



**FINANCIAL REPORT  
FOR  
THE FIRST QUARTER OF 2014.**

Persuant to Article 53 of the Capital Market Law („Official Gazette of the Republic of Serbia“ No. 31/2011) and Article 5 of the Regulation of the Form, Contents and Manner of Publication of Annual, Semi-Annual and Quarterly Reports submitted by public companies („Official Gazette of the Republic of Serbia“ No. 14/2012), **A.D. Metal Industry Alfa-Plam Vranje, Reg.no. 07137923, publishes the following:**

***FINANCIAL REPORT ALFA-PLAM FOR  
THE FIRST QUARTER OF 2014.***

**C O N T E N T S:**

**1. FINANCIAL STATEMENTS ALFA-PLAM A.D. VRANJE FOR  
THE FIRST QUARTER OF 2014.**

*(Balance sheet, Income statement, Cash flow statement, Statement of Changes in Equity, Notes to the Financial Statements)*

**2. BUSINESS REPORT**

**3. STATEMENT OF RESPONSIBILITY (BY PERSON WHO PREPARED THE REPORT)**

**FINANCIAL STATEMENTS  
ALFA-PLAM A.D.  
FOR  
THE FIRST QUARTER OF 2014.**



**ALFA PLAM**

## 1.1. BALANCE SHEET on 31.03.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		31.03.2014. Current year	31.12.2013. Previous year
<b>ASSETS :</b>	001	1.961.891	1.905.696
A. NON-CURRENT ASSETS (002+003+004+007)			
I. UNPAID SUBSCRIBED CAPITAL	002		
II. GOODWILL	003		
III. INTANGIBLE ASSETS	004	6.702	4.232
IV. PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL AGENCIES (006+007+008)	005	1.839.052	1.785.439
1. Property, plants and equipment	006	1.838.044	1.784.422
2. Investment property	007	1.008	1.017
3. Biological assets	008		
V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	116.137	116.025
1. Stakes in capital	010	115.828	115.660
2. Other long-term financial investments	011	309	365
B. CURRENT ASSETS (013+014+015)	012	4.173.797	4.248.360
I. INVENTORIES	013	1.789.818	1.444.282
II. NON-CURRENT ASSETS INTENDED FOR SALE AND ASSETS OF OPERATION DISCONTINUED	014		
III. SHORT-TERM RECEIVABLES, INVESTMENTS AND CASH (016+017+018+019+020)	015	2.383.979	2.804.078
1. Receivables	016	572.108	696.022
2. Receivables for prepaid income tax	017		
3. Short-term financial investments	018	1.720.119	2.039.931
4. Cash and cash equivalents	019	28.852	25.285
5. VAT and deferrals	020	62.900	42.840
V. DEFERRED TAX ASSETS	021	27.890	27.890
G. OPERATING ASSETS (001+012+021)	022	6.163.578	6.181.946
D. LOSS OVER CAPITAL	023		
TOTAL ASSETS (022+023)	024	6.163.578	6.181.946
E. OFF-BALANCE ASSETS	025	671.858	798.677

## BALANCE SHEET on 31.03.2014.

POSITION	ADP	in thousand RSD	
		AMOUNT	
		31.03.2014. Current year	31.12.2013. Previous year
<b>LIABILITIES :</b>	<b>101</b>	<b>5.413.758</b>	<b>5.393.530</b>
A. CAPITAL (102 + 103+104+105+ +106-107+108-109-110)			
I. CAPITAL STOCK	102	1.217.288	1.217.288
II. UNPAID SUBSCRIBED CAPITAL	103		0
III. RESERVES	104	680.903	680.903
IV. REVALUATION RESERVES	105		0
V. UNREALIZED PROFIT FROM SECURITIES	106	21.511	21.511
VI. UNREALIZED LOSSES FROM SECURITIES	107	36	36
VII. RETAINED EARNINGS	108	3.614.583	3.587.630
VIII. LOSS	109		0
IX. REDEEMED OWN SHARES	110	120.491	113.766
B. LONG-TERM PROVISIONS AND LIABILITIES (112+113+116)	111	749.820	788.416
I. LONG-TERM PROVISIONS	112	89.206	89.206
II. LONG-TERM LIABILITES (114+115)	113		0
1. Long-term loans	114		0
2. Other long-term liabilities	115		0
III. CURRENT LIABILITIES (117+118+119+120+121+122)	116	660.614	699.210
1. Short-term financial liabilities	117	597	132.925
2. Liabilities from assets held for sale and assets from discontinued operations	118		0
3. Operating liabilities	119	577.926	489.956
4. Other short-term liabilities	120	60.584	56.938
5. VAT and other public duties and accruals	121	21.507	19.391
6. Income tax liabilities	122		0
V. DEFERRED TAX LIABILITIES	123		0
G. TOTAL LIABILITIES	124	6.163.578	6.181.946
D. OFF-BALANCE LIABILITIES	125	671.858	798.677

## 1.2. INCOME STATEMENT FOR PERIOD 01.01. – 31.03.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		Current year	Previous year
I. REVENUES AND EXPENSES FROM REGULAR OPERATIONS (202 + 203 + 204 - 205 + 206 )	201	890.806	801.271
1. Sales revenue	202	575.810	458.339
2. Revenes from activation of goods and effects	203	19	
3. Increase in value of effects on stock	204	314.928	342.886
4. Decrease in value of effects on stock	205		
5. Other operating revenue	206	49	46
II. OPERATING EXPENSES (208 do 212)	207	901.958	800.086
1. Cost of goods sold	208	1.990	602
2. Material cost	209	619.686	526.715
3. Salaries, salary compensations and other personal expenses	210	172.659	169.755
4. Depreciation and provisions	211	38.180	42.041
5. Other operating expenses	212	69.443	60.973
III. OPERATING PROFIT (201 - 207)	213		1.185
IV. OPERATING LOSS (207 - 201)	214	11.152	
V. FINANCIAL INCOME	215	41.774	43.124
VI. FINANCIAL EXPENSES	216	3.619	39.402
VII. OTHER REVENUE	217	2.745	845
VIII. OTHER EXPENSES	218	2.795	2.743
IX. PROFIT FROM REGULAR OPERATIONS BEFORE TAXATION (213-214+215-216+217-218)	219	26.953	3.009
X. LOSS FROM REGULAR OPERATIONS BEFORE TAXATION (214-213-215+216-217+218)	220		
XI. NET PROFIT FROM REGULAR OPERATION	221		
XII. NET LOSS FROM DISCONTINUED OPERATIONS	222		
B. PROFIT BEFORE TAXATION (219-220+221-222)	223	26.953	3.009
V. LOSS BEFORE TAXATION(220-219+222-221)	224		
1. Tax liabilities for the period	225		
2. Deferred tax liabilities for the period	226		
3. Deferred tax assets for the period	227		
D. EMPLOYER'S EARNING PAID	228		

## INCOME STATEMENT FOR PERIOD 01.01. – 31.03.2014.

POSITION	ADP	in thousand RSD	
		Current year	Previous year
Đ. NET PROFIT (223-224-225-226+227-228)	229	26.953	3.009
E. NET LOSS (224-223+225+226-227+228)	230		
Ž. NET PROFIT OF THE MINORITY SHAREHOLDERS	231		
Z. NET PROFIT OF THE OWNERS OF PARENT LEGAL ENTITY	232		
I. EARNINGS PER SHARE			
1. Basic earnings per share	233		
2. Deiluted earnings per share	234		

### 1.3. CASH FLOW FOR PERIOD 01.01. – 31.03.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		Current year	Previous year
1	2		
<b>A.CASH FLOWS FROM OPERATING ACTIVITIES</b>			
I. Cash inflows from operating activities ( 1 to 3 )	301	883.489	943.078
1. Cash receipts from customers and advance payments	302	883.489	943.032
2. Interest received from operating activities	303		
3. Other inflows from regular operations	304		46
II. Cash outflows from operating activities (1 to 5 )	305	1.018.888	923.929
1. Cash paid to suppliers and advances paid	306	775.451	677.987
2. Salaries, salary compensations and other personal earnings	307	172.659	169.755
3. Interest paid	308	1.194	3.373
4. Income taxes paid	309		
5. Other public expenses paid	310	69.584	72.814
III. Net cash inflows from operating activities (I-II)	311		19.149
IV. Net cash outflows from operating activities ( II-I	312	135.399	
<b>B.CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
I. Cash inflows from investment activities ( 1 to 5 )	313	344.532	39.964
1. Sale of shares and stakes (net inflows)	314		
2. Sale of intangible assets, property, plants, equipment and biological assets	315		
3. Other financial investments (net inflows)	316	319.812	10.926
4. Interest received from investment activities	317	24.720	29.038
5. Dividends received	318		
II.Cash outflows from investment activities (1 to 3 )	319	65.038	22.595
1. Acquisition of shares and stakes (net outflows)	320	168	
2. Acquisition of intangible assets, property, plants, equipment and biological assets	321	64.870	22.595
3. Other financial placements (net outflows)	322		
III. Net cash inflows from investment activities ( I-II )	323	279.494	17.369
IV. Net cash outflows from investment activities ( II-I )	324		



## CASH FLOW FOR PERIOD 01.01. – 31.03.2014.

POSITION	ADP	AMOUNT	
		Current year	Previous year
<b>V.CASH INFLOWS FROM FINANCING ACTIVITIES</b>			
I.Cash inflows from financing activities (1 to 3 )	325		
1. Capital stock increase	326		
2. Long-term and short-term credits (net inflows)	327		
3. Other long-term and short-term liabilities	328		
II.Cash outflows from financing activities (1 do 4 )	329	140.906	46.265
1. Purchase of own shares and stakes	330	6.725	3.540
2. Long-term and short-term credits and other liabilities (net outflows)	331	134.181	42.725
3. Financial leasing	332		
4. Dividends paid	333		
III. Net inflows from financing activities ( I-II )	334		
IV. Net outflow from financing activities ( II-I )	335	140.906	46.265
G. TOTAL CASH INFLOWS ( 301+313+325 )	336	1.228.021	983.042
D. TOTAL CASH OUTFLOWS ( 305+319+329)	337	1.224.832	992.789
Đ. NET CASH INFLOW ( 336-337 )	338	3.189	
E. NET CASH OUTFLOW ( 337 – 336 )	339		9.747
Ž. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	25.285	29.337
Z. FOREIGN CURRENCY TRANSLATION GAIN	341	378	
I. FOREIGN CURRENCY TRANSLATION LOSS	342		190
J. CASH AT THE END OF ACCOUNTNG PERIOD (338-339+340+341-342)	343	28.852	19.400

## 1.4. STATEMENT OF CHANGES IN EQUITY FOR PERIOD 01.01. -31.03.2014.

From 01.01.2014 until 31.03.2014.

### STATEMENT ON CHANGES IN EQUITY

In KSD thousands

DESCRIPTION	EDP	Share capital (Group 30 less 309)	EDP	Other capital (Acc. 309)	EDP	Unpaid subscribed capital (Group 31)	EDP	Share premium (320)	EDP	Reserves (Acc. 321, 322)	EDP	Revaluation reserves (330 and 331)	EDP	Unrealised gains from securities (332)	EDP	Unrealised losses from securities (Group 333)	EDP	Retained earnings (Group 34)	EDP	Loss not exceeding capital (Group 35)	EDP	Treasury shared and stakes (Acc. 037, 237)	EDP	Total (column 2+3+4+5+6+7+8+9+10-11-12)	EDP	Lost exceeding capital (group 29)
1	2	3	4	5	6	7	8	9	10	11	12	13	14													
1. Balance as at 1 January of previous year	401	117240	414	48948	427	440	18822	453	69827	466	479	20	492	36	505	3195413	518	519	531	77164	544	5046970	557			
2. Adjustments of material errors and changes in accounting policies occurred in previous year - Increase	402		415		428	441		454	467	480	493	506	519	532	545	558										
3. Adjustments of material errors and changes in accounting policies occurred in previous year - Decrease	403		416		429	442		455	468	481	494	507	520	533	546	559										
4. Restated opening balance as at 1 January of previous year (+2-3)	404	117240	417	48948	430	443	18822	456	69827	469	482	20	495	36	508	3195413	521	534	77164	547	5046970	560				
5. Total increase in previous year	405		418	0	431	444	12168	457	0	470	483	21491	496	509	392217	522	535	38602	548	389274	561					
6. Total decrease in previous year	406		419	0	432	445	30790	458	11924	471	484		497	510	523	536	549	42714	562							
7. Balance as at 31 December of previous year (+5-6)	407	117240	420	48948	433	446	0	459	69803	472	485	21511	498	36	511	3587630	524	537	113706	550	5393530	563				
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase	408		421		434	447		460	473	486	499	512	525	538	551	564										
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease	409		422		435	448		461	474	487	500	513	526	539	552	565										
10. Restated opening balance as at 1 January of current year (+8-9)	410	117240	423	48948	436	449	0	462	69803	475	488	21511	501	36	514	3587630	527	540	113706	553	5393530	566				
11. Total increase in current year	411		424		437	450		463	476	489	502	515	528	541	554	20228	567									
12. Total decrease in current year	412		425		438	451		464	477	490	503	516	529	542	555	568										
13. Balance as at 31 December of current year (10+11-12)	413	117240	426	48948	439	452	0	465	69803	478	491	21511	504	36	517	3614553	530	543	120491	556	5413758	569				

# NOTES TO THE FINANCIAL STATEMENTS



## 1.5. BASIC INFORMATION ABOUT THE COMPANY

### General information

<b>Full company name:</b>	<i>A.D. Metal Industry ALFA-PLAM Vranje</i>
<b>Short name of company is:</b>	ALFA-PLAM AD
<b>Headquater, steet and number:</b>	Vranje, Radnička 1
<b>Identification number:</b>	07137923
<b>VAT.NO.:</b>	100402750
<b>Reg.No.:</b>	BD 14264/2005 od 11.07.2005.
<b>Activity code:</b>	2752 – production of not-eletrical device
<b>Director of company:</b>	Goran Kostić
<b>Number of employees</b>	742
<b>Phone number:</b>	017/421-121
<b>Fax:</b>	017/424-808
<b>E-mail address:</b>	firma@alfaplam.rs
<b>Web:</b>	www.alfaplam.rs
	160 -7007-07 Banca Intesa ad Beograd
	340-11008671-89 Erste Bank A.D.
<b>Current account</b>	275-10221807082-07 Societe Generale Banca
	165-27880-19 Hypo Alpe Adria Banca
	330-6001380-22 Credit Agricole Banka Srbija

### Information about trading of Company's shares

<b>Total value of capital</b>	<b>1.171.240.400,00 RSD</b>
<b>Number of shareholders</b>	601
<b>Total number of shares</b>	174.812
<b>Nominal value of shares</b>	6.700,00 RSD
<b>ISIN number (CFI)</b>	RSALFAE34014 (ESVUFR)
<b>Market</b>	Belgrade Stock Exchange
<b>Business name, address and business address of the audit company that audited final financial report</b>	“MOORE STEPHENS Revizija i Računovodstvo” doo Beograd, Ul. Studentski trg 4/V, Beograd

## Top ten shareholders

Shareholder - Business name / Name	Number of shares
AMASIS DOO	95351
ALFA PLAM AD	17480
EAST CAPITAL (LUX) – BALKAN FUND	12296
ERSTE BANK AD NOVI SAD – KASTODI RAČUN	11418
SM NET	6265
VOJVOĐANSKA BANKA AD NOVI SAD – KASTODI RAČUN	3366
ANĐELOVIĆ SRĐAN	1253
STOJANOVIĆ PREDRAG	1039
BREST DOO	894
OSTOJIĆ DRAGOMIR	800

Our main business is the production of heating devices on solid, liquid and gaseous fuels, electric cooker, and a combination of solid-fuel-electricity-gas and electricity. Products of "ALFA-PLAM" are primarily intended for households.

According to the quantity of production, placement and quality, we are a leading manufacturer of heating devices in Serbia and Southeast Europe, and are among the top 5 producers in Europe.

Today, production realized in 5 technical and technological unit, according to product groups, such as:

- Solid fuel furnaces and stoves;
- Fireplaces;
- Gas furnaces;
- Stoves, furnaces and fireplaces for floor heating;
- Electric and combined cookers

Our total annual production is more than 150.000 units. The range of production is permanently expanding, according to the needs of the market, and all in order to improve the quality of production, we are introducing new technologies that guarantee the quality that is confirmed by ISO standard.

All our products have specific domestic and international certificates, which fully meet the strict requirements for the placement on the EU market. ALFA-PLAM sells its products on domestic market (40%) and in European markets (60%). The main foreign markets are the ex-Yu republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), Germany, Italy, Austria and Poland, and others.

## 1.6. COMPANY BACKGROUND

- 1948.- City craft-service company „Metalac“ was founded in Vranje. It was consisted of locksmith, blacksmith, electricians, carpenter, wheelwright and sheet metal workshop. Company produced pots, water buckets, pan and furnaces called "drummers," as well as products made according to clients' wishes.
- 1950. – „Metalac“ employes 58 people.

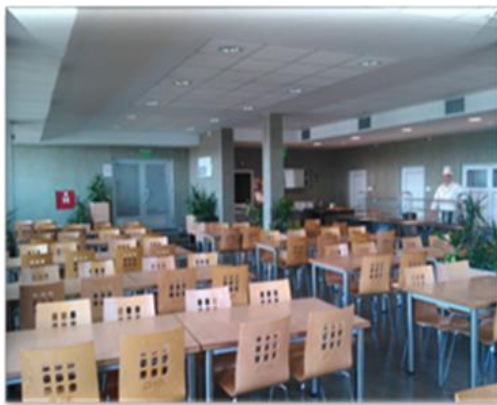
- 1959. – Company „Metalac“ has launched a galvanizing plant . Plant employes four new workers, who put black sheet metal buckets in chemicals and then in zinc which was heated in large cauldron by oil.
- 1960. – Comapny plan production and galvanization of 100.000 buckets.
- 1962. – Metal packging factory was built in the industrial district of Vranje and it changes its production program in consumer goods. Name of the factory is Technical devices Industry “Alfa – Vranje” and it employs 87 workers.
- 1964. – “Alfa – Vranje” wins gas furnace production “Feniks 140”, and plans other consumer goods production (electric dryer, wash machine, furniture and locksmith). Factory employs 300 workers. “Feniks 15000”, gas furnace for floor heating, was exposed to Belgrade Techniques Fair.
- 1965. – "Metalac" after 16 years of work in bad conditions, gets adequate space in an industrial area of Vranje, in addition to "Alfa". The company specializes in the execution of all trades and metal assembly works in construction.
- 1967. – Established the business and technical cooperation between the " ALFA " and the French Fabricant Anrija Poteza, which resulted in the production of furnace oil " Alfa Potez " in " Alfa ," by Potenza licence.
- 1968. – In ALFA was put into the operation a new paint shop.
- 1969. – Achieved record annual production ( in October produced 100,000 electrical " Alfa - Potez " in that year ) . Contracted export 10,000 furnace oil " Alfa - Potez " in Hungary. Thus, a large amount of time to bake one manufacturer of heaters in Yugoslavia , not once exported . The factory employs 520 workers .
- 1971. – Factory " Alfa Vranje " acquired crane for loads up to 8 tons for unloading plates. Until then, this job was perform by workers . With a company specialized in the manufacture of stoves , gas, solid and liquid fuels " Efel " from Belgium signed an agreement on cooperation which envisages exporting 30,000 fireplaces - furnace oil to Belgium.
  - Developed a cooperation between " Metalac " which has 200 employees and produces stoves for solid and liquid fuels and " Alfa " which with 760 employees produces super modern furnace oil . These two companies share a wire fence.
- 1973. – " Alfa " winning production of solid fuel stove and plans in the first series production of 6,000 stoves. In addition to the stove , won the production of spring mattresses for furniture factory " Simpo" production and sink.
- 1975. – Noted that " Alfa" operating with a loss, and that the losses stemmed not only from the previous year, but in previous years ago. Bad business caused by the global energy crisis and rising raw material prices , the inability istovrenemu " Alfa " to reorient the program. Despite declining sales, starting in 1971. Was produced enormous quantities of products that are in stock. Reclamation program, provides a reference work on employee unpaid leave for a new systematization of 400 employees (200 less than the time employed), as well as payment of minimum wages to the crisis.
- 1977. – After several years of unfavorable business , " Alfa " ended the year with no losses .
- 1978. – " Alfa " winning production of gas stoves .
- 1980. - " Alfa " winning production of gas stoves . Industry unites technical equipment " Alfa " and OOUR to produce consumer goods " Metalplam " ( from the band " Metalca " ) , an organization working in Metal industry Vranje " MIV " Vranje . New work organization has 873 employees. Produced 230,000 heaters . Association of manufacturing plants in the firm "Alfa-Metalac"
- 1981. - Metal Industry Vranje became part SOUR " Gorenje " from Velenje (Slovenia) .

- 1984. - Contracted export 100,000 stoves using liquid fuel for Algeria .
- 1989. - Change the name of "Alfa Plam" and a new company logo.
- 1990. - Changed company name to " Alfa Plam ".
- 1994. - Half of the production is sold in the exporting countries (Slovenia, Macedonia, Bulgaria and Albania).
- 1997. - Executed overhaul store of enameling and installed modern equipment for baking enamels (manufactured by German company WGT) . Investments in the amount of DM 500,000 was realized from its own funds .
- 1998. - The introduction of ISO 9001 quality system. Began manufacturing electric cooker with ceramic hob, a system of quality ISO 9001 and began the process of ownership transformation of social capital. The company has 1,100 employees .
- 2000. - In the first round of a transformation of ownership, 1,544 employees, former employees and retirees of the company , became the owner of 70 % of " Alfa Plam " and a right of priority in the purchase of the remaining 30 % stake. The company is registered as a corporation is .
- 2001. - Put in operation a computer highly productive line for coating metal parts. Investment worth 800,000 DEM. According to the balance sheet for 2000. was paid the first dividend.
- 2002.- Huge technological step forward in enameling first replaced the entire equipment , introduced new technology enamelling process drifts 2 - 1 baking and the whole process automated ( for the first time in Serbia) . Commissioning of the latest line of enamelling. Shares "Alfa-Plam" listed on the BSE.
- 2003 - Total production 164,000 heaters. Started serial production of the new stoves for central heating, solid fuel "Alfa Term 20". In Vranje, opened the first showroom where the entire product range of manufacturers was exhibited.
- 2005. - Replacement equipment in enameling sector II. An investment in value of EUR 1,500,000, realized from its own funds.
- 2006. - Purchased laser machine for perforation and punching of sheet metal, made tools for new stoves and ovens, and completed phase II of construction work at the sector I, Investments from its own funds in the amount of about 1,500,000 EUR.
- 2007. - The value of one share on the stock market reached the maximum amount of 527.77 EUR (at the middle rate). Conquered the production of pellet stoves by the Italian technology for known foreign buyer. The company has 960 employees.
- 2008: - Introduced new technology with full equipment for wet paint in Plant 2, a new line of cutting sheet metal and purchased installed presses. Total investment from its own resources is around 1,200,000 EUR. Made in marketing project management function to further improvement of market position of the company. Company adopted a new logo and slogan: "Alfa-Plam" - Safety and Warmth!
- 2009. - Acquired robotic welding machines, lines for longitudinal and transverse cutting sheets, 2 machines for bending, hydraulic presses and other valued at approximately 500,000 EUR. The company has 880 employees.

- 2010. - Acquired laser machine for cutting and punching sheet metal. Started serial production of solid fuel stoves for central heating "Alfa Term 27". The company buys in Vranje, in close proximity to their seats, 12,500 m2 constructed production and warehouse space and approximately 13,000 m2 of land. Dividend payment to shareholders for the year, which is the tenth consecutive year.



- 2011. – Purchased eccentric presses and line for electrostatic email application, equipment for waste water treatment, gas analyzer.
- 2012. - Reconstruction of administration building, new steel plate grinding machinery, new enamel application machinery, making the foundation for the vehicular scales and weighbridges, change in top management, the total department reorganisation, the new department has been formed – marketing department, staff recruitment, acquisition of own shares.



- 2013. - Buying business building (Bor, Surdulica, Niš, Novi Sad, Zemun), the renovation of the restaurant canteen with the purchase of new equipment, procurement of mechanical presses, radial drills, construction of new production facilities.

ALFA-PLAM A.D. is a joint stock company whose shares are freely traded on the stock market, who employs around 742 workers, continuously improving the quality of its products following the trends in the market, which shows their quality and justifies its position of the most successful companies in the country.



## 1.7. MANAGEMENT STRUCTURE

Managing body of the company is the Board of director.

The Board of Directors consists of seven members, of which 2 are executive, 4 non-executive and one independent. Board of directors:

Zoran Čičak	the chairman, non-executive director
Goran Kostić	managing director, executive director
Branislav Popović	executive director
Miroljub Aleksić	non-executive director
Marija Subotić	non-executive director
Igor Markičević	non-executive director
Kostadin Popović	independent director

Efficient, responsible and transparent corporate governance is one of the key factors that contribute to the successful operations of the company. It is a prerequisite for stable long-term growth and development continue to increase competitiveness.

Guided by these principles, ALFA-PLAM is committed to the application of high standards in this area, which is constantly being reviewed and further developed. In this way, the company tries to ensure responsible management of the company, in the direction of creating value for its shareholders and gaining confidence from domestic and foreign customers, business partners, suppliers, employees and the public in the Company and its management.

### 1.7.1. Corporate governance code

Corporate management should ensure:

- Effective implementation and protection of shareholders' rights and interests of the Company;
- Respect the rights of shareholders, investors and other interested parties;
- Fair and equal treatment shareholders;
- Responsibility of members of the Company to the shareholders;
- Develop mechanisms that will improve the company's results through participation of employees;
- Timely and regular access to relevant, sufficient and reliable information in the manner provided by Law and laws of the Company;
- The company will provide that shareholders, employees and all other stakeholders freely communicate about possible illegal and ethical practice with Board of Directors, and because of that their rights will not be compromised;
- Development of business ethics and corporate social responsibility.

Corporate governance complements the current regulations, the established provisions of Articles of Association and the Company Statut, so that none of the provisions of the Code does not eliminate one of the above acts established the rule that the same question eventually regulate differently, neither the Code repeat obligations, rules and principles established by the provisions of the above acts that company respect and apply. ALFA - PLAM is modeled on the OECD principles of corporate governance, as well as in accordance with the experience of best practice in this area, has adopted its own principles of Corporate Management, which have been incorporated into the Corporate Governance Code, which was adopted by the Board of Directors held on 22.04.2013

## **1.8. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with the regulations of the Republic of Serbia based on the Law on Accounting and Auditing ("RS Official Gazette", no. 46/2006 and 111/2009), which provides the International Accounting Standards (IAS) and international Financial Reporting Standards (IFRS) as the basis for the preparation and presentation of financial statements.

Decision of the Minister of Finance of the Republic of Serbia (No. 401-00-1380/2010 - 16 of 25 October 2010) was produced translation of basic texts IAS or IFRS, as issued by the International Accounting Standards by 1 January 2009. year, as well as interpretations issued by the Committee for the interpretation of accounting standards by 1 January 2009. year. The Company is assessing the impact of changes to IAS and IFRS standards and interpretations on the financial statements. Amendments of existing IAS and IFRS standards and interpretations, replacing existing IAS new one, which came into effect from 1 January 2009. year, and the application of new interpretations became effective in 2010. , have not led to significant changes in accounting policies or material impact on the financial statements in the period of initial application. Despite the fact that many of these changes are not applicable to the Company, the Company's management does not express an explicit and unreserved statement of compliance with IAS financial statements and IFRS applicable to the periods presented in the accompanying financial statements.

The financial statements are prepared in accordance of historical cost concept and the going concern principle Society. The financial statements are presented in the format prescribed in the Regulations on the content and form of financial statements for companies, cooperatives, other legal entities and entrepreneurs ("Fig. Gazette of RS", no. 114/2006, 5/2007, 119/2008, 2 / 2010 and 101/2012), which differ from the presentation of certain amounts as required under IAS 1 "Presentation of Financial Statements". Because of that, these financial statements do not fully comply with IAS and MSF. According to the Law on Accounting and Auditing of financial statements include: balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements and the statistical annex.

These financial statements are stated in thousands of RSD, unless otherwise is not indicated. RSD is the functional and official currency of the Company. All transactions in currencies other than the functional currency are treated as transactions in foreign currencies.

In the preparation of these financial statements company applied the policies od accounting described in Note 3, which are in conformity with the accounting and tax regulations of the Republic of Serbia.

## **1.9. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES**

### **1.9.1. Use of estimates**

The preparation of the financial statements in accordance with IAS and IFRS and accounting regulations valid in Republic of Serbia requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and notes to financial statements.

These estimates and assumptions are based on information available at the balance sheet date. Actual results could be different from those estimates, whereby estimates are reviewed periodically.

The most significant estimates relate to the determination of impairment of financial and non-financial assets, recognition of deferred tax assets, the determination of provisions for legal disputes and defining the assumptions that are necessary for the actuarial calculation of employee benefits for retirement, and the same are disclosed in the respective accounting policies and / or notes to the financial statements.

### **1.9.2. Foreign currency translation and accounting treatment of foreign exchange differences and foreign currency clause**

Items included in the financial statements of the Company valued by using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are stated in thousands of RSD, which is the functional and official currency the Company.

All assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RSD at the official exchange rate foreign exchange of the National Bank of Serbia valid on that date. Business

transactions in foreign currencies during the year are translated into RSD at the official exchange rate of the National Bank of Serbia valid on the date of the transaction.

Positive and negative exchange rate arising from the translation of assets and liabilities denominated in foreign currencies and transactions during the year are recorded in the income statement as financial income or financial expenses.

Positive and negative effects of agreed clauses related with foreign receivables and liabilities incurred by applying the agreed rate, shall also be stated as financial income or financial expenses.

### **1.9.3. Comparative data**

The comparative data represent the Company's financial statements for 2013. year, which were subject of revision by another auditor company– „MOORE STEPHENS Audit and Accounting“, Belgrade.

### **1.9.4. Revenues from regular operations**

Sales revenue are included in the amount of invoiced realization, ie. the sale until the end of the accounting period, provided that it is created on that date debtor - creditor relationship and the invoice. Revenue is measured at the fair value of consideration received or receivable taking into account the amount of any trade discounts and volume rebates approve by the Company. The difference between the fair value and the nominal amount is recognized as interest income.

Income from sales is recognized when all conditions are satisfied:

- a) the Company has transferred to the buyer the significant risks and benefits from ownership;
- b) management of the Company does not hold or continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) when it is possible to reliably measure the amount of revenue;
- d) it is probable that the transaction will be accompanied with a flow of economic benefits to the Company and
- e) when the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues from services are recognized to the stage of completion at the balance sheet.

### **1.9.5. Operating expenses**

The overall expenses from regular operations include: cost of goods sold, costs of materials, costs of salaries, benefits and other personnel expenses, costs, amortization and provisions, costs of production services, and intangible costs.

The basic elements and principles of expense recognition are:

- a) Expenses are recognized and stated when a decrease in future economic benefits related to a decrease in assets or increase in liabilities can be measured reliably;
- b) The charges are based on the direct link of expenses to revenues;
- c) When it is expected that the economic benefits will flow over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation;
- d) Expenses are recognized when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify for recognition in the balance sheet as an asset;
- e) Expenses are recognized in those cases where the liability is incurred without the recognition of assets.

Cost of goods sold wholesale is defined as the sales value of goods at the wholesale, minus the amount determined by the difference in price and calculated the VAT included in the value of goods sold at the wholesale.

Cost of goods sold at retail shall be in the amount of revenue from goods sold, net of the amount determined by the difference in price, and the amount calculated VAT, contained in goods sold at retail.

### **1.9.6. Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are the part of the cost/price of the asset. Other borrowing costs are recognized as an expense.

### **1.9.7. Financial income and expenses**

Financial income and expenses include income and expenses from interest (regardless of whether they are overdue and whether paid or added to the amount of receivable or liabilities at the balance sheet), income and losses from exchange differences, income and expenses from transactions with the parent, subsidiaries and other related parties, and other financial income and expenses.

Dividend income is recognized as income in the year the same approved for payment.

### **1.9.8. Profits and losses**

Profits represent increases in economic benefits, including income which occurs on sale of fixed assets at values higher than their book value, unrealized profits on the sale of the securities market (in the case of the evaluation of securities by their market values) and profit which arise from increasing accounting value non current assets because stopping conditions for the reduction in their value.

Losses arising from the sale of assets at prices lower than their book value, on the disposal of non write off of fixed assets from claims which may be wholly or partially reimbursed by insurance companies and by applying the principle of decrease (Impairment of Assets).

### **1.9.9. Intangible investments**

Property, plant and equipment are tangible assets:

- that company hold for use in the production or supply of goods or services, for rental to others, or for administrative purposes;
- they are expected to be used during more than one period, and
- with a single purchase price at the time of acquisition exceeds the average gross earnings per employee, according to the latest data of the authority in charge of statistics.

Intangible assets consist of other intangible assets – software for computers.

Purchases of intangible assets during the year are recorded at cost. Cost represents the invoiced value plus any directly attributable expenses and the costs of bringing into use . Cost of intangible assets in own production are direct costs and indirect costs related to the investment.

After recognition as assets, property, plant and equipment they are stated at cost value or at cost value decuded for accumulated depreciation and total impairment losses.

At each balance sheet date the Company assesses whether there is any indication that the asset may be impaired. If any such indication exists , the Company estimates the amount of resources that can be recovered. If the recoverable amount of the asset is less than its carrying amount the carrying value is reduced to its recoverable amount and at the same time reduce the previously established revaluation reserve in respect of that asset. If you have not created the revaluation reserve in respect of assets whose value is diminished or are used for other purposes, the amount of the impairment loss is recognized in income statement.

If at the balance sheet date there are indications that the previously recognized impairment loss does not exist or is reduced , are evaluated recoverable amount of the asset. An impairment loss recognized in prior years is recognized as revenue, and the book value of the asset is increased to its recoverable amount.

Subsequent expenditure relating to an already recognized intangible assets, attributable to the carrying amount of the asset if it is probable that future economic benefits will be higher than originally estimated rate of return of the asset.

The Company recognizes in the carrying value of intangible assets , the cost of replacement of some parts of these items , at a time when costs are incurred and when they met the recognition criteria in IAS 38 - " Intangible assets" (paragraph 21) .

All other expenditure is recognized as an expense in the period in which it arises.

Intangible assets stop to be recognized in the balance sheet on disposal or when the asset is permanently withdrawn from use and from its disposal does not expect any future economic benefits.

Gains or losses arising from the retirement or disposal is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized as income or expense in the income statement.

### **1.9.10. Property, plant and equipment**

Property, plant and equipment are tangible assets that:

- the Company holds for use in the production or supply of goods or services, for rental to others, or for administrative purposes;
- that are expected to be used during more than one accounting period;
- each with a purchase price at the time of acquisition is bigger than the average gross wage per employee in the Republic, according to the latest published data of the body in charge of statistics.

Purchase value / cost of property, plant and equipment is recognized as an asset if, and only if:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The purchase value / cost of the asset can be measured reliably.

Purchases of property, plant and equipment are initially recorded at cost value.

Cost value represents the invoiced amount plus any directly attributable costs of acquisition and the costs of bringing into use. Cost of those assets in self-directed are direct costs and indirect costs related to the investment. After being recognized as assets, property, plant and equipment are stated at cost value or cost of goods reduced for accumulated accrued depreciation and accumulated impairment losses.

At each balance sheet date the Company assesses whether there is any indication that the asset may be impaired. If any such indication exists, the Company estimates the amount of resources that can be recovered. If the recoverable amount of the asset is less than its carrying amount the carrying value is reduced to its recoverable amount and the impairment loss is recognized in income statement.

Subsequent expenditure relating to an already recognized for property, plant and equipment is attributed to the carrying amount of the asset if it is probable that future economic benefits will be higher than originally estimated rate of return of the asset and the purchase value / cost of subsequent expenditure can reliably utvrditi .

The Company recognizes in the book value of certain property, plant and equipment the cost of replacing some parts of these items , at a time when costs are incurred and when they met the recognition criteria in IAS 16 - "Property, Plant and Equipment " (paragraph 7 ) .

All other expenditure is recognized as an expense in the period in which it arises.

City land is stated separately from the value of the property at cost and subsequently evaluation is done in the same way and entered the property, plant and equipment.

Amortization of land is not performed.

Property, plant and equipment is eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and from its disposal does not expect any future economic benefits.

Gains or losses arising from the retirement or disposal is determined as the difference between the estimated net inflow from sell and the carrying amount of the asset and they are recognized as income or expense in the income statement.

### **1.9.11. Investment property**

Investment property is apartment that Company as owner held to earn rental income and not for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Initial measurement of investment property carried at cost value or cost price. In the initial measurement, purchase costs are included in the cost value or cost price.

After initial recognition, investment property is measured at cost value or cost price which is reduced for total amount of corrections amortization.

### **1.9.12. Amortization**

Calculation of amortization is performed from the beginning of the month following the month when were the asset is put into use.

Amortization is calculated on the proportional method, using rates which are determined based on the estimated useful life of the assets.

The basis for the calculation of amortization is cost of value.

Useful life and amortization rates are reviewed periodically and, if expectations are based on new estimates significantly different from the previous, calculation of amortization costs for the current and future periods are corrected.

Method of calculating amortization applied is reviewed periodically and there has been a significant change in the expected pattern in which economic benefits from these assets, the method is changed to reflect the changed method. When such a change is a method of calculating amortization is necessary, then it is accounted for as a change in accounting estimate and calculate amortization for the current and future periods are corrected.

The amortization rate for the principal classes of property and equipment are listed below:

<b>Intangible assets</b>	3-5 year	20,00 do 25,00%
<b>Construction objects</b>	40-50 year	2,00 do 2,50%
<b>Production equipment</b>	7-15 year	7,00 do 15,00%
<b>Cars and trucks</b>	10-14 year	10,00 do 15,50%
<b>Office equipment</b>	10-20 year	5,00 do 10,00%
<b>Computer equipment</b>	3-5 year	20,00 do 30,00%

Implemented rates of depreciation of intangible assets are as follows:

	<b>2014.</b>	<b>2013.</b>
Intangible assets	20%	20%

The calculation amortization for tax purposes is determined in accordance with the Law on Corporate Income Tax of the Republic of Serbia and the Regulations on the Classification of fixed assets into groups and the method of determining depreciation for tax purposes, resulting in deferred taxes.

### **1.9.13. Impairment of Assets**

In accordance with adopted accounting policy, the Company's management checks at each date of balance sheet whether there are indicators of loss of property value. In the event that such indicators exist, the Company estimates the recoverable amount of assets.

The recoverable amount is determined as the higher of net selling price and value in use. The net selling price is the amount obtainable from the sale of assets in a transaction between two independent parties, reduce for selling expences, and value in use is the present value of estimated future cash flows that are expected to arise from the continuing use of the asset through its economic lifetime and sales at the end of its useful life. The recoverable amount is assessed for each separate asset or, if not possible, for the cash-generating unit to which the asset belongs. Where the carrying amount exceeds the estimated recoverable amount, the asset value is reduced to its recoverable amount. Impairment loss is recognized to the extent of the difference, as expenses in accordance with MRS 36 "Impairment of Assets".

Management of Company estimated that there are no indicators of loss of property value at 31.03.2014., so it was not done impairment of assets.

### **1.9.14. Supply**

Supply of goods and materials are measured at cost value. Cost value consists of all costs of purchase of bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other obligations (other than those which the Company may subsequently recoverable from tax authorities), and transport, handling charges, and other costs that are directly attributable to the acquisition. Discounts, rebates and other similar items are deducted in determining the costs of purchase. Cost of transport in the procurement are not included in cost alue of inventories, because of delay transport invoice and the inability of their allocation to particular types of supplies, and they are reported as an expense.

Output of materials and goods is recorded using method of average weighted price.

Inventories of work in process and finished goods are measured at cost price or net realizable value, if it is lower. The cost price includes all the costs of conversion and other costs incurred in bringing the necessary inventories to their present location and condition, that is:

- Cost of direct labor;
- Cost of direct materials and
- Indirect and general production costs.

The value of work in progress and finished goods are not included, but they are an expense during the period:

- An unusually large dispersion of materials, labor or other production costs;
- Storage costs, unless those costs are necessary in the production process before the next stage of production;
- Administrative overhead expenses that do not contribute to bringing inventories to their present location and condition, and
- Cost of sales.

Net selling value represents the estimated the sales value, reduce for selling cost and estimated costs of completion (for work in progress). If the net realizable value of work in progress and finished goods is lower than their cost, performed a partial write-down to net realizable value.

Charged to other expense shall be corrected supply in cases where it is estimated to reduce the carrying value of supply to their net realizable value. Damaged supply and inventory that does not meet the standards are written off in full.

Inventories of goods for resale are valued at the sale prices throughout the year. At the end of the accounting period their value is adjusted to cost by an apportionment of the cost and value added tax, calculated on an average basis, the value of supply hold at the end of the year and the cost of goods sold.

#### **1.9.15. Financial instruments**

Financial investments are financial assets during initial recognition measured at cost value which presents fair value of the consideration given for them. Transaction costs are included in the initial measurement of all financial assets.

For the purpose of measuring a financial asset after initial recognition, financial assets are classified as financial assets available for sale.

After initial recognition, the Company measures the financial assets available for sale at their fair values, without any deduction for transaction costs it may incur on sale or other disposal, and a gain or loss arising from a change in fair value of financial assets are recognized on the revaluation reserves .

#### **1.9.16. Short term receivables**

Short term receivables include receivables from customers - subsidiaries and other related parties and other customers at home and abroad and sold products and services.

Short-term investments include other short-term investments with a maturity or sales within one year from the date of commitment, or the balance sheet.

Short-term receivables are measured by the value of the original invoice. If the value of the invoice is stated in a foreign currency are converted to the reporting currency at the average exchange rate in effect on the date of the transaction. Changes in the exchange rate of the transaction date until the date of receivables are recorded as exchange rate differences in income or expenses. Receivables denominated in foreign currencies at the balance sheet date are translated at the middle exchange rate of current NBS, and exchange rate differences are recognized as income or as expenses in the period.

Short-term investments that are not held for trading are measured at amortized cost, without taking into account the intention of the company to hold them until maturity.

If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms for loans, receivables or held-to-maturity are carried at amortized cost, loss or impairment due to unpaid debts.

Write-off of short-term receivables and investments for which there is a probability for inability to pay performed indirect write-off, while in cases where the inability to collect certain and documented, remission, in whole or in part, shall direct write-off.

#### **1.9.17. Cash and cash equivalents**

Cash and cash equivalents include cash in bank accounts, cash in cashier and highly liquid investments with original maturities of three months or less and that can be quickly convertible to known amounts of cash and with an insignificant risk of changes in value.

#### **1.9.18. Provisions, potential liabilities and potential sources**

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources to settle the obligation and when a reliable estimate of the amount.

Provisions for retirement benefits and jubilee awards are measured at the present value of expected future outflows using a discount rate that reflects the high-interest securities that are denominated in the currency in which the benefits will be paid.

## **1.9.19. Compensation of employees**

### *1.9.19.1. Taxes and contributions for social insurance*

In accordance with the regulations that apply to the Republic of Serbia, the Company is obliged to pay contributions to the state social security funds. These obligations include contributions paid by the employee and the employer in an amount computed by applying the statutory rate. The Company is also obligated to withhold contributions from gross wages, and on their behalf to transfer the withheld funds to the appropriate state funds. The Company is under no obligation to employees upon retirement pay fees that are the obligation of the pension fund of the Republic of Serbia. Contributions on behalf of the employee and the employer are charged to expenses in the period in which they arise.

### *1.9.19.2. Liabilities for retirement benefits and jubilee awards*

In accordance with the Labor Law ("Official Gazette" No. 61/05) and the general act of the individual work, the Company is obligated to pay retirement benefits in an amount of 3 monthly gross earnings by the employee of the month preceding the month to the payment of severance pay, which is not to be less than 3 times the average gross salary paid by the Company in the month prior to the payment of severance pay.

In addition, the Company is obligated to pay jubilee awards in the amount of one half to one and a half the average monthly salary. Number of monthly salaries for jubilee awards is determined based on the number of years an employee has spent in the company.

Calculation and expression of long-term liabilities for retirement benefits and jubilee awards by the present value of expected future payments, based on actuarial calculation.

## **1.9.20. Income taxes**

### *1.9.20.1. Current income*

Income tax is the amount calculated in accordance with the provisions of the Income Tax Law. Income tax is calculated at the rate of 15 % on the tax base reported in the income tax, net of tax credits. The taxable base includes the profit shown in the profit and loss, as adjusted in accordance with the tax legislation of the Republic of Serbia.

Tax Law recognizes the company give a tax credit amounting to 20% of investments in intangible assets, property, plant and equipment in their own property within the territory of the Republic to perform the core activities and activities listed in the Articles of Association of the Company, provided that the tax credit may not exceed 33 % of the calculated tax in the year in which the investment was made . Unused tax credits can be offset against income taxes in future periods , up to 33 % of the calculated tax in that tax period , but not more than 10 years.

Since the Society 31 December 2012th year , entitled to a tax incentive under Art . 48a of the Law on Corporate Income Tax Law ( "Official Gazette of RS " , no . 25/ 01, 80 /02 , 80/ 02 - dr . Law , 43/ 03, 84 /04 , 18/10 and 101 /11) and presented the information in the tax returns and tax return for year 2012. year , to be entitled to benefits until the expiration of the deadline and in the manner prescribed by the law , or the unused portion of the tax credit on that basis he recognizes no limits on the tax calculated for the next 10 years .

### *1.9.20.2. Deferred tax*

Deferred income taxes are provided for temporary differences between the tax bases of assets and liabilities and their book values. Currently tax rate on the balance sheet date are used to determine the amount of deferred taxes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences and the transferred effects of loss and unused tax credits from prior years to the extent that it is probable that there will be future taxable profits against which the deferred tax asset to be utilized.

Current and deferred taxes are recognized as income or expense and included in the net profit for the period.



### **1.9.21. Earnings per share**

The Company calculates and discloses basic earnings per share. Basic earnings per share is calculated by sharing net profit attributable to shareholders of the Company to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

### **1.9.22. Distribution of dividends**

Distribution of dividends to shareholders of the Company in the financial statements is recognized as a liability in the period in which the dividends are approved by shareholders of the Company.

If the dividend declared after the balance sheet date but before the financial statements are authorized for issue, the Company which is not the case, the dividends are not recognized as a liability at the balance sheet date, they do not meet the criteria of a present obligation in IAS 37 "Provisions, contingent Liabilities and contingent Assets". Such dividends are disclosed in the notes to the financial statements in accordance with MRS 1 "Presentation of Financial Statements".

### **1.9.23. Disclosure of related party**

For the purposes of these financial statements, entities are treated as associated if one entity has the ability to control another entity or have a substantial impact on the financial and business operations of the entity, as defined in IAS 24 "Disclosures of related parties."

Relations between the Company and its related parties are regulated on a contractual basis and on market conditions. Condition of assets and liabilities at the balance sheet date, and transactions occurred during the reporting period with related parties are separately disclosed in the notes to the financial statements.

### **1.9.24. Financial risk management**

The Company in its normal course of business to a different extent exposed to certain financial risks:

- Credit risk,
- Market risk (including currency risk Foreign currency risk, interest rate risk and price changes) and
- Liquidity risk.

Risk management in the Company is focused on minimizing the potential negative impact on the financial condition and operations of the unpredictability of financial markets.

Risk management is defined by the accounting policies.

### **1.9.25. Credit risk**

Credit risk is the risk that one party in financial instrument failing to discharge an obligation, causing a financial loss on the other.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, accounts of legal entities and individuals and commitments.

### **1.9.26. Market risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price changes.

#### *1.9.26.1. Risk of changes in foreign currency exchange rates*

Currency risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in exchange rates.

Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in foreign currency, that is in a currency other than the functional currency in which they are measured.

### *1.9.26.2. Risk of changes in interest rates*

Risk of changes in interest rates is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises on interest-bearing financial instruments recognized in the balance sheet (eg loans and receivables and debt instruments issued) and on some financial instruments not recognized in the balance sheet (eg. some loan commitments).

### *1.9.26.3. The risk of price changes*

The risk of price changes is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market

The risk of price changes occurring in financial instruments because of changes in, for example, commodity prices or equity prices.

## **1.9.27. Liquidity risk**

Liquidity risk is the risk that the company will not have difficulty in meeting obligations associated with financial liabilities.

## 1.10. BALANCE SHEET

### 1.10.1. Revenues from sales

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
<b>Domestic market</b>		
Revenues from sales of products other persons	190.191	150.895
Revenues from sales of goods other persons	2.482	617
<b>Total</b>	<b>192.673</b>	<b>151.512</b>
<b>Foreign market</b>		
Revenues from sales	382.902	306.497
Revenues from sales of goods	235	330
<b>In total</b>	<b>383.137</b>	<b>306.827</b>
<b>Total all</b>	<b>575.810</b>	<b>458.339</b>

### 1.10.2. Increase/(decrease) in value of inventories

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Unfinished production on 31. December	67.463	70.473
Final products on 31. Desember	558.396	524.769
Minus:		
Unfinished production on 31.03.2014.	67.463	70.473
Final products on 31.03.2014.	873.323	867.655
<b>In total</b>	<b>314.928</b>	<b>342.886</b>

### 1.10.3. Other operating income

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Income from rent	49	46
<b>In total</b>	<b>49</b>	<b>46</b>

#### 1.10.4. Cost of goods sold

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Cost of goods sold	1.990	602
<b>In total</b>	<b>1.990</b>	<b>602</b>

#### 1.10.5. Cost of materials

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Cost of materials for making	589.905	498.593
Other materials (overhead)	8.530	6.957
Fuel and energy	21.251	21.165
<b>In total</b>	<b>619.686</b>	<b>526.715</b>

#### 1.10.6. Wages, salaries and other personnel expenses

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Cost of net earnings	137.455	137.378
Cost of net benefits	25.236	24.948
Compensation expense for service contract	3.759	/
Compensation expenses to members of management and supervisory board	1.139	1.015
Other personal expenses and fees	5.070	6.414
<b>In total</b>	<b>172.659</b>	<b>169.755</b>

#### 1.10.7. Depreciation and provision expense

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
Amortization of intangibles	84	/
Amortization of buildings	8.913	8.811
Amortization of plant and equipment	29.175	33.222
Amortization of investment property	8	8
<b>In total</b>	<b>38.180</b>	<b>42.041</b>

### 1.10.8. Other operating expenses

	31.03.2014.	31.03.2013.
	RSD (000)	RSD (000)
<b>Cost of production services</b>		
Costs to develop performance		
Transport costs	16.623	16.662
Maintenance costs	3266	4.362
Rental costs	3.339	3.402
Fair costs	2.080	2.071
Marketing and advertising	954	611
Other services	6271	5.522
<b>Only</b>	<b>32.533</b>	<b>32.630</b>
<b>Intangible costs</b>		
Non-production services	18.102	14.124
Entertainment expenses	3.124	1.169
Insurance premiums	3.735	4.944
Payment transactions	4.739	1.381
Membership fees	869	728
Tax costs	1.535	2.845
Costs of contributions	168	/
Other intangible costs	4.638	3.152
<b>Only</b>	<b>36.910</b>	<b>28.343</b>
<b>In total</b>	<b>69.443</b>	<b>60.973</b>

### 1.10.9. Financial income and expenses

	31.03.2014.	31.03.2013.
	RSD (000)	RSD (000)
<b>Financial income</b>		
Interest income-related parties	/	/
Interest income	24.720	29.038
Foreign exchange gains	16.962	9.565
Income from foreign currency clause	40	4.399
Other financial income	52	122
<b>In total</b>	<b>41.774</b>	<b>43.124</b>
<b>Financial expenses</b>		
Interest expense-related parties	/	/
Interest expense	445	2.725
Foreign exchange differences	1.918	35.211
Losses from foreign currency clause	1.256	1.456
Other financial expenses	/	10
<b>In total</b>	<b>3.619</b>	<b>39.402</b>

### 1.10.10. Other income and expenses

	31.03.2014. <i>RSD (000)</i>	31.03.2013. <i>RSD (000)</i>
<b><i>Other income</i></b>		
Recovery of bad debts	97	599
Income from grants received funds	2.600	/
Other incomes	48	27
Income from subsequently received rebates	/	219
<b>In total</b>	<b>2.745</b>	<b>845</b>
<b><i>Other expenses</i></b>		
Expenses of litigation	819	/
Expenditures for humanitarian,cultural,sports and other purposes	135	2.509
Expenses from previous years	1.816	234
Other expenses	25	/
<b>In total</b>	<b>2.795</b>	<b>2.743</b>

## 1.11. BALANCE SHEET

### 1.11.1. Intangible assets

on 31.03.2014.

Description	Purchase value	Allowance for impairment	Present value
<i>Intangible investments</i>			
Intangible investments-drivers for computer	7.121	419	6.702

### 1.11.2. Property, plant and equipment and biological assets

on 31.03.2014.

Description	Purchase value	Allowance for impairment	Present value
Land	63.141		63.141
Buildings	1.550.218	466.801	1.083.417
Equipment	1.461.074	1.101.299	359.775
Investment property	1.355	347	1.008
Plant and equipment in progress	271.607	99.411	172.196
Advances in plant and equipment	260.231	100.716	159.515
<b>Total</b>	<b>3.607.626</b>	<b>1.768.574</b>	<b>1.839.052</b>

### 1.11.3. Equity investments in capital

Equity investments in capital are long-term financial investments (ordinary or preference) shares and bonds of companies, banks and insurance companies.

Equity investments in capital are stated:

- according to purchase value method, in which the investor states its investment at cost. The investor recognizes income only to the extent in which it receives its share of the distribution of undistributed net investment income of the user, which occurs after the date on which the investor acquired. Part of the distribution which is received in an amount greater than such proceeds shall be deemed return on investment and is recorded as a reduction of cost of the investment.
- In accordance with IAS 39, as described in section 3 (l).

Equity investments in capital relating to shares (equity) in:

	%	31.03.2014.	31.12.2013.
	<i>of partici pations</i>	<i>RSD (000)</i>	<i>RSD (000)</i>
<b><i>Other companies and other securities available for sale</i></b>			
Jubmes banka (14.387 akcija)		115.264	115.096
Komercijalna banka (60) Dunav banka ad, Beograd		90	90
Robna kuća Nikšićanka		444	444
Regional agency for economic development		30	30
ŠKO AIK banka		2.225	2.225
ŠKO AIK banka-allowance for impairment		-2.225	-2.225
Univerzal banka (28.284)		16.970	16.97
Univerzal banka –allowance for impairment		-16.970	-16.970
<b>In total</b>		<b>115.828</b>	<b>115.660</b>

#### 1.11.4. Other long-term investments

Other long-term investments include:

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other long-term investments	309	365
<b>In total</b>	<b>309</b>	<b>365</b>

#### 1.11.5. Supplies

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Material	711.195	729.047
Spare parts	35.298	35.762
Tools and fixtures	1.100	1.511
Work in progress	67.463	67.463
Finished products	873.323	558.397
Goods	24.043	23.680
Advances	77.396	28.422
<b>In total</b>	<b>1.789.818</b>	<b>1.444.282</b>



### 1.11.6. Receivables

	31.03.2014.	31.12.2013.
	RSD (000)	RSD (000)
<b>Receivables from the sale</b>		
Domestic buyers-related parties	23	1.948
Domestic buyers	165.501	143.834
Foreign buyers	582.153	724.643
Less: Allowance for impairment	183.294	183.294
<b>Only</b>	<b>564.383</b>	<b>687.131</b>
<b>Other receivables</b>		
Interest receivables	4.336	8.423
Receivables from employees	768	468
Other receivables	430	/
Receivables for compensation earnings	2.191	/
<b>Only</b>	<b>7.725</b>	<b>8.891</b>
<b>In total</b>	<b>572.108</b>	<b>696.022</b>

### 1.11.7. Short-term investments

			31.03.2014.	31.12.2013.
	Currency code	Interest rate	RSD (000)	RSD (000)
Shor-term consumer loans			1.182	1.180
Syndicate loans			2.311	1.587
<b>Only</b>			<b>3.493</b>	<b>2.767</b>
<b>Short-terms loans to related parties</b>				
Pionir doo, Beograd	EUR	3,5%+6 m EURIBOR	110.604	162.367
Pionir doo, Paraćin	EUR	3,5%+6 m EURIBOR -4%	26.702	74.632
<b>Short-term loans to legal entities</b>				
Krušik akumulatori ad, Beograd	EUR		17.196	17.196
Vaterpolo klub Radnički	EUR		10.074	10.074
Less: Allowance for impairment			26.745	26.745
<b>Only</b>			<b>137.831</b>	<b>237.524</b>
<b>Other short-term investments</b>				
Societe Generale banka	EUR	3,50%	1.472.641	1.396.100
Banka Intesa ad, Beograd			/	/
KBC Banka ad Beograd			/	/
Erste banka	EUR	3,60%	/	240.748
Hypo-alpe-adria bank	EUR	3,70-4,10%	106.154	105.471
Hypo-alpe-adria bank	RSD		/	/
Eurobank EFG	EUR	2,50-5,00%	/	57.321
<b>Only</b>			<b>1.578.795</b>	<b>1.799.640</b>
<b>In total</b>			<b>1.720.119</b>	<b>2.039.931</b>

### 1.11.8. Cash and cash equivalents

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<b><i>In RSD:</i></b>		
Current business account	17.290	4.415
Cash desk	127	40
Other cash equivalents	10.208	/
<b>Only</b>	<b>27.625</b>	<b>4.455</b>
<b><i>In foreign currency:</i></b>		
Foreign currency account	1.179	20.779
Foreign box office	48	51
<b>Only</b>	<b>1.227</b>	<b>20.830</b>
<b>In total</b>	<b>28.852</b>	<b>25.285</b>

### 1.11.9. Value added tax and AVR

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<b><i>Value added tax</i></b>		
<b><i>Value added tax invoices received in general rate</i></b>		
Claims for value added tax on other grounds	40.583	18.202
In advance value added tax	20.391	/
<b>Only</b>	<b>60.974</b>	<b>18.202</b>
<b><i>Accruals</i></b>		
Accrued liabilities	/	22.669
Other accruals	1.926	1.969
<b>Only</b>	<b>1.926</b>	<b>24.638</b>
<b>In total</b>	<b>62.900</b>	<b>42.840</b>

### 1.11.10. Deferred tax assets

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Deferred tax assets	27.890	27.890
<b>Net deferred tax assets</b>	<b>27.890</b>	<b>27.890</b>

### 1.11.11. Equity

Equity is includes of:

<b>Share capital</b>	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	<i>RSD (000)</i>	<i>RSD (000)</i>
Share capital	1.171.240	1.171.240
<b>In total</b>	<b>1.171.240</b>	<b>1.171.240</b>

Share capital consists of 174 812 ordinary shares with a nominal value of 6700,00 RSD

Share capital - ordinary shares include founding and operating the issued shares with voting rights, the right to a share of the profit on the part of bankruptcy estate in accordance with the Memorandum of Association, or the decision on the issue of shares.

Adjustment with the Central Registry of Securities Depository.

Adjustment with the Agency for commercial registers.

### 1.11.12. Other capital

	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other capital	46.048	46.048
<b>In total</b>	<b>46.048</b>	<b>46.048</b>

Other capital is RSD 46,048 thousand refers to capital that is intended for solving the housing problems of employees (formerly Common Fund spending).

### 1.11.13. Reserves

Reserves are consisting of

	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	<i>RSD (000)</i>	<i>RSD (000)</i>
Legal reserves	131.738	131.738
Statutory and other reserves	549.165	549.165
<b>In total</b>	<b>680.903</b>	<b>680.903</b>

Share premium represents the positive difference between the sale value of the shares and their nominal value.

Legal reserves are necessarily formed until 2004, so that each year the profit allocating at least 5%, while reserves have reached at least 10% of the capital, later formed the basis of the general laws of the Company.

Statutory and other reserves are reserves that are established in accordance with the general laws of the Company.

### 1.11.14. Unrealized gains / (losses) on securities available for sale

	<b>31.03.2014.</b>	<b>31.12.2013.</b>
	<i>RSD (000)</i>	<i>RSD (000)</i>
Unrealized gains on securities available for sale	21.511	21.511
Unrealized losses on securities available for sale	-36	-36
<b>In total</b>	<b>21.475</b>	<b>21.475</b>

### 1.11.15. Retained earning

Retained earning refers to:

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Retained earning from previous years	3.587.630	3.195.413
Retained earning for the financial year	26.953	392.217
<b>In total</b>	<b>3.614.583</b>	<b>3.587.630</b>

### 1.11.16. Acquired own shares

The decision to acquire its own shares or other securities issued shareholding company by the Board of Directors on 18.09.2012., decision no. 7237.

The Company will acquire its own shares on the regulated market - BSE in order to prevent disturbances in the securities market and prevent a greater and direct damage to the Company;

The Board of Directors believes that the Company's stock price at the moment does not reflect the fair value of the company, and there is a risk that due to non-economic causes and reasons that are not related to the operations there until the fall of the value of shares, and therefore the value of the company by the previous years, the incidences of positive results.

Responding to the potential fall of stock prices could cause damage to shareholders by creating too much supply at low prices, so that potential investors can be misleading to the action they intend to buy or possess without adequate market valuation.

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Acquired own shares	120.491	113.766
<b>In total</b>	<b>120.491</b>	<b>113.766</b>

### 1.11.17. Long-term provisions

Long-term provisions are recognized when:

- The company has an obligation (legal or constructive) where the result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- The amount of the obligation can be measured reliably.

Long-term provisions include:

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Reserved costs for warranty costs	19.516	19.516
Reserved for jubilee award	33.156	33.156
Reserved costs for retirement benefits	36.534	36.534
<b>In total</b>	<b>89.206</b>	<b>89.206</b>

Provision for compensation and other employee benefits were made using actuarial valuations. Evaluation of reserves is done by 2DM Top Business Service-Enterprise Business Services Ltd, Belgrade in connection with the practical application of IAS 19 - Employee Benefits, for the purposes accounted for the costs and liabilities for retirement benefits upon retirement and jubilee employees of the company "Alfa - Plam "ad, Vranje on the day 31.12.2013. year, in accordance with the actuarial assumptions as at 31.12.2013. year.

### 1.11.18. Other short - term financial liabilities

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other short - term financial liabilities	597	132.925
<b>In total</b>	<b>597</b>	<b>132.925</b>

### 1.11.19. Operating liabilities

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<i>Operating liabilities</i>		
Advances and deposit	31.374	6.382
Supplies – parent company	468	1.591
Suppliers- other related parties	15.144	19.610
Suppliers in the country	377.182	327.036
Foreign suppliers	153.758	135.337
<b>In total</b>	<b>577.926</b>	<b>489.956</b>

### 1.11.20. Other current liabilities

	31.03.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<b>Liabilities for salaries and salary compensations</b>		
Net salaries and salary compensations	30.488	32.990
Liabilities for taxes on wages and salaries paid by the employee	/	3.880
Contributions on salaries and benefits paid by the employee	22.860	9.236
Taxes and contributions on salaries and wages paid by the employer	/	8.308
Liabilities for net salary compensations that are refunded	/	442
<b>Only</b>	<b>53.348</b>	<b>54.856</b>
<i>Other liabilities</i>		
Interest accrued and finance costs	-14	/
Liabilities for dividends	1.682	1.682
Obligations for share in the profit	6	6
Liabilities to members of management and supervisory board	397	375
Other liabilities	5.165	19
<b>Only</b>	<b>7.236</b>	<b>2.082</b>
<b>In total</b>	<b>60.584</b>	<b>56.938</b>

### 1.11.21. Liabilities for PDV and other public revenues and pasive accruals

	31.03.2014. RSD (000)	31.12.2013. RSD (000)
<i>Other taxes, contributions and other charges</i>		
Taxes, customs and other duties from purchase cost or charged	21.250	19.148
Obligations for contributions recognized as an expense	257	243
<b>In total</b>	<b>21.507</b>	<b>19.391</b>

### 1.11.22. Important business events that occurred after the expiration of the financial year for which the report was prepared

Since the balance date to the date of publication of the report there were no significant events that would affect the credibility of the financial statements.

Relevant business news on important events is regularly published on the website of ALFA - PLAMA and BSE ( in Serbian and English ) , as part of the obligations related to the listing on the BSE Standard listing .

### 1.11.23. Transactions with related parties

Displays the status and obligations of receivables from related parties as at 31.03.2014., as well as income and expenses from related parties in 2014 is as follows :

RSD (000)

Name of comany	Activity	Role of society in our company	Obligations	Claims	Revenues	Expenses
			31.03.2014.in our company		01.01.2014.-31.03.2014. with our company	
<b>AMASIS DOO-BEOGRAD</b>	5510- Hotels and similar accommodation	Parent company	<b>1.065</b>	/		<b>2.411</b>
<b>PIONIR-BEOGRAD</b>	1082 - Manufacture of cocoa, chocolate and sugar confectionery product	related party	<b>3.039</b>	<b>110.604</b>	<b>19</b>	<b>81</b>
<b>HOTEL IZVOR DOO -ARANĐELOVAC</b>	5510- Hotels and similar accommodation	related party	<b>11.943</b>	/	/	<b>2.527</b>
<b>ALCO GROUP DOO - BEOGRAD</b>	6820 -Rent their own or leased real estate and management	related party	/	/	/	/
<b>FOREST ALFA PLAM DOO-BEOGRAD</b>	1629 - Manufacture of other products of wood, cork, straw and plaiting materials	related party	<b>112</b>	<b>50.592</b>	/	<b>528</b>
<b>PIONIR DOO-PARAĆIN</b>	1072 - Manufacture of rusksbiscuits	related party	/	<b>30.107</b>	<b>20</b>	/
<b>ALKON GROUP DOO-VRANJE</b>	4120-Construction of residential and non-residential buildings	related party	/	<b>4.379</b>	/	/
<b>JUGOTEHNA DOO-BEOGRAD</b>	4619 - Agents involved in the sale miscellaneous products	related party	<b>51</b>	/	/	<b>1.599</b>

#### 1.11.24. Off- balance sheet

	31.03.2014.	31.12.2013.
	RSD (000)	RSD (000)
Received letters of credit	35	21.992
Received guarantees and mortgages	549.181	652.043
Given guarantees and sureties	122.642	124.642
<b>In total</b>	<b>671.858</b>	<b>798.677</b>

#### 1.11.25. Potential and undertaken liabilities

Company doesn't have potential and undertaken liabilities.

#### 1.11.26. Foreign exchange rates

The official exchange rate of NBS applied for the calculation of balance sheet items in the functional currency were as follows:

	31.03.2014.	31.12.2013.
EUR	115.3845	114.6421

#### 1.11.27. Business continuity

*Management estimates that the Company is able to continue to operate for an unspecified period of time, in accordance with the principle of continuity.*

*The financial statements are prepared in accordance with the principle of continuity.*

# QUARTAL REPORT OF THE COMPANY





### 3. BUSINESS REPORT "ALFA-PLAM" AD VRANJE FOR JANUARY – MART 2014. YEAR

Numerical values output in January - March 2014. from 1.126.034.024,00 RSD increased by 15.25% compared to the same period of the previous year, and the plan fell by 2.5%.

Description	Achived I – III 2014	Operational plan I – III 2014	Achived in I – III 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
"Alfa-Plam"a.d.	977.050.808,00	1.154.875.930,00	1.126.034.024,00	115,2%	97,5%

The results achieved in the process of production, expressed in hours of work amounted to 177.661 hours of work / in the old norms / ie. 152.153 hours of work / the new norms / time and recorded a growth of 6.62% and 9.86% compared to the same period last year.

The observed result on the level of ALFA-PLAM are the following:

DESCRIPTION	ACHIEVED IN 2013	ACHIEVED IN 2014	INDEX
Production (of the working hours)	166.628	177.661	106,6
Number of workers who worked in the production	138.492	152.153	109,9
Number of working day	372	397	106,7
Number of working days	54	55	101,9
Daily effect on worker	8,29	8,14	98,1
Projected effect on worker	6,89	6,97	101,1

From previous shows impact has been 8.14 per worker / in the old norms / ie. 6.97 hours of work / the new standards / and it was lower by 1.9% and increased by 1.1% compared to the same period last year.

The structure and product range by groups heating bodies:

Heating devices group	Realized in 2012	Operating plan 2013	Realized in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	23.058	22.215	22.004	95,4%	99,1%
Electrical stoves	8.210	6.584	6.590	80,3%	100,1%
Combined stoves	900	1.510	1.593	177,0%	105,5%
Solid fuel furnaces	4.433	7.020	6.571	148,2%	93,6%
Other production	1.951	315	4.770	244,5%	1514,3%
<b>Total heating devices</b>	<b>36.601</b>	<b>37.329</b>	<b>36.758</b>	<b>100,4%</b>	<b>98,5%</b>

Total production of heaters in the period I-III in 2014. was of 36.758 units increased by 0.4% compared to the same period last year, and the plan fell by 1.5%.

### 3.1. ACHIEVED REALIZATION

In the period January - March 2014., provides for the implementation of 531.630.779,00 RSD and realized by 507.007.070,00 RSD and the same is higher by 23.3% compared to the same period of the previous year and less than planned for 4,6%.

Description	Achieved in I - III 2013	Operational plan I - III 2014	Achieved I - III 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
"Alfa-Plam" ad	411.273.711,00	531.630.779,00	507.007.070,00	123,3%	95,4%

Achieved realization through physical volume is as follows:

Heating devices group	Realized in 2012	Operating plan 2013	Realized in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
Heating devices group	7.011	8.287	8.117	115,8%	97,9%
Solid fuel stoves	6.767	4.790	4.325	63,9%	90,3%
Combined stoves	1.648	1.250	1.490	90,4%	119,2%
Solid fuel furnaces	2.045	4.382	3.621	177,1%	82,6%
Gas furnaces	281	228	192	68,3%	84,2%
Other production	895	1.083	1.205	134,6%	111,3%
<b>Total heating devices</b>	<b>17.752</b>	<b>18.937</b>	<b>17.745</b>	<b>100,0%</b>	<b>93,7%</b>

Achieved realization in the period from 17.745 units in heaters at the level of last year and lower than the plan by 6.3%.

During the period I-III 2014. exported goods worth 3.017.009,00 EUR times, which is 36.96% higher than in the same period last year.

### 3.2. INVENTORY STATUS

Description	Balance as at 31.03.2013	Balance as at 31.03.2014	% 2014/2013
1	2	3	3/2
Supplies of heaters	46.712	45.808	0,98

### 3.3. DESCRIPTION OF SIGNIFICANT RISKS AND UNCERTAINTIES WHICH IS BUSINESS COMPANY IS EXPOSED

The Company has defined the Regulation on the internal control and risk management. This Regulation establishes a system of internal controls, procedures for identifying, measuring, assessing and managing risks in the ALFA-burners, and all with the aim of increasing the efficiency and effectiveness of the Company's activities in the short and long run.

Risk management is a set of actions and methods for identifying, measuring, monitoring risks, including reporting of risks to which the Company is or might be exposed to in its operations. The main objective of risk management is to identify, measure, limit and minimize the expected and possible risks for the Company.

The objective of the Company in the field of risk management is to provide an additional guarantee for the achievement of the strategic objectives of the Company through timely identification / risk prevention, the definition of effective measures and to ensure maximum efficiency measures for risk management.

The company is in its operations particularly exposed to the following risks:

1. **Market risk** - is the risk of changes in market prices and terms of trade that brought reduction the value of certain financial assets and their packages (portfolios). Market risk includes currency risk, price risk and interest rate risk.
2. **Credit risk** - the risk of financial loss to the Company as a result of the delay clients or other party to settle contractual obligations. Credit risk is primarily associated with the Company's exposure on the basis trade receivables, cash and cash equivalents, deposits with banks and financial institutions, investments in securities, other receivables from legal entities and individuals.
3. **Liquidity risk** - is risk of negative effects on the financial result and capital of the Company due to the inability of the Company to meet liabilities.
4. **Operational risk** - the risk of loss because of errors, interruptions or damages that may arise as a result inadequate internal procedures, treatment of persons, systems or external events, including the risk of changes to the legal framework.
5. **Risk Reporting** - includes accounting risk , but it is a broader term for the periodic reporting and communication of a company with the external environment and its stakeholders is not limited to the financial statements. Risk reporting is then applied to other opportunities to malicious reporting , potential investors misled. Availability information of the Company is of paramount importance and the Company shall update the same . All information about the Company can be found on the official website [www.alfaplam.rs](http://www.alfaplam.rs) , as well as on the Belgrade Stock Exchange where the Company regularly submits reports on operations .
6. **Country risk and political risk** - refers to the risk of investing in a particular country , depending on changes in the business environment that may have a negative impact on the realization of profits or asset values in that particular state . As examples of factors that affect the risk of the state most often cited state control of the exchange rate devaluation , changes in legislation, etc. . In addition to these factors, the risk factors affecting the state (in) stability of such mass protests or civil war that could lead to increased operational risk to the company in that particular country . Often the risks associated with political changes , such as changes in macroeconomic policy and social policy , and is called the political risks .
7. **Environmental risk** - defined as the risk of potential damage that the company may suffer because of environmental degradation by the company or by any other party if it can have an impact on its business.

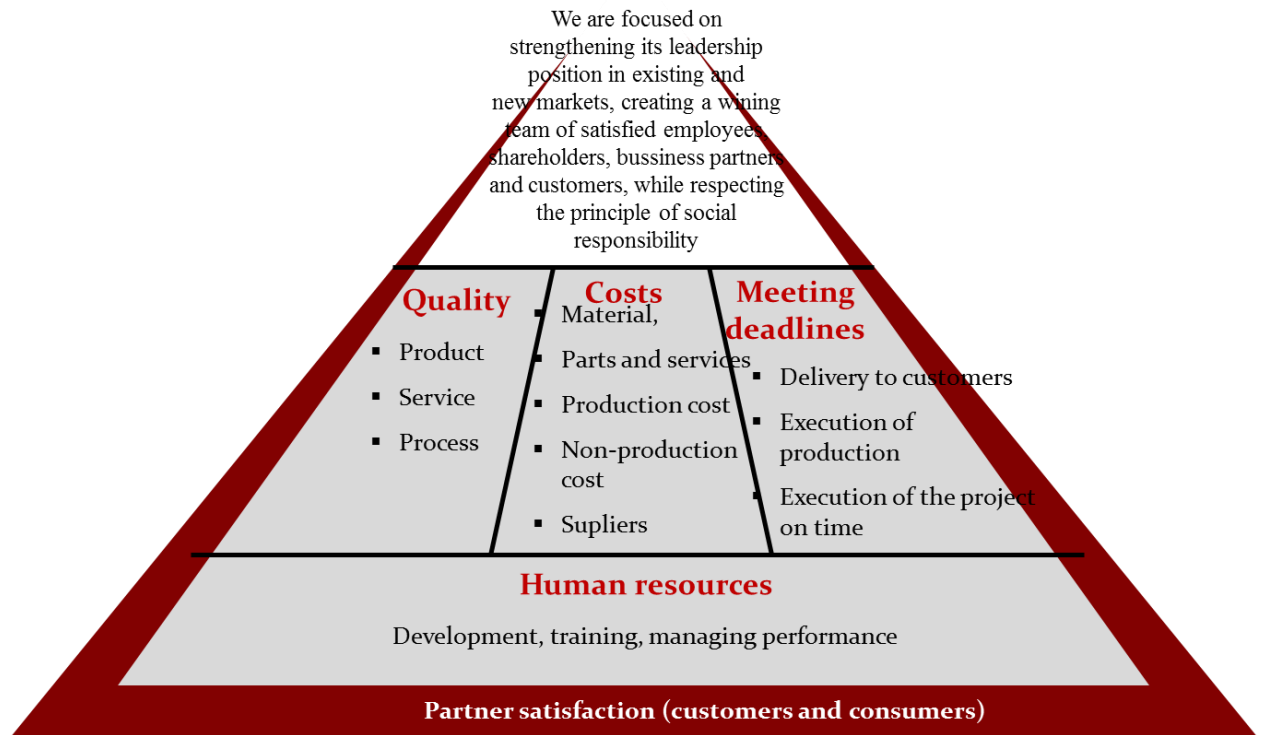
8. **Risk conformity** - can be defined as the risk of current income and capital of the company to be exposed to losses resulting from violations or non-compliance with laws, rules, regulations, prescribed business practices, internal policies and procedures, and ethical standards.
9. **Reputational risk** - the risk of loss of current or future earnings and capital because negative public opinion about the way the business of the Company. It arises from the negative perceptions of their partners, shareholders, investors or regulators that may adversely affect the Company's ability to maintain existing, or establish new business relationships and continued access to funding sources. Reputational risk includes the inability to sufficiently meet the needs and expectations of customers or unreliable or inefficient delivery systems.
10. **Other risks:**

For the identification and assessment of risks to which the Company is or might be exposed shall be applied:

- Evaluation financial and business position of the Company;
- Analysis of the external environment of the Company;
- Business process analysis and critical control points in business processes;
- Analysis relating to the marketing of new products / markets;
- Regular Collegiums of the Board, as well as meetings at lower levels;
- Reporting to the Company on the activities carried out for the company's own portfolio;
- Reports of the internal auditor;
- Reports functions compliance with the relevant regulations;
- Other internal records and reports (profitability analysis, analysis of operational efficiency, analysis of growth potential, analysis of financial structures, DuPont system of analysis).

### 3.4. DEVELOPMENT STRATEGY OF ALFA-PLAM

Development strategy of ALFA-PLAM is shown in the following table



#### *Mission*

With common years of work we have created a company that is a leading manufacturer of heaters and stoves in Southeastern Europe. Reputation and tradition oblige us to continue our journey towards achieving the set goals.

Competence staff and possession of specific knowledge of modern technology and improved manufacturing processes make it possible to sell products that have a distinctive quality.

#### *Vision*

Company Alfa-Plam is focused on strengthening its leadership position in existing and new markets.

We create a winning team of satisfied employees, shareholders, business partners and customers, while respecting the principles of sustainable development of society and the community.

1. Increasing exports > 30 mil. eur. / yr.
2. Reducing product reclamations by 50%
3. • Sales of pellet boilers and wood through 3000 pcs. per year
4. Implemented a process of Kaizen (5S, Total productive maintenance, Kanban ...)
5. Development of a minimum of 4 new products a year
6. Sales on new markets over 5 million / year.
7. OHSAS 18001 - Occupational safety management and health at work, a standard EMS 14001 - Environmental Management System
8. Opening a retail showrooms in major cities in Serbia

- Maintenance costs of materials, parts and services at the same level
- Reduction of scrap and finishing of 50%
  - Reduction of material and parts by 20%
  - Reducing the average annual value of finished goods inventory by 30

- Average monthly production plans realization of 99%
- Delivering products to customers within 2 days
- Managing projects with clearly defined stages, stakeholders, communication and timely inclusion of necessary measures



- Implemented a system of awards and advancement to the individual worker
- Implemented a system for annual increase in salary by merit (within definsianog budget) rather than linearly
- Set CV of each worker in enrollment, with records of training, rewarding, punishing ...
- Department of sale / purchase completely in English
- Reduce sickness <4%

### AMELIA CE

kW	7,5 kW
mm	515 x 488 x 949 mm
mm	80 mm
kg/h	0,6 / 1,7 kg/h
h	35 h
kg	23 kg
m <sup>2</sup>	95 - 120 m <sup>2</sup>
m <sup>2</sup>	36 - 46 m <sup>2</sup>
kg	107 / 125 kg
%	90,21%



### LUCA CE

kW	8,5 kW
mm	500 x 470 x 940 mm
mm	80 mm
kg/h	0,6 / 1,92 kg/h
h	35 h
kg	23 kg
m <sup>2</sup>	110 - 140 m <sup>2</sup>
m <sup>2</sup>	44 - 56 m <sup>2</sup>
kg	110 / 128 kg
%	88%



### DINO CE



<b>kW</b>	18,5 kW
	574 x 568 x 1237 mm
	80 mm
	3,5 kW
	15 kW
	32 l
	1,1 / 4 kg/h
	40 h
	45 kg
	240 - 310 m <sup>2</sup>
	90 - 120 m <sup>2</sup>
	193 / 222 kg
<b>%</b>	92 %



**NEW**

### DONNA 90 CE



<b>kW</b>	8 kW
	900 x 600 x 850 mm
	460 x 440 x 260 mm
	120 mm
	100 - 130 m <sup>2</sup>
	40 - 52 m <sup>2</sup>
	139 / 161 kg
<b>%</b>	76,3 / 77%



**NEW**

### ELITA 3 CE



<b>kW</b>	6 kW
	455 x 442 x 865 mm
	120 mm
	75 - 100 m <sup>2</sup>
	30 - 40 m <sup>2</sup>
	84 / 96 kg
<b>%</b>	75 %



**NEW**

### DONNA 70 CE



<b>kW</b>	7 kW
	700 x 600 x 850 mm
	330 x 440 x 260 mm
	120 mm
	90 - 120 m <sup>2</sup>
	36 - 48 m <sup>2</sup>
	119 / 140 kg
<b>%</b>	76,4 / 79,10%



**NEW**

### GRANDE 5 CE



<b>kW</b>	8,65 - 30,8 kW
	1052 x 780 x 1550 mm
	80 mm
	8,65 - 30,8 kW
	74 l
	1,9 / 6,7 kg/h
	113 h
	215 kg
	380 - 510 m <sup>2</sup>
	152 - 204 m <sup>2</sup>
	250 / 280 kg
<b>%</b>	91,94 %



**NEW**

### GRANDE CE



<b>kW</b>	7,8 - 30,6 kW
	1010 x 743 x 1400 mm
	80 mm
	7,8 - 30,6 kW
	74 l
	1,7 / 6,7 kg/h
	118 h
	200 kg
	380 - 510 m <sup>2</sup>
	152 - 204 m <sup>2</sup>
	220 / 296 kg
<b>%</b>	92 %



**NEW**

### 3.5. INFORMATION ABOUT THE ACQUIRED OWN SHARES

At the date of this Report, the Company has a total of 17.480 shares, which as of 31.03.2014. the year was 9.9993% of total shares. Own shares acquired by the decision of the Board of Directors on 18.09.2012. year.

The decision was taken in order to protect the interests of shareholders, ensuring the implementation of development plans of the Company and preventing the immediate and significant damage to the Company.



### 3.6. INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN RELATED PARTIES

The Company during the first quarter of 2014. Was engaged in business transactions with its related parties. The most significant transactions with related parties in those periods related to the provision of services.

#### Company for the production and trafficking of tourism AMASIS DOO, Beograd

General information	Legal form	Limited liability company
	Identification number	17243047
	PIB	101018106
	Adress	Pozeska 65 B, Beograd - Cukarica
	Activity code	5510 - Hotels and similar accommodation

#### Company for the production of chocolate, candy and biscuits PIONIR DOO, Beograd

General information	Legal form	Limited liability company
	Identification number	17450689
	PIB	102248114
	Adress	Pozeska 65 B, Beograd - Cukarica
	Activity code	1082 - Manufacture of cocoa, chocolate and sugar confectionery product

#### Company for dairy, grain mill products and chocolate PIONIR PARACIN DOO, Beograd

General information	Legal form	Limited liability company
	Identification number	17510142
	PIB	103073992
	Adress	Pozeska 65 B, Beograd - Cukarica
	Activity code	1072 - Manufacture of rusksbiscuits



**Company JUGOTEHNA EKSPORT-IMPORT DOO, Beograd**

<b>General information</b>	Legal form	Limited liability company
	Identification number	7018304
	PIB	100038898
	Adress	Kolarceva 7, Beograd – Stari grad
	Activity code	4619 - Agents involved in the sale miscellaneous products

**Company for the tourism and hospitality Hotel IZVOR DOO, Arandjelovac**

<b>General information</b>	Legal form	Limited liability company
	Identification number	17398105
	PIB	100902352
	Adress	Misarska 2 B, Arandjelovac
	Activity code	5510 - Hotels and similar accommodation

**Company for the production and sale of ALCO GROUP DOO, Beograd**

<b>General information</b>	Legal form	Limited liability company
	Identification number	20245816
	PIB	104805752
	Adress	Pozeska 65 B, Beograd - Cukarica
	Activity code	6820 -Rent their own or leased real estate and management

**ALCON GROUP DOO, Vranje**

<b>General information</b>	Legal form	Limited liability company
	Identification number	17370847
	PIB	100405863
	Adress	Beogradska 45 a, Vranje
	Activity code	4120-Construction of residential and non-residential buildings

**Company FOREST ALFA PLAM DOO, Beograd**

<b>General information</b>	Legal form	Limited liability company
	Identification number	20368799
	PIB	105369546
	Adress	Pozeska 65 B, Beograd - Cukarica
	Activity code	1629 - Manufacture of other products of wood, cork, straw and plaiting materials

### 3.7. MAJOR TRANSACTIONS WITH RELATED PARTIES

*In thousand RSD*

STRUCTURE FROM INCOME AND EXPENSES FROM RELATED PARTIES			
Partner	Note	Income in 2014.	Expense in 2014.
AMASIS DOO -BEOGRAD	Parent leal entity	/	2.411
PIONIR - BEOGRAD	Related party	19	81
HOTEL IZVOR DOO - ARANĐELOVAC	Related party	/	2.527
ALCO GROUP DOO - BEOGRAD	Related party	/	/
FOREST ALFA PLAM DOO - BEOGRAD	Related party	/	528
PIONIR DOO - PARAĆIN	Related party	20	/
ALKON GROUP DOO - VRANJE	Related party	/	/
JUGOTEHNA DOO - BEOGRAD	Related party	/	1.599
<b>TOTAL</b>		<b>39</b>	<b>7.146</b>

*In thousand RSD*

STRUCTURE OF RECEIVABLES AND LIABILITES FROM RELATED PARTIES			
Partner	Note	Receivables in 2014.	Liabilities in 2014.
AMASIS DOO -BEOGRAD	Parent leal entity	/	1.065
PIONIR - BEOGRAD	Related party	110.604	3.039
HOTEL IZVOR DOO – ARANDJELOVAC	Related party	/	11.943
ALCO GROUP DOO - BEOGRAD	Related party	/	/
FOREST ALFA PLAM DOO - BEOGRAD	Related party	50.592	112
PIONIR DOO - PARACIN	Related party	30.107	/
ALKON GROUP DOO - VRANJE	Related party	4.379	/
JUGOTEHNA DOO - BEOGRAD	Related party	/	51
<b>TOTAL</b>		<b>195.682</b>	<b>16.210</b>

# STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF THE REPORT



ALFA 70 DOMINANT

ALFA PLAM

*Statement*

According to my cognition, the quarterly report of Metal Industry ALFA-PLAM AD Vranje for the first three months of year 2014 is composed with the application of appropriate IFRS and provides accurate and objective data about assets, liabilities, financial position and operation, revenues and expenses, cash flows and changes in equity of the company.

Vranje, 15.05.2014.

Managing Director

Goran Kostic

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Executive Director

Branislav Popovic

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M.P.

**Akcionarsko društvo Metalna industrija ALFA-PLAM**

17500 Vranje, Radnička 1; Poštanski fah 85; Upisano u Registar Privrednih subjekata BD 14264/2005; PIB 100402750  
Tekući računi: Banca Intesa ad Beograd: 160-7007-07; Societe Generale banka Srbija: 275-0010221807082-07  
Telefoni: Centrala + 381(0)17/421-121, 017/421-122; Generalni direktor: 017/421-306; Komercijalni direktor: 017/421-592;  
Prodaja: 017/423-280; 017/422-751; Nabavka: 017/423-106; 017/423-932; Telefax: 017/424-808; 017/421-552 (finansije)  
web: [www.alfaplam.rs](http://www.alfaplam.rs)  
e-mail: [firma@alfaplam.rs](mailto:firma@alfaplam.rs)

*Declaration*

In accordance with the Capital Market Law ("Official Gazette" No. 31/2011) it is stated that the financial statements for the first three-months of year 2014 have not been revised.

Vranje, 15.05.2014.

Managing Director

Goran Kostic

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Executive Director

Branislav Popovic

---

M.P.

**Akcionarsko društvo Metalna industrija ALFA-PLAM**

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e-mail: [firma@alfaplam.rs](mailto:firma@alfaplam.rs)

