



**QUARTERLY REPORT
FOR
THIRD QUARTER OF 2014.**



FINANCIAL STATEMENT ALFA PLAM AD FOR THE THIRD QUARTER OF 2014



1.1. BALANCE SHEET on 30.09.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		30.09.2014. Current year	31.12.2013. Previous year
ASSETS :	001	2.460.339	1.905.696
A. NON-CURRENT ASSETS (002+003+004+007)			
I. UNPAID SUBSCRIBED CAPITAL	002		
II. GOODWILL	003		
III. INTANGIBLE ASSETS	004	15.196	4.232
IV. PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL ASSETS (006+007+008)	005	1.973.926	1.785.439
1. Property, plants and equipment	006	1.898.389	1.784.422
2. Investment property	007	75.537	1.017
3. Biological assets	008		
V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	471.217	116.025
1. Stakes in capital	010	115.829	115.660
2. Other long-term financial investments	011	355.388	365
B. CURRENT ASSETS (013+014+015)	012	4.173.331	4.248.360
I. INVENTORIES	013	1.752.510	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	2.420.821	2.804.078
1. Receivables	016	771.751	696.022
2. Receivables for prepaid income tax	017		
3. Short-term financial investments	018	1.593.280	2.039.931
4. Cash and cash equivalents	019	17.599	25.285
5. VAT and deferrals	020	38.191	42.840
V. DEFERRED TAX ASSETS	021	27.890	27.890
G. OPERATING ASSETS (001+012+021)	022	6.661.560	6.181.946
D. LOSS OVER CAPITAL	023		
TOTAL ASSETS (022+023)	024	6.661.560	6.181.946
E. OFF-BALANCE ASSETS	025	807.789	798.677

BALANCE SHEET on 30.09.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		30.09.2014. Current year	31.12.2013. Previous year
LIABILITIES :	101	5.776.356	5.393.530
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	3.977.181	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	885.204	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	795.998	699.210
1. Short-term financial liabilities	117	1.892	132.925
2. Liabilities from assets held for sale and assets from discontinued operations	118		0
3. Operating liabilities	119	684.902	489.956
4. Other short-term liabilities	120	71.572	56.938
5. VAT and other public duties and accruals	121	37.632	19.391
6. Income tax liabilities	122		0
V. DEFERRED TAX LIABILITIES	123		0
G. TOTAL LIABILITIES	124	6.661.560	6.181.946
D. OFF-BALANCE LIABILITIES	125	807.789	798.677

1.2. INCOME STATEMENT

For period 01.01.-30.09.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		Current period	Previous period
I. REVENUES AND EXPENSES FROM REGULAR OPERATIONS (202 + 203 + 204 - 205 + 206)	201	3.369.666	2.828.100
1. Sales revenue	202	3.094.997	2.645.172
2. Revenues from activation of goods and effects	203	35.012	
3. Increase in value of effects on stock	204	237.598	182.223
4. Decrease in value of effects on stock	205		
5. Other operating revenue	206	2.059	705
II. OPERATING EXPENSES (208 do 212)	207	2.883.856	2.534.928
1. Cost of goods sold	208	13.838	15.448
2. Material cost	209	1.954.684	1.637.432
3. Salaries, salary compensations and other personal expenses	210	558.197	526.939
4. Depreciation and provisions	211	114.541	127.773
5. Other operating expenses	212	242.596	227.336
III. OPERATING PROFIT (201 - 207)	213	485.810	293.172
IV. OPERATING LOSS (207 - 201)	214		
V. FINANCIAL INCOME	215	129.462	129.970
VI. FINANCIAL EXPENSES	216	8.618	58.026
VII. OTHER REVENUE	217	25.467	13.437
VIII. OTHER EXPENSES	218	65.221	59.900
IX. PROFIT FROM REGULAR OPERATIONS BEFORE TAXATION (213-214+215-216+217-218)	219	566.900	318.653
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	566.900	318.653
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.-30.09.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		Current period	Previous period
DJ. NET PROFIT (223-224-225-226+227-228)	229	566.900	318.653
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	3	2
2. Deiluted earnings per share	234		

1.3. CASH FLOW FOR PERIOD 01.01. – 30.09.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		Current year	Previous year
1	2		
A.CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)	301	4.376.952	3.663.364
1. Cash receipts from customers and advance payments	302	4.131.128	3.657.558
2. Interest received from operating activities	303	/	5.806
3. Other inflows from regular operations	304	245.824	/
II. Cash outflows from operating activities (1 to 5)	305	3.181.670	3.070.657
1. Cash paid to suppliers and advances paid	306	2.382.020	2.304.190
2. Salaries, salary compensations and other personal earnings	307	558.197	526.939
3. Interest paid	308	3.971	9.358
4. Income taxes paid	309		
5. Other public expenses paid	310	237.482	230.170
III. Net cash inflows from operating activities (I-II)	311	1.195.282	592.707
IV. Net cash outflows from operating activities (II-I	312		
B.CASH FLOWS FROM INVESTMENT ACTIVITIES			
I. Cash inflows from investment activities (1 to 5)	313	57.039	63.542
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		
4. Interest received from investment activities	317	57.039	63.542
5. Dividends received	318		
II.Cash outflows from investment activities (1 to 3)	319	935.477	146.949
1. Acquisition of shares and stakes (net outflows)	320	6.874	
2. Acquisition of intangible assets, property, plants, equipment and biological assets	321	308.993	146.949
3. Other financial placements (net outflows)	322	619.610	
III. Net cash inflows from investment activities (I-II)	323		
IV. Net cash outflows from investment activities (II-I)	324	878.438	83.407

CASH FLOW FOR PERIOD 01.01. – 30.09.2014.

POSITION	ADP	AMOUNT	
		Current year	Previous year
V. CASH INFLOWS FROM FINANCING ACTIVITIES			
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	325.030	444.740
1. Purchase of own shares and stakes	330	6.725	129.599
2. Long-term and short-term credits and other liabilities (net outflows)	331	156.984	315.141
3. Financial leasing	332		
4. Dividends paid	333	161.321	
III. Net inflows from financing activities (I-II)	334		
IV. Net outflow from financing activities (II-I)	335	325.030	444.740
G. TOTAL CASH INFLOWS (301+313+325)	336	4.433.991	3.726.906
D. TOTAL CASH OUTFLOWS (305+319+329)	337	4.442.177	3.662.346
Đ. NET CASH INFLOW (336-337)	338		64.560
E. NET CASH OUTFLOW (337 – 336)	339	8.186	
Ž. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	25.285	29.337
Z. FOREIGN CURRENCY TRANSLATION GAIN	341	500	237
I. FOREIGN CURRENCY TRANSLATION LOSS	342		
J. CASH AT THE END OF ACCOUNTNG PERIOD (338-339+340+341-342)	343	17.599	94.134

1.4. STATEMENT OF CHANGES IN EQUITY FOR PERIOD 01.01. - 30.09.2014.

in thousand RSD

DISCRIPTION	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	EDP	Unrealised losses from securities (Group 333)	EDP	Retained earnings (Group 34)	EDP	Loss not exceeding capital (Group 35)	EDP	Treasury shares 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	1.171.240	414	46.048	427	440	18.622	453	692.827	466	479	20	492	36	505	3.195.413	518	531	77.164	544	504.6970	557				
2. Adjustments of material errors and changes in accounting policies occurred in previous year - Increase	402		415		428	441		454	467	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	468	481		494		507	520		533		546	559					
4. Restated opening balance as at 1 January of previous year (1+2-3)	404	1.171.240	417	46.048	430	443	18.622	456	692.827	469	482	20	495	36	508	3.195.413	521	534	77.164	547	504.6970	560				
5. Total increase in previous year	405		418		431	444	12.168	457	470	470	483	21.491	496	509	392.217	522		535	36.602	548	389.274	561				
6. Total decrease in previous year	406		419		432	445	30.790	458	11.924	471	484		497	510	523			536		549	42.714	562				
7. Balance as at 31 December of previous year (4+5-6)	407	1.171.240	420	46.048	433	446	459	680.903	472	485	21.511	498	36	511	3.587.630	524		537	113.766	550	5.393.530	563				
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase	408		421		434	447		460	473	473	486		499		512			538		551	564					
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease	409		422		435	448		461	474	474	487		500		513			539		552	565					
10. Restated opening balance as at 1 January of current year (7+8-9)	410	1.171.240	423	46.048	436	449	462	680.903	475	488	21.511	501	36	514	3.587.630	527		540	113.766	553	5.393.530	566				
11. Total increase in current year	411		424		437	450		463	476	476	489		502		515	566.900	528	541	6.725	554	560.175	567				
12. Total decrease in current year	412		425		438	451		464	477	477	490		503		516	177.350	529	542		555	177.350	568				
13. Balance as at 30 June of current year (10+11-12)	413	1.171.240	426	46.048	439	452	465	680.903	478	491	21.511	504	36	517	3.977.180	530		543	120.491	556	5.776.355	569				

NOTES TO THE FINANCIAL STATEMENTS



1.5. BASIC INFORMATION ABOUT THE COMPANY

Assembly decision on the organization of social enterprise as a joint stock company by 16.11.1998. years, established the Joint-Stock Company Metal Industry "ALFA - PLAM" Vranje.

The Company was formed by transformation of social capital social enterprise "ALFA -PLAM", and is registered in the Commercial Court as a limited company.

General information

Full company name:	<i>A.D. Metal Industry ALFA-PLAM Vranje</i>
Short name of company is:	ALFA-PLAM AD
Headquater, steet and number:	Vranje, Radnička 1
Identification number:	07137923
VAT.NO.:	100402750
Reg.No.:	BD 14264/2005 od 11.07.2005.
Activity code:	2752 – production of not-eletrical device
Director of company:	Goran Kostić
Number of employees	717
Phone number:	017/ 421- 121
Fax:	017/ 421-552
E-mail address:	firma@alfaplam.rs
Web:	www.alfaplam.rs
Current account	160 -7007-07 Banca Intesa ad Beograd 340-11008671-89 Erste Bank A.D. 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

Total value of capital	1.171.240.400,00 RSD
Number of shareholders	592
Total number of shares	174.812
Nominal value of shares	6.700,00 RSD
ISIN number (CFI)	RSALFAE34014 (ESVUFR)
Market	Belgrade Stock Exchange
Bus. name, address and business address of the audit company that audited final financial report	“MOORE STEPHENS Revizija i Računovodstvo” doo Beograd, Studentski trg 4/V, Beograd

Top ten shareholders

Shareholder - Business name / Name	Number of shares
AMASIS DOO	95.351
ALFA PLAM AD	17.480
EAST CAPITAL (LUX) – BALKAN FUND	12.296
ERSTE BANK AD NOVI SAD – KASTODI RAČUN	10.361
SM NET	6.435
VOJVOĐANSKA BANKA AD NOVI SAD – KASTODI RAČUN	3.366
ANĐELOVIĆ SRĐAN	1.532
BREST DOO	1.394
STOJANOVIĆ PREDRAG	1.039
ZRILIĆ ZORAN	843

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

The beginnings of creation of the company are related to in 1948. when he created a company that is in the beginning of the rule sheet metal products. History ALFA - PLAM and development over the years is shown in the following table:

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

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- 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. – Company plans production and galvanization of 100.000 buckets.
 - 1962. – Metal packing 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 had 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 Henry puller, which resulted in the production of furnace oil "Alfa Potez" in "Alfi".
 - 1968. – The "Alfie" was put into 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. We are the first in Yugoslavia, who export this large amount of product. The factory in that year employs 520 workers.
 - 1971. – Factory "Alfa Vranje" acquired crane for loads up to 8 tons for unloading plates . Until then, this job were doing workers. With a company "Efel" from Belgium signed an agreement for cooperation which envisages exporting 30,000 fireplaces - furnace oil to Belgium.
 - Developed a cooperation between "Metalac" which has 200 employees, 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 years before. Bad business caused by the global energy crisis and rising raw material prices, the inability istovrenemu "Alfa" to reorient the program. Despite declining sales, 1971. 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 losses .
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- 1978. – " Alfa " winning in production of gas stoves.
 - 1980. - Industry unites technical equipment " Alfa " and OOUR to produce consumer goods " Metalplam " (from " Metalac") , were associated in Metal industry Vranje " MIV " Vranje . New work organization had 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. – Company produced more than 243.000 heating device.
 - 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 enamelling 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 had 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.
 - 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 enamelling 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 was 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.
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- 2007. - The value of one share on the stock market reached the maximum amount of 527.77 EUR. 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 tretment, 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.

Today, 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 7 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
Avram Milenković	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;

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- 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. Property, plant and equipment

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. Investment Property

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 that 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 utvrđiti .

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:

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

Implemented rates of depreciation of intangible assets are as follows:

	<u>2014.</u>	<u>2013.</u>
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 30.09.2014., 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 sales value, reduced 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, a partial write-down to net realizable value is performed.

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 held 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. INCOME STATEMENT

1.10.1. Revenues from sales

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Domestic market		
Revenues from sales of products other persons	1.112.117	936.118
Revenues from sales of goods other persons	12.932	6.459
Total	1.125.049	942.577
Foreign market		
Revenues from sales	1.965.186	1.689.936
Revenues from sales of goods	4.762	12.659
In total	1.969.948	1.702.595
Total all	3.094.997	2.645.172

1.10.2. Revenue from goods and effects

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Revenue based on use of tools in the own production	35.012	/
In total	35.012	

1.10.3. Increase/(decrease) in value of inventories

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Unfinished production on 31. December	67.463	70.473
Final products on 31. December	558.395	524.769
Minus:		
Unfinished production on 30.09.2014.	67.463	70.473
Final products on 30.09.2014.	795.993	706.992
In total	237.598	182.223

1.10.4. Other operating income

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Income from rent	2.059	46
Other operating incomes	/	659
In total	2.059	705

1.10.5. Cost of goods sold

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Cost of goods sold	13.838	15.448
In total	13.838	15.448

1.10.6. Cost of materials

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Cost of materials for making	1.853.914	1.546.673
Other materials (overhead)	32.306	24.992
Fuel and energy	68.464	65.767
In total	1.954.684	1.637.432

1.10.7. Wages, salaries and other personnel expenses

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Cost of net earnings	444.741	427.953
Cost of net benefits	80.152	77.641
Tax for bruto earning	3	57
Compensation expense under the contract of temporary jobs	15.404	32
Compensation expenses to members of management and supervisory board	3.643	3.276
Other personal expenses and fees	14.254	17.980
In total	558.197	526.939

1.10.8. Depreciation and provision expense

	30.09.2014. <i>RSD (000)</i>	30.09.2013. <i>RSD (000)</i>
Amortization of intangibles	251	
Amortization of buildings	26.740	26.434
Amortization of plant and equipment	87.152	101.314
Amortization of investment property	398	25
In total	114.541	127.773

1.10.9. Other operating expenses

	30.09.2014.	30.09.2013.
	RSD (000)	RSD (000)
<i>Cost of production services</i>		
Costs to develop performance		
Transport costs	53.024	55.228
Maintenance costs	9.789	9.871
Rental costs	12.322	9.948
Fair costs	2.120	5.682
Marketing and advertising	12.774	5.737
Other services	37.803	25.095
Only	127.832	111.561
<i>Intangible costs</i>		
Non-production services	61.627	63.714
Entertainment expenses	7.792	4.753
Insurance premiums	8.829	12.011
Payment transactions	10.918	7.310
Membership fees	2.541	2.372
Tax costs	8.086	12.992
Costs of contributions	623	241
Other intangible costs	14.348	12.382
Only	114.764	115.775
In total	242.596	227.336

1.10.10. Financial income and expenses

	30.09.2014.	30.09.2013.
	RSD (000)	RSD (000)
<i>Financial income</i>		
Interest income-related parties	1.942	/
Interest income on other grounds	/	2.551
Interest income	55.097	60.991
Foreign exchange gains	68.792	60.877
Income from foreign currency clause	1.829	5.221
Other financial income	1.802	330
In total	129.462	129.970
<i>Financial expenses</i>		
Interest expense	614	6.691
Foreign exchange differences	6.665	45.292
Losses from foreign currency clause	1.317	6.033
Other financial expenses	21	10
In total	8.618	58.026

1.10.11. Other income and expenses

	30.09.2014.	30.09.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<i>Other income</i>		
Surpluses materials	3	/
Recovery of bad debts	1.590	12.622
Recoveries of receivables	21.179	
Income from subsequently received rebates	/	367
Income from non-repayable funds received	2.600	/
Income received from shares	/	422
Other incomes	95	26
In total	25.467	13.437
<i>Other expenses</i>		
Losses on sale of equipment	/	36.666
Shortage	2	/
Expenses of litigation	2.536	304
Penalties for violations	816	/
Losses from previous years	20.337	357
Expenditures for humanitarian,cultural,sports and other purposes	3.712	4.579
Other expenses	76	6
Losses from loan	/	17.988
Losses from claims	37.742	
In total	65.221	59.900

1.11. BALANCE SHEET

1.11.1. Intangible assets

on 30.09.2014.

Description	Purchase value	Allowance for impairment	Present value
<i>Intangible investments</i>			
Concessions, patents and licenses (KNOW-HOW)	8.661		8.661
Intangible investments-drivers for computer	7.121	586	6.535
Total	15.782	586	15.196

1.11.2. Property, plant and equipment and biological assets

on 30.09.2014.

Description	Purchase value	Allowance for impairment	Present value
Land	63.140	/	63.140
Buildings	1.501.405	484.255	1.017.150
Equipment	1.637.032	1.156.241	480.791
Investment property	76.274	737	75.537
Plant and equipment in progress	515.731	314.503	201.228
Advances in plant and equipment	329.527	193.447	136.080
Total	4.123.109	2.149.183	1.973.926

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 (1).

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

	%	30.09.2014.	31.12.2013.
	<i>of</i>		
	<i>partici</i>	<i>RSD (000)</i>	<i>RSD (000)</i>
	<i>pation</i>		
	<i>s</i>		
<i>Other companies and other securities available for sale</i>			
Jubmes banka (14.387 akcija)		115.265	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	16.970
Univerzal banka –allowance for impairment		-16.970	-16.970
In total		115.829	115.660

1.11.4. Other long-term investments

Other long-term investments include:

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Long-term investments gave relativ parties	355.231	
Other long-term investments	157	365
In total	355.388	365

1.11.5. Supplies

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Material	626.584	729.047
Spare parts	38.730	35.762
Tools and fixtures	1.269	1.511
Work in progress	67.463	67.463
Finished products	795.993	558.397
Goods	18.924	23.680
Advances	203.547	28.422
In total	1.752.510	1.444.282

1.11.6. Receivables

	30.09.2014. RSD (000)	31.12.2013. RSD (000)
Receivables from the sale		
Domestic buyers-related parties	/	1.948
Domestic buyers	241.472	143.834
Foreign buyers	688.285	724.643
Less: Allowance for impairment	160.682	183.294
Only	769.075	687.131
Other receivables		
Interest receivables	929	8.423
Receivables from employees	769	468
Receivables for compensation earnings	861	/
Others receivables	117	/
Only	2.676	8.891
In total	771.751	696.022

1.11.7. Short-term investments

	Currency code	Interest rate	30.09.2014. RSD (000)	31.12.2013. RSD (000)
Shor-term consumer loans			821	1.180
Syndicate loans			1.021	1.587
Only			1.842	2.767
Short-terms loans to related parties				
Pionir doo, Beograd	EUR	3%+6 m EURIBOR	67.494	162.367
Pionir doo, Paraćin	EUR	3%+6 m EURIBOR -4%	/	74.632
Short-term loans to legal entities				
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
Only			68.019	237.524
Other short-term investments				
Societe Generale banka	EUR	3%	1.523.419	1.396.100
Erste banka	EUR	3,60%	/	240.748
Hypo-alpe-adria bank	EUR	3,70-4,10%	/	105.471
Eurobank EFG	EUR	2,50-5,00%	/	57.321
Only			1.523.419	1.799.640
In total			1.593.280	2.039.931

1.11.8. Cash and cash equivalents

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<i>In RSD:</i>		
Current business account	14.159	4.415
Cash desk	513	40
Only	14.672	4.455
<i>In foreign currency:</i>		
Foreign currency account	2.927	20.779
Foreign box office	/	51
Only	2.927	20.830
In total	17.599	25.285

1.11.9. Value added tax and AVR

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<i>Value added tax</i>		
<i>Value added tax invoices received in general rate</i>		
Claims for value added tax on other grounds	9.798	18.202
In advance value added tax	24.960	/
Only	34.758	18.202
<i>Accruals</i>		
Accrued liabilities	/	22.669
Other accruals	3.433	1.969
Only	3.433	24.638
In total	38.191	42.840

1.11.10. Deferred tax assets

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Deferred tax assets	27.890	27.890
Net deferred tax assets	27.890	27.890

1.11.11. Equity

Equity is includes of:

Share capital	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Share capital	1.171.240	1.171.240
In total	1.171.240	1.171.240

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

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other capital	46.048	46.048
In total	46.048	46.048

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

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Legal reserves	131.738	131.738
Statutory and other reserves	549.165	549.165
In total	680.903	680.903

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

	30.09.2014.	31.12.2013.
	<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
In total	21.475	21.475

1.11.15. Retained earning

Retained earning refers to:

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Retained earning from previous years	3.410.281	3.195.413
Retained earing for the financial year	566.900	392.217
In total	3.977.181	3.587.630

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.

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Acquired own shares	120.491	113.766
In total	120.491	113.766

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:

	30.09.2014.	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
In total	89.206	89.206

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

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other short - term financial liabilities	1.892	132.925
In total	1.892	132.925

1.11.19. Operating liabilities

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
<i>Operating liabilities</i>		
Advances and deposit	60.004	6.382
Supplies – parent company	705	1.591
Suppliers- other related parties	16.267	19.610
Suppliers in the country	392.267	327.036
Foreign suppliers	214.961	135.337
In total	684.902	489.956

1.11.20. Other current liabilities

	30.09.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Liabilities for salaries and salary compensations		
Net salaries and salary compensations	35.771	32.990
Liabilities for taxes on wages and salaries paid by the employee		3.880
Contributions on salaries and benefits paid by the employee	27.275	9.236
Taxes and contributions on salaries and wages paid by the employer	/	8.308
Liabilities for net salary compensations that are refunded	/	442
Only	63.046	54.856
<i>Other liabilities</i>		
Interest accrued and finance costs	3	/
Liabilities for dividends	1.682	1.682
Obligations for share in the profit	13	6
Liabilities to members of management and supervisory board	479	375
Other liabilities	6.349	19
Only	8.526	2.082
In total	71.572	56.938

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

	30.09.2014.	31.12.2013.
	RSD (000)	RSD (000)
<i>Other taxes, contributions and other charges</i>		
Liabilities for VAT and the difference of the input tax		/
Taxes, customs and other duties from purchase cost or charged	37.326	19.148
Obligations for contributions recognized as an expense	306	243
In total	37.632	19.391

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

Regular Meeting of shareholders of ALFA-PLAM AD Vranje held on 29.05.2014.godine and then the decision on profit distribution for 2013 as follows: payment of a dividend to shareholders made 20.06.2014.godine gross amount of £ 157,332,000.00 and employee participation in profits 27.06.2014.godine payment was made in the amount of rSD 20,017,305.00.

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 30.09.2014 . , as well as income and expenses from related parties in 2014 is as follows :

RSD (000)						
Name of company	Activity	Role of society in our company	Obligations	Claims	Revenues	Expenses
			30.09.2014.in our company		01.01.2014.-30.09.2014. with our company	
AMASIS DOO-BEOGRAD	5510- Hotels and similar accommodation	Parent company	705			3.736
PIONIR-BEOGRAD	1082 - Manufacture of cocoa, chocolate and sugar confectionery product	related party	3.543	422.725	1.159	148
HOTEL IZVOR DOO - ARANĐELOV AC	5510- Hotels and similar accommodation	related party	6.996			8.586
ALCO GROUP DOO - BEOGRAD	6820 -Rent their own or leased real estate and management	related party	3.434			2.861
FOREST ALFA PLAM DOO-BEOGRAD	1629 - Manufacture of other products of wood, cork, straw and plaiting materials	related party	96.804		19	2.361
PIONIR DOO-PARAĆIN	1072 - Manufacture of rusksbiscuits	related party		1	2.899	
ALKON GROUP DOO-VRANJE	4120-Construction of residential and non-residential buildings	related party	10.417			342
JUGOTEHNA DOO-BEOGRAD	4619 - Agents involved in the sale miscellaneous products	related party	7			4.841
SLOBOCA DOO -ŠABAC	5510 - Hotels	Related party	1.814			1.718

1.11.24. Off- balance sheet

	30.09.2014.	31.12.2013.
	RSD (000)	RSD (000)
Received letters of credit	12.231	21.992
Received guarantees and mortgages	668.707	652.043
Given guarantees and sureties	126.851	124.642
In total	807.789	798.677

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:

	30.09.2014.	31.12.2013.
EUR	118,8509	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.

BUSINESS REPORT

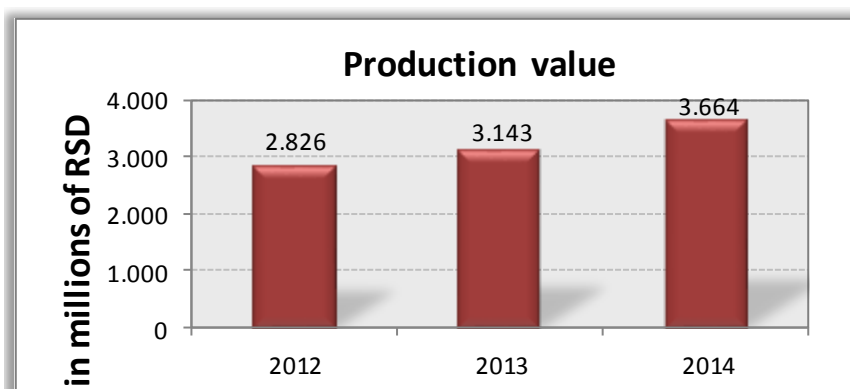


2. ALFA-PLAM BUSINESS REPORT FOR THE PERIOD JANUARY - SEPTEMBER 2014.

2.1. PRODUCTION ACHIEVED

Total production value achieved in the period January - September 2014. is 3.664.003.389,00RSD and it is increased by 16,6% compared to the same period from the previous year, and decreased by 2,8% compared to the plan.

Description	Achieved in 2013	Operative plan for 2014	Achieved in 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
A.D. "Alfa-plam"	3.142.596.558,00	3.771.132.424,00	3.664.003.389,00	116,6%	97,2%



The results achieved in the production process, expressed in working hours, are 479.603 working hours and they show an increase of 16% compared to the same period from the previous year. Also, it should be taken into consideration that the total number of working days for the period observed in 2014. is 5 days longer compared to the same period from the previous year.

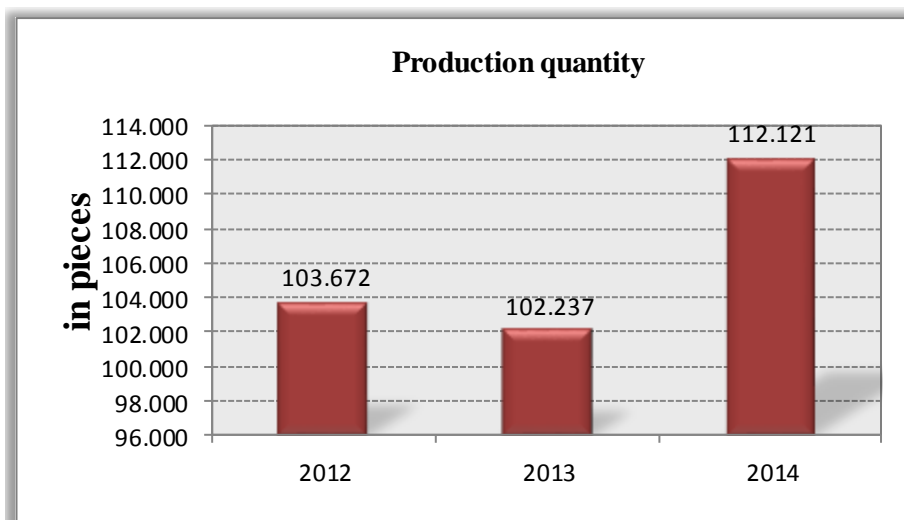
The results observed at the corporate level of A.D. "ALFA-PLAM" are following:

DESCRIPTION	ACHIEVED IN 2013	ACHIEVED IN 2014	Index 3/2
Production achieved (in working hours - old norms)	494.467	557.748	112,8
Production achieved (in working hours - new norms)	413.384	479.603	116,0
Number of production workers	377	402	106,6
Number of working days	168	173	103,0
Daily effect per one production worker (old norms)	7,81	8,02	102,7
Daily effect per one production worker (new norms)	6,53	6,90	105,7
Planned effect per one production worker (old norms)	8,39	8,17	97,4
Planned effect per one production worker (new norms)	7,10	7,05	99,3

The presented data above shows that the achieved daily effect per one production worker is 6,90 working hours at the corporate level level which shows an increasment of 5,7% compared to the same period from the previous year.

Structure and assortment by groups of heating devices

Group of heating devices	Achieved in 2013	Operative plan for 2014	Achieved in 2014	Index 4/2	Index4/3
1	2	3	4	5	6
Solid fuel stoves	67.372	71.348	70.641	104,9%	99,00%
Electrical stoves	17.017	14.629	14.386	84,5%	98,3%
Combined stoves	4.780	5.350	5.350	111,9%	100,0%
Solid fuel furnances	12.067	21.870	20.744	171,9%	94,9%
Gas furnances	1.001	1.000	1.000	99,9%	100,00%
Other devices	5.052	440	8.177	161,9%	1858,4%
Heating devices in total	102.237	114.197	112.121	109,7%	98,20%

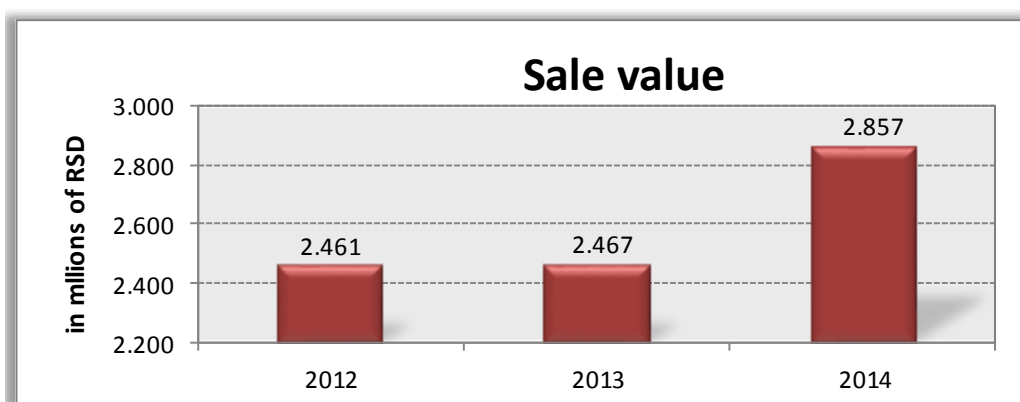


Total production quantity of heating devices for the period January - September 2014. is 112.121 pieces and it is increased by 9,7% compared to the same period from the previous year, and decreased by 1,8% compared to the plan.

2.2. SALE ACHIEVED

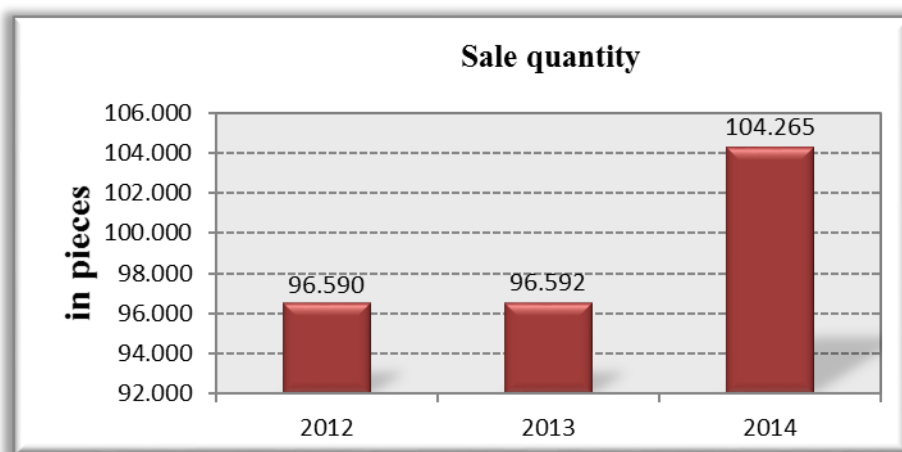
Total sale value planned for the period January - September 2014 is 3.126.563.261,00RSD, achieved netto sale value for the same period is 2.856.756.306,98RSD and it is increased by 15,8% compared to the same period from the previous year and decreased by 8,6% compared to the plan.

Description	Achieved in 2013 (netto value)	Operative plan for 2014	Achieved in 2014 (netto value)	Index 4/2	Index 4/3
1	2	3	4	5	6
A.D. "Alfa-plam"	2.467.388.735,05	3.126.563.261,00	2.856.756.306,98	115,8%	91,4%



Sale quantity:

Group of heating devices	Achieved in 2013	Operative plan for 2014	Achieved in 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	62.553	67.788	67.868	108,5%	100,1%
Electrical stoves	15.240	14.500	13.804	90,6%	95,2%
Combined stoves	4.796	4.400	5.269	109,9%	119,8%
Solid fuel furnances	12.941	16.348	16.250	125,6%	99,40%
Gas furnances	1.062	838	1.074	101,1%	128,2%
Other devices	5.937	2.700	7.597	128,0%	281,4%
Heating devices in total	96.592	103.874	104.265	107,9%	100,4%



Total sale quantity of heating devices in the period January - September 2014. is 104.265 pieces, which is 7,9% more compared to the same period from the previous year, and 0,4% compared to the plan.

Total sale quantity of heating devices at the foreign market places is 63.414 pieces, which is 9,86% more than in 2013. Total netto export value (heating devices + other devices) is 16.575.715,08EUR, which is 13,77% more than in 2013.

Total sale quantity at domestic market place is 40.851 pieces, which is 5,1% more compared to the previous year.

2.3. OPERATING RESULT

From the income statement shows that total operating revenues for the period 01.01.2014. - 30.09.2014.god. amounts 3.524.595 thousands, consists of operating income in the amount of 3.369.666 thousand, financial income in the amount of 129.462 thousand and other income in the amount of 25.467 thousand (Table 1)

Table 1: Structure of revenues (in 000 din.)

No	Name	Amount	% of total income
1.	Operating income	3.369.666	95,60
2.	Financial Income	129.462	3,67
3.	Other Income	25.467	0,72
	Total revenue	3.524.595	100

From Table 1 we can see that the largest share of total income consists of income from even operating income with 95,60 %, then financial income 3,67% and with the end of the other income to 0,72%.

For business income, the highest share of revenues from sales of products and services in foreign market in the amount of 1.965.186 thousand, respectively 58,32% of operating income, a 55,76% of total revenue and the same increase in 16,29 % 3 compared to 2013. Revenue from sale of products in the domestic market in the amount of 1.112.117 thousand are 33,00% of operating income or 31,55% of total income for the same recorded increase 18,80 % compared in 2013.

Total operating expenses for the period 01.01. - 30.09.2014.godine amounted to 2.957.695 thousand and consist of business expenditure of 2.883.856 thousand, financial expenses of 8.618 thousand and other expenses in the amount of 65.221 thousand. (Table 2)

Table 2 Structure of expenditure (in 000 din.)

No	Name	Amount	% of the total expenditure
1.	Operating Expenses	2.883.856	97,50
2.	Financial Expenses	8.618	0,29
3.	Other Expenses	65.221	2,21
	Total Expenditures	2.957.695	100

From Table 2 shows that the largest share of the total expenses include operating expenses with 97,50% and make them material cost of 1.954.684 thousand which is 67,78% of operating expenses or 66,09% of total expenditures and are the same for increase 19,37% of compared to in 2013, and intangible expenses in the amount of 929.172 thousand which is 32,22% of operating expenses, and 31,42% of total expenditure and the same recorded growth of 3,53% compared to the of 2013.

Table 3. gains and losses and results of operations (in 000 din.)

No	Elements	Business income-expense	Financial income-expense	Other income-expenditure	Total
1.	Revenue	3.369.666	129.462	25.467	3.524.595
2.	Losses	2.883.856	8.618	65.221	2.957.695
3.	Gross profit / loss	485.810	120.844	-39.754	566.900
4.	Net profit / loss	485.810	120.844	-39.754	566.900

From the data in Table 3 show that the company from 01.01. - 30.09.2014.god. positive operated and achieved Profit from 566.900 thousand.

Table 4: Actual revenues and expenditures along with 2014. (in 000 din.)

No	Elements	Results 30.09.2013.	Results 30.09.2014.	% increase / decrease
1.	Operating income	2.828.100	3.369.666	119,15%
2.	Operating expenses	2.534.928	2.883.856	113,76%
5.	Total income	2.971.507	3.524.595	118,61%
6.	Total expenses	2.652.854	2.957.695	111,49%
9.	Net income	318.653	566.900	177,91%

The data in Table 4 indicate that total revenues increase compared to last year 18,61% while total expenditures compared to the same period last year 11,49%

All the above-mentioned indicators resulted in an increase of the total profits earned by 77,91 compared to the same period last year.

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

Company defined objectives in the field of risk management and established an Integrated Risk Management System. IRMS is a system, orderly, unified, continuous and on-going process of identification, assessment, defining and monitoring of the implementation of the risk management measures.

The objective of the Company in the field of risk management is to provide additional guarantees for the achievement of the strategic objectives of the Company through timely identification risk prevention, definition of effective measures and the provision of maximum effectiveness of risk management.

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 ocontractual 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 of persons, systems or external events, including the risk of changes to the legal framework.
5. **Risk reporting** – refers to availability of information about the Company. All information about the Company can be found on the official website www.alfaplam.rs, as well as on the Belgrade Stock Exchange where the Company regularly submits reports of business.
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 country.
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.

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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.

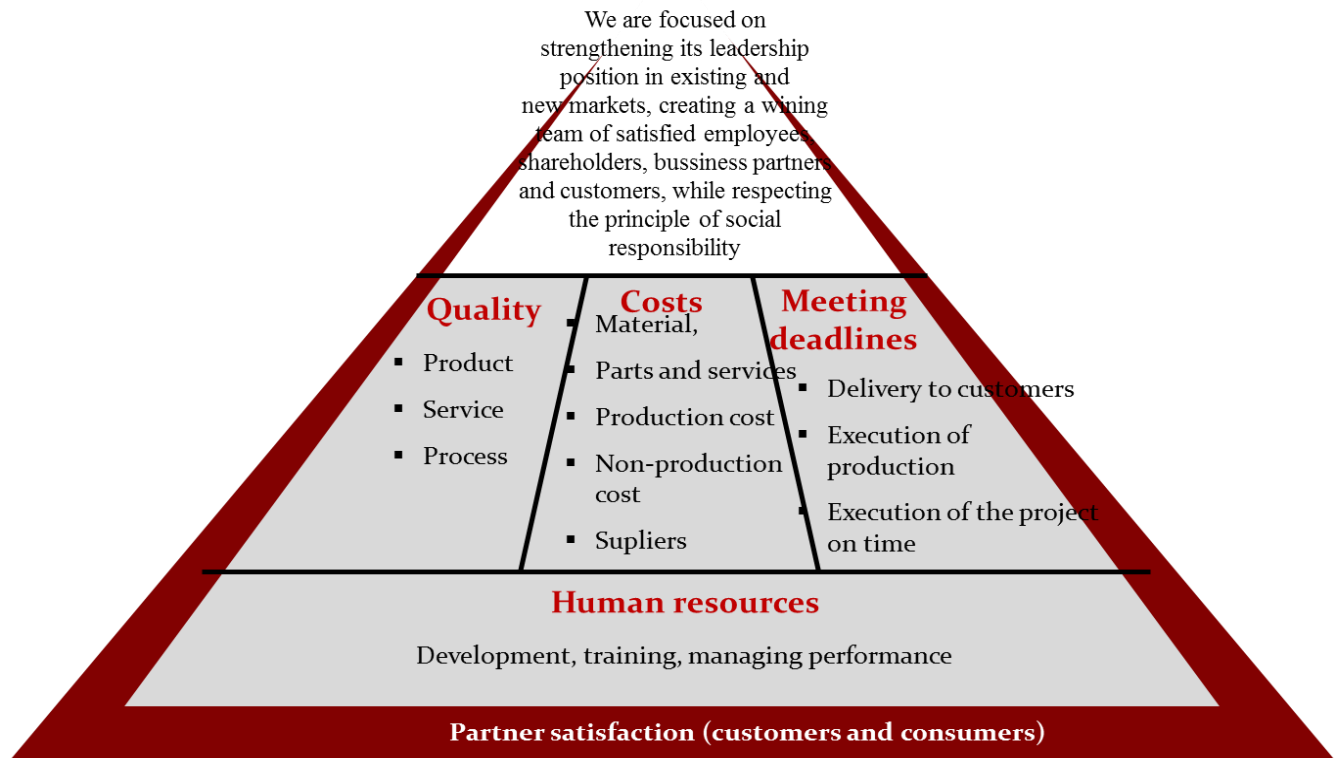
10. **Other risks:**

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).

2.5. 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.

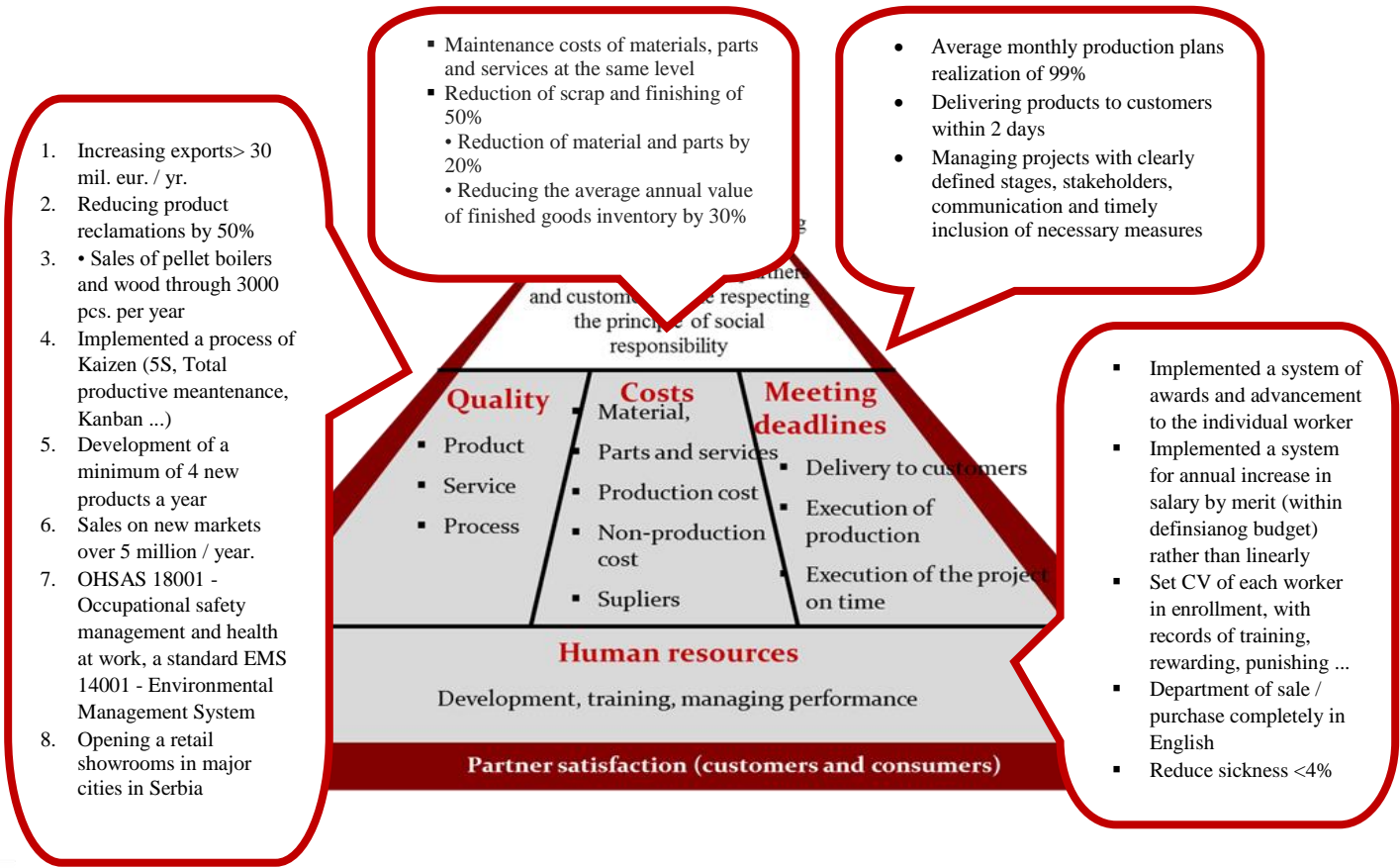
Competence staff and possession of specific knowledge of modern technology and improved manufacturing processes make it possible to sell products that have a distinctive quality.

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.

We are ready now for everything that will happen tomorrow!



AMELIA CE

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

NEW



LUCA CE

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

NEW



DINO CE

kW	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 ²
↕	90 - 120 m ²
↕	193 / 222 kg
%	92 %

NEW



DONNA 90 CE

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

NEW



DONNA 70 CE

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

NEW



ELITA 3 CE

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

NEW



GRANDE CE

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

NEW



GRANDE 5 CE

kW	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 ²
↕	152 - 204 m ²
↕	250 / 280 kg
%	91,94 %

NEW



2.6. INFORMATION ABOUT THE ACQUIRED OWN SHARES

At the date of this Report, the Company has a total of 17.480 shares, which as of 30.06.2014. 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.



2.7. INFORMATION ON significant transactions between related parties

The Company during the second 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

General information	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

General information	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

General information	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

General information	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

General information	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

Company SLOBODA DOO, ŠABAC

General information	Legal form	Limited liability company
	Identification number	6494293
	PIB	10082060
	Adress	Trg šabačkih žrtava bb, Šabac
	Activity code	5510 - hotels

2.8. 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		3.736
PIONIR - BEOGRAD	Related party	1.159	148
HOTEL IZVOR DOO - ARANĐELOVAC	Related party		8.586
ALCO GROUP DOO - BEOGRAD	Related party		2.861
FOREST ALFA PLAM DOO - BEOGRAD	Related party	19	2.361
PIONIR DOO - PARAĆIN	Related party	2.899	
ALKON GROUP DOO - VRANJE	Related party		342
SLOBODA DOO - ŠABAC	Related party		1.718
JUGOTEHNA DOO - BEOGRAD	Related party		4.841
TOTAL		4.077	24.593

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		705
PIONIR - BEOGRAD	Related party	422.725	3.543
HOTEL IZVOR DOO - ARANĐELOVAC	Related party		6.996
ALCO GROUP DOO - BEOGRAD	Related party		3.434
FOREST ALFA PLAM DOO - BEOGRAD	Related party		96.804
PIONIR DOO - PARAĆIN	Related party	1	
ALKON GROUP DOO - VRANJE	Related party		10.417
SLOBODA DOO - ŠABAC	Related party		1.814
JUGOTEHNA DOO - BEOGRAD	Related party		7
TOTAL		422.726	123.720

STATEMENT OF PERSONS RESPONSIBLE FOR THE PREPARATION OF THE REPORT





Statement

According to the my cognition, the Quarterly Report for the second quarter of 2014. year of Metal Industry ALFA - PLAM AD Vranje, is composed with the application of appropriate IFRS and provides accurate and objective data about assets, liabilities, financial position and operations, revenues and expenses, cash flows and changes in equity of the company.

Vranje, 15.11.2014.

ALFA-PLAM AD

Managing Director
Goran Kostić, dipl.ecc

Executive Director
Branislav Popovic



Declaration

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

Vranje, 15.11.2014.

ALFA-PLAM AD

Managing Director
Goran Kostić, dipl.ecc

Executive Director
Branislav Popovic



ALFA PLAM