



QUARTERLY REPORT
2nd QUARTER OF THE 1st half 2012

Pursuant 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:**

QUARTERLY REPORT 2nd QUARTER OF THE 1st half 2012

C O N T E N T S:

1. FINANCIAL STATEMENTS ALFA-PLAM A.D. VRANJE FOR THE 2nd QUARTER OF THE 1st half 2012

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

2. BUSINESS REPORT

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

**FINANCIAL STATEMENTS ALFA-PLAM A.D. VRANJE FOR THE 2nd
QUARTER OF THE 1st half 2012**

A.D. Metal Industry Alfa – Plam Vranje

Reporting period:	from	<input type="text" value="01.01.2012."/>	until	<input type="text" value="30.06.2012."/>
Quarterly Financial Statement for Businesses KFI-PD				
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"/>			
	<small>(name and surname of contact person)</small>			
Phone:	<input type="text" value="017421552"/>	Fax:	<input type="text" value="017421552"/>	
E-mail:	<input type="text" value="ruzica.marinkovic@alfaplam.rs"/>			
Name and surname:	<input type="text" value="Popović Branislav"/>			
	<small>(authorized officer)</small>			

A.D. Metal Industry Alfa – Plam Vranje

Balance sheet

As at June, 30th 2012

in RSD thousands

ITEM	EDP	Amount	
		Current year	Previous year
1	2	3	4
ASSETS			
A. NON CURRENT ASSETS (002+003+004+005+009)	001	1.531.607	1.573.659
I. UNPAID SUBSCRIBED CAPITAL	002		
II. GOODWILL	003		
III. INTANGIBLE ASSETS	004		
PROPERTY, PLANT & EQUIPMENT and			
IV. BIOLOGICAL ASSETS (006+007+008)	005	1.528.166	1.570.063
1 Property, plant & equipment	006	1.527.082	1.568.978
2 Investment property	007	1.084	1.085
3 Biological assets	008		
LONG TERM FINANCIAL INVESTMENTS			
V. (010+011)	009	3.441	3.596
1 Investments in Equity	010		
2 Other long term investments	011	3.441	3.596
B. CURRENT ASSETS (013+014+015)	012	3.662.570	3.173.908
I. INVENTORIES	013	1.483.634	1.120.053
NON CURRENT ASSETS HELD FOR SALE & ASSETS ATTRIBUTABLE TO DISCONTINUED			
II. OPERATIONS	014		
SHORT TERM RECEIVABLES, INVESTMENTS &			
III. CASH (016+017+018+019+020)	015	2.178.936	2.053.855
1 Receivables	016	1.266.745	1.124.535
2 Overpaid tax receivables	017		
3 Short term financial placements	018	859.734	637.495
4 Cash and cash equivalents	019	17.087	214.817
5 Value added tax and accruals	020	35.370	77.008
III. DEFERRED TAX ASSETS	021	21.448	21.448
C. BUSINESS ASSETS (001+012+021)	022	5.215.625	4.769.015
D. LOSS EXCEEDING CAPITAL	023		
E. TOTAL ASSETS (022+023)	024	5.215.625	4.769.015
F. OFF-BALANCE SHEET ASSETS	025	110.255	29.954
LIABILITIES			
A. CAPITAL (102+103+104+105+106-107+108-109-110)	101	4.303.654	4.039.518
I. INITIAL CAPITAL	102	1.387.351	1.387.334
II. UNPAID SUBSCRIBED CAPITAL	103		
III. RESERVES	104	492.827	492.827
IV. REVALUATION RESERVE	105	197.166	197.166
V. UNREALISED GAINS FROM SECURITIES	106		
VI. UNREALISED LOSSES FROM SECURITIES	107		
VII. RETAINED EARNINGS	108	2.226.310	1.962.191
VIII. LOSS	109		
IX. TREASURY SHARES	110		

A.D. Metal Industry Alfa – Plam Vranje

Balance sheet (continued)

As at June, 30th 2012

in RSD thousands

ITEM 1	EDP 2	Amount	
		Current year 3	Previous year 4
NON CURRENT PROVISIONS & LIABILITIES			
B. (112+113+116)	111	911.971	729.497
I. LONG TERM PROVISIONS	112	127.941	127.941
II. LONG TERM LIABILITIES (114+115)	113		
1 Long term borrowings	114		
2 Other long term liabilities	115		
SHORT TERM LIABILITIES			
III. (117+118+119+120+121+122)	116	784.030	601.553
1 Short term financial liabilities	117		
2 Liabilities attributable to assets held for sale and discontinued operations assets	118		
3 Trade payables	119	689.807	538.450
4 Other short term liabilities and accruals	120	54.881	62.290
5 Liabilities for VAT and other public revenues	121	39.342	813
6 Income tax payable	122		
IV. DEFERRED TAX LIABILITIES	123		
C. TOTAL LIABILITIES (101+111+123)	124	5.215.625	4.769.015
D. OFF-BALANCE SHEET LIABILITIES	125	110.255	29.954

A.D. Metal Industry Alfa – Plam Vranje

Income Statement

From 01.01.2012. up to 30.06.2012.

in RSD thousands

ITEM	EDP	Amount				
		Current period		Previous period		
		Quarter	Cumulative	Quarter	Cumulative	
1	2	3	4	5	6	
A. OPERATING INCOME AND EXPENSES						
I. OPERATING INCOME (202+203+204-205+206)	201	851,546	1,860,351	776,027	1,800,919	
1 Sales	202	342,521	1,629,616	379,700	1,727,958	
2 Work performed by the entity and capitalized	203					
3 Inventories-Value increase	204	509,025	230,692	396,288	72,865	
4 Inventories-Value decrease	205					
5 Other operating revenue	206		43	39	96	
II. OPERATING COSTS (208 do 212)	207	779,978	1,634,197	686,935	1,629,822	
1 Purchase costs of merchandise sold	208	901	1,323	495	827	
2 Cost of materials	209	504,371	1,083,992	478,721	1,105,116	
3 Cost of salaries, fringe benefits and other personal expenses	210	169,664	335,476	136,125	287,018	
4 Depreciation and provisions	211	39,247	84,194		74,938	
5 Other operating costs	212	65,795	129,212	71,594	161,923	
III. OPERATING INCOME (201-207)	213	71,568	226,154	89,092	171,097	
IV. OPERATING LOSS (207-201)	214					
V. FINANCE INCOME	215	25,357	61,361	7,046	13,469	
VI. FINANCE COSTS	216	8,736	15,564	7,127	20,844	
VII. OTHER INCOME	217	1,162	1,787	17,385	38,172	
VIII. OTHER EXPENSES	218	6,712	9,619	17,394	49,253	
IX. OPERATING PROFIT BEFORE TAX (213-214+215-216+217-218)	219	82,639	264,119	89,002	152,641	
X. OPERATING LOSS BEFORE TAX (214-213-215+216-217+218)	220					
XI. NET PROFIT ATTRIBUTABLE TO DISCONTINUED OPERATIONS	221					
XII. NET LOSS ATTRIBUTABLE TO DISCONTINUED OPERATIONS	222					
B. PROFIT BEFORE TAX (219-220+221-222)	223	82,639	264,119	89,002	152,641	
C. LOSS BEFORE TAX (220-219+222-221)	224					

A.D. Metal Industry Alfa – Plam Vranje

Income Statement (continued)

From 01.01.2012. up to 30.06.2012.

in RSD thousands

D. INCOME TAX					
1 Income tax expense for the period	225				
Deferred income expense for the 2 period	226				
3 Deferred tax income for the period	227				
E. BENEFITS PAID TO EMPLOYER					
228					
F. NET PROFIT (223-224-225-226+227- 228)	229	82,639	264,119	89,002	152,641
G. NET LOSS (224-223+225+226- 227+228)	230				
H. NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	231				
I. NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	232				
J. EARNINGS PER SHARE					
K. BASIC EARNINGS PER SHARE	234		2		1
L. DILUTED EARNINGS PER SHARE	235				

A.D. Metal Industry Alfa – Plam Vranje

Cash Flow Statement

From 01.01.2012 until 30.06.2012.

in RSD thousands

ITEM	EDP	Amount	
		Cumulative for current year quarter	Cumulative for previous year quarter
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash generated from operations (1 to 3)	301	1.631.690	1.464.784
1 Sales and advances received	302	1.614.660	1.382.530
2 Interest from operating activities	303	16.987	
Other inflow from operating activities	304	43	82.254
II. Cash outflows from operating activities (1 to 5)	305	1.816.598	1.537.326
1 Payments and prepayments to suppliers	306	1.430.486	1.201.056
2 Salaries, fringe benefits and other personal expenses	307	325.916	287.018
3 Interest paid	308	1.524	52
4 Income tax paid	309		
5 Payments for other public revenues	310	58.672	49.200
III. Net cash inflow from operating activities (I - II)	311		
IV. Net cash outflow from operating activities (II - I)	312	184.908	72.542
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Proceeds from investing activities (1 to 5)	313	385	1.455
1 Sale of shares/stakes (net inflow)	314		
2 Proceeds from sale of intangible assets, PPE	315	385	1.455
3 Other financial investments (net inflow)	316		
4 Interest received	317		
5 Dividends received	318		
II. Cash outflows from investing activities (1 to 3)	319	41.912	67.960
1 Purchase of shares/stakes (net outflow)	320		
2 Purchase of intangible assets, property, plant and equipment and biological assets	321	41.912	67.960
3 Other financial investments (net outflow)	322		
III. Net proceeds from investing activities (I - II)	323		
IV. Net outflow from investing activities (II - I)	324	41.527	66.505

Cash Flow Statement (continued)

From 01.01.2012 until 30.06.2012.

in RSD thousands

ITEM	EDP	Amount	
		Cumulative for current year quarter	Cumulative for previous year quarter
1	2	3	4
C. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Proceeds from financing activities (1 to 3)	325		
1 Capital stock increase	326		
2 Proceeds from long term and short term borrowings (Net)	327		
3 Other long term and short term liabilities	328		
II. Cash outflows from financing activities (1 to 4)	329		43.703
1 Purchase of treasury shares and stakes	330		
2 Long term, short term and other liabilities(net outflow)	331		
3 Financial Lease	332		
4 Dividends paid	333		43.703
III. Net proceeds from financing activities (I - II)	334		
IV. Net outflow from financing activities (II - I)	335		43.703
D. TOTAL PROCEEDS (301+313+325)	336	1.632.075	1.466.239
E. TOTAL OUTFLOW (305+319+329)	337	1.858.510	1.648.989
F. PROCEEDS NET (336-337)	338		
G. OUTFLOW NET (337-336)	339	226.435	182.750
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	340	214.817	643.884
I. FOREIGN CURRENCY GAINS ON TRANSLATION OF CASH AND CASH EQUIVALENTS	341	44.180	6.619
J. FOREIGN CURRENCY LOSSES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	342	15.475	20.792
K. CASH AT THE END OF ACCOUNTING PERIOD (338-339+340+341-342)	343	17.087	446.961

A.D. Metal Industry Alfa – Plam Vranje

Statement on change in equity

From 01.01.2012. until 30.06.2012.

DESCRIPTION	in RSD thousands																									
	EDP	Share capital (Group 30 Item 30)	EDP	Other capital (Acc. 30/9)	EDP	Unpaid subscribed capital (Group 27)	EDP	Share premiums (30)	EDP	Reserves (Acc. 321, 322)	EDP	Revaluation reserves (330 and 331)	EDP	Unrealized gains from securities (33)	EDP	Unrealized losses from securities (Group 32)	EDP	Retained earnings (Group 36)	EDP	Unrealized gains from securities (Group 35)	EDP	Treasury shares and debentures (Acc. 037, 237)	EDP	Total (columns 2+3+4+5+6+7+8+9+10+11+12)	EDP	Losses exceeding capital (Group 23)
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	203,802	479	492	505	1,615,485	515	531	544	3,896,401	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	558												
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	559												
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	203,802	482	495	508	1,615,485	521	534	547	3,896,401	560							
5. Total increase in previous year	405		418	431	444	457	470	483	496	509	522	535	548	561												
6. Total decrease in previous year	406		419	432	445	458	471	484	497	510	523	536	549	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	197,198	485	498	511	1,962,191	524	537	550	4,039,516	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	564												
9. Adjustments of material errors and changes in accounting policies occurred in current year - Decrease	409		422	435	448	461	474	487	500	513	526	539	552	565												
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	197,198	488	501	514	1,962,191	527	540	553	4,039,516	566							
11. Total increase in current year	411		424	437	450	463	476	489	502	515	528	541	554	567												
12. Total decrease in current year	412		425	438	451	464	477	490	503	516	529	542	555	568												
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	197,198	491	504	517	2,228,310	530	543	556	4,303,654	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

115-1867-87 KBC Banka ad Belgrade

A company Alfa-Plam A.D. Vranje had the transition from public property into a joint stock company on February, 16th 2002. The company is engaged in metal processing activities, as follows:

- production of non-electric household appliances, for heating place and for cooking;
- production of household electrical appliances;
- wholesale trade metal goods;
- production tools and others.

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 850 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
Miroljub Aleksić	non-executive director
Marija Subotić	non-executive director

A.D. Metal Industry Alfa – Plam Vranje

Igor Markićević	non-executive director
Kostadin Popović	independent director

Company background:

- 1948.- City craft-service company „Metalac“ was founded in Vranje. It was consisted of locksmith, blacksmith, electricians, calc, wheelwright and sheet metal workshop. Company produced pots, water buckets, pan and furnaces called "drummers," as well as products made according to clients' wishes.
- 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 Packing factory was built in the industrial district of Vranje and it changes its production program in consumer goods. Name of the factory is Technical devices Industry “Alfa – Vranje” and it employs 87 workers.
- 1964. – “Alfa – Vranje” wins gas furnace production “Feniks 140”, and plans other consumer goods production (electric dryer, wash machine, furniture and locksmith). Factory employs 300 workers. “Feniks 15000”, gas furnace for floor heating, was exposed to Belgrade Techniques Fair.
- 1965. – „Metalac“ gets appropriate space in industrial area in Vranje, near Alfa after 16 years of working in inadequate conditions.
- 1965. – "Metalac" after 16 years of work in bad conditions, 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.
- 2003 rd - Total production 164,000 heaters. Started serial production of the new stoves for central heating, solid fuel "Alfa Term 20". In Vranje, opened the first showroom where the entire product range of manufacturers was exhibited.
- 2005th - replacement equipment in enameling sector II. An investment in value of EUR 1,500,000, realized from its own funds

- 2006th - purchased laser machine for perforation and punching of sheet metal, made tools for new stoves and ovens, and completed Phase II of construction work at the sector I, Investments from its own funds in the amount of about 1,500,000 EUR.
- 2007th - The value of one share on the stock market reached the maximum amount of 527.77 EUR (at the middle rate). Conquered the production of pellet stoves by the Italian technology for known foreign buyer. The company has 960 employees.
- 2008th - Introduced new technology with full equipment for wet paint in Plant 2, a new line of cutting sheet metal and purchased installed presses. Total investment from its own resources is around 1,200,000 EUR. Made in marketing project management function to further improvement of market position of the company. Company adopted a new logo and slogan: "Alfa-Plam" - Safety and Warmth!
- 2009th - acquired robotic welding machines, lines for longitudinal and transverse cutting sheets, 2 machines for bending, hydraulic presses and other valued at approximately 500,000 EUR. The company has 880 employees.
- 2010th - Acquired laser maschine for cutting and punching sheet metal. Started serial production of solid fuel stoves for central heating "Alfa Term 27". The company buys in Vranje, in close proximity to their seats, 12,500 m2 constructed production and warehouse space and approximately 13,000 m2 of land. Dividend payment to shareholders for the year, which is the tenth consecutive year.

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 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. BUSSINES RESULT

1.3.1. FIXED ASSETS

Fixed assets of the Company on 30.06.2012. , amounts to 1,531,606,891.86 RSD property consists of the following fields:

Description	30.06.2012
Property, plant and equipment	1.528.166.183,61
Long term investments	3.440.708,25
Total	1.531.606.891.86

Property, plant and equipment amounted to RSD 1,528,166,183.61, and they include:

Description	Purchase value	Newly acquired value	Allowances for impairment	Amortization	The present value
Land	33.186.580,50				33.186.580,50
Buildings	1.463.544.049,53		407.074.237,20	16.191.125,00	1.040.278.687,33
Plant and equipment	1.302.278.933,73	40.996.802,76	824.458.977,57	67.985.735,90	450.831.023,02
Investment property	1.355.321,10		271.064.24	16.942,00	1.067.314,86
Property, equipment, plant under construction	2.802.577,90	40.996.802,76	Aktiv. 40.996.802,76		2.802.577,90
UKUPNO:	2.803.167.462,76	81.993.605,52	1.231.804.279,01	84.193.802,90	1.528.166.183,61

According to the rules of accounting and accounting policies of the Company's property, plant and equipment are stated at cost less accumulated depreciation on the balance sheet.

Cost represents the invoiced for the costs incurred and the costs of bringing the assets into use, net of discounts and rebates.

Assets with an korsni life is 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. Maintenance and repairs are recognized as an expense.

Depreciation of property, plant and equipment is calculated on a straight-line basis over their estimated useful life, starting next month.

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

Buildings	40-50 godine stope 2.00 do 2.5%
Production equipment	7-15 godina stope 7.00 do 15.00%
Passenger and commercial vehicles	10-14 godina stope 10.00 do 15.50 %
Office equipment	10-20 godina stope 5.00 do 10,00 %
Computer equipment	3-5 godina stope 20.00 do 30.00%

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Investment property is property that the owner has to earn, not a property that is made available for use in the production.

Valuation of investment property is carried at cost or cost. During the useful life of the investment properties are stated at fair 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 adverse effects of such expenses from impairment of the period.

1.3.2. LONG TERM INVESTMENTS

Long-term investments as of 30.06.2012 amounted to 3,440,708.25 RSD and relate to:

Description	30.06.2012.
Securities held to maturity	2.446.384,48
Other long-term investments	994.323,77
Total	3.440.708,25

1.3.3. CURRENT ASSETS

Current assets on the balance sheet as at 30.06.2012. 3,662,399,702.18 RSD is a material made up of the following positions:

Description	30.06.2012.
Supplies	1.483.634.436,18
Short-term receivables, investments and cash	2.178.765.266,00
Total:	3.662.399.702,18

❖ Supplies

The structure is on 30.06.2012. is as follows:

DESKRIPTION	30.06.2012.
Material	791.576.983,55
Spare parts	26.296.365,94
Tools and fixtures	634.040,39
Work in progress	34.939.727,39
Finished produkts	597.686.583,68
Goods	10.923.215,45
Advances	21.577.519,78
IN TOTAL:	1.483.634.436,18

A.D. Metal Industry Alfa – Plam Vranje

The material shown on 30.06.2012 amounts to 791,576,983.55 RSD, and refers to the material used in the manufacturing process and to perform the basic delatnosi (main, auxiliary and fuel, etc.). The Company maintains reserves for material supply and consumption per weighted-average prices.

Work in progress on the date of 30.06.2012. amounted to 34,939,727.39 RSD and finished products amounted to 597,686,583.68 RSD. Inventories of work in process and finished goods are stated at plansm prices, with the calculation of deviations from the actual price plan. The calculation of work in process and finished products is done in the accounting of costs and outcomes, through which include all costs and effects, as well as implementation and established with stocks of finished products and production unfinished.

Goods are shown in the amount of 10,923,215.45 RSD, relating to the goods in the warehouse and merchandise in retail. Goods in the warehouse is shown on the balance sheet in the amount of 9,856,037.18 RSD, while commodities in retail amounted to HRK 1,067,178.27 RSD.

Advances are included in the total amount of 21,557,519.78 RSD, and refer to the date advances at home and abroad advances.

❖ Short - term receivables

Allowance established and recognized in the income statement for all receivables and investments based on management's estimates of the probability of their collection. Uncollectible receivables are written off based on a court decision, the settlement agreed between the parties or by a decision of the director - legal representative of the company. Short-term receivables, investments and cash amounted to 2,178,765,266.00 RSD and consists of the following

OPIS	30.06.2012
Receivables	1.266.574.634,62
Short - term investments	859.734.211,16
Cash and cash equivalents	17.087.223,09
Value added tax and prepayments	35.369.197,13
TOTAL	2.178.765.266.00

The structure of trade receivables as of 30.06.2012. is as follow

DESKRIPTION	30.06.2012.
Accounts receivable in the cauntry	409.453.977,76
Receivables from customers abroad	857.120.656,86
Receivables rfrom employees	170.418,80
TOTAL:	1.266.745.053,42

❖ Short - term investments

Short - term investments related to:

DESKRIPTION	30.06.2012.
Short - term loans in the country – Consumer and trade union	112.112.028,96
Other short - term investments	747.622.182,20
TOTAL:	859.734.211,16

Short - term loans in the country are included in the amount of 112,112,028.96 dinars, related to in the country are included in the amount of 112,112,028.96 dinars, related to consumer loans and union employees. Other short-term investments are stated at the amount of 747,622,182.20 dinars related to short-term foreign exchange. These amounts were translated at the average exchange rate of NBS on the balance sheet, as it is declared in the records of the company.

❖ Cash and cash equivalents

Cash and cash equivalents are expressed in nominal value of the dinar. Cash balances in accounts denominated in foreign exchange assets are reported in dinars, the average exchange rate of the National Bank valid on the balance sheet.

Cash and cash equivalents as presented in the amount of 17,087,223.09 dinars and relate to:

DESKRIPTION	30.06.2012.
Cuurent (business) account	8.854.325,29
Box office	497.626,56
Foreing currency account	7.735.271,24
TOTAL	17.087.223,09

The following table provides an overview of the local currency and foreign currency accounts:

Banka	RSD	EUR
KBC	2.217.717,05	188.062,86
INTESA	4.491.987,69	21.157,47
ALPHA BANK	58.642,23	
UNIVERZAL BANK	37.043,18	13.587,46
OTP BANK	2.069.162,56	
UKUPNO:	8.854.325,29	222.807,79

❖ Value added tax and avr

Value added tax and accrued costs RSD 353,369,197.13 and consists of:

Value added tax	0
Accruals	353,369,197.13

Value added tax applies to claims for overpaid VAT.

Accruals consist of:

DESKRIPTION	30.06.2012.
Acured liabilities arising from	30.405.389,01
Other accruals	4.963.808,12
TOTAL AVR	35.369.197,13

1.3.4. LIABILITIES

Balance sheet liabilities 5,215,625,127.84 dinars and is composed of the following positions:

Capital 4,303,653,660.44

Non-current liabilities 911,971,467.40

Total liabilities 5,215,625,127.84

1.3.5. CAPITAL

The total capital of the Company on 30.06.2012. amounts to 4,303,653,660.44 dinars. The capital structure is as follows:

DESKRIPTION	30.06.2012.
Core capital	1.387.351.333,44
Legal and statutory reserves	492.826.754,44
Revaluation reserves	197.166.071,81
Profit for the year	264.118.513,44
Profit from previous years	1.962.190.987,31
TOTAL:	4.303.653.660,44

The capital is 1,171,240,400.00 dinars and consists of:

DESKRIPTION	30.06.2012.
Share Capital	1.171.240.400,00
Other capital	216.110.933,44
TOTAL	1.387.351.333,44

A.D. Metal Industry Alfa – Plam Vranje

Basically equity is presented in the amount of 1,171,240,400.00 dinars and refers to equity capital. Nominal value of one share is 6.500.00 dinars and is in accordance with the amount at the Central Securities Depository

Type of person	Broj akcija	% od ukupne emisije
Shares owned by individuals	36959	21,14214
Shares owned by legal entities	104288	59,65723
Social capital	0	0
Collective or custody account	33565	19,20063
Consortium	0	0
TOTAL:	174812	100

The order of the top 10 shareholders by the number of shares

Item	Stockholder	Number of shares	% Of total emissions
1	AMASIS DOO	43702	24,99943
2	ALFA INVEST SMM	42507	24,31584
3	UNICREDIT BANK – KASTODI RAČUN	14296	8,17793
4	ERSTE BANK – KASTODI RAČUN	11023	6,30563
5	FERANEX DOO	7082	4,05121
6	VOJVODANSKA BANKA – KASTODI RAČUN	3390	1,93923
7	STRUKA DOO	2331	1,33343
8	RAIFFEISENBANK – KASTODI RAČUN	2279	1,30369
9	CORS COMPUTERS DOO	1302	0,74480
10	BDD M&V INVESTMENTS AD	1156	0,66128

1.3.6. CURRENT LIABILITIES AND PROVISIONS

Non-current liabilities as at 30.06.2012. amounts to 911,971,467.40 RSD, and they include:

DESKRIPTION	30.06.2012.
Long-term provisions	127.941.038,00
Current liabilities	784.030.429,4
TOTAL	911.971.467,40

Long-term provisions amounted to 127,941,038.00 dinars and consist of:
 Provision for warranty expenses 21,000,000.00
 Provision for compensation and other employee benefits 106,941,038.00

A.D. Metal Industry Alfa – Plam Vranje

Provision for compensation and other employee benefits are included in the total amount of 127,941,038.00 dinars, which relate to the long-term provisions for otpremenine in the amount of 93,229,608.00 dinars and long-term provisions for jubilee benefits amounting to 13,711,430, 00 RSD.

❖ Current liabilities

Current liabilities amounted to RSD 784,030,429.4 and consist of the following obligations maturing within twelve months:

DESKRIPTION	30.06.2012.
Operating liabilities	689.807.397,21
Liabilities for salaries and benefits	52.627.063,84
Liabilities in respect of value added tax and other public revenues and accrued razgraničenja	41.595.968,36
Only short-term liabilities	784.030.429,41

❖ Operating liabilities

Operating liabilities as at 30.06.2012. amount of 689,807,397.21 RSD. The structure of these obligations are:

DESKRIPTION	30.06.2012.
Advances	84.152.224,75
Suppliers in the country	474.042.043,64
Suppliers abroad	131.613.128,82
TOTAL:	689.807.397,21

❖ Liabilities for salaries and benefits

Liabilities for salaries and benefits amount to 52,627,063.84 dinars and relate to:

DESKRIPTION	30.06.2012.
Net salaries and benefits	31.421.223,02
Liabilities for income tax paid by the employee	4.610.201,32
Obligations for contributions on wages paid by the employee	7.966.953,02
Liabilities for taxes and contributions paid by the employer	7.928.786,39
Liabilities for net fees are refunded	699.900,09
TOTAL:	52.627.063,84

❖ **Liabilities in respect of value added tax and other public revenues and accruals**

The obligations under the value added tax and other public revenues and accruals are.

DESKRIPTION	30.06.2012.
Other liabilities	2.254.089,08
VAT liability	36.160.012,14
Other taxes, contributions	3.181.867,13
TOTAL:	41.595.968,36

❖ **Other liabilities**

Other liabilities amounted to 2,254,089.08 RSD in the following table is given their structure:

DESKRIPTION	30.06.2012.
Interest accrued	20.500,00
Dividends payable	1.920.923,31
Liabilities for profit sharing	6.535,71
Obligations of members of the Board	306.130,00
TOTAL:	2.254.089,08

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

DESKRIPTION	30.06.2012.
Taxes, duties and dr.dažbine	2.949.929,48
Obligations for contributions are expensed	231.937,65
TOTAL:	3.181.867,13

1.3.7. OPERATING INCOME AND EXPENSES

❖ **First Sales of goods and products**

DESKRIPTION	30.06.2012.
Revenue from sale of goods on the domestic market	1.600.780,47
Revenue from sale of goods in foreign markets	310.072,67
TOTAL:	1.910.853,14

❖ **Second Other operating income**

DESKRIPTION	30.06.2012
Income from rent	43.122,12
Other operating income - subsidies	0
TOTAL:	43.122,12

❖ **Financial income**

DESKRIPTION	30.06.2012.
Interest income	16.902.087,04
Foreign exchange gains	44.179.705,66
Other financial income	194.834,76
TOTAL:	61.361.045,75

❖ **Financial expenses**

DESKRIPTION	30.06.2012.
Interest expense	88.966,84
Foreign exchange losses	15.475.148,34
Other financial expenses	0
TOTAL:	15.564.115,18

❖ **Other income**

DESKRIPTION	30.06.2012
Gain on sale of equipment	326.000,00
Gains from the sale of materials	0
Surpluses	/
Recovery of bad debts	188.102,00
Income from reduction commitments	/
Other incomes	1.253.181,35
TOTAL:	1.787.426,93

1.3.8. INCREASE AND DECREASE IN INVENTORIES

DESKRIPTION	30.06.2012
Work in progress on 30.06.2012	34.939.727,39
Finished products on 30.06.2012	597.686.583,68

1.3.9. OPERATING AND OTHER EXPENSES

❖ **Operating expenses**

DESKRIPTION	30.06.2012
Cost of goods sold	1.323.917,38
TOTAL:	1.323.917,38

❖ **Cost of materials**

DESKRIPTION	30.06.2012
Materials consumed	1.017.420.011,46
Other materials	17.471.149,90
Fuel and energy	49.100.347,08
TOTAL:	1.083.991.508,44

❖ **Cost of salaries**

DESKRIPTION	30.06.2012
Cost of net earnings	276.271.633,77
Cost of net benefits	49.644.395,47
Compensation expense under the contract	135.540,00
Cost of compensation for members of the Board	1.451.354,00
Other personal expenses and fees	7.973.097,30
TOTAL:	335.476.020,54

❖ **Depreciation and amortization**

DESKRIPTION	30.06.2012
Depreciation expense	84.193.802,90
TOTAL:	84.193.802,90

❖ **Other operating income**

DESKRIPTION	30.06.2012
Costs of transport services	39.434.671,86
Cost of maintenance services	5.675.214,84
Rental costs	5.405.570,83
Fair costs	1.649.347,85
Marketing and advertising	1.549.125,31
Other services	17.476.745,51
Non-production services	32.087.287,06
Entertainment expenses	1.593.754,52
Insurance premiums	7.545.740,63
Payment transactions	2.484.214,17
Tax Costs	5.220.762,93
Contributions	1.451.063,33
Other expenses	6.056.463,72
Membership fees	1.561.091,45
TOTAL:	58.000.377,81

❖ **Other expenses**

DESKRIPTION	30.06.2012
Losses on sale of plant and equipment	/
Losses from sale of materials	/
Shortages	/
Direct write-off	/
Other expenses	9.618.979,10
TOTAL:	9.618.979,10

A.D. Metal Industry Alfa – Plam Vranje

Notes relates to the period from 01.01. up to 30.06.2012.

	2012	2011
	In RSD thousands	In RSD thousands
1 Incomes from sales of goods		
a) in the country	1.601	1.035
b) exports	310	305
In total:	1.911	1.340
Incomes from sales of products and services		
a) in the country	774.054	669.833
b) exports	853.651	1.056.785
In total:	1.627.705	1.726.618
2 Other operating income		
a) increase in inventories of finished goods	230.692	72.865
In total:	230.692	72.865
3 Operating expenses		
Cost value of goods sold	1.323	827
Cost of production materials	1.017.420	1.049.666
Overhead materials costs	17.471	17.900
Fuel and energy costs	49.101	37.551
Net earning costs	276.272	235.352
Costs net benefits	49.644	43.301
Compensations to members the Board of Directors	1.451	567
Cost benefits under labor contracts	136	136
Other personal expenses and benefits	7.973	7.663
Costs of amortization	84.194	74.938
In total:	1.504.985	1.467.901
4 Other operating expenses		
Transport services costs	39.435	35.235
Service costs of impacts	21	/
Maintenance costs	5.675	32.837
Rental costs	5.406	3.695
Fair costs	1.649	291
Costs of marketing and advertising	1.549	1.131
Representation costs	1.594	1.307
Non-production services	32.087	41.122
Costs of insurance premiums	7.546	13.402
Costs of payment operations	2.484	1.711
Costs of membership fees	1.561	1.248
Tax expenses	5.221	4.145
Communal tax	1.451	1.510
Costs of other services	17.477	19.177
Other intangible costs	6.056	5.112

A.D. Metal Industry Alfa – Plam Vranje

	In total:	129.212	161.923
5	Financial income		
	a) Income from interest	16.986	6.586
	b) Positive exchange rate differences	44.180	6.619
	c) Other financial income	195	264
	In total:	61.361	13.469
6	Financial expenses		
	a) Interest expense	89	52
	b) Negative exchange rate differences	15.475	20.792
	In total:	15.564	20.844
7	Other income		
	a) income from sales of equipment	326	1.234
	b) other incomes	1.253	686
	c) Income from decrease commitments	20	/
	d) Recovery of receivables	188	6.742
	e) Income from materials sales	/	29.510
	In total:	1.787	38.172
8	Other expenses		
	a) Losses on sale of material		26.416
	b) Other expenses	9.619	22.408
	c) Loss on equipment expenses		429
	In total:	9.619	49.253
9	Inventories		
	Material	791.577	656.471
	Replacement Parts	26.295	25.628
	Tools and inventory	634	637
	Unfinished production	34.940	24.284
	Finished products	597.687	260.449
	Goods	10.923	11.128
	given advances	21.578	/
	In total:	1.483.634	978.597
10	Claim		
	Accounts receivable in the country	409.454	399.583
	Receivables from buyers abroad	857.121	1.092.009
	Receivables from employees	170	641
	In total:	1.266.745	1.492.233
11	Short term financial investments		
	Short-term consumer loans	112.112	867
	Other short-term investments	747.622	
	In total:	859.734	867
12	Cash and cash equivalents		
	Current (business) accounts	8.854	28.732
	Treasury	498	1500
	Foreign Currency Account	7.730	416.659

A.D. Metal Industry Alfa – Plam Vranje

	Foreign exchange treasury	5	57
	Checks given in payment	/	13
	In total:	17.087	446.961
13	Operating liabilities		
	advances received	84.152	/
	Suppliers in the country	474.042	409.081
	Suppliers abroad	131.613	190.126
	In total:	689.807	599.207
14	Other current liabilities		
	Groups of accounts 45	52.627	
	Dividends payable	1.921	45.459
	Interest payables	20	
	Liabilities for members of the Board	306	
	Liabilities for employee share in profits	7	31.000
	In total:	54.881	76.459
15	Liabilities from other revenue		
	Liabilities for Taxes, duties and other costs	2.950	3.400
	Liabilities for contributions	232	/
	Liabilities difference between VAT and previous VAT	36.160	/
	In total:	39.342	3.400
16	Equity (or other form of capital)		
	Share capital	1.171.240	1.171.240
	Other capital	216.111	215.957
	In total:	1.387.351	1.387.197
17	Net profit	264.118.513,44	152.641.345,41
	Total number of shares	174.812	174.812
	Basic earnings per share	1.510,87	873,17

BUSINESS REPORT

A.D. Metal Industry Alfa – Plam Vranje

1. BUSINESS REPORT OF "ALFA- PLAM " AD VRANJE THE PERIOD FROM JANUARY UNTIL JUNE 2012

Production value for the period from January until June 2012 is 2.093.421.280,00 RSD and it decreased by 6.6% compared to the same period last year, and decreased by 2.2% of the plan.

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"	2.242.403.900,00	2.141.426.180,00	2.093.421.280,00	93,4%	97,8%

Achieved results in production process expressed in working hours are 364.983 working hours and it decreased by 7.5% compared to the same period last year. It should be noted that the number of working hours declined by 7 compared to the same period last year.

Monitored results at the level of "ALFA PLAM" AD are:

DESCRIPTION	REALIZED IN 2011	REALIZED IN 2012	INDEX
Realized production (in working hours)	394.579	364.983	92,5
No. of workers who worked in production	400	384	96,0
No. of working days	119	112	94,1
Daily effect per worker	8,29	8,49	102,4
Planed effect per worker	7,11	7,63	107,3

The previous table shows that the achieved effect per worker is 8.49 hours per worker at the level of "ALFA PLAM" A.D. and it is increased by 2,4% compared to the same period last year.

Structure and range of heating devices groups:

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	57.859	49.384	49.279	85,2%	99,8%
Electrical stoves	9.177	12.582	12.314	134,2%	97,9%
Combined stoves	3.200	4.300	4.300	134,4%	100,0%
Solid fuel furnaces	10.616	12.150	11.638	109,6%	95,8%
Heating oil furnaces					
Gas furnaves	500	1.000	1.000	200,0%	100,0%
Other production	6.886	12.285	10.599	153,9%	86,3%
Total heating devices	81.352	79.416	78.531	96,5%	98,9%

Total heating devices production for a period of first six months 2012 is 78.531 units and it decreased by 3.5% compared to the same period last year and it fell by 1.1% of the plan.

A.D. Metal Industry Alfa – Plam Vranje

2.1. ACHIEVED REALIZATION

For the period from January until February 2012 a realization of 1.393.693.100,00 RSD is planed and achieved realization is 1.672.471.982,00 RSD and it decreased by 7,6% compared to the same period last year and it increased by 20% over the plan.

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"	1.809.488.822,00	1.393.693.100,00	1.672.471.982,00	92,4%	120,0%

Achieved realization :

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

For the period of first six months 2012 total realized heating devices are 61.491 units and it decreased by 13,4% compared to the same period in 2011, and increased by 19,6% over the plan.

29.390 units were realized on the international market, or 47,79% of total realization, which decreased by 31,17 % compared to the same period last year.

For the period I-VI 2012. exported goods value was 7.678.306, 00 EUR-a which decreased by 28,59% compared to the same period last year.

Realization on domestic market is 32.101 units or 52,20% of total sales which increased by 13,58% compared to the last year.

2.2. BUSINESS RESULT

The income statement shows that total operating revenue for the period 1.1.2012 -30.06.2012th. is 1,923,499 thousand RSD and consists of operating income in the amount of 1,860,351 thousand RSD, financial income in the amount of RSD 61.361 thousand RSD and other income in the amount of 1787 thousand RSD. (Table 1)

Table 1 Revenue structure (in thousand RSD)

original	Name	Amount	% Of total income
1.	operating income	1.860.351	96,72
2.	financial income	61.361	3,19
3.	other income	1.787	0,09

Table 1 shows that the largest share of total income consists operating income with 96.72%, the financial income with 3.19% and the other income with 0.09%. The largest share of operating income is from the sale of products and services to foreign markets 853,961 thousand RSD, or 45.90% of operating income and 44.39% of total income and the same has decreased to 19.21% in compared with 2011 year. Revenues from sale of products in the domestic market are 775,654 thousand RSD or 41.69% of operating income, or 40.32% of total revenue and record growth for the 15.62% compared to the 2011th

Total operating expenses for the period 01.01.- 30.06.2012. amounted to 1,659,380 thousand RSD, and it consists of operating expenses 1,634,197 thousand RSD, financial expenses 15,564 thousand RSD, and other expenses in the amount of 9619 thousand RSD (Table 2)

Table 2 The structure of expenditures (in thousand RSD)

ordinal	Name	Amount	% Of the total expenditure
1.	operating expenses	1.634.197	98,48
2.	financial expenses	15.564	0,94
3.	expenses	9.619	0,58
4.	Deferred Total expenditure income tax expense		
	Total expenses	1.659.380	100

Table 2 shows that the largest share of the total expenses includes operating expenses with 98.48% and consist of material costs 1,083,992 thousand RSD which is 66.33% of the operating expenses, or 65.32% of total expenses and they are lower by 1,91% compared to the 2011 year, and intangible expenses in the amount of 550,205 thousand RSD or 33.66% of operating expenses, or 33.15% of total expenditure and record increase by 4.86% over the 2011th year.

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

Ordinal	Elements	Operating income-expenditure	Financial income-expenditure	Other income-expenditure	total
1.	operating expenses	1.860.351	61.361	1.787	1.923.499
2.	operating expenses	1.634.197	15.564	9.619	1.659.380
3.	Deferred Total expenditure income tax expense.				0
4.	total expenditures				0
5.	Gross profit - loss	226.154	45.797	-7.832	1.923.499
6.	net profit - loss	226.154	45.797	-7.832	264.119

Data from table 3 clearly shows that company successfully operating and made profit of 264,119 thousand RSD. in a period of 01.01.2012-30.06.2012.

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

ordinal	Elements	result 30.06.2011	Result 30.06.2012	% increase / decrease
1.	operating income	1.800.919	1.860.351	103,30%
2.	operating expenses	1.629.822	1.634.197	100,27%
3.	total revenue	1.852.560	1.923.499	103,83%
4.	total expenditures	1.699.919	1.659.380	97,62%
5.	operating result	152.641	264.119	173,03%

The data from Table 4 shows that total revenues increased from last year by 3.83%, while total expenses are lower compared to the same period last year for 2.38%.

All above-mentioned data have resulted in the realization of the total profit of 264,119 thousand RSD, which is 73.03% more than in 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 RESPONSIBILITY (BY PERSONS WHO PREPARED THE
REPORT)**



Declaration

According to my cognition, the quartely financial report of Metal Industry Alfa-Plam AD Vranje for the first six 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, August 15th 2012



Alfa-Plam AD Vranje
Managing Director
Bran Kostić

M.P.

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