



**ADING AD Skopje
R.Macedonia**

REPORT:

**COMMUNICATION AND PROGRESS
PERIOD: SEPTEMBER 2012 - OCTOBER 2013**

Skopje October 2013



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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.31.2012)	92
Country/city	R.Macedonia/Skopje
Annual turnover (2012)	3.871.257€
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 Lufakis and 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 **2012 and 2013** 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 2012 through the letter to shareholders for estimation for 2012; 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 For the work in 2012

Previously announced tough 2012 in annual report to shareholders unfortunately become reality. The crisis has deepened, particularly affecting ADING's exports in all countries and in some, such as Romania, Ukraine, Albania and Iran (introduced harsh sanctions by the UN and the EU) even completely stopped.

" Minus" in the realization of January and February which are not remembered in the history of ADING ("force majeure" because of unfavorable weather conditions in the region), stricter sales policy due to difficult and uncertain recovery and insolvency still high in the region contribute 2012 annual plan to be fulfilled with a positive but relatively small gain, same as in 2011.

What we planned, and what we fulfilled Sales and profit

- The planned sales was - at the domestic market 96 % of the planned and 93 % compared to 2011; at the foreign market with 51 % of the plan and 65 % compared to 2011
- Total sales of domestic and foreign market was EUR 3,871,257 and is lower by 22 % compared to 2011. Domestic market share was 55 % and the foreign 45 % of total sales
- Profit after tax EUR 121 487 or 2.95 % sales while for 2011 was 9.93 % or 476,201 Euros .
- Sales in 2012 compared to 2011 fall down, except for Bulgaria and Bosnia where went up. We can be relatively satisfied with the domestic market, but in all other countries we deliver much less than planned .

- At the Kazakhstan project, completed in 2011, we continue to remove flaws and it was delivered on 20/01/2013 Year. Warranty period of 2 years began for what investor retain an amount of EUR 153.000 or 5 % of the total project amount according to the contract .
- In 2012 in Kazakhstan two new projects were agreed where ADING just gave know-how, which is more favorable variant then the first project where we had a full contracting. These two projects continued in 2013 the same way with instructors and opportunity to sale our products to major contractors
- Problems with the collection were present in almost all countries and is deepening even in Kosovo, which for us was a reliable market .

Billing and debt

- insolvency market in 2012 threaten the company . It led to drastically increased financial costs for bank loans , borrowings and late payments towards suppliers . And due to high interest rates , exchange rates and commission .
- In the absence of liquidity in the domestic market return and compensation for forced that thought in the past . They are now in adverse conditions because of high competition in products with low prices and long days of recovery reduce profits . All this in terms of lower realization reflect the profit is significantly reduced .

investments

Despite the difficult year ading continue to invest as follows:

- The technological lines and thermal improvements to facilities in plant in Skopje worth 47.000 Euro
- The adaptation of the store the BCA and the facility in Avtokomanda valued by the 46.000 Euro

Salaries and incentives

Crisis measures continued in 2012 with reduced pay of employees with management contracts to 10 months and they are regularly paid. All employees receive hot meals, transportation, and other annual income according to the collective agreement .

Organizational and personnel changes

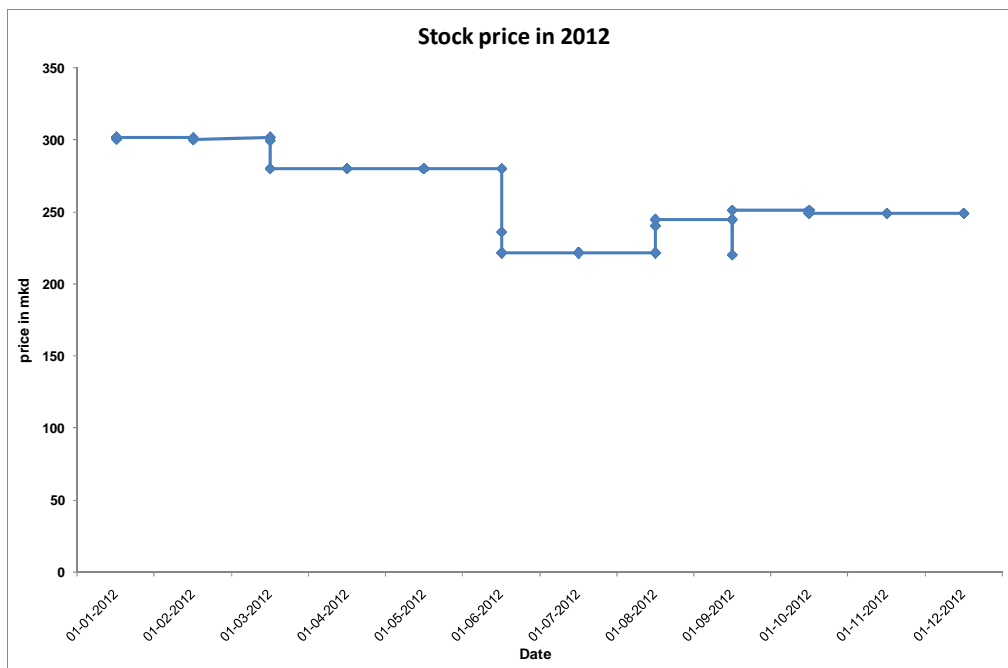
- There have been minor changes in the organizational structure in ADING .
- It should be noted that the Board worked all year with 4 members. Fifth member was not appointed because of financial savings.

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- During the year there was a rearrangement in the Business System and new employment in INVEST A where two new engineers and two new construction workers were employed on fixed-term and four employees left on ground of retirement and two left the company.

Stock movement

Stock exchange in 2012 stagnated and trading was minimized. Total of 2850 shares were traded with a total turnover of 771.322,00 mkd or 12.542 € Shares are traded on the Macedonian Stock Exchange and their price varied from day 220-300 mkd per share . ADING in 2012 do not redeem shares and on 31.12.2012 had 3,342 shares same as the previous year .



Evaluation of associated companies

- Board assesses that all associates, except INVEST A and ADING-BELGRADE showed positive result
- It is positive that INVEST A lower their loss from the previous year .
- ADING-BELGRADE show negative results as a result of negative FX factor and lower sales
- GRADITEL-ADING - In agreement with Serbian partner who owned 51 %, the firm was liquidated due to the inability to exist on the market in Macedonia . Because GRADITELJ - Novi Sad is divided into several parts and lose more of the foreign brands partnership for construction machinery, existence of the company has become pointless and was closed.

How we started in 2013

In the starting two months of 2013 sale was achieved more than expected especially in the domestic market, but in March sale went down on domestic and much more on foreign markets as a result on failed sales in Serbia , Kosovo and Russia.

Some major projects in Macedonia and Kosovo was put off and in Serbia we have uncertain sales especially because of stopped delivery of products to our larger customers (PUTEVI - Uzice , MOSTOGRADNJA and others) who owe large amounts from previous deliveries .

We expect sales in Kazakhstan to increase mainly because of continuing projects with our KNOW-HOW and sales of products for what we engaged an application engineer presence for longer period. Also, realization of INVEST-A's projects that were agreed last year - multi-storey car parks in Skopje (with Granit and Beton) will increase sales. Inability to increase sales to foreign markets in several countries because of the great financial crisis and increased competition this year and the inability to pick markets in Iran , Ukraine, concern us and hints that 2013 will be even more difficult than the previous .

To improve this situation, this year, as underused opportunity for better quality and higher ranking in the domestic market, more aggressive approach was taken in retail.

In the meantime a special project team "New profitable businesses" was established which on a long-term have to bring hope in overcoming the consequences of the global economic crisis .

The current activities of the engineering team that works daily on boosting the competitiveness of ADING's program, new formulations to obtain more profitable products and also reducing costs in all segments in the Business System, we aspect that even with reduced sales to maintain stability of company.

April, 2013

Chairman of the Board
and G.M.
Blagoja Doncev grad.civ.eng

Practical action II:

Donations and sponsorships:

· Sponsorships of persons

- In 2012	447 €
- Up to August.31.2013	122 €

Sponsorships of firms financed by budget

- In 2012	1.740 €
- Up to August.31.2013	0 €

Sponsorships of firms

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- In 2012 2.508 €
- Up to August.31.2013 6.245 €

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 also 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.

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

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

Principle 8: 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.12.2012 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 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 and the second 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

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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 in final faze is 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.

On the competition for 2013, published on the occasion of the traditional event "June 5 - World Environment Day" ADING. won first prize in the category of most beautifully landscaped yard of commercial buildings.

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

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 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 16 and 17 of April.2013. Control of environment management system ISO 14001-2004 made on 13 and 14 December 2012.

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

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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
- **usage of ethic code of employees in company**
- 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 2012 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 ("The Company"), which comprise of the Statement of financial position as of 31 December 2012 and the Statements of comprehensive income, Statement of changes in equity and Statement of cash flows for the year that ended and summary of significant accounting policies and other explanatory notes included on pages 3 to 38.

Management's responsibility for the financial statements

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements, that are free from material mis-statements whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements whether due to fraud or error.

In making those risks assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also include evaluating the appropriateness of accounting polices used and reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide e basis for our opinion.

Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the financial position as of 31 December 2012, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Grant Thornton
Skopje
April. 29.2013

