



**ADING AD Skopje
R. Macedonia**

REPORT:

**COMMUNICATION AND PROGRESS
PERIOD: SEPTEMBER 2011 - SEPTEMBER 2012**

Skopje September 2012



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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 (December.31.2011)	97
Country/city	R. Macedonia/Skopje
Annual turnover (2011)	4.940.062 €
Branch	Construction chemistry
Field of activity	Production and distribution of chemical admixtures in construction
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 Markets: Macedonia, R. Bulgaria, Kazakhstan, Serbia, Albania, Croatia, Russia and etc.
Most important competencies <i>In what is our company specially good?</i>	In the technical disposal of our products
Strategy <i>What is at the moment min focus of our company? How do we see the future of our company?</i>	Regional leader in this field now and in the 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 Loufakis 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 9001-2008 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 **2011 and 2012** 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 2011 through the letter to shareholders for estimation for 2011; 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 2011*

Wished for a better 2011 than the difficult 2010. That was realized, but more on paper than real, taking into account the fact that the crisis in the world, region and in the country has deepened and continued with more fiercely pace, especially in the part of the liquidity of the company.

*What were our plans and what we realized
Realization and profit*

- The plan was realized - at domestic market by 21% more than 2010 and foreign market with 5% more than 2010.
- Total sales of domestic and foreign market was 4.490.062-€ and is larger for 12% in comparison with 2010.
- The domestic market participated with 46 %, and foreign with 54% of total sale
- The tax profit is 476.201 -€ or 9,93% while for 2010 was 2, 8 % or 127.967 €
- Realization in 2011 according 2010 was greater in countries: Macedonia, Serbia, Russia, Kazakhstan, Kosovo, Albania, Iran.
- The plan for 2011 was exceeded in Macedonia, Serbia and Russia, while in all other countries we have a lower realization than planned.

- We have finished the Project "Western Europe - Western China" in Kazakhstan in 2011. We've built our hopes on improving the liquidity , but because of payments problems which are still not resolved, that did not happen.

We had problems with collection in almost all countries and they exist until now and become deeper , except Kosovo.

Collection and in debt ness

- Increased distribution in 2011 compared to 2010 in terms of high illiquidity at domestic and also at foreign market has additionally worsen the present difficult collection in the construction industry
- Insolvency on market endangering the company's operations in 2011. That caused many drastically increased financial expenses for bank credits and loans, delay the payments to suppliers as a result of increased interests, rate variations and commissions. The barter has returned on domestic market as substitute for cash payment, which we thought was in the past.

Investments

independently of difficult year, ADING continues to invest:

- For technological lines in the factory in Skopje 154.166 €

Salaries and incentives

- Crisis measures continued in 2011 with reduced salary for 10-15%, but they were regularly settled. All employees have got the hot mill, transportation and annual recourse.

Organizational and personnel changes

The most significant changes in organizational and personnel structure was made in IVEST A company. The manager was changed and number of employees halved due to bad financial results, after which nine employees left the company contractually. The company was reorganized and it was been appointed new manager. Better results have already been observed, but still there are many inherited problems from the previous composition, such as: outstanding claims and unsettled obligations towards subcontractors and suppliers

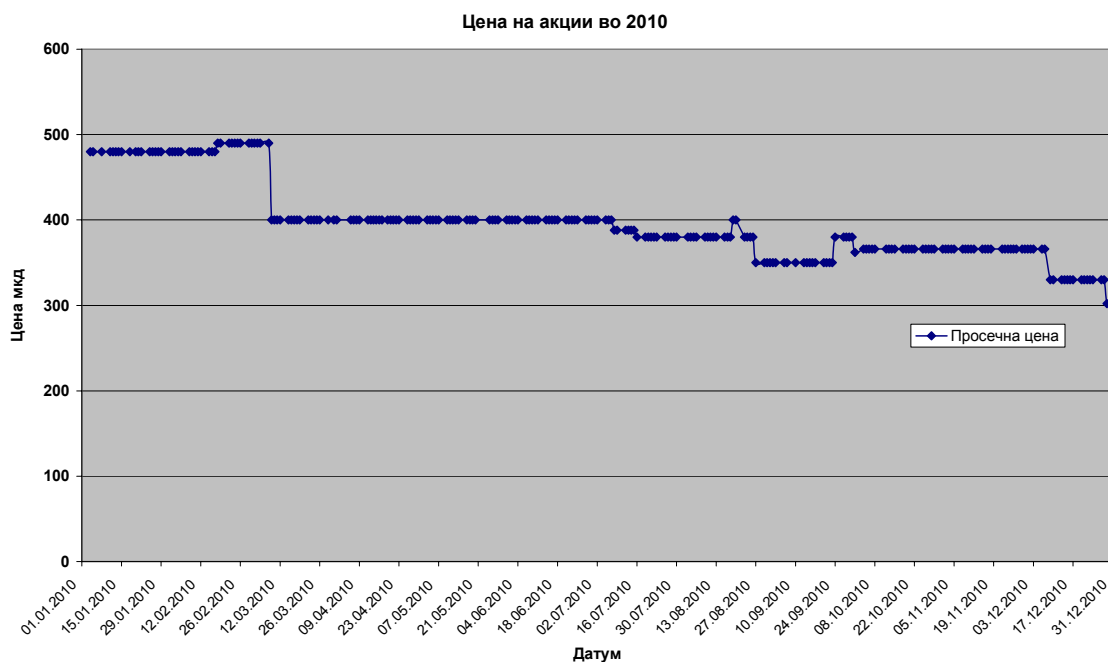
In BCA a young economist commercialist was employed and one architect engineer on the position Head of Sales, and other displacement of employees of the business system.

In Biro Proekt there were three new employees. Two employees was transferred from Biro Proekt to the BCA.

In Ading were employed three new young engineers – technologists in the Technical department and Institute, 4 employees contractually left the firm, and Lead Engineer-Manager, Goce Petrusevski from Quality Department has passed away.

Shares and movement of the same

In 2011, stock market was dormant or was reduced to a minimum. Stocks listed on the Macedonian Stock Market and their prices moved from 300 to 400 MKD per share. ADING in 2011 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 showed positive financial results except INVEST A which showed negative result and therefore are made personnel changes.

How we started in 2012

The year started with bad results. Half of January and the whole February has not been operative, that which is something could not memorized in history of Ading. Reason was "force majeure" i.e unfavorable winter conditions in the region and in Russia.

Combining with high illiquidity, business additionally has been complicated and sales has drop more on the foreign market. The drop of sales was also influenced by tighten sales of final products to distributors and customers which debts to Ading, as well as unrealized deliveries to Kazakhstan, and increased sanctions towards Iran, where last year joint venture of Ading and partners from Iran has successfully started to work the new factory. That has slowed down the growth of sales there with many additional financial problems which should be solved this year.

Hard year is expected, and hope that the global economic crisis and recession will "loose" and will return to more peaceful and more stable situation, which will enable us to continue the company's upward dynamic. We believe that young engineering team with our experience will do that

Ading is, will be and remain "ingredient of each construction" in Macedonia, the region and around the world where we are present.

**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 227 €
 - Up to August.31.2012 439 €
- *Sponsorships of firms financed by budget*
 - In 2011 0 €
 - Up to August.31.2012 1.740 €
- *Sponsorships of firms*

- In 2011 5.916 €
- Up to August.31.2012 0 €

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 labor

Principle 5: Effective abolishment of child labor

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 labor law of the Republic of Macedonia. For salary amount, the employer agrees with Trade union of the company.

Practical action IX

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

Practical action X

In order to advance management systems ISO 9001-2008 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.

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 XI

The quality of our products is guaranteed with management systems of quality and environment ISO 9001-2008 with validity up to May.12.2015 as well as ISO 14001-2004 with validity up to March.14.2015. Our products have safety data sheets ,we have a transparent policy of prices and acceptable sales conditions.

Practical action XII

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, second and third cycle of certification by SGS-Bulgaria.
- Company bulletin
- Applicative technical prospectus with all production program

-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 XIII

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

Practical action XIV

In the final phase is the installation of a 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 XV

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

Practical action XVI

Control of quality management system ISO 9001-2008 made on 18 and 19 April.2012. Control of environment management system ISO 14001-2004 made on 15 and 16 December 2011.

Practical action XVII

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 XVIII

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
- Implement a code of behavior and clothing for employees in the firm
- 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 XIX

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

Practical action XX

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

Practical action XXI

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 XXII

"Grant Thornton ,independent auditors, for 2011 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.2011 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 38.

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 2011, and the results of its operations and its cash flows for the year ended, in accordance with the International standards of financial statements.

Emphasis on certain issues

Without qualifying our opinion, we pay attention to the following questions:

As published in notice 8.1 to the accompanying financial statements, with balance sheet at December 31, 2011, Company has recorded investment to subsidiary and in affiliated companies in amount of 61.340 thousand MKD of which 21.249 thousand MKD are for founding investment in foreign legal entity ADING SHIMI PARS IRAN and 1,478 thousand MKD are for for founding investment in foreign legal entity ADING HELAS ABEE Thessaloniki. Until the date of issuance of these financial statements, the amount of these investments according to the accounting records of the Company is not reconciliated with the registry for direct investment maintained by the Central Registry of the Republic of Macedonia.

Grant Thornton
Skopje
April. 17.2011



SGS

Certificate HU03/0070

The management system of

ADING AD

Novoselski pat bb,
Skopje, 1000, 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 13 May 2012 until 12 May 2015 and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 19 April 2015
Issue 7. Certified since 26 May 1998

Authorised by

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graphics design atelier roger plant printed by smit book security printing ltd eindhoven

