QUARTERLY REPORT

FOR THE FIRST

QUARTER 2017

ALFA-PLAM AD VRANJE

Pursuant to Article 53 of the Capital Market Law (*Official Gazette of the Republic of Serbia*, No. 31/2011) and Article 5 of the Rulebook on the Content, Form 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), Metal Industry ALFA-PLAM VRANJE A.D., Registration Number 07137923, publishes:

QUARTERLY FINANCIAL REPORT ALFA-PLAM

FOR THE FIRST QUARTER OF 2017

C O N T E N T S:

FINANCIAL STATEMENTS

ALFA-PLAM A.D.

FOR THE FIRST QUARTER OF 2017

1.1. BALANCE SHEET

BALANCE SHEET			
as of 31.03.2017.			in RSD 000
Item	ADP	Amount	
		Current year	Previous year Ending balance 31.12.2016.
1	2	3	4
ASSETS			
A. SUBSCRIBED CAPITAL UNPAID	**0001**		
B. NON-CURRENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	**0002**	4.001.410	4.065.106
I . INTANGIBLES (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	**0003**	502.104	521.794
1. Investment in development	**0004**	4.129	4.326
2. Concessions, patents, licenses, trade and service marks, software, and similar rights	**0005**	482.892	501.080
3. Goodwill	**0006**		
4. Other intangible assets	**0007**	15.083	16.388
5. Intangible assets under construction	**0008**		
6. Advances for acquisition of intangible assets	**0009**		
II. PROPERTY, PLANT, AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	**0010**	2.840.829	2.880.952
1. Land	**0011**	63.140	63.140
2. Buildings	**0012**	1.398.564	1.418.960
3. Plant and equipment	**0013**	825.960	861.310
4. Investment property	**0014**	111.972	112.752
5. Other property, plant, and equipment	**0015**		
6. Property, plant, and equipment under construction	**0016**	349.660	343.011
7. Investment in property, plant, and equipment of third parties	**0017**	240	251
8. Advances for property, plant, and equipment	**0018**	91.293	81.528
III. NATURAL ASSETS (0020 + 0021 + 0022 + 0023)	**0019**		
1. Forests and plantations	**0020**		
2. Livestock	**0021**		
3. Natural assets under construction	**0022**		
4. Advances for natural assets	**0023**		
IV. long-term FINANCIAL INVESTMENT (0025+0026+0027+0028+0029+0030+0031+0032+0033)	**0024**	658.477	662.360
1. Investment in capital of parent companies and subsidiaries	**0025**	360.961	255.461
2. Investment in capital of other associated companies and joint ventures	**0026**		
3. Investment in other legal entities and other securities available for sale	**0027**	63.652	63.652
4. Long-term loans to parent companies and to subsidiaries	**0028**		
5. Long-term loans to other associated companies	**0029**	233.794	343.167
6. Long-term domestic loans	**0030**		
7. Long-term foreign loans	**0031**		
8. Securities held to maturity	**0032**		
9. Other long-term investment	**0033**	70	80
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	**0034**		
1. Trade receivables from parent company and subsidiaries	**0035**		
2. Trade receivables from other associated entities	**0036**		
3. Claims from trade credit sales	**0037**		
4. Claims from sales by financial leasing contracts	**0038**		
5. Claims from sureties	**0039**		
6. Bad debts	**0040**		
7. Other long-term receivables	**0041**		
C. DEFERRED TAX ASSETS	**0042**	27.101	27.101
D. CURRENT ASSETS (0044+0051+0059+0060+0061+0062+0068+0069+0070)	**0043**	4.470.854	4.363.981
I . INVENTORIES (0045+0046+0047+0048+0049+0050)	**0044**	2.965.096	2.187.904
1. Raw material, spare parts, tools, and inventory	**0045**	968.097	779.495
2. Work in progress and services in progress	**0046**	107.522	107.522
3. Finished products	**0047**	1.631.597	1.085.476

4. Merchandise (goods, purchases for sale)	**0048**	200.424	198.466
5. Non-current assets held for sale	**0049**		
b. Advances paid for inventories and services	**0050**	57.456	16.945
II. RECEIVABLES FROM SALES (0052+0053+0054+0055+0056+0057+0058)	**0051**	453.474	625.004
1. Trade receivables - domestic, parent company, and subsidiaries	**0052**	541	
2. Trade receivables - foreign, parent company, and subsidiaries	**0053**		
3. Trade receivables, domestic - other associated entities	**0054**	4.328	4.327
4. Trade receivables, foreign - other associated entities	**0055**		
5. Trade receivables - domestic	**0056**	193.016	172.980
b. Trades receivables - foreign	**0057**	255.589	447.697
7. Other receivables from sales	**0058**		
III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	**0059**		
IV. OTHER RECEIVABLES	**0060**	6.808	5.510
V. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	**0061**		
VI. SHORT-TERM FINANCIAL INVESTMENTS (0063+0064+0065+0066+0067)	**0062**	948.546	1.421.082
1. Short-term loans and investments - parent company and subsidiaries	**0063**		
2. Short-term loans and investments - other associated companies	**0064**		
3. Short-term loans and borrowings - domestic	**0065**	13.524	8.469
4. Short-term loans and borrowings - foreign	**0066**		
5. Other short-term financial investments	**0067**	935.022	1.412.613
VII. CASH AND CASH EQUIVALENTS	**0068**	12.085	35.665
VIII. VALUE ADDED TAX	**0069**	43.763	24.857
IX. PREPAYMENTS AND ACCRUED INCOME	**0070**	41.082	63.959
E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	**0071**	8.499.365	8.456.188
F. OFF-BALANCE SHEET ASSETS	**0072**	557.129	615.535
LIABILITIES			
A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)	**0401**	7.289.481	7.165.788
I . BASIC CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	**0402**	1.217.288	1.217.288
1. Share capital	**0403**	1.171.240	1.171.240
2. Stakes in limited liability companies	**0404**		
3. Participating interests	**0405**		
4. State owned capital	**0406**		
5. Socially owned capital	**0407**		
b. Stakes in co-operatives	**0408**		
7. Share issuing premiums	**0409**		
8. Other basic capital	**0410**	46.048	46.048
II. SUBSCRIBED CAPITAL UNPAID	**0411**		
III. OWN SHARES PURCHASED	**0412**	117.116	117.116
IV. RESERVES	**0413**	677.528	677.528
V. EFFECTS OF RESTATEMENT OF CAPITAL BASED ON RESTATEMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT, AND EQUIPMENT	**0414**		
VI. UNREALISED GAINS ON SECURITIES AND OTHER COMPONENTS OF THE REMAINING COMPREHENSIVE RESULTS (credit balances of the account of the group 33 except 330)	**0415**		
VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF THE REMAINING COMPREHENSIVE RESULT (credit balances of the account of the group 33 except 330)	**0416**	30.772	30.772
VIII. RETAINED PROFIT (0418+0419)	**0417**	5.542.553	5.418.860
1. Retained profit from previous years	**0418**	5.418.860	4.622.166
2. Retained profit from current year	**0419**	123.693	796.694
IX. NON-CONTROLLING SHARE	**0420**		
X. LOSS (0422+0423)	**0421**		
1. Loss from previous years	**0422**		
2. Loss in current year	**0423**		
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	**0424**	67.865	67.865
I . LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	**0425**	67.865	67.865
1. Provisions for costs incurried during the warranty period	**0426**	22.828	22.829
2. Provisions for the recovery of natural resources	**0427**		
3. Provisions for restructuring costs	**0428**		
4. Provisions for salaries and other fringe benefits to employees	**0429**	45.037	45.036

5. Provisions for lawsuits costs	**0430**		
b. Other long-term provisions	**0431**		
II. LONG-TERM LIABILITIES (0433+0434+0435+0436+0437+0438+0439+0440)	**0432**		
1. Liabilities that can be converted into capital	**0433**		
2. Liabilities to parent companies and subsidiaries	**0434**		
3. Liabilities to other associated companies	**0435**		
4. Liabilities for long-term securities in a period longer than a year	**0436**		
5. Long-term loans - domestic	**0437**		
b. Long-term loans - foreign	**0438**		
7. Liabilities on financial leasing	**0439**		
8. Other long-term liabilities	**0440**		
C. DEFERRED TAX ASSETS	**0441**		
D. SHORT TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	**0442**	1.142.019	1.222.535
I . SHORT-TERM FINANCIAL LIABILITIES (0444+0445+0446+0447+0448+0449)	**0443**	330	635
1. Short-term loans from parent company and subsidiaries	**0444**		
2. Short-term loans from other associated companies	**0445**		
3. Short term loans and borrowings - domestic	**0446**		
4. Short term loans and borrowings - foreign	**0447**		
5. Liabilities for non-current assets and available-for-sale assets of discontinuing operations	**0448**		
b. Other short-term financial liabilities	**0449**	330	635
II. RECEIVED ADVANCES, DEPOSITS, AND CAUTION MONEY	**0450**	75.645	163.602
III. LIABILITIES FROM BUSINESS OPERATIONS (0452+0453+0454+0455+0456+0457+0458)	**0451**	880.859	891.709
1. Trade payables - parent company and subsidiaries - domestic	**0452**	5.538	3.676
2. Trade payables - parent company and subsidiaries - foreign	**0453**		
3. Trade payables - other associated entities - domestic	**0454**	7.824	15.136
4. Trade payables - other associated entities - foreign	**0455**		
5. Trade payables - domestic	**0456**	605.530	616.137
b. Trade payables - foreign	**0457**	261.967	256.760
7. Other liabilities from business operations	**0458**		
IV. OTHER SHORT-TERM LIABILITIES	**0459**	100.118	95.522
V. LIABILITIES FOR VALUE ADDED TAX	**0460**		
VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS, AND OTHER DUTIES	**0461**	84.765	70.765
VII. ACCRUALS AND DEFERRED INCOME	**0462**	302	302
E. LOSS OVER CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	**0463**		
F. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	**0464**	8.499.365	8.456.188
G. OFF-BALANCE SHEET LIABILITIES	**0465**	557.129	615.535

1.2. INCOME STATEMENT

INCOME STATEMENT from 01.01.2017. to 31.03.2017.					
					in RSD 000
Item	ADP	current period quarter	cumulative	previous period quarter	cumulative
1	2	3	4	3	4
INCOME FROM REGULAR OPERATIONS					
A. OPERATING INCOME (1002+1009+1016+1017)	**1001**	769.785	769.785	765.108	765.108
I . INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)	**1002**	5.119	5.119	5.430	5.430
1. Sales of merchandise to domestic parent companies and subsidiaries	**1003**				
2. Sales of merchandise to foreign parent companies and subsidiaries	**1004**				
3. Sales of merchandise to other domestic associated companies	**1005**				
4. Sales of merchandise to other foreign associated companies	**1006**				
5. Sales of merchandise to domestic customers	**1007**	4.624	4.624	3.365	3.365
b. Sales of merchandise to foreign customers	**1008**	495	495	2.065	2.065
II. INCOME FROM SALES OF PRODUCTS AND SERVICES RENDERED (1010+1011+1012+1013+1014+1015)	**1009**	762.055	762.055	757.170	757.170
1. Sales of finished goods and services rendered to domestic parent companies and subsidiaries	**1010**				
2. Sales of finished goods and services rendered to foreign parent companies and subsidiaries	**1011**				
3. Sales of finished goods and services rendered to other associated domestic entities	**1012**			24	24
4. Sales of finished goods and services rendered to other associated foreignc entities	**1013**				
5. Sales of finished goods and services rendered to domestic customers	**1014**	253.569	253.569	293.004	293.004
b. Sales of finished goods and services rendered to foreign customers	**1015**	508.486	508.486	464.142	464.142
III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.	**1016**				
IV. OTHER OPERATING INCOME	**1017**	2.611	2.611	2.508	2.508
EXPENSES FROM REGULAR OPERATIONS					
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0	**1018**	650.321	650.321	761.605	761.605
I . COST OF MERCHANDISE SOLD	**1019**	935	935	3.515	3.515
II. INCOME FROM OWN USE OF PRODUCTS, SERVICES, AND MERCHANDISE	**1020**	1.366	1.366	8.025	8.025
III. INCREASE OF INVENTORIES OF FINISHED PRODUCTS, WORK IN PROGRESS, AND SERVICES IN PROGRESS	**1021**	546.121	546.121	501.709	501.709
IV. DECREASE OF INVENTORIES OF FINISHED PRODUCTS, WORK IN PROGRESS, AND SERVICES IN PROGRESS	**1022**				
V. NON-PRODUCTION COSTS	**1023**	760.183	760.183	836.033	836.033
VI. COSTS OF FUEL AND ENERGY	**1024**	23.197	23.197	24.155	24.155
VII. COSTS OF SALARIES, FRINGE BENEFITS, AND OTHER PERSONAL EXPENSES	**1025**	220.010	220.010	228.725	228.725
VIII. COSTS OF PRODUCTION SERVICES	**1026**	77.648	77.648	80.136	80.136
IX. COSTS OF DEPRECIATION	**1027**	79.022	79.022	63.398	63.398
X. COSTS OF LONG-TERM PROVISIONS	**1028**				
XI. NON-PRODUCTION COSTS	**1029**	36.813	36.813	35.377	35.377
C. OPERATING PROFIT (1001-1018) **≥ 0**	**1030**	119.464	119.464	3.503	3.503
D. OPERATING LOSS (1018-1001) **≥ 0**	**1031**				
E. FINANCIAL INCOME (1033+1038+1039)	**1032**	7.894	7.894	26.624	26.624
I . FINANCIAL INCOME FROM ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	**1033**	0	0	1.451	1.451
1. Financial income from parent companies and subsidiaries	**1034**				

2. Financial income from other associated companies	**1035**				
3. Income from the share in profit of associated companies and joint ventures	**1036**				
4. Other financial income	**1037**			1.451	1.451
II. INCOME FROM INTEREST (FROM THIRD PARTIES)	**1038**	1.052	1.052	3.912	3.912
III. FX GAINS AND POSITIVE EFFECTS OF THE CURRENCY CLAUSE (TOWARDS THIRD PARTIES)	**1039**	6.842	6.842	21.261	21.261
F. FINANCIAL EXPENSES (1041+1046+1047)	**1040**	2.050	2.050	4.802	4.802
I . FINANCIAL EXPENSES INCURRED FROM RELATION WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	**1041**			142	142
1. Financial expenses incurred with parent companies and subsidiaries	**1042**				
2. Financial expenses incurred with other associated companies	**1043**			142	142
3. Expenses from the share in loss of associated companies and joint ventures	**1044**				
4. Other financial expenses	**1045**				
II. COSTS OF INTEREST (TOWARDS THIRD PARTIES)	**1046**	15	15	60	60
III. FX LOSSES AND NEGATIVE EFFECTS OF THE CURRENCY CLAUSE (TOWARDS THIRD PARTIES)	**1047**	2.035	2.035	4.600	4.600
G. PROFIT FROM FINANCE (1032-1040)	**1048**	5.844	5.844	21.822	21.822
H. LOSS PROFIT FROM FINANCE (1032-1040)	**1049**				
I. INCOME FROM VALUATION OF OTHER ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	**1050**				
J. EXPENSES FROM VALUATION OF OTHER ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	**1051**				
K. OTHER INCOME	**1052**	20.911	20.911	498	498
L. OTHER EXPENSES	**1053**	22.526	22.526	1.363	1.363
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	**1054**	123.693	123.693	24.460	24.460
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	**1055**				
O. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES, AND ALLOWANCES FOR IMPAIRMENT FROM PREVIOUS PERIODS	**1056**				
P. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES, AND ALLOWANCES FOR IMPAIRMENT FROM PREVIOUS PERIODS	**1057**				
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	**1058**	123.693	123.693	24.460	24.460
R. LOSS BEFORE TAX (1055-1054+1057-1056)	**1059**				
S. TAX ON PROFIT					
I . TAX EXPENSE FOR THE PERIOD	**1060**				
II. DEFERRED TAX EXPENSE FOR THE PERIOD	**1061**				
III. DEFERRED TAX INCOME FOR THE PERIOD	**1062**				
T. PERSONAL EARNINGS OF THE EMPLOYER PAID	**1063**				
U. NET PROFIT (1058-1059-1060-1061+1062)	**1064**	123.693	123.693	24.460	24.460
V. NET LOSS (1059-1058+1060+1061-1062)	**1065**				
I . NET PROFIT THAT BELONGS TO NON-CONTROLLING INVESTORS	**1066**				
II. NET PROFIT THAT BELONGS TO CONTROLLING OWNER	**1067**				
III. NET LOSS THAT BELONGS TO NON-CONTROLLING INVESTORS	**1068**				
IV. NET LOSS THAT BELONGS TO CONTROLLING OWNER	**1069**				
V. BASIC EARNINGS PER SHARE					
1. Basic earnings per share	**1070**				
2. Diluted earnings per share	**1071**				

1.3. CASH FLOW STATEMENT

CASH FLOW STATEMENT			
from **01.01.2017.** to **31.03.2017.**			
		in RSD 000	
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 inflows from operating activities (1 to 3)	**3001**	1.129.641	1.208.974
1. Sale and received advances	**3002**	980.107	1.205.062
2. Interest received from operating activities	**3003**	1.052	3.912
3. Other inflows from regular operation	**3004**	148.482	
II. Cash outflows from operating activities (1 to 5)	**3005**	1.502.660	1.506.914
1. Pay outs to trade payables and given advances	**3006**	1.239.277	1.115.954
2. Salaries, fringe benefits and other personal expenses	**3007**	255.351	272.500
3. Interest paid	**3008**	1.698	2.206
4. Tax on profit	**3009**		
5. Outflows from other public revenues	**3010**	6.334	116.254
III. Net cash inflow from operating activities (I-II)	**3011**		
IV. Net cash outflow from operating activities (II-I)	**3012**	373.019	297.940
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
I . Cash inflows from investment activities (1 to 5)	**3013**	472.536	381.476
1. Sale of equities and shares (net inflows)	**3014**		
2. Disposals of intangibles, property, plant, equipment and natural assets	**3015**		
3. Other financial investment (net inflows)	**3016**	472.536	381.476
4. Interest received from investment activities	**3017**		
5. Dividend received	**3018**		
II. Cash outflows from investment activities (1 to 3)	**3019**	127.416	45.709
1. Purchase of equities and shares (net outflows)	**3020**	105.500	
2. Purchase of intangibles, property, plant, equipment and natural assets	**3021**	21.916	45.709
3. Other financial investment (net outflows)	**3022**		
III. Net cash inflows from investment activities (I-II)	**3023**	345.120	335.767
IV. Net cash outflows from investment activities (II-I)	**3024**		
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I . Cash inflows from financing activities (1 to 5)	**3025**	0	
1. Increase of basic capital	**3026**		
2. Long-term loans (net inflows)	**3027**		
3. Short-term loans (net inflows)	**3028**		
4. Other long-term liabilities	**3029**		
5. Other short-term liabilities	**3030**		
II. Cash outflows from financing activities (1 to 6)	**3031**	1.001	
1. Purchase of own equities and shares	**3032**		
2. Long-term loans (outflows)	**3033**		
3. Short-term loans (outflows)	**3034**		
4. Other liabilities (outflows)	**3035**	1.001	
5. Financial leasing	**3036**		
b. Dividend paid	**3037**		
III Net cash inflow from financing activities (I-II)	**3038**		
IV Net cash outflows from financing activities (II-I)	**3039**	1.001	
D. GROSS CASH INFLOW (3001+3013+3025)	**3040**	1.602.177	1.590.450
E. GROSS CASH OUTFLOW (3005+3019+3031)	**3041**	1.631.077	1.552.623
F. NET CASH INFLOW (3040-3041)	**3042**		37.827
G. NET CASH OUTFLOW (3041-3040)	**3043**	28.900	
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	**3044**	35.665	40.974
I. FX GAINS FROM CASH CALCULATION	**3045**	5.320	
J. FX LOSSES FROM CASH CALCULATION	**3046**		
K. CASH AT THE END OF THE ACCOUNTING PERIOD (3042-3043+3044+3045-3046)	**3047**	12.085	78.801

1.4. OTHER COMPREHENSIVE INCOME

STATEMENT ON OTHER RESULTS

from **01.01.2017.** to **31.03.2017.**

in RSD 000

Item	ADP	current period quarter	cumulative	previous period quarter	cumulative
1	**2**	**3**	**4**	**3**	**4**
A. NET RESULT FROM OPERATION					
I . NET PROFIT (ADP 1064)	**2001**	123.693	123.693	24.460	24.460
II. NET LOSS (ADP 1065)	**2002**				
B. OTHER COMPREHENSIVE PROFIT OR LOSS					
a) Items that will not be reclassified to profit or loss in future periods					
1. Changes of revaluation of intangible property, plant, and equipment					
a) Increase of revaluation reserves	**2003**				
b) Decrease of revaluation reserves	**2004**				
2. Actuarial gains or losses from plans of defined earnings					
a) Gains	**2005**				
b) Losses	**2006**				
3. Gains or losses from investment in equity securities					
a) Gains	**2007**				
b) Losses	**2008**				
4. Gains or losses from share in other comprehensive profit or loss of associated companies					
a) Gains	**2009**				
b) Losses	**2010**				
a) Items that may be reclassified subsequently to profit or loss in future periods					
1. Gains or losses from calculation of financial statements on foreign business operations					
a) Gains	**2011**				
b) Losses	**2012**				
2. Gains or losses from hedge instruments of a net investment in foreign operation					
a) Gains	**2013**				
b) Losses	**2014**				
3. Gains or losses from the hedge instruments on cash flow hedging					
a) Gains	**2015**				
b) Losses	**2016**				
4. Gains or losses from securities available for sale					
a) Gains	**2017**				
b) Losses	**2018**	30.772	30.772		
I . OTHER GROSS COMPREHENSIVE PROFIT (2003+2005+2007+2009+2011+2013+2015+2017)-(2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0	**2019**				
II. OTHER GROSS COMPREHENSIVE LOSS (2004+2006+2008+2010+2012+2014+2016+2018)-(2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0	**2020**	30.772	30.772		
III. TAX AND OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	**2021**				
IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0	**2022**				
V. NET OTHER COMPREHENSIVE LOSS (2020-2019+2021) ≥ 0	**2023**	30.772	30.772		
C. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD					
I . TOTAL NET COMPREHENSIVE PROFIT (2001-2002+2022-2023) ≥ 0	**2024**	92.921	92.921	24.460	24.460
II. TOTAL NET COMPREHENSIVE LOSS (2002-2001+2023-2022) ≥ 0	**2025**				
D. TOTAL NET COMPREHENSIVE PROFIT OR LOSS (2027+2028)=ADP2024 **≥ 0 or ADP2025 > 0**	**2026**				
1. Attributable to controlling equity owners	**2027**				
2. Attributable to non-controlling owners	**2028**				

1.5. STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

from 01.01.2017. to 31.03.2017.

in RSD 000

DESCRIPTION	ADP	30 Basic capital	ADP	31 Subscribed capital unpaid	ADP	32 Reserves	ADP	35 Loss	ADP	047 and 237 Own shares purchased	ADP	34 Retained profit	ADP	330 Effect of restatement of capital	ADP	331 Actuarial gains or losses	ADP	332 Gains or losses from investment in equity	ADP	333 Gains or losses from share in other profit or	ADP	334 and Gains or losses from foreign business	ADP	336 Gains or losses from cash flow hedging	ADP	337 Gains or losses from securities available for sale	ADP	Total capital [Σ(row 16 col. 2 to col. 14)-Σ(row 1a col. 2 to col. 14)]≥0	ADP	Loss above equity [Σ(row 1a col. 2 to col. 14)-Σ(row. 16 col. 2 to col. 14)]≥0
1		2		3		4		5		6		7		8		9		10		11		12		13		14		15		16
Initial state as of 1 Jan. _______																														
a) debit account balance	4001		4019		4037		4055		4073	117.116	4091		4109		4127		4145		4163		4181		4199		4217	28.127	4235	6.529.071	4244	
b) credit account balance	4002	1.217.288	4020		4038	677.528	4056		4074		4092	4.779.498	4110		4128		4146		4164		4182		4200		4218					
Allowance for substantial impairment and change of accounting policies																														
a) provisions on the side of debit account balance	4003		4021		4039		4057		4075		4093		4111		4129		4147		4165		4183		4201		4219		4236		4245	
b) provisions on the side of credt account balance	4004		4022		4040		4058		4076		4094		4112		4130		4148		4166		4184		4202		4220					
Corrected initial balance as of 1. Jan. _______																														
a) corrected debit account balance (1a+2a-2б) ≥ 0	4005		4023		4041		4059		4077	117.116	4095		4113		4131		4149		4167		4185		4203		4221	28.127	4237	6.529.071	4246	
b) corrected credit account balance (1б-2a+2б) ≥ 0	4006	1.217.288	4024		4042	677.528	4060		4078		4096	4.779.498	4114		4132		4150		4168		4186		4204		4222					
Changes in previous _______ year																														
a) turnover on the side of debit account balance	4007		4025		4043		4061		4079		4097	157.332	4115		4133		4151		4169		4187		4205		4223	2.652	4238	636.717	4247	
b) turnover on the side of credt account balance	4008		4026		4044		4062		4080		4098	796.694	4116		4134		4152		4170		4188		4206		4224	7				
State as at the end of previous year 31. Dec. _______																														
a) debit account balance (3a+4a-4б) ≥ 0	4009		4027		4045		4063		4081	117.116	4099		4117		4135		4153		4171		4189		4207		4225	30.772	4239	7.165.788	4248	
b) credit account balance (3б-4a+4b) ≥ 0	4010	1.217.288	4028		4046	677.528	4064		4082		4100	5.418.860	4118		4136		4154		4172		4190		4208		4226					
Allowance for substantial impairment and change of accounting policies																														
a) provisions on the side of debit account balance	4011		4029		4047		4065		4083		4101		4119		4137		4155		4173		4191		4209		4227		4240		4249	
b) provisions on the side of credt account balance	4012		4030		4048		4066		4084		4102		4120		4138		4156		4174		4192		4210		4228					
Corrected initial balance in the current year as of 1. Jan. _______																														
a) corrected debit account balance (5a+6a-6б) ≥ 0	4013		4031		4049		4067		4085	117.116	4103		4121		4139		4157		4175		4193		4211		4229	30.772	4241	7.165.788	4250	
a) Corrected credit account balance (5б-6a+6б) ≥ 0	4014	1.217.288	4032		4050	677.528	4068		4086		4104	5.418.860	4122		4140		4158		4176		4194		4212		4230					
Changes in the current _______ year																														
a) Turnover on the side of debit account balance	4015		4033		4051		4069		4087		4105		4123		4141		4159		4177		4195		4213		4231		4242	123.693	4251	
b) Turnover on the side of credt account balance	4016		4034		4052		4070		4088		4106	123.693	4124		4142		4160		4178		4196		4214		4232					
Balance as the end of the current year 31 Dec. _______																														
a) Debit account balance (7a+8a-8б) ≥ 0	4017		4035		4053		4071		4089	117.116	4107		4125		4143		4161		4179		4197		4215		4233	30.772	4243	7.289.481	4252	
b) Credit account balance (7б-8a+8б) ≥ 0	4018	1.217.288	4036		4054	677.528	4072		4090		4108	5.542.553	4126		4144		4162		4180		4198		4216		4234					

NOTES TO THE FINANCIAL STATEMENTS

1. HISTORICAL DEVELOPMENT OF THE COMPANY

Metal industry "Alfa-Plam", Vranje is a joint stock company (hereinafter-the Company). Registered by business registers Agency, Register of companies number BD 14264/2005.

The history of Alfa-Plam:

1948 – Metalac, a town craftsmanship service enterprise was established in Vranje; the company had locksmith, blacksmith, electrical installation, horseshoe, wheelwright, and tin workshops. It produced tin pots, water buckets, troughs, and drum-like furnaces and tailor-made products.

1950 – Metalac had 58 employees.

1959. – Metalac put into operation a galvanising plant. The plant employed new four workers, who put black tin buckets into chemicals, and then into zinc that was oil-heated in a large boiler.

1960 – The company planned production and galvanising of 100,000 buckets.

1962 – A factory for tin packaging was constructed in the industrial district of Vranje; during the construction, the factory changed its production programme into production of various technical devices for wide use. The factory was named Alfa-Vranje Technical Device Industry, and employed 87 workers.

1964. – Alfa-Vranje won production of Feniks 140, a room oil-fueled furnace, a planned production of other appliances for households (electricity powered laundry dryer, washing machine, hardware and furniture). The factory employed 300 workers. It exhibited Feniks 15.000 - an oil-fueled furnace for floor heating, at the Belgrade Technical Fair.

1965. – after 16 years of operation in premises without adequate conditions, Metalac got an adequate area in the industrial zone of Vranje, next to Alfa. The enterprise specialised in all craftsmanship and metal-installation works in civil engineering.

1967 – Business and technical cooperation between Alfa and the French manufacturer Henry Potez was established, and it resulted in production of oil furnaces Alfa Potez in Alfa, under Potez's license.

1968 – A new dye plant put into operation in Alfa.

1969 – Record annual production was achieved (the hundred thousandth Alfa-Potez furnace in that year was produced in October). Exports of 10,000 Alfa-Potez oil burning heaters to Hungary were contracted. Such a large quantity of heaters had not been exported at once by any producer of heaters in Yugoslavia. The factory employed 520 people.

1971 – Alfa-Vranje factory procured a crane with the capacity of up to 8 tons, for sheet metal unloading. By that time, the job had been performed by workers. A cooperation agreement was signed with Belgian Efel, a specialised company for production of gas stoves and solid and liquid fuel stoves, providing for exports of 30,000 fireplaces – oil heaters into Belgium.

Cooperation between Metalac, which currently had 200 employees and produced solid and liquid fuelled ovens and Alfa, which had 760 employees and produced ultramodern oil heaters was developed. The two companies were only divided by a wire fence.

1973 – Alfa won over production of solid fuel ovens and planned production of 6,000 unit in the first production series. Besides ovens, production of spring mattresses for the needs of the Simpo furniture factory and production of sinks were introduced.

1975 – It was concluded that Alfa had operated with loss, and that loss had resulted not only from the previous year but from earlier years as well. Bad business operation was caused by the global energy crisis and rising raw material prices, with concurrent impossibility of Alfa to reorient itself in programme terms.

Despite decline of sales, starting in 1971, huge quantities of products were produced and held in stock. A recovery programme provided for referral of a part of workers to unpaid leave, a new job classification was made for 400 employees (200 less than currently employed), and minimum salaries were paid until the expected exit from the crisis.

1977 – Alfa ended the year without loss after many years of bad operation.

1978. – Alfa won production of gas-fuelled furnaces.

1980 – Alfa Technical Equipment Industry and Metalplam, the basic organisation of associated labour for production of goods for wide consumption (within Metalac) merged into a work organisation, MIV Vranje Metal Industry. The new work organisation had 873 employees. Total 230,000 heaters were produced.

1981 – Metal Industry Vranje became a part of SOUR Gorenje in Velenje (Slovenia).

1984 – Exports of 100,000 liquid fuel heaters for Algeria were contracted.

1989 – More than 243,000 heaters were produced, that is: 102,782 solid fuel stoves, 68,630 fuel oil furnaces, 44,766 gas heaters, and 27,062 solid fuel heaters.

1990 – The name of the company was changed into Alfa Plam.

1994 – Half a production was exported (Slovenia, Macedonia, Bulgaria and Albania).

1997 – General overhaul of the enameling plant was made and state-of-the-art equipment for enamel baking was installed (producer was the German WGT company). Investment amounting to DEM 500,000, realised from own funds.

1998 – Production of electric stoves with ceramic top started, ISO 9001 quality system was introduced, and a process of proprietary transformation of the state-owned capital started. The company had 1,100 employees.

2000 – In the first round of the proprietary transformation, 1,544 workers, former workers and pensioners became the owner of 70% shares of Alfa-Plam and acquired the pre-emption right in the purchase of the remaining 30% equity. The company was registered as a joint stock company.

2001 – A computer-based highly productive line for laquering of metal parts was put into operation. Investment worth DEM 800,000. After the balance sheet for 2000, the first dividend was paid.

2002 – Huge technological leap forward: in the Enameling plant 1 the overall equipment was replaced, a new technology of enameling with the procedure of 2 layers – 1 baking was introduced, and the whole procedure was automated (for the first time in Serbia). Alfa-Plam shares were quoted at the Belgrade stock exchange.

2003 – Total production of 164,000 heater units. A serial production of a new solid fuel floor heating furnace, Alfa Term 20, started. In Vranje, the first selling and exhibiting room opened, and the whole production programme of this producer was displayed there.

2005 – Equipment in the Enamel Plant II was replaced. The investment amounted to EUR 1,500,000, and was realised from own funds.

2006 – A laser machine for punctuation and sheet metal stamping was procured, tools for new stoves and furnaces were made and the second phase of construction works in the Plant I was completed. The investments amounted to EUR 1,500,000, and were realised from own funds.

2007 – The value of one share at the Stock Exchange reached record maximum of EUR 527.77 (at the middle exchange rate). Production of furnaces on pellet under the Italian technology was contracted for a renowned Italian customer. The company had 960 employees.

2008 – A new technology with complete equipment for wet dyeing in Plant 2 was introduced along with a new tin tailoring line, and a press was purchased and installed. The total investment from own funds amounted to EUR 1,200,000. A marketing management project was drafted in service of further improvement of the market position of the company. A new logo of the company and motto: Alfa-Plam – Security and Warmth! were adopted.

2009 – A robotic welding machine, a line for longitudinal and transversal tin cutting, 2 machines for sheet metal folding, a hydraulic press and other equipment were procured in the amount of about EUR 500,000. The company had 880 employees.

2010 – Laser for sheet metal cutting and punctuation was purchased. Serial production of solid fuel furnaces for floor heating, Alfa Term 27 was launched. The company bought 12,500m2 of constructed production storage area and about 13,000m2 land in the immediate vicinity of its seat.Dividend for the previous year, the tenth consecutive annual dividend, was paid to the shareholders.

2011 – Production of pellet burner furnaces was launched, an eccentric press was purchased, a line for electrostatic enameling was procured, along with waste water purification equipment, gas analyser.

2012 – Reconstruction of the administrative building was made, a steel plate grinding machine was procured, an enameling plant was procured, the foundation for a weighbridge was laid and a weighbridge was purchased, the management was changed, all services were reorganised, a new marketing service was introduced, new jobs were created, own shares were acquired.

2013 – Purchase of business areas (Bor, Surdulica, Nis, Subotica, Zemun), a restaurant providing meals for workers was restored with new equipment, a mechanical press and a radial drill were purchased, a new production hall was constructed.

2014- Business premises (Sabac , Subotica) were purchased, a boiler welding hall was constructed, a Trumpf laser cutting centre was opened, Amada press, enameling equipment, electrical forklifts, and new computers were procured.

2015 - Shopping mounting tape with the conveyor, welding generators, new presses Amada, purchase of industrial technology and brand, the beginning of construction of the assembly hall of the product pellet, the acquisition of modern forklift.

2016. – new paint shop-lines for painting and painting worth over a million euros, manually and automatically apply color, machining center Teximp, welding machines, machines for welding bradavičasto, 2 trucks, machines for testing furnaces and boilers, machines and lasers for cutting Salvagnini, forms, machines for grinding.

The main activity of the Company is manufacture of heaters for solid, liquid and gaseous fuel, stoves, gas, electricity, as well as a combination of solid fuel-electricity and electricity-gas. Company products are primarily intended for households. The scale of production, marketing and quality, the company is a leading manufacturer of heaters in Serbia and in South Eastern Europe, and ranked in order of the top 5 in Europe.

Today, the production is realized in 5 technical and technological units, according to the product groups, namely:

- Cookers and stoves on solid fuels,
- Fireplaces and stoves on solid fuel
- stove gas Stoves,
- furnaces and fireplaces for Central Heating
- Stoves and hot plates.

Total annual production is over 150,000 units. Assortment of production extends continuously in accordance with market needs, and in order to increase the quality of products introduces new technologies. All products Companies have sufficient domestic and foreign certificates, which as a whole meet stringent requirements for placement on the EU market.

The company sells its products on the domestic market (about 40%) and in Europe (around 60%). The main export markets are the former Yugoslav Republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), then Germany, Italy, Austria and Poland.

The managing body of the company is the Board of Directors, which consists of 6 members. The members of the Board of Directors are:

Avram Milenković	The Chairman of the Board of Directors
Goran Kostić	Member of the Board of Directors
Branislav Popović	Member of the Board of Directors
Miroljub Aleksić	Member of the Board of Directors
Miroljub Hadzic	Member of the Board of Directors

Company shall be according to the criteria of the law on accounting and auditing sorted in large corporates.
Company headquarters is in Vranje, ul. No. 1
Company tax identification number is the identification number 100402750
Company social security number 7137923

2. GROUNDS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. The basics of sastavljanje and presentation of financial statements

Legal entities and entrepreneurs in the Republic of Serbia are obligated to bookkeeping, recognition and assessment of assets and liabilities, income and expenditures, assemble, display, submission and disclosure of financial statements conducted in accordance with the law on accountancy (hereinafter referred to as "the law", published in "Official Gazette of RS", no. 62/2013), as well as in accordance with the other an applicable say legislation. Society, as a large entity, bound to apply International financial reporting standards ("IFRS"), which in terms of this law, include: a framework for the preparation and presentation of financial statements ("Framework"), International accounting standards ("IAS"), International financial reporting standards ("IFRS") and the related interpretations, issued by the Committee for the interpretation of the international accounting standards ("IFRIC"), subsequent amendments to those standards and related interpretations , approved by the international accounting standards Board ("the Board"), whose translation is determined and announced by the Ministry responsible for finance jobs.

Solution Ministries from 13. March 2014. year, which was published in the official journal of the RS, no. 35 of 27. March 2014. year (in hereinafter as "decision on establishing the translation") established and published translates the basic texts MRS and IFRS, Conceptual framework for financial reporting ("conceptual framework"), adopted by the Committee, as well as related IFRIC interpretations.

The above translates to the published Solution on fixing the translations don't including Foundation for inference, illustrative examples, guidelines, comments, opposite opinions, elaborate examples, as well as other complementary explaining the material can be adopted in relation to standards, or interpretations, unless explicitly states that the material is an integral part of the standard or interpretation.

On the basis of the resolution on establishing the translation conceptual framework, IAS, IFRS, IFRIC and the related interpretations which are translated, in the implementation of financial reports that are compiled on day 31. December 2014. year.

Modified or released MRS./IFRS and IFRIC interpretations that were effective for financial statements that have started 1. January 2014. year (and later), as well as subsequent changes or publish IAS/IFRS standards and interpretations are not translated and published respectively adopted in the Republic of Serbia, so therefore are not applied when composing attached to the financial statements. In addition, certain legal and enabling regulations prescribing accounting procedures, valuation and Roosevelt, which in some cases differ from IAS/IFRS requirements and IFRIC interpretations.

Pursuant to the above, and in view of the potential financial effects that deviations of the accounting regulations of the Republic of Serbia of IFRS and IAS can have on reality and objectivity of the financial statements of Companies, the attached financial statements cannot be fully considered composed financial statements in accordance with IFRS and IAS.

Published standards and interpretations that have entered into force in the previous period and the current period on the basis of the resolution on the establishment of translations, they disclosed in note 2.2. Published i standards and interpretations effective in the previous and current period that have not yet been officially translated and texts adopted are disclosed in note 2.3. Published standards and interpretations which are not yet in application, disclosed in note 2.4.

Financial statements are compiled in accordance with the principle of historical cost, unless otherwise indicated in the accounting policies that are given in hereinafter.

In accordance with the law, financial statements of the company are stated at thousands dinars. Penny represents official reporting currency in the Republic of Serbia.

2.2. Published standards and interpretations that have entered into force in the previous period and the current period on the basis of the resolution on the establishment of translations

• Changes IFRS 7 "Financial instruments: Roosevelt" — Changes that improve Roosevelt, fair value and liquidity risk (revised March, 2009, effective for annual periods beginning on or after January 1, 2009);
• Changes IFRS 1 "First application of International financial reporting standards – Additional exemptions for entities that apply IFRS for the first time. The changes are related to the funds in the oil & gas and how to determine whether the contracts contain leasing (revised July, 2009, effective for annual periods beginning on or after 1 January 2010);
• Changes of different standards and interpretations the Project annual qualitative improvements IFRS published 16. in April 2009. year (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily intended to resolve the conflict and clarification of wording in the text (modified standards effective for annual periods beginning on or after January 1, 2010, and changes to IFRIC on or after 1 July 2009);
• Changes IAS 38 "intangible assets" (effective for annual periods beginning on or after 1 July 2009);
• Changes to IFRS 2 "Payment shares": Changes as a result of the project the annual qualitative improvements IFRS (revised in April 2009, effective for annual periods beginning on or after 1 July 2009) and changes that are related to the payment transaction for shares of the group are based on cash (revised June 1, 2009, effective for annual periods beginning on or after 1 January 2010);
• Amending IFRIC 9 "Reassessment of embedded derivatives assessment" will be effective for annual periods beginning on or after 1. on July 1st 2009. year and IAS 39 "Financial instruments: recognition and measurement – Embedded derivatives (effective for annual periods beginning on or after June 30, 2009);
• IFRIC 18 transfers of assets from customers (effective for annual periods beginning on or after 1 July 2009);
• "Comprehensive framework for financial reporting 2010. "what represents change" Framework for the preparation and display of financial statements ' (effective for transfer of funds from customers received on or after September 2010);
• Amendments to IFRS 1 "First application of International financial reporting standards – Limited exemption from comparative IFRS in the Roosevelt, laid down 7 at persons who for the first time apply IFRS (effective for annual periods beginning on or after 1 July 2010);

• Amendments to IAS 24 "related party Roosevelt" – simplified disclosure requests by persons under (significant) control or influence of the Government and the clarification of the definition of related persons (effective for annual periods beginning on or after 1 January 2011);
• Amendments to IAS 32 "Financial instruments: Presentation"-accounting include preferential the rights to new shares (effective for annual periods beginning on or after 1st February 2010);
• Additions to the various standards and interpretations " improvements IFRS (2010)" are the result of the project, the annual Festival improvements IFRS published 6. Maya 2010. year (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily intended to resolve disagreements and clarifications on the wording in the text (most of the amendments will be effective for annual periods beginning on or after 1 January 2011);
• Amendments to IFRIC 14 "IAS 19 – the limit on funds defined, requirements for minimum funding and their interaction" prepayment of minimum funding required to finance (effective for annual periods beginning on or after 1 January 2011);
• IFRIC 19 "Cancel financial obligation to the capital instruments" (effective for annual periods beginning on or after 1 July 2010);
• Amendments to IFRS 1 "First application of International financial reporting standards" – the great hyperinflation and the removal of fixed dates for persons who first applied the IFRS (effective for annual periods beginning on or after 1 July 2011);
• Amendments to IFRS 7 "Financial instruments: Roosevelt" – the transfer of funds (effective for annual periods beginning on or after 1 January 2011);
• Amendments to IAS 12 "Taxes on winnings" – Postponed taxes: refund which are used for calculating tax (effective for annual periods beginning on or after January 1, 2012);
• IFRS 10 Consolidated financial statements "(effective for annual periods beginning on or after 1 January 2013);

• IFRS 11 Joint arrangements ' (effective for annual periods beginning on or after 1 January 2013);

• IFRS 12 Disclosure of participation in other legal entities "(effective for annual periods beginning on or after 1 January 2013);

• IFRS IFRS amendments 10, 11 and IFRS 12 "Consolidated financial statements, Joint arrangements and Roosevelt, participation in other legal entities: the clue to the interim implementation" (effective for annual periods beginning on or after 1 January 2013);

• IAS 27 (revised in 2011) "Individual financial statements ' (effective for annual periods beginning on or after 1 January 2013);

• IAS 28 (revised in 2011) "Investment in associated companies and joint investments in associated entities and joint ventures" (effective for annual periods beginning on or after 1 January 2013);

• IFRS 13 "fair value Measurements" (effective for annual periods beginning on or after 1 January 2013);

• Amendments to IFRS 1 "First application of International financial reporting standards-State loans at an interest rate lower than the market price (effective for annual periods beginning on or after 1 January 2013);

• Amendments to IFRS 7 "Financial instruments: Roosevelt" — Netting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);

• Amendments to IAS 1 "presentation of financial statements" – Presentation of items others overall results (effective for annual periods beginning on or after 1 July 2012).

• Amendments to IAS 19 "Employee Benefits" — improvements accounting including compensation for termination of employment (effective for annual periods beginning on or after 1 January 2013);

• Annual improvements for the period of 2009. by 2011. year released in may 2012. year relating to different projects improvements IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) mainly on removing inconsistencies and formulation of explanations (effective for annual periods beginning on or after 1 January 2013);

• IFRIC 20 "the cost ratio removal in the production phase of COPA (effective for annual periods beginning on or after 1 January 2013);

2.3. Published standards and interpretations effective in the previous and current period that have not yet been officially translated and adopted

On the day of the publication of these financial statements, the following standards and changes to standards have been issued by the international accounting standards Board, and the following interpretations have been published by the Committee for international financial reporting interpretation, but not formally adopted in the Republic of Serbia:

• Amendments to IAS 32 "Financial instruments: Presentation"-Beating financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2014);

• Amendments to IFRS 10 Consolidated financial statements "," IFRS 12 Disclosure "about participation in other entities" and IAS 27 ' Individual financial statements "– Exclusion of dependent persons from consolidation according to IFRS 10 (effective for annual periods beginning on or after January 1, 2014).

• Amendments to IAS 36 – Impairment of assets value "Disclosing the recoverable amount for non-financial assets (effective for annual periods beginning on or after January 1, 2014).

• Amendments to IAS 39 "Financial instruments: recognition and test of"- Regeneration derivatives and hedging opportunities continuing accounting (effective for annual periods beginning on or after January 1, 2014).

• IFRIC 9 "Duties" (effective for annual periods beginning on or after January 1, 2014).

• Amendments to IAS 19 "employee benefits" – Defined benefits plans: Contributions for employees (effective for annual periods beginning on or after 1 July 2014).

• Annual improvements for the period of 2010. by 2012. years that are the result of the project, the annual Festival improvements IFRS (IFRS 2, IFRS 3, IFRS 8, IAS 16, IFRS, IAS 24, IAS 38) in order to resolve the conflict and clarification of wording (effective for annual periods beginning on or after 1 July 2014).

• Annual improvements for the period from 2011. by 2013. year, which are the result of the project, the annual Festival improvements IFRS (IFRS 1, IFRS 3, IAS IFRS 13 and 40) in order to resolve the conflict and clarification of wording (effective for annual periods beginning on or after 1 July 2014).

• Amendments to IFRS 11 Joint arrangements "– an accounting gain of participation in joint business activities (effective for annual periods beginning on or after 1 January 2016.

• IFRS 14 "regulatory Accounts active temporal separation"-effective for annual periods beginning on or after 1. January 2016. year.

• Amendments to IAS 16 "Property, plant and equipment and IAS 38" intangible assets "-interpretation of acceptable depreciation methods (effective for annual periods beginning on or after 1 January 2016).

• Amendments to IAS 16 "Property, plant and equipment" and IAS 41 " Agriculture "-Agriculture -industrial plants (effective for annual periods beginning on or after 1 January 2016).

• Amendments to IAS 27 "Individual financial statements" – a method of hand in individual financial statements (effective for annual periods beginning on or after 1 January 2016).

• Amendments to IFRS 10 Consolidated financial statements ", and IAS 28" Investments in associated entities and joint ventures "-Sale or transfer of funds between the investor and its associated entities or joint ventures (effective for annual periods beginning on or after 1 January 2016).

• Amendments to IFRS 10 Consolidated financial statements "," IFRS 12 Disclosure "about participation in other entities" and IAS 28 "Investments in associated entities and joint ventures"-Investment Company: Applying exceptions to the consolidation (effective for annual periods beginning on or after 1 January 2016).

• Amendments to IAS 1 "presentation of financial statements" – Initiative for disclosure (effective for annual periods beginning on or after 1 January 2016).

• Updates and changes to different standards "IFRS Improvements " (for the period from 2012 to 2014), which are the result of the project, the annual Festival improvements IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) in order to resolve the conflict and clarification of wording (effective for annual periods beginning on or after 1 January 2016).

2.4. Published standards and interpretations which are not yet entered into force

On the day of issue of these financial statements, the following standards and interpretations were their updates are published, but have not yet entered into force:

• IFRS 9 Financial instruments "and later additions, which replaces the requirements of IAS 39" Financial instruments: recognition and measure ", in relation to the classification and by weighing financial assets. Standard eliminates the existing categories of IAS 39 – assets held-to-maturity, available for sale assets and loans and receivables. IFRS 9 is effective for annual periods beginning on or after 1. January 2018. year, with allowed earlier application.

In accordance with IFRS 9, financial assets will be classified into one of two categories when initial recognition: funding valued at amortized cost or financial assets valued at fair value.

Financial means will be recognised by amortized cost if the following two criteria are satisfied: resources related to business model whose the goal to charge a contractual cash flows and contractual requirements provide the basis for payments on certain dates of cash flows that are exclusively payment of principal and interest on the outstanding principal. All other assets will be valued at fair value. Gains and losses arising from the valuation of financial assets at fair value would be recognised in the income statement, except for investments in equity instruments that are not traded, where IFRS 9 allows, at initial recognition, later unchangeable choice that any changes to fair value are recognised within other gains and losses in a report on the overall results. The amount to be recognized in the reports on the overall score will not be able to be recognized in the income statement.

• IFRS 15 "Revenue from contracts with customers", which defines a framework for the recognition of revenue. IFRS 15 replaces IAS 18 "Revenue", IAS 11 construction contracts "," IFRIC13 "customer loyalty programs", IFRIC15 "Agreements for construction of real estate" and IFRIC18 "Transfers of assets from customers" and SIC-31 Revenue — foreign exchange transactions involving advertising services ". IFRS 15 is effective for annual periods beginning on or after 1. January 2017. year, with allowed earlier application.

• IFRS 16 "Lease" which was released in January 2016. year, apply for business periods beginning after January 1, 2019. year. This strandardom will be replaced by former IAS 17.

Content and form of the financial statements of form and content position on forms prescribed by the regulations on the content of the form and the form of financial statements for business companies, cooperatives and entrepreneurs ("Official Gazette of RS", no. 95/2014 and 144/2014).

Chart of the frame and content account in the chart of the prescribed is the account framework and content of the accounts in the chart of the companies, cooperatives and entrepreneurs ("Official Gazette of RS", no. 95/2014-in hereinafter: text book of account framework).

According to the Act on accounting, the financial statements include: balance sheet, income statement, report on the rest of the score, report on cash-flow statement, the report on changes in equity and notes to the financial statements.

The company has contributed to these financial statements applied accounting policies are disclosed in note 3, which are based on current accounting and tax regulations of the Republic of Serbia.

2.5. Comparative data

Concurrent data represent the financial statements of a Company on the day and for the year that ends on the day 31.12.2015. year, which were the subject of an independent audit.

2.6. Continuing operations

Financial statements of the company for the year ended on the day of 31.12.2016. years are composed according to the principle of constancy of business.

3. ACCOUNTING PRINCIPLES

Financial statements of the company for the 31.03.2017. years are composed according to the principle of constancy of business.

- Principle of constancy,
- the consistency Principle,
- the principle of precautionary,
- principle of the substance of the above form,
- the principle of causality of income and expenditure and
- the principle of a single evaluation.

Respect the principle of constancy, financial reports are usually made on the assumption that property, financial and contributory orientation of Society, as well as the country's economic policy and economic conditions in the environment, allowing business to unlimited long term ("Going Concern" principle). Principle of consistency is assumed to be a way of evaluating the situation and changes on the assets, obligations, capital, revenues, expenditures, and results of operations, that is, that the way of evaluating the bilansnih position of the Society, changes over a longer period of time. If, for example, for compliance with legislation, the changes still occur, explains the reason for the change, and the effect of the changes is expressed according to the requirements of professional regulations related to changing the ways evaluation. contributory

The principle of caution is assumed to include a certain level of caution when drafting financial statements of Companies, which should result in that assets and income are not overrated, and that commitments and expenditures are not underestimated. However, recognition of the principle of caution should not be understood as sentient, an unrealistic deduction from income and capital; It is the conscious, an unrealistic increase in expenditures and obligations of society. Namely, in the framework of the intensified with respect to the principle of caution is not to have a significant result in the creation of hidden reserves, intentional impairment of assets or income, or deliberately exaggerating the liabilities or expenses, because in this case the financial statements would not be neutral and, therefore, would not be reliable.

The principle of the substance over form implies that you keep track of transactions and that, consequently, and in the drawing up of financial statements, including accounting should be made in accordance with the essence of transactions and their economic reality, and not only on the basis of their legal form.

Respect the principle of causality in revenue and expenditure, the recognition of the effects of transactions and other events in Society is not tied to a moment when cash or cash equivalents, on the basis of the transactions and events, receive, or pay, but are tied up for the moment when they happen. Such an approach is provided to the users of financial statements does not inform only about past transactions of society that have caused payments and receiving cash, but also the commitment of society to pay cash in the future, as well as the resources that represent cash that society will receive in the future. In other words, respect the principle of causality revenues and expenditures is provided information about past transactions and other events in a way that is most useful for users in making economic decisions.

The principle of individual evaluation means that the evaluation of different balance sheet position of society (for example, asset or liability), for rationalization, deriving from their individual evaluation.

4. REVIEW OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Use of estimate

Preparation and presentation of financial statements in line with IAS and IFRS and the accounting regulations in the Republic of Serbia requires the management of the company to use the best possible estimates and reasonable assumptions, which have effects on the amounts expressed in the financial statements and notes to the financial statements.

A more detailed view of the accounting estimates given in note 4.

4.2. Calculation of foreign currencies and the accounting treatment of exchange rate differences and effects of the currency clause

Items included in the financial statements of the Company are measured using the currency of the principal economic environment in which the Company operates (“functional currency”). The financial statements are presented in thousand RSD, which is the functional and reporting currency of the Company.

All assets and liabilities in foreign currencies are calculated on the day of the balance in their RSD counter value applying the official middle exchange rate of the National Bank of Serbia applicable on that day. Business changes in foreign currencies over the year are calculated in the RSD counter value using the official middle exchange rates of the National Bank of Serbia applicable on the day of change.

FX gains and FX losses that occurred in calculation of assets and liabilities expressed in foreign currencies and calculation of transactions during the year are recorded in the income statement, as financial income, that is financial expense.

Positive and negative effects of agreed foreign currency clauses in relation to assets and liabilities, which occurred using the agreed exchange rate, are also expressed as part of financial income, that is, financial expense.

Official Middle exchange rates of the National Bank of Serbia, used for conversion of foreign currency balance sheet position on day 31. March 2017. and 31. December 2016. year in the functional currency, for certain foreign currencies are:

u RSD

Valuta	**31.03.2017.**	**31.03.2016.**
EUR	123,9679	122,9245
USD	116,1292	108,6001

4.3. Income from operation

Income from sale is expressed in the amount of invoiced realisation, i.e. performed sale to the end of the accounting period, under the condition that on that day the debt creditor relationship occurred on that day and an invoice was issued. Income is measured at fair value of the received compensation or receivable, taking into account the amount of all trade discounts and quantity rebates which the company grants. The difference between the fair value and the nominal amount of the compensation is recognised as income from interest.

Income from sale is recognised when all conditions are met:
/a/ The company has transferred on the customer all significant risks and benefits from ownership;
/b/ The management of the company retains neither the influence on the management to the extent that is usually related to ownership nor control of the products and goods sold;
/c/ When it is possible to measure reliably the amount of income;
/d/ When any change in operation will probably be followed with an inflow of economic benefits into the company and
/e/ When costs incurred or to be incurred in relation with the change in operation can be measured reliably.

Income from services is expressed proportionately to the level of completion of service on the day of balance.

4.4. Expenses from operation

Total expenses from operation are: costs of the merchandise sold; decrease of finished goods, work in progress and services in progress; costs of material; costs of fuel and energy, costs of salaries, fringe benefits and other personal expenses; costs of production services; costs of depreciation, costs of long-term provisions; non-production costs, decreased for income from the own use of products, services and merchandise, and increase of finished goods, work in progress and services in progress.

The basic elements of the expense recognition principle are as follows:
/a/ Expenses are recognised, i.e. recorded and expressed when decrease of future economic benefits that is related to decrease of assets or increase of liabilities can be measured reliably;
/b/ Expenses are recognised based on the immediate relation of expenses with income (causality principle);
/c/ When economic benefits are expected to inflow over several accounting periods, and the connection with income can be established in a wider sense or indirectly, expenses are recognised using the systemic and reasonable allocation procedure;
/d/ Expenses are recognised when expense does not bring any economic benefits or when and up to the amount to which future economic benefits do not meet the conditions or have stopped meeting the conditions for recognition in the balance sheet as assets;
/e/ Expenses are also recognised in those cases where a liability occurs without concurrent recognition of an asset.

Costs of the merchandise sold in wholesale are determined in the amount of the selling value of wholesale merchandise, decreased by the amount of the determined difference in price and calculated VAT contained in the value of the merchandise sold in wholesale.

Costs of the merchandise sold in retail are determined in the amount of income from merchandise sold, decreased by the amount of the determined difference in price, and the amount of calculated VAT, contained in the value of the merchandise sold in retail.

4.5. Borrowing costs

Borrowing costs that are directly pripisivi acquisition, construction or production of assets that qualify comprise part of the purchase price of the value/assets. Other borrowing costs are recognised as an expense.

4.6. Financial income and expenses

Financial income and expenses include: income and expenses incurred with parent companies and subsidiaries; income and expenses from interest – from third parties (independent if they have become due or are paid or attributable in the amount of receivable or liability on the day of balance); income and expenses from exchange rate differences and the currency clause effects – towards third parties; and other financial income and expenses.

Income from dividend is recognised as income in the year when it is approved for disbursement.

4.7. Gains and losses

Gains represent increase of economic benefits, and include income that occurs in case of sale of non-current assets at the value higher than their book value, then not realised losses from sales of market securities (in case valuation of securities is made at their market values),and gains that occur at the increase of book value of non-current assets due to the cessation of conditions for decrease of their value.

Losses occur based on sale of assets at prices lower than their book value, then based on writing-offs of unwritten fixed assets, based on damages that may be compensated in full or partially from an insurance company, based on application of the imparity principle (impairment of assets).

4.8. Intangible assets

An intangible asset is a definable non-monetary asset without physical content:
- that serves for production or delivery of goods and services, for lease to other persons or is used for administrative purposes;
- that the company controls as a result of past events; and
- from which an inflow of future economic benefits is expected.

Intangible assets consist of: investment in development; concessions, patents, licenses and similar rights; other intangible investment; intangible investment under construction and advances for intangible investments.

Purchase of intangible assets during the year is recorded at cost. Cost represents the invoiced value of the assets acquired, plus all associated costs of procurement and costs of bringing into use. Costs of intangible assets produced within the company are direct costs and indirect related costs, which relate to the investment.

Costs of borrowing that occurred by the point of putting intangible assets into use are capitalised, that is, included in the cost value.

After being recognised as an asset, intangible assets are stated at purchase value or at cost decreased by the total amount of calculated depreciation and total amount of loss due to impairment.

Additional expense that relates to already recognised intangible assets, is attributed to the expressed amount of that asset, if it is probable that inflow of future economic benefits will be higher than the initially estimated rate of proceed of that asset.

The company recognises costs of replacement of some parts of intangible asset in the book value of that item, at the point when costs occur and the criteria of recognition under IAS 38 - Intangible asset (paragraph 21) are met.Any other recoverable expense is recognised as expense in the period in which it occurred.

Intangible assets cease to be expressed in the balance sheet after their disposal or when the asset is permanently withdrawn from use and its disposal is not expected to produce any future economic benefits.

Gains and losses that arise from the writing-off or disposals are determined as difference between the estimated net inflows from sales and expressed amount of the asset and is recognised as income or expense in the income statement.

4.9. Property, plant and equipment

Property, plant and equipment are tangible assets:

- that the company holds for use in the production or delivery of goods or rendering services, for lease to other parties or for administrative purposes;

- which are expected to be used longer than one accounting period;

The purchase value/cost of property, plant and equipment is recognised as an asset if, and only if:

- it is likely that future economic benefits related to that asset will inflow into the company; and

- the initial value of/price that can reliably be checking you out, or on the day of acquisition/construction of the initial value of/price is at the level of the average salary in the Republic of Serbia

  Tool and small inventory that meet the conditions specified in paragraph 1. are recognised as accessories, and if you do not meet the aforementioned conditions should be reported as inventory.

Purchase of property, plant and equipment over the year is recorded at cost.

Investments that have the character of an ongoing maintenance of property, plant and equipment represent disposal of the period in which they are incurred.

Land and buildings are separate funds and are tracked separately, even when they are acquired together.

Purchases property, plant and equipment during the year are recorded at cost value.

Purchase value makes the invoiced value of purchased assets increased for all dependent acquisition costs and all costs of bringing into a State of functional readiness. The price of these assets produced in his own directing make direct costs and associated overhead costs, that are related to that investment.

Borrowing costs incurred until the moment of putting funds in use, kapitalizuju or included in the purchase value of the purchased assets.

After being recognised as assets, property, plant and equipment are stated at purchase value or at cost decreased by the total amount of calculated depreciation and total amount of loss due to impairment.

Additional expense that relates to already recognised property, plant and equipment is attributed to the expressed amount of that asset, if it is probable that inflow of future economic benefits will be higher than the initially estimated rate of proceed of that asset and that the purchase value/cost of the additional expense can be determined reliably.

The company recognises costs of replacement of some parts of property, plant and equipment in the book value of those items, at the point when those costs occur and the criteria of recognition under IAS 16 - Property, plant and equipment (paragraph 7) are met.

Any other recoverable expense is recognised as expense in the period in which it occurred.

Urban land is expressed separately from the value of property at cost (or as residual value of property that is on that land), and additional valuation is done in the same manner as with property, plant and equipment.

Depreciation of land is not carried out.

Property, plant and equipment cease to be expressed in the balance sheet after their disposal or when the asset is permanently withdrawn from use and its disposal is not expected to produce any future economic benefits.

Gains and losses that arise from the writing off or disposal are determined as difference between the estimated net inflows from sales and expressed amount of the asset and is recognised as income or expense in the income statement.

4.10. Investment property

Investment property is property (*part of a building*) which the company holds as the owner with a view of making earning from rental of the property or increasing the value of capital or both, not with a view of using it for production or supply of merchandise or rendering services or for the needs of administrative operation, or for sales within regular operations.

Initial measurement of investment property is made at purchase value or cost. At initial measurement, associated costs of procurement are included in the purchase value or cost.

After initial recognition, investment property is measured at purchase value or cost decreased by the total amount of allowance based on depreciation and the total amount of allowance for impairment.

4.11. Depreciation

Calculation of depreciation shall be made from the beginning of the next month in relation to the month when asset was put into use.

Depreciation is calculated by the proportionate method using the rates that are determined based on the estimated useful life of the asset.

The basis for calculation of depreciation of an asset is purchase value.

The useful life, that is depreciation rates, are reconsidered periodically and if expectations are based on new estimates that are significantly different from previous ones, calculation of costs of depreciation for the current and future periods is adjusted.

Depreciation calculation method applied is reviewed periodically and if there has been a significant change in the expected pattern of economic benefits from those assets, the method is changed to reflect the changed manner. When such a change necessary depreciation calculation method, then it includes accounting as a change in accounting estimate and calculate depreciation charges for current and future period are adjusted.

Depreciation rates for the main categories of intangible assets, property, plant and equipment are given in the following overview:

Intangible assets	rate 15.00%
Buildings	rates 2.00 to 2.50%
Production equipment	rates 7.00 to 15.00%
Passenger and commercial carrier vehicles	rates 10.00 to 15.50%
Office equipment	rates 5.00 to 10.00%
Computer equipment	rates 20.00 to 30.00%

Calculation of depreciation for taxation purposes is made in line with the Corporate Income Tax Law of the Republic of Serbia and the Rulebook on the Manner of Classification of Fixed Assets in Groups and Methods of Determining Depreciation for Tax Purposes, which results in deferred taxes.

4.12. Impairment of assets

Pursuant to the accounting policies, the management of the company verifies on every day of the balance whether there are indicators of impairment of assets. In case such indicators exist, the company evaluates the recoverable value of assets.

Recoverable amount is defined as higher than net selling price and the use value. Net selling price is the amount that can be obtained at sales of assets in a transaction between two willing independent parties, decreased by costs of sale, whereas value in use is the current value of the estimated future cash flows which are expected to occur from continuing use of assets through their economic life and sales at the end of life.
The recoverable amount is estimated for any separate asset or, if that is not possible, for a unit that makes money which that asset belongs to. Where the book amount exceeds that estimated recoverable amount, value of assets is decreased to their recoverable amount. Loss from impairment is recognised in the amount of difference, charged to expenses in compliance with IAS 36 - Impairment of assets.

The management of the company has estimated that there are no indicators of impairment of assets as at 31 March 2017 so that impairment of assets has not been made.

4.13. Inventories

Inventories of merchandise and material are measured at purchase value. Purchase value represents all purchase costs for bringing inventories to their current place and state.
Costs of procurement include purchase price, import duties and other liabilities (except for those the company can recover additionally from tax authorities), transportation costs, manipulation costs and other costs that can be attributed to the procurement directly. Discounts, rebates and other similar items shall be deducted when determining the cost of goods.

Output of inventories of materials and merchandise is recorded with the method of average weighed price.

Inventories of work in progress and finished goods are measured at cost, that is net selling value, if it is lower. Cost represents all costs of conversion and other occurred costs necessary for bringing of inventories to their current place and state, that is:

- costs of direct work;
- costs of direct material; and
- indirect, that is general production costs.

Value of inventories of work in progress and finished goods does not include the following, or the following represents expense for the period:
- unusually high waste of material, manpower or other production costs;
- costs of storage, except if those costs are not necessary in the production process before the following phase of production;
- overhead costs of administration that do not contribute to bringing inventories to the current place and in the current state; and
- costs of sale.

Net sale value is the estimated sale value less estimated costs of sale and estimated costs of finalisation (with work in progress). If net sale value of inventories of work in progress and finished goods is lower than their cost, partial writing off to the net sale value is made.

By charging other expenses, allowance for inventories is made in cases where it is estimated that the value of inventories should be reduced to their net sale value.

Damaged inventories and inventories that do not meet the standards with their quality are written off in full.

Inventories of goods in retail are expressed at sale price over the year. At the end of the accounting period, reducing the value of inventories to the purchase value is made via allocation of realised difference in price and value added tax, calculated on the average basis, on the value of inventories in the balance at the end of the year and purchase value of the goods sold.

4.14. Financial instruments

Financial instruments include financial assets and liabilities that are recorded in the balance sheet of society, starting from the moment when Society becomes contractual commitments related to financial instruments, including the loss of control over the rights arising from financial assets (implementation, highlighting efforts, etc.), it is about reconciliation, abolition or highlighting financial obligations.

Financial instruments are initially measured at fair value, plus the costs of transactions (except for financial assets or financial liabilities that are measured at fair value through the income statement), which are directly broadcasting pripisivi purchase or financial assets or financial liabilities. Financial assets and liabilities are recorded in the balance sheet of society since the Society contractual clauses relating to the instrument.

The leadership made a classification of financial placements at the time of initial recognition. The classification depends on the purpose for which the funds obtained.

Funding ceased to recognise when a society loses control of agreed rights of those instruments. Financial obligation ceases to be recognised when the company fulfils the commitment or obligation is provided when the payment agreement revoked or expired.

Financial instruments in accordance with IAS 39 – Financial instruments: recognition and test of, include the following categories of financial instruments:

(a) Financial assets or financial liabilities at fair value through the income statement;

(b) Investments that are held to maturity;
(c) Loans and receivables (loans);
(d) financial assets classified as available for sale;

4.14.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market, except:
(a) assets that the company intends to sell immediately or within a short period, which would then be classified as assets held for trade and those which the company, after initial recognition, denotes at fair value through income statement;
(b) those that the company, after initial recognition, denotes as available for sale; or
(c) those for which the holder cannot recover in a significant measure its overall initial investment except if it is not due to worsening of a loan, which will be classified as available for sale.

Share acquired in the package of assets that are not loans or receivables (for example, share in a mutual fund or similar funds) is not a loan or receivable.

4.14.2. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are denoted as available for sale and are not classified as (a) loans and receivables (b) investments held to maturity or (c) financial assets denoted at fair value through income statement.

4.15. Short-term receivables and investments

Short-term receivables include trade receivables from domestic and foreign associated legal entities and other trade receivables - domestic and foreign based on sales of products, goods and services.

Short-term investments include loans, securities and other short-term investments with maturity, i.e. sale of up to one yeas from the date of action, that is date of the balance.

Short-term trade receivables shall be measured at the cost from the original invoice. If the value in an invoice is expressed in a foreign currency, conversion into the reporting currency is made at the exchange rate applicable on the day of the transaction.

Changes of the exchange rate from the date of the transaction to the date of collection of receivables are expressed as foreign exchange differences on behalf of income or will be charged to expenses. Receivables expressed in a foreign currency on the day of the balance are calculated according to the applicable exchange rate of NBS, and foreign exchange differences are recognised as income or expense of a period.

Short-term financial investments held for trade are measured at the depreciated value, not taking into consideration the intent of the company to hold them to maturity.

If there is probability that the company will not be able to collect all due amounts (principal and interest) according to contracting conditions for given loans, receivables or investments held to maturity, which are expressed at depreciated value, loss due to impairment or non-collected receivables has occurred.

On the day of the balance, the management of the company assesses collectability of receivable. Receivables whose 60-day term from the date of maturity for collection has expired on the date of the balance, are corrected indirectly at the expense of expenses for the period, without previously made assessment by the management, but obligatorily with a written decision of the Board of Directors.

In non-collectability is certain, direct writing off of those receivables is made by a decision of the company board of directors.

4.16. Cash and cash instruments

Cash equivalents and cash are included in assets on accounts with banks, cash in hand, and highly liquid assets with the initial term of maturity up to three months or shorter, which can be converted in known amounts of cash with insignificant risk of changes in value.

4.17. Obligations

Commitment is a result of past transactions or events, each of which typically involves denial of economic use (resources) Society in order to satisfy the request of the other side. Pursuant to the relevant provisions of the Framework, the obligation is recognised in the balance sheet:

- When it is probable that will drain resources that incorporate economic benefits result in reconciliation present obligations and
- when the amount of settlement can be reliably assessed.

In addition, in recognition of the precautionary principle recognizes, under which the implied inclusion of caution when assessing the, so you are not overpriced assets and income, and liabilities or costs are underestimated. However, the principle of caution should not result in the creation of hidden reserves (for example, as a result of intentionally overpriced obligations or costs), as in this case, the financial statements would not be neutral and, therefore, would not be reliable.

Obligations are considered: long-term liabilities (liabilities to related legal entities; long-term loans and loans at home and abroad, liabilities regarding the long-term securities, obligations arising from financial leasing and other long-term liabilities), short term liabilities (short-term loans and loans of the related legal entities, short-term loans kreditii at home and abroad, part of a long term credits and loans, as well as other obligations payments of up to one year and other short-term financial liabilities) , short-term liabilities from operations (suppliers and other liabilities from operations) and other short-term liabilities.

Short-term obligations are considered liabilities that are expected to be settled within one year from the date of the balance sheet, including the portion of long-term liabilities that meet the specified condition, while long-term obligations are considered liabilities that are expected for each of you to notice.

For obligations denominated in foreign currencies, and chores with indexed is done converting into functional currency at the Middle exchange rate valid on the date of the transaction. Changes course to the settlement are stated as a positive (negative) exchange rate fluctuations. Liabilities in foreign currencies at balance sheet date are converted according to the current exchange rate, and exchange rate differences are recognized as income or expenses in the period.

4.18. Provisions, potential liabilities and potential assets

Provisions are recognised when the company has a legal or contracted obligation as a result of past events, when it is more probable than not that the settlement of the obligation will require outflow of resources, and when the amount of the obligation can be estimated reliably.

Provisions for severance pay and jubilee awards are weighed for current value of expected future outflows using the discount rate that reflects interest at high quality securities that are expressed in a currency in which liabilities for pensions will be paid.

Provisions for judiciary proceedings are formed in the amount that corresponds to best assessment of the management of the company in terms of expenses that will occur in order to meet such liabilities.

Potential liabilities are not recognised in financial statements, they are disclosed in the notes to the financial statements, except if the probability of outflow of resources that contain economic benefits is very small.

The company does not recognise potential assets in financial statements but discloses them in the notes to the financial statements, if an inflow of economic benefits is probable.

4.19. Employee benefits

4.19.1. Taxes and contributions for compulsory social insurance

In line with the regulations applied in the Republic of Serbia, the company is obliged to pay contribution to different state funds for social insurance. These obligations include contributions charged to employees and charged to employer in amounts that are calculated using the legally prescribed rates. The company has legal obligation to make suspension of calculated contributions from gross salaries of employees and on their behalf make transfer of the suspended funds on behalf of respective state funds. The company is not obliged to pay to employees after they retire contributions that are obligation of the pension fund of the Republic of Serbia. Contributions charged to employees and charged to employer are booked as costs in the period which they relate to.

4.19.2. Liabilities based on severance pay and jubilee awards

In line with the Labour Law (*Official Gazette of the Republic of Serbia* Nos. 24/2005, 61/2005, 54/2009, 32/2013, and 75/2014) and the Individual General Act on Labour, the company is obliged to pay severance pay at retirement in the amount of 2 monthly gross salaries which the employee made in the month preceding the month in which severance is paid, which cannot be lower than 2 monthly average gross salaries paid in the company in the month preceding the month in which severance is paid.
In addition, the company is obliged to pay jubilee awards amounting to one half to three average monthly salaries. The number of monthly salaries for jubilee awards is determined based on the number of years the employee spent in the company.
Calculation and expression of long-term liabilities based on severance pay and jubilee awards is made using the method of present value of future expected disbursements, based on the actuarial calculation.

4.19.3. Share in employee earnings

The company recognises liabilities and cost for share in employee earnings in line with the Decision of the Board of Directors or another decision of the management of the Company.

4.20. Income Tax

4.20.1. Current tax

Tax expense of the period is an amount that is calculated and paid in line with provisions of the Corporate Income Tax Law (*Official Gazette of the Republic of Serbia*, Nos. 18/2010, 101/2011, 119/2012, 47/2013, 108/2013 and 68/2014 - other legislation, 142/2014, 91/2015 -Authentic Interpretation, 112/2015). Income tax is calculated at the rate of 15% on the tax basis that is shown in the tax balance, upon deduction for used tax credits. The taxable basis includes gain expressed in the income statement, which has been corrected in line with tax regulations of the Republic of Serbia.

Unused part of the tax credit may be transferred onto the account of income tax from future accounting periods, but not longer than 10 years. Loss from the current period may be used for reducing the tax basis of future accounting periods, but not longer than 5 years.

4.20.2. Deferred taxes

Deferred income tax is calculated for all temporary differences between the tax basis of assets and liabilities and their book value. Currently applicable tax rates on the day of balance sheet are used to calculate the amount of deferred tax. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductable temporary differences and for effects of the transferred loss and unused tax credits from previous periods to the level to which it is probable that future taxable gains will exist, to which deferred tax assets can be charged. Current and deferred taxes are recognised as income and expenses and are included in the net profit for the period.

4.21. Earnings per Share

The company calculates and discloses the basic earnings per share. The basic earnings per share is calculated dividing net earnings that belong to shareholders, holders of ordinary shares of the company, weighed with the average number of issued ordinary shares during the period.

4.22. Distribution of Dividend

Distribution of dividend to shareholders of the company is recognised in the financial statements of the company as liability in the period in which the shareholders of the company approved dividend.

4.23. Related Party Disclosure

For the purposes of these financial statements, the legal entities are treated as associated if a legal entity has a possibility to control another legal entity or make significant influence on the financial and operational decisions of the other entity, which is defined in IAS 24 Related Party Disclosure.

Relations between the company and its related parties are regulated on a contractual basis and under market conditions. The states of receivables and liabilities on the day of the balance sheet and transactions during reporting periods that occurred with related parties are specially disclosed in the notes to the financial statements.

5. A REVIEW OF SIGNIFICANT ACCOUNTING ESTIMATES

Compiling financial reports in accordance implemented framework for reporting demands of leadership using the best possible estimates and reasonable assumptions, which are having an effect on the presented values of assets and liabilities as well as revenues and expenditures during the izveštajnog period. These estimates and assumptions are based on the previous experience, as well as a variety of information available on the day of preparation of financial statements, and that seems realistic and reasonable in the circumstances. Based on this information, form a hypothesis about the values of assets and liabilities, which could not be immediately confirmed on the basis of other information. The actual value of the assets and liabilities can deviate from the value of which is estimated in this way.

Assessment, as well as the assumptions on which the estimates were made, are subject to regular checks. Revised accounting estimates are shown for the period in which they are revised, if the judgment has effect only for the period in question, or for the period in which they are audited and for future periods, if the revision affects the current and future periods.

Information about areas where the degree of assessment the most and that may have the most significant effect on the amounts recognised in the financial statements of society, are given below.

5.1 *Useful life of property, plant and equipment and depreciation rates*

Determination of the duration of property, plant and equipment is based on previous experience with similar assets, as well as the anticipated technical developments and changes that affect a large number of economic or industrial factors. The adequacy of a specific useful lifetime is reviewed annually or whenever there are indications that there has been a significant change factors that were the basis for determining the useful lifetime.

5.2. *Depreciation accounts receivable and other receivables*

The company calculates depreciation dubious claim on the basis of estimated losses incurred, because the buyers are not able to make the required payments. In the evaluation the equivalent loss of villages live on selling culture for dubious claims, the company relies on credit age, previous experience with otpisom, the solvency of the customers and changes in payment terms. This requires assessments regarding the future behavior of customers and thus caused by future payment in cash. The actual level of claims is charged may differ from estimated billing levels, which can positively or negatively affect the results of operations.

5.3. *Booking on the basis of litigation*

The company is involved in a number of court cases resulting from its daily operations and relate to the issues concerning labor relations, and which are addressed or discussed in the course of regular business. The company estimates the probability of negative outcomes for these issues, as well as amounts probables or reasonable estimates of losses. Reasonable estimates include judgment leadership after considering information including notifications, alignment, review by the legal sector, the available facts, identify potential responsible parties and their possibilities to contribute to solving, as well as previous experience.

Reserve for litigation is formed when it is probable that there is an obligation whose amount can be reliably assessed by a careful analysis. Required booking can be changed in the future for new developments or obtaining new information.

Issues or potential obligations or do not meet the criteria for reservation is made public, unless the probability of outflow of economic resources that contain uses very little.

5.4. Deferred tax assets

Deferred tax assets are recognized as a result of differences in the rates of depreciation for accounting and tax purposes; Significant evaluation of assets by the Company's management is required to determine the amount of deferred tax assets that can be recognised, based on the period and height of future taxable gains and tax planning strategies.

5.5. *Benefits to employees after termination and other fees provided for by law and internal regulations*

Costs set out compensation to employees after termination or retirement after filled with legal conditions are determined by actuarial evaluation. Actuarial assessment includes an estimate of the discount rate, future trends of earnings, mortality, and future increases in fees after retiring. Because of the long-term nature of these plans, significant uncertainty affect the outcome of the review.

6. FINANCIAL RISK MANAGEMENT

In its regular operation, the company is exposed to certain financial risks to a different scope, such as:

- Credit risk,

- Market risk (which includes risk of change of foreign exchange rates, risk of change of interest rates i risk of price change) and

- Liquidity risk.

Management of risks in the company is focused on endeavour to minimise potential adverse influences on financial state and operations of the company in a situation of unpredictability of financial markets.

Risk management is defined in the *Rulebook on the Internal Control System and Risk Management*.

6.1. Credit Risk

Credit risk is risk that one party in the financial instrument, by failure to meet its obligations, causes financial loss to the other party.

Credit risk occurs with cash and cash equivalents, deposits in banks and financial institutions, receivables of legal and natural persons and assumed obligations.

The company is exposed to credit risk. Protection against credit risk were established by taking specific measures and activities at the company level. In case of failure to any outstanding obligations of customers towards society, the same stops shipping products. In addition to the cutoff of products, use the following mechanisms to charge: taking the bonds and bank guarantees.

For all claims over 60 days from the maturity date for payment created the update values at the expense of expenditures.

Vendors not charged finance charge on overdue obligations, whereby Society overdue obligations to suppliers, according to the policy of managing financial risks, pay the agreed deadline.

6.2. Market Risk

Risk that fair value or future cash flows of the financial instrument will fluctuate due to the change in market prices. Market risk consists of three types of risks:

- Currency risk,
- Interest rate risk; and
- Other risks of change of price.

6.2.1. Risk of change of foreign exchange rates

Currency risk is risk that fair value or future cash flows of the financial instrument will fluctuate due to the change in exchange rate.Currency risk (or risk of exchange rate changes) occurs with financial instruments that are denoted in a foreign currency, i.e. currency that is not functional currency in which they are weighed.

6.2.2. Risk of change of interest rates

Risk of change of interest rates is risk that fair value or future cash flows of the financial instrument will fluctuate due to the change in market interest rates.

Interest rate risk occurs with interest bearing financial instruments recognised in the balance sheet (e.g. loans and receivables and issued debt instruments) and with some financial instruments that are not recognised in the balance sheet (e.g. some liabilities for loans).

6.2.3. Risk of change in price

Risk of change in price is risk that fair value or future cash flows of the financial instrument will fluctuate due to the change in market prices (other than those that occur from risk of interest rate or currency risk), whether those changes are caused by factors specific for individual financial instrument or its issuer, or the factors influence on all similar financial instruments that are traded in the market.

Risk of change in price occurs with financial instruments due to change, for example, in prices of goods or prices of capital.

6.3. Liquidity Risk

Liquidity risk is the risk that the company will not be able to fund assets with the appropriate sources of funding in terms of deadlines and rates and risk being unable to realize the asset at a reasonable price in the appropriate time frame.

The company manages liquidity with the aim of ensuring that sources of funding are available for settlement obligations at the time of their maturity. The company continuously evaluates liquidity risk by identifying and monitoring changes in funding sources necessary to meet the business objectives of the Company, and in line with the business strategy of the company.

Liquidity management is centralized at the company level. The company manages its assets and commitments in a manner which ensures that at all times fulfils all its obligations.

The company does not use financial derivatives.

6.4. Risk management of capital

The objective of capital management is to keep the Company's ability to continue its activity in an unlimited period in the foreseeable future, to preserve the optimal capital structure with the aim to reduce the cost of capital. The company monitors capital on the basis of any indebtedness, which is calculated as a ratio of net debt of Society and of its total capital.

7. CHANGES IN ACCOUNTING POLICIES AND SUBSEQUENTLY DETERMINED ERRORS

Accounting policies are applied when compiling financial statements for 2016. year are consistent with those applied in the previous year.

A materially significant error is considered to be an error that individually or cumulatively amount to more than 2% of total revenues. If the amount of error is lower, correction is made through the income statement of the current year.

Materially relevant effects of changing accounting policies and subsequently identified errors are adjusted retroactively with the Customizing of comparative data in financial statements, unless it's practically impossible (then the change in accounting policy is applied prospectively). Each adjustment that the consequence is expressed as a correction of the amounts retained earnings at the beginning of the period.

8. INCOME STATEMENT

8.1. INCOME FROM SALE OF PRODUCTS

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Domestic market			
Sales of goods - related parties			
Income from sale of goods	4.624		3.365
Total	**4.624**		3.365
Foreign market			
Income from sale of goods	495		2.065
Total	**495**		2.065
In All	**5.119**		5.430

8.2. INCOME FROM SALE OF PRODUCTS AND SERVICES

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Domestic market			
Income from sale of products and services to other associated companies	/		24
Income from sale of products and services	253.569		293.004
Total	**253.569**		**293.028**
Foreign market			
Income from sale of products and services	508.486		464.142
Total	**508.486**		**464.142**
In All	**762.055**		**757.170**

8.3. OTHER OPERATING INCOME

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Rental fees income	2.611		2.508
In All	**2.611**		**2.508**

8.4. COSTS OF MERCHANDISE SOLD

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Costs for merchandise sold - wholesale	935		3.515
In All	**935**		**3.515**

8.5. INCOME FROM THE OWN USE OF PRODUCTS, SERVICES AND MERCHANDISE

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Income from the own use of products and services	1.366		8.025
In All	**1.366**		**8.025**

8.6. CHANGE IN VALUE OF INVENTORIES OF WORK IN PROGRESS AND FINISHED PRODUCTS

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Work in progress as at 31 December	107.522		107.522
Finished goods as at 31 December	1.085.476		1.085.476
Minus:			
Work in progress as at 31.March 2017.	107.522		89.208
Finished goods as at 31.March 2017.	1.631.597		763.817
Total:	**546.121**		**339.973**

8.7. COSTS OF MATERIAL

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Costs of raw material	742.228		819.334
Costs of other material (overhead)	17.955		16.699
In All	**760.183**		**836.033**

8.8. COSTS OF FUEL AND ENERGY

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Costs of fuel and energy	23.197		24.155
In All	**23.197**		**24.155**

8.9. COSTS OF SALARIES, FRINGE BENEFITS AND OTHER PERSONAL EXPENSES

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Costs of net salaries and fringe benefits	154.717		164.038
Tax cost and cost of contributions for salaries and fringe benefits charged to employer	27.597		29.047
Costs of benefits for service contract	142		108
Costs of remunerations according to temporary and provisional contracts	25.446		24.164
Costs of remunerations to individuals according to other contracts	922		2.540
Costs of remuneration to director, that is to members of Management Board and Supervisory Board	905		1.211
Other personal expenses and remunerations	10.281		7.725
In All	**220.010**		**228.725**

8.10. COST OF PRODUCTION SERVICES

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Transport services costs	7.066		9.603
Maintenance costs	2.546		2.555
Rental costs	14.616		13.643
Fairs exhibit costs	4.065		6.918
Advertising costs	36.691		33.950
Costs of other services	12.664		13.467
In All	**77.648**		**80.136**

8.11. COSTS OF DEPRECIATION

Depreciation costs totalling RSD 79.022. thousand (in 2016 year RSD 63.398 thousand) relate to: depreciation intangible assets, property, plant, and equipment, investment property in accordance with the depreciation policy.

8.12. NON-PRODUCTION COSTS

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Costs of non-production services	16.644		16.878
Hospitality and entertainment expenses	2.239		1.311
Costs of insurance premiums	3.110		2.785
Costs of payment operations	1.736		2.729
Membership costs	555		1.128
Tax costs	4.812		4.585
Contribution costs	/		/
Other non-production costs	7.717		5.961
In All	**36.813**		**35.377**

8.13. FINANCIAL EXPENSES

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Financial expenses			
Expenses from interest - related companies	/		142
Interest expenses	15		60
Foreign exchange losses	2.035		4.542
Expenses based on effects of the currency clause	/		58
Other financial expenses	/		/
Total:	**2.050**		**4.802**

8.14. FINANCIAL INCOME

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Financial income			
Income from interest - related companies	/		/
Interest income	1.052		3.912
Foreign exchange gains	6.839		21.261
Income based on effects of the currency clause	3		/
Other financial income	/		1.451
Total:	**7.894**		**26.624**

8.15. OTHER INCOME

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Other income			
Income on writing-offs and disposals of intangible assets and property, plant and equipment	15.755		/
Collected written-off receivables	2.275		30
Income from abolishing long-term provisions	/		/
Income from subsequently received free shipments	2.881		/
Other not mentioned income			468
Total	**20.911**		**498**
In All	**20.911**		**498**

8.16. OTHER EXPENSES

	31.03.2017		31.03.2016
	RSD thousand		RSD thousand
Other expenses			
Loss on writing-offs and disposals of intangible assets and property, plant and equipment	15.755		/
Losses from sales of materials	1.958		7
Costs of disposal tools and inventory	/		
Shortages	/		
Expenses of goods	/		
Costs of disputes	1.319		179
Expenses from previous years	2.685		57
Expenses from writing-offs of inventories of material and merchandise	/		
Expenses for humanitarian, cultural, sport and other activities	5		1.120
Other not mentioned expenses	804		/
Total	**22.526**		**1.363**
In All	**22.526**		**1.363**

9. BALANCE SHEET

9.1. INTANGIBLE ASSETS

31.03.2017.

Description	Purchase value	Update values	The present value
1	2	3	4
Intangible assets	622.993	120.889	502.104

Purchase of intangible assets is mostly relating to the purchase of industrial technology "Calux Know How and projects' for the production of pellet stoves brands - Brenda Calux. Procurement is carried out by the company Foverone Holdings LTD Limassol, Cyprus.

9.2. PROPERTY, PLANT AND EQUIPMENT

Description	Purchase value	Update values	The present value
1	2	3	4
Land	63.140		63.140
Construction objects	1.972.238	573.674	1.398.564
Plant and equipment	2.301.002	1.475.042	825.960
Investment real estate	124.837	12.865	111.972
Property, equipment, facilities under construction	511.413	161.753	349.660
Investments in other people's real estate	278	38	240
Prepayments for property, equipment, facilities	98.167	6.874	91.293
Total:	**5.071.075**	**2.230.246**	**2.840.829**

9.3. LONG-TERM FINANCIAL INVESTMENTS

Shares in capital represent long-term financial investments in (regular or preferential) shares and market, bank and insurance company shares.

Capital shares are expressed:

- according to the purchase value method, under which an investor expresses its investment at purchase value. The investor recognises income only to the extent in which it receives its part from distribution of retained net profit of user of investment, which is obtained after the day the investor acquired it. A part from distribution that is accepted in the amount higher than such profit is regarded as return of investment and expressed as decrease of purchase value of investment.
- in line with IAS 39, in the manner described in point 3(l).

Shares in capital relate to shares with:

		31.03.2017		31.12.2016
		RSD thousand		RSD thousand
Other legal entities and other securities available for sale				
Jubmes banka (14,415 shares)		63.397		63.397
Gumoplastika		70		70
Komercijalna banka (60)		104		104
Regional Economic Development Agency-VEEDA		30		30
Nikšićanka Department Store		51		51
Univerzal banka (28,284 shares)		16.970		16.970
Univerzal banka – allowance for impairment		-16.970		-16.970
Total:		**63.652**		**63.652**

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
Participation in the capital of independent legal entities in real estates and carrying cash			
FOS doo, Surdulica	360.961		255.461
Total:	**360.961**		**255.461**

Decision on the establishment Of company for manufacture of boilers and heaters FOSS Ltd, Surdulica from 19.05.2016.

Long-term investments relate to investments:

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
to other associated companies			
Pionir DOO - Beograd	233.794		343.167
In All	**233.794**		**343.167**

Annex 3 to the Loan Agreement number OKO 7/2014 of 01.07.2015. the interest rate is defined in the amount of 1% per year, and Annex 4 from 30.10.2015. the height of the loan with accrued interest increased to a maximum of 8,000,000.00 eur.

Other long-term investments

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
Other long-term financial investments	70		80
Total:	**70**		80

9.4. INVENTORIES

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
Material	743.924		742.990
Spare parts	33.524		34.176
Tools and small inventory	190.649		2.329
Work in progress	107.522		107.522
Finished products	1.631.597		1.085.476
Merchandise (Goods, purchase for sale)	200.424		198.466
Paid advances for inventories and services	57.456		16.945
In All	2.965.096		**2.187.904**

Advances paid for supplies and services related to the following:

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
In the country — paid advances for material, spare parts and inventory	32.819		33.823
Abroad-paid advance payments for goods	55.504		13.989
Update the values paid in advance	-30.867		-30.867
Total paid advances	**57.456**		**16.945**

9.5. RECEIVABLES FROM SALE

Sale-based receivables relate to receivables from customers:

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
Sale-based receivables			
Trade receivables - domestic - associated companies	4.869		4.327
Trade receivables - domestic	193.016		172.980
Trade receivables - foreign	255.589		447.697
In All	**453.474**		**625.004**

9.6. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets amounting to RSD 27.101 thousand include amounts of profit tax that can be returned in the following period based on deductable temporary differences, unused tax losses and credits. They are recognised to the extent in which it is probable that future taxable profit will be accomplished.

Deferred tax assets by years:

	31.03.2017		31.12.2016
	RSD thousand		RSD thousand
Deferred tax assets	27.101		27.101
Net deferred tax assets	**27.101**		**27.101**

Settling-off of deferred tax assets and liabilities is allowed.

They relate to derogations between the book and tax depreciation, actuarial statement based on jubilee awards and based on severance pay for retirement.

9.7. OTHER RECEIVABLES

Other receivables include:

	31.03.2017 RSD thousand		31.12.2016 RSD thousand
Interest and dividend receivables	930		930
Receivables from employees	425		452
Receivables from state authorities and organisations	5.453		4.128
In All	**6.808**		**5.510**

9.8. SHORT-TERM FINANCIAL INVESTMENTS

	Currency symbol	Interest rate		31.03.2017 RSD thousand		31.12.2016 RSD thousand
Short-term consumer loans				10.106		4.887
Trade union loans				2.886		3.049
Krušik akumulatori ad, Beograd	EUR			18.521		18.521
Minus: Allowance for impairment				-17.988		-17.988
Total				**13.525**		**8.469**
Other long-term placements – due to one year				/		**20**
Other short-term financial investments						
Societe Generale banka	EUR	0,75% - 2%		903.106		1.374.864
Bills submitted for payment				31.915		37.729
Total				**935.021**		**1.412.593**
Total:				**948.546**		**1.421.082**

9.9. CASH EQUIVALENTS AND CASH

	31.03.2017 RSD thousand		31.12.2016 RSD thousand
In RSD:			
Checks given to pay	5		
Current (operating) accounts	5658		33.851
Cash in hand	287		96
Total	**5.950**		**33.947**
In foreign currency:			
Foreign currency account	6.135		1.718
Total	**6.135**		**1.718**
In All:	**12.085**		**35.665**

9.10. VALUE ADDED TAX

Value added tax relates to:

	31.03.2017 RSD thousand		31.12.2016 RSD thousand
Value added tax			
Receivables for value added tax liabilities on other grounds	43.763		24.857
In All	**43.763**		**24.857**

9.11. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income consists of:

Prepayments and accrued income	31.03.2017 RSD thousand		31.12.2016 RSD thousand
Accrued costs based on liabilities	18.730		51.428
Other prepayments and accrued income	22.352		12.531
In All	**41.082**		**63.959**

9.12. CORE CAPITAL

Core capital includes the following forms of capital:

			31.03.2017 RSD thousand		31.12.2016 RSD thousand
Equity capital			1,171,240		1,171,240
Other equity capital			46,048		46,048
In All			**1,217,288**		**1,217,288**

Shareholders in the company are:

Shareholders of the company	Number of shares	%
1.Amasis doo-Beograd	95.700	54,7445
2.Alfa plam ad	17.480	9,9993
3.Caluks doo	13.487	7,7152
4.East capital (LUX)- Balkan fund	7.096	4,0592
5.SM NET	6.485	3,7097
7. Societe generale banka Srbija- Kastodi račun	3.546	2.0285
6 Vojvođanska banka ad Novi Sad-Kastodi račun	3.366	1,9255
8.Erste bank ad Novi Sad-Kastodi račun	2.353	1.3460
9.Anđelović Srđan	1.199	0,6859
10.Keramika Jovanović	1.173	0,6710
11.Ostali	22.927	13,12
Ukupno	**174.812**	**100**

Equity capital consists of 174,812 common shares of individual nominal value of RSD 6,700.00.
Share capital - common shares include founding shares and emitted controlling shares during the operation, with the right to taking part in the profit of the joint stock company and to a part of bankruptcy estate in line with the articles of association, i.e. decisions on share emission.
Adjustment to the Central Registry of Securities has been made.
Adjustment to the Business Registers Agency has been made.

Basic earnings per share

	31.03.2017 **RSD thousand**		31.12.2016 **RSD thousand**
Profit t belonging to shareholders of the company	123.693		761.239
Weighted average number of emitted common shares during the period	157.332		157.332
Basic earnings per share	1		5

Other core capital has been created by re-booking of sources of out-of-operation assets.

9.13. OWN SHARES PURCHASED

A decision on acquisition of own shares or other securities of the joint stock company was adopted by the Board of Directors on 18 September 2012.
“The company will acquire own shares in the regulated market – Beogradska berza with a view of preventing disturbances in the security market from the values and preventing a higher and immediate damages for the company.
The Board of Directors thinks that the price of the company shares at this point does not reflect fair value of the company and there is a danger, because of non-economic reasons that are not related to the operation, for the share value to decline, and hence, the value of the company that recorded positive business results in the previous years.
Any failure to respond to the decline in prices might damage shareholders, by forming excessive supply at low price, so that potential investors may be misled that shares they intend to buy or own do not have adequate market valuation.”

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Own shares purchased	117,116		117,116
In All:	**117,116**		**117,116**

9.14. RESERVES

Reserves include the following forms of reserves:

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Legal reserves	131,738		131,738
Statutory and other reserve	545,790		545.790
In All	**677,528**		**677.528**

Statutory reserves were obligatorily formed by 2004 in that each year, at least 5% were entered from profit until the reserves reached at least 10% of the core capital; after that, they formed based on the general act of the Company.

Statutory and other reserves are reserves that are formed in line with the general act of the company.

9.15. GAINS/(LOSSES) BASED ON SECURITIES AND OTHER COMPONENTS OF OTHER COMPREHENSIVE INCOME

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Gains from investment in proprietary instruments of capital	28.119		28.119
Losses from investment in proprietary instruments of capital	2.653		2.653
In All:	**30.772**		**30.772**

9.16. RETAINED EARNINGS

Retained earnings relates to:

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Retained earnings from previous years	5.418.860		4.622.166
Retained earnings for the current year	123.693		796.694
In All:	**5.542.553**		**5.418.860**

9.17. LONG-TERM PROVISIONS

Long-term provisions are recognized when:
- The company has an obligation (legal or constructive) which is the result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- The amount of the obligation can be measured reliably.

Long-term provisions are recognised when:

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Provisions for costs in warranty period	22.829		22.829
Provisions for severance pay	30.328		30.328
Provisions for jubilee awards	14.708		14.708
In All:	**67.865**		**67.865**

Provisions for fees and other benefits of employees done using actuarial assessment. Provision assessment was made by: 2DM Top Business Service – Company for business services doo, Beograd in relation to practical application of requirement IAS 19 – Employee Benefits, and for the needs of calculation of costs and liabilities based on severance pay at retirement and jubilee awards of employees in Alfa-Plam ad, Vranje on 31 December 2016, in line with the actuarial assumptions on 31 December 2016.

Other short-term liabilities

	2017.		2016.
	RSD thousand		RSD thpisand
Other short-term liabilities	330		/
Total	**330**		**/**

9.18. ADVANCE PAYMENTS RECEIVED

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Advances received from customers at home and abroad	75.645		45.711
In All:	**75.645**		**45.711**

9.19. LIABILITIES FROM OPERATION

Liabilities from operation relate to liabilities from trade payables:

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Liabilities from operation			
Trade payables - parent companies	5.538		3.676
Trade payables - other related legal entities	7.824		15.136
Trade payables - domestic	605.530		616.137
Trade payables - foreign	261.967		256.760
In All:	**880.859**		**891.709**

9.20. OTHER SHORT-TERM FINANCIAL LIABILITIES

Liabilities for salaries and fringe benefits (gross)	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Liabilities for net salaries and fringe benefits	33.567		32.458
Tax liabilities and contributions for salaries and fringe benefits charged to employer	26.307		24.967
Total	**59.874**		**57.425**
Other liabilities			
Interest and financing costs liabilities	-179		/
Liabilities for dividend	1.613		1.613
Liabilities for profit share	13		13
Obligations to the employees	1.743		20
Liabilities to director, that is to members of Management Board and Supervisory Board	198		243
Obligations for short-term provisions	4.715		5.046
Liabilities for short-term provisions	24.970		24.970
Other liabilities	7.171		6.192
Total	**40.244**		**38.097**
In All	**100.118**		**95.522**

9.21. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Liabilities for taxes, customs duties and other duties from purchase or charged to expenses	84.397		70.310
Liabilities for contributions charged to expenses	185		280
Other liabilities for taxes, contributions and other duties	183		175
In All	**84.765**		**70.765**

9.22. ACCRUALS AND DEFERRED INCOME

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Other accruals and deferred income	302		302
In All	**302**		**302**

10. TRANSACTION WITH ASSOCIATED PERSONS

Account of state of liabilities and receivables from associated companies on 31 March 2017, and accomplished income and expenses from associated parties in 2017 is the following:

Name of the company/person	Activity	Role of the person or company in our company	Liabilities	Receivables	Income	Expenses
			as at 31 March 2017 towards our company		1 January 2017 - 31 Marsh 2017 with out company	
AMASIS DOO-BEOGRAD	5510- Hotels and similar accommodation	Parent legal entity	**3.474**	/	/	**2.865**
PIONIR-BEOGRAD	1082- Production of cocoa, chocolate and confectionery products	Associated legal entity	**3.754**	**298.937**	/	**7.773**
PIONIR DOO-PARAĆIN	1072- Production of rusk biscuit, preserved pastry goods and cakes	Associated legal entity	**4.009**	/	/	**5.078**
ALKON GROUP DOO-VRANJE	4120-Construction of residential and non-residential buildings	Associated legal entity		**14.838**	/	/
TURISTICKI SVET DOO - BEOGRAD	5811- Publishing books	Associated legal entity	**71**	/	/	**59**
TIPOPLASTIKA DOO-GORNJI MILANOVAC	1812- Other print	Related legal entity	/	/	/	/

In addition the company has a participation in capital dependent society FOS Ltd, Surdulica of RSD 255,461 thousand.

11. OFF-BALANCE RECORDS

	31.03.2017		31.12.2016
	RSD thousand		**RSD thousand**
Received letters of credit	2.013		6.321
Received guarantees and mortgages	453.296		500.131
Guarantees and sureties given	101.820		109.083
In All:	**557.129**		**615.535**

12. EVENTS AFTER BALANCE SHEET DATE

There were no events after the date of the balance sheet that would require disclosure in financial statements.

13. GOING CONCERN

The management is of opinion that the company is able to continue operation for an indefinite time, in accordance with the going concern principle.

THE COMPANY OPERATION REPORT

ABOUT THE COMPANY - GENERAL INFORMATION

Our main activity is manufacture of heating devices for solid, liquid and gaseous fuel, electric stoves, and a combination of solid fuel-electricity and electricity-gas stoves. Alfa-Plam's products are mainly intended for households.

By the scope of production, the placement and the quality we are the leading manufacturer of heating devices in Serbia and South-East Europe, ranging among the five largest in Europe as well.

At present, we realise the production in 6 technical and technological unities, according to the groups of products, such as:

1. Solid fuel stoves and furnaces

2. Solid fuel fireplaces and furnaces

3. Gas furnaces

4. Stoves, furnaces and fireplaces for floor heating

5. Stoves and hot-plates

6. Furnaces, stoves and pellet boilers

Out total annual production exceeds 160,000 units. We permanently expand the range of products in line with the market demands, and in order to increase the quality of the production we keep introducing new technologies. All our products have adequate domestic and international certificates, thus making us entirely compliant with the strict requirements for placing of products on the EU market.

We sell our products on the domestic market (35%) and on the European market (about 65%). The basic export markets are former Yugoslav republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), and then Germany, Italy, Austria and Poland.

1. REALISED PRODUCTION

Total production value achieved in the period January - March 2017. is 1.508.632.670,00 RSD and it is by 8,2% compared to the same period from the previous year, and decreased by 0,7% compared to the plan.

Description	Achieved in 2016	Operative plan	Achieved in 2017	2017/2016	2017/plan
1	2	3	4	4/2	4/3
AD "Alfa -Plam"	1.642.687.925,00	1.519.533.740,00	**1.508.632.670,00**	**91,8%**	**99,3%**

The results achieved in the production process, expressed in working hours, are 171.607 working hours and they show an decreased of 13,5% compared to the same period from the previous year.

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

Description	Achieved in 2016	Achieved in 2017	2017/2016
Achieved production (in workig hours)	**198.361**	**171.607**	86,5
Number of production workers	**462**	**460**	99,6
Number of working days	**57**	**49**	86,0
Daily effect per one production worker	**7,53**	**7,61**	101,1

The presented data above shows that the achieved daily effect per one production worker is 7,61 working hoursand it shows a decreasement by 1,1% compared to the same period from the previous year.

Structure and assortment by groups of heating devices

Group of heating devices	Achieved in 2016	Operative plan	Achieved in 2017	2017/2016	2017/plan
1	2	3	4	4/2	4/3
Solid fuel stoves	**26.012**	19.579	**19.439**	74,7%	99,3%
Electrical stoves	**7.718**	6.273	**6.301**	81,6%	100,4%
Combined stoves	**1.751**	1.540	**1.540**	87,9%	100,0%
Solid fuel furnances	**9.547**	8.422	**8.267**	86,6%	98,2%
Gas stoves		1.000	**1.000**		100,0%
Other devices					
Heating devices in total	**45.028**	**35.814**	**35.547**	**78,9%**	**99,3%**

Total production quantity of heating devices for the period January - March 2017. is 35.547 pieces and it is decreased by 21,1% compared to the same period from the previous year and decreased by 0,7% compared to the plan.

2. SALE ACHIEVED

Total sale value planed for the period January - March 2017. is 738.013.000,00 RSD, achieved sale value for the same period is 674.375.487,98 RSD and it is increased by 0,9% compared to the same period from the previous year and decreased by 8,6% compared tothe plan.

Description	Achieved in 2016	Operative plan	Achieved in 2017	2017/2016	2017/plan
1	2	3	4	4/2	4/3
AD "Alfa - Plam"	668.191.823,88	738.013.000,00	**674.375.487,98**	100,9%	91,4%

Sale quantity:

Group of heating device	Achieved in 2016	Operative plan	Achieved in 2017	2017/2016	2017/plan
1	2	3	4	4/2	4/3
Solid fuel stoves	**9.839**	11.041	**10.300**	104,7%	93,3%
Electrical stoves	**7.318**	7.357	**5.866**	80,2%	79,7%
Combined stoves	**2.100**	2.321	**1.415**	67,4%	61,0%
Solid fuel furnances	**2.722**	2.630	**2.741**	100,7%	104,2%
Gas furnances	**284**	459	**571**	201,1%	124,4%
Other devices	2.701	569	1.949	72,2%	342,5%
Hetanig devices in total	**22.263**	**23.808**	**20.893**	93,8%	87,8%

Total sale quantity of heating devices in the period January - March 2017. is 20.983 pieces, which is 16,2% less compared to the same period from the previos year, and 12,2% compared to the plan.

Total net export value achieved in the period January - March 2017. is 2.948.350,84 EUR and it is 5,2% less compared to the same period from the previous year.

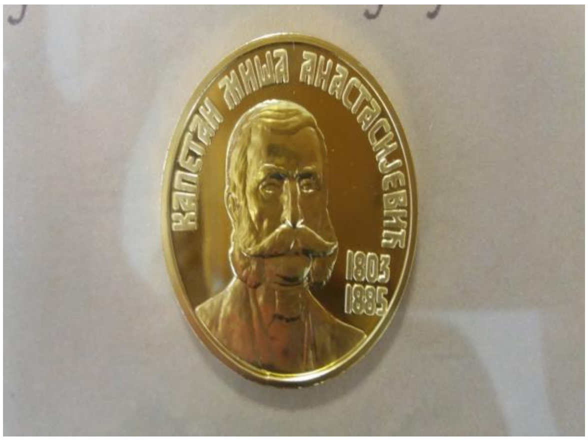
3. INVENTORY STATUS

Description	Inventory status on 31.03.2016.	Inventory status on 31.03.2017.	2017/2016
1	2	3	3/2
Units of heating devices	**55.614**	**53.337**	0,96

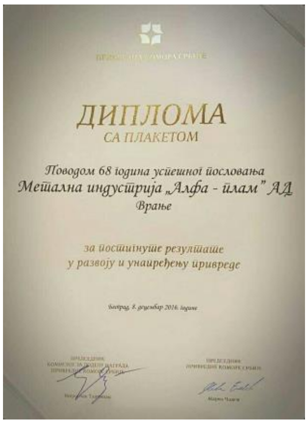
The company Alfa Plam is the recipient of awards the best from Serbia, for the third year in a row. In action the best from Serbia 2016 competed more than 140 companies, that are nominated 196 brands. Alfa Plam is first prize winner in two categories of the best corporate brand and Best exporter.

This prestigious award is very important for the company Alfa Plam because it represents a recognition of the success of the business operations of the company based on a realistic financial indicators and the opinion of the citizens of Serbia. Also, this award contributes to the successful performance of the company in the domestic and foreign market as a symbol of quality, consumer confidence and business partners.

The company Alfa-Plum is the winner of the "Captain Miša Anastasijevic" within the territory of Jablanica and pcinja districts for the most successful the most successful company in the region.



The company Alfa-Plum ad is presented the Jubilee Prize of the Serbian Chamber of Commerce about 68 years of successful business.



The company Alfa Plam was awarded the prestigious award for corporate social responsibility award, given by the Serbian Chamber of Commerce.

The company Alfa-Plam received the award in a competition organized by the world intellectual property organisation in category of protected industrial design for product Commo 21. In the results of the contest published on the website of the Institute for intellectual property of RS specified is the following:

"On the basis of decisions of the winner in the categories of legal entities for a registered industrial design – WIPO Awards IP Enterprise Trophy company Alpha-Light Vranje JSC for industrial design stoves boilers for central heating, which is known in the market under the commercial name Commo 21, and which is protected by the international design No. DM082500 in the territories:

Albania, Bosnia and Herzegovina, Bulgaria, Belgium, Denmark, Estonia, Greece, the Netherlands, Croatia, Italy, Luxembourg, Macedonia, Moldova, Poland, the Republic of Romania, Slovenia, Turkey, Ukraine, France, Montenegro, Spain and Switzerland. Bearing in mind that pellet fuel made of wood mass that has a high caloric power, that are easy to use and helps burn that remains a small amount of ash, while falls in renewable energy, the undoubted importance of the production of Pellet stoves.

In addition, the pellet market in Serbia is in expansion, and Commo 21 is the best selling product of Alpha-Plum a.d. in class furnace boilers for central heating in Serbia. Oven is manufactured for the fourth year. Demand in the market is increasing. There are great opportunities to win new and demanding markets, therefore, for the creation of new jobs.

Dragan Zafirovic, author of design, he has won several awards for outstanding contributions in organizing production and increase exports and profits. Jurisdictional arises that the industrial design fulfills all the criteria for granting awards, because it offers protection abroad on territories specified countries in Europe, then there's a concrete practical application and market potential, and also contributes to increasing exports and improving quality of life ".

PREMIUM TOP SERBIAN BRANDS in 2016.

The company Alfa-Plam won Top Serbian Brands Award for 2016. a year. The prize is awarded to the Organization Magazine Top Serbian Brands and the portal bestofserbia.rs, traditionally at the beginning of each year, for the previous year, in 57 major categories – solely according to the votes of the citizens of Serbia, on the basis of an independent and objective surveys carried out from 3-21. February 2017. year, at 2,635 an adult of the citizens of Serbia. The main conditions that take into account when deciding on the winners of the award are: familiarity with the brand, top quality, consumer satisfaction, excellence in operations and business results. In the category of consumer durables award is presented to the product-pellet stove Commo.

MARKETING ACTIVITIES IN 2017

<u>Fairs:</u>

ALFA PLAM ON THE FAIR ISH IN FRANKFURT

In the period of 14-18. in March the company Alfa-Plum is now traditionally, participated in the fair ISH in Frankfurt and the presented innovations in the field of heating system. ISH Fair is the largest fair in the world in the field of combined systems of water and energy. Over 2400 exhibitors from all around the world, is on this fair presented its technical achievements.





PARTICIPATION IN THE EXHIBITION BUILDINGS IN BANJA LUKA

In the period from 15. up to 18. in March the company Alfa Plam presented their products on 21. Construction fair in Banja Luka. On this occasion we got the Golden Dragonfly by the organizer of the fair. We thank you for your trust.

Communication:

All the information on the website are updated and are available on 2 languages (serbian and english). Also, Call Center activly works and it's employees are trained to answer to any question regarding our porducts.

Call Centre: 017/7 155 155

E-mail: servis@alfaplam.rs

Showroom:

In order to upgrade communication with customers and products presentation , in 2015, we opened showrooms in Belgrade and Sabac.

Belgrade:

An opportunity that gives you the possibility, in an exclusive area of over 400m2, familiarize yourself with all the products from the portfolio of Alfa-Plam.

Opening hours:

Mon-Fri 10-20h

Saturday 10-18h

Contact phone in the house: 011 / 30-50-799

Address: Pozeska 65b

Sabac:

An opportunity that gives you the possibility, in an exclusive area familiar with all the products from the portfolio of Alfa-Plam.

Opening hours:

Mon-Fri 10-20h
Saturday 10-18h
Contact phone in the house: 015 / 314-440
Address: Trg Šbačkih zrtava bb

SOCIAL RESPONSIBILITY

On the global market the quality is proved through continuous improvement of all business segments of a company. Compliance with the requirements of the ISO standard is one of the conditions for participation on the European market.

"Alfa-plam" AD has been operating in accordance with the principles of social responsibility through taking care of nature and the community in which it takes place, as well as the workers themselves.

All products from the production range are in compliance with the international quality standards:

1) EN 12815 - European standards for solid fuel stoves

2) EN 13240 – European standards for solid fuel furnaces
3) EN 14785 – European standards for pellet stoves, furnaces and boilers
4) EN 303-5 – European standard for boilers
5) BimSch – German protective measures for heating devices
6) 15a-BvG – Austrian protective measures for heating devices
7) GOST 9817 – 95 - Russian standard for solid fuels stoves and furnaces
8) EN 60355-1 – European standard for safety of electrical devices - general requirements
9) EN 60335-2-6 – European standard for safety of electrical devices
10) EN-55014-1 – European standard for electromagnetic compatibility
11) EN 60100-3 – European standard for electromagnetic compatibility
12) GOST 52161.2.6 – Russian standard for safety of electrical devices
13) GOST R 51377-99 – Russian standard for safety of gaseous devices


KVALITET

Sertifikat

Broj
16060
koji potvrđuje da je A.D.
ALFAPLAM
Radnička 1, Vranje, Republika Srbija
uspostavilo SISTEM MENADŽMENTA KVALITETOM prema zahtevima standarda:
SRPS ISO 9001:2015
identičan sa:
ISO 9001:2015
Oblast sertifikacije:
Razvoj i proizvodnja: peći, štednjaka, kamina i kotlova na čvrsta, tečna, gasovita goriva i pelet; električnih i kombinovanih štednjaka struja-gas.
Važi do:
25.12.2019.
Mesto i datum:
Niš, 26.12.2016. v1.0

Generalni direktor:
Vladimir Vukašinović, dipl. inž.

Developing a range of products whose operation is based on the use of renewable energy sources, Alfa-Plam a.d. wishes to answer to the needs of all customers that follow the trends and respect the requirements for the environmental protection. Beside the products, the whole quality managements system of the Company meets all the requirements of the SRPS ISO 9001/2015 standard (quality management system), whose consistent application implies: high level of quality of products and services, stable product development, higher market share, higher profit and easier implementation of the work assignments.

Occupational safety and health:

Alfa-Plam a.d. operates in compliance with the occupational safety and health policy which is verified by the certification of the Company for the application of the OHSAS (Occupational health and Safety) 18001/2005 Standard in 2014 and 18001/2008 in 2016.

KVALITET

Akcionarsko društvo za ispitivanje kvaliteta "KVALITET" Niš
Bulevar Svetog cara Konstantina 82-86
18000 Niš, Republika Srbija

Sertifikat

Broj
14026

koji potvrđuje da je A.D.

ALFA PLAM

Radnička 1, Vranje, Republika Srbija

uspostavilo SISTEM UPRAVLJANJA ZAŠTITOM ZDRAVLJA I BEZBEDNOŠĆU NA RADU
prema zahtevima standarda:
SRPS OHSAS 18001:2008

identičan sa:
OHSAS 18001:2007

Oblast sertifikacije:
Razvoj i proizvodnja: peći, štednjaka, kamina i kotlova na čvrsta, tečna, gasovita goriva i pelet; električnih i kombinovanih štednjaka struja-gas.

Važi do:
30.11.2017.

Mesto i datum:
Niš, 26.12.2016. v1.1

Generalni direktor:
Vladimir Vukašinović, dipl. inž.

This information is additionally verified by the fact that in 2014 Alfa-Plam a.d. was awarded the *28 April Charter* for the III place in the category of over 250 employees in the area of occupational safety and health , awarded by the Directorate for Occupational Health and Safety of the Republic of Serbia for the Day of Occupational Health and Safety in the Republic of Serbia.

With the purpose of adequate protection, the employees are equipped with modern and high-quality protective equipment which is in line with the standards of the Republic of Serbia and international standards. With the use of this equipment, the risk for occurrence of injuries of employees is significantly smaller.

Environmental protection:

Alfa-Plam a.d. pays special attention to the implementation and enforcement of measures for environmental protection. In 2014, this was confirmed by certification of the Company for the application of ISO 14001: 2005 and ISO 14001:2015 in 2016. Standard, Environmental Management System. As a socially responsible company Alfa-Plam a.d., in order to implement measures to protect the environment and reduce the impact on the environment, observes and implements all legislation such as:


KVALITET
Akcionarsko društvo za ispitivanje kvaliteta "KVALITET" Niš
Bulevar Svetog cara Konstantina 82-86
18000 Niš, Republika Srbija

Sertifikat

Broj
14033

koji potvrđuje da je A.D.

ALFA PLAM

Radnička 1, Vranje, Republika Srbija

uspostavilo SISTEM MENADŽMENTA ŽIVOTNOM SREDINOM
prema zahtevima standarda:
SRPS ISO 14001:2015

identičan sa:
ISO 14001:2015

Oblast sertifikacije:
Razvoj i proizvodnja: peći, štednjaka, kamina i kotlova na čvrsta, tečna, gasovita goriva i pelet; električnih i kombinovanih štednjaka struja-gas.

Važi do:
30.11.2017.

Mesto i datum:
Niš, 26.12.2016. v1.1

Generalni direktor:
Vladimir Vukašinović, dipl. inž.

1) The Law on Environmental Protection
2) The Law on Environmental Impact Assessment,
3) The Law on the Protection of the Nature,
4) The Law on the Air Protection,
5) The Law on the Waters Protection,
6) The Law on the Waste Management,
7) The Law on Packaging and Packaging Waste

The Company applies procedures and guidance that governs the application and enforcement of the above laws. Emissions of pollutants on technological and energy sources are regularly measured, obtained values with regard to the air quality are recorded. Sampling of the waste water quality is made on a quarterly basis, and the values obtained are reported to the competent state authorities in line with the legal obligation.

As for the waste management, there are places in the Company for temporary disposal of the waste, the waste is classified on the spot. The quantity of waste is duly recorded on a daily, monthly and annual basis. All types of waste that are generated in the Company are managed through authorised companies for collection, transportation, disposal, treatment and recycling of the waste.

DESCRIPTION OF MOST SIGNIFICANT RISKS AND CONTINGENCIES THAT THE COMPANY IS EXPOSED TO

The Company has the Rules on internal control and risk management in place. These Rules establish a system of internal controls, procedures for identifying, measuring, assessing and managing risks in the ALFA-PLAM’s operation, all in order to increase the efficiency and effectiveness of the activities of the Company in the short- and long-term perspective.

Risk management is a set of practices and methods for risk identifying, mesuring and monitoring, including the reporting on the risks that the Company is exposed to or could be exposed to in its operation. The main objective of the risk management is the identification, measurement, confinement and minimising of the expected and potential risks for the Company.

The objective of the Company in the field of risk management is to provide additional guarantees for achieving the strategic goals of the Company through timely identification / prevention of risks, to define effective measures and to ensure maximum effectiveness of the risk management.

In its operation, the Company is particularly exposed to the following risks:

1. ***Market risk*** - this is the risk of changes in market prices and terms of trade that lead to a lowering of the value of certain financial assets and their packages (portfolios). The market risk includes currency risk, price risk and interest rate risk.

2. ***Credit risk*** - this is the risk of occurence of financial loss to the Company as a result of default by the clients or the counterparty in the settlement of contractual obligations. The credit risk is primarily linked to the Company's exposure arising from trade receivables, cash and cash equivalents, deposits in banks and financial institutions, investments in securities, other receivables from legal entities and natural persons.

3. ***Liquidity risk*** - this is the risk from the possibility of occurence of negative effect on financial result and the capital of the Company due to inability of the Company to meet due obligations.

4. ***Operational risk*** - this is the risk of loss due to errors, interruptions or damage that may arise due to inadequate internal procedures, acting by people, systems or external events, including the risk of changes to the legal framework.

5. ***Reporting risk*** - includes accounting risk, but it is a broader concept because periodic reporting and communication of a company with the external environment and its stakeholders is not limited to the financial statements. Reporting risk, therefore, also applies to other opportunities like deceiving the potential investors by malicious reporting. Availability of information about a company is of the utmost importance and the Company continuously update the same. All information about the Company can be found on www.alfaplam.rs, and on the site of the Belgrade Stock Exchange where the Company regularly submits its financial statements on operation.

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 realisation of profits or the value of assets in that particular country. As examples of factors that influence the risk of the country the most often cited are the state control of the exchange rate, devaluation, changes in legislation, etc. In addition to these factors, the country risk is also influenced by the factors of (in)stability such as mass protests or civil war that could lead to an increase in operational risk for that company in that particular country. These risks are often associated with political changes, such as changes in macroeconomic policy and social policy, and they are also called political risks.

7. ***Environmental risk*** **-** is defined as the risk of potential harm that the company may suffer due to environmental degradation by the company itself, or by another party if it can have an impact on its operations.

8. ***Compliance risk*** - can be defined as the risk the 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 rules and procedures, and ethical standards.

9. ***Reputational risk*** **-** is the risk of loss of current or future revenues and capital, because of the negative public opinion on the manner of operations of the company. It stems from a negative perception of the partners, shareholders, investors or regulators that could adversely affect the Company's ability to maintain the existing, or establish new business relationships and continued access to sources of funding. Reputational risk involves the inability to sufficiently meet the needs and expectations of customers or unreliable or inefficient delivery systems.

10. Other risks

For identification and assessment of risk that the Company is exposed to or coud be exposed to, the following applies:

- Assessment of the financial and business position of the Company,
- Analysis of the external environment of the Company,
- Analysis of business processes and critical points in business processes,
- Analysis that refer to the placement of new product / market,
- Regular meetings of the management board of the Company, as well as meetings on lower levels,
- Reporting by the Company about performed activities for the own portfolio of the Company,
- Report by the internal auditor,
- Report of the function of monitoring of compliance with relevant regulations,
- Other internal records and reports (analysis of profitablity, analysis of operative efficiency, analysis of growth potentials, analysis of the financial structure, DuPont system of analysis).

ALFA PLAM DEVELOPMENT STRATEGY

Mission

With common years of work we have created a company that is a leading manufacturer of heaters and stoves in South Eastern 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

We are focused on strengthening our leadership position in existing and new markets, by creating a winning team composed of satisfied employees, shareholders, business partners and consumers, while respecting the principles of social responsibility.

In order to come to the ultimate satisfied partner - the consumer, our strategy relates to improving quality, reducing costs and respecting deadlines with the education of the employees.

We are ready now for everything that will happen tomorrow!

Strategy of quality of:

- Products
- Services
- Processes

- Increase of export > 30 mill. EUR/yr.
- Decrease of complaints on the products for 50%
- Sale of pellet and wood boilers in the quantity of over 3000 pieces per year
- Implemented some of the Kaizen processes (5S, Total productive meantenance, Kanban...)
- Development of at least 4 product per year
- Sale on new markets over 5 million EUR/yr.
- Standard OHSAS 18001 - Occupational health and safety, and standard EMS 14001 - Environmental management system
- Opening of retail shops and showrooms in largest cites in Serbia

Strategy of costs of

- Materials
- Parts and services
- Production costs
- Non-production costs
- Stocks

- Maintenance of the material, parts and services costs on the same level
- Reduction of rejects and additional processing by 50%
- Decrease of stock of materials and parts by 20%
- Decrease of average annual values of finished goods stocks by 30%

Observance of deadlines

- Delivery to buyers
- Finishing of production
- Completion of projects in full and on time

- Average realisation of the monthly production plans 99%
- Delivery of products to buyer within 2 days
- Managing of project with clearly defined phases, project managers, communication and timely inclusion of necessary

Human resources

- Development
- Training
- Performance management

- Implemented system for reward and promotion to individual worker
- Implemented system for merit-based annual increase of salaries (within the defined budget), not linear
- Entering of CVs of each employee in the Register with records of training, rewards, penalties ...
- All employees in the sales / purchase department speak English
- Decrease sick leaves to < 4%

COMMO 21

20,78 kW
582 x 620 x 1200 mm
80 mm
2,92 kW
17,86 kW
32 l
1,7 / 5,05 kg/h
26,5 h
45 kg
156 - 346 m²
60 - 133 m²
196 / 225 kg
86,09 %

COMMO COMPACT

25 kW
590 x 642 x 1222 mm
80 mm
-
22,57 kW
35,5 l
1,48 / 5,05 kg/h
30 h
45 kg
169 - 376 m²
65 - 145 m²
230 / 259 kg
90,15 %

LUCA

8,37 kW
500 x 470 x 940 mm
80 mm
0,82 / 2,03 kg/h
28 h
23 kg
140 m²
54 m²
110 / 128 kg
84,55 %

AMELIA

7 kW
520 x 488 x 967 mm
80 mm
0,9 / 1,7 kg/h
25,5 h
23 kg
115 m²
45 m²
125 / 142 kg
87 %

GRANDE

7,39 - 28 kW
1010 x 743 x 1400 mm
80 mm
28 kW
74 l
1,7 / 6,7 kg/h
118 h
200 kg
210 - 466 m²
80 - 180 m²
310 / 345 kg
91,94 %

ALFA 90 H DOMINANT

8 kW
900 x 600 x 850 mm
460 x 440 x 260 mm
120 mm
133 m²
51 m²
145 / 164 kg
76,3 / 77%

DINO

16,5 kW
574 x 568 x 1237 mm
80 mm
2 kW
14,5 kW
32 l
1,3 / 3,7 kg/h
34,6 h
45 kg
124 - 275 m²
47 - 106 m²
193 / 222 kg
94 %

PREMIJER K

7 kW
580 x 534 x 1125 mm
150 mm
116 m²
44 m²
215 / 245 kg
77 / 82 %

DATA ON ACQUIRED OWN SHARES

At the date of preparation of this report, the Company has a total of 17,480 shares, which on the day of 31 March 2017 makes 9.99931% of the total number of shares. Own shares are acquired by the decision of the Board of Directors on 18 September 2012.

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

INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN RELATED PERSONS

In the course of 2017 the Company entered into business relations with its related legal entities. The most significant transactions with related legal entities in the aforementioned periods related to the provision of services.

Company for tourism production and trading AMASIS DOO, Belgrde		
Basic information	Legal form	Limited Liability company
	ID Number	17243047
	TIN	101018106
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	5510- Hotels and similar accomodation

Company for production of chocolate, candies and bakery products PIONIR DOO, Beograd		
Basic information	Legal form	Limited Liability Company
	ID Number	17450689
	TIN	102248114
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	1082-Manufacture of cocoa, chocolate and sugar confectionery

Company for production of dairy products, mill products and chocolate PIONIR PARAĆIN doo, Beograd		
Basic information	Legal form	Limited Liability Company
	ID Number	17510142
	TIN	103073992
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	1072-Manufacture of rusks and biscuits; manufacture of preserved pastry goods and

ALKON GROUP DOO, Vranje		
Basic information	Legal form	Limited Liability Company
	ID Number	17370847
	TIN	100405863
	Seat	Beogradska 45 a, Vranje
	Code of activity	4120 - Construction of residential and nin-residential buildings

Company for publishing, marketing, consulting and engineering TURISTIČKI SVET DOO BEOGRAD		
Basic information	Legal Form	Limited liability Company
	ID Number	17240706
	TIN	101670012
	Seat	Požeška 65 b, Beograd
	Code of activity	5811-Publishing books

Company with limited responsibility for the production of complex materials for packaging TIPOPLASTIKA GORNJI MILANOVAC		
Basic informations	Legal form	Limited liability Company
	ID Number	7175996
	TIN	101487998
	Seat	Radovana Grkovica bb Gornji Milanovac
	Code of activity	1812 - Other print

In thousand RSD

STRUCTURE OF INCOME AND EXPENSES OF RELATED LEGAL ENTITIES			
Partner	**Note**	**Income in 2017**	**Expenses in 2017**
AMASIS DOO -BEOGRAD	Parent company	/	2.865
PIONIR - BEOGRAD	Related company	/	7.773
PIONIR DOO - PARAĆIN	Related company	/	5.078
ALKON GROUP DOO - VRANJE	Related company	/	/
TURISTICKI SVET DOO BEOGRAD	Related company	/	59
TIPOPLASTIKA DOO GORNJI MILANOVAC	Related company	/	/
TOTAL		/	**15.775**

in thousand RSD

STRUCTURE OF RECEIVABLES AND LIABILITIES AGAINST RELATED LEGAL ENTITIES			
Partner	**Note**	**Liabilities in 2017**	**Receivables in 2017**
AMASIS DOO -BEOGRAD	Parent company	3.474	/
PIONIR - BEOGRAD	Related company	3.754	298.937
PIONIR DOO - PARAĆIN	Related company	4.009	/
ALKON GROUP DOO - VRANJE	Related company	/	14.838
TURISTICKI SVET DOO BEOGRAD	Related company	71	/
TIPOPLASTIKA DOO GORNJI MILANOVAC	Related company	/	/
TOTAL		**11.308**	**373.775**

DECLARATION OF PERSONS RESPONSIBLE FOR PREPARATION OF THE STATEMENTS

Statement

According to my cognition, the quarterly report of Metal Industry ALFA-PLAM AD Vranje for the first three months of year 2017 id composed with the application of appropriate IFRS and provides accuarte and objective data about assets, liabilites, financial position and operation, revenues and expenses, cash flows and changes in equity of the company.

Vranje, May 2017.

"ALFA-PLAM" A.D. VRANJE 2

Managing Director

Goran Kostic

"ALFA-PLAM" A.D. VRANJE 111

Executive Director

Branislav Popovic

M.P.

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

Declaration

In accordance with the Capital Market Law ("Official Gazette" No. 31/2011) it is stated that the financial statements for the first three-months of year 2017 have not been revised.

Vranje, May 2017.

Managing Director

Goran Kostic

Executive Director

Branislav Popovic

M.P.

Akcionarsko društvo Metalna industrija ALFA-PLAM
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