



**SEMI-ANNUAL
FINANCIAL REPORT
ALFA-PLAM AD VRANJE
FOR THE YEAR 2015.**



Pursuant to Article 52 of the Capital Market Law (*Official Gazette of the Republic of Serbia*, No. 31/2011) and the Rulebook on the Content, Form and Manner of Publication of Annual, Semi-Annual and Quarterly Reports Submitted by Public Companies (*Official Gazette of the Republic of Serbia* No. 14/2012), Metal Industry ALFA-PLAM VRANJE A.D., Registration Number 07137923, publishes:

***SEMI-ANNUAL FINANCIAL REPORT ALFA-PLAM AD
FOR THE 2015.YEAR***

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***FINANCIAL STATEMENTS ALFA-PLAM AD
FOR THE SEMI-ANNUAL OF 2015.***



1.1. BALANCE SHEET

BALANCE SHEET
as at 30 June 2015
in RSD thousand

Item	ADP	Amount	
		Current year	Previous year Ending balance 31 Dec. 2014
1	2	3	4
ASSETS			
A. UNPAID SUBSCRIBED CAPITAL	0001		
B. NON-CURRENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002	2.958.221	2.702.784
I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	19.157	15.632
1. Investment in development	0004	1.406	604
2. Concessions, patents, licenses, trade and service marks, software and similar rights	0005	8.662	8.661
3. Goodwill	0006		
4. Other intangible assets	0007	9.090	6.367
5. Intangible assets under construction	0008		
6. Advances for acquisition of intangible assets	0009		
II. PROPERTY, PLANT AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	2.220.567	1.992.644
1. Land	0011	63.140	63.140
2. Buildings	0012	989.260	1.000.164
3. Plant and equipment	0013	489.499	474.627
4. Investment property	0014	116.550	117.963
5. Other property, plant and equipment	0015		
6. Property, plant and equipment under construction	0016	324.418	217.224
7. Investment in property, plant and equipment of other parties	0017		
8. Advances for property, plant and equipment	0018	237.700	119.526
III. NATURAL ASSETS (0020 + 0021 + 0022 + 0023)	0019		
1. Forests and plantations	0020		
2. Livestock	0021		
3. Natural assets under construction	0022		
4. Advances for natural assets	0023		
IV. LONG TERM FINANCIAL INVESTMENT (0025+0026+0027+0028+0029+0030+0031+0032+0033)	0024	718.497	694.508
1. Investment in capital of subsidiaries	0025		
2. Investment in capital of associated companies and joint ventures	0026		
3. Investment in capital of other legal entities and other securities available for sale	0027	43.945	43.945
4. Long-term loans to parent companies and subsidiaries	0028		
5. Long-term loans to other associated companies	0029	674.500	650.439
6. Long term domestic loans	0030		
7. Long term foreign loans	0031		
8. Securities held to maturity	0032		
9. Other long term financial investments	0033	52	124
V. LONG-TERM RECEIVABLES (0035+0036+0037+0038+0039+0040+0041)	0034		
1. Receivables from parent company and subsidiaries	0035		
2. Receivables from other associated entities	0036		
3. Receivables from trade credit sales	0037		
4. Receivables from sales under financial leasing contracts	0038		
5. Receivables from sureties	0039		
6. Bad debts	0040		
7. Other long-term receivables	0041		
C. DEFERRED TAX ASSETS	0042	31.047	31.047
D. CURRENT ASSETS	0043	4.626.173	4.164.853

(0044+0051+0059+0060+0061+0062+0068+0069+0070)			
I. INVENTORIES (0045+0046+0047+0048+0049+0050)	0044	2.203.720	1.530.571
1. Raw material, spare parts, tools and inventory	0045	725.532	660.731
2. Work in progress and services in progress	0046	76.973	76.973
3. Finished products	0047	1.120.581	698.194
4. Merchandise (Goods, purchase for sale)	0048	138.390	28.316
5. Non-current assets held for sale	0049		
6. Advances paid for inventories and services	0050	142.244	66.357
II. RECEIVABLES FROM SALES	0051	952.766	669.654
(0052+0053+0054+0055+0056+0057+0058)			
1. Trade receivables - domestic, parent company and subsidiaries	0052		
2. Trade receivables - foreign, parent company and subsidiaries	0053		
3. Trade receivables, domestic - other associated entities	0054	1.745	2.011
4. Trade receivables, foreign - other associated entities	0055		
5. Trade receivables – domestic	0056	331.831	168.251
6. Trade receivables – foreign	0057	619.190	499.392
7. Other receivables from sales	0058		
III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059		
IV. OTHER RECEIVABLES	0060	3.160	5.908
V. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	0061		
VI. SHORT-TERM FINANCIAL INVESTMENTS	0062	1.351.302	1.850.433
(0063+0064+0065+0066+0067)			
1. Short-term loans and investments - parent company and subsidiaries	0063		
2. Short-term loans and investments - other associated companies	0064		
3. Short term loans – domestic	0065	25.760	12.726
4. Short term loans – foreign	0066		
5. Other short-term financial investments	0067	1.325.542	1.837.707
VII. CASH AND CASH EQUIVALENTS	0068	61.786	18.483
VIII. VALUE ADDED TAX	0069	9.259	58.069
IX. PREPAYMENTS AND ACCRUED INCOME	0070	44.180	31.735
E. TOTAL ASSETS = OPERATING ASSETS (0001+0002+0042+0043)	0071	7.615.440	6.898.684
F. OFF-BALANCE SHEET ASSETS	0072	765.866	886.467
LIABILITIES			
A. CAPITAL (0402+0411-0412+0413+0414+0415-0416+0417+0420-0421) ≥ 0 = (0071-0424-0441-0442)	0401	6.095.898	5.902.813
I. CORE CAPITAL (0403+0404+0405+0406+0407+0408+0409+0410)	0402	1.217.288	1.217.288
1. Share capital	0403	1.171.240	1.171.240
2. Stakes in limited liability companies	0404		
3. Participating interests	0405		
4. State owned capital	0406		
5. Socially owned capital	0407		
6. Stakes in co-operatives	0408		
7. Share issuing premiums	0409		
8. Other core capital	0410	46.048	46.048
II. SUBSCRIBED CAPITAL UNPAID	0411		
III. OWN SHARES PURCHASED	0412	117.116	117.116
IV. RESERVES	0413	677.528	677.528
V. EFFECTS OF RESTATEMENT OF CAPITAL BASED ON RESTATEMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT	0414		
VI. UNREALISED GAINS ON SECURITIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (credit balances of accounts of the group 33 except 330)	0415		
VII. UNREALISED LOSSES FROM SECURITIES AND OTHER COMPONENTS OF THE OTHER COMPREHENSIVE INCOME (debit balances of accounts of the group 33 except 330)	0416	50.478	50.478
VIII. RETAINED PROFIT (0418+0419)	0417	4.368.676	4.175.591
1. Retained profit from previous years	0418	4.018.259	3.410.280
2. Retained profit from current year	0419	350.417	765.311
IX. NON-CONTROLLING SHARE	0420		
X. LOSS (0422+0423)	0421		
1. Loss from previous years	0422		

2. Loss in current year	0423		
B. LONG-TERM PROVISIONS AND LIABILITIES (0425+0432)	0424	64.649	64.649
I. LONG-TERM PROVISIONS (0426+0427+0428+0429+0430+0431)	0425	64.649	64.649
1. Provisions for costs incurred during the warranty period	0426	16.262	16.262
2. Provisions for the recovery of natural resources	0427		
3. Provisions for restructuring costs	0428		
4. Provisions for fringe benefits and other benefits to employees	0429	48.387	48.387
5. Provisions for lawsuits costs	0430		
6. Other long-term provisions	0431		
II. LONG-TERM LIABILITIES	0432		
(0433+0434+0435+0436+0437+0438+0439+0440)			
1. Liabilities that can be converted into capital	0433		
2. Liabilities to parent companies and subsidiaries	0434		
3. Liabilities to other associated companies	0435		
4. Liabilities for issued long-term securities in a period longer than a year	0436		
5. Long-term loans and borrowings – domestic	0437		
6. Long-term loans and borrowings – foreign	0438		
7. Liabilities on financial leasing	0439		
8. Other long-term liabilities	0440		
C. DEFERRED TAX LIABILITIES	0441		
D. SHORT-TERM LIABILITIES (0443+0450+0451+0459+0460+0461+0462)	0442	1.454.893	931.222
I. SHORT-TERM FINANCIAL LIABILITIES	0443	2.794	1.244
(0444+0445+0446+0447+0448+0449)			
1. Short-term loans from parent company and subsidiaries	0444		
2. Short-term loans from other associated companies	0445		
3. Short term loans – domestic	0446		
4. Short term loans – foreign	0447		
5. Liabilities for non-current assets and available-for-sale assets of discontinuing operations	0448		
6. Other short-term financial liabilities	0449	2.794	1.244
II. RECEIVED ADVANCES, DEPOSITS AND CAUTION MONEY	0450	491.860	69.299
III. LIABILITIES FROM BUSINESS OPERATIONS	0451	805.382	732.934
(0452+0453+0454+0455+0456+0457+0458)			
1. Trade payables - parent company and subsidiaries - domestic	0452	18.236	2.194
2. Trade payables - parent company and subsidiaries - foreign	0453		
3. Trade payables - other associated entities - domestic	0454	17.449	28.155
4. Trade payables - other associated entities - foreign	0455		
5. Trade payables – domestic	0456	514.361	508.003
6. Trade payables – foreign	0457	255.336	194.582
7. Other liabilities from business operations	0458		
IV. OTHER SHORT-TERM LIABILITIES	0459	93.905	86.468
V. LIABILITIES FOR VALUE ADDED TAX	0460		
VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	59.279	41.120
VII. ACCRUALS AND DEFERRED INCOME	0462	1.673	157
E. LOSS OVER CAPITAL (0412+0416+0421-0420-0417-0415-0414-0413-0411-0402) ≥ 0 = (0441+0424+0442-0071) ≥ 0	0463		
F. TOTAL LIABILITIES (0424+0442+0441+0401-0463) ≥ 0	0464	7.615.440	6.898.684
G. OFF-BALANCE SHEET LIABILITIES	0465	765.866	886.467

1.2. INCOME STATEMENT

from	01.01.2015.	to	30.06.2015.			
	Item	ADP		in RSD 000		
	1	2	Current year	Amount	Previous year	4
			3			
INCOME FROM REGULAR OPERATIONS						
A. OPERATING INCOME (1002+1009+1016+1017)		1001	2.019.208			1.731.490
I. INCOME FROM SALE OF MERCHANDISE (1003+1004+1005+1006+1007+1008)		1002	18.509			6.454
1. Sales of merchandise to domestic parent companies and subsidiaries		1003				
2. Sales of merchandise to foreign parent companies and subsidiaries		1004				
3. Sales of merchandise to other domestic associated companies		1005	413			
4. Sales of merchandise to other foreign associated companies		1006				
5. Sales of merchandise to domestic customers		1007	10.581			5.042
b. Sales of merchandise to foreign customers		1008	7.515			1.412
II. INCOME FROM SALES OF PRODUCTS AND SERVICES RENDERED (1010+1011+1012+1013+1014+1015)		1009	1.996.274			1.724.584
1. Sales of finished goods and services rendered to domestic parent companies and subsidiaries		1010				
2. Sales of finished goods and services rendered to foreign parent companies and subsidiaries		1011				
3. Sales of finished goods and services rendered to other associated domestic entities		1012	83			289
4. Sales of finished goods and services rendered to other associated foreignc entities		1013				
5. Sales of finished goods and services rendered to domestic customers		1014	856.228			648.177
b. Sales of finished goods and services rendered to foreign customers		1015	1.139.963			1.076.118
III. INCOME FROM PREMIUMS, SUBVENTIONS, DONATIONS, ETC.		1016				
IV. OTHER OPERATING INCOME		1017	4.425			452
EXPENSES FROM REGULAR OPERATIONS						
B. OPERATING EXPENSES (1019-1020-1021+1022+1023+1024+1025+1026+1027+1028+1029) ≥ 0		1018	1.724.221			1.574.785
I. COST OF MERCHANDISE SOLD		1019	16.028			4.940
II. INCOME FROM OWN USE OF PRODUCTS, SERVICES, AND MERCHANDISE		1020	12.236			18
III. INCREASE OF INVENTORIES OF FINISHED PRODUCTS, WORK IN PROGRESS, AND SERVICES IN PROGRESS		1021	422.387			275.802

IV. DECREASE OF INVENTORIES OF FINISHED PRODUCTS, WORK IN PROGRESS, AND SERVICES IN PROGRESS	1022		
V. NON-PRODUCTION COSTS	1023	1.412.691	1.213.270
VI. COSTS OF FUEL AND ENERGY	1024	49.556	46.021
VII. COSTS OF SALARIES, FRINGE BENEFITS, AND OTHER PERSONAL EXPENSES	1025	416.538	355.377
VIII. COSTS OF PRODUCTION SERVICES	1026	111.895	78.384
IX. COSTS OF DEPRECIATION	1027	71.079	76.360
X. COSTS OF LONG-TERM PROVISIONS	1028		
XI. NON-PRODUCTION COSTS	1029	81.057	76.253
C. OPERATING PROFIT (1001-1018) ≥ 0	1030	294.987	156.705
D. OPERATING LOSS (1018-1001) ≥ 0	1031		
E. FINANCIAL INCOME (1033+1038+1039)	1032	41.720	61.762
I . FINANCIAL INCOME FROM ASSOCIATED COMPANIES AND OTHER FINANCIAL INCOME (1034+1035+1036+1037)	1033	215	193
1. Financial income from parent companies and subsidiaries	1034		
2. Financial income from other associated companies	1035		
3. Income from the share in profit of associated companies and joint ventures	1036		
4. Other financial income	1037	215	193
II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	27.093	38.341
III. FX GAINS AND POSITIVE EFFECTS OF THE CURRENCY CLAUSE (TOWARDS THIRD PARTIES)	1039	14.412	23.228
F. FINANCIAL EXPENSES (1041+1046+1047)	1040	18.815	4.292
I . FINANCIAL EXPENSES INCURRED FROM RELATION WITH ASSOCIATED COMPANIES AND OTHER FINANCIAL EXPENSES (1042+1043+1044+1045)	1041		21
1. Financial expenses incurred with parent companies and subsidiaries	1042		
2. Financial expenses incurred with other associated companies	1043		
3. Expenses from the share in loss of associated companies and joint ventures	1044		
4. Other financial expenses	1045		21
II. COSTS OF INTEREST (TOWARDS THIRD PARTIES)	1046	3.113	489
III. FX LOSSES AND NEGATIVE EFFECTS OF THE CURRENCY CLAUSE (TOWARDS THIRD PARTIES)	1047	15.702	3.782
G. PROFIT FROM FINANCE (1032-1040)	1048	22.905	57.470

H. LOSS PROFIT FROM FINANCE (1032-1040)	1049		
I. INCOME FROM VALUATION OF OTHER ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	1050	34.741	
J. EXPENSES FROM VALUATION OF OTHER ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT	1051		
K. OTHER INCOME	1052	5.653	4.251
L. OTHER EXPENSES	1053	7.869	26.027
M. OPERATING PROFIT BEFORE TAX (1030-1031+1048-1049+1050-1051+1052-1053)	1054	350.417	192.399
N. OPERATING LOSS BEFORE TAX (1031-1030+1049-1048+1051-1050+1053-1052)	1055		
O. NET PROFIT FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES, AND ALLOWANCES FOR IMPAIRMENT FROM PREVIOUS PERIODS	1056		
P. NET LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES, AND ALLOWANCES FOR IMPAIRMENT FROM PREVIOUS PERIODS	1057		
Q. PROFIT BEFORE TAX (1054-1055+1056-1057)	1058	350.417	192.399
R. LOSS BEFORE TAX (1055-1054+1057-1056)	1059		
S. TAX ON PROFIT			
I. TAX EXPENSE FOR THE PERIOD	1060		
II. DEFERRED TAX EXPENSE FOR THE PERIOD	1061		
III. DEFERRED TAX INCOME FOR THE PERIOD	1062		
T. PERSONAL EARNINGS OF THE EMPLOYER PAID	1063		
U. NET PROFIT (1058-1059-1060-1061+1062)	1064	350.417	192.399
V. NET LOSS (1059-1058+1060+1061-1062)	1065		
I. NET PROFIT THAT BELONGS TO NON-CONTROLLING INVESTORS	1066		
II. NET PROFIT THAT BELONGS TO CONTROLLING OWNER	1067		
III. NET LOSS THAT BELONGS TO NON-CONTROLLING INVESTORS	1068		
IV. NET LOSS THAT BELONGS TO CONTROLLING OWNER	1069		
V. BASIC EARNINGS PER SHARE			
1. Basic earnings per share	1070		
2. Diluted earnings per share	1071		

1.3. CASH FLOW STATEMENT

CASH FLOW STATEMENT			
From 1 Jan. 2015 to 30 June 2015			
Item	ADP	in RSD thousand Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (1 to 3)		2.988.913	2.802.756
1. Sale and received advances	3001	2.713.030	2.802.756
2. Interest received from operating activities	3002		
3. Other inflows from regular operation	3003	275.883	
II. Cash outflows from operating activities (1 to 5)	3004	3.113.694	2.721.827
1. Pay outs to trade payables and given advances	3005	2.686.370	2.207.662
2. Salaries, fringe benefits and other personal expenses	3006	416.538	355.377
3. Interest paid	3007	3.118	2.343
4. Tax on profit	3008		
5. Outflows from other public revenues	3009	7.668	156.445
III. Net cash inflow from operating activities (I-II)	3010		80.929
IV. Net cash outflow from operating activities (II-I)	3011	124.781	
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	3012		
I. Cash inflows from investment activities (1 to 5)		531.899	159.880
1. Sale of equities and shares (net inflows)	3013		
2. Disposals of intangibles, property, plant, equipment and natural assets	3014		
3. Other financial investment (net inflows)	3015	504.806	121.538
4. Interest received from investment activities	3016	27.093	38.342
5. Dividend received	3017		
II. Cash outflows from investment activities (1 to 3)	3018	208.369	81.954
1. Purchase of equities and shares (net outflows)	3019		168
2. Purchase of intangibles, property, plant, equipment and natural assets	3020	184.309	81.786
3. Other financial investment (net outflows)	3021	24.060	
III. Net cash inflows from investment activities (I-II)	3022	323.530	77.926
IV. Net cash outflows from investment activities (II-I)	3023		
C. CASH FLOWS FROM FINANCING ACTIVITIES	3024		
I. Cash inflows from financing activities (1 to 5)			
1. Increase of core capital	3025		
2. Long-term loans (net inflows)	3026		
3. Short-term loans (net inflows)	3027		
4. Other long-term liabilities	3028		
5. Other short-term liabilities	3029		
II. Cash outflows from financing activities (1 to 6)	3030	149.355	155.082
1. Purchase of own equities and shares	3031		6.725
2. Long-term loans (outflows)	3032		
3. Short-term loans (outflows)	3033		
4. Other liabilities (outflows)	3034		
5. Financial leasing	3035		
6. Dividend paid	3036	149.355	148.357
III Net cash inflow from financing activities (I-II)	3037		
IV Net cash outflows from financing activities (II-I)	3038	149.355	155.082
D. GROSS CASH INFLOW (3001+3013+3025)	3039	3.520.812	2.962.636
E. GROSS CASH OUTFLOW (3005+3019+3031)	3040	3.471.918	2.958.863
F. NET CASH INFLOW (3040-3041)	3041	49.394	3.773
G. NET CASH OUTFLOW (3041-3040)	3042		
H. CASH AT THE BEGINNING OF ACCOUNTING PERIOD	3043	18.483	25.285
I. FX GAINS FROM CASH CALCULATION	3044		25
J. FX LOSSES FROM CASH CALCULATION	3045	6.091	
K. CASH AT THE END OF THE ACCOUNTING PERIOD (3042-3043+3044+3045-3046)	3046	61.786	29.083

1.4. OTHER COMPREHENSIVE INCOME

STATEMENT ON OTHER RESULTS				
from	01.01.2015.	to	30.06.2015.	
	Item		ADP	in RSD 000 Amount
	1		2	Current year 3
				Previous year 4
A. NET RESULT FROM OPERATION				
I.	NET PROFIT (ADP 1064)		2001	350.417
II.	NET LOSS (ADP 1065)		2002	192.399
B. OTHER COMPREHENSIVE PROFIT OR LOSS				
a) Items that will not be reclassified to profit or loss in future periods				
1. Changes of revaluation of intangible property, plant, and equipment				
	a) Increase of revaluation reserves		2003	
	b) Decrease of revaluation reserves		2004	
2. Actuarial gains or losses from plans of defined earnings				
	a) Gains		2005	
	b) Losses		2006	
3. Gains or losses from investment in equity securities				
	a) Gains		2007	
	b) Losses		2008	
4. Gains or losses from share in other comprehensive profit or loss of associated companies				
	a) Gains		2009	
	b) Losses		2010	
a) Items that may be reclassified subsequently to profit or loss in future periods				
1. Gains or losses from calculation of financial statements on foreign business operations				
	a) Gains		2011	
	b) Losses		2012	
2. Gains or losses from hedge instruments of a net investment in foreign operation				
	a) Gains		2013	
	b) Losses		2014	
3. Gains or losses from the hedge instruments on cash flow hedging				
	a) Gains		2015	
	b) Losses		2016	
4. Gains or losses from securities available for sale				
	a) Gains		2017	
	b) Losses		2018	
I. OTHER GROSS COMPREHENSIVE PROFIT (2003+2005+2007+2009+2011+2013+2015+2017)- (2004+2006+2008+2010+2012+2014+2016+2018) ≥ 0				
			2019	
II. OTHER GROSS COMPREHENSIVE LOSS (2004+2006+2008+2010+2012+2014+2016+2018)- (2003+2005+2007+2009+2011+2013+2015+2017) ≥ 0				
			2020	
III. TAX AND OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD				
			2021	
IV. NET OTHER COMPREHENSIVE PROFIT (2019-2020-2021) ≥ 0				
			2022	
V. NET OTHER COMPREHENSIVE LOSS (2020-2019+2021) ≥ 0				
			2023	
C. TOTAL NET COMPREHENSIVE RESULT OF THE PERIOD				
I.	TOTAL NET COMPREHENSIVE PROFIT (2001-2002+2022-2023) ≥ 0		2024	350.417
II.	TOTAL NET COMPREHENSIVE LOSS (2002-2001+2023-2022) ≥ 0		2025	
D.	TOTAL NET COMPREHENSIVE PROFIT OR LOSS (2027+2028)=ADP2024 ≥ 0 or ADP2025 > 0		2026	
	1. Attributable to controlling equity owners		2027	
	2. Attributable to non-controlling owners		2028	

NOTES TO THE FINANCIAL STATEMENTS



1.6. COMPANY PROFILE

Metal Industry ALFA-PLAM Vranje Joint Stock Company was established on 16 November 1998 by a Decision of the Assembly organising the state-owned company into a joint stock company.

The company emerged as a result of transformation of the socially-owned capital of then state-owned company ALFA-PLAM, and was first entered in the Commercial Court as a joint stock company on 16 February 2000. (Fi 124/00).

Basic data

Full name of the company:	<i>Metal Industry</i> ALFA-PLAM Vranje Joint Stock Company
The abbreviated business name is:	ALFA-PLAM AD
Seat, street and number:	Vranje, Radnička 1
Registration number from statistics records:	7137923
TIN:	100402750
Number and date of entry into the company register	BD 14264/2005 of 11 July 2005
Cote of predominant activity:	2752 - Manufacturing of non-electric household appliances
Form of organisation:	Joint Stock Company
Director of the company:	Goran Kostić
Number of employees	718
Phone:	017/421-121
Fax:	017/421-552
E-mail address:	firma@alfaplam.rs
Web site:	www.alfaplam.rs
Current account number:	160 -7007-07 Banca Intesa ad Beograd 340-11008671-89 Erste Bank A.D. 275-10221807082-07 Societe Generale Banca 165-27880-19 Hypo Alpe Adria Banca 330-6001380-22 Credit Agricole Banka Srbija

Share capital value and number of issued shares

Share capital value	RSD 1,171,240,000.00
Number of shareholders on 30 June 2015	603
Number of shares	174,812
Nominal value of shares	RSD 6,700.00
ISIN number (CFI)	RSALFAE34014 (ESVUFR)
Business name of the organised market in which shares are quoted	Begradska berza, Omladinskih brigade 1, Novi Beograd
Business name, seat and business address of the audit firm that audited the last financial report	MOORE STEPHENS Revizija i Računovodstvo doo Beograd, Auditing, Accounting and Consulting Company, Studentski trg 4/V, Beograd

Ten largest shareholders	
SHAREHOLDER	NUMBER OF SHARES
AMASIS DOO	95.351
ALFA PLAM AD	17.480
EAST CAPITAL (LUX) – BALKAN FUND	12.296
SM NET	6.485
CALUKS DOO	4.146
ERSTE BANK AD NOVI SAD – CUSTODY ACCOUNT	3.713
VOJVODANSKA BANKA AD NOVI SAD – CUSTODY ACCOUNT	3.366
RAIFFEISEN BANKA AD – KASTODI RN - KS	1.329
ANDELOVIĆ SRĐAN	1.317
SOCIETE GENERALE BANKA SRBIJA – KASTODI RN - FO	1279

ALFA-PLAM deals with the manufacturing of heating devices on solid, liquid and gaseous fuels, electric cookers, and a combination of solid fuel-electricity and electricity-gas. The company boasts a wide range of stoves, furnaces and fireplaces of recognisable design distinguished by quality and durability, which are primarily intended for households. Long-year production and a number of satisfied customers have led to recognisability of many products of Alfa-Plam.

In terms of scope of production, marketing and quality, the company is a leading manufacturer of heating items in Serbia and Southeast Europe, and ranks amongst the five largest producers in Europe.

Nowadays, production is carried out in 5 technical-technological entities, as per the group of products, that is:

- Solid fuel furnaces and stoves;
- Solid fuel fireplaces and stoves;
- Gas furnaces;
- Stoves, furnaces and fireplaces for floor heating;
- Stoves and hot plates

Total annual production is over 150,000 units. We permanently expand our production range in line with the requirements of the market, and new technologies are introduced with a purpose of increasing quality of product making. All products of the company have relevant home and foreign attestations, which fully meets the strict requirements for marketing in the EU market.

The company markets its products in the domestic market (about 40%) and in Europe's markets (about 60%). The basic export markets are former Yugoslav republics (Bosnia and Herzegovina, Macedonia, Montenegro, Slovenia and Croatia), then Germany, Italy, Austria and Poland

1.7. HISTORICAL DEVELOPMENT OF THE COMPANY

The beginnings of the company are related to distant 1948 when an enterprise that initially made products of sheet metal was established. The history of Alfa-Plam and its development over years is shown in the following overview:

- 1948 – Metalac, a town craftsmanship service enterprise was established in Vranje; the company had locksmith, blacksmith, electrical installation, horseshoe, wheelwright, and tin workshops. It produced tin pots, water buckets, troughs, and drum-like furnaces and tailor-made products.
- 1950 – Metalac had 58 employees.
- 1959. – Metalac put into operation a galvanising plant. The plant employed new four workers, who put black tin buckets into chemicals, and then into zinc that was oil-heated in a large boiler.
- 1960 – The company planned production and galvanising of 100,000 buckets.

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- 1962 – A factory for tin packaging was constructed in the industrial district of Vranje; during the construction, the factory changed its production programme into production of various technical devices for wide use. The factory was named Alfa-Vranje Technical Device Industry, and employed 87 workers.
 - 1964. – Alfa-Vranje won production of Feniks 140, a room oil-fueled furnace, a planned production of other appliances for households (electricity powered laundry dryer, washing machine, hardware and furniture). The factory employed 300 workers. It exhibited Feniks 15.000 - an oil-fueled furnace for floor heating, at the Belgrade Technical Fair.
 - 1965. – after 16 years of operation in premises without adequate conditions, Metalac got an adequate area in the industrial zone of Vranje, next to Alfa. The enterprise specialised in all craftsmanship and metal-installation works in civil engineering.
 - 1967 – Business and technical cooperation between Alfa and the French manufacturer Henry Potez was established, and it resulted in production of oil furnaces Alfa Potez in Alfa, under Potez's license.
 - 1968 – A new dye plant put into operation in Alfa.
 - 1969 – Record annual production was achieved (the hundred thousandth Alfa-Potez furnace in that year was produced in October). Exports of 10,000 Alfa-Potez oil burning heaters to Hungary were contracted. Such a large quantity of heaters had not been exported at once by any producer of heaters in Yugoslavia. The factory employed 520 people.
 - 1971 – Alfa-Vranje factory procured a crane with the capacity of up to 8 tons, for sheet metal unloading. By that time, the job had been performed by workers. A cooperation agreement was signed with Belgian Efel, a specialised company for production of gas stoves and solid and liquid fuel stoves, providing for exports of 30,000 fireplaces – oil heaters into Belgium.
 - Cooperation between Metalac, which currently had 200 employees and produced solid and liquid fuelled ovens and Alfa, which had 760 employees and produced ultramodern oil heaters was developed. The two companies were only divided by a wire fence.
 - 1973 – Alfa won over production of solid fuel ovens and planned production of 6,000 unit in the first production series. Besides ovens, production of spring mattresses for the needs of the Simpo furniture factory and production of sinks were introduced.
 - 1975 – It was concluded that Alfa had operated with loss, and that loss had resulted not only from the previous year but from earlier years as well. Bad business operation was caused by the global energy crisis and rising raw material prices, with concurrent impossibility of Alfa to reorient itself in programme terms. Despite decline of sales, starting in 1971, huge quantities of products were produced and held in stock. A recovery programme provided for referral of a part of workers to unpaid leave, a new job classification was made for 400 employees (200 less than currently employed), and minimum salaries were paid until the expected exit from the crisis.
 - 1977 – Alfa ended the year without loss after many years of bad operation.

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- 1978. – Alfa won production of gas-fuelled furnaces.
 - 1980 – Alfa Technical Equipment Industry and Metalplam, the basic organisation of associated labour for production of goods for wide consumption (within Metalac) merged into a work organisation, MIV Vranje Metal Industry. The new work organisation had 873 employees. Total 230,000 heaters were produced.
 - 1981 – Metal Industry Vranje became a part of SOUR Gorenje in Velenje (Slovenia).
 - 1984 – Exports of 100,000 liquid fuel heaters for Algeria were contracted.
 - 1989 – More than 243,000 heaters were produced, that is: 102,782 solid fuel stoves, 68,630 fuel oil furnaces, 44,766 gas heaters, and 27,062 solid fuel heaters.
 - 1990 – The name of the company was changed into Alfa Plam.
 - 1994 – Half a production was exported (Slovenia, Macedonia, Bulgaria and Albania).
 - 1997 – General overhaul of the enameling plant was made and state-of-the-art equipment for enamel baking was installed (producer was the German WGT company). Investment amounting to DEM 500,000, realised from own funds.
 - 1998 – Production of electric stoves with ceramic top started, ISO 9001 quality system was introduced, and a process of proprietary transformation of the state-owned capital started. The company had 1,100 employees.
 - 2000 – In the first round of the proprietary transformation, 1,544 workers, former workers and pensioners became the owner of 70% shares of Alfa-Plam and acquired the pre-emption right in the purchase of the remaining 30% equity. The company was registered as a joint stock company.
 - 2001 – A computer-based highly productive line for laquering of metal parts was put into operation. Investment worth DEM 800,000. After the balance sheet for 2000, the first dividend was paid.
 - 2002 – Huge technological leap forward: in the Enameling plant 1 the overall equipment was replaced, a new technology of enameling with the procedure of 2 layers – 1 baking was introduced, and the whole procedure was automated (for the first time in Serbia). Alfa-Plam shares were quoted at the Belgrade stock exchange.
 - 2003 – Total production of 164,000 heater units. A serial production of a new solid fuel floor heating furnace, Alfa Term 20, started. In Vranje, the first selling and exhibiting room opened, and the whole production programme of this producer was displayed there.
 - 2005 – Equipment in the Enamel Plant II was replaced. The investment amounted to EUR 1,500,000, and was realised from own funds.
 - 2006 – A laser machine for punctuation and sheet metal stamping was procured, tools for new stoves and furnaces were made and the second phase of construction works in the Plant I was completed. The investments amounted to EUR 1,500,000, and were realised from own funds.

- 2007 – The value of one share at the Stock Exchange reached record maximum of EUR 527.77 (at the middle exchange rate). Production of furnaces on pellet under the Italian technology was contracted for a renowned Italian customer. The company had 960 employees.
- 2008 – A new technology with complete equipment for wet dyeing in Plant 2 was introduced along with a new tin tailoring line, and a press was purchased and installed. The total investment from own funds amounted to EUR 1,200,000. A marketing management project was drafted in service of further improvement of the market position of the company. A new logo of the company and motto: Alfa-Plam – Security and Warmth! were adopted.
- 2009 – A robotic welding machine, a line for longitudinal and transversal tin cutting, 2 machines for sheet metal folding, a hydraulic press and other equipment were procured in the amount of about EUR 500,000. The company had 880 employees.
- 2010 – Laser for sheet metal cutting and punctuation was purchased. Serial production of solid fuel furnaces for floor heating, Alfa Term 27 was launched. The company bought 12,500m² of constructed production storage area and about 13,000m² land in the immediate vicinity of its seat.
Dividend for the previous year, the tenth consecutive annual dividend, was paid to the shareholders.



- 2011 – Production of pellet burner furnaces was launched, an eccentric press was purchased, a line for electrostatic enameling was procured, along with waste water purification equipment, gas analyser.
- 2012 – Reconstruction of the administrative building was made, a steel plate grinding machine was procured, an enameling plant was procured, the foundation for a weighbridge was laid and a weighbridge was purchased, the management was changed, all services were reorganised, a new marketing service was introduced, new jobs were created, own shares were acquired.



- 2013 – Purchase of business areas (Bor, Surdulica, Niš, Subotica, Zemun), a restaurant providing meals for workers was restored with new equipment, a mechanical press and a radial drill were purchased, a new production hall was constructed.
- 2014- Business premises (Šabac , Subotica) were purchased, a boiler welding hall was constructed, a Trumpf laser cutting centre was opened, Amada press, enameling equipment, electrical forklifts, and new computers were procured.

Today, Alfa-Plam is a joint stock company the shares of which are quoted freely on the stock exchange. It employs 718 workers, and continually improves quality of its products following the market trends thus showing its quality and justifying its position among the most successful enterprises in our country.

1.8. DATA ON THE COMPANY MANAGEMENT

The managing body of the company is the Board of Directors, which consists of 7 members, 2 executive, 4 non-executive and one independent. The members of the Board of Directors are:

Zoran Čičak	Chairman of the Board of Directors, Non-Executive Director
Goran Kostić	Managing Director, Executive Director
Branislav Popović	Executive Director
Miroljub Aleksić	Non-Executive Director
Marija Subotić	Non-Executive Director
Igor Markićević	Non-Executive Director
Avram Milenković	Independent Direktor

Efficient, responsible and transparent corporate management is one of the crucial factors contributing to the successful operation of the company. It is a precondition for a stable long-term growth and development of the company and further enhancing of competitiveness.

Guided by this principle, ALFA-PLAM is dedicated to the application of high standards in this area, which are constantly reconsidered and further developed. In this manner, the company strives to ensure responsible management of the Company, with a view of creating values for its shareholders and acquiring the trust of domestic and foreign customers, business partners, suppliers, employees and public in the company and its management.

1. GROUNDS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The enclosed financial statements are prepared in line with the applicable regulations in the Republic of Serbia based on the Law on Accounting (*Official Gazette RS*, No. 62/2013), which prescribes the International Accounting Standards (IAS), that is the International Financial Reporting Standards (IFRS) as the basis for compilation and presentation of financial statements.

A Decision of the Minister of Finance of the Republic of Serbia (No. 401-00-1380/2010-16 of 25 October 2010) defined translation of the basic IAS, or IFRS texts, which were issued by the International Accounting Standard Board until 1 January 2009, and interpretation issued by the Accounting Standard Interpretation Committee by 1 January 2009. Amendments of the existing IAS, that is IFRS and the standard interpretation, replacements of the applicable IAS with new ones that became effective starting from 1 January 2009 along with the application of new interpretations that entered into force in the following period, did not result in significant changes in the accounting policies of the company or did not have any substantially significant influence on the financial statements in the period of initial application. Besides the fact that many of those applications were not applicable to the operation of the company, the management of the company does not express explicit and unreserved statement of the compliance of the financial statements with IAS and IFRS, which apply to period shown in the enclosed financial statements.

The financial statements were prepared in line with the historical cost concept and the going concern concept of the company.

The financial statements were prepared in the format prescribed by the Rules on the Forms and Content of Financial Statement Forms to be Completed by Business Companies, Cooperatives and Entrepreneurs (*Official Gazette of the Republic of Serbia* Nos. 95/2014 and 144/2014), which derogates from the manner of presentation of some balance items as provided by IAS 1 – Presentation of Financial Statements. Accordingly, the enclosed financial statements are not adjusted to all requirements IAS and IFRS.

According to the Law on Accounting, the financial statements include: balance sheet, income statement, other comprehensive income, cash flow statement, statement on changes in equity, and notes to the financial statements.

In preparing these financial statements, the company applied the accounting policies disclosed in Note 3, which are based on the applicable accounting and tax regulations of the Republic of Serbia.

2. REVIEW OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Use of estimate

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

These estimates and assumptions are based on information available on the date of the balance sheet.

The most significant estimates relate to determination of impairment of financial and non-financial assets, recognition of deferred tax assets, definition of provisions for court proceedings and definition of assumptions necessary for actuarial calculation of fringe benefits to employees based on severance pay, and they are disclosed in corresponding accounting policies and/or notes to the financial statements.

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

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

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

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

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

2.3. Comparative data

Comparative data consists of annual financial statements of the company for 2013, which were the subject of auditing.

2.4. Income from operation

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

Income from sale is recognised when all conditions are met:

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

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

2.5. Expenses from operation

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

The basic elements of the expense recognition principle are as follows:

/a/ Expenses are recognised, i.e. recorded and expressed when decrease of future economic benefits that is related to decrease of assets or increase of liabilities can be measured reliably;

/b/ Expenses are recognised based on the immediate relation of expenses with income (causality principle);

/c/ When economic benefits are expected to inflow over several accounting periods, and the connection with income can be established in a wider sense or indirectly, expenses are recognised using the systemic and reasonable allocation procedure;

/d/ Expenses are recognised when expense does not bring any economic benefits or when and up to the amount to which future economic benefits do not meet the conditions or have stopped meeting the conditions for recognition in the balance sheet as assets;

/e/ Expenses are also recognised in those cases where a liability occurs without concurrent recognition of an asset.

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

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

2.6. Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are included in the cost/price of that asset. Other borrowing costs are recognised as expenses.

2.7. Financial income and expenses

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

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

2.8. Gains and losses

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

and gains that occur at the increase of book value of non-current assets due to the cessation of conditions for decrease of their value.

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

2.9. Intangible assets

An intangible asset is a definable non-monetary asset without physical content:

- that serves for production or delivery of goods and services, for lease to other persons or is used for administrative purposes;
- that the company controls as a result of past events; and
- from which an inflow of future economic benefits is expected.

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

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

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

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

On the day of each balance sheet, the company estimates whether there is an indication that the asset may be impaired. If there is such an indication, the company evaluates the amount of the asset that can be recovered. If the recoverable value of the asset is lower than its book value, the book value is reduced to the recoverable value, and the expense for the period is recognised by the amount of loss from impairment of value.

If on the day of balance there are indications that previously recognised loss from value impairment does not exist or is decreased, estimate of the recoverable value of that asset is made. Loss from impairment of value recognised in previous years is recognised as income, and the book value of this asset increases until the recoverable value.

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

The company recognises costs of replacement of some parts of intangible asset in the book value of that item, at the point when costs occur and the criteria of recognition under IAS 38 - Intangible asset (paragraph 21) are met.

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

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

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

2.10. Property, plant and equipment

Property, plant and equipment are tangible assets:

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

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

- whose individual purchase price at the time of purchase is higher than the average gross salary per employee on the national level, according to the latest released data of the national authority competent for the statistics affairs.

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

- it is likely that future economic benefits related to that asset will inflow into the company; and
- purchase value/cost of that asset can be determined reliably.

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

Cost represents the invoiced value of the assets acquired, plus all associated costs of procurement and costs of bringing the asset into use. Cost of the said intangible assets produced within the company are direct costs and indirect related costs, which relate to that investment.

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

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

On the day of each balance sheet, the company estimates whether there is an indication that the asset may be impaired. If there is such an indication, the company evaluates the amount of the asset that can be recovered. If the recoverable value of the asset is lower than its book value, the book value is reduced to the recoverable value, and the expense of the period is recognised as an amount of loss due to impairment.

If on the day of balance there are indications that previously recognised loss from value impairment does not exist or is decreased, estimate of the recoverable value of that asset is made. Loss from impairment of value recognised in previous years is recognised as income, and the book value increases until the recoverable value.

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

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

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

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

Depreciation of land is not carried out.

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

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

2.11. Investment property

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

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

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

2.12. Depreciation

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

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

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

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

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

Intangible assets	3-5 years	rates 20.00 to 25.00%
Buildings	40-50 years	rates 2.00 to 2.50%
Production equipment	7-15 years	rates 7.00 to 15.00%
Passenger and commercial carrier vehicles	10-14 years	rates 10.00 to 15.50%
Office equipment	10-20 years	rates 5.00 to 10.00%
Computer equipment	3-5 years	rates 20.00 to 30.00%

Applied rates for depreciation of intangible assets are as follows:

Intangible assets	2015	2014
	20%	20%

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

2.13. Impairment of assets

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

Recoverable amount is defined as higher than net selling price and the use value. Net selling price is the amount that can be obtained at sales of assets in a transaction between two willing independent parties, decreased by costs of sale, whereas value in use is the current value of the estimated future cash flows which are expected to occur from continuing use of assets through their economic life and sales at the end of life.

The recoverable amount is estimated for any separate asset or, if that is not possible, for a unit that makes money which that asset belongs to. Where the book amount exceeds that estimated recoverable amount, value of assets is decreased to their recoverable amount. Loss from impairment is recognised in the amount of difference, charged to expenses in compliance with IAS 36 - Impairment of assets.

The management of the company has estimated that there are no indicators of impairment of assets as at 31 December 2014 so that impairment of assets has not been made.

2.14. Inventories

Inventories of merchandise and material are measured at purchase value. Purchase value represents all purchase costs for bringing inventories to their current place and state.

Costs of procurement include purchase price, import duties and other liabilities (except for those the company can recover additionally from tax authorities), transportation costs, manipulation costs and other costs that can be attributed to the procurement directly. Discounts, rebates and other similar items shall be deducted when determining the cost of goods.

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

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

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

Value of inventories of work in progress and finished goods does not include the following, or the following represents expense for the period:

- unusually high waste of material, manpower or other production costs;
- costs of storage, except if those costs are not necessary in the production process before the following phase of production;
- overhead costs of administration that do not contribute to bringing inventories to the current place and in the current state; and
- costs of sale.

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

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

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

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

2.15. Non-current assets intended for sale and assets of discontinued operation

The company weighs non-current assets (or the group for disposal) classified as assets held for sale, at the lower of the two following amounts: at book value or fair value decreased by the costs of sale.

2.16. Financial instruments

Financial investments are financial assets that are measured during their initial recognition at their purchase value, which is a fair value of compensation given for them. Costs of transaction are included in the initial measurement of all financial assets.

For the needs of measurement of a financial asset upon the initial recognition, financial assets are classified in four categories:

- (a) financial assets held for trade, initially recognised at fair value through profit or loss;
- (b) investments that are held to maturity;
- (c) loans and receivables derived from the company, which are held for trade and
- (d) financial assets available for sale.

A financial asset is classified as a financial asset held for sale if it does not belong to any of the remaining three said categories of financial assets.

A financial asset is classified as a financial asset held for trade, not as a financial asset available for sale, if that asset is a part of a portfolio of similar assets for which there is a pattern of trade with a view of making profit from short-term fluctuations of prices or dealer's margin.

After initial recognition, the company measures financial assets, (including derivatives that are assets) at their fair values, without any decrease for transaction costs that it can incur during sale or other disposal, except:

- Loans and receivables and investments that are held to maturity, which are measured at depreciated price, using the method of effective interest rate;
- Investment in proprietary securities that are not quoted in the active market, whose fair value cannot be measured reliably, which are measured at purchase price.

In Serbia, there is no sufficient market experience, stability and liquidity at purchase and sale of financial assets and official market information is not available any time. Therefore, the fair value

most often cannot be established reliably in the conditions of lack of active market, such as IFRS require so.

Recognised gain or loss that derives from changes in fair value of a financial asset or liability (that is not a part of the hedging relationship), initially recognised at fair value through profit or loss, is recognised as gain or loss in the balance sheet, and with financial assets available for sale at revaluation reserves.

Financial assets are initially valued at fair value, increased by the costs of transactions (except for the financial assets or financial liabilities that are valued at fair value through the income statement), which are directly attributable to procurement or issuing of a financial asset or a financial liability. Financial assets and liabilities are recorded in the balance sheet of the company from the moment when the company is bound under contract to the provisions related to the instrument.

The management makes the classification of its financial investments at the time of initial recognition. The classification depends on the purpose for which the financial assets were acquired.

Financial assets cease to be recognised when the company loses control over the contracted rules over those instruments. A financial liability ceases to be recognised where the company meets its obligation or where the liability to payment provided for under a contract has been repealed or has expired.

Financial instruments in line with IAS 39 – Financial instruments: Recognition and weighing, include the following categories of financial instruments:

- (a) Financial instrument or financial liability at fair value through income statement;
- (b) Investments held to maturity;
- (c) Loans and receivables;
- (d) Financial assets available for sale;

2.16.1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market, except:

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

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

2.16.2. Financial assets available for sale

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

2.17. Short-term receivables and investments

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

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

Short-term trade receivables shall be measured at the cost from the original invoice. If the value in an invoice is expressed in a foreign currency, conversion into the reporting currency is made at the exchange rate applicable on the day of the transaction. Changes of the exchange rate from the date of the transaction to the date of collection of receivables are expressed as foreign exchange differences on behalf of income or will be charged to expenses. Receivables expressed in a foreign currency on the day of the balance are calculated according to the applicable exchange rate of NBS, and foreign exchange differences are recognised as income or expense of a period.

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

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

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

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

2.18. Cash and cash instruments

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

2.19. Provisions, potential liabilities and potential assets

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

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

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

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

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

2.20. Employee benefits

2.20.1. Taxes and contributions for compulsory social insurance

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

2.20.2. Liabilities based on severance pay and jubilee awards

In line with the Labour Law (*Official Gazette of the Republic of Serbia* Nos. 24/2005, 61/2005, 54/2009, 32/2013, and 75/2014) and the Individual General Act on Labour, the company is obliged to pay severance pay at retirement in the amount of 2 monthly gross salaries which the employee made in the month preceding the month in which severance is paid, which cannot be lower than 2 monthly average gross salaries paid in the company in the month preceding the month in which severance is paid.

In addition, the company is obliged to pay jubilee awards amounting to one half to three average monthly salaries. The number of monthly salaries for jubilee awards is determined based on the number of years the employee spent in the company.

Calculation and expression of long-term liabilities based on severance pay and jubilee awards is made using the method of present value of future expected disbursements, based on the actuarial calculation.

The company charges severance pay to current expenses. The management of the company is of opinion that the current value of defined long-term benefits to employees is not substantially significant so the enclosed financial statements do not contain provisions on the above grounds in the amount of their present value, in line with the requirement of IAS 19 - Employee Benefits.

2.20.3. Short-tem paid leave

Accumulated paid leaves may be transferred and used in further periods, if they were not used in full in the current period. Expected expenses of paid leave are recognised in the amount of cumulated unused rights on the day of the balance, which are expected to be used in the following period. In case of non-accumulated paid leave, liability or cost is not recognised to the point when a leave is used.

2.20.4. Share in employee earnings

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

2.21. Income Tax

2.21.1. Current tax

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

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

2.21.2. Deferred taxes

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

Current and deferred taxes are recognised as income and expenses and are included in the net profit for the period.

2.22. Earnings per Share

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

2.23. Distribution of Dividend

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

If dividends are published after the date of the balance sheet, but before the financial statements are approved for publications, these dividends are not recognised as liability on the date of the balance sheet,

because they do not meet the criterion of the current liability in line with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Such dividends are disclosed in the notes to the financial statements, in line with IAS 1 - Presentation of Financial Statements.

2.24. Related Party Disclosure

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

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

2.25. Fair Value

The business policy of the company is to disclose information on the fair value of assets and liabilities for which there are official market information even when fair value significantly differs from the book value. In the Republic of Serbia, there is no sufficient market experience, stability and liquidity at purchase and sale of receivables and other financial assets and liabilities since official market information is not available any time.

Therefore, fair value cannot possibly be determined with reliability in the absence of an active market. The management of the company makes assessment of risk, and in cases where it is seen that the value at which assets are kept in business books will not be realised, allowance for impairment is made.

3. FINANCIAL RISK MANAGEMENT

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

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

Management of risks in the company is focused on endeavour to minimise potential adverse influences on financial state and operations of the company in a situation of unpredictability of financial markets. Risk management is defined in the *Rulebook on the Internal Control System and Risk Management*.

3.1. Credit Risk

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

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

3.2. Market Risk

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

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

3.2.1. Risk of change of foreign exchange rates

Currency risk is risk that fair value or future cash flows of the financial instrument will fluctuate due to the change in exchange rate.

Currency risk (or risk of exchange rate changes) occurs with financial instruments that are denoted in a foreign currency, i.e. currency that is not functional currency in which they are weighed.

3.2.2. Risk of change of interest rates

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

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

3.2.3. Risk of change in price

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

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

3.3. Liquidity Risk

Liquidity risk is risk that the company will have difficulties in settling obligations related to financial liabilities.

4. CHANGES IN ACCOUNTING POLICIES AND SUBSEQUENTLY DETERMINED ERRORS

An amount that changes taxable profit or loss in the tax balance by more than 2% is seen as a substantially important error. If the amount of error is lower, correction is made through the income statement of the current year.

Substantially important effects of changes in accounting policies and subsequently determined errors are corrected retroactively while adjusting comparative data in financial statements, except if it is practically impracticable (then, change in accounting policy applies prospectively).

5. INCOME STATEMENT

5.1. INCOME FROM SALE OF PRODUCTS

	2015	2014
	RSD thousand	RSD thousand
Domestic market		
Income from sale of goods	10.581	5.042
Sales of goods - related parties	413	/
Total	10.994	5.042
Foreign market		
Income from sale of goods	7.515	1.412
Total	7.515	1.412
In All	18.509	6.454

5.2. INCOME FROM SALE OF PRODUCTS AND SERVICES

	2015	2014
	RSD thousand	RSD thousand
Domestic market		
Income from sale of products and services to other associated companies	856.228	648.466
Revenues from sales of goods and services - related parties	83	/
Total	856.311	648.466
Foreign market		
Income from sale of products and services	1.139.963	1.076.118
Total	1.139.963	1.076.118
In All	1.996.274	1.724.584

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

	2015	2014
	RSD thousand	RSD thousand
Income from the own use of products and services	12.236	18
In All	12.236	18

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

	2015 RSD thousand	2014 RSD thousand
Work in progress as at 31 December	76.973	67.463
Finished goods as at 31 December	698.194	558.395
Minus:		
Work in progress as at 30 June	76.973	67.463
Finished goods as at 30 June	1.120.581	834.197
Total:	422.387	275.802

5.5. OTHER OPERATING INCOME

	2015 RSD thousand	2014 RSD thousand
Rental fees income		
Income from premiums, subventions, donations, compensations and tax returns	4.425	452
Refund of financial assets		
In All	4.425	452

5.6. COSTS OF MERCHANDISE SOLD

	2015 RSD thousand	2014 RSD thousand
Costs for merchandise sold - wholesale	16.028	4.940
In All	16.028	4.940

5.7. COSTS OF MATERIAL

	2015 RSD thousand	2014 RSD thousand
Costs of raw material	1.391.669	1.192.938
Costs of other material (overhead)	21.022	20.332
Costs of fuel and energy	49.556	46.021
In All	1.462.247	1.259.291

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

	2015 RSD thousand	2014 RSD thousand
Costs of net salaries and fringe benefits	304.883	283.760
Tax cost and cost of contributions for salaries and fringe benefits charged to employer	54.364	51.375
Costs of benefits for service contract		3
Costs of remunerations according to temporary and provisional contracts	26.901	7.867
Costs of remunerations to individuals according to other contracts	3.330	
Costs of remuneration to director, that is to members of Management Board and Supervisory Board	2.319	2.323
Other personal expenses and remunerations	24.741	10.049
In All	416.538	355.377

5.9. COST OF PRODUCTION SERVICES

	2015 RSD thousand	2014 RSD thousand
Transport services costs	17.416	36.437
Maintenance costs	5.783	6.476
Rental costs	18.711	6.558
Fairs exhibit costs	3.107	2.081
Advertising costs	43.046	3.651
Costs of other services	23.832	23.181
In All	111.895	78.384

5.10. COSTS OF DEPRECIATION AND LONG-TERM PROVISIONS

	2015 RSD thousand	2014 RSD thousand
Depreciation of intangible assets	364	167
Depreciation of buildings	17.516	17.454
Depreciation of equipment and plant	51.787	58.349
Depreciation of investment property	1.412	390
Total:	71.079	76.360

5.11. NON-PRODUCTION COSTS

	2015 RSD thousand	2014 RSD thousand
Costs of non-production services	43.838	39.981
Hospitality and entertainment expenses	3.856	4.340
Costs of insurance premiums	5.891	7.130
Costs of payment operations	6.530	8.532
Membership costs	1.704	1.668
Tax costs	7.806	5.052
Contribution costs	13	382
Other non-production costs	11.419	9.168
In All	81.057	76.253

5.12. FINANCIAL INCOME AND EXPENSES

	2015 RSD thousand	2014 RSD thousand
<i>Financial income</i>		
Interest income	27.093	38.341
Foreign exchange gains	14.318	23.188
Income based on effects of the currency clause	94	40
Other financial income	215	193
Total:	41.720	61.762
<i>Financial expenses</i>		
Interest expenses	3.113	489
Foreign exchange losses	15.108	2.523
Expenses based on effects of the currency clause	594	1.259
Other financial expenses	/	21
Total:	18.815	4.292

5.13 OTHER INCOME

	2015 RSD thousand	2014 RSD thousand
<i>Other income</i>		
Collected written-off receivables	61	1.560
Revenue from non-refundable funds received	/	2.600
Revenue received shares	4.896	/
Income from subsequently received free shipments	696	/
Other not mentioned income	/	88
Surpluses	/	3
Total	5.653	4.251
<i>Income from valuation adjustments of assets</i>		
Income from valuation adjustments of financial investment receivables	34.741	/
Total	34.741	/
In All	40.394	4.251

5.14 OTHER EXPENSES

	2015 RSD thousand	2014 RSD thousand
<i>Other expenses</i>		
Costs of disposal tools and inventory	911	/
Losses from sales of materials	1	/
Expenses for humanitarian, cultural, sport and other activities	698	3.254
Costs of disputes	2.420	2.321
Expenses from previous years	/	20.374
Expense materials	3.754	/
Other not mentioned expenses	85	76
Shortages	/	2
In All	7.869	26.027

6. BALANCE SHEET

6.1. INTANGIBLE ASSETS

Description	Purchase value	Depreciation	Present value
1	2	3	4
Intangible assets	20.324	1.167	19.157
Total	20.324	1.167	19.157

6.2 PROPERTY, PLANT AND EQUIPMENT

Opis	Purchase value	Depreciation	Present value
1	2	3	4
Construction land	63.140	/	63.140
Buildings	1.006.775	17.515	989.260
Plant and equipment	536.861	47.362	489.499
Investment property	117.962	1.412	116.550
Property,plant,equipment under construction.	401.533	77.115	324.418
Advancesfor property,plant and equipment	381.786	144.086	237.700
Total fixed assets	2.508.057	287.490	2.220.567

6.3 LONG-TERM FINANCIAL INVESTMENTS

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

Capital shares are expressed:

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

- in line with IAS 39, in the manner described in point 3(l).

Shares in capital relate to shares with:

	2015 RSD thousand	2014 RSD thousand
<i>Other legal entities and other securities available for sale</i>		
Jubmes banka (14,387 shares)	43,245	43,245
Gumoplastika	70	70
Komercijalna banka (60)	132	132
Nikšićanka Department Store	468	468
Regional Economic Development Agency-VEEDA	30	30
ŠKO AIK banka	2,225	2,225
ŠKO AIK banka - allowance for impairment	-2,225	-2,225
Univerzal banka (28,284 shares)	16,970	16,970
Univerzal banka – allowance for impairment	-16,970	-16,970
Total:	43,945	43,945

Long-term investments relate to investments:

	2015 RSD thousand	2014 RSD thousand
<i>to other associated companies</i>		
Pionir DOO - Beograd	674.500	650,439
In All	674.500	650,439

6.4 OTHER LONG-TERM INVESTMENTS

	2015 RSD thousand	2014 RSD thousand
Other long-term financial investments	52	124
Total:	52	124

6.5 INVENTORIES

	2015 RSD thousand	2014 RSD thousand
Material	565.577	623,604
Spare parts	33.136	35,747
Tools and small inventory	126.819	1,380
Work in progress	76.973	76,973
Finished products	1.120.581	698,194
Merchandise (Goods, purchase for sale)	138.390	28,316
Paid advances for inventories and services	142.244	66,357
In All	2.203.720	1,530,571

6.6 RECEIVABLES FROM SALE

Sale-based receivables relate to receivables from customers:

	2015 RSD thousand	2014 RSD thousand
<i>Sale-based receivables</i>		
Trade receivables - domestic - associated companies	1.745	2,011
Trade receivables - domestic	337.850	174,269
Trade receivables - foreign	758.143	659,532
Minus: Allowance for impairment	144.972	166,158
In All	952.766	669,654

6.7 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets amounting to RSD 31,047 thousand include amounts of profit tax that can be returned in the following period based on deductible temporary differences, unused tax losses and credits. They are recognised to the extent in which it is probable that future taxable profit will be accomplished.

Deferred tax assets by years:

	2015 RSD thousand	2014 RSD thousand
Deferred tax assets	31.047	31,047
Net deferred tax assets	31.047	31,047

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

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

6.8 OTHER RECEIVABLES

Other receivables include:

	2015 RSD thousand	2014 RSD thousand
Interest and dividend receivables	931	3,004
Receivables from employees	316	168
Receivables from state authorities and organisations	1.913	1,061
Other short-term receivables	/	1,675
In All	3.160	5,908

6.9

SHORT-TERM FINANCIAL INVESTMENTS

	Currency symbol	Interest rate	2015 RSD thousand	2014 RSD thousand
Short-term consumer loans			6.527	8,480
Trade union loans			1.088	2,218
Total			7.615	10,698
<i>Short-term loans to other associated companies</i>				
Krušik akumulatori ad, Beograd	EUR		18.144	18,144
Radnički Waterpolo Club	EUR		/	10,629
Minus: Allowance for impairment			17.988	26,745
Total			156	2,028
<i>Other short-term financial investments</i>				
	EUR	since September 2014 2,75% 2015 2,00 %	1.343.531	1,837,707
Societe Generale banka				
Total			1.343.531	1,837,707
Total:			1.351.302	1,850,433

6.10

CASH EQUIVALENTS AND CASH

	2015 RSD thousand	2014 RSD thousand
<i>In RSD:</i>		
Current (operating) accounts	39.516	2,883
Cash in hand	497	133
Total	40.013	3,016
<i>In foreign currency:</i>		
Foreign currency account	21.773	15,467
Foreign currency cash in hand		
Total	21.773	15,467
In All:	61.786	18,483

6.11

VALUE ADDED TAX

Value added tax relates to:

	2015 RSD thousand	2014 RSD thousand
<i>Value added tax</i>		
Receivables for value added tax liabilities on other grounds	9.259	58,069
In All	9.259	58,069

6.12 PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income consists of:

<i>Prepayments and accrued income</i>	2015 RSD thousand	2014 RSD thousand
Accrued costs based on liabilities	33.548	25,378
Other prepayments and accrued income	9.347	6,357
AVR - Prepaid expenses	1.285	/
In All	44.180	31,735

6.13 CORE CAPITAL

Core capital includes the following forms of capital:

	2015 RSD thousand	2014 RSD thousand
Equity capital	1,171,240	1,171,240
Other equity capital	46,048	46,048
In All	1,217,288	1,217,288

Equity capital consists of 174,812 common shares of individual nominal value of RSD 6,700.00.

Share capital - common shares include founding shares and emitted controlling shares during the operation, with the right to taking part in the profit of the joint stock company and to a part of bankruptcy estate in line with the articles of association, i.e. decisions on share emission.

Adjustment to the Central Registry of Securities has been made.

Adjustment to the Business Registers Agency has been made.

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

6.14 OWN SHARES PURCHASED

A decision on acquisition of own shares or other securities of the joint stock company was adopted by the Board of Directors on 18 September 2012.

The company will acquire own shares in the regulated market – Beogradska berza with a view of preventing disturbances in the security market from the values and preventing a higher and immediate damages for the company.

The company will dispose of or annul all own shares acquired in line with this Decision, within one year from the date of acquisition.

The Board of Directors thinks that the price of the company shares at this point does not reflect fair value of the company and there is a danger, because of non-economic reasons that are not related to

the operation, for the share value to decline, and hence, the value of the company that recorded positive business results in the previous years.

Any failure to respond to the decline in prices might damage shareholders, by forming excessive supply at low price, so that potential investors may be misled that shares they intend to buy or own do not have adequate market valuation.

	2015 RSD thousand	2014 RSD thousand
Own shares purchased	117.116	117,116
In All:	117.116	117,116

6.15 RESERVES

Reserves include the following forms of reserves:

	2015 RSD thousand	2014 RSD thousand
Legal reserves	131,738	131,738
Statutory and other reserve	545,790	545,790
In All	677,528	677,528

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

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

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

	2015 RSD thousand	2014 RSD thousand
Gains from investment in proprietary instruments of capital		/
Losses from investment in proprietary instruments of capital	50.478	50,478
	50.478	50,478

6.17 RETAINED EARNINGS

Retained earnings relates to:

	2015 RSD thousand	2014 RSD thousand
Retained earnings from previous years	4,018.259	3,410,280
Retained earnings for the current year	350.417	765,311
In All:	4,368.676	4,175,591

6.18 LONG-TERM PROVISIONS

Long-term provisions are recognised when:

	2015 RSD thousand	2014 RSD thousand
Provisions for costs in warranty period	16,262	16,262
Provisions for jubilee awards	24,656	24,656
Provisions for severance pay	23,731	23,731
In All:	64,649	64,649

Provisions for fees and other benefits of employees done using actuarial assessment. Provision assessment was made by: 2DM Top Business Service – Company for business services doo, Beograd in relation to practical application of requirement IAS 19 – Employee Benefits, and for the needs of calculation of costs and liabilities based on severance pay at retirement and jubilee awards of employees in Alfa-Plam ad, Vranje on 31 December 2014, in line with the actuarial assumptions on 31 December 2014.

During 2014, RSD 6,004 thousand were paid on behalf of severance pay to workers and RSD 2,352 thousand on behalf of jubilee awards to workers.

6.19 SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities include:

	2015 RSD thousand	2014 RSD thousand
Other short-term financial liabilities	2.794	1,244
In All:	2.794	1,244

6.20 LIABILITIES FROM OPERATION

Liabilities from operation relate to liabilities from trade payables:

	2015 RSD thousand	2014 RSD thousand
<i>Liabilities from operation</i>		
Advances received, deposits and caution money	491.860	69,299
Trade payables - parent companies	18.236	2,194
Trade payables - other related legal entities	17.449	28,155
Trade payables - domestic	514.361	508,003
Trade payables - foreign	255.336	194,582
In All:	1.297.242	802,233

6.21 OTHER SHORT-TERM FINANCIAL LIABILITIES

<i>Liabilities for salaries and fringe benefits (gross)</i>	2015 RSD thousand	2014 RSD thousand
Liabilities for net salaries and fringe benefits	34.672	30,804
Tax liabilities and contributions for salaries and fringe benefits charged to employer	26.477	23,749
Tax liabilities and contributions for salaries and fringe benefits charged to employee		/
Total	61.149	54,553
<i>Other liabilities</i>		
Interest and financing costs liabilities	-69	1
Liabilities for dividend	2.100	2,055
Liabilities for profit share	14	14
Obligations to the employees	1.773	966
Liabilities to director, that is to members of Management Board and Supervisory Board	140	266
Liabilities za short-term provisions	22.436	22,490
Other liabilities	6.362	6,123
Total	32.756	31,915
In All	93.905	86,468

6.22 LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES

	2015 RSD thousand	2014 RSD thousand
Liabilities for excise		
Tax liabilities from result		
Liabilities for taxes, customs duties and other duties from purchase or charged to expenses	58.860	40,690
Liabilities for contributions charged to expenses	299	268
Other liabilities for taxes, contributions and other duties	120	162
In All	59.279	41,120

6.23 ACCRUALS AND DEFERRED INCOME

	2015 RSD thousand	2014 RSD thousand
Other accruals and deferred income	157	157
Deferred attributable costs	1.516	/
In All	1.673	157

7. TRANSACTION WITH ASSOCIATED PERSONS

Account of state of liabilities and receivables from associated companies on 30 June 2015, and accomplished income and expenses from associated parties in 2015 is the following:

In thousand rsd

Name of the company/person	Activity	Role of the person or company in our company	Liabilities	Receivables	Income	Expenses
			as at 30 June 2015 towards our company		1 January 2015 – 30 June 2015 with our company	
AMASIS DOO-BEOGRAD	5510- Hotels and similar accommodation	Parent legal entity	25.010	/	/	6.325
PIONIR-BEOGRAD	1082- Production of cocoa, chocolate and confectionery products	Associated legal entity	7.025	769.052	44	3.518
A HOTELI - HOTEL IZVOR DOO - ARANĐELOVAC	5510- Hotels and similar accommodation	Associated legal entity	1.074	/	/	1.032
ALCO GROUP DOO - BEOGRAD	6820- Rental of own or leased property and their management	Associated legal entity	2.565	/	/	6.336
FOREST ALFA PLAM DOO-BEOGRAD	1629- Production of other products of wood, cork straw and brushwood	Associated legal entity	/	88.595	83	4.797
PIONIR DOO-PARAĆIN	1072- Production of rusk biscuit, preserved pastry goods and cakes	Associated legal entity	/	/	/	/
ALKON GROUP DOO-VRANJE	4120-Construction of residential and non-residential buildings	Associated legal entity	218	3.781	/	1.389
JUGOTEHNA DOO-BEOGRAD	4619- Intermediation in the sale of products to various markets	Associated legal entity	701	/	19	2.962
TURISTIČKI SVET DOO BEOGRAD		Associated legal entity	35	/	/	30
SLOBODA DOO-ŠABAC	5510- Hotels and similar accommodation	Associated legal entity	1935	/	/	1.075

8. OFF-BALANCE RECORDS

	2015 RSD thousand	2014 RSD thousand
Received letters of credit	/	21,173
Received guarantees and mortgages	685.503	736,336
Guarantees and sureties given	80.363	128,958
In All:	765.866	886,467

9. POTENTIAL AND ASSUMED OBLIGATIONS

The company does not have any potential and assumed liabilities.

10. EVENTS AFTER BALANCE SHEET DATE

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

11. EXCHANGE RATES

The official exchange rates of NBS received for calculation of foreign exchange items in balance sheet into functional currency were as follows:

	30 June 2015	31 December 2014
EUR	120,6042	120.9583
USD	107,7304	99.4641

12. GOING CONCERN

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

The financial statements were prepared in line with the going concern principle.

THE COMPANY OPERATION REPORT



ABOUT THE COMPANY - GENERAL INFORMATION

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

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

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

1. Solid fuel stoves and furnaces
2. Solid fuel fireplaces and furnaces
3. Gas furnaces
4. Stoves, furnaces and fireplaces for floor heating
5. Stoves and hot-plates
6. Furnaces, stoves and pellet boilers

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

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



ABOUT THE COMPANY - REWARDS AND RECOGNITIONS

Alfa-Plam a.d. is the winner of the award “Best from Serbia” as the best corporate brand in Serbia in the category of durable consumer goods.

Alfa-Plam a.d. is the winner of the award Corporate Superbrands Serbia 2012-2013. The prize was awarded based on strict selection of 17 members of the Expert Council of the Corporate Superbrands and based on a survey of the public opinion conducted on the territory of Serbia. Out of 3000 candidates in 34 categories, 200 companies were awarded the titles the best brands in Serbia, within the international institution Superbrands which is active in more than 80 countries throughout the world.

Alfa-Plam a.d. is the winner of the award Best Buy in the category “Fireplaces”. Research which was conducted by the Swiss agency ICERTIAS on the territory of Bosnia and Herzegovina through a Web survey in September 2013 confirmed that clients in Bosnia and Herzegovina are of opinion that “Alfa Plam offers fireplaces with the best price-to-quality ratio.” The survey was conducted on a representative sample of 1,200 respondents of the construction profession (architects, property developers, construction engineers, supervisory engineers, etc..).

Alfa-Plam a.d. is the winner of the award for outstanding results in production, capacity and economic resources utilisation, organisation and technology of work and business, and the business policies by the Regional Chamber of Commerce in Leskovac.



Alfa Plam - the only double winner of the "BEST OF SERBIAN 2014"

At a ceremony marking the 11th "Best from Serbia 2014" which is traditionally organized by Serbian Chamber of Commerce, the Ministry of Trade and Economic Review list in Belexpocentru declared the 24 best brand on the Serbian market. Among the winners, Alfa Plam is the only company that has won even two awards: "Best Exporter" and the "introduction of a new brand - Commo." (We recall that the company last year was the winner of the best corporate brand in Serbia in 2013).

On behalf of Alfa Plam, awards were received Dear Stojanovic - Head of Working Unit Installation and Dragan Stojanovic - transport worker, a forklift driver in a working unit Welding and Locksmith and tinsmith jobs, in line with the innovations introduced by the Serbian Chamber of Commerce introduced this year to awards handed to selected employees.



Goran Kostic, CEO of the company said in a statement to the media said: "Alfa Plam is among the five largest manufacturers of heaters in Europe, so that the award" Best Exporter "is the logical outcome of previous business activities, but all employees are truly happy that the furnace Commo declared the best new product that appeared in the market of Serbia in the previous year.

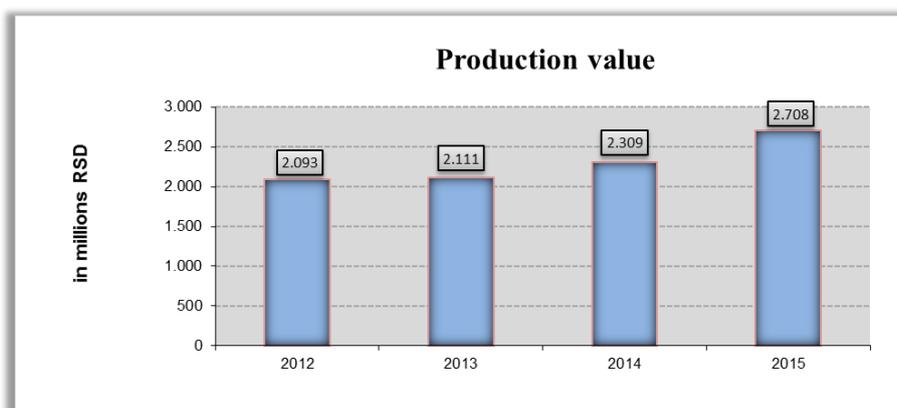
This is a confirmation that the only good teamwork leads to superior results. In this year's slogan of the "best in people," we recognize and own the values that build our company. "

A.D. "ALFA PLAM" BUSINESS REPORT FOR THE PERIOD JANUARY - JUNE 2015.

1. PRODUCTION ACHIEVED

Total production value achieved in the period January - June 2015. is 2.708.024.600,00 RSD and it is increased by 17,3% compared to the same period from the previous year, and decreased by 3,4% compared to the plan.

Description	Achieved in 2014	Operative plan	Achieved in 2015	2015/2014	2015/plan
1	2	3	4	4/2	4/3
AD "Alfa - Plam"	2.309.526.026,00	2.802.672.950,00	2.708.024.600,00	117.3%	96.6%



The results achieved in the production process, expressed in working hours, are 339.634 working hours and they show an increase of 10.7% compared to the same period from the previous year. Number of working days for the period observed in 2015 is 1 day smaller compared to the same period from the previous year.

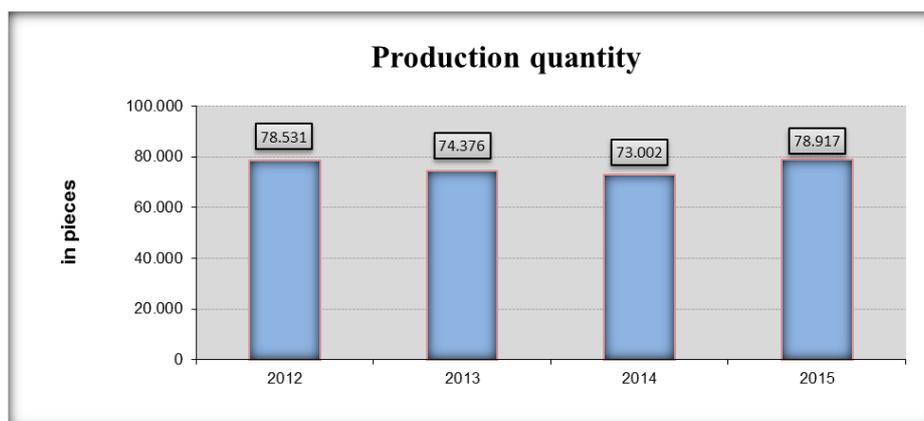
The results observed at the corporate level of A.D."ALFA PLAM" are:

Description	Achieved in 2014	Achieved in 2015	2015/2014
Achieved production (in workig hours)	306.866	339.634	110,7
Number of production workers	398	441	110,8
Number of working days	112	111	99,1
Daily effect per one production worker	6.88	6.94	100,8
Planned effect per one production worker	6,86	7,09	103,4

The presented data above shows that the achieved daily effect per one production worker is 6,94 working hours at the corporate level which shows an increasement of 0,8% compared to the same period from the previous year.

Structure and assortment by groups of heating devices

Group of heating devices	Achieved in 2014	Operative plan	Achieved in 2015	2015/2014	2015/plan
1	2	3	4	4/2	4/3
Solid fuel stoves	43.961	49.158	49.678	113,0%	101,1%
Electrical stoves	10.886	12.933	12.214	112,2%	94,4%
Combined stoves	3.550	4.661	4.660	131,3%	100,0%
Solid fuel furnances	13.605	11.858	10.675	78,5%	90,0%
Gas furnances	1.000	1.700	1.690	169,0%	99,4%
Other devices	5.915	12.522	10.486	177,3%	83,7%
Heating devices in total	73.002	80.310	78.917	108,1%	98,3%

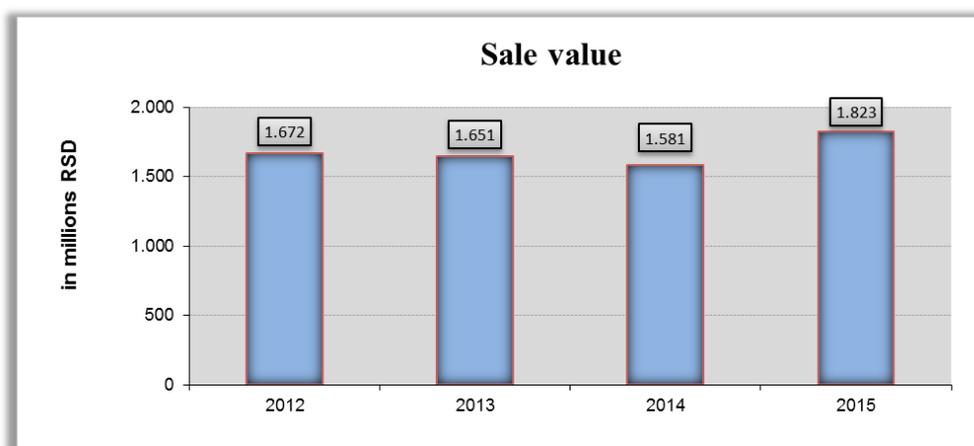


Total production quantity of heating devices for the period January - June 2015. is 78.917 pieces and it is increased by 8,1% compared to the same period from the previous year and by 1,7% compared to the plan.

2. SALE ACHIEVED

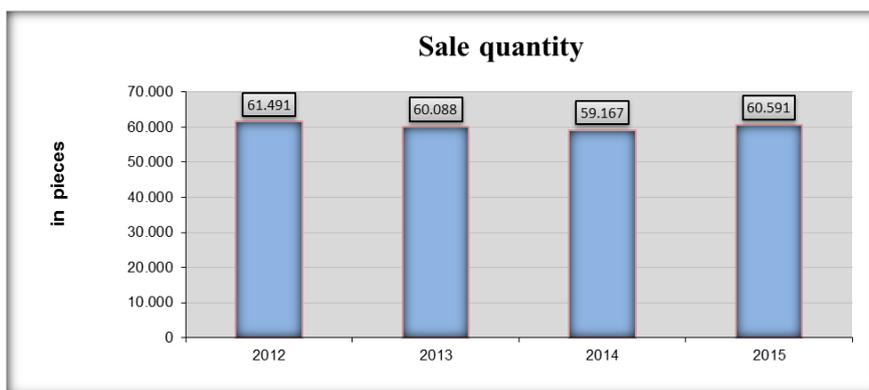
Total sale value planned for the period January - June 2015. is 2.054.534.995,00 RSD, achieved sale value for the same period is 1.823.009.135,27 RSD and it is increased by 15,30% compared to the same period from the previous year and decreased by 11,3% compared to the plan.

Description	Achieved in 2014	Operative plan	Achieved in 2015	2015/2014	2015/plan
1	2	3	4	4/2	4/3
AD "Alfa - Plam"	1.581.493.492,19	2.054.534.995,00	1.823.009.135,27	115,3%	88,7%



Sale quantity:

Group of heating device	Achieved in 2014	Operative plan	Achieved in 2015	2015/2014	2015/plan
1	2	3	4	4/2	4/3
Solid fuel stoves	36.175	38.836	35.695	98,7%	91,9%
Electrical stoves	9.959	12.451	12.132	121,8%	97,4%
Combined stoves	3.707	4.274	4.071	109,8%	95,3%
Solid fuel furnances	8.582	8.254	8.037	93,6%	97,4%
Gas furnances	744	618	656	88,2%	106,1%
Other devices	4.279		6.757	157,9%	
Hetanig devices in total	59.167	64.433	60.591	102,4%	94,0%



Total sale quantity of heating devices in the period January - June 2015. is 60.591 pieces, which is 2,4% more compared to the same period from the previous year, and 6% less compared to the plan.

Total sale quantity of heating devices at the foreign market places is 32.826 pieces, or 54,18% of total sale quantity, which is 4,85% less than in 2014. Total net export value (heating devices + other devices) is 9.203.596,10 EUR, which is 0,49% less compared to the same period from the previous year.

Total sale quantity at domestic market place is 27.765 pieces, or 45,82% of total sale quantity, which is 12,55% more compared to the previous year.

3. INVENTORY STATUS

Description	Inventory status on 31.03.2014.	Inventory status on 31.03.2015.	2015/2014
1	2	3	3/2
Units of heating devices	40.496	50.481	124,7

4. BUSINESS RESULT

Income statement shows that total incomes of A.D. "ALFA-PLAM" for the period 01.01.2015. - 30.06.2015. is 2.535.944 (in 000 of RSD) and they include operating incomes in the amount of 2.453.831 (in 000 of RSD), financial incomes in the amount of 41.720 (in 000 of RSD), and other income in the amount of 40.393 (in 000 of RSD) (Table 1.).

Table 1. Structure of incomes (in 000 of RSD)

Number	Name	Amount	% of share in total income
1.	Operating incomes	2.453.831	96,76
2.	Financial incomes	41.720	1,65
3.	Other incomes	40.393	1,59
4.	Total incomes	2.535.944	100,00

Table 1. shows that the highest % of share in total income have operating incomes with 96,76%, then financial incomes with 1,65% and other incomes with 1,59%. The largest share in operating incomes have incomes from sale of products and services at foreign market places in the amount of 1.139.963 (in 000 of RSD), or 46,46% of operating incomes and 44,95% of total incomes. They show growth of 5,93% compared to 2014. Incomes from sale of products and services at domestic market are 856.228 (in 000 of RSD), and they have 34,89% of share in operating incomes and 33,76% of share in total incomes and they show increasement of 32,04% compared to 2014.

Total expenses of A.D. "ALFA-PLAM" for the period 01.01.2015. - 30.06.2015. are 2.185.527 (in 000 of RSD) and they include operating expenses in the amount of 2.158.844 (in 000 of RSD), financial expenses in the amount of 18.815 (in 000 of RSD) and other expenses in the amount of 7.868 (in 000 of RSD) (Table 2.).

Table 2. Structure of expenses (in 000 of RSD)

Number	Name	Amount	% of share in total income
1.	Operating expenses	2.158.844	98,78
2.	Financial expenses	18.815	0,86
3.	Other expenses	7.868	0,36
4.	Total expenses	2.185.527	100,00

Table 2. shows that the highest % of share in total expenses have operating expenses with 98,78%, then financial expenses with 0,86 % and other expenses with 0,36%. The largest share in operating expenses have costs of materials expenses with 0,86 % and other expenses with 0,36%. The largest share in operating expenses have costs of materials total expenses and they show an increase by 16,12% compared to 2014. Non - material expenses are 696.597 (in 000 of RSD) and they have 32,27% of share in operating expenses and 31,87% of share in total expenses and they show growth by 17,80% compared to 2014.

Table 3. Achieved incomes, expenses and business result (in 000 of RSD)

Number	Elements	Operating	Financial	Other	Total
		Incomes - expenses	Incomes - expenses	Incomes - expenses	
1	Incomes	2.453.831	41.720	40.393	2.535.944
2	Expenses	2.158.844	18.814	7.869	2.185.527
3	Pre tax profit	294.987	22.906	32.524	350.417
4	Net profit	294.987	22.906	32.524	350.417

The data presented in Table 3. shows that for the period 01.01.2015. - 30.06.2015. A.D. "ALFA-PLAM" A.D. has achieved a profit in the amount of 350.417 (in 000 of RSD).

Table 4. Total incomes and expenses in 2015 and 2014. (in 000 of RSD)

Number	Elements	Value for the period	Value for the period	% 2015/2014
		01.01-30.06.2014	01.01-30.06.2015	
1	Operating incomes	2.007.310	2.453.831	122,24
2	Operating expenses	1.850.605	2.158.844	116,66
3	Financial incomes	61.762	41.720	67,55
4	Financial expenses	4.292	18.814	438,35
5	Other incomes	4.251	40.393	950,20
6	Other expenses	26.027	7.869	30,23
7	Total incomes	2.073.323	2.535.944	122,31
8	Total expenses	1.880.924	2.185.527	116,19
	Business result	192.399	350.417	182,13

The data presented in Table 4. show that total incomes are 22,31% higher then the ones in the previous year and total expenses are also higher compared to the same period previous year for 16,19%.

Achieved profit in the amount of 350.417 (in 000 of RSD) is 82,13% higher then in the previous year.

**"ALFA -PLAM" A.D. BUSINESS RESULTS FOR THE PERIOD JANUARY - JUNE
2015. COMPARED TO 2014.**

Number	Description	2014	2015	%
1	2	3	4	4/3
1	Total production quantity (in pieces)	73.002	78.917	108,1%
2	Total production achieved (in working hours)	306.866	339.634	110,7%
3	Total production value (in RSD)	2.309.526.026,00	2.708.024.600,00	117,3%
4	Total sale quantity (in pieces)	59.167	60.591	102,4%
5	Total sale quantity at domestic market place (in pieces)	24.668	27.765	112,6%
6	Total sale quantity at foreign market places (in pieces)	34.499	32.826	95,2%
7	Total net sales value (in RSD)	1.581.493.492,19	1.823.009.135,27	115,3%
8	Total net sales value from the sale at domestic market place (in RSD)	528.329.160,05	715.856.313,27	135,5%
9	Total net export value from the sale at foreign market places (in EUR)	9.157.950,72	9.203.596,10	100,5%
10	Total income	2.073.323.224,31	2.535.943.988,76	122,3%
11	Total expense	1.880.924.454,00	2.185.527.198,08	116,2%
12	Net profit	192.398.770,34	350.416.790,68	182,1%
13	Average net income	48.686,39	52.553,00	107,9%

MARKETING ACTIVITIES

Fairs:

In the period 19 - 23 February 2014, "Alfa-Plam" a.d. took participation on the Progetto Fuoco Fair in Verona where the new products of the Company were exhibited for the first time.



Also, in the period from 8 to 14 September 2014, Alfa-Plam a.d. participated as an exhibitor at the TIF Fair in Thessaloniki providing the possibility of numerous fair visitors to see for themselves the quality that lasts for decades.



The company "Alfa Plam" is from 10 to 14 March 2015. have a chance to present their products at the fair "ISH" in Frankfurt. "ISH" is the largest international trade fair in the field of heating, air-conditioning and bathroom furniture. Over 2,400 exhibitors, including all the leaders in the domestic and foreign markets, presented their innovations in terms of products, technologies and solutions.



Alfa Plam "is standing shoulder to shoulder with the highest European and world producers and for the first time presented its brand new brand" Calux. "A large number of interested visitors and business partners during the five days of the Fair, visited the two stand" Alpha- Plam "and" Calux "where they were exposed to all the novelties that the company is prepared for the upcoming season. Satisfaction traffic from the stands and the interest which visitors showed visible. Shovel unexpectedly large number of contacts and potential partners are now working on them and sorting tender. The fairs of this type are an excellent opportunity to gain awareness about the position and the company's own products compared to global competitors.



Actions:

„Alfa-Plam gifts” – The only action on the Serbian market “Alfa-Plam gifts” was implemented in September. For the duration of the action, each buyer of any product from the solid fuel and pellet range of products received a gift package. The action lasted for one month, and then it was re-opened in December. Beside the customers, the retailers who participated in the competition “The best shop assistant in Serbia” was also rewarded based on submitted cash register receipts.



“Alfa-Plam corner” – Based on the tour of 517 retail stores in the territory of the Republic of Serbia and the set selection criteria, 40 stores where the “Alfa-Plam corner” was realised were selected. The objective was to stimulate sales by exhibiting as diverse assortment as possible and to provide an opportunity for direct acquainting of consumers with products. In addition to the presentation of the products, this action also involved accompanying material (branded stands, plexiglasses with technical characteristics of products, branded tents, hanging signs, brochures and brochure racks).

GIZ project - effective use of firewood in households

- The aim of the project is to promote the efficient use of wood fuel in households realization of a number of activities.

The company "Alfa Plam" as one of the biggest producers of heaters for solid fuels for households exhibited their products at central market managed properly, on 20 March 2015. We were able to animate citizens managed properly, to attend the rally. Citizens had the opportunity to listen to the presentation of the National Expert for biomass professor GLAVONJIĆ.

Exposed heaters "Alfa Plam", a solid fuel stove Don and pellet stove Luka, attracted great attention of citizens who are interested in observing products and used every opportunity to obtain detailed information from the experts of "Alfa Plam" who attended this gathering.

ГИЗ ДКТИ у сарадњи са
Општином Бајина Башта и Регионалном развојном агенцијом Златибор

ЕФИКАСНО КОРИШЋЕЊЕ ОГРЕВНОГ ДРВЕТА

Зашто се исплати куповати дрво у априлу?
Да ли на прави начин користимо огревно дрво?
Како и колико можемо да уштедимо ако га правилно користимо?
Проверите (све то) на једном месту

20. март 2015. Централни трг у Бајиној Башти, од 11-14 часова

Проект помогла
Влада Савезне Републике Немачке преко Deutsche
Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Немачка
сарадња
DEUTSCHE ZUSAMMENARBEIT

Спонзорани од стране:

giz

E4tech



SOCIAL RESPONSIBILITY

On the global market the quality is proved through continuous improvement of all business segments of a company. Compliance with the requirements of the ISO standard is one of the conditions for participation on the European market. The quality management system of the Alfa-Plam Company meets all the requirements of the SRPS ISO 9001:2008 standard, whose consistent implementation implies:

- high level of quality of products and services,
- stable product development,
- higher share in the market,
- higher profit, and
- easier implementation of the work assignments.

Most of the products meets the following requirements of European and Russian standards “Alfa-Plam” a.d. operates in line with the principles of social responsibility through its care about the environment and the community where it operates, as well s of its employees.All products from the production range are in compliance with the international quality standards:

- 1) EN 12815 - European standards for solid fuel stoves
- 2) EN 13240 – European standards for solid fuel furnaces
- 3) EN 14785 – European standards for pellet stoves, furnaces and boilers
- 4) EN 303-5 – European standard for boilers
- 5) BimSch – German protective measures for heating devices
- 6) 15a-BvG – Austrian protective measures for heating devices
- 7) GOST 9817 – 95 - Russian standard for solid fuels stoves and furnaces
- 8) EN 60355-1 – European standard for safety of electrical devices - general requirements
- 9) EN 60335-2-6 – European standard for safety of electrical devices
- 10) EN-55014-1 – European standard for electromagnetic compatibility
- 11) EN 60100-3 – European standard for electromagnetic compatibility
- 12) GOST 52161.2.6 – Russian standard for safety of electrical devices
- 13) GOST R 51377-99 – Russian standard for safety of gaseous devices

Developing a range of products whose operation is based on the use of renewable energy sources, Alfa-Plam a.d. wishes to answer to the needs of all customers that follow the trends and respect the requirements for the environmental protection. Beside the products, the whole quality managements system of the Company meets all the requirements of the SRPS ISO 9001/2008 standard (quality management system), whose consistent application implies: high level of quality of products and services, stable product development, higher market share, higher profit and easier implementation of the work assignments.



Environmental protection:

Alfa-Plam a.d. pays special attention to the implementation and enforcement of measures for environmental protection. In 2014, this was confirmed by certification of the Company for the application of ISO 14001: 2005 Standard, Environmental Management System.



As a socially responsible company Alfa-Plam a.d., in order to implement measures to protect the environment and reduce the impact on the environment, observes and implements all legislation such as:

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

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

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

RATIO ANALYSIS

Financial analysis operates with values expressed in financial statements in an attempt to examine the financial strength and weaknesses of a company. Interest in the results of the analysis is shown by different groups of users, including the most significant the management of the company, the owners (shareholders), creditors and other users.

LIQUIDITY			
	Indicator	30.06.2015	30.06.2014
1	General liquidity ratio	3,18	4,87
2	Quick ratio	1,67	2,98
3	Cash flows	-127.575	79.997

Liquidity ratio indicates the ability of the Company to settle its liabilities on time and at the same time to maintain required volume and structure of the working capital required for current operations.

ACTIVITY			
	Indicator	30.06.2015	30.06.2014
1	Stock turnover	231	220,91
2	Buyer turnover	63	71,52
3	Supplier turnover	202	103,15
4	Conversion of stock into cash	294	292,44

Activity indicator shows how much the Company uses the available assets, that is, with minimal investment in assets used to make a larger scope of activities.

INDEBTEDNESS			
	Indicator	30.06.2015	30.06.2014
1	Debt ratio	18,85	13,74
2	Leverage	0,25	0,18
3	Financial dependence of the company	0,05	0,02
4	Long-terms creditors security ratio	1,04	1,71
5	Short-term loans to total income ratio	0,11	0,04
6	Total loans to income ratio	0,11	0,04

The debt ratio shows the extent to which the Company uses borrowings as a way of funding, that is which is the percentage of the assets procured through indebtedness.

CREDIT WORTHINESS

	Indicator	30.06.2015	30.06.2014
1	Net working capital	3.303.282	3.316.025
2	Net working assets	3.171.280	3.262.248
3	Fixed asset coverage ratio	211,66	267,25
4	Fixed asset and stocks coverage ratio	121,30	148,31
5	Ratio of the stock coverage with net working capital	143,91	205,17

Analysis of the creditworthiness of the Company means the consideration of its earning power, as well as the Company's ability to provide regular inflow of funds from the generated earnings in order to service its obligations against suppliers and other creditors on time.

PROFITABILITY

	Indicator	30.06.2015	30.06.2014
1	Operating profit rate	12,02	7,81
2	EBITDA margin	14,92	11,61
3	Net profit rate	13,82	9,28
4	Profit rate	14,28	9,58
5	ROA	5,38	3,18
6	ROE	6,47	3,78

Profitability indicator expresses the effectiveness of the use (earning power) of the assets (invested capital).

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

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

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

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

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

1. **Market risk** - this is the risk of changes in market prices and terms of trade that lead to a lowering of the value of certain financial assets and their packages (portfolios). The market risk includes currency risk, price risk and interest rate risk.
2. **Credit risk** - this is the risk of occurrence of financial loss to the Company as a result of default by the clients or the counterparty in the settlement of contractual obligations. The credit risk is primarily linked to the Company's exposure arising from trade receivables, cash and cash equivalents, deposits in banks and financial institutions, investments in securities, other receivables from legal entities and natural persons.
3. **Liquidity risk** - this is the risk from the possibility of occurrence of negative effect on financial result and the capital of the Company due to inability of the Company to meet due obligations.
4. **Operational risk** - this is the risk of loss due to errors, interruptions or damage that may arise due to inadequate internal procedures, acting by people, systems or external events, including the risk of changes to the legal framework.
5. **Reporting risk** - includes accounting risk, but it is a broader concept because periodic reporting and communication of a company with the external environment and its stakeholders is not limited to the financial statements. Reporting risk, therefore, also applies to other opportunities like deceiving the potential investors by malicious reporting. Availability of information about a company is of the utmost importance and the Company continuously update the same. All information about the Company can be found on www.alfaplam.rs, and on the site of the Belgrade Stock Exchange where the Company regularly submits its financial statements on operation.

-
6. **Country risk and political risk** - refers to the risk of investing in a particular country, depending on changes in the business environment that may have a negative impact on the realisation of profits or the value of assets in that particular country. As examples of factors that influence the risk of the country the most often cited are the state control of the exchange rate, devaluation, changes in legislation, etc. In addition to these factors, the country risk is also influenced by the factors of (in)stability such as mass protests or civil war that could lead to an increase in operational risk for that company in that particular country. These risks are often associated with political changes, such as changes in macroeconomic policy and social policy, and they are also called political risks.
 7. **Environmental risk** - is defined as the risk of potential harm that the company may suffer due to environmental degradation by the company itself, or by another party if it can have an impact on its operations.
 8. **Compliance risk** - can be defined as the risk the current income and capital of the company to be exposed to losses resulting from violations or non-compliance with laws, rules, regulations, prescribed business practices, internal rules and procedures, and ethical standards.
 9. **Reputational risk** - is the risk of loss of current or future revenues and capital, because of the negative public opinion on the manner of operations of the company. It stems from a negative perception of the partners, shareholders, investors or regulators that could adversely affect the Company's ability to maintain the existing, or establish new business relationships and continued access to sources of funding. Reputational risk involves the inability to sufficiently meet the needs and expectations of customers or unreliable or inefficient delivery systems.

10. Other risks

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

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

ALFA PLAM DEVELOPMENT STRATEGY

Mission

With common years of work we have created a company that is a leading manufacturer of heaters and stoves in South Eastern Europe. Reputation and tradition oblige us to continue our journey towards achieving the set goals.

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

Vision

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

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

We are ready now for everything that will happen tomorrow!

Strategy of quality of:

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

Strategy of costs of

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

Observance of deadlines

- Delivery to buyers
 - Finishing of production
 - Completion of projects in full and on time
-
- Average realisation of the monthly production plans 99%
 - Delivery of products to buyer within 2 days
 - Managing of project with clearly defined phases, project managers, communication and timely inclusion of necessary

Human resources

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

DONNA 70 CE



kW	7 kW
mm	700 x 600 x 850 mm
mm	330 x 440 x 260 mm
mm	120 mm
m³	90 - 120 m³
m³	36 - 48 m³
kg	119 / 140 kg
%	76,4 / 79,10%



DONNA 90 CE



kW	8 kW
mm	900 x 600 x 850 mm
mm	460 x 440 x 260 mm
mm	120 mm
m³	100 - 130 m³
m³	40 - 52 m³
kg	139 / 161 kg
%	76,3 / 77%



ELITA 3 CE



kW	6 kW
mm	455 x 442 x 865 mm
mm	120 mm
m³	75 - 100 m³
m³	30 - 40 m³
kg	84 / 96 kg
%	75 %



DINO CE



kW	18,5 kW
mm	574 x 568 x 1237 mm
mm	80 mm
kW	3,5 kW
kW	15 kW
l	32 l
kg/h	1,1 / 4 kg/h
h	40 h
kg	45 kg
m³	240 - 310 m³
m³	90 - 120 m³
kg	193 / 222 kg
%	92 %



GRANDE CE

kW	7,8 - 30,6 kW
mm	1010 x 743 x 1400 mm
mm	80 mm
kW	7,8 - 30,6 kW
l	74 l
kg/h	1,7 / 6,7 kg/h
h	118 h
kg	200 kg
m³	380 - 510 m³
m³	152 - 204 m³
kg	220 / 296 kg
%	92 %



GRANDE 5 CE

kW	8,65 - 30,8 kW
mm	1052 x 780 x 1550 mm
mm	80 mm
kW	8,65 - 30,8 kW
l	74 l
kg/h	1,9 / 6,7 kg/h
h	113 h
kg	215 kg
m³	380 - 510 m³
m³	152 - 204 m³
kg	250 / 280 kg
%	91,94 %



DATA ON ACQUIRED OWN SHARES

At the date of preparation of this report, the Company has a total of 17,480 shares, which on the day of 30 June 2015 makes 9.99931% of the total number of shares. Own shares are acquired by the decision of the Board of Directors on 18 September 2012.

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



INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN RELATED PERSONS

In the course of 2015 the Company entered into business relations with its related legal entities. The most significant transactions with related legal entities in the aforementioned periods related to the provision of services.

Company for tourism production and trading AMASIS DOO, Belgrade

Basic information	Legal form	Limited Liability company
	ID Number	17243047
	TIN	101018106
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	5510- Hotels and similar accommodation

Company for production of chocolate, candies and bakery products PIONIR DOO, Beograd

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

**Company for production of dairy products, mill products and chocolate PIONIR
PARAĆIN doo, Beograd**

Basic information	Legal form	Limited Liability Company
	ID Number	17510142
	TIN	103073992
	Seat	Požeška 65 B, Beograd - Čukarica 1072-Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
	Code of activity	

JUGOTEHNA EXPORT-IMPORT DOO Company, Belgrade

Basic information	Legal form	Limited Liability Company
	ID Number	7018304
	TIN	100038898
	Seat	Kolarčeva 7, Beograd-Stari grad
	Code of activity	4619-Intermediation in trade with different products

FOREST ALFA PLAM DOO COMPANY, BEOGRAD

Basic information	Legal form	Limited Liability Company
	ID Number	20368799
	TIN	105369546
	Seat	Požeška 65 b, Beograd
	Code of activity	1629-Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials

Company for tourism and catering A HOTELI - Hotel IZVOR doo, Arandjelovac

Basic information	Legal form	Limited Liability Company
	ID Number	17398105
	TIN	100902352
	Seat	Mišarska 2 B, Arandjelovac
	Code of activity	5510- Hotels and similar accomodation

Production and trade company ALCO GROUP DOO, Belgrade

Basic information	Legal form	Limited Liability Company
	ID Number	20245816
	TIN	104805752
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	6820- Real estate activities with owned or leased property

ALKON GROUP DOO, Vranje

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

Company for catering and tourism SLOBODA DOO, Šabac

Basic information	Legal Form	Limited liability Company
	ID Number	17240706
	TIN	101670012
	Seat	Trg šabačkih žrtava bb, Šabac
	Code of activity	5510-Hotels and similar accomodation

**Company for publishing marketing consulting and engineering TURISTIČKI SVET DOO
Belgrade**

Basic information	Legal Form	Limited liability Company
	ID Number	6494293
	TIN	100082060
	Seat	Požeška 65 B, Beograd - Čukarica
	Code of activity	5811- Book publishing

In thousand RSD

STRUCTURE OF INCOME AND EXPENSES OF RELATED LEGAL ENTITIES

Partner	Note	Income in 2015	Expenses in 2015
AMASIS DOO -BEOGRAD	Parent company	/	6.325
PIONIR - BEOGRAD	Related company	44	3.518
A HOTELI-HOTEL IZVOR DOO - ARANĐELOVAC	Related company	/	1.032
ALCO GROUP DOO - BEOGRAD	Related company	/	6.336
FOREST ALFA PLAM DOO - BEOGRAD	Related company	83	4.797
PIONIR DOO - PARAĆIN	Related company	/	/
ALKON GROUP DOO - VRANJE	Related company	/	1.389
SLOBODA DOO-ŠABAC	Related company	/	1.075
JUGOTEHNA DOO - BEOGRAD	Related company	19	2.962
TURISTIČKI SVET - BEOGRAD	Related company		30
TOTAL		146	27.464

in thousand RSD

STRUCTURE OF RECEIVABLES AND LIABILITIES AGAINST RELATED LEGAL ENTITIES

Partner	Note	Receivables in 2015	Liabilities in 2015
AMASIS DOO -BEOGRAD	Parent company	/	25.010
PIONIR - BEOGRAD	Related company	769.052	7.025
A HOTELI - HOTEL IZVOR DOO - ARANĐELOVAC	Related company	/	1.074
ALCO GROUP DOO - BEOGRAD	Related company	/	2.565
FOREST ALFA PLAM DOO - BEOGRAD	Related company	88.595	/
PIONIR DOO - PARAĆIN	Related company	/	/
SLOBODA DOO-ŠABAC	Related company	/	1.935
ALKON GROUP DOO - VRANJE	Related company	3.781	218
JUGOTEHNA DOO - BEOGRAD	Related company	/	701
TURISTIČKI SVET - BEOGRAD	Related company	/	35
TOTAL		861.428	38.563

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





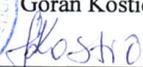
Statement

According to my cognition, the semi-annual report of Metal Industry ALFA-PLAM AD Vranje for the first six months of year 2015 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.

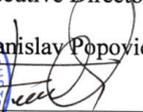
Vranje, August 2015.

Alfa-Plam AD Vranje

Managing Director

Goran Kostic



Executive Director

Branislav Popovic



M.P.

Akcionarsko društvo Metalna industrija ALFA-PLAM

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web: www.alfaplam.rs
e-mail: firma@alfaplam.rs



Declaration

In accordance with the Capital Market Law ("Official Gazette" No. 31/2011) it is stated that the financial statements for the first six-months of year 2015 have not been revised.

ALFA-PLAM AD Vranje

Managing Director

Goran Kostic

U Vranju, August 2015




Executive Director

Branislav Popovic




M.P.

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