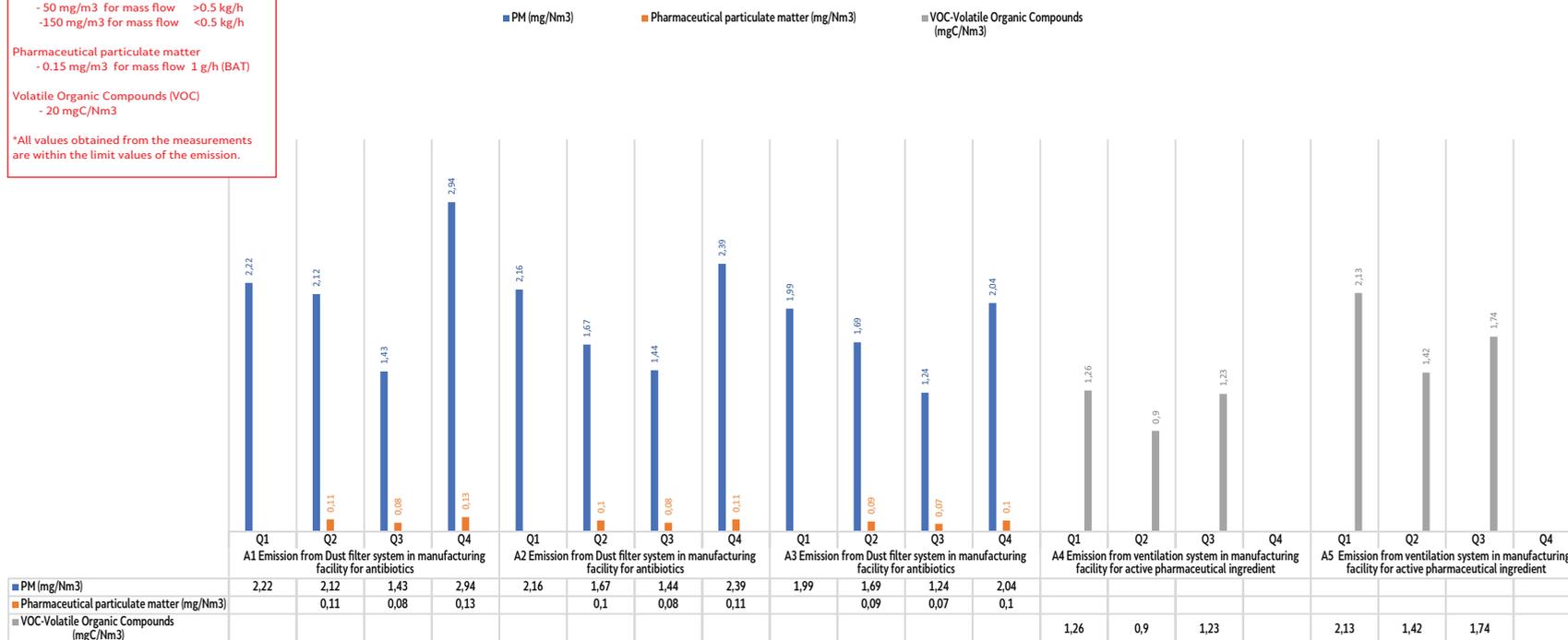




AIR EMISSIONS MONITORING FOR ALL
PROFIT CENTERS OF ALKALOID AD SKOPJE
FOR YEAR 2022

MEASURED EMISSIONS IN AIR PC PHARMACEUTICALS, GJORCE PETROV FOR YEAR 2022

Limit values:
 Particulate matter (PM)
 - 50 mg/m³ for mass flow >0.5 kg/h
 - 150 mg/m³ for mass flow <0.5 kg/h
 Pharmaceutical particulate matter
 - 0.15 mg/m³ for mass flow 1 g/h (BAT)
 Volatile Organic Compounds (VOC)
 - 20 mgC/Nm³
 *All values obtained from the measurements are within the limit values of the emission.

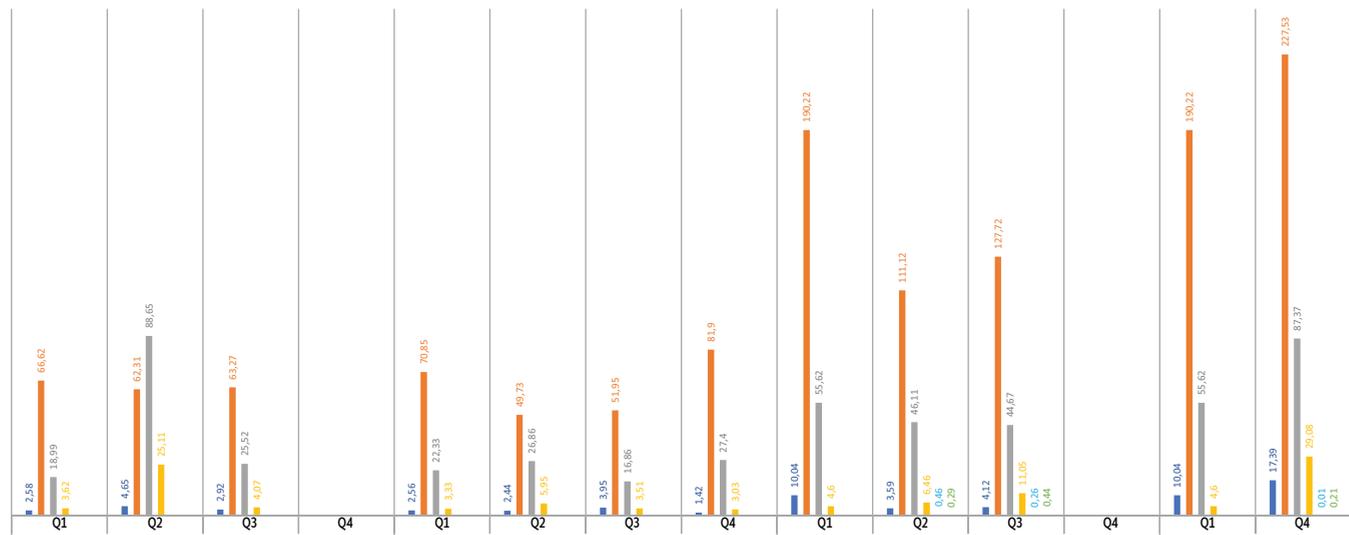


AIR EMISSIONS MONITORING FOR ALL
PROFIT CENTERS OF ALKALOID AD SKOPJE
FOR YEAR 2022

MEASURED EMISSIONS IN AIR FROM THE KETTLE UNIT PC PHARMACEUTICALS AND PC CHEMISTRY COSMETICS BOTANICALS, GJORCE PETROV FOR YEAR 2022

■ PM (mg/Nm³) ■ Nitrogen oxides, expressed as (NO₂) (mg/Nm³) ■ Carbon monoxide(CO) (mg/Nm³) ■ Sulfur dioxide (SO₂) (mg/Nm³) ■ Gaseous inorganic compounds of fluorine expressed as HF (mg/Nm³) ■ Gaseous inorganic compounds of chlorine expressed as HCl (mg/Nm³)

Limit values:
 NO₂ natural gas, crude oil 350 mg/Nm³
 Sulfur dioxide(SO₂)
 - Natural gas 35 mg/Nm³
 - Crude oil 1700 mg/Nm³
 Carbon monoxide (CO)
 - Natural gas 100 mg/Nm³
 - Crude oil 170 mg/Nm³
 Particulate matter (PM)
 - Natural gas 5 mg/Nm³
 - Crude oil 100 mg/Nm³
 Gaseous inorganic compounds of fluorine expressed as HF 5 mg/Nm³
 Gaseous inorganic compounds of chlorine expressed as HCl 30 mg/Nm³
 *All values obtained from the measurements are within the limit values of the emission.



	A1-Emission from kettle 1-Viessmann M75C223;				A2-Emission from kettle 2-Viessmann M75C226;				A2-Emission from kettle 2-Viessmann M75C226;			A3-Emission from additional kettle 3-TRK Zagreb BKG 100A-;		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q4
■ PM (mg/Nm ³)	2,58	4,65	2,92		2,56	2,44	3,95	1,42	10,04	3,59	4,12		10,04	17,39
■ Nitrogen oxides, expressed as (NO ₂) (mg/Nm ³)	66,62	62,31	63,27		70,85	49,73	51,95	81,9	190,22	111,12	127,72		190,22	227,53
■ Carbon monoxide(CO) (mg/Nm ³)	18,99	88,65	25,52		22,33	26,86	16,86	27,4	55,62	46,11	44,67		55,62	87,37
■ Sulfur dioxide (SO ₂) (mg/Nm ³)	3,62	25,11	4,07		3,33	5,95	3,51	3,03	4,6	6,46	11,05		4,6	29,08
■ Gaseous inorganic compounds of fluorine expressed as HF (mg/Nm ³)										0,46	0,26			0,01
■ Gaseous inorganic compounds of chlorine expressed as HCl (mg/Nm ³)										0,29	0,44			0,21



AIR EMISSIONS MONITORING FOR ALL
PROFIT CENTERS OF ALKALOID AD SKOPJE
FOR YEAR 2022

MEASURED EMISSIONS IN AIR PC CHEMISTRY COSMETICS BOTANICALS, PROGRAM CHEMISTRY, GJORCE PETROV FOR YEAR 2022

■ PM (mg/Nm³) ■ Nitrogen oxides, expressed as (NO₂) (mg/Nm³) ■ Sulfur dioxide (SO₂) (mg/Nm³) ■ Total ammonia in gaseous, vaporous compounds and aerosols -NH₃ (mg/Nm³) ■ VOC-Volatile Organic Compounds

Limit values:

Particulate matter (PM)
- 50 mg/m³ for mass flow > 0.5 kg/h
- 150 mg/m³ for mass flow ≤ 0.5 kg/h

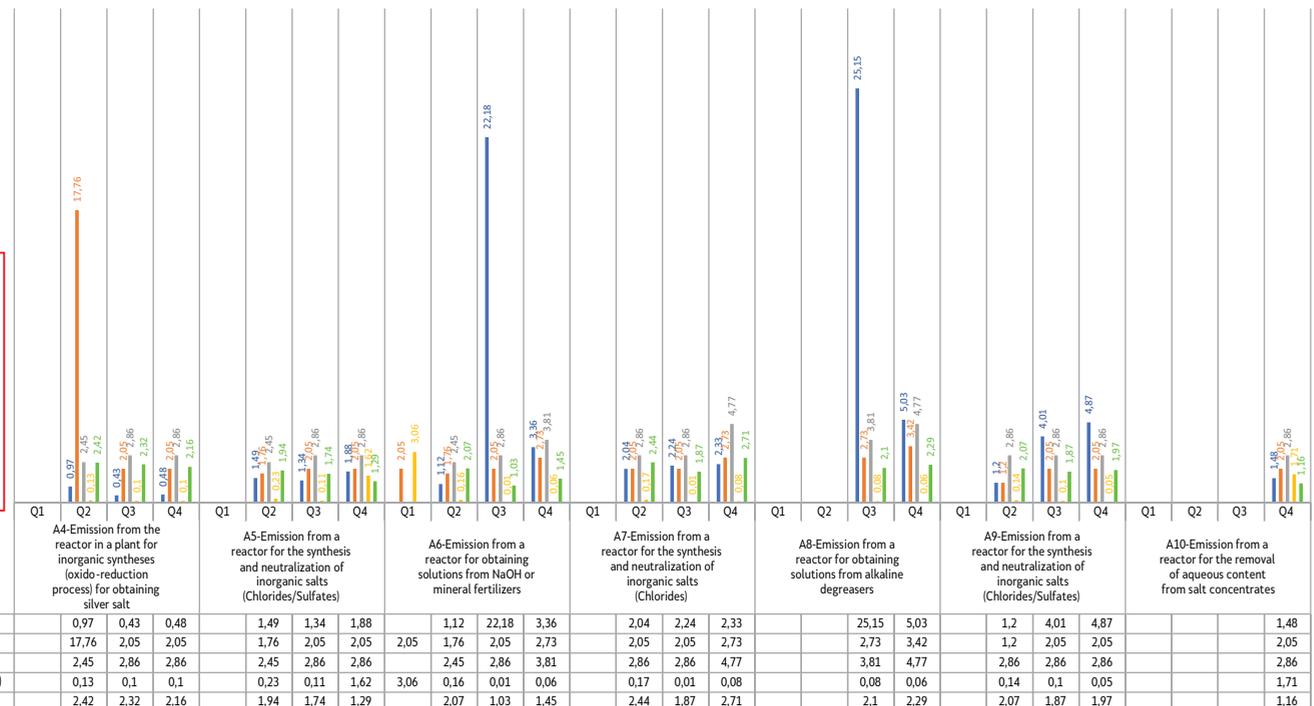
Sulfur oxides, expressed as Sulfur Dioxide (SO₂) 500mg/Nm³

Nitrogen oxides, expressed as Nitrogen dioxide (NO₂) 500mg/Nm³

Total ammonia in gaseous, vapor concn. and aerosols (NH₃) 500mg/Nm³

Volatile Organic Compounds (VOC) 20mgC/Nm³

*All values obtained from the measurements are within the limit values of the emission.



AIR EMISSIONS MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

MEASURED EMISSIONS IN AIR PC CHEMISTRY COSMETICS BOTANICALS, PROGRAM BOTANICALS, AERODROM FOR YEAR 2022

■ Oxygen (O2) (%)
 ■ Nitrogen oxides, expressed as (NO2) (mg/Nm3)
 ■ Carbon dioxide (CO2) (mg/Nm3)
 ■ Carbon monoxide(CO) (mg/Nm3)

■ Sulfur dioxide (SO2) (mg/Nm3)
 ■ PM (mg/Nm3)
 ■ Gaseous inorganic compounds of chlorine expressed as HCl (mg/Nm3)
 ■ Gaseous fluorides expressed as hydrogen fluoride HF (mg/Nm3)

Limit values for kettle:

NO2(natural gas, crude oil) 350 mg/Nm3

Sulfur dioxide (SO2)

- Natural gas 35 mg/Nm3
- Crude oil 1700 mg/Nm3

Carbon monoxide (CO)

- Natural gas 100 mg/Nm3
- Crude oil 170 mg/Nm3

Particulate matter (PM)

- Natural gas 5 mg/Nm3
- Crude oil 100 mg/Nm3

Gaseous inorganic compounds of fluorine expressed as HF 5 mg/Nm3

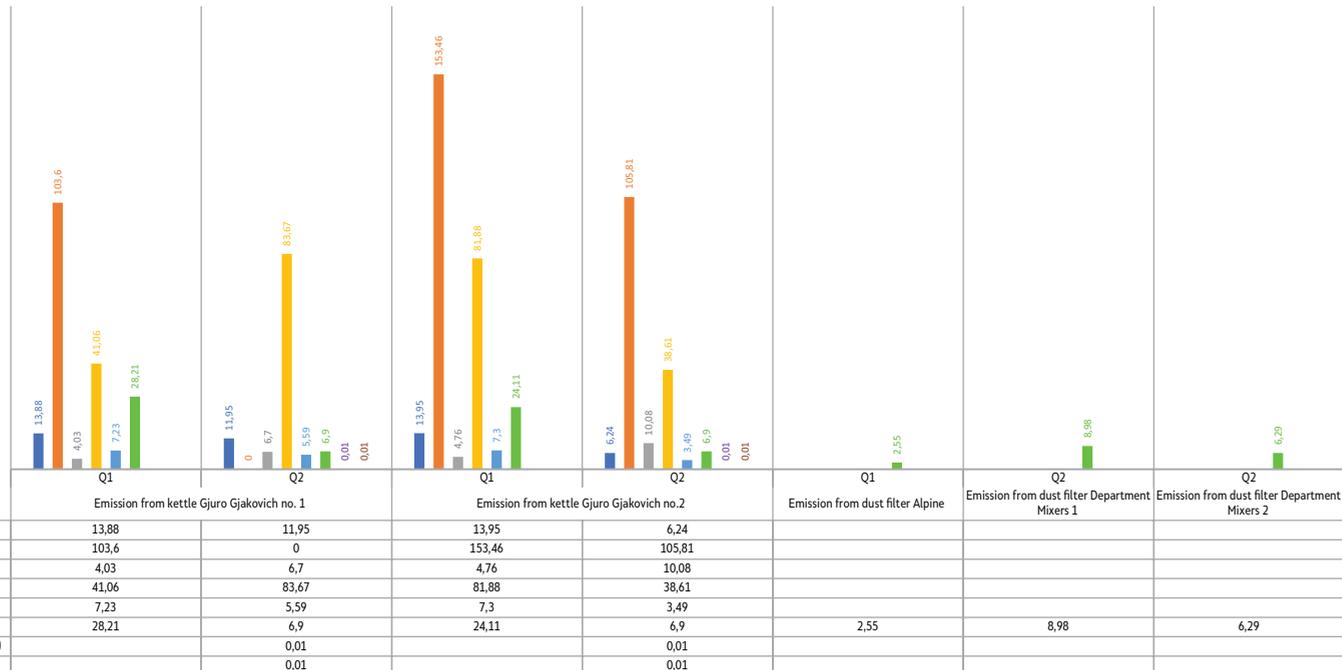
Gaseous inorganic compounds of chlorine expressed as HCl 30 mg/Nm3

Limit values for dust filters:

Particulate matter (PM)

- 50 mg/m3 for mass flow >0.5 kg/h
- 150 mg/m3 for mass flow <0.5 kg/h

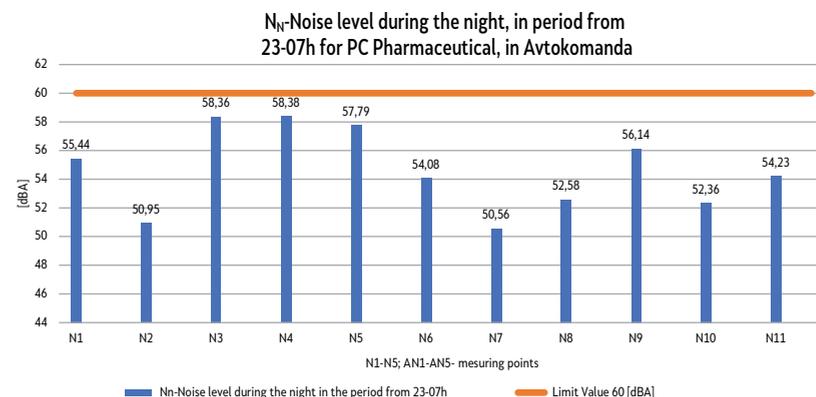
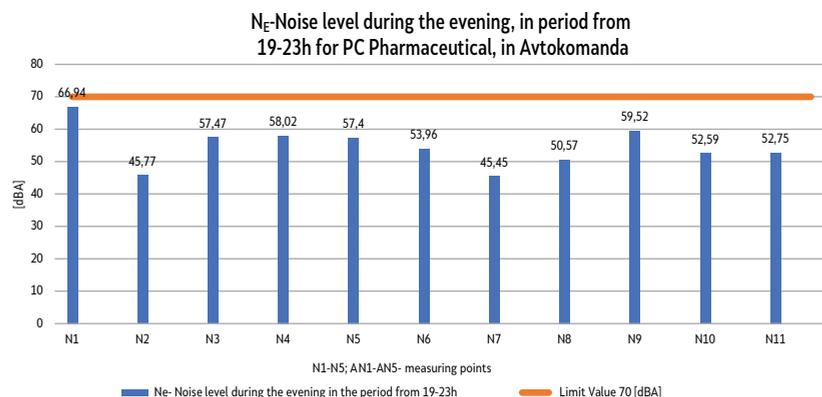
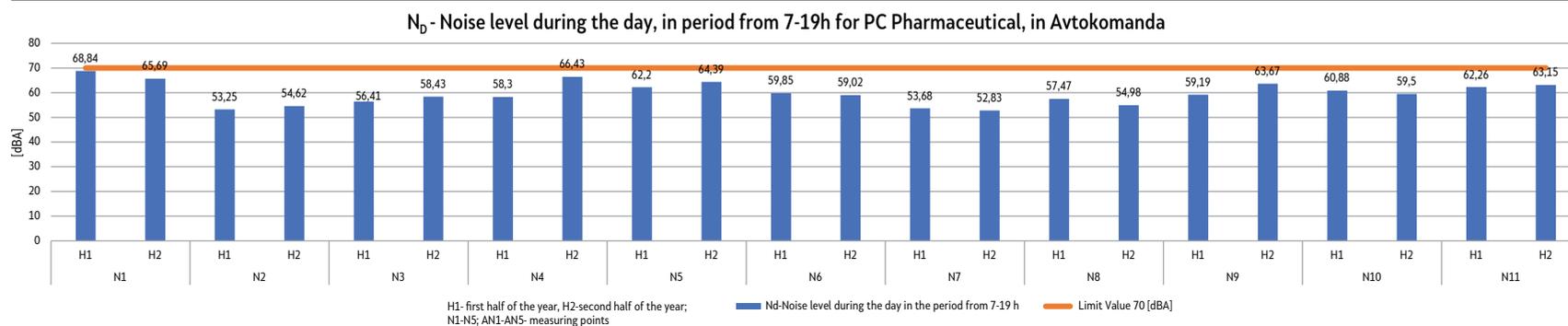
*All values obtained from the measurements are within the limit values of the emission.





NOISE EMISSIONS MONITORING FOR ALL PROFIT CENTERS OF ALKALOID AD SKOPJE FOR YEAR 2022

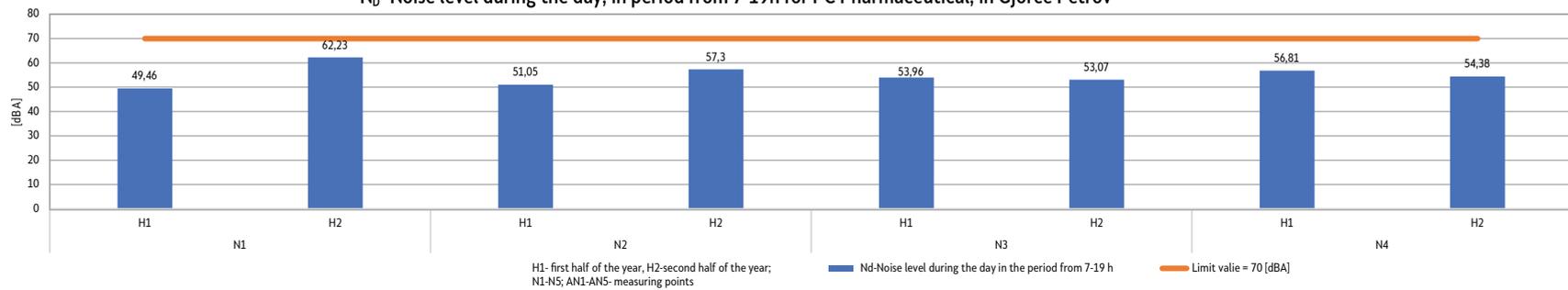
NOISE EMISSION MONITORING PC PHARMACEUTICAL IN AVTOKOMANDA FOR YEAR 2022



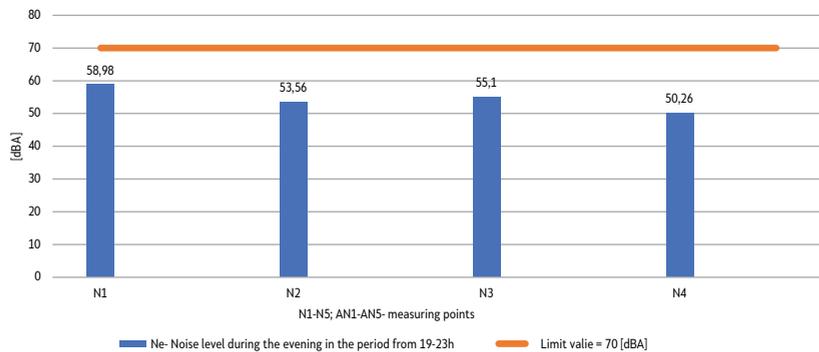
NOISE EMISSIONS MONITORING
FOR ALL PROFIT CENTERS OF
ALKALOID AD SKOPJE FOR YEAR 2022

NOISE EMISSION MONITORING PC PHARMACEUTICAL IN GJORCE PETROV FOR YEAR 2022

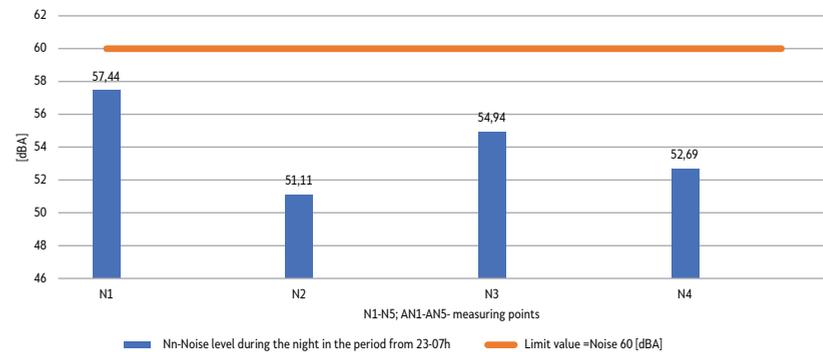
N_D- Noise level during the day, in period from 7-19h for PC Pharmaceutical, in Gjorce Petrov



N_E-Noise level during the evening from 19-23h for PC Pharmaceutical, in Gjorce Petrov



N_N-Noise level during the night, in period from 23-07h for PC Pharmaceutical, in Gjorce Petrov

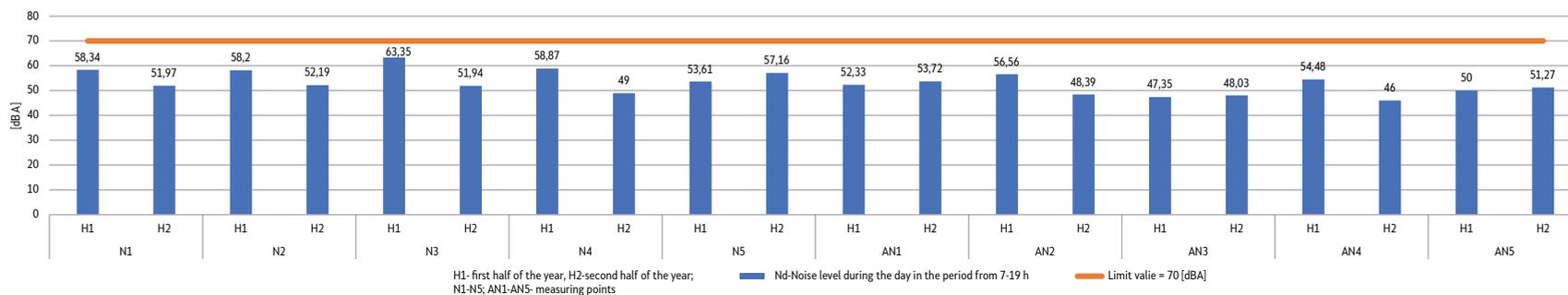


NOISE EMISSIONS MONITORING
FOR ALL PROFIT CENTERS OF
ALKALOID AD SKOPJE FOR YEAR 2022

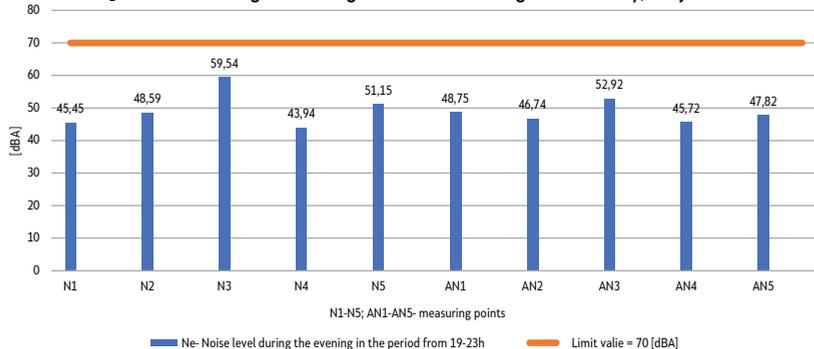


NOISE EMISSION MONITORING PC CHEMISTRY COSMETICS BOTANICALS, PROGRAM CHEMISTRY IN GJORCE PETROV FOR YEAR 2022

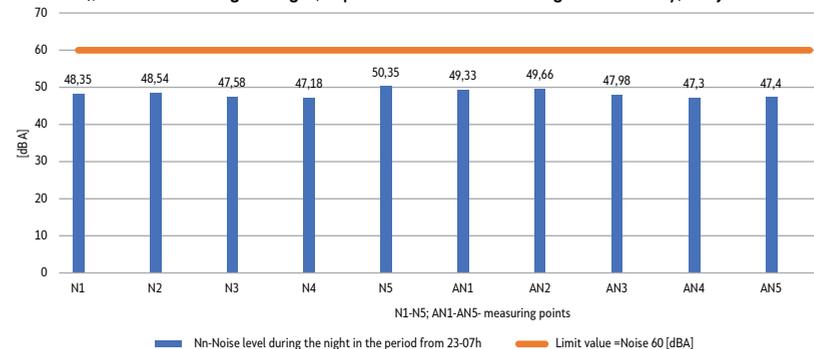
N_D- Noise level during the day, in period from 7-19 for Program Chemistry, in Gjorce Petrov



N_E-Noise level during the evening from 19-23h for Program Chemistry, in Gjorce Petrov



N_N-Noise level during the night, in period from 23-07h for Program Chemistry, in Gjorce Petrov

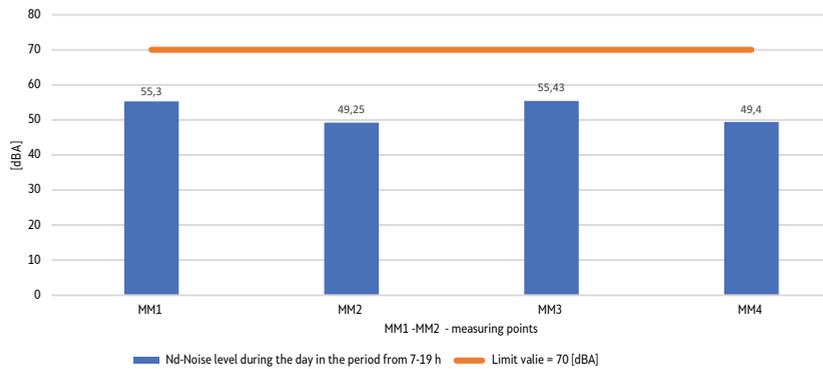


NOISE EMISSIONS MONITORING
FOR ALL PROFIT CENTERS OF
ALKALOID AD SKOPJE FOR YEAR 2022

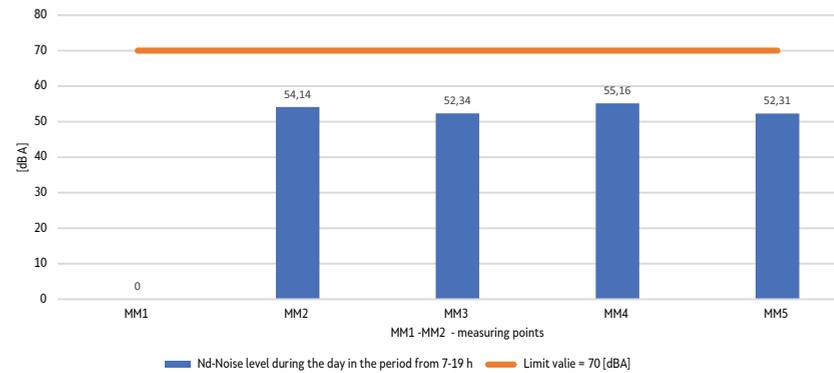


NOISE EMISSION MONITORING PC CHEMISTRY COSMETICS BOTANICALS, PROGRAM COSMETICS AND BOTANICALS FOR YEAR 2022

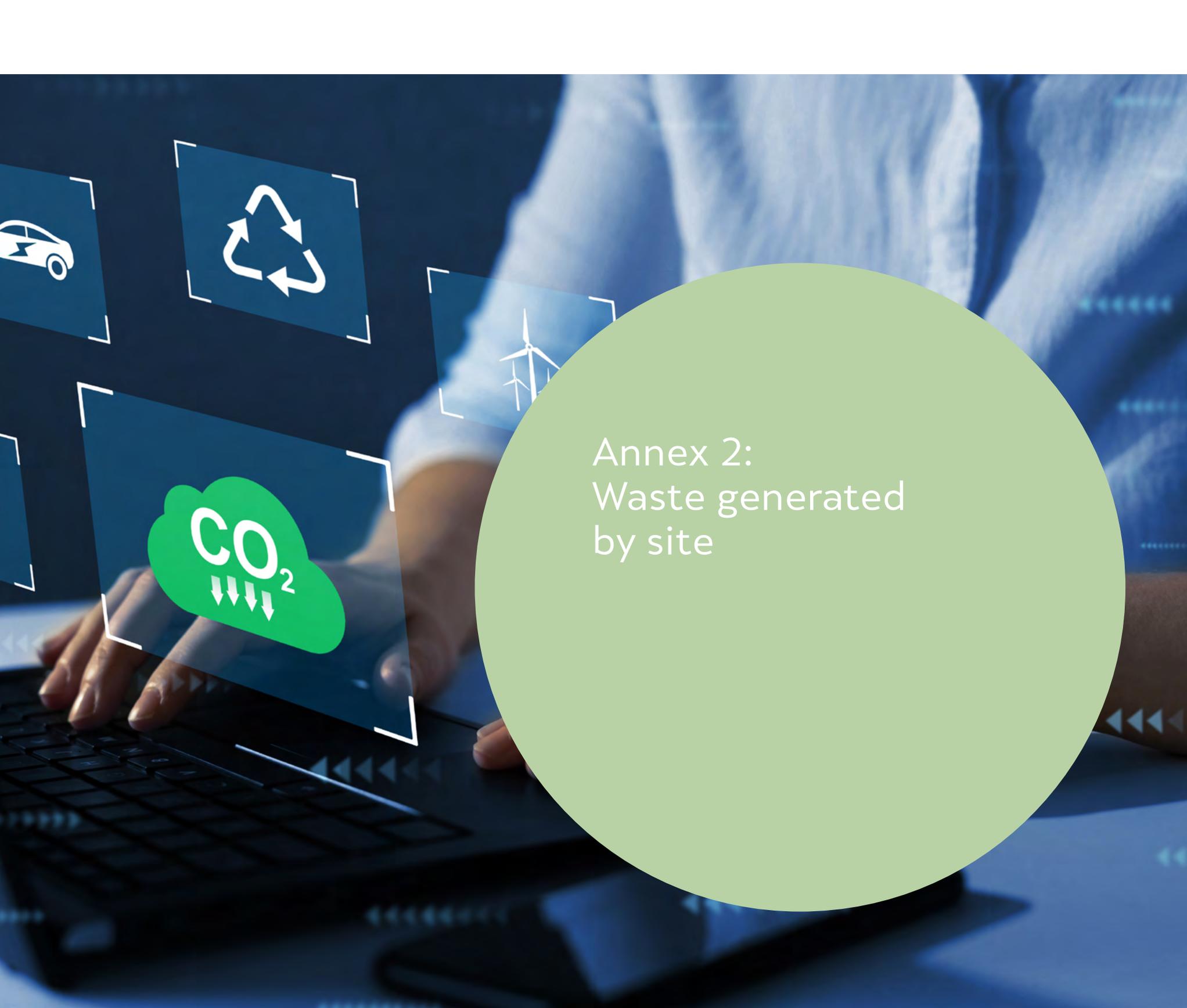
N_D- Noise level during the day, in period from 7-19h
for Program Cosmetics, in Gjorce Petrov



N_D- Noise level during the day, in period from 7-19h
for Program Botanicals, in Aerodrom



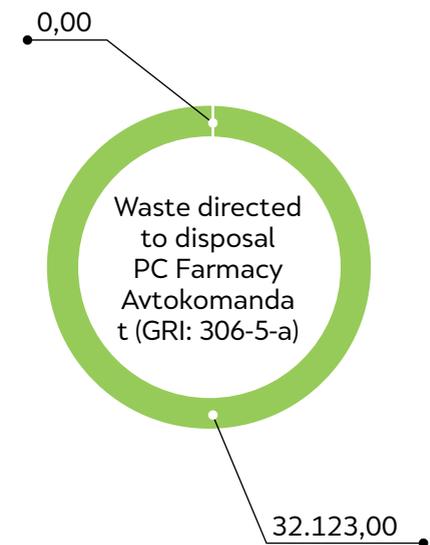
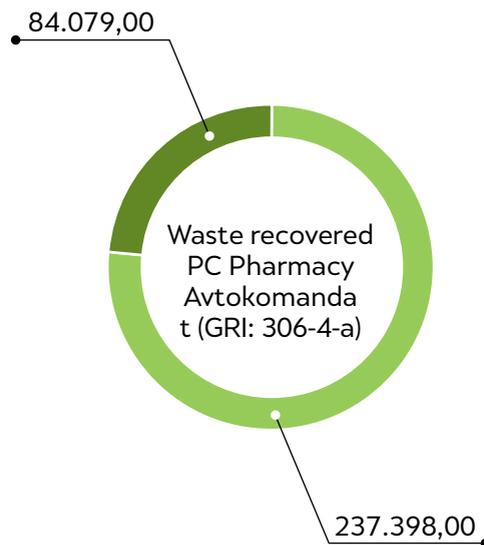
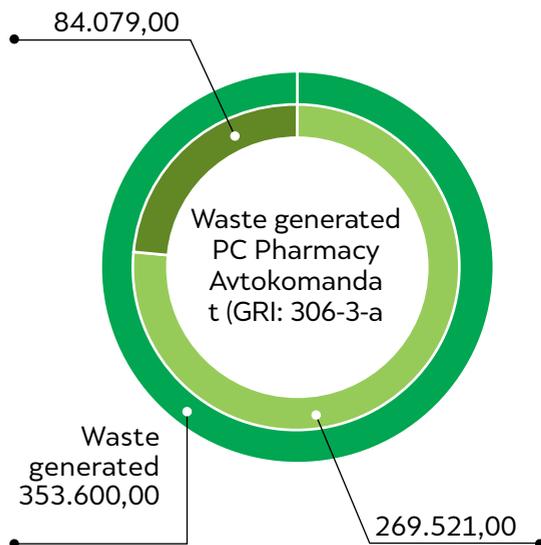




Annex 2:
Waste generated
by site



Total generated waste Pharmacy Avtokomanda 2022



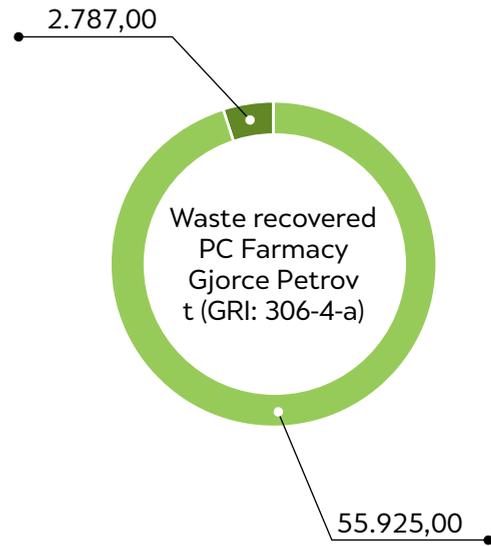
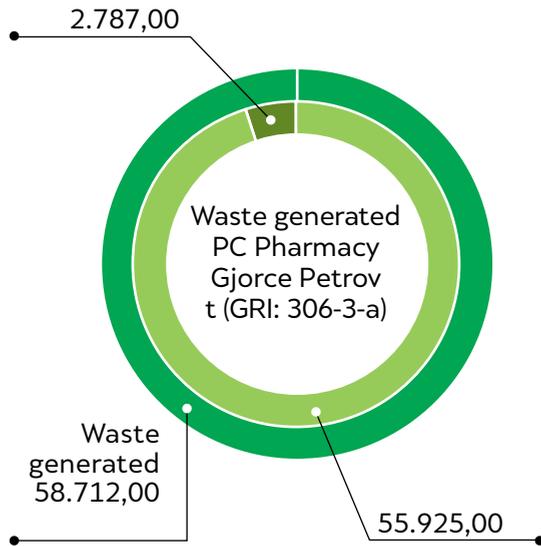
● Non-hazardous ● Hazardous

● Non-hazardous ● Hazardous

● Non-hazardous ● Hazardous



Total generated waste Pharmacy Gjorce Petrov 2022

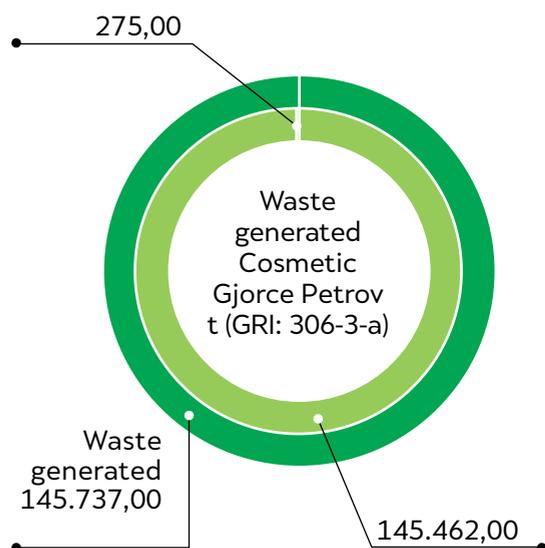


● Non-hazardous ● Hazardous

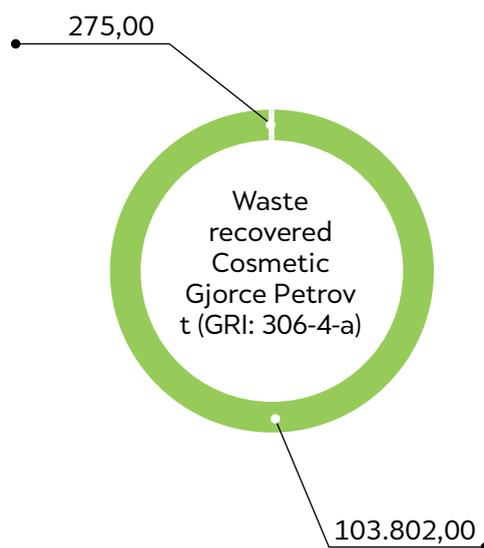
● Non-hazardous ● Hazardous



Total generated waste Cosmetic Gjorce Petrov 2022



● Non-hazardous ● Hazardous

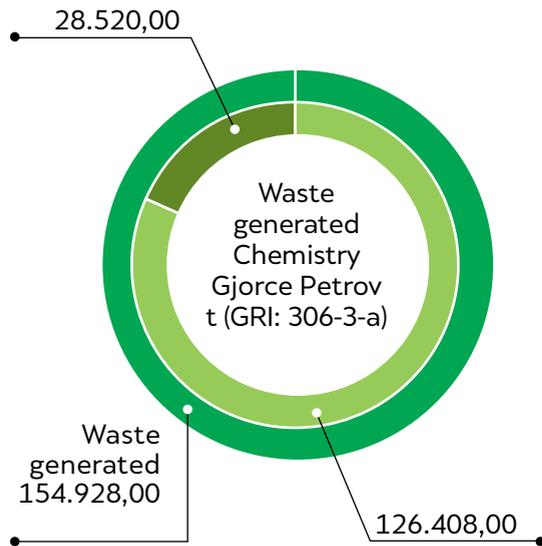


● Non-hazardous ● Hazardous

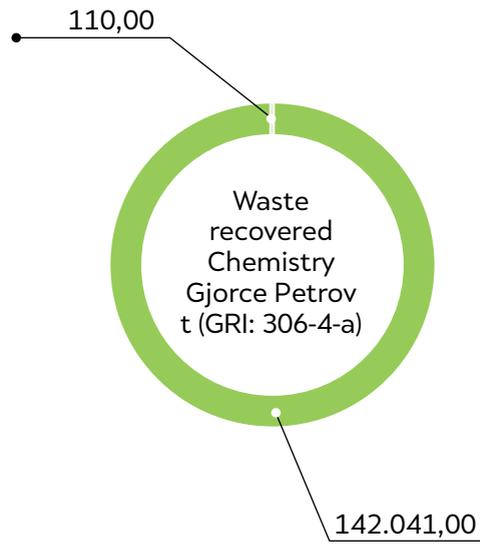


● Non-hazardous ● Hazardous

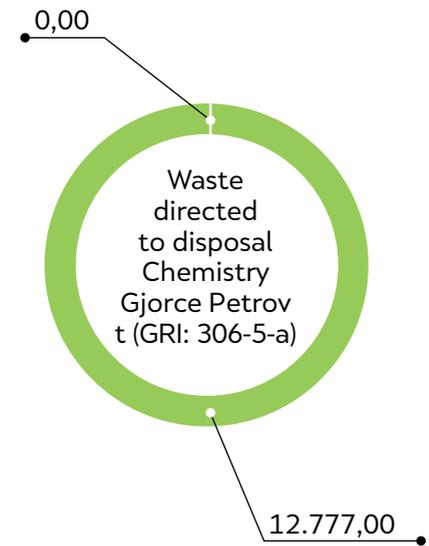
Total generated waste Chemistry Gjorce Petrov 2022



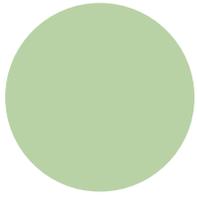
● Non-hazardous ● Hazardous



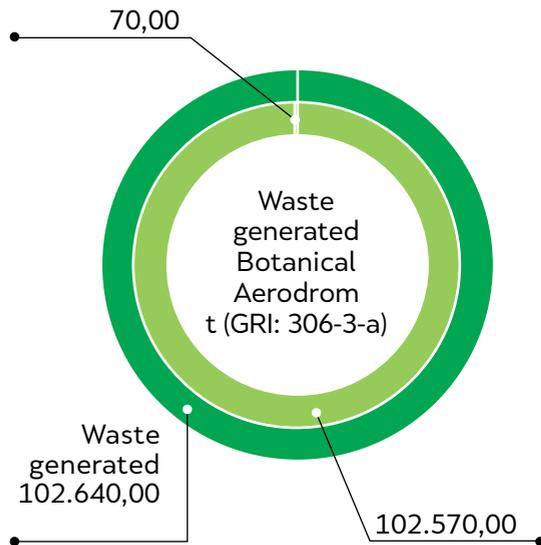
● Non-hazardous ● Hazardous



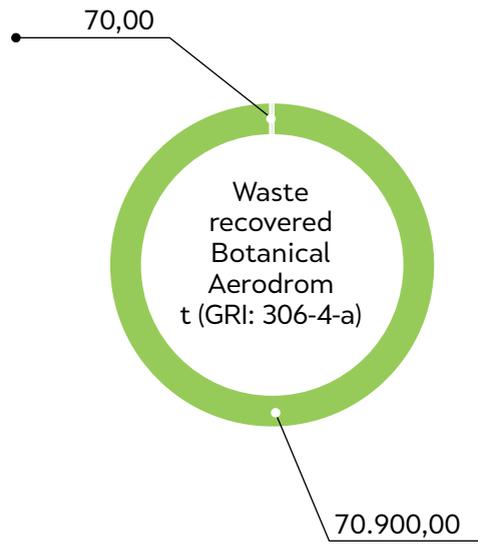
● Non-hazardous ● Hazardous



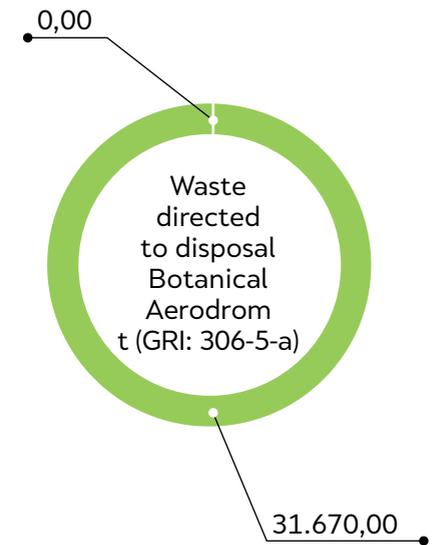
Total generated waste Botanical Aerodrom 2022



● Non-hazardous ● Hazardous



● Non-hazardous ● Hazardous



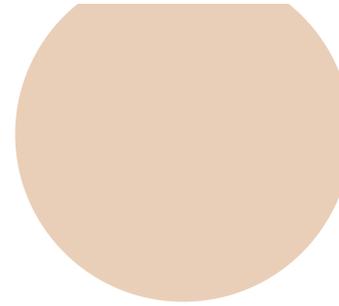
● Non-hazardous ● Hazardous

The background of the slide features a network diagram composed of numerous colorful pins (red, green, yellow, blue, purple) connected by thin black lines. A large, semi-transparent beige circle is positioned on the right side of the image, containing the following text:

Annex 3:
Monitoring
GRI indicators
401,404 and 405

**Measurement indicators under GRI 401 standard - Employment.
401-1 New hires and employee turnover**

Total number of ALKALOID AD Skopje employees	New hires by category					Total new hires	Total % of new hires
	Man	Women	Under 30	30-50	Over 50		
1975	815	1160	426	1312	237	185	9,37%
% of total employees	41,27%	58,73%	21,57%	66,43%	12,00%		
Average number of ALKALOID AD Skopje employees	Resignations by category					Total resignations	Total turnover
	Man	Women	Under 30	30-50	Over 50		
1947	30	23	17	36	0	53	2,72
% of total resignations	56,60%	43,40%	32,08%	67,92%	0,00%		



* Hours of training are shown with included number of employees through the Temporary Employment Agency

Measurement indicators under GRI 404 standard - Training and Education

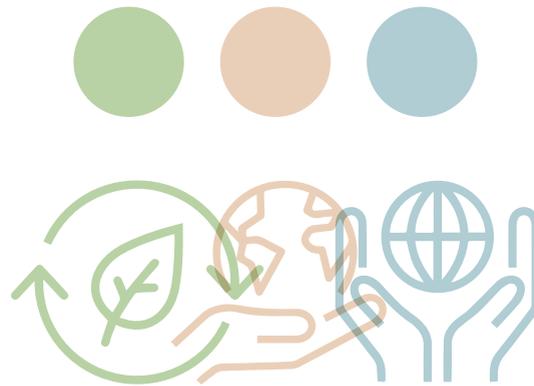
404-1 - Average number of training hours per employee per year	Number of employees by category	Average number of training hours by category	Total training hours in 2022
Total number of employees	2037*	122,99	250.525,00
Total number of employees women	1193	149,92	
Total number of employees men	844	84,91	
Total number of employees under 30	461	308,52	
Total number of employees 30-50	1300	70,73	
Total number of employees over 50	276	59,23	
404-3 - Share of employees receiving career development and performance feedback	Number of employees by category	Total % of TMS by category	Total involved in TMS 2022
Total number of employees in ALKALOID AD Skopje	1975	35,44%	700
Total number of employees women	1160	37,50%	
Total number of employees men	815	36,44%	
Total number of employees under 30	426	27,46%	
Total number of employees 30-50	1312	40,78%	
Total number of employees over 50	237	49,37%	



**Measurement indicators under GRI 405-1 standard
- Diversity in management bodies and employees**

Total number of employees in management bodies	Management body members by category				
	Man	Women	Under 30	30-50	Over 50
8	7	1	0	2	6
% of total number in management bodies	87,50%	12,50%	0	25,00%	75,00%
Total number of ALKALOID AD Skopje employees	Employees by category				
	Man	Women	Under 30	30-50	Over 50
1975	815	1160	426	1312	237
% of total employees	41,00%	59,00%	21,57%	66,43%	12,00%





ENVIRONMENT
SOCIAL
GOVERNANCE



ALKALOID
SKOPJE

Health above all

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