



**ADING AD Skopje
R. Macedonia**

REPORT:

**COMMUNICATION AND PROGRESS
PERIOD: SEPTEMBER 2010 - SEPTEMBER 2011**

Skopje, September 2011



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Company profile

Name of company	Business system ADING AD for production, application and sale of chemical materials for construction and engineering works Skopje
Main office and address	Novoselski pat bb,1000 Skopje
Electronic mail	ading@ading.com.mk
Internet page	http://www.ading.com.mk/
Legal form	Stock company
Management system	two-level
Number of employees (31.December.2010)	99
Country/city	R Macedonia / Skopje
Annual turnover (2010)	4.401.146 €
Branch	Construction chemistry
Field of operation	Production and distribution of chemical admixtures in construction industry
Products and services	<ul style="list-style-type: none"> - Concrete and mortar admixtures - Joint sealants - Concrete repairing - Industrial and other floorings - Surface waterproofing - Curing coatings - Fire protection materials - Construction adhesives - Smoothing compounds - Decorative coatings and mortars <p>Markets: Macedonia, R. Bulgaria, Kazakhstan, Serbia, Albania, Croatia, Russia and etc.</p>
Most important competences <i>In what is our company specially good?</i>	In the technical disposal of our products
Strategy <i>What is at the moment main focus of our company? How do we see the future of our company?</i>	-Regional leader in this field now and in future and to be “Ingredient of each structure”
Beliefs and values <i>Which are our beliefs and values</i>	-Sustained development without any harm to anybody (now and in future)



Subsidiaries, branch offices and relative parties

INVEST A	Company for investment, designing, consulting and engineering INVEST A, DOOEL, Skopje
BIZNIS CENTAR ADING	BIZNIS CENTAR- ADING DOOEL company for production, engineering and trade Skopje
BIRO PROEKT	Company for designing and consulting BIRO PROEKT DOO Skopje
LA HEMIJA	Company for trading chemicals L.A. HEMIJA Lufakis and Ading DOO Skopje
GRADITEL ADING	Company for trade and services GRADITEL-ADING DOO SKOPJE
ADING-BELGRAD	Company for application and sale of chemical products in the construction "ADING" d.o.o Belgrade
ADING HELLAS	Production and trade stock company of construction materials with shortened name ADING HELLAS A.B.E.E
BRANCH IN KAZAKHSTAN	Ading AD Skopje - Branch in Kazakhstan 043D
ADING BULGARIA	Ading- Bulgaria EOOD
ADING PERSIA	Ading Chimi Pars Joint Venture Company



Declaration for constant support for Global Contract by the General manager

We joined Global Contract because of principles support of Global Contract and their sphere effect on our operation, with special review on environment protection and working conditions improvement.

We are ready towards constant working conditions improvement, environment protection and in that direction are introduced systems ISO 9001-2000 and ISO 14001-2004, and Declaration on Safety at Work with workplace risk assessments.

The mission of ADING AD is to stimulate progress of employees regarding respect of tenth principles support of Global Contract with simultaneous creating of possibilities for dialogue between more interested parties and for collective actions.

General Manager
Blagoj Donchev, B.Sc.civ.eng.

Principle 1: Businesses should support and respect protection of international proclaimed human's rights.

Principle 2: To provide their not collaboration in violating of human's rights

Principles: 1 and 2 that is human's rights protection are implemented in **Business plan for 2010 and 2011** where are anticipated resources and systems for instruction and specialization of employees.

Practical action I

The elements stated previously are contained in the annual report for 2009 through the letter to shareholders for estimation for 2009; Report by the Supervisory; report by the independent auditors; balanced state; statement of income; consolidated balance sheet; consolidated statement of income; parameters of profitability; sale of ready mix product and etc.

LETTER TO SHAREHOLDERS Estimation of operation in 2010

The announcement in last year's annual report that 2010 will be the hardest year and year of survival was realized. We are finished the year with positive results, but this evaluation is more than modest for ambitious company such as ADING. However, the crisis has slow down our intentions and ambitions for better results ADING as export oriented company has felt all the negative implications from this crisis period - recession, high illiquidity and uncertainty, higher bank interest rates and exchange rate differences and as a consequence of all this - reduced profit of the company.

We all expect that 2010 is behind us and we expect better 2011.

What were our plans and what we realized Realization and profit

- The plan was realized - at domestic market by 2% less than 2009.
a) foreign market with 18% less than 2009
- The crisis for us, mostly reflected in Croatia, Bulgaria, Russia, Romania, Kazakhstan, Ukraine and Bosnia and Herzegovina, less in Serbia and Montenegro and something better was in Macedonia and Kosovo.
- Total sales of domestic and foreign market was 4.401.146-€ and is lower for 12% in comparison with 2009.
- The domestic market participated with 42 %, and foreign with 58% of total sale
- The profit after tax is 127.967-€ or 2,80% while for 2009 was 4,64% or 209.625 €



In the whole crisis ambient has emerged a good possibility in the second half of 2010 with contract for work on the project - road "Western Europe - Western China" in R.Kazakhstan to be improve the company's operations. The agreed work is more than 3 million euros for a period of one year (September 2010/ November 2011) and includes delivery of additives, formulation and control of concrete, its installation and cut and fills the joints.

One third of works was successfully completed by the end of 2010.

The effect of the project we are expected in the second half of 2011.

Collection and in debt ness

- Besides the insufficient sale of ready mix products in 2010, from 2009 year also was transferred high insolvency at domestic and also at foreign market which made worse more such difficult collection in the construction industry.
- the import collection in 2010 was more worse in comparison with difficult 2009 specially in especially in countries which previously been mentioned
- Insolvency on market continued in 2010. The delay in payment, which resulted in increase of firm in debt ness. That caused many sided increased financial expenses for bank credits and loans as a consequence of increased interests, rate variations and commissions.

Investments

Independently of difficult year, ADING continues to invest:

In Macedonia

- For technological lines in the firm in Skopje 67.832 €

In Iran

- Increase the deposit in ADING Persia 125.694 €

In Bulgaria

- Increase the deposit in ADING 116.945 €

Total investments in 2010: 310.471 €

Salaries and incentives

- Crisis measures were continued in 2010 with reduced pay for 10-15%, but all employees had got the hot mill, transportation and annual recourse.

Organizational and personnel changes

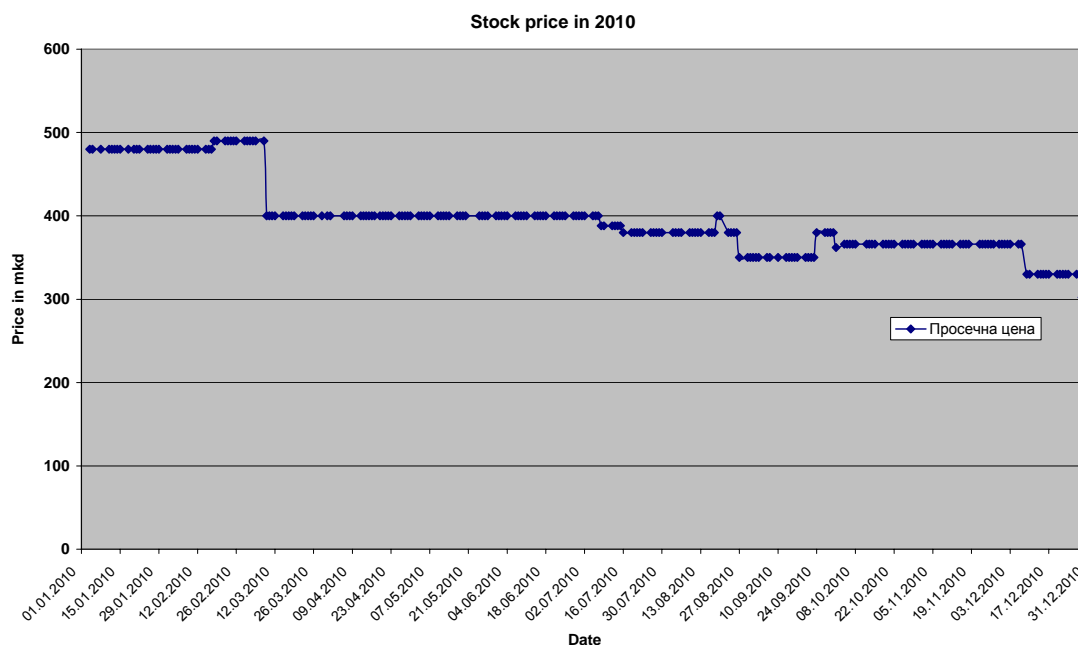
- There was no significant changes in organizational and personnel structure in the company, except that:
The manager of BCA left voluntarily

Two young engineers were employed in the sector: Technical Support and Institute

- It was formed a team of engineers and experts from the Business system ADING and external persons for implementation of projects in Kazakhstan Vice general manager Zoran Petrovski was appointed for project manager, who is at the same time the director of branch of ADING in Kazakhstan, registered for the project.

Shares and movement of the same

In 2010, stock market was dormant or was reduced to a minimum. Stocks listed on the Macedonian Stock Market and their prices moved from 300 to 490 MKD per share. ADING in 2010 did not repurchase its shares and on December.31.2010 had 3.342 shares the same as in the previous year.



Estimation of relative parties

The estimation of the Managing board is that all relative parties in the Business system ADING in 2009 showed positive financial results except ADING-Bulgaria and ADING - Belgrade where big crisis in the caused negative results.



How we started in 2011

The sale decrease mostly expressed in the last three months is minimal and almost within the schedule.

The implementation is much better in comparison with 2010 by more than 7%, especially domestic market which grew by 54%, while export declines or only 85% in comparison with 2010.

Also we have increased profits by more than 15% of realization. That gives us optimism that things are moving in a rising line.

Especially we expect positive results from the project in Kazakhstan, and Iran.

On 09.04.2011 year we let in use the new factory in Tehran - Iran, join venture with partner Ahmadi from Iran, through partner company ADING - Persia.

The Factory has a capacity of:

- 3500 kg / hour - powder products
- 3500 kg / hour - paste products
- 2500 kg / hour - liquid products
- 600 kg / hour - toning products
- The location is an area of 7050 m²
- Production facilities, warehouses, laboratories
and administrative section: 1400 m²

Trial production expected to last 2-3 months and then to offer new products from new company to market in Iran.

Especially gives us hope a interest for product of ADING - Persia and interest of markets in Kuwait and Iraq. The production in Iran is following recipe and controlled by ADING with delivery of concentrates from Macedonia and local raw materials and our "know how" technology. We believe that 2011. will be better than previous and continuing with optimism. To be "ingredient of each construction nstruction" is binding and motivating for us all and it must realize this year and in years to come.

**President of managing board and
General manager**

B.Donchev,BS.c.civ.eng.



Practical action II:

Donations and sponsorships:

· Sponsorships of physical persons

- In 2011	122 €
- Up to August.31.2011	228 €

Sponsorships of firms financed by budget

- In 2010	1.740 €
- Up to August.31.2010	0 €

Sponsorships of firms

- In 2010	9.177 €
- Up to August.31.2011	3.327 €

Practical action III

Within the limits of the company for every concluded marriage of employee in the company is approved one average ADING employee 's salary as gift from the company.

Practical action IV

Regularly declared documents for communication and progress.

Practical action V

We plan to announce logo about global contract on our web site and to use it in official documents from the moment when we will be approved the logo using demand.

Practical action VI

In ADING AD the greater percent of shareholders are and employees in the company so that the shareholders/employees are continually informed about the activities regarding public responsibility at regular weekly and monthly meetings through the whole year.

Practical action VII

Employees have been trained for raising of conscience for the basic values and key principles for PRP.

Principle 3: Businesses should support freedom of association and effective recognition of collective negotiation right.

Principle 4: Elimination of all forms of forced or obligatory labour

Principle 5: Effective abolishment of child labour

Principle 6: Elimination of discrimination regarding employment and profession

Principles: 3,4,5 and 6 that is respecting of working relations standards are implemented in **collective contract with Trade Union.**

Practical action VIII

According to the valid systematization of jobs at every new employment are concluded contracts with all employees by the employer ADING AD, contract for arranging rights, obligations and responsibilities, according to labour law of the Republic of Macedonia. For salary amount, the employer agrees with Trade union of the company.

Practical action IX

A regular medical check up is made of employees, special women check up: mammography, gynaecology, check up and osteoporosis.

Practical action X

In order to advance management systems ISO 9001-2000 and advancement of environment protection system ISO 14001-2004 every third work Sunday in the month are delivered reports to the Managing board for the conducted activities within ISO standards and audit of systems is made once a year.

Practical action XI

Within awarding of prizes for **Leader of public responsibility** on May 26.2010 in INFO CENTRE of EU was signed BUSINESS LEADER FORUM by founders of companies and ADING AD with special representative of EU Mr. Ervan Fuere in the presence of many ambassadors in Republic of Macedonia from EU countries, and on February 11.2011 was signed an agreement for membership in Business Leadership Forum with co-founder and administrator of the Business Leadership Forum - CIRA (Center for Institutional Development in Skopje)

Principle 7: Businesses should support careful approach regarding challenge of environment

Principle 8: To undertake initiatives for promotion of higher responsibility for environment

Principle 9: To encourage development and spreading of technologies of environment support

Principles: 7, 8 and 9 that is protection of environment are implemented through introduction of standard ISO 14001-2004 from March 15.2006 and Declaration on Safety at Work with workplace risk assessments.

Practical action XII

The quality of our products is guaranteed with management systems of quality and environment ISO 9001-2008 with validity up to May.12.2012 as well as ISO 14001-2004 with validity up to March.15.2012. Our products have safety data sheets, we have a transparent policy of prices and acceptable sales conditions.

Practical action XIII

The application of ADING comprised presentation of many documents stating the ecologic operation of the company in all segments, for successful implementation of ISO 14001:2004 and contributing in environment preserving globally as are:

- Legal status data, organizational, public responsible relation and activity,
- Certificates for ISO 14001:2004 from the first and the second cycle of certification by SGS-Bulgaria.
- Company bulletin
- Applicative technical prospectus with all production programs
- Web site of company with all data for all successes, achievements, company certificates, safety data sheets for safe handling with our products (how to handle with product, how it influenced the environment, the human being, disposing of packaging, transportation, storage and etc), sale data of ADING in RM and all over world, and other events in the Company.

The company takes overall care about the protection of the environment monitoring of possible harmful emissions, continuous supervision and improvement of technological processes. As a result preserves natural resources, non-renewable energy sources, takes care of the employees health and safety as well as flora (green space around structures is more than 1/3 of their height) creates healthy natural environment with fresh air for breathing, with pleasant view for employees and visitors, follows legal and other demands in the everyday operation according to the environment management.

The policy of environment protection that all employees of the company are informed as well as external associates (supplies, customers, contractors of crafty works) acts as law at everyday operation.

ADING operates per principle “**Integrated prevention and control of pollution**” and awaits the A-integrated ecologic permit by the Ministry of environment and spatial planning of RM.

This award reaffirms ADING to be the ecologic leader in the industry of the Republic of Macedonia, to contribute and in global level for environment preserving and nature and give contribution for healthy, clean and overall ecologic environment.



Practical action XIV

Spreading of ADING *business will be performed* with opening of new production unit in Bulgaria and IRAN according to environment standard.

Practical action XV

Supply of new elements and technologies in production in order to improve the production and increased activities regarding environment protection, supply of electrical forklift, at final phase is the new hall for production of painted systems based on eco materials and etc.

Practical action XVI

Installing of new computer integrated system within limits will exist a new electronic system for documents exchange so will be drastically decreased paper use and where information flow will be very quick.

Practical action XVII

ADING AD participates actively in implementation of REACH regulation from the European commission 1907/2006.

Practical action XVIII

Control of quality management system ISO 9001-2008 made on 13 April.2011.
Control of environment management system ISO 14001-2004 made on 16 and 17 December 2010.

Practical action XIX

It regularly conducts annexes towards users of products quality of ADING AD.
The questionnaire is the integral part of web site on ADING AD www.ading.com.mk

Practical action XX

In order to improve environment and feeling towards nature within the factory circle has been set Green Park with central cage in which live two peacocks.

Principle 10

Business should work against all forms of corruption including blackmailing and bribery.

Principle 10: fight against corruption means high conscience with respecting of standards of cooperative governing and with that:

- preventing of money laundries in all operation segments
- **usage of ethic code of employees in company starting from November 2008**

- through introduction of procedures and instruction for running of processes in company are defined obligations and responsibilities and with that "inspection and checking of balances".

Practical action XXI

We are signers of declaration for zero tolerance of corruption in the Republic of Macedonia

Practical action XXII

Our employee is member of Advisory board of global contract Macedonian network

Practical action XXIII

We announce regularly real business reports. Our strategy and our short-term medium-term and long-term aims are transparent for all interested in Information publicized by our company are valid and based on facts and ciphers. The same information ADING AD announces regularly at web site <http://www.ading.com.mk/> in the section intended for investors.

Practical action XXIV

“Grant Thornton, independent auditors, for 2010 for the management and the shareholders of ADING AD points out that:

To the management and shareholders
of ADING AD, Skopje

We have audited the accompanying financial statements of Ading AD Skopje (hereinafter “The Company”), composed of balance sheets as of 31 December 2010 and statements of income, changes in equity and cash flows for the year that ended and review of important accounting politics and other notes included on pages 3 to 36.

Responsibility of the management in aspect of financial statements

Financial statements are the responsibility of the Management of the firm, in accordance with the International standards of auditing. Management has determined that such control is necessary to allow preparation of financial statements, which are free of free of material miss-statements due to fraud or error.

Responsibility of auditor

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the International standards on auditing. Those standards require our concordance with ethic demands, and to plan



and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit includes implementation of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the estimates made by the auditor, and the same include assessing of the risks of some material misstatements whether of fraud or mistake. At those risks assessing, the auditor takes into account the internal control significant for preparation and objective presentation of financial statements of company in order to create such audit procedures which will be in accordance with the circumstances, but not for need to express an opinion about the effectiveness of the internal control of the company. The audit also evaluates the appropriateness of accounting principles and reasonableness of accounting, estimates that management has made, as well as evaluating the overall financial statement.
We believe that audit evidence provide e reasonable basis for our opinion.

Opinion

In our opinion the accompanying balance sheets presents fairly, in all material respects, the financial position of the Company as of 31 December 2010, and the results of its operations and its cash flows for the year ended, in accordance with the International standards of financial statements.

Grant Thornton
Skopje
March. 18.2011



SGS

Certificate HU03/0070

The management system of

ADING AD

Novoselski pat bb
1000 Skopje
Macedonia

has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

Purchasing, production, control, development, servicing, engineering and sale of: concrete and mortar admixtures, waterproofing and thermal insulation materials, construction and industrial adhesives and smoothing compounds, repairings, industrial floorings, fire protection of steel constructions and electric cables, joint sealant (rigid and elastic)chemically resistant coatings and compounds.

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation

This certificate is valid from 26 May 2010 until 12 May 2012 and remains valid subject to satisfactory surveillance audits.

Re certification audit due before 30 April 2012

Issue 6. Certified since 26 May 1998

Authorised by

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com



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SGS

Certificate HU06/67618

The management system of

ADING AD

Novoselski pat bb
1000 Skopje
Macedonia

has been assessed and certified as meeting the requirements of

ISO 14001:2004

For the following activities

Purchasing, production, control, development, servicing, engineering and sale of: concrete and mortar admixtures, waterproofing and thermal insulation materials, construction and industrial adhesives and smoothing compounds, repairs, industrial floorings, fire protection of steel constructions and electric cables, joint sealant (rigid and elastic), chemically resistant coatings and compounds.

This certificate is valid from 15 March 2009 until 14 March 2012 and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 19 December 2011
Issue 3. Certified since 15 March 2006

Authorised by

SGS United Kingdom Ltd Systems & Services Certification
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