



***QUARTERLY REPORT
FOR SECOND
QUARTER OF 2014***

***FINANCIAL STATEMENT
ALFA-PLAM AD FOR
THE SECOND QUARTER OF 2014***



ALFA PLAM

1.1. BALANCE SHEET on 30.06.2014.

in thousand RSD

POSITION	ADP	AMOUNT	
		30.06.2014. Current year	31.12.2013. Previous year
ASSETS :	001	1.982.636	1.905.696
A. NON-CURRENT ASSETS (002+003+004+007)			
I. UNPAID SUBSCRIBED CAPITAL	002		
II. GOODWILL	003		
III. INTANGIBLE ASSETS	004	15.280	4.232
IV. PROPERTY, PLANTS, EQUIPMENT AND BIOLOGICAL AGENCIES (006+007+008)	005	1.851.305	1.785.439
1. Property, plants and equipment	006	1.791.004	1.784.422
2. Investment property	007	60.301	1.017
3. Biological assets	008		
V. LONG-TERM FINANCIAL INVESTMENTS (010+011)	009	116.051	116.025
1. Stakes in capital	010	115.828	115.660
2. Other long-term financial investments	011	223	365
B. CURRENT ASSETS (013+014+015)	012	4.414.884	4.248.360
I. INVENTORIES	013	1.897.907	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	2.516.977	2.804.078
1. Receivables	016	776.137	696.022
2. Receivables for prepaid income tax	017		
3. Short-term financial investments	018	1.675.061	2.039.931
4. Cash and cash equivalents	019	29.083	25.285
5. VAT and deferrals	020	36.696	42.840
V. DEFERRED TAX ASSETS	021	27.890	27.890
G. OPERATING ASSETS (001+012+021)	022	6.425.410	6.181.946
D. LOSS OVER CAPITAL	023		
TOTAL ASSETS (022+023)	024	6.425.410	6.181.946
E. OFF-BALANCE ASSETS	025	724.338	798.677

BALANCE SHEET on 30.06.2014.

POSITION	ADP	in thousand RSD	
		AMOUNT	
		30.06.2014. Current year	31.12.2013. Previous year
LIABILITIES :	101	5.401.854	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	3.602.679	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	1.023.556	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	934.350	699.210
1. Short-term financial liabilities	117	932	132.925
2. Liabilities from assets held for sale and assets from discontinued operations	118		0
3. Operating liabilities	119	822.542	489.956
4. Other short-term liabilities	120	58.013	56.938
5. VAT and other public duties and accruals	121	52.863	19.391
6. Income tax liabilities	122		0
V. DEFERRED TAX LIABILITIES	123		0
G. TOTAL LIABILITIES	124	6.425.410	6.181.946
D. OFF-BALANCE LIABILITIES	125	724.338	798.677

1.2. INCOME STATEMENT

For period 01.01.-30.06.2014.

in thousand RSD

POSITION	ADP	AMOUNT			
		Current period		Previous period	
		quarter	cumulative	quarter	cumulative
I. REVENUES AND EXPENSES FROM REGULAR OPERATIONS (202 + 203 + 204 - 205 + 206)	201	1.116.504	2.007.310	1.014.698	1,815,969
1. Sales revenue	202	1.155.227	1.731.038	1.113.184	1,571,523
2. Revenues from activation of goods and effects	203		18		
3. Increase in value of effects on stock	204		275.802		244,400
4. Decrease in value of effects on stock	205	39.126		98.486	
5. Other operating revenue	206	403	452		46
II. OPERATING EXPENSES (208 do 212)	207	948.647	1.850.605	893.508	1,693,593
1. Cost of goods sold	208	2.949	4.940	3.250	3,852
2. Material cost	209	639.606	1.259.291	595.832	1,122,546
3. Salaries, salary compensations and other personal expenses	210	182.718	355.377	177.357	347,112
4. Depreciation and provisions	211	38.180	76.360	42.066	84,107
5. Other operating expenses	212	85.194	154.637	75.003	135,976
III. OPERATING PROFIT (201 - 207)	213	167.857	156.705	121.190	122,376
IV. OPERATING LOSS (207 - 201)	214				
V. FINANCIAL INCOME	215	19.988	61.762	60.259	103,384
VI. FINANCIAL EXPENSES	216	673	4.292	13.202	52,603
VII. OTHER REVENUE	217	1.506	4.251	672	1,515
VIII. OTHER EXPENSES	218	23.232	26.027	19.831	22,575
IX. PROFIT FROM REGULAR OPERATIONS BEFORE TAXATION (213-214+215-216+217-218)	219	165.446	192.399	149.088	152,097
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	165.446	192.399	149.088	152,097
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.-30.06.2014.

in thousand RSD

POSITION	ADP	AMOUNT			
		Current period		Previous period	
		quarter	cumulative	quarter	cumulative
D. NET PROFIT (223-224-225-226+227-228)	229	165.446	192.399	149.088	152,097
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	1	1	1	1
2. Deiluted earnings per share	234				

Column 3 in 1st quarter 01.01 31.03 .; 2nd Quarter 01.04 30.06 .; Q3 01.07.-30.09.
Column 4 in first quarter 01.01 31.03 .; 2nd Quarter 01.01 30.06 .; Q3 01.01.-30.09.

1.3. CASH FLOW FOR PERIOD 01.01. – 30.06.2014.

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	2.802.756	2,274,372
1. Cash receipts from customers and advance payments	302	2.802.756	2,274,326
2. Interest received from operating activities	303		
3. Other inflows from regular operations	304		46
II. Cash outflows from operating activities (1 to 5)	305	2.721.827	2,230,105
1. Cash paid to suppliers and advances paid	306	2.207.662	1,724,547
2. Salaries, salary compensations and other personal earnings	307	355.377	347,112
3. Interest paid	308	2.343	6,641
4. Income taxes paid	309		
5. Other public expenses paid	310	156.445	151,805
III. Net cash inflows from operating activities (I-II)	311	80.929	44,267
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	159.880	165,363
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	121.538	111,566
4. Interest received from investment activities	317	38.342	53,797
5. Dividends received	318		
II.Cash outflows from investment activities (1 to 3)	319	81.954	35.999
1. Acquisition of shares and stakes (net outflows)	320	168	
2. Acquisition of intangible assets, property, plants, equipment and biological assets	321	81.786	35.999
3. Other financial placements (net outflows)	322		
III. Net cash inflows from investment activities (I-II)	323	77.926	129.364
IV. Net cash outflows from investment activities (II-I)	324		

CASH FLOW FOR PERIOD 01.01. – 30.06.2014.

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	155.082	175,288
1. Purchase of own shares and stakes	330	6.725	3,540
2. Long-term and short-term credits and other liabilities (net outflows)	331		171,748
3. Financial leasing	332		
4. Dividends paid	333	148.357	
III. Net inflows from financing activities (I-II)	334		
IV. Net outflow from financing activities (II-I)	335	155.082	175,288
G. TOTAL CASH INFLOWS (301+313+325)	336	2.962.636	2,439,735
D. TOTAL CASH OUTFLOWS (305+319+329)	337	2.958.863	2,441,392
Đ. NET CASH INFLOW (336-337)	338	3773	
E. NET CASH OUTFLOW (337 – 336)	339		1,657
Ž. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	25.285	29,337
Z. FOREIGN CURRENCY TRANSLATION GAIN	341	25	35,542
I. FOREIGN CURRENCY TRANSLATION LOSS	342		
J. CASH AT THE END OF ACCOUNTNG PERIOD (338-339+340+341-342)	343	29.083	63,222

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:	017/421-552
Fax:	017/421-552
E-mail address:	firma@alfaplam.rs
Web:	www.alfaplam.rs
	160 -7007-07 Banca Intesa ad Beograd
	340-11008671-89 Erste Bank A.D.
Current account	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, Ul. Studentski trg 4/V, Beograd

Top ten shareholders

Shareholder - Business name / Name	Number of shares
AMASIS DOO	95351
ALFA PLAM AD	17480
EAST CAPITAL (LUX) – BALKAN FUND	12296
ERSTE BANK AD NOVI SAD – KASTODI RAČUN	11418
SM NET	6435
VOJVOĐANSKA BANKA AD NOVI SAD – KASTODI RAČUN	3366
ANĐELOVIĆ SRĐAN	1297
STOJANOVIĆ PREDRAG	1039
BREST DOO	894
OSTOJIĆ DRAGOMIR	800

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

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

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

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

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

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

1.6. COMPANY BACKGROUND

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 - PLAMA 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, carpenter, wheelwright and sheet metal workshop. Company produced pots, water buckets, pan and furnaces called "drummers," as well as products made according to clients' wishes.
- 1950. – „Metalac“ employes 58 people.

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- 1959. – Company „Metalac“ has launched a galvanizing plant . Plant employes four new workers, who put black sheet metal buckets in chemicals and then in zinc which was heated in large cauldron by oil.
 - 1960. – Comapny plans production and galvanization of 100.000 buckets.
 - 1962. – Metal Packging factory was built In the industrial district of Vranje and it changes its production program in consumer goods. Name of the factory is Technical devices Industry “Alfa – Vranje” and it employs 87 workers.
 - 1964. – “Alfa – Vranje” wins gas furnace production “Feniks 140”, and plans other consumer goods production (electric dryer, wash machine, furniture and locksmith). Factory employs 300 workers. “Feniks 15000”, gas furnace for floor heating, was exposed to Belgrade Techniques Fair.
 - 1965. – "Metalac" after 16 years of work in bad conditions, gets adequate space in an industrial area of Vranje, in addition to "Alpha". The company specializes in the execution of all trades and metal assembly works in construction.
 - 1967. – Established the business and technical cooperation between the " Alpha " and the French Fabricant Henry puller, which resulted in the production of furnace oil " Alfa Potez " in " Alfie ," and the Potezovoj license
 - 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. Thus, a large amount of time to bake one manufacturer of heaters in Yugoslavia , not once exported . The factory employs 520 workers .
 - 1971. – Factory " Alfa Vranje " acquired crane for loads up to 8 tons for unloading plates . Until then, this job workers . With a company specialized in the manufacture of stoves , gas, solid and liquid fuels " Efel " from Belgium signed an agreement on cooperation which envisages exporting 30,000 fireplaces - furnace oil to Belgium .
 - Developed a cooperation between " Metalca " which has 200 employees and produces stoves for solid and liquid fuels and " Alpha " 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 " Alpha" operating at a loss , and that the losses stemmed not only from the previous year, but in previous years . Bad business caused by the global energy crisis and rising raw material prices , the inability istovrenemu " Alpha " to reorient the program . Despite declining sales , starting in 1971. Was produced enormous quantities of products that are in stock. Reclamation program , provides a reference work on employee unpaid leave for a new systematization of 400 employees (200 less than the time employed) , as well as payment of minimum wages to the crisis .
 - 1977. – After several years of unfavorable business , " Alfa " ended the year with no losses .
 - 1978. – " Alfa " winning production of gas stoves .
 - 1980. - " Alfa " winning production of gas stoves . Industry unites technical equipment " Alfa " and OOUR to produce consumer goods " Metalplam " (from the band " Metalca ") , an organization working in Metal industry Vranje " MIV " Vranje . New work organization has 873 employees. Produced 230,000 heaters . Association of manufacturing plants in the firm "Alfa-Metalac"
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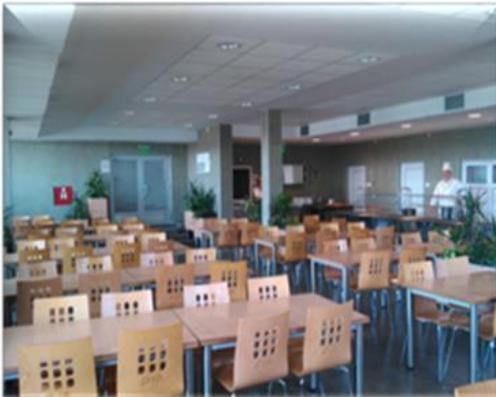
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- 1981. - Metal Industry Vranje became part SOUR " Gorenje " from Velenje (Slovenia).
 - 1984. - Contracted export 100,000 stoves using liquid fuel for Algeria .
 - 1989. - Change the name of "Alfa Plam" and a new company logo.
 - 1990. - Changed company name to " Alfa Plam ".
 - 1994. - Half of the production is sold in the exporting countries (Slovenia, Macedonia , Bulgaria and Albania) .
 - 1997. - Executed overhaul emajlirnice and installed modern equipment for baking enamels (manufactured by German company WGT) . Investments in the amount of DM 500,000 was realized from its own funds .
 - 1998. - The introduction of ISO 9001 quality system. Began manufacturing electric cooker with ceramic hob, a system of quality ISO 9001 and began the process of ownership transformation of social capital. The company has 1,100 employees .
 - 2000. - In the first round of a transformation of ownership , 1,544 employees, former employees and retirees of the company , became the owner of 70 % of " Alfa Plam " and a right of priority in the purchase of the remaining 30 % stake . The company is registered as a corporation is .
 - 2001. - Put in operation a computer highly productive line for coating metal parts . Investment worth 800,000 DEM . According to the balance sheet for 2000. . paid the first dividend .
 - 2002.- huge technological step forward in Emajlirnici first replaced the entire equipment , introduced new technology enamelling process drifts 2 - 1 baking and the whole process automated (for the first time in Serbia) .Commissioning of the latest line of enamelling. Shares "Alfa-Plam" listed on the BSE.
 - 2003 - Total production 164,000 heaters. Started serial production of the new stoves for central heating, solid fuel "Alfa Term 20". In Vranje, opened the first showroom where the entire product range of manufacturers was exhibited.
 - 2005. - replacement equipment in enameling sector II. An investment in value of EUR 1,500,000, realized from its own funds.
 - 2006. - Purchased laser machine for perforation and punching of sheet metal, made tools for new stoves and ovens, and completed Phase II of construction work at the sector I, Investments from its own funds in the amount of about 1,500,000 EUR.
 - 2007. - The value of one share on the stock market reached the maximum amount of 527.77 EUR (at the middle rate). Conquered the production of pellet stoves by the Italian technology for known foreign buyer. The company has 960 employees.
 - 2008 - Introduced new technology with full equipment for wet paint in Plant 2, a new line of cutting sheet metal and purchased installed presses. Total investment from its own resources is around 1,200,000 EUR. Made in marketing project management function to further improvement of market position of the company. Company adopted a new logo and slogan: "Alfa-Plam" - Safety and Warmth!
 - 2009. - acquired robotic welding machines, lines for longitudinal and transverse cutting sheets, 2 machines for bending, hydraulic presses and other valued at approximately 500,000 EUR. The company has 880 employees.
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- 2010. - Acquired laser machine for cutting and punching sheet metal. Started serial production of solid fuel stoves for central heating "Alfa Term 27". The company buys in Vranje, in close proximity to their seats, 12,500 m² constructed production and warehouse space and approximately 13,000 m² of land. Dividend payment to shareholders for the year, which is the tenth consecutive year.



- 2011. – Purchased eccentric presses and line for electrostatic email application, equipment for waste water treatment, gas analyzer.

- 2012. - Reconstruction of administration building, new steel plate grinding machinery, new enamel application machinery, making the foundation for the vehicular scales and weighbridges, change in top management, the total department reorganisation, the new department has been formed – marketing department, staff recruitment, acquisition of own shares.



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

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

1.7. MANAGEMENT STRUCTURE

Managing body of the company is the Board of director.

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

Zoran Čičak	the chairman, non-executive director
Goran Kostić	managing director, executive director
Branislav Popović	executive director
Miroljub Aleksić	non-executive director
Marija Subotić	non-executive director
Igor Markićević	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;
- 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 utvrditi .

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

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

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

Amortization of land is not performed.

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

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

1.9.11. Investment property

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

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

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

1.9.12. Amortization

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

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

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

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

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

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

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:

	2014.	2013.
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 30.06.2014., so it was not done impairment of assets.

1.9.14. Supply

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

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

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

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

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

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

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

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

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

1.9.15. Financial instruments

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

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

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

1.9.16. Short term receivables

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

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

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

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

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

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

1.9.17. Cash and cash equivalents

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

1.9.18. Provisions, potential liabilities and potential sources

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

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

1.9.19. Compensation of employees

1.9.19.1. Taxes and contributions for social insurance

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

1.9.19.2. Liabilities for retirement benefits and jubilee awards

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

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

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

1.9.20. Income taxes

1.9.20.1. Current income

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

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

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

1.9.20.2. Deferred tax

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

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

1.9.21. Earnings per share

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

1.9.22. Distribution of dividends

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

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

1.9.23. Disclosure of related party

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

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

1.9.24. Financial risk management

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

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

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

Risk management is defined by the accounting policies.

1.9.25. Credit risk

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

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

1.9.26. Market risk

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

1.9.26.1. Risk of changes in foreign currency exchange rates

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

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

1.9.26.2. Risk of changes in interest rates

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

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

1.9.26.3. The risk of price changes

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

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

1.9.27. Liquidity risk

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

1.10. INCOME STATEMENT

1.10.1. Revenues from sales

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Domestic market		
Revenues from sales of products other persons	648.466	552.447
Revenues from sales of goods other persons	5.042	2.190
Total	653.508	554.637
Foreign market		
Revenues from sales	1.076.118	1.014.861
Revenues from sales of goods	1.412	2.025
In total	1.077.530	1.016.886
Total all	1.731.038	1.571.523

1.10.2. Increase/(decrease) in value of inventories

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <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 30.06.2014.	67.463	70.473
Final products on 30.06.2014.	834.197	769.169
In total	275.802	244.400

1.10.3. Other operating income

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Income from rent	452	46
In total	452	46

1.10.4. Cost of goods sold

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Cost of goods sold	4.940	3.852
In total	4.940	3.852

1.10.5. Cost of materials

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Cost of materials for making	1.192.938	1.058.778
Other materials (overhead)	20.332	18.512
Fuel and energy	46.021	45.256
In total	1.259.291	1.122.546

1.10.6. Wages, salaries and other personnel expenses

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Cost of net earnings	283.760	281.537
Cost of net benefits	51.375	51.148
Compensation expense for service contract	3	42
Compensation expense under the contract of temporary jobs	7.867	/
Compensation expenses to members of management and supervisory board	2.323	2.123
Other personal expenses and fees	10.049	12.262
In total	355.377	347.112

1.10.7. Depreciation and provision expense

	30.06.2014. <i>RSD (000)</i>	30.06.2013. <i>RSD (000)</i>
Amortization of intangibles	167	/
Amortization of buildings	17.454	17.622
Amortization of plant and equipment	58.349	66.468
Amortization of investment property	390	17
In total	76.360	84.107

1.10.8. Other operating expenses

	30.06.2014.	30.06.2013.
	RSD (000)	RSD (000)
<i>Cost of production services</i>		
Costs to develop performance		
Transport costs	36.437	35.178
Maintenance costs	6.476	7.550
Rental costs	6.558	6.668
Fair costs	2.081	3.152
Marketing and advertising	3.651	1.734
Other services	23.181	16.797
Only	78.384	71.079
<i>Intangible costs</i>		
Non-production services	39.981	30.913
Entertainment expenses	4.340	3.639
Insurance premiums	7.130	9.442
Payment transactions	8.532	4.168
Membership fees	1.668	1.601
Tax costs	5.052	7.561
Costs of contributions	382	17
Other intangible costs	9.168	7.556
Only	76.253	64.897
In total	154.637	135.976

1.10.9. Financial income and expenses

	30.06.2014.	30.06.2013.
	RSD (000)	RSD (000)
<i>Financial income</i>		
Interest income-related parties		/
Interest income	38.341	51.246
Interest income on other grounds	/	2.551
Foreign exchange gains	23.188	44.067
Income from foreign currency clause	40	5.221
Other financial income	193	299
In total	61.762	103.384
<i>Financial expenses</i>		
Interest expense-related parties	/	/
Interest expense	489	5.178
Foreign exchange differences	2.523	41.853
Losses from foreign currency clause	1.259	5.562
Other financial expenses	21	10
In total	4.292	52.603

1.10.10. Other income and expenses

	30.06.2014.	30.06.2013.
	RSD (000)	RSD (000)
<i>Other income</i>		
Surpluses materials	3	/
Recovery of bad debts	1.560	705
Income from subsequently received rebates	/	362
Income from grants received funds	2.600	/
Income received from shares	/	422
Other incomes	88	26
In total	4.251	1.515
<i>Other expenses</i>		
Losses on sale of equipment	/	35
Shortage	2	/
Expenses of litigation	2.155	56
Penalties for violations	166	
Losses from previous years	20.374	317
Expenditures for humanitarian,cultural,sports and other purposes	3.254	4.179
Other expenses	76	/
Losses from loan	/	17.988
In total	26.027	22.575

1.11. BALANCE SHEET

1.11.1. Intangible assets

on 30.06.2014.

Description	Purchase value	Allowance for impairment	Present value
Intangible investments			
Concessions, patents and licenses (KNOW-HOW)	8.661		8.661
Intangible investments-drivers for computer	7.121	502	6.619
Total	15.782	502	15.280

1.11.2. Property, plant and equipment and biological assets

on 30.06.2014.

Description	Purchase value	Allowance for impairment	Present value
Land	63.140	/	63.140
Buildings	1.494.250	475.342	1.018.908
Equipment	1.500.573	1.130.473	370.100
Investment property	61.030	729	60.301
Plant and equipment in progress	327.787	151.278	176.509
Advances in plant and equipment	287.475	125.128	162.347
Total	3.734.255	1.882.950	1.851.305

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:

	%	30.06.2014.	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)		115.264	115.096
Komercijalna banka (60) Dunav banka ad, Beograd		90	90
Robna kuća Nikšićanka		444	444
Regional agency for economic development		30	30
ŠKO AIK banka		2.225	2.225
ŠKO AIK banka-allowance for impairment		-2.225	-2.225
Univerzal banka (28.284)		16.970	16.970
Univerzal banka –allowance for impairment		-16.970	-16.970
In total		115.828	115.660

1.11.4. Other long-term investments

Other long-term investments include:

	30.06.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Other long-term investments	223	365
In total	223	365

1.11.5. Supplies

	30.06.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Material	707.841	729.047
Spare parts	38.456	35.762
Tools and fixtures	2.007	1.511
Work in progress	67.463	67.463
Finished products	834.197	558.397
Goods	23.730	23.680
Advances	224.213	28.422
In total	1.897.907	1.444.282

1.11.6. Receivables

	30.06.2014. RSD (000)	31.12.2013. RSD (000)
Receivables from the sale		
Domestic buyers-related parties	347	1.948
Domestic buyers	227.721	143.834
Foreign buyers	723.339	724.643
Less: Allowance for impairment	181.861	183.294
Only	769.546	687.131
Other receivables		
Interest receivables	4.336	8.423
Receivables from employees	240	468
Receivables for compensation earnings	2.015	/
Only	6.591	8.891
In total	776.137	696.022

1.11.7. Short-term investments

	Currency code	Interest rate	30.06.2014. RSD (000)	31.12.2013. RSD (000)
Shor-term consumer loans			987	1.180
Sindicate loans			1.280	1.587
Only			2.267	2.767
Short-terms loans to related parties				
Pionir doo, Beograd	EUR	3%+6 m EURIBOR	248.309	162.367
Pionir doo, Paraćin	EUR	3%+6 m EURIBOR -4%	38.253	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			287.087	237.524
Other short-term investments				
Societe Generale banka	EUR	3%	1.337.077	1.396.100
Erste banka	EUR	3,60%	/	240.748
Hypo-alpe-adria bank	EUR	3,70-4,10%	48.630	105.471
Eurobank EFG	EUR	2,50-5,00%	/	57.321
Only			1.385.707	1.799.640
In total			1.675.061	2.039.931

1.11.8. Cash and cash equivalents

	30.06.2014.	31.12.2013.
	RSD (000)	RSD (000)
<i>In RSD:</i>		
Current business account	28.240	4.415
Cash desk	40	40
Only	28.280	4.455
<i>In foreign currency:</i>		
Foreign currency account	797	20.779
Foreign box office	6	51
Only	803	20.830
In total	29.083	25.285

1.11.9. Value added tax and AVR

	30.06.2014.	31.12.2013.
	RSD (000)	RSD (000)
<i>Value added tax</i>		
<i>Value added tax invoices received in general rate</i>		
Claims for value added tax on other grounds	/	18.202
In advance value added tax	30.005	/
Only	30.005	18.202
<i>Accruals</i>		
Accrued liabilities	/	22.669
Other accruals	6.691	1.969
Only	6.691	24.638
In total	36.696	42.840

1.11.10. Deferred tax assets

	30.06.2014.	31.12.2013.
	RSD (000)	RSD (000)
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	30.06.2014.	31.12.2013.
	RSD (000)	RSD (000)
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

	30.06.2014.	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

	30.06.2014.	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

	30.06.2014.	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:

	30.06.2014.	31.12.2013.
	<i>RSD (000)</i>	<i>RSD (000)</i>
Retained earning from previous years	3.410.280	3.195.413
Retained earing for the financial year	192.399	392.217
In total	3.602.679	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.

	30.06.2014.	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:

	30.06.2014.	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

	30.06.2014. <i>RSD (000)</i>	31.12.2013. <i>RSD (000)</i>
Other short - term financial liabilities	932	132.925
In total	932	132.925

1.11.19. Operating liabilities

	30.06.2014. <i>RSD (000)</i>	31.12.2013. <i>RSD (000)</i>
<i>Operating liabilities</i>		
Advances and deposit	207.928	6.382
Supplies – parent company	176	1.591
Suppliers- other related parties	17.183	19.610
Suppliers in the country	483.022	327.036
Foreign suppliers	114.233	135.337
In total	822.542	489.956

1.11.20. Other current liabilities

	30.06.2014. <i>RSD (000)</i>	31.12.2013. <i>RSD (000)</i>
Liabilities for salaries and salary compensations		
Net salaries and salary compensations	28.655	32.990
Liabilities for taxes on wages and salaries paid by the employee	/	3.880
Contributions on salaries and benefits paid by the employee	21.823	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	50.478	54.856
<i>Other liabilities</i>		
Interest accrued and finance costs	11	/
Liabilities for dividends	1.682	1.682
Obligations for share in the profit	7	6
Liabilities to members of management and supervisory board	377	375
Other liabilities	5.458	19
Only	7.535	2.082
In total	58.013	56.938

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

	30.06.2014. RSD (000)	31.12.2013. RSD (000)
<i>Other taxes, contributions and other charges</i>		
Liabilities for VAT and the difference of the input tax	18.407	/
Taxes, customs and other duties from purchase cost or charged	34.208	19.148
Obligations for contributions recognized as an expense	248	243
In total	52.863	19.391

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

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 .

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.

1.11.23. Transactions with related parties

Displays the status and obligations of receivables from related parties as at 30.06.2014 . , 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
			30.06.2014.in our company		01.01.2014.-30.06.2014. with our company	
AMASIS DOO-BEOGRAD	5510- Hotels and similar accommodation	Parent company	349	/		3.152
PIONIR-BEOGRAD	1082 - Manufacture of cocoa, chocolate and sugar confectionery product	related party	3.136	248.655	308	81
HOTEL IZVOR DOO - ARANĐELOV AC	5510- Hotels and similar accommodation	related party	11.943	/	/	2.527
ALCO GROUP DOO - BEOGRAD	6820 -Rent their own or leased real estate and management	related party	/	/	/	/
FOREST ALFA PLAM DOO-BEOGRAD	1629 - Manufacture of other products of wood, cork, straw and plaiting materials	related party	/	108.819	19	3.747
PIONIR DOO-PARAĆIN	1072 - Manufacture of rusksbiscuits	related party	/	41.658	20	/
ALKON GROUP DOO-VRANJE	4120-Construction of residential and non-residential buildings	related party	1.150	1.555	/	181
JUGOTEHNA DOO-BEOGRAD	4619 - Agents involved in the sale miscellaneous products	related party	23	/	/	3.182

1.11.24. Off- balance sheet

	30.06.2014.	31.12.2013.
	RSD (000)	RSD (000)
Received letters of credit	/	21.992
Received guarantees and mortgages	600.553	652.043
Given guarantees and sureties	123.785	124.642
In total	724.338	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:

	30.06.2014.	31.12.2013.
EUR	115.7853	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
„ALFA-PLAM“ AD VRANJE
FOR JANUARY-JUNE 2014. YEAR

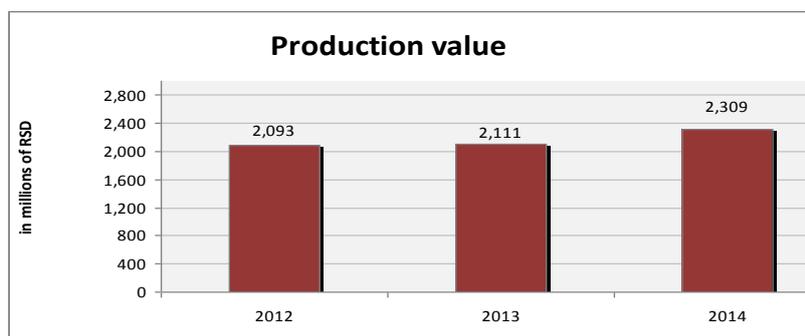


2. BUSINESS REPORT "ALFA-PLAM" AD VRANJE FOR JANUARY – JUNE 2014. YEAR

2.1. PRODUCTION ACHIEVED

Total production value achieved in the period January - June 2014. is 2.309.526.026,00 RSD, and it is increased by 9,4% compared to the same period from the previous year, and decreased by 3,7% compared to the plan.

Description	Achived I – III 2014	Operational plan I – III 2014	Achived in I – III 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
"Alfa-Plam"a.d.	2,111,440,358.00	2,398,020,331.00	2,309,526,026.00	109.4%	96.3%



The results achieved in the production process, expressed in working hours, are 306.866 working hours and they show an increasement of 5,9% 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 3 days shorter compared to the same period from the previous year.

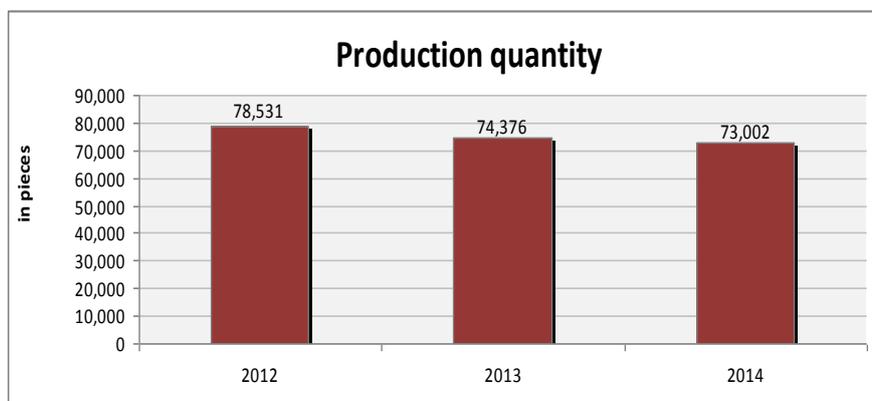
The results observed at the corporate level of A.D. "ALFA PLAM" are following:

DESCRIPTION	ACHIEVED IN 2013	ACHIEVED IN 2014	Index 3/2
1	2	3	4
Production achieved (in working hours-old norms)	345,885	356,973	103.2
Production achieved (in working hours-new norms)	289,732	306,866	105.9
Number of production workers	376	398	105.9
Number of working days	115	112	97.4
Daily effect per one production worker (old norms)	8.00	8.01	100.1
Daily effect per one production worker (new norms)	6.70	6.88	102.7
Planned effect per one production worker (old norms)	7.69	8.17	106.2
Planned effect per one production worker (new norms)	6.37	6.86	107.7

The presented data above shows that the achieved daily effect per one production worker is 6,88 working hours at the corporate level which shows an increasement of 2,7% 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	Achieved in 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	47,722	44,434	43,961	92.1%	98.9%
Electrical stoves	13,397	11,134	10,886	81.3%	97.8%
Combined stoves	3,380	3,550	3,550	105.0%	100.0%
Solid fuel furnances	8,876	14,356	13,605	153.3%	94.8%
Fuel oil furnances					
Gas furnances	1,001	1,000	1,000	99.9%	100.0%
Other devices	3,702	440	5,915	159.8%	1344.3%
Heating devices in total	74,376	74,474	73,002	98.2%	98.0%

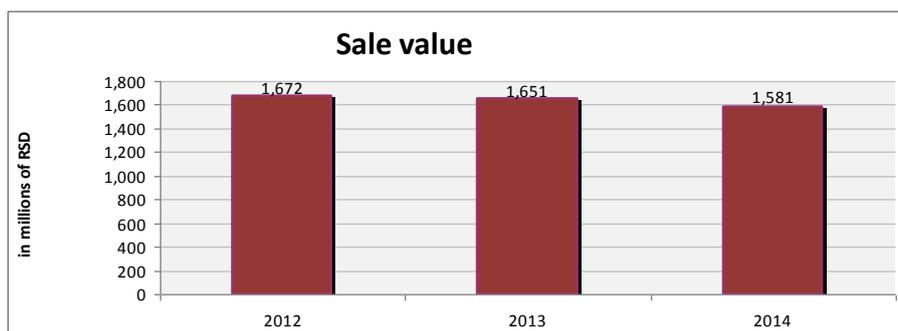


Total production quantity of heating devices for the period January - June 2014. is 73.002 pieces and it is decreased by 1,8% compared to the same period from the previous year and by 2,0% compared to the plan.

2.2. SALE ACHIEVED

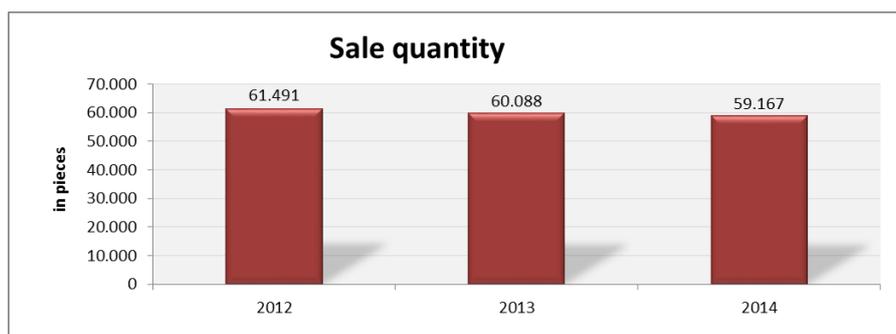
Total sale value planned for the period January - June 2014. is 1.910.519.209,00 RSD, achieved sale value for the same period is 1.581.493.492,19 RSD and it is decreased by 4,2% compared to the same period from the previous year and by 17,2% compared to the plan.

DESCRIPTION	Achieved in 2013	Operative plan	Achieved in 2104	Index 4/2	Index 4/3
1	2	3	4	5	6
AD "ALFA -PLAM"	1,650,617,497.00	1,910,519,209.00	1,581,493,492.19	95.8%	82.8%



Sale quantity:

Group of heating device	Achieved in 2013	Operative plan	Achieved in 2014	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	37.071	37.430	36.175	97,6%	96,6%
Electrical stoves	12.495	11.250	9.959	79,7%	88,5%
Combined stoves	3.790	3.200	3.707	97,8%	115,8%
Solid fuel furnances	6.028	10.623	8.582	142,4%	80,8%
Fuel oil furnances					
Gas furnances	704	598	744	105,7%	124,4%
Other devices	3.684	2.700	4.279	116,2%	158,5%
Hetanig devices in total	60.088	63.101	59.167	98,5%	93,8%



Total sale quantity of heating devices in the period January - June 2014. is 59.167 pieces, which is 1,5% less compared to the same period from the previous year, and 6,2% less than the plan.

Total sale quantity of heating devices at the foreign market places is 34.499 pieces, or 58,31% of total sale quantity, which is 1,00% more than 2013. Total export value (heating devices + other devices) is 9.157.950,75 EUR, which is 3,4% more compared to the same period from the previous year.

Total sale quantity at domestic market place is 24.668 pieces, or 41,69% of total sale quantity, which is 4,80% less compared to the previous year.

2.3. INVENTORY STATUS

AD "ALFA-PLAM"	30.06.2013.	30.06.2014.	%
Units of heating devices at stocks	42,148	40,496	96.1

2.4. OPERATING RESULT

From the income statement shows that total operating revenues for the period 01.01.2014. - 30.06.2014.god. Amounts 2.073.323 thousands CSD consists of operating income in the amount of 2.007.310 thousand, financial income in the amount of 61.762 thousand and other income in the amount of 4.251 thousand (Table 1)

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

No	Name	Amount	% of total income
1.	Operating income	2.007.310	96,82
2.	Financial Income	61.762	2,98
3.	Other Income	4.251	0,20
	Total revenue	2.073.323	100

From Table 1 we can see that the largest share in total income consists of operating income even with 96.82%, followed by financial income from 2.98% at the end of other income to 0.21%. For business income, the highest share of revenues from sales of products and services in foreign market in the amount of 1,076,118 thousand, or 53.61% of operating income and 51.90% of total revenue and the same record growth of 6.03% compared to 2013. Revenue from sale of goods and services in the domestic market in the amount of 648 466 thousand RSD are 32.31% of operating income, or 31.28% of total revenue and the same recorded growth of 17.38% compared to 2013.

Total operating expenses for the period 01.01. - 30.06.2014.godine amounted to 1,880,924 thousand and consist of business expenditure of 1,850,605 thousand, financial expenses of 4,292 thousand and other expenses in the amount of 26,027 thousand RSD. (Table 2)

Table 2 Structure of expenditure (in 000 din.)

No	Name	Amount	% of the total expenditure
1.	Operating Expenses	1.850.605	98,39
2.	Financial Expenses	4.292	0,23
3.	Other Expenses	26.027	1,38
4.	Deferred tax expense	0	0,00
	Total Expenditures	1.880.924	100

From Table 2 shows that the largest share of the total expenses include operating expenses with up to 98.39% and they include the cost of materials in the amount of 1,259,291 thousand dinars, which is 68.05% of the operating expenses, or 66.95% of the total expenditure and the same increased by 12.18% compared to 2013, and intangible expenses in the amount of 591 314 thousand dinars, which is 31.95% of operating expenses tj.31,44% total expenditure and the same recorded a growth of 3.55% compared to 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	2.007.310	61.762	4.251	2.073.323
2.	Losses	1.850.605	4.292	26.027	1.880.924
3.	Gross profit / loss	156.705	57.470	-21.776	192.399
4.	Net profit / loss	156.705	57.470	-21.776	192.399

From the data in Table 3 show that the company from 01.01. - 30.06.2014.god. positive operating and achieved Profit from 192.399 thousand.

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

No	Elements	Results 30.06.2013.	Results 30.06.2014.	% increase / decrease
1.	Operating income	1,815,969	2.007.310	10,54%
2.	Operating expenses	1,693,593	1.850.605	9,27%
3.	Financial income	103,384	61.762	-40,26%
4.	Financial expenses	52,603	4.292	-91,84%
5.	Other income	1,515	4.251	180,59%
6.	Other expenses	22,575	26.027	15,29%
7.	Total revenues	1,920,868	2.073.323	7,94%
8.	Total expenses	1,768,771	1.880.924	6,34%
9.	Net income	152,097	192.399	26,50%

The data in Table 4 indicate that total revenues larger compared to last year 7,94% while total expenditures compared to the same period last year 6,34%

Achieved by profyt of 192.399 thousand increased by 26,50% compared to the same period last year.

2.5. 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.

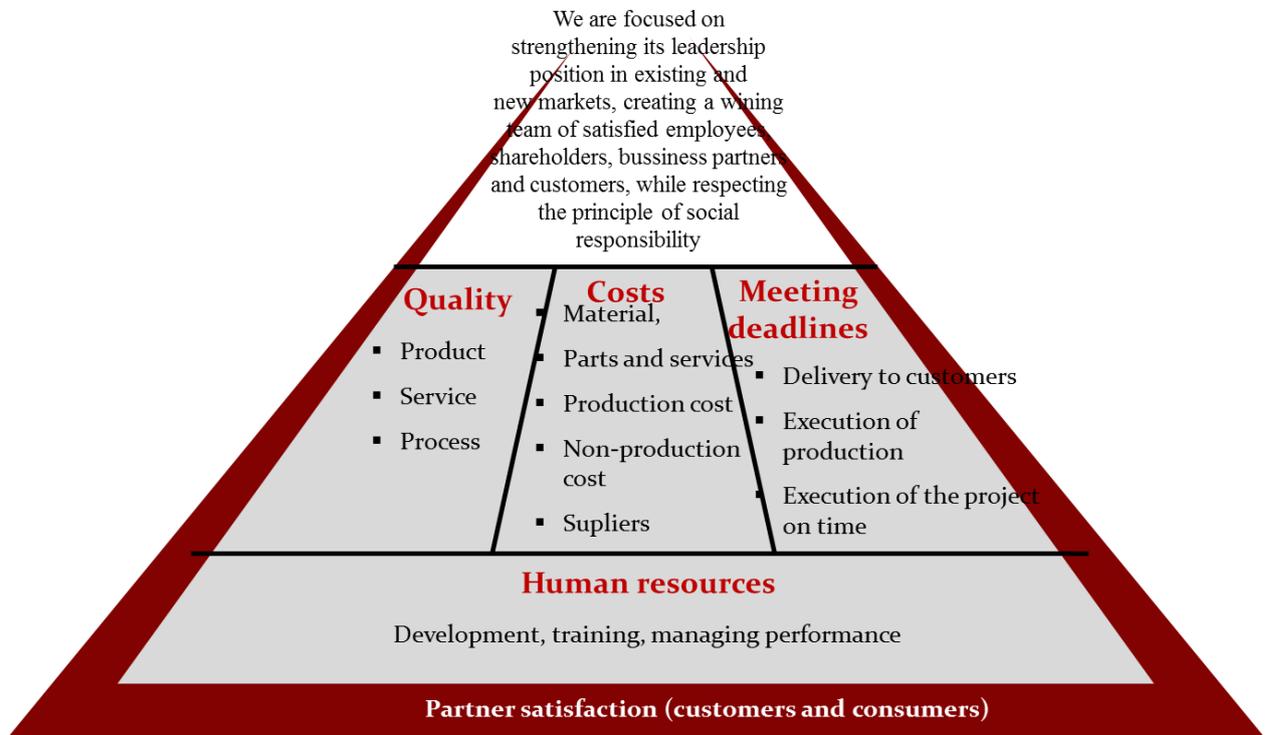
1. **Market risk** - is the risk of changes in market prices and terms of trade that brought reduction the value of certain financial assets and their packages (portfolios). Market risk includes currency risk, price risk and interest rate risk.
2. **Credit risk** - the risk of financial loss to the Company 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.
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).

2.6. 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.

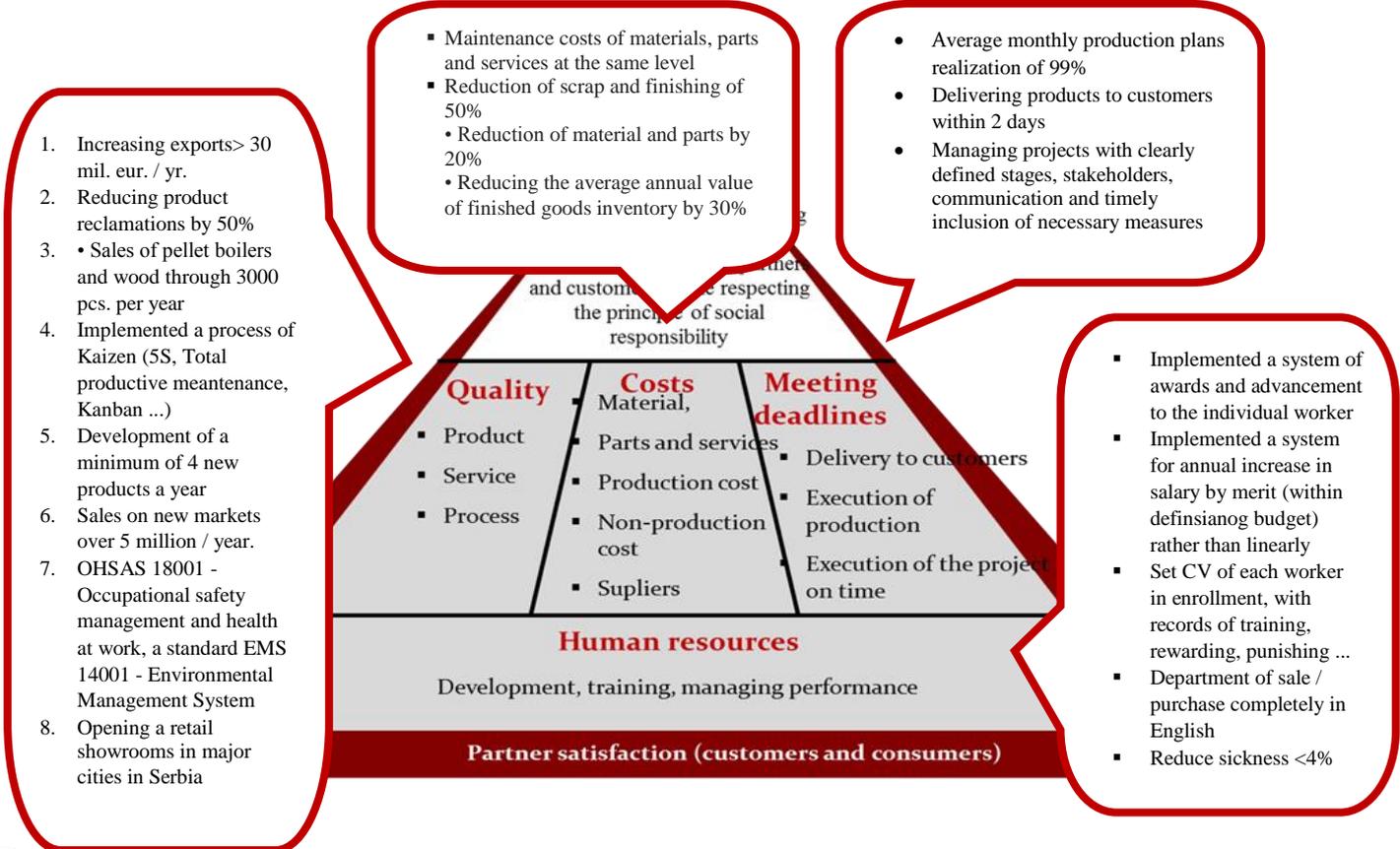
Competence staff and possession of specific knowledge of modern technology and improved manufacturing processes make it possible to sell products that have a distinctive quality.

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
Dimensions	515 x 488 x 949 mm
Ø	80 mm
min/max	0,6 / 1,7 kg/h
h	35 h
Weight	23 kg
Volume	95 - 120 m³
Area	36 - 46 m²
Capacity	107 / 125 kg
%	90,21 %



LUCA CE

kW	8,5 kW
Dimensions	500 x 470 x 940 mm
Ø	80 mm
min/max	0,6 / 1,92 kg/h
h	35 h
Weight	23 kg
Volume	110 - 140 m³
Area	44 - 56 m²
Capacity	110 / 128 kg
%	88 %



DONNA 90 CE



NEW

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



DONNA 70 CE



NEW

kW	7 kW
	700 x 600 x 850 mm
	330 x 440 x 260 mm
	120 mm
	90 - 120 m ³
	36 - 48 m ²
	119 / 140 kg
%	76,4 / 79,10%



DINO CE



NEW

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 ³
	90 - 120 m ²
	193 / 222 kg
%	92 %



ELITA 3 CE



NEW

kW	6 kW
	455 x 442 x 865 mm
	120 mm
	75 - 100 m ³
	30 - 40 m ²
	84 / 96 kg
%	75 %



GRANDE CE



NEW

kW	7,8 - 30,6 kW
	1010 x 743 x 1400 mm
	80 mm
	7,8 - 30,6 kW
	74 l
	1,7 / 6,7 kg/h
	118 h
	200 kg
	380 - 510 m ³
	152 - 204 m ²
	220 / 296 kg
%	92 %



GRANDE 5 CE



NEW

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 ³
	152 - 204 m ²
	250 / 280 kg
%	91,94 %



2.7. 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.



2.8. 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

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	/	3.152
PIONIR - BEOGRAD	Related party	308	81
HOTEL IZVOR DOO - ARANĐELOVAC	Related party	/	2.527
ALCO GROUP DOO - BEOGRAD	Related party	/	/
FOREST ALFA PLAM DOO - BEOGRAD	Related party	19	3.747
PIONIR DOO - PARAĆIN	Related party	20	/
ALKON GROUP DOO - VRANJE	Related party	/	181
JUGOTEHNA DOO - BEOGRAD	Related party	/	3.182
TOTAL		347	12.870

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	/	349
PIONIR - BEOGRAD	Related party	248.655	3.136
HOTEL IZVOR DOO - ARANĐELOVAC	Related party	/	11.943
ALCO GROUP DOO - BEOGRAD	Related party	/	/
FOREST ALFA PLAM DOO - BEOGRAD	Related party	108.819	/
PIONIR DOO - PARAĆIN	Related party	41.658	/
ALKON GROUP DOO - VRANJE	Related party	1.555	1.150
JUGOTEHNA DOO - BEOGRAD	Related party	/	23
TOTAL		400.687	16.601

***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, 14.08.2014.

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, 14.08.2014.

ALFA-PLAM AD
Managing Director
Goran Kostić, dipl.ecc

Executive Director
Branislav Popovic

