



**FINANCIAL REPORT FOR THE FIRST
QUARTER OF 2013.**

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

Financial report for the first quarter of 2013.

C O N T E N T S:

1. FINANCIAL STATEMENTS ALFA-PLAM A.D. FOR THE FIRST QUARTER OF 2013.

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

2. BUSINESS REPORT

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

**FINANCIAL STATEMENTS ALFA-PLAM A.D. FOR THE FIRST
QUARTER OF 2013**

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

A.D. Metal Industry ALFA-PLAM Vranje

Reporting period

from

01.01.2013.

until

31.03.2013.

Quarterly Financial Statement for Businesses KFI-PD

Business name: **A.D. Metal Industry Alfa - Plam Vranje**

Reg. No: **7137923**

Postal code, city: **17500**

Vranje

Street and number **Radnička 1**

E-mail: firma@alfaplam.rs

Web site: www.alfaplam.rs

Consolidated/individual:

Approved (yes/no):

Audited (yes/no):

Contact person **Ružica Marinković**

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Name and surname **Branislav Popović**

Authorized officer

A.D. Metal Industry ALFA-PLAM Vranje

1.1. BALANCE SHEET

BALANCE SHEET

As at Mart, 31th 2013

in RSD thousands

Description 1	ADP 2	Total	
		end of quarter current year 3	31-Dec previous year 4
ASSETS			
A. NON-CURRENT ASSETS (002+003+004+005+009)	001	1.750.756	1.777.825
I. UNPAID SUBSCRIBED CAPITAL	002	0	0
II. GOODWILL	003	0	0
III. INTANGIBLE ASSETS	004	0	0
IV. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005	1.749.862	1.776.854
1 Property, plant & equipment	006	1.748.820	1.775.804
2 Investment property	007	1.042	1.050
3 Biological assets	008	0	0
V. LONG TERM FINANCIAL INVESTMENTS (010+011)	009	894	971
1 Share of Capital	010	206	206
2 Other long term investments	011	688	765
B. CURRENT ASSETS (013+014+015)	012	4.355.897	4.292.314
I. INVENTORIES	013	1.605.156	1.224.992
II. NON CURRENT ASSETS HELD FOR SALE & ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	014	0	0
III. SHORT TERM RECEIVABLES, INVESTMENTS & CASH (016+017+018+019+020)	015	2.750.741	3.067.322
1 Receivables	016	476.699	778.013
2 Overpaid tax receivables	017	0	0
3 Short term financial investments	018	2.165.976	2.176.902
4 Cash and cash equivalents	019	19.400	29.337
5 VAT and deferred income	020	88.666	83.070
III. DEFERRED TAX ASSETS	021	29.740	29.740
C. BUSINESS ASSETS (001+012+021)	022	6.136.393	6.099.879
D. LOSS OVER CAPITAL	023	0	0
E. TOTAL ASSETS (022+023)	024	6.136.393	6.099.879
F. OFF-BALANCE SHEET ASSETS	025	819.688	844.639

Balance sheet (continued)

As at Mart, 31th 2013

in RSD thousands

LIABILITIES			
A. CAPITAL (102+103+104+105+106-107+108-109-110)	101	5.046.438	5.046.970
I. INITIAL CAPITAL	102	1.217.288	1.217.288
II. UNPAID SUBSCRIBED CAPITAL	103	0	0
III. RESERVES	104	711.449	711.449
IV. REVALUATION RESERVE	105	0	0
V. UNREALISED GAINS FROM SECURITIES	106	20	20
VI. UNREALISED LOSSES FROM SECURITIES	107	36	36
VII. RETAINED EARNINGS	108	3.198.421	3.195.413
VIII. LOSSES	109	0	0
IX. TREASURY SHARES	110	80.704	77.164
B. LONG TERM PROVISIONS & LIABILITIES (112+113+116)	111	1.089.955	1.052.909
I. LONG TERM PROVISIONS	112	91.750	91.750
II. LONG TERM LIABILITIES (114+115)	113	129.812	131.854
1 Long term borrowings	114	129.812	131.854
2 Other long term liabilities	115	0	0
III. SHORT TERM LIABILITIES (117+118+119+120+121+122)	116	868.393	829.305
1 Short term financial liabilities	117	387.166	436.738
2 Liabilities attributable to assets held for sale and discontinued operations assets	118	0	0
3 Trade payables	119	423.451	336.950
4 Other short term liabilities and accruals	120	57.533	54.872
5 Liabilities for VAT and other public revenues	121	243	745
6 Income tax payable	122	0	0
IV. DEFERRED TAX LIABILITIES	123	0	0
C. TOTAL LIABILITIES (101+111+123)	124	6.136.363	6.099.879
D. OFF-BALANCE SHEET LIABILITIES	125	819.688	844.639

A.D. Metal Industry ALFA-PLAM Vranje

1.2. INCOME STATEMENT

INCOME STATEMENT

From 01.01.2013. up to 31.03.2013.

in RSD thousands

Description	ADP	Total				
		current period		previous period		
		quarter	cumulative	quarter	cumulative	
1	2	3	4	5	6	
A. OPERATING INCOME AND EXPENSES						
I.	OPERATING INCOME (202+203+204-205+206)	201	801.271	801.271	851.546	851.546
1	Sales revenue	202	458.339	458.339	342.521	342.521
2	Work performed by the entity and capitalized	203	0	0	0	0
3	Inventories -Value increase	204	342.886	342.886	509.025	509.025
4	Inventories -Value decrease	205	0	0	0	0
5	Other operating revenue	206	46	46	0	0
II.	OPERATING COSTS (208 do 212)	207	800.086	800.086	779.978	779.978
1	Purchase costs of merchandise sold	208	602	602	901	901
2	Cost of materials	209	526.715	526.715	504.371	504.371
3	Cost of salaries, fringe benefits and other personal expenses	210	169.755	169.755	169.664	169.664
4	Depreciation and provisions	211	42.041	42.041	39.247	39.247
5	Other operating costs	212	60.973	60.973	65.795	65.795
III.	OPERATING INCOME (201-207)	213	1.185	1.185	71.568	71.568
IV.	OPERATING LOSS (207-201)	214	0	0	0	0
V.	FINANCE INCOME	215	43.124	43.124	25.357	25.357
VI.	FINANCE COSTS	216	39.402	39.402	8.736	8.736
VII.	OTHER INCOME	217	845	845	1.162	1.162
VIII.	OTHER EXPENSES	218	2.743	2.743	6.712	6.712
IX.	OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)	219	3.009	3.009	82.639	82.639
X.	OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)	220	0	0	0	0
XI.	NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS	221	0	0	0	0
XII.	NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	222	0	0	0	0
B.	PROFIT BEFORE TAX (219-220+221-222)	223	3.009	3.009	82.639	82.639
C.	LOSS BEFORE TAX (220-219+222-221)	224	0	0	0	0
D. INCOME TAX						
1	Income tax expense for the period	225	0	0	0	0
2	Deferred income expense for the period	226	0	0	0	0
3	Deferred tax income for the period	227	0	0	0	0
E.	BENEFITS PAID TO EMPLOYER	228	0	0	0	0
F.	NET PROFIT (223-224-225-226+227-228)	229	3.009	3.009	82.639	82.639
G.	NET LOSS (224-223+225+226-227+228)	230	0	0	0	0
H.	NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	231	0	0	0	0
I.	NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	232	0	0	0	0
J. EARNINGS PER SHARE						
K.	BASIC EARNINGS PER SHARE	233	0	0	0	0
L.	DILUTED EARNINGS PER SHARE	234	0	0	0	0

A.D. Metal Industry ALFA-PLAM Vranje

1.3. CASH FLOW

CASH FLOW STATEMENT

From 01.01.2013. until 31.03.2013.

in RSD thousands

ITEM		ADP	Total	
			cumulative for current year quarter	cumulative for previous year quarter
1	2	3	4	
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I.	Cash generated from operations (1 to 3)	301	943.078	511.701
1	Sales and advances received	302	943.032	503.751
2	Interest from operating activities	303	0	7.821
3	Other inflow from operating activities	304	46	129
II.	Cash outflows from operating activities (1 to 5)	305	923.929	968.174
1	Payments and prepayments to suppliers	306	677.987	791.905
2	Salaries, fringe benefits and other personal expenses	307	169.755	167.253
3	Interest paid	308	3.373	740
4	Income tax paid	309	0	0
5	Payments for other public revenues	310	72.814	8.276
III.	Net cash inflow from operating activities (I - II)	311	19.149	0
IV.	Net cash outflow from operating activities (II - I)	312	0	456.473
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I.	Proceeds from investing activities (1 to 5)	313	39.964	385
1	Sale of shares/stakes (net inflow)	314	0	0
2	Proceeds from sale of intangible assets, PPE	315	0	385
3	Other financial investments (net inflow)	316	10.926	0
4	Interest received	317	29.038	0
5	Dividends received	318	0	0
II.	Cash outflows from investing activities (1 to 3)	319	22.595	38.970
1	Purchase of shares/stakes (net outflow)	320	0	0
2	Purchase of intangible assets, property, plant and equipment and biological assets	321	22.595	38.970
3	Other financial investments (net outflow)	322	0	0
III.	Net proceeds from investing activities (I - II)	323	17.369	0
IV.	Net outflow from investing activities (II - I)	324	0	38.585
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I.	Proceeds from financing activities (1 to 3)	325	0	0
1	Capital stock increase	326	0	0
2	Proceeds from long term and short term borrowings (Net)	327	0	0
3	Other long term and short term liabilities	328	0	0
II.	Cash outflows from financing activities (1 to 4)	329	46.265	0
1	Purchase of treasury shares and stakes	330	3.540	0
2	Long term, short term and other liabilities (net outflow)	331	42.725	0
3	Financial Lease	332	0	0
4	Dividends paid	333	0	0
III.	Net proceeds from financing activities (I - II)	334	0	0
IV.	Net outflow from financing activities (II - I)	335	46.265	0
D.	TOTAL PROCEEDS (301+313+325)	336	983.042	512.086
E.	TOTAL OUTFLOW (305+319+329)	337	992.789	1.007.144
F.	PROCEEDS NET (336-337)	338	0	0
G.	OUTFLOW NET (337-336)	339	9.747	495.058
H.	CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	29.337	668.799
I.	FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	341	0	17.406
J.	FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	342	190	8.696
K.	CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	19.400	182.451

1.4. STATEMENT OF CHANGES IN EQUITY

DESCRIPTION	EDP	2	EDP	3	EDP	4	EDP	5	EDP	6	EDP	7	EDP	8	EDP	9	EDP	10	EDP	11	EDP	12	EDP	13	EDP	14
1. Balance as at 1 January of previous year	401	1.171.240	414	216.094	427	440	453	492.827	466	197.166	479	492	505	1.962.191	518	531	544	4.029.518	557				544	4.029.518	557	
2. Adjustments of financial errors and changes in accounting policies occurred in previous year - Increase	402		415		428	441	454		467		480	493	506		519	532	545		558				545		588	
3. Adjustments of financial errors and changes in accounting policies occurred in previous year - Decrease	403		416		429	442	455		468		481	494	507		520	533	546		559				546			
4. Restated opening balance as at 1 January of previous year (1-2-3)	404	1.171.240	417	216.094	430	443	456	492.827	469	197.166	482	495	508	1.962.191	521	534	547	4.029.518	560				547	4.029.518	560	
5. Total increase in previous year	405		418	29.954	431	444	18.622	457	200.000	470	483	201	496	1.233.222	522	535	548	1.404.678	561				548	1.404.678	561	
6. Total decrease in previous year	406		419	200.000	432	445	458		471	197.166	484	497	510		523	536	549	397.166	562				549	397.166	562	
7. Balance as at 31 December of previous year (4+5-6)	407	1.171.240	420	46.048	433	446	18.622	459	692.827	472	485	201	498	36	511	31.954.13	524	537	771.64	550			537	5.046.970	565	
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase	408		421		434	447	460		473		486	499	512		525	538	551		564				551		564	
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease	409		422		435	448	461		474		487	500	513		526	539	552		565				552		565	
10. Restated opening balance as at 1 January of current year (7+8-9)	410	1.171.240	423	46.048	436	449	18.622	462	692.827	475	488	201	501	36	514	31.954.13	527	540	771.64	553			540	5.046.970	566	
11. Total increase in current year	411		424	0	437	450	0	463	0	476	489	0	502	0	515	3.109	528	541	3.540	554			541	3.540	557	
12. Total decrease in current year	412		425	0	438	451	464		477	0	490	503	516		529	542	555		568				555	0	568	
13. Balance as at 31 December of current year (10+11-12)	413	1.171.240	426	46.048	439	452	18.622	465	692.827	478	491	201	504	36	517	31.954.22	530	543	807.04	556			543	5.046.439	569	

From 01.12.2013. until 31.08.2013.

STATEMENT ON CHANGES IN EQUITY

in RSD thousands

1.5. GENERAL INFORMATION OF THE COMPANY

Full company name:	A.D. Metal Industry ALFA-PLAM Vranje
Short name of company is:	ALFA-PLAM AD
Headquater, street and number:	Vranje, Radnička 1.
Identification number:	07137923
VAT.NO.:	100402750
Activity code:	2752
Reg.No.:	BD 39336/2007
Director:	Kostić Goran
Number of employee:	780
Phone number:	017/421-121
Fax:	017/424-808
Email address:	firma@alfaplam.rs
Websait:	www.alfaplam.rs
Current account:	160-7007-07 Banca Intesa ad Belgrad 330-6001380-22 Credit Agricole Bank 275-0010221807082-07 Societe general bank AD 165-27880-19 Hypo Alpe Adria bank Ad 115-1867-87 KBC Banka ad Belgrade

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 160.000 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 (45%) and in European markets. The main foreign markets are the ex-Yu republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), Germany, Italy, Austria and Poland, and others.

Currently, Alfa-Plam employs 780 employees.

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:

A.D. Metal Industry ALFA-PLAM Vranje

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

Company background:

- 1948.- City craft-service company „Metalac“ was founded in Vranje. It consisted of locksmith, blacksmith, electricians, carpenter, wheelwright and sheet metal workshop. Company produced pots, water buckets, pans and furnaces called "drummers," as well as products made according to clients' wishes.
- 1950. – „Metalac“ employs 58 people.
- 1959. – Company „Metalac“ has launched a galvanizing plant. Plant employs four new workers, who put black sheet metal buckets in chemicals and then in zinc which was heated in large cauldron by oil.
- 1960. – Company plans production and galvanization of 100.000 buckets.
- 1962. – Metal Packing factory was built in the industrial district of Vranje and it changes its production program in consumer goods. Name of the factory is Technical devices Industry “Alfa – Vranje” and 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“ gets appropriate space in industrial area in Vranje, near Alfa after 16 years of working in inadequate conditions.
- 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.
- 1970th - Winning production of gas stoves
- 1980th - Association of manufacturing plants in the firm "Alfa-Metalac"
- 1989th - Change the name of "Alfa Plam" and a new company logo
- 1992nd - Winning products for floor heating
- 1998th - The introduction of ISO 9001 quality system
- 2002nd - Commissioning of the latest line of enamelling. Shares "Alfa-Plam" listed on the BSE.

A.D. Metal Industry ALFA-PLAM Vranje

- 2003 rd - 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.
- 2005th - replacement equipment in enameling sector II. An investment in value of EUR 1,500,000, realized from its own funds
- 2006th - 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.
- 2007th - 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.
- 2008th - 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!
- 2009th - 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.
- 2010th - Acquired laser maschine 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.
- 2011th – Production of pellet stoves, purchased eccentric presses and line for electorstatic email aplication, equipment for waste water tretment, gas analyzer.
- 2012th - 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

1.6. 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.

1.7. OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES

1.7.1. 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 differ from those estimates, with estimates 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 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.

1.7.2. Foreign currency translation and accounting treatment of foreign exchange gains 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.

1.7.3. Business income

Income from sales are included in the amount invoiced, 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 rendered are recognized to the stage of completion at the balance sheet.

1.7.4. Business expenses

The overall business expenses include: cost value of sold goods, 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 (going concern);
- 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 set in the sales value of goods in bulk, minus the amount determined by the difference in price and calculated the PDV included in the value of goods sold in bulk.

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 PDV, contained in goods sold at retail.

1.7.5. Borrowing costs

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

1.7.6. 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.

1.7.7. 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).

1.7.8. 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.

Cost 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 cost value / cost of the asset can be measured reliably.

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

Cost value represents the invoiced value of the assets acquired, plus all attributable expenses and the costs of bringing into use. Cost value of these assets produced in their own 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 that can be recovered. If the recoverable amount of the asset is less than its book amount the book amount is reduced to its recoverable amount and the amount of the impairment loss is recognized expense for the period.

Subsequent expenditure relating to the already recognized property, plant and equipment is attributed to the carrying amount of the asset if it is probable that the inflow of future economic benefits to be greater than originally estimated rate of return of the asset and the purchase value / cost of subsequent expenditure may utvrđiti reliably.

The Company recognizes in the carrying 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 criteria for recognition under IAS 16 - "Property, Plant and Equipment" (paragraph 7).

All other subsequent expenditure is recognized as an expense in the period incurred.

Property, plant and equipment ceases to be recorded in the balance sheet on disposal or when the asset is permanently withdrawn from use and from its disposal expect no future economic benefits.

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

1.7.9. Investment Property

Investment property is an apartment by the owner holds for 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 investment property carried at cost value price or cost. In the initial measurement, the purchase costs are included in the asset's value or cost price.

After initial recognition, investment property is measured per purchase value price or cost less any accumulated allowance for impairment depreciation.

1.7.10. Amortization

Depreciation calculation is performed from the beginning of the month following the month when the asset is put into use.

Depreciation 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 the depreciated cost.

Useful life and depreciation rates are reviewed periodically and, if expectations are based on new estimates significantly different from the previous, calculation of depreciation 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 depreciation is necessary, then it is accounted for as a change in accounting estimate and calculate depreciation for the current and future periods are corrected.

The depreciation rates for the principal classes of property and equipment are listed below:

Buildings	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%

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.

1.7.11. Impairment of Assets

In accordance with adopted accounting policy, the Company's management checks at each balance sheet date 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".

1.7.12. Supply

Supply of goods and materials are measured at cost. 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.

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

Inventories of work in process and finished goods are measured at cost or net realizable value, if lower. The cost 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 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 supllly 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.

1.7.13. 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.

1.7.14. Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, cash on hand 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.

1.7.15. 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.

1.7.16. Compensation of employees

1.7.16.1. 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.

1.7.16.2. 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.

1.7.17. Income taxes

1.7.17.1. Current income

Income tax is the amount calculated in accordance with the provisions of the Income Tax Law ("Fig. Gazette of the Republic of Serbia" no. 18/10). Income tax is calculated at the rate of 10% on the tax base reported in the tax returns, reduce for used tax credits. Taxable base includes the profit reported in the income statement, as adjusted in accordance with the tax laws of the Republic of Serbia.

Law on Corporate Profit Tax, tax credits in assets entitled to a tax credit of 80% of the investment with no restrictions on the tax calculated. The unused portion of the tax credit can be offset against income taxes in future periods, but not for more than 10 years.

1.7.17.2. Deferred tax

Deferred income taxes are provided for temporary differences between the tax bases of assets and liabilities and their book values. Currently current 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.

1.7.18. 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".

1.7.19. Disclosure of related party

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".

1.7.20. 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.

1.7.21. Credit risk

Credit risk is the risk that one party to a 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.

1.7.22. 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.

1.7.22.1. 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.

1.7.22.2. 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).

1.7.22.3. 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.

1.7.23. Liquidity risk

Liquidity risk is the risk that the company will have no difficulty in meeting obligations associated with financial liabilities.

1.8. BALANCE SHEET**1.8.1. Revenues from sales**

	2013.	2012.
	RSD (000)	RSD (000)
Domestic market		
Revenues from sales of products other persons	150.895	156.155
Revenues from sales of goods other persons	617	1.041
Total	151.512	157.196
Foreign market		
Revenues from sales	306.497	185.063
Revenues from sales of goods	330	262
In total	306.827	185.325
Total all	458.339	342.521

1.8.2. Increase/(decrease) in value of inventories

	2013.	2012.
	RSD (000)	RSD (000)
Unfinished production at 31 December	70.473	32.125
Final products of 31 Desember	524.769	369.809
Less:		
Unfinished production as at 01 January	70.473	32.125
Final products ad 01 January	867.655	878.834
In total	342.886	509.025

1.8.3. Other operating income

	2013.	2012.
	RSD (000)	RSD (000)
Income from rent	46	/
In total	46	/

1.8.4. Cost of goods sold

	2013.	2012.
	RSD (000)	RSD (000)
Cost of goods sold	602	901
In total	602	901

1.8.5. Cost of materials

	2013.	2012.
	RSD (000)	RSD (000)
Cost of materials for making	498.593	471.071
Other materials (overhead)	6.957	7.992
Fuel and energy	21.165	25.308
In total	526.715	504.371

1.8.6. Wages, salaries and other personnel expenses

	2013.	2012.
	RSD (000)	RSD (000)
Cost of net earnings	137.378	139.434
Cost of net benefits	24.948	25.018
Compensation expense for service contract		68
Compensation expenses to members of management and supervisory board	1.015	497
Other personal expenses and fees	6.414	4.647
In total	169.755	169.664

1.8.7. Depreciation and provision expense

Depreciation and provisions expenses include: depreciation of property, plant and equipment, investment property and provisions in the following table:

	2013.	2012.
	RSD (000)	RSD (000)
Amortization of buildings	8.811	8.096
Amortization of plant and equipment	33.222	31.143
Amortization of investment property	8	8
In total	42.041	39.247

1.8.8. Financial income and expenses

	2013.	2012.
	RSD (000)	RSD (000)
<i>Cost of production services</i>		
Transport costs	16.662	14.022
Maintenance costs	4.362	3.110
Rental costs	3.402	1.517
Fait costs	2.071	1.649
Marketing and advertising	611	305
Other services	5.522	7.244
Only	32.630	27.847
<i>Intangible costs</i>		
Non-production services	14.124	19.328
Entertainment expenses	1.169	881
Insurance premiums	4.944	12.243
Payment transactions	1.381	1.251
Membership fees	728	841
Tax costs	2.845	133
Costs of contributions		216
Other intangible costs	3.152	3.055
Only	28.343	37.948
In total	60.973	65.795

1.8.9. Financial income and expenses

	2013.	2012.
	RSD (000)	RSD (000)
<i>Financial income</i>		
Interest income	29.038	7.822
Foreign exchange gains	9.565	17.406
Income from foreign currency clause	4.399	/
Other financial income	122	129
In total	43.124	25.357
<i>Financial expenses</i>		
Interest expense	2.725	40
Foreign exchange differences	35.211	8.696
Losses from foreign currency clause	1.456	/
Other financial expenses	10	/
In total	39.402	8.736

1.8.10. Other income and expenses

	2013.	2012.
	RSD (000)	RSD (000)
<i>Other income</i>		
Recovery of bad debts	599	188
Income from subsequently received rabates	219	/
Other incomes	27	511
Gain on sale of equipment		326
Gains from sale of materials		137
In total	845	1.162
<i>Other expenses</i>		
Losses from previous years	234	/
Expenses of litigation	/	240
Subsequently approved buyer rebate	/	6.286
Expenditures for humanitarian, cultural, health and others purposes	2.509	65
Losses from sale of materials		85
Other specified expenses	/	36
In total	2.743	6.712

1.8.11. Income taxes

Profit tax is done at the rate of 10% in accordance with the tax regulations, separately for commercial and capital sub-balance. Performs the harmonization of individual items of revenue and expenditure and the tax base is reduced by the losses of previous years and income from dividends and shares in the profits of legal entities residents. Calculated income tax is reduced by the tax relief on tax incentives (investment in fixed assets ...).

1.9. BALANCE SHEET**1.9.1. Property, plant and equipment and biological assets**

Description	Cost of value	Amortization	Present value
1	2	3	4
Land	63.140	/	63.140
Buildings	1.056.508	8.811	1.047.697
Plant and equipment	362.443	33.222	395.665
Investment property	1.050	8	1.042
Property, plant, equipment in preparation	2.858	/	2.858
Advances for property, plant and equipment	239.460	/	239.460
In total:	1.725.459	42.041	1.749.862

1.9.2. 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:

	2013.	2012.
	RSD (000)	RSD (000)
<i>Other companies and other securities available for sale</i>		
Commercial Bank	84	64
AIK bank	/	2.225
Univerzal bank	92	128
Regional agency for economic development	30	30
In total	206	2.447

1.9.3. Other long-term investments

Other long-term investments include:

	2013.	2012.
	RSD (000)	RSD (000)
Other long-term investments	688	1.066
In total	688	1.066

1.9.4. Supplies

	2013.	2012.
	RSD (000)	RSD (000)
Material	607.499	554.893
Spare parts	32.321	26.977
Tools and fixtures	894	955
Work in progress	70.473	32.125
Finished products	867.655	878.834
Goods	10.948	10.846
Advances	15.366	26.885
In total	1.605.156	1.531.515

1.9.5. Receivables

	2013.	2012.
	RSD (000)	RSD (000)
<i>Receivables from sales</i>		
Domestic buyers	88.482	139.825
Foreign buyers	520.512	673.741
Less: Allowance for impairment	133.624	5.828
Only	475.370	807.738
<i>Other receivables</i>		
Interest receivables	931	
Receivables from employees	398	548
In total:	1.329	548

1.9.6. Short-term investments

	2013.	2012.
	RSD (000)	RSD (000)
<i>Short-term investments</i>		
Short-term consumer loans and trade union	183.702	1.718
Short-term loans to legal entities	47.214	
Other short-term investments	1.935.060	529.393
In total:	2.165.976	531.111

Other short-term investments

➤ Fixed-term in foreign currency

Name of bank	Amount in EUR	Converted amount of EUR on 31.03.2013. official average exchange rate of NBS- 111,9575
KBC bank	9.640.000,00	1.079.270.300,00
Hypo-alpe-adria bank	4.050.000,00	453.427.875,00
Eurobank EFG	920.000,00	103.000.900,00
Erste bank	2.100.000,00	235.110.750,00
In total:	16.710.000,00	1.870.809.825,00

➤ Fixed-term deposit in RSD

Name of bank	Amount in RSD
Hypo-alpe-adria bank	64.250.000,00
Ukupno:	64.250.000,00

1.9.7. Cash and cash equivalents

	2013.	2012.
	RSD (000)	RSD (000)
<i>In RSD:</i>		
Current business account	7.067	22.036
Checkout(foreign currency, RSD, checks)	368	785
Total	7.435	22.821
<i>In foreign currency:</i>		
Foreign currency account	11.965	159.630
All	11.965	159.630
In total	19.400	182.451

1.9.8. Value added tax and AVR

	2013.	2012.
	RSD hiljada	RSD hiljada
<i>Porez na dodatu vrednost</i>		
Potraživanja za porez na dodatu vrednost po drugim osnovama	64.711	20.928
Akontacioni porez na dodatu vrednost	19.202	20.299
<i>Aktivna vremenska razgraničenja</i>		
Ostala aktivna vremenska razgraničenja	4.753	2.201
Ukupno	88.666	43.428

1.9.9. Deferred tax assets

	2013.	2012.
	RSD (000)	RSD (000)
Deferred tax assets	29.740	21.448
Net deferred tax assets	29.740	21.448

1.9.10. Equity

Equity is includes of:

Share capital	2013.	2012.
	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.

1.9.11. Other capital

	2013.	2012.
	RSD (000)	RSD (000)
Other capital	46.048	216.094
In total:	46.048	216.094

1.9.12. Reserves

Reserves are consisting of

	2013.	2012.
	RSD (000)	RSD (000)
Issue premium	18.622	/
Legal reserves	131.738	131.738
Statutory and other reserves	561.089	361.088
In total	711.449	492.826

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.

1.9.13. Revaluation reserves

Revaluation reserves include:

	2013.	2012.
	RSD (000)	RSD (000)
Revaluation reserves	20	/
In total	36	/

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

	2013.	2012.
	RSD (000)	RSD (000)
Unrealized gains on securities available for sale	3.195.412	1.962.191
Unrealized losses on securities available for sale	3.009	82.639
In total	3.198.421	2.044.830

1.9.15. 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 Company will own all the shares acquired in accordance to this Decision, to alienate or canceled no later than one year from the date of acquisition.

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.

	2013.	2012.
	RSD (000)	RSD (000)
Acquired own shares	80.704	/
In total	80.704	/

Were purchased 11,517 shares. The total value of the redeemed shares is 77,163,900.00 RSD
 Nominal value per share is 6,700.00 RSD
 The percentage share of the total number of shares (174,812 shares) to 6.58%
 In 2011, the Company didnt have own shares.

1.9.16. 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:

	2013.	2012.
	RSD (000)	RSD (000)
Reserved costs for warranty costs	21.000	21.000
Reserved for jubilee	24.598	13.711
Reserved costs for retirement benefits	46.152	93.230
In total	91.750	127.941

Reservation for compensation other employee benefits were made using actuarial valuations.

1.9.17. Long-term credits

Obligations from long-term credits due within more than one year from the date of commitment, or the annual balance sheet.

The structure of borrowings

	2013.	2012.
	RSD (000)	RSD (000)
Long-term credits		
<i>Financial credit from:</i>		
- banks in the country	129.812	/
In total	129.812	/

Review of long-term loans by creditors

	2013.	2012.
	RSD (000)	RSD (000)
In RSD:		
Credit agricole banka Serbia	78.139	/
Societe Generale banka Serbia	51.673	
In total:	129.812	

The maturities of long-term loans

	2013.	2012.
	RSD (000)	RSD (000)
Up to 1 year	387.166	/
	387.166	/

Loans

	2013.	2012.
	RSD (000)	RSD (000)
In RSD:		
Credit agricole bank Serbia	232.148	/
Societe Generale bank Serbia	155.018	
In total:	387.166	/

1.9.18. Short-term financial obligation

Short-term financial obligation include:

1.9.18.1. Operating liabilities

	2013.	2012.
	RSD (000)	RSD (000)
<i>Operating liabilities</i>		
Advances and deposit	25.181	28.693
Supplies – other related parties	399	/
Suppliers in the country	255.445	253.635
Foreign suppliers	142.426	99.441
In total:	423.451	381.769

1.9.18.2. Other current liabilities

	2013.	2012.
	RSD(000)	RSD (000)
<i>Liabilities for salaries and salary compensations</i>		
Net salaries and salary compensations	32.857	34.152
Liabilities for taxes on wages and salaries paid by the employee	4.833	5.092
Contributions on salaries and benefits paid by the employee	8.365	8.643
Taxes and contributions on salaries and wages paid by the employer	8.328	8.643
Liabilites for net salary compensations that are refunded	872	739
Only	55.255	57.306
<i>Other liabilities</i>		
Interest accrued and finance costs	19	20
Liabilites for dividends	1.921	1.921
Obligations for share in the profit	7	6
Liabilities to members of management and supervisory board	331	166
In total	2.278	2.113

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

	2013.	2012.
	RSD(000)	RSD (000)
<i>Other taxes, contributions and other charges</i>		
Obligations for contributions recognized as an expense	243	253
In total	243	253

1.9.19. Off- balance sheet

	2013.	2012.
	RSD (000)	RSD (000)
Received letters of credit	2.931	/
Received guarantees and mortgages	723.154	/
Given guarantees and sureties	93.603	/
Ukupno:	819.688	/

1.9.20. Foreign exchange rates

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

	31.03.2013.	31.03.2012.
EUR	111,9575	111,3643

1.9.21. 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.

BUSSINES REPORT

3. BUSINESS REPORT "ALFA-PLAM" AD VRANJE FOR JANUARY-MART 2013. YEAR

Value shown in the period for January - March 2013. in the amount of 979.320.408,00 RSD is less for 5.9% compared to the same period last year, and the plan by 1.9%

Description	Achived in 2012	Operational plan 2013	Achived in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
AD "Alfa Plam"	1.041.210.660,00	998.271.510,00	979.320.408,00	94,1%	98,1%

The results achieved in the process of production, expressed in hours worked amounted to 166 613 hours of operation and declined by 7.0% compared to the same period last year.

The observed results at AD ALFA-PLAM the following:

Description	Achived in 2012	Achived in 2013	INDEX
Realized production (in workin hours)	179.089	166.613	93,0
The number of workers who worked in the manufacturing process	380	372	97,9
Number of working days	55	54	98,2
Daily effect on worker	8,57	8,29	96,8

From the earlier shows that the impact has been 8.29 per employee hours worked at AD ALFA-PLAM is lower by 3.2% compared to the same period last year.

Heating devices group	Realized in 2012	Operating plan 2013	Realized in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	24.875	23.044	23.058	92,7%	100,1%
Electrical stoves	4.323	8.400	8.210	189,9%	97,7%
Combined stoves	2.300	900	900	39,1%	100,0%
Solid fuel furnaces	6.564	4.734	4.433	67,5%	93,6%
Heating oil furnaces					
Gas furnaves					
Other production	5.236	4.000	1.791	34,2%	44,8%
Total heating devices	38.062	37.078	36.601	96,2%	98,7%

Total production of heaters in the period January - March 2013th year of 36.601 units less for 3.8% compared to the same period last year, and the plan less for 1.3%.

3.1. Achived realization

In the period January - March 2013. planned the realization of 429,153,580.00 RSD and realized by 442,657,593.64 RSD and it is higher by 39.2% compared to the same period last year and in compared to the plan it is higher by 3.1%.

Description	Achived in 2012	Operational plan 2013	Achived in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
AD "Alfa Plam"	318.094.964,00	429.153.580,00	442.657.594,00	139,2%	103,1%

Achieved realization through the physical volume is as follows:

Heating devices group	Realized in 2012	Operating plan 2013	Realized in 2013	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	6.916	7.851	7.017	101,5%	89,4%
Electrical stoves	1.875	6.040	6.775	361,3%	112,2%
Combined stoves	652	1.220	1.648	252,8%	135,1%
Solid fuel furnances	1.813	2.399	2.055	113,3%	85,7%
Heating oil furnaces	2			0,0%	
Gas furnaves	245	230	281	114,7%	122,2%
Other production	1.997		895	44,8%	
Total heating devices	11.503	17.740	17.776	154,5%	100,2%

In the period January - March 2013. year was exported goods worth 2,207,084 EUR which is 27.01% more than in the same period last year.

3.2. Supply

Description	On day 31.03.2012	On day 31.03.2013	Index 3/2
1	2	3	4
Supply of heating device	60.155	46.688	0,78

**STATEMENT OF PERSONS RESPONSIBLE FOR THE
PREPARATION OF THE REPORT**



Statement

According to the my cognition, the annual financial report for 2012. year of Metal Industry Alfa-Plam AD Vranje, for whole year 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, 27.02.2013.



M.P.