



## **REPORT FOR THE THIRD QUARTER OF 2012.**

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

### ***REPORT FOR THE THIRD QUARTER OF 2012.***

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**FINANCIAL STATEMENTS ALFA-PLAM A.D. VRANJE FOR THE 3RD  
QUARTER OF 2012.**

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

# A.D. Metal Industry Alfa – Plam Vranje

Reporting period	from	<input type="text" value="01.01.2012"/>	until	<input type="text" value="30.09.2012."/>
<b>Quarterly Financial Statement for Business KFI-PD</b>				
Business name:	<input type="text" value="A.D. Metal Industry Alfa - Plam Vranje"/>			
Reg. No:	<input type="text" value="7137923"/>			
Postal code, city:	<input type="text" value="17500"/>	<input type="text" value="Vranje"/>		
Street and number	<input type="text" value="Radnička 1"/>			
E-mail:	<input type="text" value="firma@alfaplam.rs"/>			
Web site:	<input type="text" value="www.alfaplam.rs"/>			
Consolidated/individual:	<input type="text"/>			
Approved (yes/no):	<input type="text"/>			
Audited (yes/no):	<input type="text"/>			
Contact person	<input type="text" value="Ružica Marinković"/>			
	(name and surname of contact person)			
Phone:	<input type="text" value="017/421-552"/>	Fax	<input type="text" value="017/421-552"/>	
E-mail	<input type="text" value="ružica.marinkovic@alfaplam.rs"/>			
Name and surname	<input type="text" value="Branislav Popović"/>			
	Authorized officer			

## A.D. Metal Industry Alfa – Plam Vranje

Balance sheet			
As at September, 30 <sup>th</sup> 2012		in RSD thousands	
ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
<b>ASSETS</b>			
<b>A. NON CURRENT ASSETS (002+003+004+005+009)</b>	001	1.515.626	1.573.659
I. UNPAID SUBSCRIBED CAPITAL	002	0	0
II. GOODWILL	003	0	0
III. INTANGIBLE ASSETS	004	0	0
IV. PROPERTY, PLANT & EQUIPMENT and BIOLOGICAL ASSETS (006+007+008)	005	1.512.272	1.570.063
1 Property, plant & equipment	006	1.511.187	1.568.978
2 Investment property	007	1.085	1.085
3 Biological assets	008	0	0
V. LONG TERM FINANCIAL INVESTMENTS (010+011)	009	3.354	3.596
1 Investments in Equity	010	0	0
2 Other long term investments	011	3.354	3.596
<b>B. CURRENT ASSETS (013+014+015)</b>	012	3.826.662	3.173.908
I. INVENTORIES	013	1.200.500	1.120.053
II. NON CURRENT ASSETS HELD FOR SALE & ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	014	0	0
III. SHORT TERM RECEIVABLES, INVESTMENTS & CASH (016+017+018+019+020)	015	2.626.162	2.053.855
1 Receivables	016	894.916	1.124.535
2 Overpaid tax receivables	017	0	0
3 Short term financial placements	018	1.666.704	637.495
4 Cash and cash equivalents	019	30.176	214.817
5 Value added tax and accruals	020	34.366	77.008
III. DEFERRED TAX ASSETS	021	21.448	21.448
<b>C. BUSINESS ASSETS (001+012+021)</b>	022	5.363.736	4.769.015
<b>D. LOSS EXCEEDING CAPITAL</b>	023	0	0
<b>E. TOTAL ASSETS (022+023)</b>	024	5.363.736	4.769.015
<b>F. OFF-BALANCE SHEET ASSETS</b>	025	110.255	29.954

## A.D. Metal Industry Alfa – Plam Vranje

Income Statement				
From 01.01.2012. up to 30.09.2012.			in RSD thousands	
	ITEM	EDP	Current year	Previous year
	1	2	3	4
<b>A. OPERATING INCOME AND EXPENSES</b>				
<b>I.</b>	OPERATING INCOME (202+203+204-205+206)	201	2.602.582	2.553.823
1	Sales	202	2.606.247	2.473.128
2	Work performed by the entity and capitalized	203	0	0
3	Inventories-Value increase	204	2.815	80.152
4	Inventories-Value decrease	205	6.567	0
5	Other operating revenue	206	87	543
<b>II.</b>	<b>OPERATING COSTS (208 do 212)</b>	207	2.365.409	2.392.368
1	Purchase costs of merchandise sold	208	2.156	1.277
2	Cost of materials	209	1.530.534	1.561.423
3	Cost of salaries, fringe benefits and other personal expenses	210	520.867	519.609
4	Depreciation and provisions	211	126.291	82.276
5	Other operating costs	212	185.561	227.783
<b>III.</b>	<b>OPERATING INCOME (201-207)</b>	213	237.173	161.455
<b>IV.</b>	<b>OPERATING LOSS (207-201)</b>	214	0	0
<b>V.</b>	<b>FINANCE INCOME</b>	215	119.520	24.849
<b>VI.</b>	<b>FINANCE COSTS</b>	216	21.265	31.713
<b>VII.</b>	<b>OTHER INCOME</b>	217	2.529	125.898
<b>VIII.</b>	<b>OTHER EXPENSES</b>	218	157.231	66.981
<b>IX.</b>	<b>OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)</b>	219	180.726	213.508
<b>X.</b>	<b>OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)</b>	220	0	0
<b>XI.</b>	<b>NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS</b>	221	0	0
<b>XII.</b>	<b>NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS</b>	222	0	0
<b>B.</b>	<b>PROFIT BEFORE TAX (219-220+221-222)</b>	223	180.726	213.508
<b>C.</b>	<b>LOSS BEFORE TAX (220-219+222-221)</b>	224	0	0
<b>D. INCOME TAX</b>				
1	Income tax expense for the period	225	0	
2	Deferred income expense for the period	226	0	
3	Deferred tax income for the period	227	0	
<b>E.</b>	<b>BENEFITS PAID TO EMPLOYER</b>	228	0	
<b>F.</b>	<b>NET PROFIT (223-224-225-226+227-228)</b>	229	180.726	152.641
<b>G.</b>	<b>NET LOSS (224-223+225+226-227+228)</b>	230	0	
<b>H.</b>	<b>NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST</b>	231	0	
<b>I.</b>	<b>NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	232	0	
<b>J. EARNINGS PER SHARE</b>			<b>1</b>	<b>1</b>
<b>K.</b>	<b>BASIC EARNINGS PER SHARE</b>	234	0	0
<b>L.</b>	<b>DILUTED EARNINGS PER SHARE</b>	235	0	0

## A.D. Metal Industry Alfa – Plam Vranje

Cash Flow Statement				
From 01.01.2012 until 30.09.2012.			in RSD thousands	
ITEM	EDP	Amount		
		Current year	Previous year	
1	2	3	4	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>I.</b>	<b>Cash generated from operations (1 to 3)</b>	301	2.660.363	2.541.836
1	Sales and advances received	302	2.633.809	2.415.938
2	Interest from operating activities	303	26.467	0
3	Other inflow from operating activities	304	87	125.898
<b>II.</b>	<b>Cash outflows from operating activities (1 to 5)</b>	305	3.438.743	2.577.692
1	Payments and prepayments to suppliers	306	2.804.465	1.991.004
2	Salaries, fringe benefits and other personal expenses	307	491.861	519.609
3	Interest paid	308	3.267	99
4	Income tax paid	309	0	0
5	Payments for other public revenues	310	139.150	66.980
<b>III.</b>	<b>Net cash inflow from operating activities (I - II)</b>	311	0	0
<b>IV.</b>	<b>Net cash outflow from operating activities (II - I)</b>	312	778.380	35.856
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>I.</b>	<b>Proceeds from investing activities (1 to 5)</b>	313	385	1.720
1	Sale of shares/stakes (net inflow)	314	0	0
2	Proceeds from sale of intangible assets, PPE	315	385	1.720
3	Other financial investments (net inflow)	316	0	0
4	Interest received	317	0	0
5	Dividends received	318	0	0
<b>II.</b>	<b>Cash outflows from investing activities (1 to 3)</b>	319	54.433	120.022
1	Purchase of shares/stakes (net outflow)	320	0	0
2	Purchase of intangible assets, property, plant and equipment and biological assets	321	54.433	120.022
3	Other financial investments (net outflow)	322	0	0
<b>III.</b>	<b>Net proceeds from investing activities (I - II)</b>	323	0	0
<b>IV.</b>	<b>Net outflow from investing activities (II - I)</b>	324	54.048	118.302
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>I.</b>	<b>Proceeds from financing activities (1 to 3)</b>	325	576.746	0
1	Capital stock increase	326	0	0
2	Proceeds from long term and short term borrowings (Net)	327	576.746	0
3	Other long term and short term liabilities	328	0	0
<b>II.</b>	<b>Cash outflows from financing activities (1 to 4)</b>	329	0	43.703
1	Purchase of treasury shares and stakes	330	0	0
2	Long term, short term and other liabilities (net outflow)	331	0	0
3	Financial Lease	332	0	0
4	Dividends paid	333	0	43.703
<b>III.</b>	<b>Net proceeds from financing activities (I - II)</b>	334	576.746	0
<b>IV.</b>	<b>Net outflow from financing activities (II - I)</b>	335	0	43.703
<b>D.</b>	<b>TOTAL PROCEEDS (301+313+325)</b>	336	3.237.494	2.543.556
<b>E.</b>	<b>TOTAL OUTFLOW (305+319+329)</b>	337	3.493.176	2.741.417
<b>F.</b>	<b>PROCEEDS NET (336-337)</b>	338	0	0
<b>G.</b>	<b>OUTFLOW NET (337-336)</b>	339	255.682	197.861
<b>H.</b>	<b>CASH AT THE BEGINNING OF ACCOUNTING PERIOD</b>	340	214.817	643.884
<b>I.</b>	<b>FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS</b>	341	92.081	16.049
<b>J.</b>	<b>FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS</b>	342	21.040	31.613
<b>K.</b>	<b>CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)</b>	343	30.176	430.459

# A.D. Metal Industry Alfa – Plam Vranje

Statement on changes in equity														in RSD thousands												
From 01.01.2012. until 30.09.2012.																										
DESCRIPTION	EDP	Share capital (Group 30) less 309)	EDP	Other capital (Acc. 309)	EDP	Unpaid subscribed capitals (Group 31)	EDP	Share premium (320)	EDP	Reserves (Acc. 321, 322)	EDP	Revaluation reserves (330 and 331)	EDP	Unrealised gains from	EDP	Unrealised losses from securities (Group 333)	EDP	Retained earnings (Group 34)	EDP	Loss not exceeding capital (Group 35)	EDP	Treasury shares and stakes (Acc. 037, 237)	EDP	Total (column 2+3+4+5+6+7+8+9+10+11+12)	EDP	Lost exceeding capital (group 29)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1. Balance as at 1 January of previous year	401	1.171.240	414	215.957	427	440	453	492.827	466	203.892	479	492	505	1.615.485	518	531	544	3.699.401	557							
2. Adjustments of material errors and changes in accounting policies occurred in previous year - Increase	402		415		428	441	454		467		480	493	506		519	532	545									
3. Adjustments of material errors and changes in accounting policies occurred in previous year - Decrease	403		416		429	442	455		468		481	494	507		520	533	546									
4. Restated opening balance as at 1 January of previous year (1+2-3)	404	1.171.240	417	215.957	430	443	456	492.827	469	203.892	482	495	508	1.615.485	521	534	547	3.699.401	560							
5. Total increase in previous year	405		418	137	431	444	457		470		483	496	509	480.612	522	535	548	480.749	561							
6. Total decrease in previous year	406		419		432	445	458		471	6.726	484	497	510	133.906	523	536	549	140.632	562							
7. Balance as at 31 December of previous year (4+5-6)	407	1.171.240	420	216.094	433	446	459	492.827	472	197.166	485	498	511	1.962.191	524	537	550	4.039.518	563							
8. Adjustments of material errors and changes in accounting policies occurred in current year - Increase	408		421		434	447	460		473		486	499	512		525	538	551									
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease	409		422		435	448	461		474		487	500	513		526	539	552									
10. Restated opening balance as at 1 January of current year (7+8-9)	410	1.171.240	423	216.094	436	449	462	492.827	475	197.166	488	501	514	1.962.191	527	540	553	4.039.518	566							
11. Total increase in current year	411		424	17	437	450	463		476		489	502	515	180.726	528	541	554	180.743	567							
12. Total decrease in current year	412		425		438	451	464		477		490	503	516		529	542	555									
13. Balance as at 31 December of current year (10+11-12)	413	1.171.240	426	216.111	439	452	465	492.827	478	197.166	491	504	517	2.142.917	530	543	556	4.220.261	569							

## 1.1. NOTES TO THE FINANCIAL STATEMENTS

### 1.1.1. GENERAL INFORMATION OF THE COMPANY

Metal Industry ALFA-PLAM A.D. street Radnicka 1, Vranje

Identification number: 7137923

VAT.NO.: 100402750

Activity code: 2752

Reg.No.: BD 39336/2007

Current account: 160-7007-07 Banca Intesa ad Belgrad

330-6001380-22 Credit Agricole Bank

275-0010221807082-07 Societe general bank AD

165-27880-19 Hypo Alpe Adria bank Ad

115-1867-87 KBC Banka ad Belgrade

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

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

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

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

Our total annual production is more than 160,000 units. The assortment of production is permanently expanding, according to the needs of the market, and all in order to improve the quality of production, we are introducing new technologies that guarantee the quality that is confirmed by ISO standard. All our products have specific domestic and international certificates, which fully meet the stringent requirements for the placing on the EU market. Alfa-Plam sell its product on domestic market (35%) and in the markets of the Europe. The main export markets are the ex-Yu republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), followed by Germany, Italy, Austria and Poland.

Currently, Alfa-Plam employs 784 employees.

Managing body of the company is board of director.

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

Board of directors:

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

## A.D. Metal Industry Alfa – Plam Vranje

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### Company background:

- 1948.- City craft-service company „Metalac“ was founded in Vranje. It consisted of locksmith, blacksmith, electricians, carpenter, wheelwright and sheet metal workshop. Company produced pots, water buckets, pans and furnaces called "drummers," as well as products made according to clients' wishes.
- 1950. – „Metalac“ employs 58 people.
- 1959. – Preduzeće „Metalac“ has launched a galvanizing plant. Plant employs four new workers, who put black sheet metal buckets in chemicals and then in zinc which was heated in large cauldron by oil.
- 1960. – Company plans production and galvanization of 100.000 buckets.
- 1962. – Metal Packaging factory was built in the industrial district of Vranje and it changes its production program in consumer goods. Name of the factory is Technical devices Industry “Alfa – Vranje” and it employs 87 workers.
- 1964. – “Alfa – Vranje” wins gas furnace production “Feniks 140”, and plans other consumer goods production (electric dryer, wash machine, furniture and locksmith). Factory employs 300 workers. “Feniks 15000”, gas furnace for floor heating, was exposed to Belgrade Techniques Fair.
- 1965. – „Metalac“ gets appropriate space in industrial area in Vranje, near Alfa after 16 years of working in inadequate conditions.
- 1965. – "Metalac" after 16 years of work in bad conditions, given adequate space in an industrial area of Vranje, in addition to "Alpha". The company specializes in the execution of all trades and metal assembly works in construction.
- 1970th - Winning production of gas stoves
- 1980th - Association of manufacturing plants in the firm "Alpha-Metalac"
- 1989th - Change the name of "Alfa Plam" and a new company logo
- 1992nd - Winning products for floor heating
- 1998th - The introduction of ISO 9001 quality system
- 2002nd - Commissioning of the latest line of enamelling. Shares "Alfa-Plam" listed on the BSE.
- 2003rd - Total production 164,000 heaters. Started serial production of the new stoves for central heating, solid fuel "Alfa Term 20". In Vranje, opened the first showroom where the entire product range of manufacturers was exhibited.
- 2005th - replacement equipment in enameling sector II. An investment in value of EUR 1,500,000, realized from its own funds
- 2006th - purchased laser machine for perforation and punching of sheet metal, made tools for new stoves and ovens, and completed Phase II of construction work at the sector I, Investments from its own funds in the amount of about 1,500,000 EUR.

## A.D. Metal Industry Alfa – Plam Vranje

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- 2007th - The value of one share on the stock market reached the maximum amount of 527.77 EUR (at the middle rate). Conquered the production of pellet stoves by the Italian technology for known foreign buyer. The company has 960 employees.
- 2008<sup>th</sup> - Introduced new technology with full equipment for wet paint in Plant 2, a new line of cutting sheet metal and purchased installed presses. Total investment from its own resources is around 1,200,000 EUR. Made in marketing project management function to further improvement of market position of the company. Company adopted a new logo and slogan: "Alfa-Plam" - Safety and Warmth!
- 2009th - acquired robotic welding machines, lines for longitudinal and transverse cutting sheets, 2 machines for bending, hydraulic presses and other valued at approximately 500,000 EUR. The company has 880 employees.
- 2010th - Acquired laser machine for cutting and punching sheet metal. Started serial production of solid fuel stoves for central heating "Alfa Term 27". The company buys in Vranje, in close proximity to their seats, 12,500 m<sup>2</sup> constructed production and warehouse space and approximately 13,000 m<sup>2</sup> of land. Dividend payment to shareholders for the year, which is the tenth consecutive year.

### 1.2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the company for the accounting period up to 30.06.2012 have been prepared in all material respects in accordance with the International Accounting Standards / International Financial Reporting Standards, the Accounting and Auditing Law, other regulations adopted pursuant to that Act, as well as the log adopted accounting policies of the company. All data are expressed in thousands of dinars (RSD).

#### 1.2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with:

- Law on Accounting and Auditing Law (Official Gazette of the Republic of Serbia no. 46/06 and No. 111/09),
- Law on Accounting and Financial Reporting Standards (Official Gazette of the Republic of Serbia, No. 77/10 and No. 95/10),
- Rules on the Chart of Accounts and Content of Accounts of the Company, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 114/06),
- Regulations Amending the Rules of the Chart of Accounts and content of accounts for companies, cooperatives and other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia No. 119/08, No. 9/09 and number 3/11),
- The Rulebook on the Format and Content of the financial statements of companies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 114/06),
- The Rulebook amending the Ordinance on the content and form of financial statements for companies, cooperatives, other legal entities and entrepreneurs (Official Gazette of the Republic of Serbia, No. 5/07, No. 119/08 and number 2/10).

The financial statements of the company for the accounting period ending on 30.09.2012. have been prepared in all material respects in accordance with the International Accounting Standards / International Financial Reporting Standards, Accounting and Auditing Law, other regulations adopted on the basis that Act, and in accordance with accepted accounting policies. All data are expressed in thousands of dinars (RSD).

According to the financial statements for 2012. Alfa Plam AD has been classified as a large legal entity. Presentation of financial statements requires the Company to make estimates and reasonable assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates and assumptions are based on information available as of the date of the financial statements.

#### 1.2.2. Adopted and implemented accounting policies and estimates

In preparing the financial statements of the Regulations applied and the accounting policies adopted by the Board of Directors of the Company and the Assembly 22.08.2010. year and the amendments and supplements to accounting policies. The accounting policies adopted regarding the recognition, measurement and evaluation of assets, liabilities, income and expenses of the society.

##### ❖ Intangible assets

Intangible assets are recognized only when it is probable that the asset will flow to the economic benefits and when the cost of the investment reliably measurable include: investing in development, concessions, patents, licenses and similar rights, goodwill, other intangible assets, intangible assets in progress, advance payments in patents and licenses.

Intangible assets are identifiable non-monetary asset without physical substance:

- used in the production or supply of goods or services, for rental to others, or used for administrative purposes;
- controlled by the Company as a result of past events and

- which is expected inflow of future economic benefits.

Intangible assets, excluding goodwill, are measured in accordance with IAS 38 - Intangible assets. Initial recognition of intangible assets are stated at cost per (paragraph 74 of IAS 38). If for a given asset is no active market that investment is valued at cost value (paragraphs 81 and 82, IAS 38). Amortization of intangible assets is computed by proportional method.

### ❖ **Property, plant and equipment**

Property, plant and equipment are tangible assets:

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

Purchases of intangible assets, property, plant and equipment are recorded at cost. Cost represents the invoiced value of the assets acquired, plus all associated costs of procurement and the costs of bringing into use. Cost of these assets produced within the Company are direct costs and indirect costs related to the investment.

Assets with a useful life longer than one year and whose individual purchase price at the time of acquisition exceeds the average gross salary in the Republic of Serbia, is classified as fixed assets. Costs of basic maintenance and repairs are recognized as an expense during the period.

Depreciation of property, plant and equipment is calculated by the proportional basis over their estimated useful life, starting from next month (paragraph 62 of IAS - Property, plant and equipment).

Calculated depreciation costs are recognized as an expense in the accounting period in which they arise.

<u>Buildings 40-50 years,</u>	<u>rates of 2.00 to 2.50%</u>
<u>Production equipment 7-15 years</u>	<u>rates from 7.00 to 15.00%</u>
<u>Passenger and commercial vehicles 10-14 years</u>	<u>rate from 10.00 to 15.50%</u>
<u>Office equipment 10-20 years</u>	<u>rate 5.00 to 10.00%</u>
<u>Computer equipment 3-5 years</u>	<u>rate of 20.00 to 30.00%</u>

### ❖ **Investment property**

Investment property is property that the owner has to earn, not a property that is made available for use in the production. This property includes land and buildings.

Valuation of investment property is carried per procurement price or cost price. During the useful life of the investment properties are stated at fair value based real estate appraisal, hiring a certified appraiser. Honest assessment of fair value is made at each balance sheet date. Positive effects estimates are recognized as revenue from the valuation and assessment of negative effects of such impairment expense for the current period. During the useful life of the investment property is carried out depreciation of buildings (paragraph 53 of IAS 40 – Investment Property).

### ❖ **Financial investments**

Financial investments represent financial assets at initial recognition measured at cost which represents the fair value of the consideration given for them. Transaction costs are included in the initial measurement of all financial assets. In purpose of measuring a financial asset after initial recognition, financial assets are classified into four categories:

- Loans and receivables originated by the company which are not held for trading;
- Held-to-maturity;

- Financial assets available for sale;
- Financial assets held for trading.

### ❖ **Supplies**

Inventories related to basic and auxiliary materials to be used in the production process, work in process in progress, the finished products produced by the company, the goods, advance payment.

Inventories of materials and goods are measured at cost. Cost value consists of all costs of purchase of bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other obligations (other than those which the Company may subsequently recoverable from tax authorities), and transport, handling charges, and other costs that are directly attributable to the acquisition. Discounts, rebates and other similar items are deducted in determining the costs of purchase. Exchange differences arising from the takeover supplies to the payment of obligations in foreign currency and interest costs are not included in the cost of procurement.

Output of materials and goods is recorded using weighted average method. Inventories of unfinished production and finished goods are measured at cost or net realizable value, if lower. The cost includes all the costs of conversion and other costs incurred in bringing the necessary inventories to their present location and condition, that is:

- direct labor costs;
- direct material costs, and
- indirect and overall production costs.
- The value of work in progress and finished goods are not included, but an expense during the period:
- unusually large dispersion of materials, labor or other production costs;
- storage costs, unless those costs are necessary in the production process before the next stage of production;
- administrative overhead expenses that do not contribute to bringing inventories to their present location and condition, and
- cost of sales.

The net selling value represents the estimated realizable value, reduced by costs of sell and estimated costs of completion (for work in progress). If the net realizable value of work in progress and finished goods is lower than their cost, implemented a partial write-off to net realizable value.

Inventories of services consists of direct costs and indirect costs incurred in connection with the provision of services. Direct service costs are the direct costs of personnel directly engaged in providing services, the direct costs of materials and other direct costs, such as hiring outside experts etc. Indirect costs are the costs of services auxiliary materials, energy used for service, maintenance and depreciation of equipment used in the provision of services etc.

### ❖ **Receivables**

Accounts receivable include receivables from sales (home buyers and subsidiaries, customers other associated entities, domestic customers and customers abroad), from specific claims and other claims (claims for interest and dividend receivable from employees, receivables from government bodies and organization, claims for overpaid taxes and fees excluding income taxes).

Trade receivables are measured at their nominal value less estimated amount of uncollectible receivables. Allowance established and recognized in the income statement for all receivables and investments based on management's estimate of their probable recoverability.

Receivables in foreign currencies are valued at the average exchange rate on the balance. Foreign exchange gains recorded in favor of a negative financial income at the expense of the finance charge.

### ❖ **Short-term investments**

Short-term investments include loans, securities and other short-term investments with maturities of one year from the balance sheet.

Short-term investments and securities held for trading are carried at amortized cost, without taking into account the intention of the Company Daiho hold to maturity.

Securities held for trading, are measured at fair (market) value. The effects of changes in fair value are accounted for as expenses and income for the period.

### ❖ **Cash and cash equivalents**

Cash and cash equivalents includes cash, deposits held in banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

Cash and cash equivalents are expressed in nominal value of RSD. Cash balances in accounts denominated in foreign exchange assets are reported in USD, according to the average exchange rate of the National Bank valid on the balance sheet. Foreign exchange gains recorded in favor of a negative financial income at the expense of the finance charge.

### ❖ **Obligations**

Long-term and short-term liabilities arising from financial and business transactions are recorded at their nominal value increased by interest on the basis of the contract. Liabilities denominated in foreign currency are recognized in the RSD by middle rate of the National Bank valid on the balance sheet. Arrears are written off to the income statement. During the preparation of financial statements performed by applying MRS-19 long-term provision for retirement.

### ❖ **Value added tax and prepayments**

Value added tax and prepayments include paid value added tax which is not compensated with unpaid value-added tax, claims for overpaid value added tax, pre-calculated costs (costs that relate to future accounting period), accrued revenue, deferred costs for the liabilities and other active accruals.

### ❖ **Deferred tax assets**

Deferred tax assets are classified in accordance with the tax regulations and MRS - 12 Income and Expense and credited to the deferred tax expense.

### ❖ **Losses in excess of the capital value**

Losses in excess of the capital value is the difference between the total loss and equity.

### ❖ **Capital**

Capital includes: Initial capital, other capital, share premium, reserve capital (legal and statutory reserves), revaluation reserves, unrealized gains arising from securities, net retained earnings from previous or current year and subscribed unpaid capital.

Unrealized losses on securities and losses from previous years and the current year to the amount of equity capital allowance for impairment of.

Treasury shares are also capital allowance for impairment of.

Equity losses are entered in the balance in the amount of nominal book value, redeemed and repurchased its own shares for a price.

unpaid capital subscribed in foreign currency are valued at the average exchange rate on the balance sheet.

Revaluation reserve is reduced:

- in favor of retained earnings:
- When the agent from whom the revaluation reserve is fully depreciated or sold at a price above the current value,

- the amount of depreciation calculated on the difference revalued amount of the base and depreciation based on the revalued basis.
- the amount of loss assets sold from whom the non revaluation reserve to the extent of revaluation reserves.

### ❖ **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely extent than it is to settle the obligation, an outflow of resources, when a reliable estimate of the amount. Provisions include payments for termination of employment with employees and provisions for legal proceedings in progress. Provisions are not recognized for future operating losses.

### ❖ **Long-term liabilities**

Long-term liabilities include liabilities for long term loans and long-term liabilities from financial leasing. Long-term liabilities are stated in RSD at face value and not paid to a foreign currency are recorded at the average exchange rate of the foreign currency at the balance sheet date or at the rate agreed with the lender. Long-term liabilities with foreign currency is valued at the average exchange rate on the balance established currency to foreign currency.

### ❖ **Short-term financial liabilities**

Short-term financial liabilities include short-term obligations with a maturity of up to one year of long-term debt maturing in the next year. Short-term liabilities are reported in RSD in nominal terms and liabilities in foreign currency and the foreign currency are recorded at the average exchange rate of the foreign currency at the balance sheet date or at the contracted exchange rate with the lender.

### ❖ **Liabilities from operations**

Liabilities from operations include received advance payments, deposits and securities, suppliers, checks and promissory notes issued to creditors and liabilities of specific operations. Liabilities from operations are stated in RSD in unpaid amount in foreign currencies are recorded at the average exchange rate on the balance sheet.

### ❖ **Other current liabilities accruals and deferred income**

Other current liabilities and deferred income include obligations for wages and salaries, gross, liabilities for interest and financing costs, the dividend obligations, liabilities for compensation to employees, liabilities to members of management and supervisory board, liabilities to natural persons contract, the obligations of discontinued net income and other liabilities. Accrued liabilities include accrued expenses in advance, accrued income of future periods, the calculated attributable expenses, deferred revenue and grants received.

### ❖ **Liabilities based of value added tax and other taxes**

Liabilities based of value added tax and other taxes payable include liabilities arising from value added tax, duties for action, liability for tax, customs and other duties, obligations to contribute to expenses and other liabilities for taxes, contributions and other charges.

### ❖ **Liabilities for income tax**

Liabilities for income taxes include unpaid income taxes.

### ❖ **Deferred tax liabilities**

Deferred tax liabilities are quantified in accordance with the Law on Taxes and MRS 12 - Income Taxes, and are charged to tax expense.

### ❖ **Revenues from sales**

Revenues from sales are included in the amount invoiced, ie. the sale by the end of the accounting period, provided that it is created on that date debtor-creditor relationship and the invoice. Revenue is measured at the fair value of consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted by the Company. The difference between the fair value and the nominal amount is recognized as interest income. Revenue from sales is recognized when all conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership;
- Management Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- When it is possible to reliably measure the amount of revenue;
- When the transaction is likely to give it to flow to the economic benefits to the entity and when the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from services rendered are recognized to the stage of completion at the balance sheet.

### ❖ **Operating expenses**

Total operating expenses consist of: cost of goods sold, costs of materials, wages, salaries and other personnel expenses, depreciation and provisions; producing costs, and intangible costs.

The basic elements and principles of expense recognition are:

- Expenses are recognized and stated when a decrease in future economic benefits related to a decrease assets or increase liabilities can be measured reliably;
- charges are based on the direct connection between expenditures and revenues (the principle of causality);
- when it is expected that the economic benefits will arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognized through the process of systematic and rational allocation;

Cost of goods sold at the wholesale level is determined by the value of sales of goods in bulk, minus the amount determined by the difference in price and the amount ukalkulisanog value added tax contained in the value of goods sold in bulk.

### ❖ **Gains and losses**

Gains represent increases in economic benefits, including those arising on sale of fixed assets at values higher than their book value, unrealized profits on the sale of securities (in the case when the valuation of securities by their market values) as well as those resulting from increases in accounting value of fixed assets because of stopping conditions to reduce their value.

Losses arising from the sale of assets at prices lower than their net book value, on the disposal of assets not depreciated property, damages that can be fully or partially recovered from insurance companies, based on the application of the principle of imparity (Impairment of Assets).

## ❖ **Financial income and expenses**

Financial income and expenses include income and interest expense (regardless of whether they are due and whether paid or added to the amount of receivables or liabilities on the balance sheet), income and foreign exchange losses, revenues and expenses related to the home, subsidiaries and other related parties, and other financial income and expenses.

## ❖ **Extra revenues and expenses**

Extra revenues and expenses resulting from extraordinary events that are clearly distinct from the ordinary activities of which are not expected to occur frequently or regularly.

Basic characteristics exceptional income and expenses are:

- rarely occur;
- event that caused the income or expense is extraordinary, and not the result of ordinary activities and
- significance and size of income or expense is large in relation to the company's assets.

## ❖ **Income Taxes**

Income tax is the amount calculated in accordance with government regulations. Tax is calculated at the rate of 10% of taxable income. Taxable income is determined for tax purposes by adjusting the profit reported in the income statement, which was prepared in accordance with International Accounting Standards and regulations governing the accounting for certain expenses and income according to the tax regulations. Calculated tax is reduced by tax incentives (investment in fixed assets in own registered business, hire new employees and to make profit in a newly established business unit in disadvantaged areas).

Losses in the current period stated in the tax return can be used to reduce taxable income next period, but not more than ten years.

## **1.3. ADDITIONAL PRESENTATION AND DISCLOSURE**

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

Position of property, plant and equipment as at 30.09.2012.godine comprise the following items:

In 000 RSD			
Description	Cost value	Amortization	The current value
Land	33.187		33.187
Buildings	1.472.494	407.074	1.065.420
Plant and equipment	1.355.797	950.750	405.047
Investment property	1.355	271	1.084
Real estate, equipment, facilities under cons.	7.534		7.534
<b>Total:</b>	<b>2.870.367</b>	<b>1.358.095</b>	<b>1.512.272</b>

### 1.3.2. Other long-term investments in the country

in 000 RSD

Description	30.09.2012.	30.09.2011.
Securities held to maturity	2.446	2.446
Other long-term loans and residential loans	908	1.158
<b>TOTAL</b>	<b>3.354</b>	<b>3.604</b>

Revaluation was performed in accordance with the contracts signed.

### 1.3.3. Supplies

Structure of supplies on day 30.09.2012.godine is as follows:

in 000 RSD

Description	30.09.2012.	30.09.2011.
Material	740.574	713.750
Spare parts	25.842	29.190
Tools and fixtures	484	1.183
Work in progress	34.940	24.284
Finished products	363.243	267.735
Goods	10.620	11.671
Advances	24.797	/
<b>TOTAL:</b>	<b>1.200.500</b>	<b>1.047.813</b>

### 1.3.4. Short-term receivables and cash

#### ❖ Receivables

The structure of trade receivables as at 30.09.2012.godine is as follows:

in 000 rsd

Description	30.09.2012.	30.09.2011.
Accounts receivable in the country	267.505	298.329
Receivables from customers abroad	627.035	1.011.387
Receivables from employees	376	1.127
<b>TOTAL:</b>	<b>894.916</b>	<b>1.310.843</b>

### LIST OF MAJOR CUSTOMERS WITH DEBT ON 30.09.2012.

Number	Name	Amount in RSD
1.	POTERA -Podujevo	129.342.830,29
2.	MADAKO - Banja Luka	101.107.322,74
3.	PALAZZETTI - Italija	72.665.816,06
4.	MG MIND - Mrkonjić Grad	71.089.428,00
5.	METALAC METALURGIJA –Novi Sad	50.511.363,50
6.	SVETLOST - Niš	49.396.018,32
7.	TEHNOSTAR - Posušje	44.331.712,56
8.	VITEZ&KOM- Vranje	44.030.133,14
9.	SOBIM - Niš	29.892.870,63
10.	SPEKTAR PLUS-Ivanjica	29.629.886,85
<b>Ukupno:</b>		<b>621.997.382,09</b>

#### ❖ Short-term investments

Short-term credits and other short-term investments related to:

Description	In 000 rsd	
	30.09.2012.	30.09.2011.
Short-term consumer loans and trade union	2.148	884
Short-term borrowings and legal entities	405.646	/
Short-term RSD funding	255.000	/
Short-term foreign currency	1.003.910	/
<b>Total:</b>	<b>1.666.704</b>	<b>884</b>

❖ Cash and cash equivalents

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Foreign currency accounts	23.018	395.339
Accounts in RSD	6.415	25.643
Checkout (RSD and currency)	743	3.214
<b>Total:</b>	<b>30.176</b>	<b>424.196</b>

1.3.5. Value added tax and AVR

Description	In 000 RSD	
	30.09.2012.	30.09.2011.
Receivables for overpaid value added tax	3.847	/
Advance tax on value added	27.561	16.067
Deferred tax assets	21.448	8.162
Other AVR	2.958	4.958
<b>Total:</b>	<b>55.814</b>	<b>29.187</b>

1.3.6. Share capital and other

Description	in 000 RSD	
	30.09.2012	30.09.2011.
Share Capital	1.171.240	1.171.240
Legal and statutory reserves	492.827	492.827
Revaluation reserves	197.166	197.166
Profit for the year	180.726	213.508
Profit from previous years	1.962.191	1.481.579
Other capital	216.110	215.957
<b>Total:</b>	<b>4.220.260</b>	<b>3.772.277</b>

1.3.7. Current liabilities

❖ Operating liabilities

in 000 RSD

Description	30.09.2012.	30.09.2011.
Advances from customers	40.089	/
Suppliers in the country	195.733	337.493
Suppliers abroad	105.576	105.309
Suppliers of related parties	1.072	/
<b>Total:</b>	<b>342.470</b>	<b>442.802</b>

❖ Loans from banks

In eur

in RSD

Description	30.09.2012.	30.09.2012.	30.09.2011.
Credit agricole Srbija ad-Novis Sad	3.000.000,00	346.577.100,00	/
Societe generale bank Beograd	2.000.455,53	230.168.800,00	/
<b>Total:</b>	<b>5.000.455,53</b>	<b>576.745.900,00</b>	<b>/</b>

**LIST OF DEALERS WITH THE HIGHEST DEBT ON 30.09.2012.**

<b>R.broj</b>	<b>Naziv</b>	<b>Iznos u dinarima</b>
1.	MB KONCERN IK GUČA-Guča	29.446.151,24
2.	PLAMEN INTERNACIONAL- Požega	14.627.905,86
3.	CULIMETA - Nemačka	9.411.911,83
4.	WEILBURGER - Nemačka	7.089.176,30
5.	KNAUF INSULATION - Surdulica	6.754.751,17
6.	ATTOS - Beograd	6.494.546,43
7.	INAK - Bosilegrad	5.730.190,76
8.	POGLED-Trgovište	5.387.411,57
9.	FERRO - Rotterdam	5.156.430,50
10.	DUROPACK - Kruševac	4.288.215,99
<b>Total:</b>		<b>94.386.691,65</b>

❖ **8.3. Other current liabilities**

<b>Description</b>	<b>in 000 RSD</b>	
	<b>30.09.2012</b>	<b>30.09.2011.</b>
Net salaries and benefits	44.322	19.327
Liabilities for income tax paid by the employee	6.888	4.108
Obligations for contributions on wages paid by the employee	11.337	8.330
Liabilities for taxes and contributions paid by the employer	11.299	8.330
Liabilities for net fees are refunded	1.002	752
<b>total</b>	<b>74.848</b>	<b>40.847</b>

❖ **Other liabilities**

<b>Description</b>	in 000 RSD	
	<b>30.09.2012.</b>	<b>30.09.2011.</b>
Interest accrued	31	1
Dividends payable	1.921	45.459
Liabilities for profit sharing	6	15.502
Obligations of members of the Board	445	83
Other liabilities	/	17.095
<b>Total:</b>	<b>2.403</b>	<b>78.140</b>

❖ **Other taxes, contributions and other fees**

<b>Description</b>	in 000 RSD	
	<b>30.09.2012.</b>	<b>30.09.2011.</b>
Taxes, duties and other levies	1.560	1.482
Obligations for contributions are expensed	329	242
<b>Total:</b>	<b>1.889</b>	<b>1.724</b>

**1.3.8. Business and other income**

❖ **Sales of goods and products**

<b>Description</b>	in 000 RSD	
	<b>30.09.2012.</b>	<b>30.09.2011.</b>
Revenue from sale of goods on the domestic market	2.855	1.816
Revenue from sale of goods in foreign markets	446	344
Revenue from product sales in the domestic market	1.152.905	974.706
Revenues from sales of products on the international market	1.450.041	1.496.262
<b>Total:</b>	<b>2.606.247</b>	<b>2.473.128</b>

❖ Other operating income

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Income from rent	87	78
Income from subsidies	/	465
<b>Total</b>	<b>87</b>	<b>543</b>

❖ Financial income

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Interest income	26.467	8.326
Foreign exchange gains	92.081	16.574
Other financial income	235	473
Income foreign currency clause	737	/
<b>Total:</b>	<b>119.520</b>	<b>25.373</b>

❖ Financial expenses

Description	in 000 RSD	
	30.09.2012	30.09.2011.
Interest expense	172	100
Foreign exchange losses	21.040	31.981
Expense-currency clause	53	/
<b>Total:</b>	<b>21.265</b>	<b>32.081</b>

❖ Other income

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Gain on sale of equipment	326	1.458
Gains from the sale of materials	/	46.534
surpluses	/	
Recovery of bad debts	188	76.879
Income from reduction commitments	20	/
Other incomes	1.995	1.027
<b>Total</b>	<b>2.529</b>	<b>125.898</b>

1.3.9. Increase and decrease in value of supplies

Description	In 000 RSD	
	30.09.2012.	30.09.2011.
Work in progress on the 30.09.	34.940	24284
Finished products in the 30.09.	363.243	292.019
Work in progress increased	2.815	/
Finished products increase-decrease	-6.567	80.152
Total increase-decrease in inventories	<b>-3.752.</b>	<b>80.152</b>

1.3.10. Operating and other expenses

❖ Operating expenses

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Cost of goods sold	2.156	1.277
<b>Total</b>	<b>2.156</b>	<b>1.277</b>

❖ Cost of materials

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Costs of production material	1.438.620	1.480.128
Other materials	26.509	28.885
Fuel and energy	65.405	52.410
<b>Total:</b>	<b>1.530.534</b>	<b>1.561.423</b>

❖ Cost of salaries

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Cost of net earnings	429.004	429.286
Cost of net benefits	77.597	78.012
Tax on gross earnings	59	/
Compensation expense under the contract	201	181
Cost of compensation for members of the Board	2.549	1.147
Other personal expenses and fees	11.457	10.985
<b>Total:</b>	<b>520.867</b>	<b>519.611</b>

❖ Depreciation and amortization

in 000 RSD

Description	30.09.2012.	30.09.2011.
Depreciation of buildings	24.287	16.275
Depreciation of plant and equipment	101.979	65.976
Depreciation of investment property	25	25
<b>Total</b>	<b>126.291</b>	<b>82.276</b>

❖ Other operating expenses

in 000 RSD

Description	30.09.2012.	30.09.2011.
Costs of transport services	52.741	52.543
Cost of maintenance services	8.428	42.048
Rental costs	9.749	5.131
Fair costs	1.650	1.655
Marketing and advertising	6.895	1.919
Other services	23.775	23.060
Non-production services	41.800	63.738
Entertainment expenses	2.719	1.939
Insurance premiums	10.629	13.625
Payment transaction	4.673	2.645
Tax Costs	9.243	7.915
Contributions	1.451	1.510
Other expenses	9.409	7.590
Membership fees	2.378	2.251
Costs to develop performance	21	/
<b>Total:</b>	<b>185.561</b>	<b>227.569</b>

❖ Other expenses

Description	in 000 RSD	
	30.09.2012.	30.09.2011.
Losses on sale of plant and equipment	/	434
Losses from sale of materials	/	41.054
Losses from write-off of receivables	145.395	/
Other expenses	11.836	25.493
<b>Total</b>	<b>157.231</b>	<b>66.981</b>

1.3.11. Guarantees and warranties

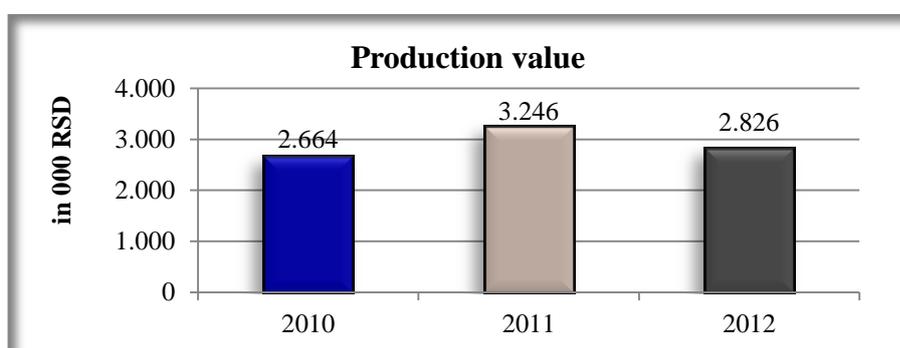
Description	In RSD	
	30.09.2012.	30.09.2011.
Customs	2.000.000,00	/
<b>Total:</b>	<b>2.000.000,00</b>	/
	In EUR	
	30.09.2012.	30.09.2011.
Isd Dunafer	700.000,00	/
<b>Total:</b>	<b>700.000,00</b>	

**REPORT OF THE COMPANY**

### 2. BUSINESS REPORT "Alfa Plam" AD VRANJE for January - September 2012.

Value reported production in the period January - September 2012. The amount of 2,826,490,350.00 RSD decreased by 12.9% compared to the same period last year, and less than the plan by 2.8%.

DESCRIPTION	Realized in 2011	Operating plan 2012	Realized in 2012	Index 4/2	Index 4/3
1	2	3	4	5	6
AD "Alfa Plam"	3.245.916.430,00	2.907.493.420,00	2.826.490.350,00	87,1%	97,2%



The results achieved in the process of production, expressed in hours of work are: 487,820 hours worked were down by 14.6% compared to the same period last year, noting that the number of days spent by 18 compared to the same period last year.

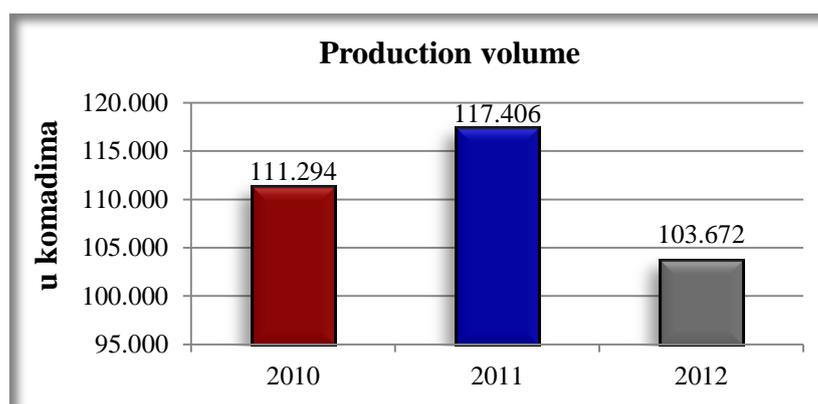
The observed results on the level of "Alfa Plam" AD as follows:

DESCRIPTION	REALIZED IN 2011	REALIZED IN 2012	INDEX
Realized production (in working hours)	571.433	487.820	85,4
No. of workers who worked in production	402	384	95,5
No. of working days	170	152	89,4
Daily effect per worker	8,36	8,36	100,0
Planned effect per worker	7,11	7,63	107,3

From the above we can see that the actual effect of 8.36 hours per worker at the level of "ALFA-PLAM" ad and is identical to last year.

### The structure and range of groups heaters:

Heating devices group	Realized in 2011	Operating plan 2012	Realized in 2012	Index 4/2	Index 4/3
1	2	3	4	5	6
Solid fuel stoves	82.710	66.702	66.266	80,1%	99,3%
Electrical stoves	13.469	15.966	15.650	116,2%	98,0%
Combined stoves	4.001	5.940	5.940	148,5%	100,0%
Solid fuel furnaces	15.726	15.695	14.816	94,2%	94,4%
Heating oil furnaces					
Gas furnaves	1.500	1.000	1.000	66,7%	100,0%
Other production	8.588	12.285	10.815	125,9%	88,0%
<b>Total heating devices</b>	<b>117.406</b>	<b>105.303</b>	<b>103.672</b>	<b>88,3%</b>	<b>98,5%</b>

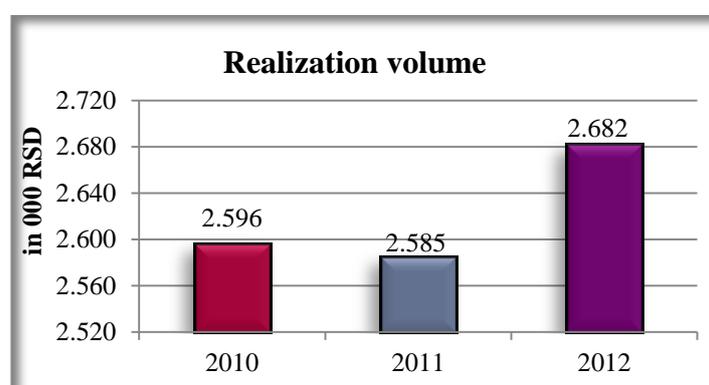


Total production of radiators in the period January-September 2012th The year was 103,672 units, a decrease of 11.7% compared to the same period last year and less than the plan by 1.5%.

### 2.1. ACHIEVED REALIZATION

In the period January - September 2012. planned the implementation of 2,188,298,100.00 RSD and 2,682,204,451.28 RSD was, and it was higher by 22.6% compared to the plan, compared to the same period last year increased 3.8%.

DESCRIPTIO N	Realized in 2011	Operating plan 2012	Realized in 2012	Index 4/2	Index 4/3
1	2	3	4	5	6
"Alfa Plam" ad	2.584.558.948,00	2.188.298.100,00	2.682.204.451,28	103,8%	122,6%



Achieved through the implementation of the physical volume is as follows:

Heating devices group	Realized in 2011	Operating plan 2012	Realized in 2012	Index 4/2	Index 4/3
1	2	3	4	5	6
<b>Heating devices group</b>	52.311	34.553	41.303	79,0%	119,5%
<b>Solid fuel stoves</b>	8.948	9.380	9.889	110,5%	105,4%
<b>Combined stoves</b>	2.798	2.180	3.257	116,4%	149,4%
<b>Solid fuel furnaces</b>	6.220	5.020	6.249	100,5%	124,5%
<b>Heating oil furnaces</b>	2		2	100,0%	
<b>Gas furnaces</b>	686	270	791	115,3%	293,0%
<b>Other production</b>	6.029	3.450	6.333	105,0%	183,6%
<b>Total heating devices</b>	70.965	51.403	61.491	86,6%	119,6%

In January-September 2012th completed a total of 96,590 units heating units, which is 6.5% less than in the same period of the 2011th years. and 22.1% higher than planned. On the international market realized 50,441 units, which is 15.7% less than the 2011th year.

In January-September 2012th exported goods worth € 12,775,406.90 by which is 14.72% less than in the same period last year.

In the domestic market were the 46,149 units, which is 6.2% more than in the same period of the 2011th year.

## 2.2. BUSINESS RESULT

The Profit and Loss statement shows that total operating revenue for the period 1.1.2012-30.09.2012 godine amounts to 2,724,631 thousand and consists of operating income in the amount of 2,602,582 thousand, financial income in the amount of 119,520 thousand and other income in the amount of 2529 thousand RSD (Table 1)

Table 1 Revenue structure (in thousand RSD)

Nb.	Name	Amount	% Of total income
1.	operating income	2.602.582	95,52
2.	financial income	119.520	4,39
3.	other income	2.529	0,09
<b>In total</b>		<b>2.724.631</b>	<b>100</b>

In Table 1 shows that the largest share of total income consists of operating income by as much as 95.52%, followed by financial income from 4.39% at the end of other income to 0.09%. The largest share of operating income from the sale of products and services on foreign market RSD 1,450,041 thousand, or 55.71% of operating income and 53.21% of total income and the same has decreased by 3.11% since 2011.god. Revenues from sale of products in the domestic market in the amount of RSD 1,152,905 thousand accounted for 44.30% of operating income, or 42.31% of total revenue and recorded growth for the same 18.06% compared to the 2011th year.

Total operating expenses for the period 01.01.-30.09.2012. amounted to 2,543,905 thousand RSD, and consist of operating expenses 2,365,409 thousand RSD, financial expenses 21,265 thousand RSD and other expenses in the amount of RSD 157,231 thousand. (Table 2)

Table 2 The structure of expenditures (in thousand RSD)

Nb.	Name	Amount	% Of the total ex.
1.	operating expenses	2.365.409	92,98
2.	financial expenses	21.265	0,84
3.	expenses	157.231	6,18
4.	Deferred Total expenditure income tax expense		
	<b>Total expenses</b>	<b>2.543.905</b>	<b>100</b>

From Table 2, shows that the largest share in the total expenditures even operating expenses 92.98% and consist of direct material costs RSD 1,530,534 thousand which is 64.70% of the operating expenses or 63.82% from the same ukupnh expenses decreased by 1,97% compared to the 2011th year, and other operating expenses in the amount of RSD 834,875 thousand, or 35.30% of operating expenses, or 34.80% of total expenditure, it recorded a growth of 0.47% over the 2011 year

## A.D. Metal Industry Alfa – Plam Vranje

Table 3 Actual revenues and expenditures and results of operations (in thousand RSD)

Nb.	Elements	Operating income-expenditure	Financial income-expenditure	Other income-expenditure	total
1.	operating expenses	2.602.582	119.520	2.529	2.724.631
2.	operating expenses	2.365.409	21.265	157.231	2.543.905
3.	Deferred tot. exp. income tax expense.	0		0	0
4.	Gross profit - loss	237.173	98.255	-154.702	180.726
5.	net profit - loss	237.173	98.255	-154.702	180.726

From the data in Table 3 It is clear that the company is in a period of 01.01.2012-30.09.2012. successful business and profit of RSD 180,726 thousand. successful business and profit of RSD 180,726 thousand. successful business and profit of RSD 180,726 thousand.

Table 4 Overall indicators of business and total revenues and expenditures for 2011th and 2012th (in thousand RSD)

ordinal	Elements	result 30.09.2011	Result 30.09.2012	% increase / decrease
1.	operating income	2.553.823	2.602.582	100,91
2.	operating expenses	2.392.368	2.365.409	98,87
3.	total revenue	2.704.570	2.724.631	100,74
4.	total expenditures	2.491.062	2.543.905	102,12
5.	operating result	<b>213.508</b>	<b>180.726</b>	84,65

The data in Table 4 indicate that the reported total revenue growth by 0.74% compared to the same period last year, the growth of total expenditure by 2.12% compared to the same period last year.

All above-mentioned data resulted in a fall in the total profits earned by 15.35% compared to the same period last year

### 2.3. A.D. ALFA-PLAM ACTIVITIES ON THE FIELD OF DEVELOPMENT IN THE FUTURE

The market orientation of company has always been a guiding basis for future development and activities according to new trends and regulations. Energy has always been one of the serious problems of human race. Power, especially its consumption gives us an obligation to be more efficient. By reducing energy consumption, we take care of the environment pollution. All our products function have to meet European standards and regulations that are more stringent every day.

By tracking the further development of the new fuel types we see our opportunity in the future. As before, we have to work on products design and adapting to fit the needs of our customers, so we are focusing our activities on:

- ✚ Redesign of the solid fuel stove;
- ✚ Complement our range of pellet stoves with pellet boilers for central heating which satisfied one more segment of the market;
- ✚ Our new pellet stove for cooking, baking and floor heating with high degree of usefulness complete our range of products.
- ✚ Electrical products have already been verified by accredited European laboratories.

These are all activities that need to be refined by new ideas every day, because the development as such must always been looking ahead, and that work never ends.

#### **Significant transactions with related parties**

No transactions with related parties

#### **Note:**

Semi-annual financial report for the first six months of the year 2012 have not been audited

Branislav Popović



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

A.D. Metal Industry Alfa – Plam Vranje

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*Declaration*

According to my cognition, the quarterly financial report of Metal Industry Alfa-Plam AD Vranje for the first nine months of year 2012 is composed with the application of appropriate IFRS and provides accurate and objective data about assets, liabilities, financial position and operation, revenues and expenses, cash flows and changes in equity of the company.

Vranje, November 7th 2012

Alfa-Plam AD Vranje

Managing director

Goran Kostić, dipl.ecc

