



metalac
■■■■HOLDING

MGM REPORT 2011



www.metalac.com
www.metalacmarket.com
www.metalacposudje.com
www.granmatrix.com
www.metalac-metalurgija.co.rs
www.promometal.hr

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A photograph of a modern building with a large glass facade. The building's windows reflect the sky and clouds. In the foreground, there is a curved entrance canopy supported by a metal frame. Below the canopy is a glass-enclosed entrance with a revolving door. The entrance is flanked by two tall, narrow evergreen trees. The ground in front of the entrance is paved with light-colored tiles and has a few small plants and a decorative water feature in a gravel bed on the left.

EVERY MORNING I COME TO EUROPE

- Every morning when I enter Metalac, I feel like I entered Europe. The fact that Metalac makes part of Europe reflects not only from the internal organization, standards and achievements, but also from quality of people, export deals and reputation with business partners. I said many times that as of tomorrow we could move Metalac, as it is, to any place in the world and there would be nothing that we should be ashamed of.

This was the reply of Mr. Dragoljub Vukadinovic, President of the Metalac Company, to pusillanimous forecasters who were expressing doubts regarding potentials of Serbia becoming a European country.

ABOUT THE COMPANY

Metalac a.d. is a share company organized as a holding with 14 subsidiaries. Four of them are productive, five trading companies in the local market and five companies abroad..

Metalac has been active for 53 years.. The Company headquarters is in Gornji Milanovac where are also the factories **Metalac Posudje doo** for production of cookware, **Metalac Inko doo** for production of kitchen sinks and granmatrix composite plates, **Metalac Bojler doo** for production of water heaters and **Metalac Print doo** for production of carton packing material and transfers for cookware decoration.

The trading companies on the local market are: **Metalac Market doo** as a retailer manages 46 specialized shops throughout Serbia, **Metalac Metalurgija a.d.** Novi Sad which places products of Metalac and widest range of household items on the market of Vojvodina and manages 15 specialized shops in Voivodina, **Metalac Trade doo** is a major wholesaler of imported household items, and **Metalac Proleter a.d.** is major supplier of citizens in the province of Gornji Milanovac through 37 points of sale. The company **Metpor doo** Belgrade acts as an agent of different foreign companies.

All five companies abroad deal with various ranges of Metalac products. The biggest share is from **Metrot doo** Moscow which operates in Russia for ten years. The market of the USA is supplied by **Metalac Group USA** located in Milwaukee. **Promo-Metal** Zagreb covers the market in Croatia. In Montenegro products are sold through **Metalac**

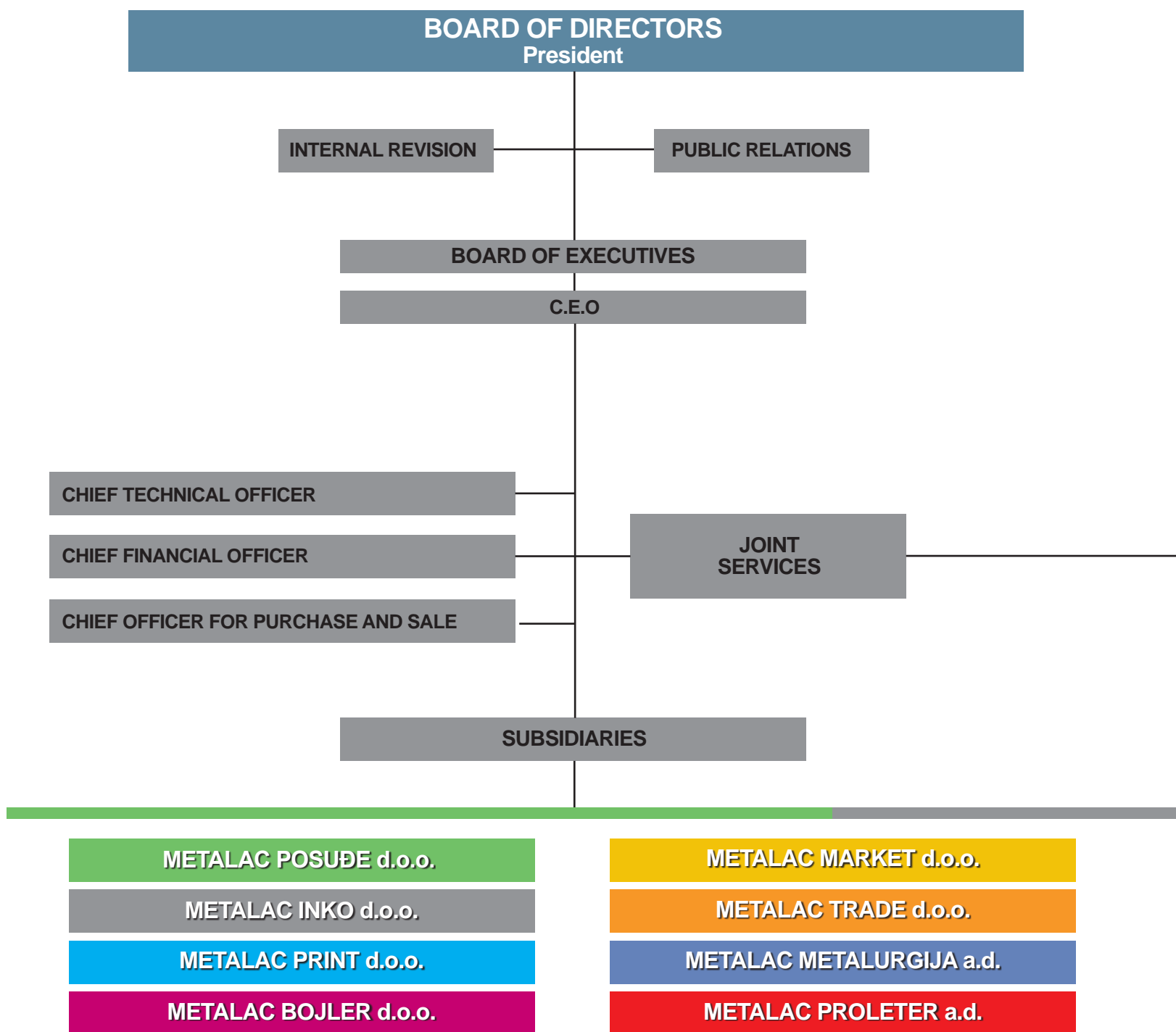
Market Podgorica., and beginning 2011 the new company Metalac Ukraine was founded. The property structure of METALAC AD shows 60 % held by natural persons and 40% share of legal persons and custody accounts. The share of foreign entities and investment funds in the total capital is 45%. Metalac a.d. shares are quoted on the B List of the Belgrade Exchange. Exchange analysts say that Metalac is one of the "healthiest" Serbian companies.

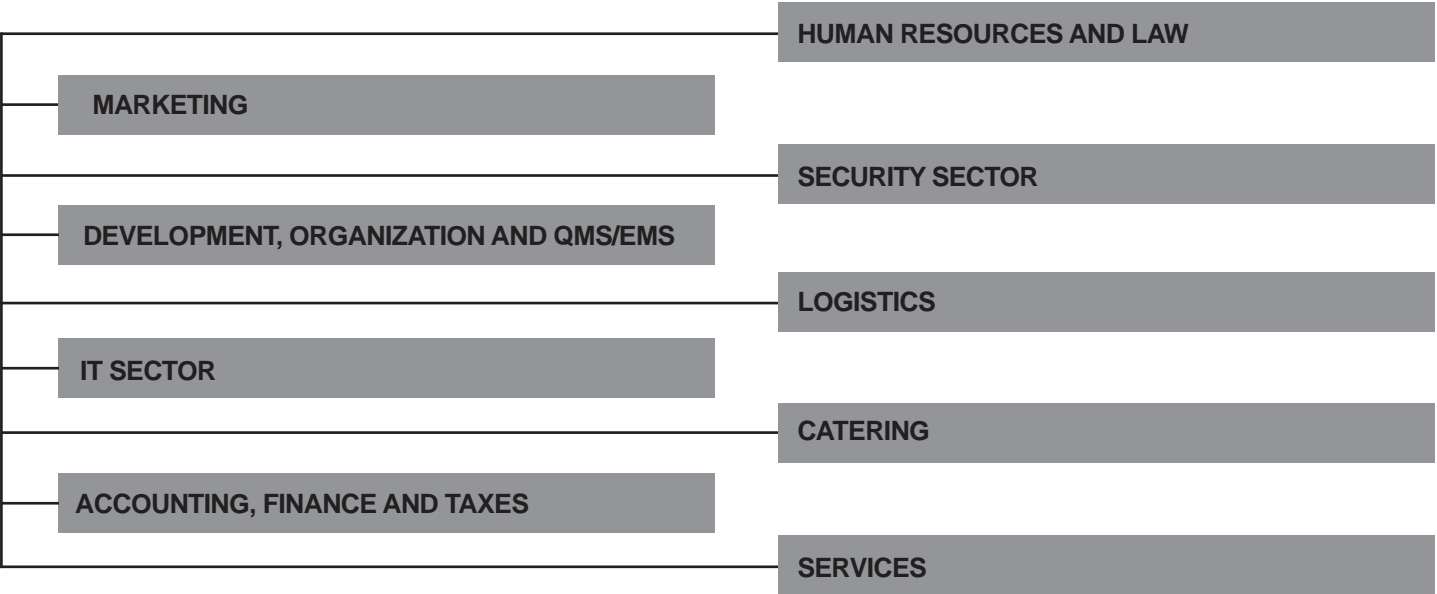
In 2011 according to the consolidated account Metalac made euro 53 million turnover and net profit of about 5 million euro. Cookware production is core-business and Metalac Posudje is one of major cookware producers in Europe.

Metalac exports its products to 25 countries of all continents. Except traditional presence in Bosnia and Herzegovina, Croatia, Montenegro, Slovenia and Macedonia, about 5 million product units, mostly cookware, goes from Metalac to: Russia, France, Italy, Germany, Spain, Sweden, Finland, Denmark, Czech Republic, Ukraine, Georgia, Bulgaria... and as far as USA and Australia.

Metalac Group employs about 1600 people, almost 750 of them working in Metalac Posudje as the oldest factory. Every ninth employee is with an university degree. There is a trend of continuous education to improve and update knowledge in all fields.

Metalac a.d. has integrated Quality Management System ISO 9001 and Environmental Protection Management System ISO 14001 certified by TÜV. The company is dedicated to all aspects of sustainable development.





METPOR d.o.o.

METROT d.o.o.

PROMO METAL d.o.o.

METALAC MARKET PODGORICA d.o.o.

METALAC GROUP USA d.o.o.

METALAC UKRAJINA d.o.o.



Management board

Dragoljub Vukadinovic,
President of the company and Chairman of the Board

Prof. dr Dragan Djuricin,
Professor at the Belgrade Faculty of Economics and Vice
president of the Board

Radmila Todosijevic,
Executive director for financial affairs

Nikola Pavicic,
Member of the Board of directors of Serbian chamber of
commerc and honorary President of Tarkett East Europe from
Backa Palanka

Prof. dr Goran Pitic,
Chairman of the Board of executives of Societe Generale
Bank - Serbia

Vladimir Cupic,
President of the Board of executives of HypoAlpeAdria Bank
a.d. - Beograd

Mr Djordje Milosavljevic,
Adviser at Center for Process engineering of IHTM d.o.o.

Dr Rajko Tepavac,
Member of the Board of executives of Dunav Osiguranje a.d.
- Belgrade

Prof. dr Ljubinka Rajakovic,
Professor at the Belgrade Faculty of Technology and Metal-
lurgy

C.E.O.

Petrašin Jakovljevic,
C.E.O. Metalac a.d.

Executive board

Petrašin Jakovljevic,
President of the Executive Board – Metalac a.d.

Radmila Todosijevic,
Executive Director for Financial Affairs – Metalac a.d.

Aleksandar Markovic,
Managing Director – Metalac Posudje

Vojin Vukadinovic,
Managing Director – Metalac Inko

Mladen Matovic,
Managing Director – Metalac Print

Goran Mijatovic,
Managing Director – Metalac Bojler

Stojan Slovic,
Managing Director – Metalac Market

Dragan Tomic, c
Managing Director – Metalac Trade

Marko Sarenac,
Managing Director – Metalac Metalurgija

Slobodan Vukajlovic,
Managing Director – Metalac Proleter

Milan Vujovic,
Managing Director – Metrot

Aleksandar Jelic,
Managing Director – Promo Metal

Čedomir Ralevic,
Managing Director – Metalac Market Podgorica

Jelena Spasic,
Managing Director – Metpor

Dušan Lazic,
Quality Management Director – Metalac a.d.

Mr Dragan Zivanovic
IT Director – Metalac a.d.

Biljana Cvetic,
HR and Law Director – Metalac a.d.

Radmila Trifunovic,
Accounting, finance and taxes department Director – Metalac a.d.

Nadica Vujić-Mitrovic
Marketing Director – Metalac a.d.

Jovica Zdravkovic
Security Department Director – Metalac a.d.

Milan Novakovic
Logistics Director – Metalac a.d.



Board of directors of Metalac a.d. and directors of subsidiaries



DRAGOLJUB VUKADINOVIC, President of the Company

Today Dragoljub Vukadinovic is among few elite representatives of Serbian industry who have put their knowledge, experience and reputation in service of progress and prosperity of Serbia. By nature of his vocation and most of all his personality, Vukadinovic has consistently and courageously kept on promoting the values which are above day-to-day profiteering and sheming, and in favour of long term interests of the Serbian industry and therefore society - was the explanation of the 2011 award from the Serbian Chamber of Commerce.

WE CAN'T CHANGE THE WORLD – OURSELVES WE HAVE TO CHANGE EVERYDAY

The crisis that came upon the world left also strong economies with negative consequences so it is completely logical that the problem is more emphasized in the weak economy of Serbia. Four years already we have been saying how previous year was difficult and that Metalac business went well. Unfortunately, when we speak about business environment we can't be optimistic and say that 2012 and years to follow will be easier.

The crisis will last and as we can't change the world we will keep upgrading our own approach and behaviour. If we think of ourselves as disciplined - we have to be even more disciplined. If we think that we are proactive and innovative – who see only skies as a boundary, we can and we must do even more. Per mill of change becomes per cent of improvement.

I still think that hard times are the best ones for big and creative decisions which lead to company development and long term stability. Only those who are aware to hold destiny in their hands could do it, and this is the postulate by which Metalac has been living for last 30 hard years. Today Metalac group employs over 170 people with university degree. Every ninth worker is a potentially inexhaustible resource for all kinds of amelioration, and all of the together one big business flywheel of innovations.

Serbia is finally and officially on the road to Europe. Europe has however been our everyday business reality all these decades. It is the domicile of our consumers of our products and service, our business partners, our shareholders – it is our prime interest and highest objective. Of course, in the manner that made us one of most sound companies because we put synergy of economic, social and ecological objectives above any individual interest. Let it remain this way.



Prof. Dr. Dragan Djuricin, Prof. Dr. Jurij Bajec, Prof. Dr. Ljubisa Adamovic,
 Dragoljub Vukadinovic - president of Metalac Company, Toplica Spasojevic - president of ITM GRUPE

Credits for Mr. Dragoljub Vukadinovic

DIPLOMA FOR EXCEPTIONAL CONTRIBUTION TO BUSINESS ECONOMY AND AWARD FOR BUSINESS ACHIEVEMENTS

From the Serbian Association of Economists and the Serbian Chamber of Commerce

Highest credit from the Serbian Association of Economists given every year to two great Serbian businessmen, this time, mid December, in the presence of numerous respectful representatives from the world of science and industry, was handed by Jurij Bajec Professor, Ph.D., to Mr. Dragoljub Vukadinović as recognition for exceptional contribution to business economy.

In his word of thanks the President of Metalac said:

- I have always been learning from you who are present here and I never felt shame to learn from better ones. As supporting facts that I learned something and that you were not wrong giving me this recognition, I would like to say that for 26 years I have been delivering successful annual statements, that 1550 workers in Metalac have been regularly

receiving their salaries 20% above the average of the Serbian Industry and that Metalac workers and shareholders have been satisfied. However I know other economists-politicians with whom I have often disagreed and spoken about that in public thinking that it was my duty to do something more for faster economic development of Serbia. I didn't do much because in many cases it happened that a gram of ruling power could do more than a hundred kilos of education.

Only the days later, on December 21st in Belgrade Mr. Dragoljub Vukadinovic received the award for business achievements from Mr. Miloš Bugarin, President of the Serbian Chamber of Commerce.



PETRASIN JAKOVljeVIC - Managing Director of Metalac a.d.

WE PLANNED 8% AND WE MADE 13%

Would it be a news if we constate that after a row of difficult years we had very hard business environment in 2011 and that 2012 which just started shows to be even harder?!

Just to remind you, considering the times we live and operate in, we stepped into 2011 with an ambitious projected growth rate of 8%. The beginning of the year was not promising as to reach the goals set. However, at its end I can say that despite all the challenges we managed to have 13% higher income and 10% higher profit as compared to 2010, and the salaries of the employees were raised over 10%. Again this time we did it because we have been mostly relying to our own resources, knowledge, experience, young and ambitious people and above all to our devotion to the interests of the company.

But as market conditions and circumstances in single fields were different, all of the companies within Metalac Group didn't have equal results. Some of them made even higher growth, while others showed a falling trend. Sure that with new problems around us we became richer for one more experience, and we immediately take improving actions to all the weak points in order to make better results in 2012.

It is important that the number of our clients is growing, that the offer of products and services is wider and responding to actual demands of the market. Wit the investments initiated in 2011, which will be carred out in 2012, we will significantly upgrade our technical and technological facilities for more efficient operation and higher quality offered by the cookware factory and the factory of packing material. This will provide for Metalac sustainable development.

I strongly believe in all Metalac values and I can therefore promise that also in 2012 we will meet the expectations of all interested parties, and first of all shareholders, employees and community.

The third year of the world crisis was rather difficult. There was no hint of any better environment in 2011. On the contrary, the world economy went into recession, European Union was exhausted in search for solutions, while Serbia didn't manage to get the status of a candidate for the EU. The figures in the local market were continuously falling due to a lower buying power, unstable exchange rates, insolvency, ceased activity by numerous small traders, shortage of capital, uncertainty of trading, worse crediting conditions, unemployment, grey economy....

On the other hand there was a surprisingly positive atmosphere inside the Metalac company, showing high pro activity and persistence of the employees, trust into management, clear vision, determination and decisiveness, of course with careful management of all risk factors.





TURNOVER INCREASE 13%

PROFIT INCREASE 9%

EXPORT INCREASE 12%

NEW COMPANY IN
UKRAINE

EQUIPMENT UPGRADE
AND NEW VEHICLES

CONSTRUCTION OF
METALAC FOOTBALL
STADIUM HAS STARTED

WITH UTMOST EFFORTS WE GAINED THE PROFIT OF 5 MILLION EURO AND KEPT ALL PARAMETERS OF SUSTAINABLE DEVELOPMENT

By the end of 2011 the company Metalac according to the consolidated income statement made 53 million euro that instead of 8% as planned increase, reached 13% higher income than the year before. Despite difficult circumstances of sale, with inevitable loyalty programs for the clients and consumers, Metalac made the profit of 5 million euro.

From all 14 companies of the group, four Metalac production subsidiaries had the total income growth of 11%, and 4% profit increase. Five local trading companies showed 21% turnover increase, while operating profit raised even 39%. Other five trading companies abroad ended the year with 3% lower income and 19% lower profit.

The greatest contribution to the total results of the year was from the core business company, Metalac Posudje, which share in the total 2011 income was 30% and even 61% in the total profit gained. Differently from 2010 which was particularly good year for the Moscow office with great impact to the total company results, in 2011 Metrot made 8% lower income and 24% lower profit.

Beginning 2011 one more company was founded abroad – that was Metalac Ukraine with offices in Kiev. After months of administration work and preparations, this branch made first sales only during last quarter of the year.

In total, when we take in consideration how hard the year was in all aspects, we could say that it ended with success. Workers and managers received their premiums as always, dividend was paid out to the shareholders, and all other social and ecological goals which are important for the sustainable development were met.

Differently from 2010, in 2011 there were more investment activities for equipment upgrade and purchase of new vehicles, while the company Metalac for the 50th anniversary of the football club started with construction of the city football stadium by all UEFA standards.

IT – UPGRADING INFORMATIONAL COHERENCE

On the level of Metalac a.d. new equipment was installed to respond efficiently to all required informations services within the group. With completed server visualization we now belong among serious companies from the aspect of informatics. The first phase of passage from Baan ERP to Ln ERP software platform has begun.

With the new ETP system we covered all 46 shops of Metalac Market this year. Also Metalac Metalurgija is going to use this new software in their shops in Voivodina from 2012.

Moreover, Metalac Proleter have automatized all 12 city shops and connected them with the existing software platform, in practice all the shops are equipped and the software for their management implemented.

INDEPENDENT AUDITORS REPORT

Opinion

In our opinion, the consolidated financial statements of Metalac a.d., Gornji Milanovac for the year ended December 31, 2011 have been prepared, in all material respect, in accordance with the accounting with regulations of the Republic of Serbia.

Belgrade, April 20, 2012



CONSOLIDATED BALANCE SHEET

As at December 31, 2011
(Thousands of RSD)

ASSETS		2011	2010
Non-current assets			
Intangible assets	18	13,509	2,153
Property, plant and equipment	18	1,926,820	1,892,259
Investment property	18	95,864	95,864
Long term financial placements	19	40,412	58,523
		2,076,605	2,048,799
Current assets			
Inventories	20	1,501,237	1,316,836
Accounts receivable	21	1,220,177	1,167,248
Receivables for prepaid income tax		32,757	17,030
Short-term financial placements	22	299,539	689,875
Cash and cash equivalents	23	697,034	334,645
Value added tax and prepayments		47,123	35,937
		3,797,867	3,561,571
TOTAL ASSETS		5,874,472	5,610,370

EQUITY AND LIABILITIES		2011	2010
Capital and reserves			
Share capital	25	408,000	408,000
Other capital	25	33,899	33,899
Share premium		4,256	4,256
Reserves	25	90,623	90,623
Unrealized gains on securities		1,370	17,423
Translation reserves		2,250	8,038
Retained earnings		3,057,220	2,802,431
Majority interests		3,597,618	3,364,670
Minority interests		108,863	116,718
		3,706,481	3,481,388
Long-term liabilities and provisions			
Long-term provisions	26	145,972	141,194
Long-term borrowings	27	112,875	388,667
Other long-term liabilities	28	5,112	5,112
		263,959	534,973
Current liabilities			
Short-term financial liabilities	29	971,756	849,393
Accounts payable	30	602,026	494,332
Other current liabilities	31	207,457	134,100
Value added tax and other duties payable and accruals		83,095	70,609
Income tax payable		2,070	3,154
Deferred tax liabilities		1,866,404	1,551,588
	17	37,628	42,421
TOTAL EQUITY AND LIABILITIES		5,874,472	5,610,370
Off-balance-sheet items			
	32	173,628	70,693

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2011
(Thousands of RSD)

OPERATING INCOME		2011	2010
Sales revenues	5	4,971,564	4,437,727
Own-work capitalized		14,042	26,010
(Decrease)/Increase in inventories		58,948	(12,653)
Other operating income	7	122,423	107,479
		5,166,977	4,558,563
OPERATING EXPENSES			
Cost of goods sold		(1,412,500)	(1,153,099)
Materials, fuel and energy	8	(1,464,217)	(1,281,319)
Staff costs	9	(1,074,801)	(940,033)
Depreciation, amortization and provisions	10	(200,318)	(210,742)
Other operating expenses	11	(434,242)	(373,522)
		(4,586,078)	(3,958,715)
OPERATING PROFIT		580,899	599,848
Finance income	12	181,616	221,398
Finance expenses	13	(174,234)	(219,638)
Other income	14	67,805	93,650
Other expenses	15	(132,547)	(197,022)
		(57,360)	(101,612)
PROFIT BEFORE TAX		523,539	498,236
INCOME TAXES			
Current tax expense	17	(26,719)	(39,721)
Deferred tax benefits		5,022	6,237
		(21,697)	(33,484)
NET PROFIT		501,842	464,752
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent company		505,250	467,359
Minority shareholders		(3,408)	(2,607)
		501,842	464,752
Basic/diluted earnings per share (in RSD)	16	495,34	458,20

These consolidated financial statements were approved by the management of Metalac a.d. Gornji Milanovac and filed with the Serbian Business Registeres Agency on April 18, 2012.

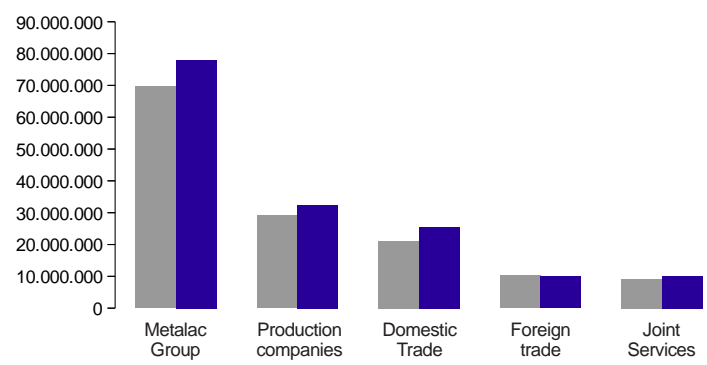
Signed on behalf of Metalac a.d., Gornji Milanovac by:

Petrašin Jakovljević,
Managing director

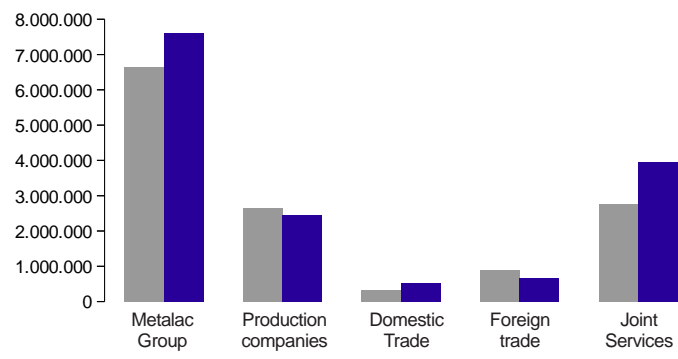
Radmila Todosijević,
Chief financial executives

Milan Đorđević,
Head of accounting

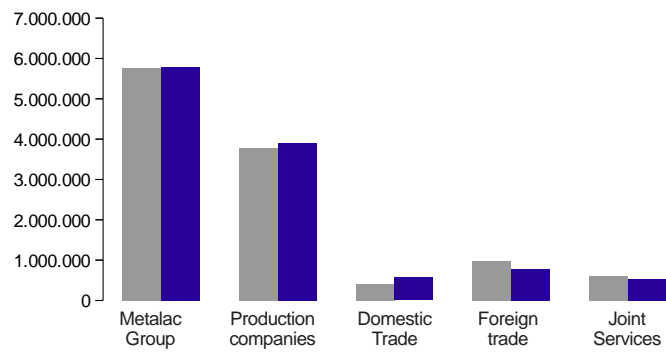
METALAC HOLDING



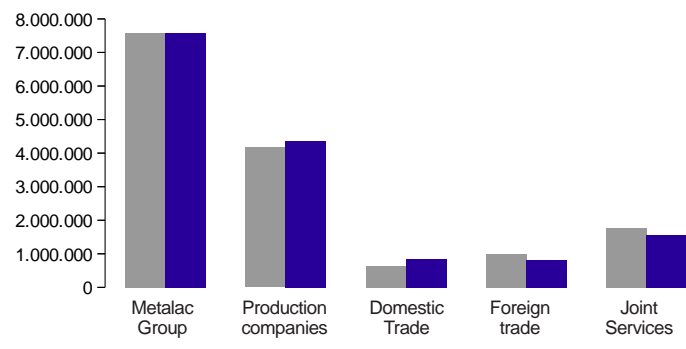
TOTAL INCOME



GROSS PROFIT / LOSS



EBIT



EBIT

PRODUCTION COMPANIES

Metalac Holding has four production companies which produce different kinds of cookware, water heaters, stainless steel and granite sinks, granmatrix composite materials, transport and gift packing materials. In 2011 Metalac production companies made income of euro 29,2 million and profit of euro 3,9 million, in other words 11% and 4% increase respectively, as compared to 2010. The biggest share in the income and profit was from Metalac Posudje, core business of the company.



SWIFT REACTION TO THE CHANGES BROUGHT SUCCESS IN THIS VERY HARD YEAR

With 23,9 million euro income Metalac Posudje made 10% growth, and the profit was 7% higher than in 2010. From 22 markets, half showed better results, and 5 had falling trend. For the first time the cookware went to Denmark, Indonesia and Georgia. New cookware lines were designed. The biggest share was of the local market which demand was met with frequent loyalty activities.



- Although we are pleased with the results, the fact is that we had to employ much more work to obtain same results as to compensate all limiting factors on the market. We could see traders imposing new set of rules, and survivors could be only innovative producers, able to offer something more. Metalac Posudje has such competitive advantages and our principle is that there is no less important clients, because what matters more than that is one's reliability and liquidity – estimates Aleksandar Marković, Director of our biggest subsidiary.

In 2011 Metalac Posudje had turnover with 22 markets. The biggest pieces were Serbia and Russia, while Croatia, Finland, USA and Italy showed biggest progress as compared to 2010. Though in symbolic quantities, our goods for the first time reached the countries like Denmark, Indonesia and Georgia.

The local market required maximum efforts and only with the last quarter the set goals were reached. All 240 clients were serviced with same due dedication, though first 10 clients have the biggest share. The final outcome of such approach is almost equal participation of the three most important channels: the chain of Metalac shops, big systems and self standing shops, while some ten percent were of the so called terrain sale.

However the turnover with foreign markets had great growth impact as compared to 2010, which was and is Metalac strategic orientation, bearing in mind the size of the Serbian cookware market where we have over 30 competitors. Russia is the dominant export market, but interesting fact is that also surrounding countries increased the share,

then there are new clients like Finland and Denmark, with highly sophisticated requests, and there are markets which were out of the focus that are now opening.

Number of clients and demand variety is verified by the fact that over 100 new decor patterns were developed in 2011, of that 13 for Russia, 71 for other clients and 20 for Frankfurt and Chicago shows.

In 2011 new line of aluminium cookware – EcoTava - with new non-stick coating and consisting of 10 different items was placed on the market. As a result of constant work during the year, already with beginning of 2012, we could expect new release in aluminum non-stick version, however the competition is strongest in this segment.

The volume of the work became higher by the second half of the year that required additional workers in the quality control section as well as in the mechanical processing plant. Clients' demands had to be fulfilled completely as the most important issue. Series of new products and decorations were developed and the most innovative would be the 3-ply frypan "Sirius 28" in the premium category of products.

In the communication environment Metalac Posudje intensified the activities by end 2011, meant for younger generation aging 20-25 and with business women age group 25-35 who use internet as priority communication media. All aspects of on-line communication were taken into account and integrated into a new web-site of the company, aimed to develop loyalty by dynamic information exchange with business and other public.

CONSUMERS VOTED FOR METALAC COOKWARE

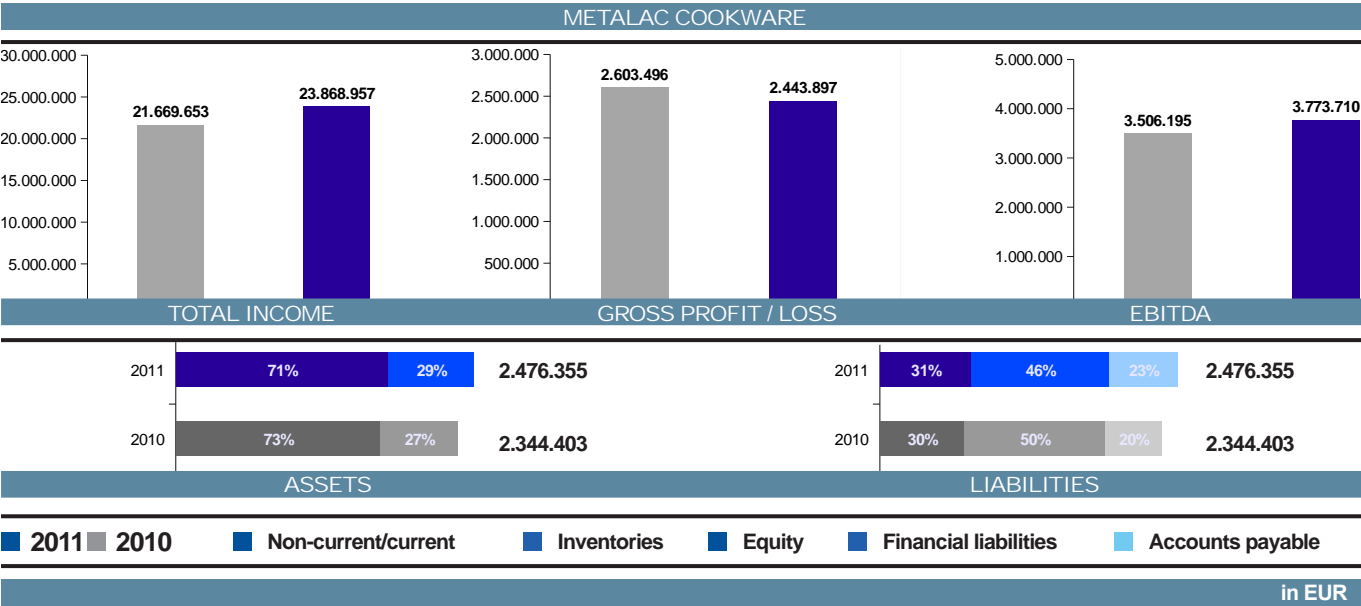
For the second time in a row our brand has won in the category of “Furniture, cookware and household appliances”. The award was presented to Mr. Aleksandar Markovic, director of Metalac Posudje.

Pooling made in October and November 2011 on the specimen of 2000 consumers in the supermarkets of 22 biggest Serbian cities. The most famous brands competed in 12 categories and Metalac Posudje won the award »My Choice« in the category of “Furniture, cookware and household appliances”.

Like the year before we were consumers’ absolute choice as confirmation of our long term high positioning in the market. However, the most popular brand in total among the consumers in Serbia is the biscuit “Bambi plazma”.

INNOVATIONS AS A MUST

- In the environment of strong competition in our field we have to be unique with designs offered to the market, drawing attention of the buyers in that manner became an imperative. We were always ahead with our designs on certain markets, the problem is that some buyers hold in their shops amateurish imitations of our patterns, produced in China, Turkey and Romania. We have taken steps to fight such phenomenon – said Mr. Aleksandar Markovic, director of Metalac Posudje, stressing that innovations and designs, materials and cookware functionality will be imperative for Metalac Posudje also in future.



AS BUILDING INDUSTRY STAGNATES GROWTH IS PRESENT BOTH ON LOCAL AND FOREIGN MARKETS

With the income of 3,73 million euro, Metalac Bojler did 27% better than in 2010, and the profit was 17% higher. Positive trend continued in 2012.



The first quarter was a worry, but in the second quarter the turnover beat the records bringing optimism and positive turn.

- The 2011 business was good, despite the difficult economic environment we obtained a two figure growth and employed 17 new workers, we managed to fulfill our obligations to the state and to the suppliers – comments Goran Mijatović, Director of the company Metalac Bojler, stressing the three key factors that had impact on the overall results. First, there was a new product, ECONOMIC water heater that could be competitive on the largest market segment, that of cheap products with 60% of the whole market of water heaters in Serbia. Second, increasing exports to all our markets, and the most important was penetration into Slovenian market, with the MERKUR chain of stores, our products are present in 27 centres throughout Slovenia and with our brand name “Metalac Bojler” which is of great importance also for our better positioning in the whole region. And the third factor is our product quality policy and partnership relations with our clients who see us as a reliable supplier.

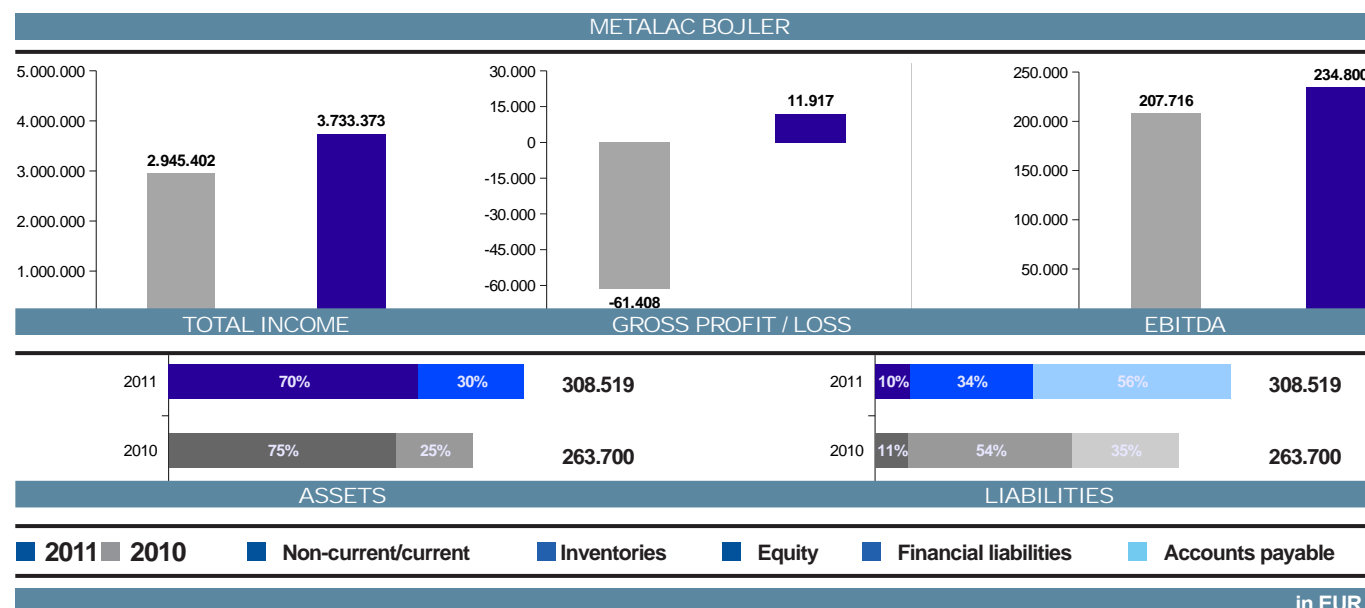
No doubt that past years of great efforts to position the Metalac brand on the market have been valued.

The year 2011 was also dedicated in search of new ideas to improve and upgrade the business in all the aspects. With incentive policy the workers were stimulated for production and each moth 5-6 ideas and suggestions were considered and the best were put into practice.

After the ECONOMIC model in the second half of the year, we launched low capacity water heater with stainless steel tank of 8 litres, for low and high installation. Beside that, and despite limited technologies, Metalac Bojler made first prototypes of combined water heaters with enamel tank of 80 and 120 litres, which were placed on the market in February 2012.

During the first quarter of 2012 another project that started in 2011 was continued – the water heater of Metalac Bojler was installed in the sample apartment within the complex of 5000 apartments in Belgrade of the government subvention plan. The benefit of this project is expected in 2012 which started with the first lot delivery of 750 water heaters.

The solar water heaters shown at the Belgrade Technical Show in May could also become a part of Metalac regular offer in future.



TURNOVER FALLING – CHANGE OF APPROACH AS IMPERATIVE

After the year 2011 that ended with total income fall of 10% as compared to the year before, that was not good as well, Metalac Inko decided to change the approach considering that both in building and furniture industry things didn't change much.

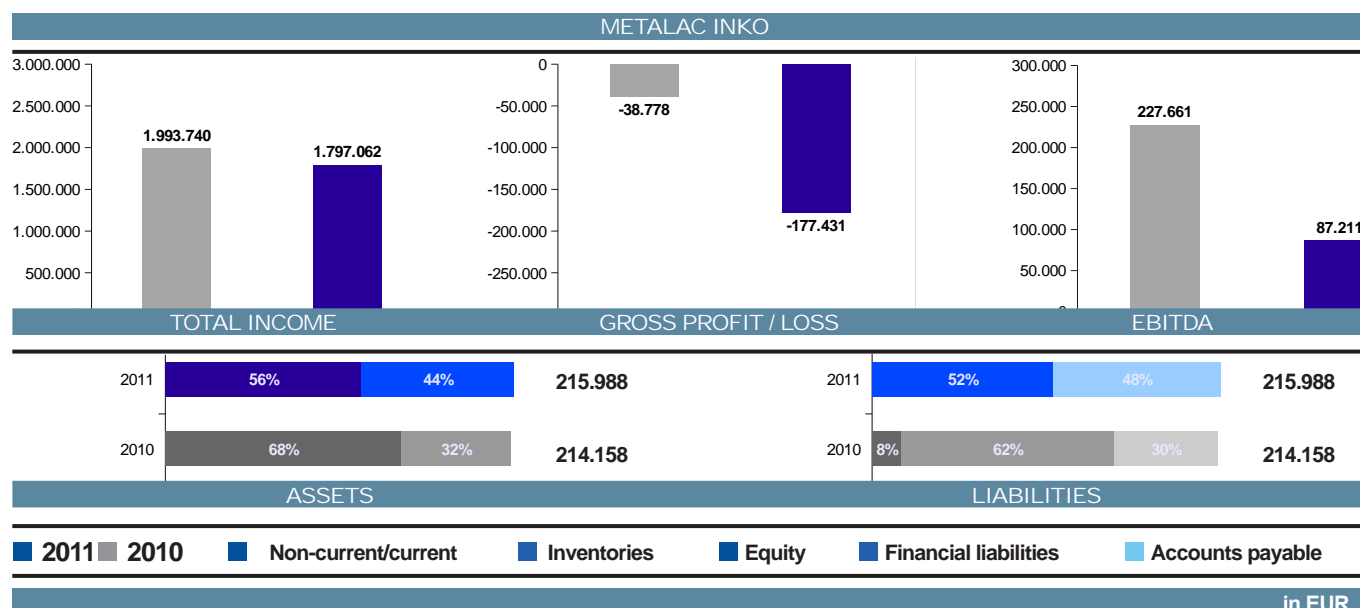


The 2011 was another hard year for Metalac Inko, sinks were not selling well and income from Granmatrix composite materials were not satisfactory. Taken into account all limiting factors of such difficult situation on the market for years, this compan decided to change the approach for 2012, and already in the first quarter spaces opened for moderate optimism.

- First we have to gain bigger share on the market. We were relying onto major distributors which showed to be a week point. That is why the field sales managers have to work swiftly and permanently to fortify direct contacts with small clients, regaining old and developing new partnerships with more intense follow-up and service of their needs. We have rather good range of products in stainless steel and quartz, price competitiveness is understood, all other depends on our persistence. Beside the Serbian market, paralelly we will treat the markets of Montenegro and try to increase our share on the surrounding markets – says Vladan Stojkovic, technical director of Metalac Inko.

Beside stainless steel sinks which production started 16 years ago, end 2010 Metalac started offering also quartz sinks which contemporary consumers find attractive. With stronger promotional activities regarding old models, for 2012 there are plans for two new models, to be more competitive in this segment.

We believe that with xGranit sinks we will use full capacities in the plant for cast polymers, where beside sinks Granmatrix materials are produced. The production in our youngest factory will be kept within economic frames, without additional marketing activities, as there is no market justification for them at the moment. In fact, our exhibition at the November furniture Fair in Belgrade confirmed once again that there was interest for Granmatrix materials, especially for kitchen furniture, but consumers' strength is still insufficient for this.



AS SEEN BY THE STUDENTS

Ideas for water heaters, sinks, granmatrix shower booths and cookware handles exhibited at metalac business centre.

Design proposals from the students and professors of the Academy of Applied Arts, Section for Industrial Design, were exhibited as 30 pannels and 20 gypsum samples, as inspirational respond to the concourse opened for new ideas in three product lines: water heaters, Xgranit sinks and shower booths, and frypan handles, in total 43 proposed

ideas. Before the exhibition three juries voted for two best solutions in each category and first prizes were bought up. The Metalac personnel and the business partners that visited the company that day, had however opportunity to vote, but the final vote will come from the buyers.



The works that won by decision of the jury, bought up by the company

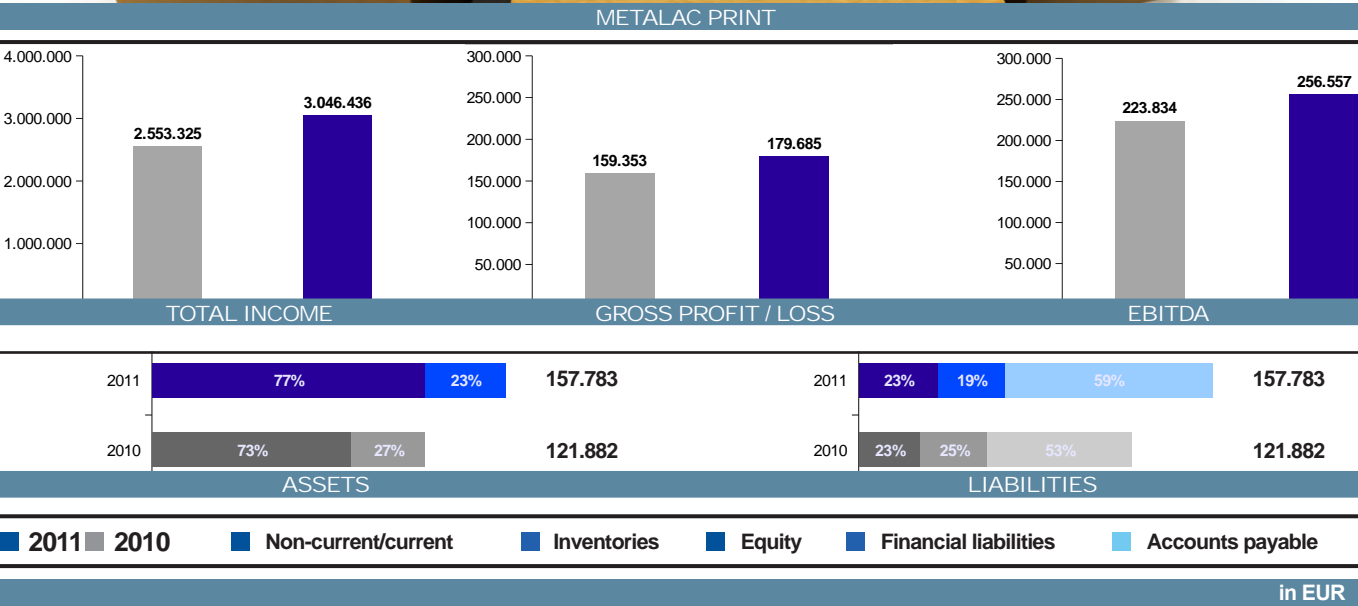
NEW EQUIPMENT AND GREATER AMBITIONS

Beside the fact that in 2011 they made 19% higher income than the year before, for Metalac Print the most important was to modernize the equipment enabling them to rise efficiency and deliver better quality.

Metalac Prind produces transport and gift packing materials, in major part for the needs of the sister companies, but also for other parties like vineries and food industry. In 2011 cooperation with all of them the results were successful as continuation of the positive trend in last few years, even 19% better than in 2010.

The overall results were helped with safe supply sources of raw materials, at stub prices over the year and earned position and reputation with the suppliers.

Among the problems that Metalac Posudje has encountered the hardest were bad liquidity of clients and old equipment. Therefore in 2011 investments were made for new screen printing machine and other accessories in the total value of 200.000 euro. Beginning 2012 there already arrived other two machines – gluing machine and the slotter, therefore in almost all production segments they provided higher efficiency and printing quality, as well as multiplied capacity in production of transport packing.



TRADING COMPANIES

Within the Metalac Holding there are ten trading companies – five on the local and five on the foreign markets. The oldest of them is Metalac Market retail chain which in 1996 started by opening specialized shops, and today it has 46 points of sale. The youngest trading company is a wholeseller Metalac Ukraine, founded beginning 2011 in Kiew for placement of Metalac products on that market.

The trading companies in Serbia made 25,5 million euro income, that is 21% more than in 2010, while the profit was even 39% higher. Though the shares of these companies are not equal, the problems they have encountered were more or less the same: further fall of purchasing power, unstable currency, non-liquidity, small traders ceasing operation, conditions dictated by big chains of supermarkets, uncertainty, currency risks, disoccupation, grey economy...

As for the trading companies abroad, with almost 10 million euros they were few percent below 2010. This was mostly affected by the Metrot which share is the biggest. In 2011 the two companies in Croatia and Montenegro had similar results as in 2010, while Metalac USA and Metalac Ukraine have still been expanding.



GROWING LOYALTY OF CONSUMERS, AFFINITY OF SUPPLIERS AND OPTIMISM OF THE PERSONNEL

After three negative years, in 2011 the profit was symbolic, and the income 26% higher that in 2010. All shops were connected into a system. With 46 shops in 40 towns of Serbia, Metalac Market is among the largest retail chains specialized for household items.



The year 2011 in Serbia was marked by the fall of retailing of 15%. Metalac Market though, made income growth of 26%, most of that with Sigma and Metalac cookware brands, then with water heaters, while of household appliances the best selling were refrigerators and stoves, which increased over 30%, same as small appliances. The year didn't go well for air-conditioners, audio and video devices.

The margin was not as in 2010 because of lower purchasing power and generally lower consumption, frequent discounts as inevitable type of consumers' benefit.

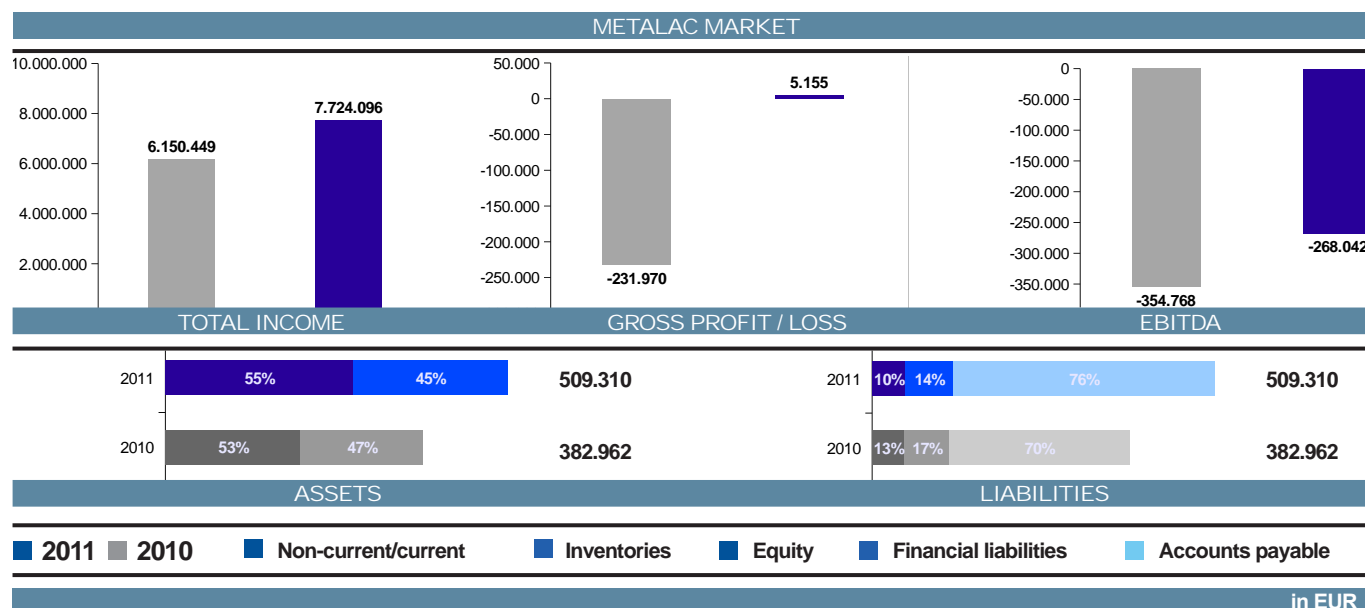
- In a very difficult environment our success in 2011 is that with the total income we managed to cover the costs, and after three negative years made some profit and created a base for further business developments in 2012 – said Stojan Slovic, director of Metalac Market. On his opinion however, the greatest steps were that consumers are attracted back into Metalac shops, that suppliers are open to Metalac Market suggestions and that the shops were all connected into an I-net.

The consumers are back into Metalac shops, after a long period of silence. Beside higher quality offer and proactive service of the personnel in the shops, the most came from regular promotional sales activities, month to month. Over two million catalogues in various formats were distributed to mailboxes in 40 towns, covering fifteen monthly discounts and weekly promotions, in all product ranges.

Also suppliers showed to be more supportive in relations with Metalac Market, with good deals and additional rebates, helping with promotional activities, which resulted in more competitive offer.

Metalac Market have made an information system, for better management of the shops and the complete process.

For 2012 the plan is to make 7% higher turnover with further improvement of selling point image, supply chain efficiency, regular promotional activities and rich sensation of purchase, and the results are sure to come regardless the difficulties.



FOCUS ON STABLE CLIENTS AND CONSUMERS

Day to day carefully monitoring the market and acting with reserve due to non liquidity and cease of small traders, in 2011 Metalac Metalurgija increased the income by 19% and the profit by 12%.

With the chain 14 shops on the territory of Vojvodina and so called terrain sale, Metalac Metalurgija in 2011 stayed with the philosophy that in crisis moments their full commitment to end consumers is preferred. Beside better control of the placement, money is coming back faster and profit is higher.

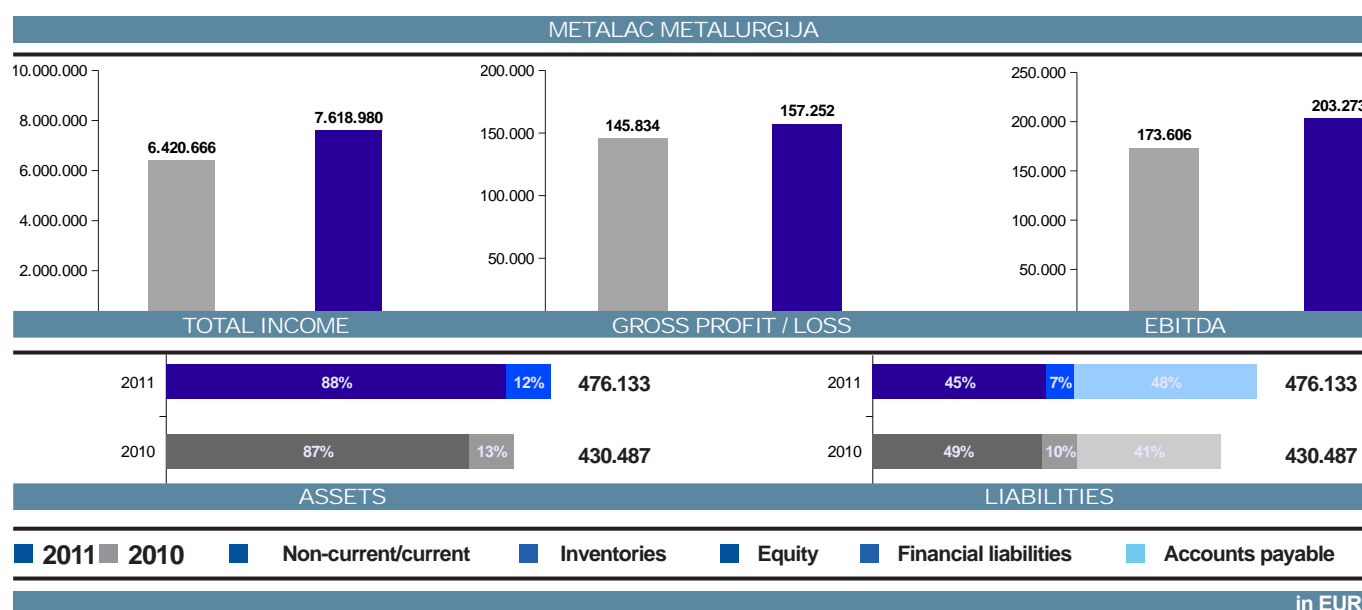
In the total income of 7,6 million euro in 2011, the share of retail sale increased from 30% to 45%. During the second half of the year, Metalac Metalurgija through its shops made five discount sales and promotions. Such actions will continue in 2012 to fortify direct contact with consumers and their loyalty.

- Focus on end consumers and sound clients in wholesale, with day to day monitoring of the market, efficient work organization and costs management, helped to finish another difficult year. Affected by numerous negative factors a part

of competitive companies were eliminated from the market, Metalac Metalurgija however, as a sound and stable company, got a bigger piece of the market, that was not expected – says Marko Šarenac director of Metalac Metalurgija, that deals with wide range of household items, most of them from Metalac production.

Same approach will be in 2012 estimating that the situation for wholesalers is getting harder due to disorderly market, general non liquidity and unloyal competition.

During 2011 Metalac Metalurgija has also been preparing for ISO 9001 certification which will be performed end may 2012.



INNOVATION, COURAGE, SUCCESS

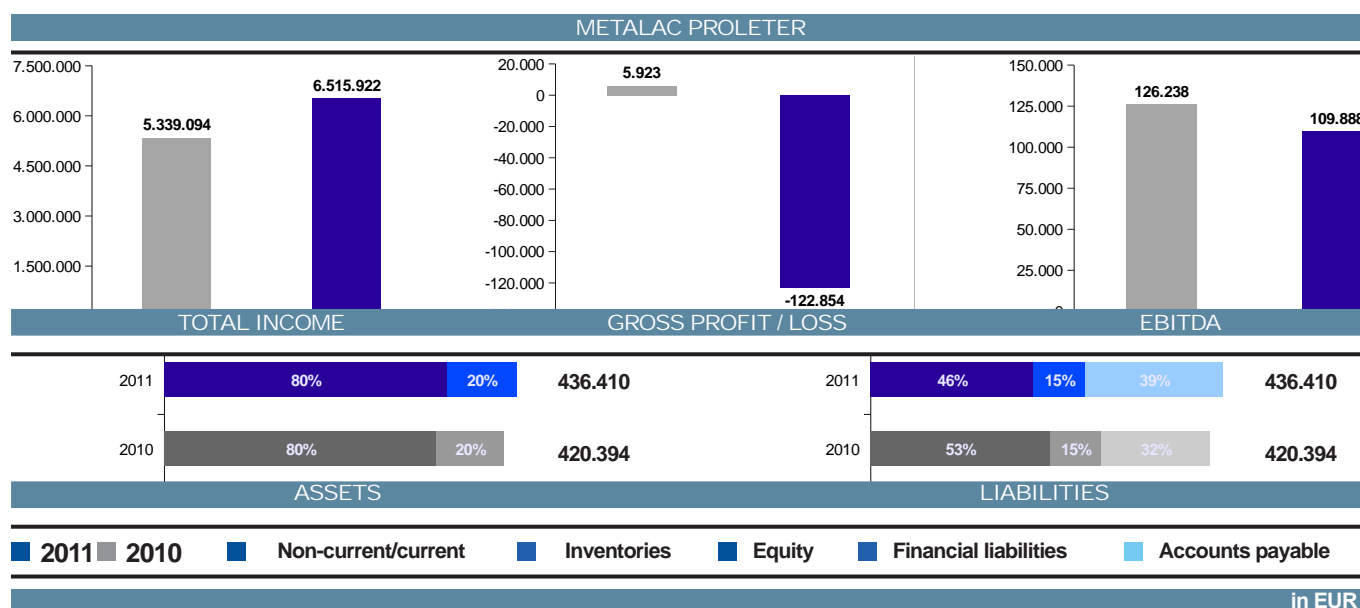
Stuck between the monopoly of hipermarkets and the monopol of big suppliers, especially for alimentary products like edible oil, sugar and milk, Metalac Proleter has managed to take competent position and gain back part of consumers, with better offer and complete service, but also taking over a part of the market left from small retailers that ceased activity.

Metalac Proleter, the largest local retailer in Gornji Milanovac, made 6,5 million euro income, in other terms 22% growth. Although the costs were rising paralely, the fact is that 2011 brought much different picture of this old trader, mostly thanks to renovated shops and service quality.

- Our good internal economy and housekeeping had decisive influence to the success. We tried to create conditions for better operation of the shops, which went well anyhow. Those which went bad we closed without doubts. This would be a permanent task for the management next year. Besides, we wanted to make our sales persons smile again who would pass the optimism to the consumers who we live from, and we think the change is perceived – Says Slobodan Vukajlovic, director of Metalac Proleter, convinced that despite hard business environment, the company has potentials offering wide range of products on a small space, at good prices and payment conditions.

However, the new regulation of the Government on limited margin for basic alimentary products to maximum 10%, had big impact onto foodstores. Already beginning 2012 hundreds of small foodstores have closed in Serbia. Although more powerful, Metalac Proleter finds hard to balance income and expenses, considering that about 45% of total income is coming from the products covered by the new regulation.

Today Metalac Proleter employs 178 people, 122 of them are sales persons. Turnover is made by 37 points of sale, of that 33 foodstores and 4 are specialized shops. The concept of corner shop has been kept with serious investment into new visual identity, new equipment and improving company image and shopping sensation. During the first half of the year the shops were connected into an IT net and 6 new shops were open in the very city and surrounding villages.



BUSINESS OPTIMIZATION CONFRONTED TO VARIOUS LIMITATIONS

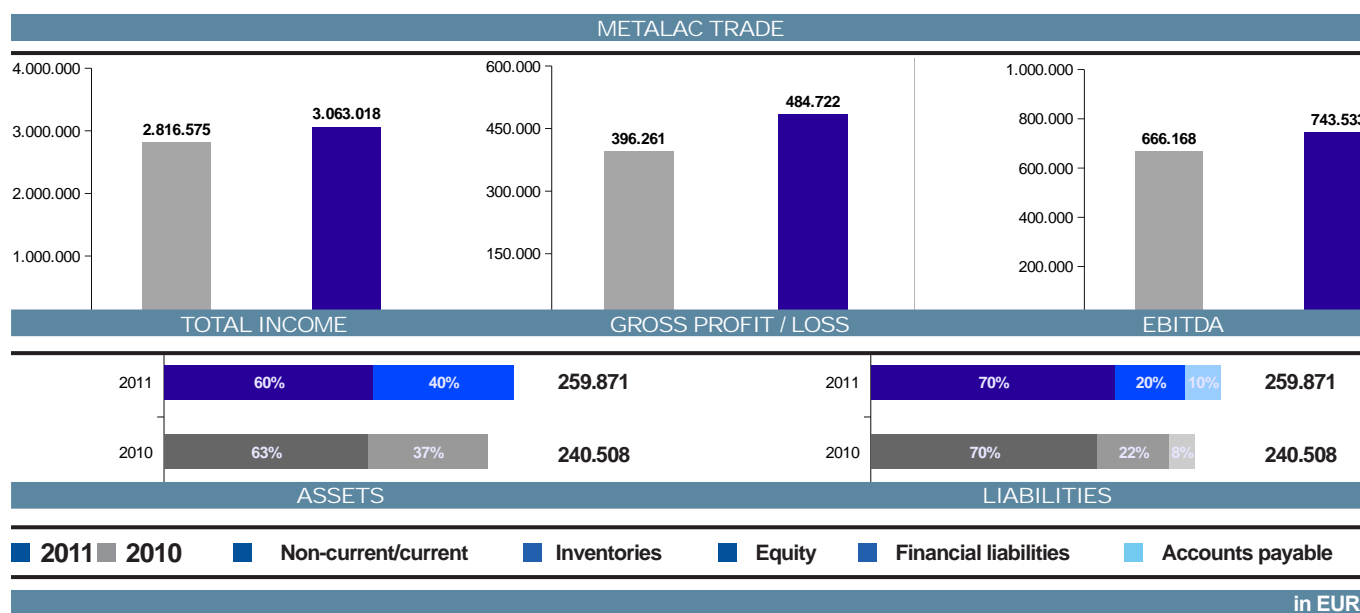
Despite the problems like undisciplined suppliers from Orient and extreme poverty of consumers in Serbia, Metalac Trade made 9% increase of the total income and 12% higher profit with respect to 2010.

- We can be satisfied with real income growth from 2010 meaning that our market share is growing in Serbia where there is turnover fall with all kinds of goods, in particular type of products sold by Metalac Trade. When we take into account various problems that we have been facing, like longer delays in delivery of ordered goods, stronger US currency and disbalanced EUR/USD rate, there is a reason to be satisfied with 2011 outcome – concluded the director Dragan Tomic.

Metalac Trade sees opportunity for further growth in eliminating problems that slowed down the purchase of goods,

which will provide continuity of supply and timely respond to the clients. Another direction for activities will surely be focusing on smaller clients that can raise the turnover. The long term stable clients will however have special treatment.

Beside the local market, Metalac Trade will continue fortifying the position of the Sigma brand that is present on surrounding markets also, resulting from years of efforts and strength and reputation of this trading company.





STABLE IN UNSTABLE CONDITIONS

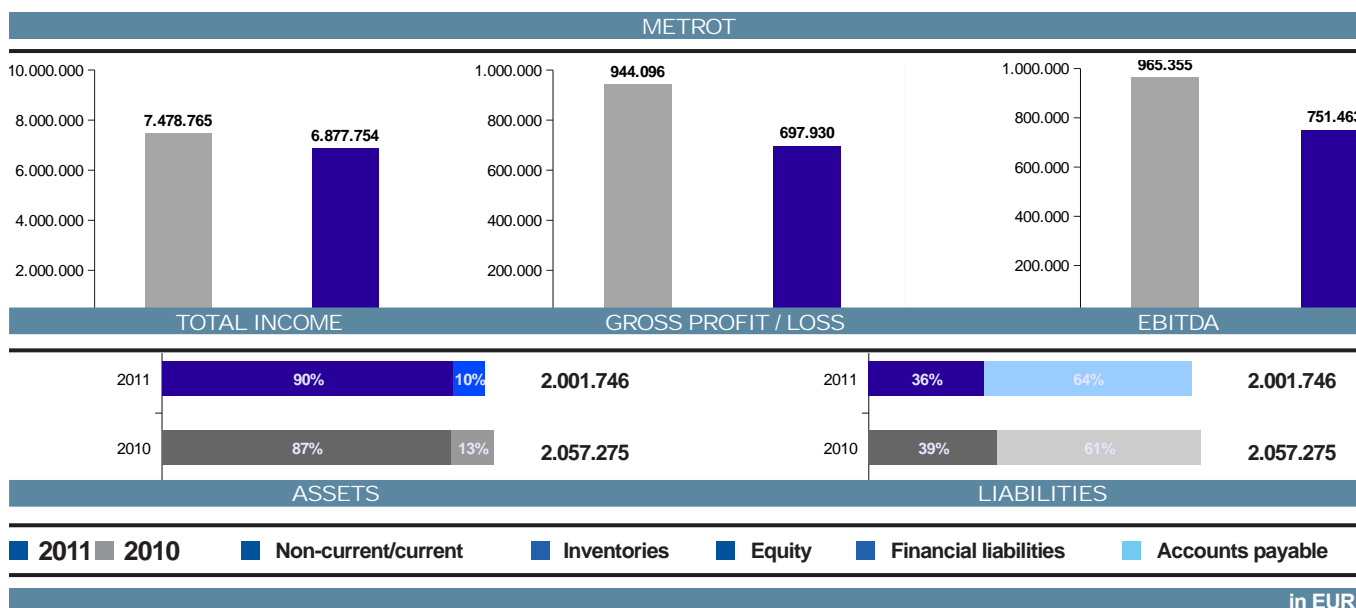
Although 8% below the 2010, all aspects of the business are under control, contrary to macroeconomic instability, currency risks and demand oscillations of the Russian market.

- With wider and dynamic approach followed by permanent analysis, we managed to have better liquidity and to minimize risks, in order to be ready to react quickly and adequately in every situation. I see this year as successful thanks to good partnerships with our clients, new designs, new patterns and product development within the existing segment – says Milan Vujovic, director of the company Metrot in Moscow, stressing that the most important is a stable company.

- In 2011 the turnover was euro 6,9 million, in other terms 8% less than year before, and consequently the profit. The cookware with Metrot brand name has been well positioned on the Russian market for ten years. However the com-

pany didn't manage to have desired results on the united markets of Balarus and Kazakhstan.

- The good side of the crisis is that we changed our appearance on the market. We are trying to do important creative things, we reduced the stock, decreased receivables and increased cash flow. We bought one more vehicle, so we have now 6 trucks and one combined vehicle, we are more operative – concludes Vujovic and foresees that in 2012 he could become the biggest importer of enamel cookware in the Russian Federation, as confirmed by great turnover increase in the first quarter.



»MUSCLING« AHEAD



The income of Metalac Market Podgorica was on the level of the year before, but the environment was very difficult for the business and efforts much bigger for same achievements. With one more shop that Metalac opened, difference in wholesale and retail sale share will be less.

This Metalac subsidiary in Montenegro encountered same problems like its sister companies in Serbia and other surrounding markets. The income of 1,86 million euros was same as the year before, but director Cedomir Ralevic says there are various factors that slow down the business in the environment full of uncertainties.

Apart from greater efforts made to obtain same results, the year 2011 will be remembered by the contracts made with new retailers having big number of shops on the small market of Montenegro.

Mid year Metalac Market Podgorica opened a new shop in Bar, specialized for cookware and Sigma brand. Therefore now our company has five shops in Montenegro, two in Bar and one in each Bijelo Polje, Podgorica and Pljevlja. The share of retail sale in the total income of Metalac Market Podgorica raised to 45% while other 55% is from cooperation with 135 buyers, the biggest of them being Mercator Montenegro. In the total income the cookware participates with 62%, items of Metalac Trade 26%, sinks 8% and water heaters 4%.

OSCILLATING CROATIAN MARK



Promometal turnover something higher than in 2010, but overall business conditions still difficult. In the environment of strong competition intense activities are necessary for positioning of the Metalac brand as clearly there is a space for larger market share.

- Increased turnover came as a result of cooperation with new buyers, placement of new products and lines from Metalac Posudje in 2011, and of course incentive sales. We did good with timely deliveries, better availability of products and position of our items on the shelves, but we didn't expect the turn that retailers made from non-food products to alimentary products and therefore less space on the shelves for us - commented Mr. Aleksandar Jelic, director of Promometal, who was personally satisfied with cookware sales, but not with sinks and water heaters.

Though the turnover was 5% increased from 2010, Promometal still has to work hard to get better positioning of Metalac cookware brand and much bigger market share.

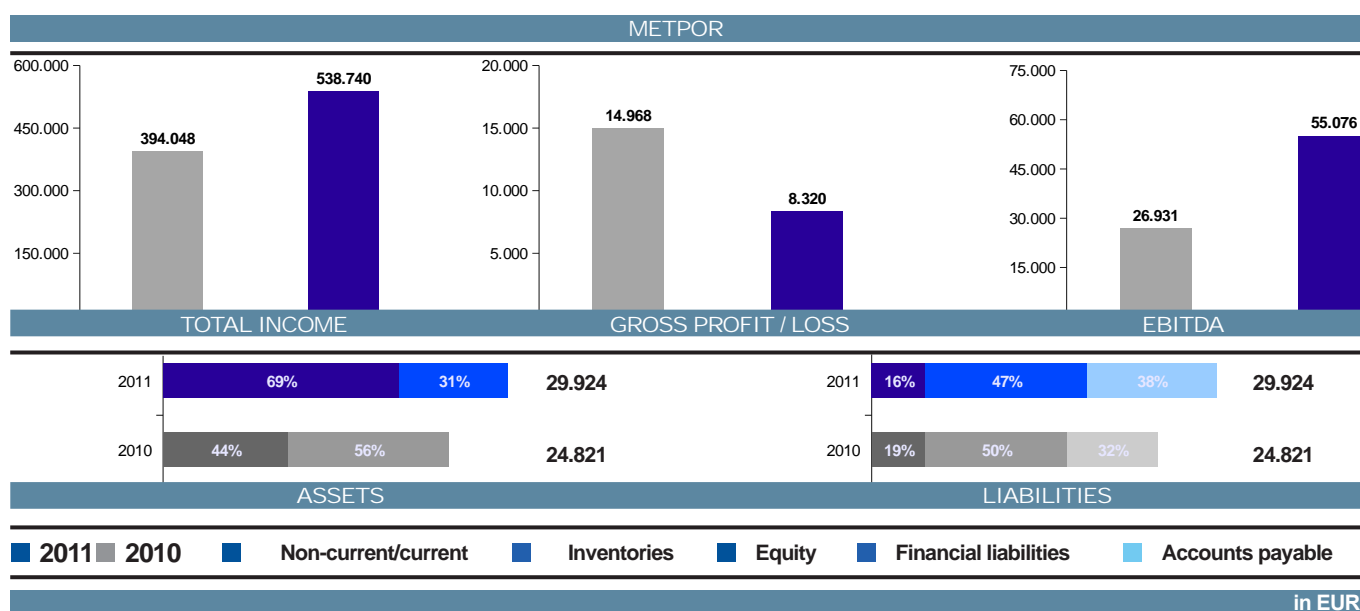
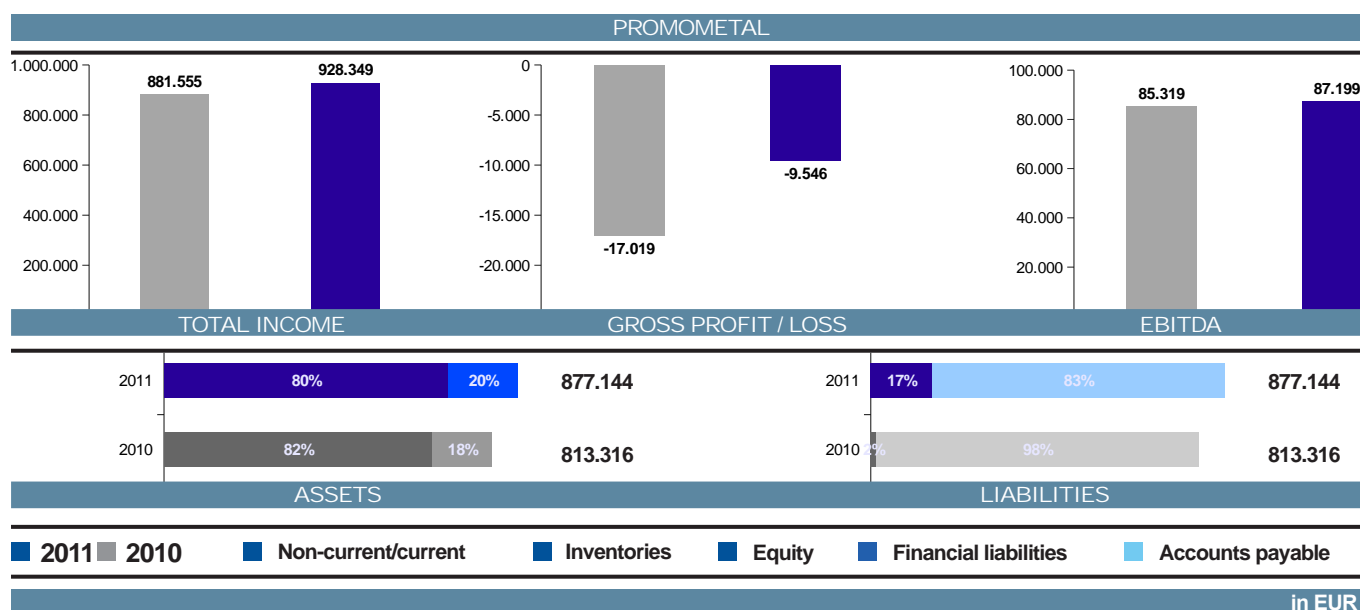
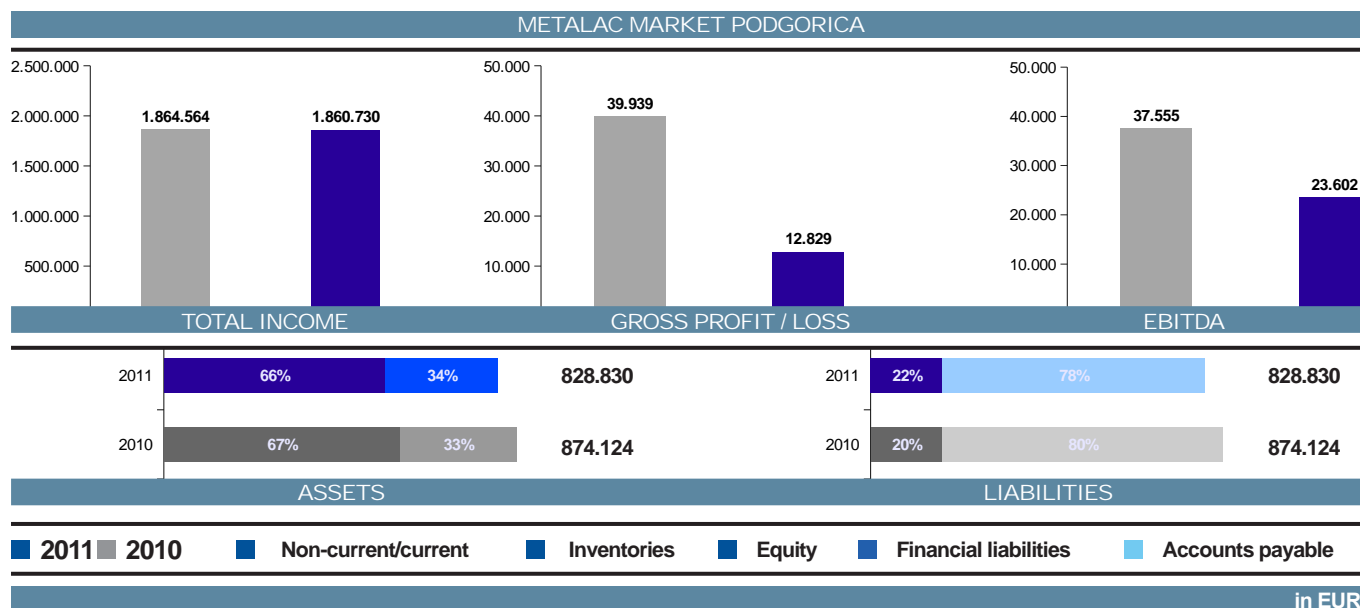
And that is not going to be simple because the market of Croatia is not immune to the effects of global situation and lower purchasing power. There is an expansion of cheap goods and poor quality, as price has become a decisive factor for purchase. Unable to stand the burden, small shops are ceasing operation while big chains of supermarkets are dominant on the market. Beginning of 2012 only confirmed that general business conditions have become even harder, and Promometal together with other traders will have to struggle on all fronts not being certain of the outcome.

INCOME AND PROFIT INCREASED



The efforts made in 2009 and 2010 for placement of home textile products, as secondary activity of the company Metpor, had good effects in 2011. The total income of 540.000 euro showed increase of 37% and consequently significant profit increase. The items offered by this company could be seen on the shelves of big stores and specialized shops.

Metpor company however acts as agent of several foreign companies, while trading on the local market with textile products under the brand name Jacquard has been additional source of income.





PROGRESS SLOWER THAN EXPECTED

From the Chicago Show in 2011 when interest in our products seemed to be increasing, there is a long and unpredictable road from first negotiations to concluding a deal, the market is difficult to penetrate and economic environment unstable.

Although it seemed that the things will go faster, more efforts and patience were needed. Since 2004 Metalac has been continuously active aiming to penetrate very demanding US market, after so long absence due to all the problems we had in the nineties. In 2010 the company

Metalac Group USA was founded in Milwaukee, with a stock space in order to respond promptly and efficiently to clients' demands.

After years of cooperation with the ROSS STORES chain and with numerous small shops, interest began raising in 2011 and that includes first negotiations with representatives of the Walmart. But from initial contacts there is a long way ... For now the sale increased with small specialized shops, and a delivery of cookware by the design of Karim Rashid was made to one company in California. However it is far from our ambitions on the US market. And of course there is the crisis that has shaken the economy in the world, plus the fact that this market is difficult to enter.



GOOD START ON UNSTABLE MARKET

Our youngest company in fact became operative only with the last quarter of 2011. It was however a good start as proven in the first quarter of 2012.

In 2011 Metalac founded a company in Kiev aiming for a larger market stake in the Ukraine. After months of administrative procedures, Metalac Ukraine started working seriously on that market only in the last quarter of the year, looking for new clients and retrieving those that previously dealt with the company Metrot Moscow.

Already beginning 2012 the results achieved were over the plan. Considering that the market is big though unstable, for the time being it is most important that Metalac Ukraine has penetrated the market with the Metrot brand enamel cookware. In the environment of a very strong competition coming from three local producers of enamel cookware that hold the biggest share, then competition from Russia and Turkey, our company preferred the regional approach, and therefore already made a portfolio of some fifteen clients with good potential. Our products have found place in shelves of the hypermarkets in a higher price category.

The director Vladimir Ponjavic together with 6 coworkers is aiming to widen our offer on that market with new designs, as well as with stainless steel and non-stick cookware, kitchen sinks and water heaters. The market analysis for these products is under way. Although Ukraine is an unstable market with unstable currency and frequent legislative changes, Metalac people is feeling motivated by the initial results, believing that they could make good business in the country with 45 million people.



In 2011 as a holder of three awards for socially responsible behaviour, one of them being the National CSR Award in 2008, the company Metalac was consequent to the synergy of economic, social and ecology goals. Famous in Serbia as a sound company for many years, Metalac has been performing a sustainable system of approach, consistency of concept and planning.

Beside business results that represented the value for shareholders and employees, it is important to underline that in this third year of the economy crisis not one worker was fired, and all the activities for improvement of quality and ecology management systems were maintained, while the activities of the Metalac Fund continued to stimulate young employees to start families and develop sports in the community of Gornji Milanovac.

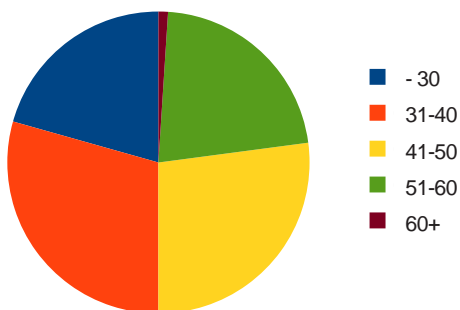


13 SEMINARS FOR NEW KNOWLEDGES AND SKILLS

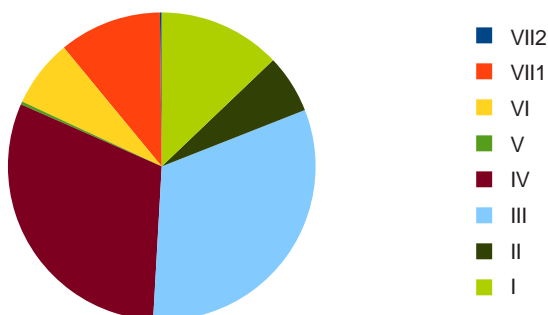
It is a long term practice of Metalac to organize educational courses and trainings for the personnel, as one of the most powerful means to face all strategical and everyday problems, especially in the environment of the crisis. In 2011 there were 13 different seminars and courses of all levels organized for the employees, managerial staff in particular.

Among 130 employees who attended the seminars most of them were with high education, and the themes were from the fields of management, sales, marketing, human resources and HACCP. The seminars were mostly formulated by the Mogra Gora School of Management.

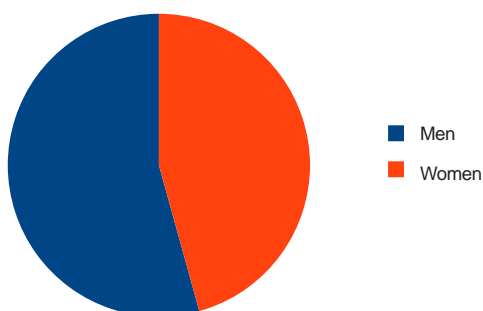
AGE STRUCTURE



QUALIFICATION STRUCTURE



GENDER STRUCTURE



NUMBER OF EMPLOYEES INCREASED BY ALMOST 5%

From the average age of 40,19 the company is now younger with the age of 39,49. 173 employees are with university degree.

In the time when Serbia is suffering the new wave of redundancy, there are not many companies like Metalac that increased the number of employees. From 1509 employees at the end of 2010, the number increased to 1576 in 2011, which is almost 5%.

The average age of the employees is now 39,49. About 30% of employees is between 30 and 40 years old. The youngest age structure is in the company Metalac Inko with the average of 32,61, while the oldest age structure is in company Metpor at 49,88 years.

57% of the personnel is in the four production companies, 32% in the trading companies of the group, while 174 employees or 11% work in administration, logistics and other service offices.

If we look it individually, the biggest number is employed in production and sale of enamel, stainless steel and non-stick cookware, being the core business of the group. In other terms 45% works in Metalac Posudje, while the number of employees in Metalac Market and Metalac Proleter is below 200. In all other companies of the group this number is below 100, of that three companies employ less than 10 people.

Interesting fact is that 173 employees are with university degree, or 11%. When we add all other workers that have some college degree, in fact every fifth employee of Metalac is with high education. However the greatest number i.e. 63% of the personnel is with high school diploma.

GENDER EQUALITY

Metalac ad, Gornji Milanovac was among the first companies that delivered the plan for promoting gender equality. The company employs 1250 workers, 520 of them are women.

- Last year we delivered the plan, and for this year we designed the plan and made the report which will be submitted to the Gender Equality Directorate. This set of rules is however a formality for us, because we have been constantly improving the position of our employees. Equal opportunities and gender equality for employment have always been promoted, equal work conditions, while privileges depended only upon work results - said Mrs. Biljana Cvetic, Director of Legal and HR Office of Metalac ad, in the interview for the "eKapija"

Mrs. Cvetic reported that for harder job positions, such as manual dipping of cookware into enamel, only men are engaged, as well as for driving jobs, as they are driving trailer trucks for far destinations like Ukraine and Russia, but no women applied for these jobs.

Lower managerial positions and metalworking jobs are 60% taken by men, but if we look at the mother company Metalac ad, from 7 managerial positions 4 are taken by

women. In Metalac Posudje there are 5 managers and 3 of them are women, young mothers, one with three children and two with two children. After maternity leave each woman returns to her job position, some of the women were even promoted when they came back to work. Our company stimulates procreation - explained Mrs. Biljana Cvetic, HR Director.

Maybe this regulation will make companies to give good conditions and equal opportunities to all workers, and more companies will become aware of the fact that only in a good work atmosphere, where gender equality could be felt, and rights and dignity of men and women are equally treated, environment of harmony between the private and the professional life, we could expect to have a higher work efficiency and loyalty of the employees.

Parts taken from the "eKapija" portal



Of 1600 employees in the Metalac Group, the number of men and women is almost equal. Due to specific type of production some subsidiaries have employed much more men than women, but in the two subsidiaries which operate in retailing with big number of shops the situation is opposite.



TÜV SÜD SERBIA REQUIREMENTS AND CERTIFICATES EXTENDED

- You are the first class company of professionals and I would like to congratulate you for everything - said the auditor from Romania, Panghea Erdely Cristian. - I have to stress that you passed the audit with high vote for conformity of the system to the requirements of the standard, distinguishing high with respect to all other organizations - concluded Mrs Mirjana Djogo the team leader.

The sixth verification of ISO 14001:2004 and tenth audit for ISO 9001:2008 were carried out in Metalac beginning June 2011 by the institute TÜV SÜD Serbia. The audit for integrated quality management and ecology management systems was successful in Metalac ad, Metalac Posudje, Metalac Print, Metalac Inko and Metalac Bojler.

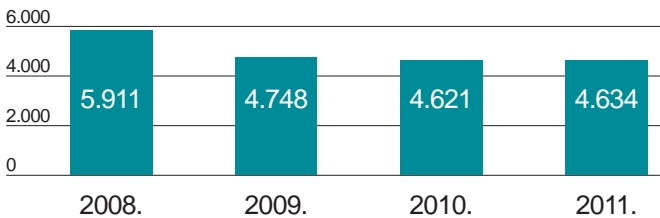
With many positive impressions, there were 4 non critical in compliances found and 27 non obliging suggestions were given for improvements, some of them repeated in different subsidiaries, and 7 approvals pointed out. Corrective actions were taken immediately and accomplished before the set term

55 PARAMETERS UNDER CONTROL

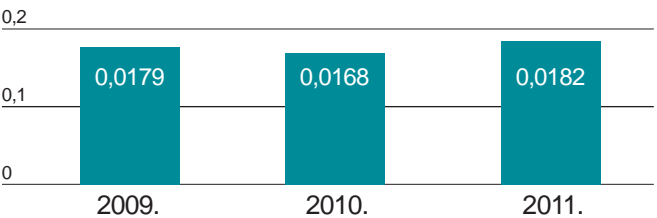
For actualization of QMS/EMS general and individual goals in 2011 there was a program for each subsidiary, and they have been mostly accomplished. For non accomplished goals corrective actions were taken and new improvement programs were formulated.

Nevertheless, Metalac measures and upgrades 55 parameters of environmental protection. These parameters show constant progress and development of environmental accountability, as shown also below:

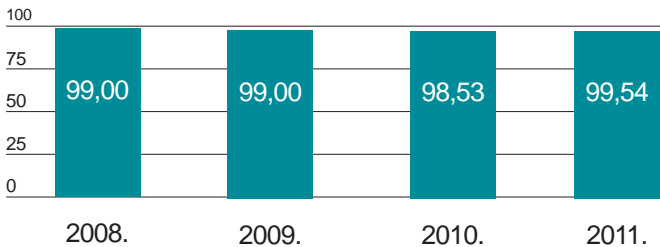
Water consumption
in m³



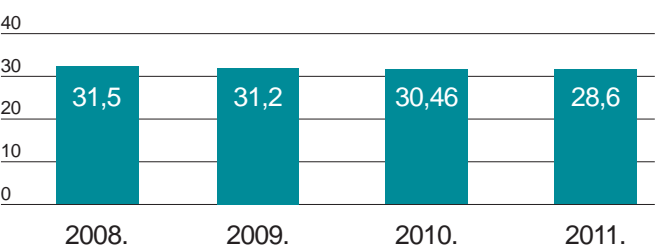
Detergent consumption
Detergent in kg/m²



Material consumption
in %



Quantity of waste metal sheets
% Waste metal sheets



Credits to Mr. Dusan Lazic

NATIONAL AWARD FOR PROMOTION OF QUALITY

Prof.Dr. Vojislav Majstorovic handing the award to **Dusan Lazic** Annual national award for promotion of quality in the category of personal achievements is given for “special personal contribution to development of the quality mission in Serbia and promotion of the national movement for quality”.

At the International TQM/ICQ Conference session held beginning June at the Faculty of Mechanical Engineering in Belgrade, Mr. Dusan Lazic, Director of QMS/EMS Section of Metalac a.d. received the award from the Prof.Dr. Vidosav Majstorovic, president of the Serbian Association for Quality.



Dusan Lazic, Prof.Dr.Vojislav Majstorovic

ONE DECADE OF INTERNATIONAL TRANSPORTATION

In 2000 Metalac established the Department for Transportation and Logistics, first dealing with international transportation for the needs of the parent and then also for third companies as a service, and during this service became highly appreciated for its professionalism throughout European and Russian roads.

In these 10 years the drivers have made over 6 million kilometres operating to Spain, Scandinavia, and Russia. Our 'fleet' has six Volvo trailers and four trucks of 120 m³ served by 10 of 32 professional drivers.

Others are engaged on daily basis for transportation in Serbia, Montenegro, Bosnia and Herzegovina and Croatia, with nine vans, three Volvo furgons and ten Mercedes trucks

Efficient international and national transportation is rather important link for process management – from entry of raw materials to delivery of goods, but also a good profit unit.



UNION ACTIVITIES

WHILE NEGOTIATING WITH THE STATE, AGREEMENT REACHED BY METALAC COMPANY IN TWO DAYS

Agreement with the employer reached thanks to the common opinion that it is a difficult business year and the most important is to keep wages paid regularly.

- The whole year 2011 passed in expectations to establish priorities of Serbian industry development and to improve catastrophic position of the metalworking sector, plus the fact that numerous employers were not paying social and health security, that there was no social dialogue, and that no one was responsible for it. Contrary to such atmosphere, in Metalac company there was no circumvention, but the agreement was reached in two days: the lowest hourly work cost to be 110 dinars. We also agreed that the year was hard for business and it was most important to keep wages paid out regularly - concluded Mr. Aleksandar Sretenovic, President of the Independent Union.

From all the issues that the Union put before the employer, one is expected to have a special treatment: creating a program for construction of social apartments. The idea was that employees and employer make a mutual fund and solve apartments problems of young workers.

As every year, in 2011 the Union collected thousands of euro for health and recovery treatments for ill workers, as

well as for prevention treatments. All kinds of solidary aid, like mutual support fund, were of extreme importance to certain employees in solving their life problems. Collecting additional funds for purposes of special health treatment of workers or members of their families had massive response among the personnel, as in case of a suddenly deceased worker, father of three, when the Union and the employer took over and shared the obligations in order to help the children with costs of their education.

Then there was active participation in sports manifestations, always supported by the employer, so again in 2011 it gave results - numerous winner cups, like for example victory in general ranking at Winter Olympics "Tara 2011"

Most activities were synchronized and in good cooperation with smaller organization of the Independent Union, again in agreement that methods could be different, but there are goals more important than any difference between the two Union organizations.

MORE TIPS IN THE BLUE BOX

56 workers made 106 useful suggestions during 2011. Of that 33 *workers were awarded for 36 suggestions. Up to now 70% of that was put into effect. Again Radoslav Hadzic was the most awarded.

With respect to the year before, in 2011 we had 39% more proponents and 29% more useful suggestions for improvements in all business segments. Each month three most interesting suggestions were awarded: first with 8000 dinars, second with 6000 dinars and third with 4000 dinars. 56 workers made 106 useful suggestions, and 33 of them were awarded for 36 suggestions.

The worker Radoslav Hadzic from Metalac Pring was the most awarded again - even three times, and Dalibor Marjanovic from Metalac Bojler two times.

All suggestions in the Blue Box were made by the workers from production.

Till now 70% of the suggestions were put into effect and the saving from their implementation amounts to 14.000 euro. With these useful suggestions it is not only material aspect that matters, but also better safety and protection of workers, better quality of products, the fact that consumers and employees are more satisfied and the environment better protected.

The name of Metalac is associated with socially accountable and ethical behaviour. Metalac is aware that it may have and has influence on the social setting, starting from benefits stemming out of its operations and overall business results, fair and safe working conditions it provides, and activities directed towards environmental protection, to paying attention to social issues, cultural, sport-related and other needs of the community in which it exists and operates.

Everything the public recognises as socially accountable behaviour of Metalac becomes a part of the internal value system of Metalac and its obligation.

From the Code of Business Ethics



BABIES ARE SENSITIVE TO CRISIS TOO

Though it was established for different purposes of social interest, Metalac Fund has become famous by “Metalac babies” that have been receiving stimulation awards from 500 to 4000 euro. In past 6 years the parents of new born boys and girls received 245 stimulation awards in the total amount of about 230.000 euros. In 2011 there were 34 of them. From that number 16 were first child, 8 families got their second child, and 5 families the third. One family got twins, while the family of Bratislav Vidojevic, after ten years of waiting, got triplets! We had last triplets immediately after the Fund was established in 2006. Also this time the General Manager and the President of the Metalac Fond, Mr. Petrasin Jakovljevic, has personally handed the awards. There were present 370 children of various age, who got presents. Only few months after that Metalac babies were the subject of the national TV broadcast “Kvadratura kruga”.



RELYING TO OURSELVES AND FEELING FOR THE COMMUNITY

We are not extra rich, but what we have we divide in due time and that feeling of safety is very important – that people know they are working in a responsible company and they can rely upon it – replied Mr. Dragoljub Vukadinovic to the question of reporters »How Metalac is sailing through the crisis?«.

Metalac has always believed in itself, relying to its own resources, looking upon its people, not trying to blame anything outside the company. As I said many times »we are squeezing water from an ash tree« considering the times and field we operate in.

However, with good housekeeping we have been doing positively in continuity for 29 years. With arrival of the crisis we made decisions and took measures with two fundamental goals: not to get disturbed by the crisis and to get ready with new projects and new markets for better times and conditions.

We only don't invest as before, since we are still feeling the burdain of two last big investments: factory for production of granmatrix materials and the factory of water heaters, because the greatest impact of the crisis was on these two

programs and their placement on the market.

It is of course important both for Metalac and for the community that in 2000 we had about 1200 employees, and today that number is 1600, that the people were not afraid for their existence. We are not extra rich, but what we have we divide in due time and that feeling of safety is very important – that people know they are working in a responsible company and they can rely upon it.

Moreover and regardless of our efforts that are objectively big, to carry out the plans, Metalac yearly invests about 700.000 euro for sports, culture, scholarships, newborns ... And it is all for the benefit of Gornji Milanovac. The amount of money is not small, but we are happy to be able to share what we have.



The philosophy of the Sports Association of the “Metalac is in its consideration that development of sports and training of the youth is worth investing in, because the future lies in the young generations who have competition spirit and enthusiasm, that will help them avoid all bad things which expect the young generation. The Metalac Company considers that to be a social responsibility and great amount of its profit has been allocated for development of sports in Gornji Milanovac.



FINANCING HEALTH AND ENTHUSIASM OF THE YOUNG WHO HAVE TEAM AND COMPETITION SPIRIT

Such consistency, shown by Metalac a.d. through high financial amount and deep socially-responsible philosophy, is rare in Serbia. Over 600 sportsmen ranging from the age of 8 to senior teams has been gathered in six clubs within the Sports Association of the “Metalac.”

The Company has been financing almost 70% of the needs of all of the six clubs. The amount has been almost double from the finances for sports of the municipality budgeted, meaning that the sports of Gornji Milanovac would be far less spread if there were not the Metalac Company. On the other hand Metalac would not be such highly responsible without its dedication to the community, however hard it may gain its income and profit.

In 2011 the focus of the sports public and the citizens was the **Football Club “Metalac”** which competes in the Serbia's Super League. This club namely celebrated its 50th anniversary in 2011, and for that occasion, thanks to the efforts and funds of the company, started the construction of the city football stadium which will in all be according to the FIFA and UEFA standards. City of Gornji Milanovac could not host first league matches so far and the FC Metalac even being a host played as a guest.

Beside the senior team, the FC has eight younger selections, ranging from eight to nineteen years that gather 300 members. The youth, cadet and pioneer selections are at the top of the first ranked leagues of the Western Serbian Football Associations. The pioneers are at the top of the Moravica region league. The youngest and the most numerous, who participate successfully in the “Mini Maxi” League of the Children's Football Association within the Serbian Football Association, have the special value as they often return with winning cups and medals from the Serbian regional championships and finals.

The **Futsal club “Metalac-Kolorado”** is the youngest squad in the family and after only one year spent in the first league, the members continued to play with same enthusiasm. In 2011 they played in the Second “Futsal” League and were near the top of the list.

Although all clubs within the Sports Association “Metalac” have notable and significant results in their respective leagues, the **Bowling Club “Metalac”** has a special place, because it has been in the very top of the Super League of Serbia for many years. Among the Serbian representatives participating at the European and World bowling games, there are always some players from the “Metalac” and they have so far always returned with awards and medals.

From 2011 the **chess players “Metalac – Takovo”** have finally entered the highest quality competition, after they have been winning the second place for third consecutive year in the second league caravan. Beside the senior team within this club there is a “School of chess” one that works successfully and teaches great many young children the secrets of this ancient game on 64 fields.

Although the **Female handball Club “Metalac”** is one of the youngest teams by age structure in the First League it has participated successfully and represented the company, the city and the community of Gornji Milanovac. All members of the seniors' team have started playing handball in the School of handball which exists within the club, and the school pays special attention and is devoted to younger selections.

The **Volleyball Club “Metalac-Takovo”** is still competing in the second league “The West”. Although they participate in the seniors' competition, the backbone of the first team are actually juniors and cadets. It is realistic to expect that male handball team will fight its way through to the first league, maybe as early as end of this season, because they already share first place in their league.

THE CITY IS GETTING A STADIUM FOR 50 YEARS OF THE FC METALAC

On October 4th 2011 the foundation stone was laid - a modern city stadium will come true. The investment value is 2,84 million euros. It will be finished in June 2012.

The construction of a new stadium by the FIFA and UEFA standards for international football matches, initiated on October 4th, one month after the contract was signed between the Property Administration of the Republic of Serbia, Municipality of Gornji Milanovac, the Comapny Metalac and the FC Metalac.

The stadium of total 7000 square meters and total capacity of 4000 seats is under construction on the land surface of 1,38 hectares. The investment worth 2.840.000 euro, and the investors are the Compan Metalac with 85% share and the FC Metalac with 15% share. The municipality of Gornji Milnovac in other words Serbian Government participate with the land, tax liberation and the infrastructure with access roads.

The contractor for the stadium is the enterprise "Amiga" from Kraljevo. The first phase of the construction, which will enable matches to be played without disturb, will be accomplished in June.

- The city and the citizens of Gornji Milanovac will have most benefit, especially young. And of course the football

club Metalac, which will finally be able to play matches as a real host. As for the company Metalac, it acts only as an investor for now, but I am sure that we will get in return for good intentions in some other way - said the president of the company Mr. Dragoljub Vukadinovic who signed the contract on behalf of Metalac Holding.

At the ceremony Mr. Petrasin Jakovljevic, managing director of Metalac a.d. expressed gratitude to the workers, management and shareholders of Metalac, who have been supporting the financing of the sports in the city all the way.

- This is the big day, not only for Metalac, but also for the FSS (Serbian Football Association), and many thanks to the company Metalac which finances such project in years that are not easy at all for the business - said the secretary general of the FSS, Zoran Lukovic, and the president of the municipality of Gornji Milanovac Milisav Mirkovic underlined that he expected also from the FSS and Ministry for Youth and Sports to keep their promise



On October 4th 2011 the foundation stone was laid - a modern city stadium will come true. The investment value is 2,84 million euros. It will be finished in June 2012 .

AWARDS AND RECOGNITIONS 2001 - 2011

2001.

- **MANAGER OF THE YEAR** award to Dragoljub Vukadinović, managing director of the Metalac a.d. from the Yugoslav Chamber of Commerce

2003.

- **BUSINESSMAN OF THE YEAR** award to Dragoljub Vukadinović, managing director of the Metalac a.d. voted by the Club of Business Reporters.

2004.

- Metalac a.d. **EXPORTER OF THE YEAR - CATEGORY : WINNING NEW MARKETS** recognition from the SIEPA
- Third place in the **BEST CORPORATE BRAND** contest for the Best from Serbia campaign.
- Metalac a.d. **BUSINESS PARTNER IN 2004** - awarded for high professional standards and unique business culture

2005.

- The highest municipal recognition – **GOLD MEDAL - TAKOVSKI USTANAK** to Dragoljub Vukadinović, President of Metalac board
- Committee of the National Organization for Quality (JUSK) awarded METALAC with the **GOLD MEDAL FOR QUALITY**.
- **THE BEST SERBIAN TRADE MARKS** – first place in the category of household items and third place in general category
- Award by the Chamber of Commerce of Voivodina for development and application of industrial design

2006.

- For the occasion of 150 years of the Serbian Chamber of Commerce Metalac was among 25 awarded **FOR CONTRIBUTION TO THE PROGRESS OF THE SERBIAN INDUSTRY**
- **STATUETTE KAPETAN MISA NASTASIJEVIC** for the best quality, by decision of the jury of the Serbian Chamber of Commerce, the Faculty of Technical Sciences Novi Sad and the Media Invest agency
- **THE BEST SERBIAN TRADE MARKS** – third place for the corporate brand Metalac and first place in the category of household items for the brand Metalac Posudje

2008.

- **OSCAR FOR QUALITY 2007** - the Fund for Quality Culture and Excellence (FQCE) and the magazine „Kvalitet“ with support of the Serbian Chamber of Industry and the Ministry of Economy and Regional Development
- **MEDAL of the NGO „Bebac“** in the campaign „Give advantage to pregnant women“

2009.

- **CSR SERBIA AWARD 2008.** - National award for socially accountable behavior in the category of big companies
- **GOLDEN PLATE FOR CORPORATE AND SOCIAL RESPONSIBILITY** from the Club of Business Reporters - category Distinguished Companies and Personalities in 2009
- **THE GOLDEN COIN** with the image of the Captain Misa Anastasijevic for achievements and contribution in the field of corporate accountability by the Regional Chamber of Commerce in Kraljevo
- Municipality of Gornji Milanovac – **GOLDEN PLATE** for contribution to overall development of the community 2009
- **BELOVED BRAND** - second award in the campaign “Loving brand - Living brand”

2010.

- The award for **THE BEST CORPORATE BRAND** in the competition THE BEST FROM SERBIA, category of Long Life Consumer Goods
- The award **MY CHOICE** in the category of “Furniture, cookware and household appliances” for Metalac cookware, in the campaign “Serbia has Quality”

2011.

- By the decision of the Serbian Association of Economists **DIPLOMA FOR EXCEPTIONAL CONTRIBUTION TO BUSINESS ECONOMY** to Dragoljub Vukadinović, President of the company Metalac
- **AWARD FOR BUSINESS ACHIEVEMENTS** to Dragoljub Vukadinović, President of the company Metalac from the Serbian Chamber of Commerce
- In the campaign **SERBIA HAS QUALITY** Metalac Posudje was presented again with the award **MY CHOICE** in the category of “Furniture, cookware and household appliances”



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