



SIX-MONTH FINANCIAL STATEMENT

Gornji Milanovac, 14.08.2012.

Pursuant to the Art. 53 of the Law on the Capital Market (Official Gazette of the Republic of Serbia No. 31/2011) and to the Art. 4 of the Guidelines on the Prescribed Form, Content and Presentation of Annual, Six-Monthly and Quarterly Financial Statements of Public Companies (Official Gazette of the Republic of Serbia No. 13/2012), Metalac a.d. from Gornji Milanovac, company number 07177984, presents

SIX-MONTH FINANCIAL STATEMENT

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COMPANY INFORMATION

Period of the Statement:

from

01.01.

to

30.06.2012

Six-month Financial Statement for Companies PFI-PD

Company Name: **Metalac Share Company**

Company Number: **07177984**

Postal Code and City: **32000**

Gornji Milanovac

Address: **Kneza Aleksandra 212**

e-mail: metalac@metalac.com

web-site: www.metalac.com

Consolidate/Seperate:

Approved (Yes/No):

Subsidiaries of the Consolidation Subject:*

Address:

Company Number:

Contact Person: **Biljana Cvetic**

(indicate only first and last name of the contact person)

Phone: **032/770-338**

Fax: **032/725-211**

e-mail: bcvetic@metalac.com

First and Last Name: **Petrasin Jakovljevic**

(person representing the company)

1. SIX-MONTH FINANCIAL STATEMENTS OF METALAC A.D. including: Balance Sheet, Income Statement, Statement of Chnges in Equity, Cash Flow Statement, Notes to the Financial Statements.

BALANCE SHEET (SUMMARY)
As at 30th June 2012
(thousands of RSD)

	30th June 2012	31st December 2011
ASSETS		
Non-current assets		
Intangible assets	9.355	6.171
Property, plant and equipment	814.356	734.744
Investment property	561.702	561.702
Long-term financial placements	1.374.515	1.236.905
	<u>2.759.928</u>	<u>2.539.522</u>
Current assets		
Inventories	20.836	4.419
Accounts receivable	433.825	450.502
Receivables for prepaid income tax	10.158	7.939
Short-term financial placements	33.500	258.756
Cash and cash equivalents	11.807	4.363
Value added tax and prepayments	15.142	4.626
	<u>525.268</u>	<u>730.605</u>
Total assets	<u><u>3.285.196</u></u>	<u><u>3.270.127</u></u>
LIABILITIES		
Capital		
Share capital	408.000	408.000
Other capital	33.899	33.899
Share premium	4.257	4.257
Reserves	90.211	90.211
Unrealized gains on securities	1.369	1.369
Retained earnings	2.045.116	2.177.918
	<u>2.582.851</u>	<u>2.715.653</u>
Long-term liabilities and provisions		
Long-term provisions	46.574	51.548
Long-term borrowings	267.423	97.882
	<u>313.997</u>	<u>149.430</u>
Short-term liabilities		
Short-term financial liabilities		217.181
Accounts payable	82.172	38.094
Other short-term liabilities	257.940	114.385
Value added tax and other duties payable and accruals	20.630	7.778
Income tax payables		
	<u>360.742</u>	<u>377.438</u>
Deferred tax liabilities	27.606	27.606
Total equity and liabilities	<u><u>3.285.196</u></u>	<u><u>3.270.127</u></u>
Off-balance-sheet items	<u>49.783</u>	<u>49.783</u>

INCOME STATEMENT (SUMMARY)
As from 1st January to 30th June, 2011 nd 2012
(thousands of RSD)

	2012.	2011.
OPERATING INCOME		
Sales revenues	181.015	163.377
Own-work capitalized	-	9.065
Other operating income	<u>168.296</u>	<u>151.053</u>
	<u>349.311</u>	<u>323.495</u>
OPERATING EXPENSES		
Cost of goods sold	(2.894)	(2.424)
Materials, fuel and energy	(114.957)	(102.412)
Staff costs	(80.213)	(76.825)
Depreciation, amortization and provisions	(51.164)	(59.802)
Other operating expenses	<u>(60.286)</u>	<u>(55.400)</u>
	<u>(309.514)</u>	<u>(296.863)</u>
OPERATING PROFIT	<u>39.797</u>	<u>26.632</u>
Finance income	76.197	137.120
Finance expenses	(36.294)	(7.605)
Other income	717	675
Other expenses	<u>(621)</u>	<u>(731)</u>
	<u>39.999</u>	<u>129.459</u>
PROFIT FROM OPERATIONS BEFORE TAXATION	<u>79.796</u>	<u>156.091</u>
NET PROFIT	<u><u>79.796</u></u>	<u><u>156.091</u></u>
Basic earnings per share (in RSD)	<u>78,23</u>	<u>153,03</u>

CASH FLOW STATEMENT (SUMMARY)
As from 1st January to 30th June, 2011 nd 2012
(thousands of RSD)

	2012.	2011.
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	418.094	251.295
Other cash receipts from operations	530	1.233
Cash paid to suppliers	(190.054)	(188.023)
Cash paid to and on behalf of employees	(85.299)	(77.598)
Interest paid	(2.951)	(4.730)
Income taxes paid	(2.219)	(5.350)
Other public duties payable	(26.651)	(46.643)
<i>Net cash provided by operating activities</i>	<u>111.450</u>	<u>(69.816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of shares and equity investments (net inflows)		
Interest received	39.876	59.903
Dividend received	36.500	64.500
Purchase of shares and equity investments (net outflows)		(4.629)
Purchase of intangible assets, property and equipment	(132.974)	(7.424)
Other financial placements (net outflows)	87.554	276.867
<i>Net cash provided by/(used in) investing activities</i>	<u>30.956</u>	<u>389.217</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings, net (outflows)/inflows	(78.688)	(71.146)
Cash used to pay dividends and bonuses	(56.274)	(68.999)
<i>Net cash used in financing activities</i>	<u>(134.962)</u>	<u>(140.145)</u>
	7.444	179.256
<i>Net cash increase/(decrease)</i>		
Cash and cash equivalents at beginning of year	4.363	10.230
Foreign exchange gains losses on translation of cash		
Cash and cash equivalents at end of period	<u><u>11.807</u></u>	<u><u>189.486</u></u>

STATEMENT OF CHANGES IN EQUITY (SUMMARY)
As from 1st January to 30th June, 2012
(thousands of RSD)

	<u>Share Capital</u>	<u>Other Capital</u>	<u>Share Premium</u>	<u>Reserves</u>	<u>Unrealized Gains on Securities</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2011	408.000	33.899	4.256	90.210	17.423	1.973.330	2.527.118
Unrealized gains on securities	-	-	-	-	(16.053)	-	(16.053)
Profit distribution to management and employees	-	-	-	-	-	(90.000)	(90.000)
Dividends paid	-	-	-	-	-	(112.200)	(112.200)
Net profit for the year	-	-	-	-	-	406.788	406.788
Balance at December 31, 2011	<u>408.000</u>	<u>33.899</u>	<u>4.256</u>	<u>90.210</u>	<u>1.370</u>	<u>2.177.918</u>	<u>2.715.653</u>
Balance at January 1, 2012	408.000	33.899	4.257	90.210	17.423	2.177.918	2.715.653
Unrealized gains on securities	-	-	-	-	-	-	-
Profit distribution to management and employees	-	-	-	-	-	(80.000)	(80.000)
Dividends paid	-	-	-	-	-	(132.598)	(132.598)
Net profit for the year	-	-	-	-	-	79.796	79.796
Balance at June 30, 2012	<u>408.000</u>	<u>33.899</u>	<u>4.256</u>	<u>90.210</u>	<u>1.370</u>	<u>2.045.116</u>	<u>2.582.851</u>

METALAC A.D., GORNJI MILANOVAC

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

INCOME STATEMENT
As from 1st January to 30th June, 2011 nd 2012
(thousands of RSD)

	Note	2012.	2011.
OPERATING INCOME			
Sales revenues	5	181.015	163.377
Own-work capitalized		-	9.065
Other operating income	6	<u>168.296</u>	<u>151.053</u>
		<u>349.311</u>	<u>323.495</u>
OPERATING EXPENSES			
Cost of goods sold		(2.894)	(2.424)
Materials, fuel and energy	7	(114.957)	(102.412)
Staff costs	8	(80.213)	(76.825)
Depreciation, amortization and provisions	16,25	(51.164)	(59.802)
Other operating expenses	9	<u>(60.286)</u>	<u>(55.400)</u>
		<u>(309.514)</u>	<u>(296.863)</u>
OPERATING PROFIT		<u>39.797</u>	<u>26.632</u>
Finance income	10	76.197	137.120
Finance expenses	11	(36.294)	(7.605)
Other income		717	675
Other expenses		<u>(621)</u>	<u>(731)</u>
		<u>39.999</u>	<u>129.459</u>
PROFIT FROM OPERATIONS BEFORE TAXATION		<u>79.796</u>	<u>156.091</u>
NET PROFIT		<u><u>79.796</u></u>	<u><u>156.091</u></u>
Basic earnings per share (in RSD)	12	<u>78,23</u>	<u>153,03</u>

The accompanying notes on the following pages
are an integral part of these financial statements.

BALANCE SHEET
As at 30th June 2012
(thousands of RSD)

	Note	30th June 2012	31st December 2011
ASSETS			
Non-current assets			
Intangible assets		9.355	6.171
Property, plant and equipment	13	814.356	734.744
Investment property	13	561.702	561.702
Long-term financial placements	14,15	<u>1.374.515</u>	<u>1.236.905</u>
		<u>2.759.928</u>	<u>2.539.522</u>
Current assets			
Inventories		20.836	4.419
Accounts receivable	16	433.825	450.502
Receivables for prepaid income tax		10.158	7.939
Short-term financial placements	17	33.500	258.756
Cash and cash equivalents	18	11.807	4.363
Value added tax and prepayments		<u>15.142</u>	<u>4.626</u>
		<u>525.268</u>	<u>730.605</u>
Total assets		<u><u>3.285.196</u></u>	<u><u>3.270.127</u></u>
LIABILITIES			
Capital			
Share capital	19	408.000	408.000
Other capital	20	33.899	33.899
Share premium		4.257	4.257
Reserves	21	90.211	90.211
Unrealized gains on securities		1.369	1.369
Retained earnings	22	<u>2.045.116</u>	<u>2.177.918</u>
		<u>2.582.851</u>	<u>2.715.653</u>
Long-term liabilities and provisions			
Long-term provisions	23	46.574	51.548
Long-term borrowings	24	<u>267.423</u>	<u>97.882</u>
		<u>313.997</u>	<u>149.430</u>
Short-term liabilities			
Short-term financial liabilities	24		217.181
Accounts payable	25	82.172	38.094
Other short-term liabilities	26	257.940	114.385
Value added tax and other duties payable and accruals		20.630	7.778
Income tax payables		<u>360.742</u>	<u>377.438</u>
Deferred tax liabilities		<u>27.606</u>	<u>27.606</u>
Total equity and liabilities		<u><u>3.285.196</u></u>	<u><u>3.270.127</u></u>
Off-balance-sheet items	27	49.783	49.783

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STATEMENT OF CHANGES IN EQUITY
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(thousands of RSD)

	Share Capital	Other Capital	Share Premium	Reserves	Unrealized Gains on Securities	Retained Earnings	Total
Balance at January 1, 2011	408.000	33.899	4.256	90.210	17.423	1.973.330	2.527.118
Unrealized gains on securities	-	-	-	-	(16.053)	-	(16.053)
Profit distribution to management and employees	-	-	-	-	-	(90.000)	(90.000)
Dividends paid	-	-	-	-	-	(112.200)	(112.200)
Net profit for the year	-	-	-	-	-	406.788	406.788
Balance at December 31, 2011	<u>408.000</u>	<u>33.899</u>	<u>4.256</u>	<u>90.210</u>	<u>1.370</u>	<u>2.177.918</u>	<u>2.715.653</u>
Balance at January 1, 2012	408.000	33.899	4.257	90.210	17.423	2.177.918	2.715.653
Unrealized gains on securities	-	-	-	-	-	-	-
Profit distribution to management and employees	-	-	-	-	-	(80.000)	(80.000)
Dividends paid	-	-	-	-	-	(132.598)	(132.598)
Net profit for the year	-	-	-	-	-	79.796	79.796
Balance at June 30, 2012	<u>408.000</u>	<u>33.899</u>	<u>4.256</u>	<u>90.210</u>	<u>1.370</u>	<u>2.045.116</u>	<u>2.582.851</u>

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CASH FLOW STATEMENT

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Dividend received	36.500	64.500
Purchase of shares and equity investments (net outflows)		(4.629)
Purchase of intangible assets, property and equipment	(132.974)	(7.424)
Other financial placements (net outflows)	87.554	276.867
<i>Net cash provided by/(used in) investing activities</i>	30.956	389.217
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings, net (outflows)/inflows	(78.688)	(71.146)
Cash used to pay dividends and bonuses	(56.274)	(68.999)
<i>Net cash used in financing activities</i>	(134.962)	(140.145)
	7.444	179.256
<i>Net cash increase/(decrease)</i>		
Cash and cash equivalents at beginning of year	4.363	10.230
Foreign exchange gains losses on translation of cash		
Cash and cash equivalents at end of period	11.807	189.486

The accompanying notes on the following pages
are an integral part of these financial statements.

1. **FOUNDATION AND ACTIVITY**

Metalac a.d., Gornji Milanovac (the "Company") was initially established in 1959 as a socially-owned enterprise. On December 8, 1990, based on the Labor Council's decision, the Company was transformed into a mixed-ownership shareholding company, and its capital was increased by means of a share offering to its employees. On July 27, 1998, the Company fulfilled all of the legal and statutory requirements of the Ownership Transformation Act that outlined and governed its privatization. During 2003, further ownership transformation was executed whereby the Company's entire socially-owned capital was fully privatized whereas during 2004 the Company performed a second issue of ordinary shares.

During December 2005, the Company underwent reorganization and established six business entities entirely in the Company's ownership and, ever since 2006, the Company has operated as a decentralized company, which in its scope of business retains holding activities – management and finances, and it also temporarily retains the rights to render services in connection with the transport, restaurant, protection, safety and the factory area maintenance. Other activities, being the primary activities from the prior scope of business, have been transferred to the newly founded enterprises: Metalac Posudje doo, Gornji Milanovac, Metalac Inko doo, Gornji Milanovac, Metalac Market doo, Gornji Milanovac, Metalac Bojler doo, Gornji Milanovac, Metalac Print doo, Gornji Milanovac, Metalac Trade doo, Gornji Milanovac. Moreover, the most part of the property, plant and equipment that are owned by the Company, are rented to the newly founded subsidiaries.

The transfer of business operations to the newly founded subsidiaries is followed by the transfer of the biggest portion of employees who were distributed into and employed by these new subsidiaries beginning January 2006.

The head office of the Company is in Gornji Milanovac, 212 Knez Aleksandar Street. Company's registry number : 07177984, and the tax identification number is 100887751.

As of June 30, 2012 the Company employed 175 people (2011: 167 employees)

2. **BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING METHOD**

In the preparation and presentation of the accompanying financial statements as at June 30, 2012 the Company adhered to the accounting method complying to the basis of preparation and presentation of the financial statements and accounting method used for preparation of the annual financial statements per December 31, 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used for preparation of the six-month financial statements as at June 30, 2012 are the accounting policies used for preparation of the annual financial statement per December 31, 2011.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the financial statements' preparation date, and income and expenses arising during the accounting period. These estimations and assumptions are based on information available at the financial statements' preparation date, June 30, 2012.

5. SALES INCOME

	thousands of RSD	
	June 30	
	2012	2011
Related parties		
Domestic market		
Service income		
-related parties	118.092	114.916
-other parties	11.421	1.648
	<u>129.513</u>	<u>116.564</u>
Foreign markets		
Service income		
-related parties	19.514	15.014
-other parties	31.988	31.799
	<u>51.502</u>	<u>46.813</u>
	<u>181.015</u>	<u>163.377</u>

6. OTHER OPERATING INCOME

	thousands of RSD	
	June 30	
	2012	2011
Rental income		
- related parties	94.282	87.947
- other parties	1.323	985
Other income from related parties	72.022	61.620
Other income from other parties	669	501
	<u>168.296</u>	<u>151.053</u>

Other operating income presented per June 30 2012 in the amount of 72.022 thousands of RSD, represent the income from related parties based on forwarded costs of electricity, gas, and public utilities.

7. COST OF MATERIALS

	thousands of RSD	
	June 30	
	2012	2011
Cost of other materials	6.741	6.841
Cost of fuel	34.623	32.705
Cost of energy	73.593	62.866
	<u>114.957</u>	<u>102.412</u>

8. STAFF COSTS

	thousands of RSD	
	June 30	
	2012	2011
Gross salaries and benefits	58.471	54.429
Contributions paid by the employer	10.939	10.213
Business trip per diems	7.487	8.789
Scholarships	622	962
Other	2.694	2.432
	<u>80.213</u>	<u>76.825</u>

9. OTHER OPERATING EXPENSES

	thousands of RSD	
	June 30	
	2012.	2011.
Indirect taxes and contributions	8.944	8.638
Maintenance	10.048	7.498
Marketing and advertizing	406	1.335
Public utilities (water)	5.220	4.329
Transportation	4.650	4.476
Professional services	6.238	5.377
Insurance premium	4.278	4.655
Entertainment	1.830	1.032
Fairs and exhibitions	-	109
Memmbership fees	8.794	10.021
Bank charges	376	276
Rent	609	988
Other operationg expenses	8.893	6.666
	<u>60.286</u>	<u>55.400</u>

10. FINANCIAL INCOME

	thousands of RSD	
	June 30	
	2012	2011
Interest income:		
- related parties	39.226	56.169
- other parties	7	32
Profit share income	36.500	64.500
Foreign currency exchange gains	465	14.969
Income arising from foreign currency clause	-	1.450
	<u>76.197</u>	<u>137.120</u>

11. FINANCIAL EXPENSES

	thousands of RSD	
	June 30	
	2012	2011
Interest expenses	4.785	7.176
Expenses arising from foreign currency clause	3.131	-
Foreign currency exchange losses	28.124	330
Other financial expenses	254	99
	<u>36.294</u>	<u>7.605</u>

12. EARNINGS PER SHARE

	thousands of RSD	
	June 30	
	2012	2011
Net profit	79.796	156.091
Average-weighted number of shares	1.020.000	1.020.000
Basic earnings per share (in RSD)	<u>78.23</u>	<u>153.03</u>

13. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, plant and equipments, intangible assets and investment property as of June 30, 2012 do not contain significant operating changes with respect to annual financial statement preparation date, December 31, 2011.

14. LONG-TERM FINANCIAL PLACEMENTS

		thousands of RSD	
	% Equity interests	June 30 2012	December 31 2011.
<i>Equity interests in subsidiaries</i>			
- Metpor doo, Beograd	100%	289	289
- Metalac Trade doo, Gornji Milanovac	100%	263	263
- Metalac Bojler doo, Gornji Milanovac	100%	72.684	72.684
- Metalac Inko doo, Gornji Milanovac	100%	22.895	22.895
- Metalac Market doo, Gornji Milanovac	100%	124.071	124.071
-Metalac Posudje doo, Gornji Milanovac	100%	225.194	225.194
- Metalac Print doo, Gornji Milanovac	100%	9.380	9.380
- Promo Metal doo, Zagreb	100%	18.325	18.325
- Metalac Proleter a.d., Gornji Milanovac	64.55%	60.282	60.282
- Metalac Market doo, Podgorica	100%	1.338	1.338
- Metalac Metalurgija a.d., Novi Sad	82.36%	57.912	57.912
- Metrot doo, Moscow, Russia	100%	22	22
- Metalac Group USA Inc	50%	5.634	5.634
- Stadion Metalac doo Gornji Milanovac	99%	991	991
-Metalac Ukraine	100%	3.637	3.637
		602.917	602.917
<i>Equity investments in banks</i>			
- Čačanska banka a.d. Čačak	Insignificant	31.809	31.809
- Credy banka a.d. Kragujevac	Insignificant	32.097	32.097
Other banks	Insignificant	248	248
		64.154	64.154
<i>Placements with financial institutions and enterprises</i>			
- Insurance companies	Insignificant	6.523	6.523
Other	Insignificant	81	81
		6.604	6.604
<i>Other long-term placements</i>			
Long-term loans to employees		627	721
Long-term loans		732.046	815.098
Current installments due		(220.756)	(220.756)
		732.046	594.342
		1.406.348	1.268.738
<i>Less: Allowance for impairment</i>			
-Dunav Insurance Company		(1.261)	(1.261)
- Credy banka a.d. Kragujevac		(30.405)	(30.405)
Other banks		(167)	(167)
		(31.833)	(31.833)
		1.374.515	1.236.905

15. LONG-TERM FINANCIAL PLACEMENTS (continued)

Long -term loans as at June 30, 2012 in the amount of 732.046 thousands of RSD, represent the loans made to the subsidiaries.

The structure of the loans to related parties is shown in the table below:

	June 30		thousands of RSD
	2012	Due	December 31
	<u>2012</u>	<u>Due</u>	<u>2011</u>
Metalac Posudje doo	442.500	69.423	373.077
Metalac Bojler doo.	98.300	27.574	70.726
Metalac Proleter doo..	60.128	5.991	54.137
Metalac Market doo.	48.000	13.967	34.033
Metalac Inko doo.	69.044	18.422	50.622
Metalac Trade doo.	14.074	2.327	11.747
-	<u>732.046</u>	<u>137.704</u>	<u>594.342</u>

16. ACCOUNTS RECEIVABLE

	thousands of RSD	
	June 30	December 31
	<u>2012</u>	<u>2011</u>
<i>Receivable from</i>		
- related parties	411.463	426.031
- domestic accounts receivable	13.494	11.599
- foreign accounts receivable	5.365	9.586
- restaurant for employees	2.160	1.548
	<u>432.482</u>	<u>448.764</u>
Interest receivable	7.500	8.144
Receivables from employees	963	901
Other	559	372
	<u>9.022</u>	<u>9.417</u>
Less: Allowances for impairment		
- accounts receivable	<u>(7.679)</u>	<u>(7.679)</u>
	<u>433.825</u>	<u>450.502</u>

16. SHORT-TERM FINANCIAL PLACEMENTS

	thousands of RSD	
	June 30 2012	December 31 2011
<i>Short-term loans</i>		
- Metalac Inko doo	10,000	10,000
- Metalac Print doo	16.000	16.000
- Metpor doo, Beograd	7.500	12.000
	<u>33.500</u>	<u>38.000</u>
Short-term consumer loans	4.113	4.113
Receivables from long-term loans	-	220.756
	<u>38.913</u>	<u>224.869</u>
<i>Less: Allowance for impairment</i>		
- of short term consumer loans	(4,113)	(4,113)
	<u>33.500</u>	<u>258.756</u>

17. CASH AND CASH EQUIVALENTS

	thousands of RSD	
	June 30 2012	December 31 2011
Current accounts		
- in dinars	492	950
- in foreign currency	6.693	2.933
Cash on hand	667	417
Other cash	65	63
	<u>11.807</u>	<u>4.363</u>

18. MOVEMENTS IN ALLOWANCES

	thousands of RSD			
	Long-term financial placements	Accounts receivable	Short-term financial placements	Укупно
Balance at January 1, 2012	31.833	7.679	4.113	43.625
	-	-	-	-
	-	-	-	-
	<u>31.833</u>	<u>7.679</u>	<u>4.113</u>	<u>43.625</u>

19. SHARE CAPITAL

As of June 30, 2012, the Company's share capital was comprised of 1,020,000 shares, with par value of RSD 400.

20. OTHER CAPITAL

Other capital is formed in accordance with the interim provisions of the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures," based on which the Company has performed a transfer of its non-operating assets to "Other capital" in 2004, upon the transition to the newly-adopted legal regulations. Non-operating funds represent the Company's long-term allocations used to finance residential apartment purchases and other non-operating buildings. Up to June 1, 2001 in conformity with the relevant applicable legislation, at least 1.3% of gross salaries were to be appropriated to the collective residential housing fund.

21. RESERVES

The Company's reserves were formed in conformity with the earlier statutory accounting regulations by the appropriation of least 5% of the net profit for the year, until such reserves attain the level equivalent to 10% of the Company's core capital. These reserves were also formed based on the transfer of a portion of revaluation reserves upon the first time adoption of IFRS in 2004.

22. RETAINED EARNINGS

Retained earnings as at June 30, 2012 of RSD 2.045.116 thousand are the retained earnings as at the date of preparation of the annual financial statements December 31, 2011 2.177.918 out of which the Company distributed RSD 132.598 thousand as shareholder dividends, RSD 80.000 thousand as profit share liabilities to employees, and increased with the profit of the current year of RSD 79.796 thousand as at June 30, 2012.

23. LONG TERM PROVISION

Long term provisions as of June 30, 2012 in the amount of 46.574 thousands RSD comprising jubilee awards and retirement premiums for the employees.

24. LONG-TERM BORROWINGS

	thousands of RSD	
	June 30 2012	December 31 2011
Yapi Kredi Bank, Netherlands	238.468	281.429
Čačanska banka, Čačak	28.955	33.634
	<u>267.423</u>	<u>315.063</u>
Less: Current portion of long-term borrowings	-	(217.181)
	<u><u>267.423</u></u>	<u><u>97.882</u></u>

The loans approved by Čačanska banka, Čačak and Yapi Credi Bank, Netherlands are collateralized by mortgages assigned over the buildings and equipment of the Company.

Long-term borrowings were approved to the Company with up to 5-year maturities at annual interest rates ranging from three-month EURIBOR + 0.5% to three-month EURIBOR + 1.6%.

25. ACCOUNTS PAYABLE

	thousands of RSD	
	June 30	December 31
	2012	2011
<i>Payable to suppliers:</i>		
- suppliers, related parties	875	11.527
- local suppliers	77.635	26.160
- foreign suppliers	3.531	162
	<u>82.041</u>	<u>37.849</u>
<i>Advances received:</i>	<u>131</u>	<u>99</u>
<i>Other accounts payable::</i>	<u>-</u>	<u>146</u>
	<u><u>82.172</u></u>	<u><u>38.094</u></u>

26. OTHER SHORT-TERM LIABILITIES

	in thousands RSD	
	June 30	December 31
	2012	2011
Salaries and benefits payable	7.058	7.185
Taxes and contributions on salaries and benefits	4.497	4.576
Dividend payables	145.626	57.602
Liability for share in profit	99.053	44.413
Interest payables	1.366	248
Other payables to employees	290	310
Other	<u>50</u>	<u>51</u>
	<u><u>257.940</u></u>	<u><u>114.385</u></u>

27. OFF-BALANCE-SHEET ASSETS AND LIABILITIES

Off-balance-sheet assets and liabilities in the current period refer to the Customs Guarantees issued in the value of 15.000 thousand rsd, then 4.690 thousand rsd for TIR carnets, 28.000 thousand rsd for the Republic Property Directorate of the Republic of Serbia and 2.093 thousand rsd for the Shell (in 2011: 47.783 thousand rsd).

28. TRANSACTIONS WITH RELATED PARTIES

a) Receivables and liabilities from the transactions with related parties:

	thousands of RSD	
	June 30 2012	December 31 2011
Accounts receivable		
<i>Receivable from buyers</i>		
Metalac Posudje doo, Gornji Milanovac	188.348	247.866
Metalac Print doo, Gornji Milanovac	57.101	40.690
Metalac Bojler doo, Gornji Milanovac	72.401	58.598
Metalac Inko doo, Gornji Milanovac	32.059	33.347
Metalac Market doo, Gornji Milanovac	49.525	32.701
Metalac Metalurgija a.d., Novi Sad	536	534
Metalac Trade doo, Gornji Milanovac	4.799	5.307
Metalac Proleter a.d., Gornji Milanovac	6.463	4.009
Metalac Market doo, Podgorica	-	-
Metpor doo, Beograd	231	2.875
Metrot doo, Moscow	-	104
	411.463	426.031
 <i>Interest receivables:</i>		
Metalac Posudje doo, Gornji Milanovac	3.644	4.305
Metalac Print doo, Gornji Milanovac	132	135
Metalac Bojler doo, Gornji Milanovac	810	645
Metalac Inko doo, Gornji Milanovac	651	668
Metalac Proleter a.d., Gornji Milanovac	503	523
Metalac Market doo, Gornji Milanovac	395	431
Metalac Trade doo, Gornji Milanovac	116	148
Metpor doo, Beograd	1.249	1.289
	7.500	8.144
 <i>Receivables for long-term loans:</i>		
Metalac Posudje doo, Gornji Milanovac	442.500	373.077
Metalac Bojler doo, Gornji Milanovac	98.300	70.726
Metalac Inko doo, Gornji Milanovac	69.044	50.622
Metalac Market doo, Gornji Milanovac	48.000	34.033
Metalac Proleter a.d., Gornji Milanovac	60.128	54.137
Metalac Trade doo, Gornji Milanovac	14.074	11.747
	732.046	594.342

28. **TRANSACTIONS WITH RELATED PARTIES (continued)**

a) **Receivables and liabilities from the transactions with related parties (continued):**

	thousands of RSD	
	June 30	December 31
	2012	2011
<i>Receivables for short-term loans:</i>		
Metpor doo, Beograd	7.500	12.000
Metalac Inko doo, Gornji Milanovac	10.000	28.422
Metalac Market doo, Gornji Milanovac	-	17.017
Metalac Posudje doo, Gornji Milanovac	-	136.259
Metalac Bojler doo, Gornji Milanovac	-	35.583
Metalac Trade doo, Gornji Milanovac	-	5.741
Metalac Proleter a.d., Gornji Milanovac	-	7.734
Metalac Print doo, Gornji Milanovac	16.000	16.000
	<u>33.500</u>	<u>258.756</u>
Total accounts receivable	<u>1.184.509</u>	<u>1.287.273</u>
Liabilities		
<i>Liabilities to suppliers</i>		
Metpor doo, Beograd	172	458
Metalac Proleter a.d., Gornji Milanovac	486	9.708
Metalac Posudje doo, Gornji Milanovac	78	361
Metalac Inko doo, Gornji Milanovac	-	29
Metalac Trade doo, Gornji Milanovac	31	-
Metalac Print doo, Gornji Milanovac	-	9
Metalac Market doo, Gornji Milanovac	108	962
	<u>875</u>	<u>11.527</u>
Total liabilities	<u>875</u>	<u>11.527</u>
Accounts receivable, net	<u>1.183.634</u>	<u>1.275.746</u>

28. TRANSACTIONS WITH RELATED PARTIES (continued)

b) Summary of income and expenses from the transactions with related parties within the group:

	thousands of RSD	
	June 30 2012	June 30 2011
<i>Service, rental and other income</i>		
Metalac Inko doo, Gornji Milanovac	17.328	16.550
Metalac Posudje doo, Gornji Milanovac	193.904	181.314
Metalac Print doo, Gornji Milanovac	21.630	18.328
Metalac Market doo, Gornji Milanovac	19.263	18.449
Metalac Bojler doo, Gornji Milanovac	34.438	29.701
Metalac Trade doo, Gornji Milanovac	10.445	9.584
Metalac Proleter a.d., Gornji Milanovac	6.305	3.878
Metpor doo, Beograd	481	903
Metalac Metalurgija a.d., Novi Sad	116	644
Metrot doo, Moscow	-	105
Promo-Metal doo, Zagreb	-	41
Metalac Market doo, Podgorica	-	-
	<u>303.910</u>	<u>279.497</u>
<i>Interest income</i>		
Metalac Inko doo, Gornji Milanovac	3.832	4.840
Metalac Posudje doo, Gornji Milanovac	23.031	32.553
Metalac Print doo, Gornji Milanovac	776	1.057
Metalac Market doo, Gornji Milanovac	2.396	3.577
Metalac Bojler doo, Gornji Milanovac	4.985	8.199
Metalac Trade doo, Gornji Milanovac	761	1.316
Metalac Proleter a.d., Gornji Milanovac	2.993	3.806
Metpor doo, Beograd	452	821
	<u>39.226</u>	<u>56.169</u>
<i>Dividend income</i>		
Metalac Trade doo, Gornji Milanovac	2.500	4.500
Metalac Posudje doo, Gornji Milanovac	34.000	60.000
	<u>36.500</u>	<u>64.500</u>
Total income	<u><u>379.636</u></u>	<u><u>400.166</u></u>

28. TRANSACTIONS WITH RELATED PARTIES (continued)

**b) Summary of income and expenses from the transactions with related parties within the group
(continued)**

	thousands of RSD	
	June 30 2012	June 30 2011
Expenses		
<i>Cost of commercial goods sold:</i>		
Metalac Market doo, Gornji Milanovac	-	-
Metalac Proleter a.d., Gornji Milanovac	2.894	1.492
	<u>2.894</u>	<u>1.492</u>
<i>Cost of materials:</i>		
Metalac Market doo, Gornji Milanovac	283	-
Metalac Posudje doo, Gornji Milanovac	140	47
Metalac Trade doo, Gornji Milanovac	31	24
Metalac Proleter a.d., Gornji Milanovac	669	1.565
Metalac Print doo, Gornji Milanovac	-	32
Metalac Inko doo, Gornji Milanovac	-	-
	<u>1.123</u>	<u>1.668</u>
<i>Cost of services:</i>		
Metalac Posudje doo, Gornji Milanovac	540	448
Metalac Print doo, Gornji Milanovac	-	4
Metpor doo, Beograd	286	280
Metalac Metalurgija a.d., Novi Sad	-	-
Metalac Proleter a.d., Gornji Milanovac	201	487
	<u>1.027</u>	<u>1.219</u>
<i>Intangible expenses:</i>		
Metalac Posudje doo, Gornji Milanovac	-	33
Metalac Proleter a.d., Gornji Milanovac	-	5
Metalac Trade doo, Gornji Milanovac	-	-
	<u>-</u>	<u>38</u>
Total expenses	<u>5.044</u>	<u>4.417</u>
Income, net	<u><u>374.592</u></u>	<u><u>395.749</u></u>

2. SIX-MONTH FINANCIAL POSITION FOR THE YEAR 2012

I General Information

1. Company Name:	METALAC Share Company	
City and Address:	Gornji Milanovac, Kneza Aleksandra 212	
Company Number:	07177984	
VAT Number:	100887751	
2. Web site and E-mail address:	www.metalac.com	metalac@metalac.com
3. Registration Number and Date:	BD 5372/2005	04.05.2005.
4. Activity (code and denomination):	6420 – Holding company activity	
5. Number of Shareholders as of 31.12.2011.:	1.448	

6. Capital Value	408.000.000 rsd
7. Number of Shares	1.020.000
ISIN	RSMETAE71629
CFI	ESVUFR

18. Name of the oMarket Organization	Belgrade Stock Exchange jsc, Belgrade Standard Listing
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II BUSINESS INFORMATION

1. Report of the Management on Realization of the Approved Business Policy	Operations of the parent company and the subsidiaries are in conformity with the approved business policy.
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2. Operation Analysis in 000 rsd

Total income	426.225
Total expences	346.429
Profit before tac	79.796
Operating income	349.311
Sales income	-
EBIT	39.797
EBITDA	90.961
Operating profitability (% gross margin)	18,72
% ROI	1,21
% ROE	3,01
Leverage ratio	0,11
Indebtedness factor (year)	2,04
Liquidity level I	0,03
Liquidity level II	1,40
Breakeven point	281.135

3. Change of Balance Values in 000 rsd

Assets	15.069
Liabilities	(147.871)
Net Profit	(76.295)

III Most important operations of subsidiaries

The company Metalac a.d. is a controlling company being the parent of 15 subsidiaries, 10 of them in Serbia and 5 abroad.

Production subsidiaries: Metalac posudje d.o.o., Metalac inko d.o.o., Metalac print d.o.o., Metalac bojler d.o.o. in Gornji Milanovac

Trading subsidiaries in Serbia: Metalac market d.o.o., Metalac trade d.o.o., Metalac Proleter a.d. (in Gornji Milanovac), Metalac Metalurgija a.d. in Novi Sad and Metpor d.o.o. in Belgrade

Trading subsidiaries abroad: Metrot d.o.o. Moscow, Metalac market Podgorica d.o.o. Podgorica, Promometal-Metal d.o.o. Zagreb, Metalac Group USA Inc, Milwaukee, Metalac Ukraine, Kiev.

Sports society: Stadion Metalac d.o.o.

IV The company has published the Code of Corporate Governance and the Code of Business Ethics, on the web-site www.metalac.com

There has not been any deviation in implementation of the Codes of Corporate Governance and of Business Ethics.

V Data on acquisition of own shares

The Company does not own or has not acquired its own shares.

VI R&D Activities:

	in 000 rsd
Investments into courses for employees	1.771
Development investments	152.396

The business policy of the Company includes investments into development, production capacities of the subsidiaries and equipment upgrade/replacement, innovations, wider retail chain by opening new shops, strategic adjustments, penetrate new export markets and increase turnover with the present markets.

VII Important operations after the balance sheet date

From the balance sheet date till the date of publication of this report, there has been no important business events to affect the accuracy of the financial statements or Company's operations.

VIII Risks and uncertainties

By the estimate of the management, there are no risks and uncertainties to affect significantly to the financial position of the Company.

3. DECLARATION OF THE PEOPLE RESPONSABLE FOR THE PREPARATION OF THE STATEMENT

According to our best knowledge, the Quarterly Financial Statements have been prepared in accordance with the international accounting regulations, showing accurate and objective information on assets, liabilities, financial position and operations, profits and losses, cash flows and equity changes of the public Company.

Person Responsible for Preparation of the Statement
Radmila Todosijevic, CFO

Person Representing the Company
Petrasin Jakovljevic
General Director

Gornji Milanovac, August 14, 2012

Person Responsible for Preparation of the Statement
Radmila Todosijevic, CFO

Person Representing the Company
Petrasin Jakovljevic
General Director