

Inter-office report of the independent auditor

PricewaterhouseCoopers
268 Kifissias Avenue
Halandri, Athens
152 32
Greece
Attention: Nick Papadopoulos

1. We have audited the accompanying special-purpose financial statements of Cementara “Kosjeric” A.D. (the Company) expressed in SC Dinar as of 31 December 2004 and for the year then ended which were prepared in accordance with Titan Cement Group (the Group) accounting policies as set out in note 2. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing applicable for review engagements. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements prepared for Group consolidation purposes are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion based on the Titan Cement Group materiality levels.
3. The accompanying special-purpose financial statements have been prepared solely to enable Titan Cement SA, the parent company, to prepare consolidated financial statements and not to report on the Company as a separate entity. Accordingly, the accompanying special-purpose financial statements are not intended to present fairly the financial position of the Company as of 31 December 2004, or the results of its operations or its cash flows for the year then ended in conformity with Titan Cement Group Accounting Policies.
4. In our opinion, the accompanying special-purpose financial statements prepared for the Group consolidation purposes referred to above expressed in SC Dinar for the year ended 31 December 2004 have been prepared, in all material respects in accordance with the Titan Cement Company SA reporting requirements based on the group materiality levels of Dinar 360,879,500 (Euro 5 million) for the balance sheet and Dinar 108,263,850 (Euro 1,5 million) for the income statement.
5. We draw your attention to note 2(a) on basis of preparation which explains certain matters of non-compliance with Titan Cement Group Accounting Policies and of which we believe you are already aware.
6. This report is intended solely for the use of PricewaterhouseCoopers, Athens, in connection with the audit of the consolidated financial statements of the Titan Cement Group for the year ended 31 December 2004 and should not be used for any other purpose. It should not be included or referred to in any document or publication made available to persons outside PricewaterhouseCoopers, Athens without our prior written consent.

PricewaterhouseCoopers d.o.o.
Belgrade, Serbia and Montenegro
21 January 2004

44CEMENTARA "KOSJERIC" A.D.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
PREPARED FOR GROUP CONSOLIDATION PURPOSES

(all amounts are stated in 000 Dinar unless otherwise stated)

Income statement

	For the year ended 31 December 2004	For the year ended 31 December 2003
Revenue	2,335,910	1,783,940
Cost of sales	<u>(1,513,667)</u>	<u>(1,243,239)</u>
Gross profit	822,243	540,701
Other operating income	65,017	62,401
Selling expenses	(9,408)	(6,799)
Administrative expenses	(217,302)	(266,792)
Other operating expenses	<u>(99,821)</u>	<u>(234,965)</u>
Profit on ordinary activities before finance income and taxation	560,729	94,546
Finance income (net)	<u>1,587</u>	<u>21,763</u>
Profit before taxation	562,316	116,309
Taxation	<u>(30,628)</u>	<u>-</u>
Profit for the period	<u>531,688</u>	<u>116,309</u>

Mr Miroslav Gligorijević
General Manager

Slavica Vukosavljevic
Finance Director

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Balance Sheet

	<u>As at 31 December</u>	<u>As at 31 December</u>
	2004	2003
ASSETS		
Non-current assets		
Property, plant and equipment	1,918,944	1,349,627
Construction in progress	553,992	663,448
Advances to suppliers for fixed assets	21,950	116,338
Other long term assets	595	810
	2,495,481	2,130,223
Current assets		
Inventories	328,770	254,708
Trade receivables	12,807	11,939
Other receivables	29,905	20,626
Cash and cash equivalents	288,713	261,074
	660,195	548,347
Total assets	3,155,676	2,678,570
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shares	2,147,322	2,147,322
Legal reserve	88,650	86,453
Retained earnings (losses)	91,432	(18,504)
Current period result	531,688	116,309
	2,859,092	2,331,580
Non current liabilities		
Non business liabilities	4,267	4,267
Current liabilities		
Trade and other payables	292,317	342,723
Total equity and liabilities	3,155,676	2,678,570

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Cash flow statement

	For the year ended 31 December 2004	For the year ended 31 December 2003
Cash flows from operating activities		
Profit after taxation	531,688	116,309
Adjustments for:		
Depreciation expenses	198,375	192,837
Interest income	(10,697)	(17,082)
Interest expense	6,524	-
Loss on disposals of fixed assets	(1,076)	20,512
Operating cash flows before working capital changes	724,814	312,576
Changes:		
Increase (decrease) in trade and other receivables	(10,147)	113,135
Increase (decrease) in inventory	(74,063)	(39,342)
Increase (decrease) in trade and other payables	(50,407)	60,866
Decrease in other long term assets	214	686
Cash generated from operations	590,411	447,921
Interest received	10,697	17,082
Interest paid	(6,524)	-
Net cash from operating activities	594,584	465,003
Cash flows from investing activities		
Purchase of property, plant and equipment	(564,085)	(590,392)
Proceeds from sale of property, plant and equipment	1,316	-
Net cash used in investing activities	(562,769)	(590,392)
Cash flows from financing activities		
Proceeds from borrowings	353,840	-
Repayment of borrowings	(353,840)	-
Dividends paid	(4,176)	-
Net cash used in financing activities	(4,176)	-
Net increase / (decrease) in cash	27,639	(125,389)
Cash at the beginning of period	261,074	386,463
Cash at the end of period	288,713	261,074