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## Report of the auditors

### To the Shareholders and Board of Directors of Cementarnica "USJE" A.D. - Skopje

We have audited the accompanying balance sheet of Cementarnica "USJE" A.D. - Skopje as of 31 December 2004 and the related statements of income, changes in equity and cash flow statements for the year then ended. These financial statements set out on pages 2 to 21 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Cementarnica "USJE" A.D. - Skopje as of 31 December 2004 and of the results of its operations, its changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS   
Skopje

14 January 2005

## Income statement

<i>(all amounts in MKD thousands)</i>	Notes	Year ended 31 December	
		2004	2003
Sales	1	3,477,747	3,414,938
Cost of sales	2	(1,957,591)	(1,920,053)
Gross profit		1,520,156	1,494,885
Other operating income	3	116,115	21,765
Distribution costs	4	(42,585)	(38,456)
Administrative expenses	5	(286,042)	(261,855)
Other operating expenses	6	(13,910)	(6,817)
Provision for bad and doubtful debts		-	(9,764)
Operating profit		1,293,734	1,199,758
Finance income (net)	7	15,973	70,406
Profit before tax		1,309,707	1,270,164
Tax	8	(129,152)	(156,702)
Net profit		1,180,555	1,113,462

## Cementarnica "USJE" A.D. – Skopje

## Balance sheet

		As at 31 December	
<i>((all amounts in MKD thousands))</i>		2004	2003
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,897,350	1,566,347
Advances for capital expenditure		-	4,384
Available-for-sale investments	10	69,390	38,781
Deferred tax asset	11	5,092	-
		<b>1,971,832</b>	<b>1,609,512</b>
<b>Current assets</b>			
Inventories	12	833,900	636,659
Trade receivables	13	100,053	103,791
Prepayments	14	91,421	36,432
Loans to enterprises	15	-	-
Trading investment		232	-
Other current assets	16	8,596	8,806
Cash and cash equivalents	17	671,489	1,147,420
		<b>1,705,691</b>	<b>1,933,108</b>
<b>Total assets</b>		<b>3,677,523</b>	<b>3,542,620</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	1,747,730	1,747,730
Additional paid in capital	21	(14,869)	(14,869)
Legal and other reserves		564,436	532,641
Retained earnings		1,197,901	1,141,925
		<b>3,495,198</b>	<b>3,407,427</b>
<b>Non – current liabilities</b>			
Long – term provision		-	15,206
		<b>-</b>	<b>15,206</b>
<b>Current liabilities</b>			
Trade payables	18	111,972	59,136
Customers' advances		27,384	22,496
Other current liabilities	19	37,886	27,460
Accrued expenses	20	5,083	10,895
		<b>182,325</b>	<b>119,987</b>
<b>Total liabilities</b>		<b>182,325</b>	<b>135,193</b>
<b>Total equity and liabilities</b>		<b>3,677,523</b>	<b>3,542,620</b>

Konstantinos Derdemezis  
Chief Executive Director

Olivera Vasilkovska  
Finance Manager

## Cash flow statement

	Note	Year ended 31 December	
		2004	2003
<i>(In thousands of MKD)</i>			
Net profit after tax		1,180,555	1,113,459
Adjustments for:			
Tax		129,152	156,708
Depreciation		182,574	173,805
Provision for asbestos		(15,206)	(3,858)
Interest income		(12,619)	(70,442)
Dividend income		(5,109)	(3,408)
Interest expense and bank charges		7,300	10,194
<i>Profit before changes in working capital</i>		<i>1,466,647</i>	<i>1,376,459</i>
Inventories		(196,899)	(42,059)
Construction contract work in progress		(55,161)	(51,790)
Trade and other receivables		3,394	140,426
Trading investments		(232)	-
Payables		62,338	(30,663)
<i>Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries)</i>		<i>(186,560)</i>	<i>15,911</i>
<b>Cash generated from operations</b>		<b>1,280,087</b>	<b>1,392,370</b>
Interest paid		(7,300)	(10,194)
Tax paid		(132,885)	(156,708)
<b>Net cash from operating activities</b>		<b>1,139,902</b>	<b>1,225,468</b>
Purchase of PPE		(539,801)	(249,014)
Interest received		12,619	70,442
Dividend received		5,109	3,408
<b>Net cash from investing activities</b>		<b>(522,073)</b>	<b>(175,164)</b>
Dividends paid to group shareholders		(1,048,958)	(1,331,656)
Dividends paid to minority interest		(44,802)	-
<b>Net cash from financing activities</b>		<b>(1,093,760)</b>	<b>(1,331,656)</b>
<b>Net (decrease) / increase in cash</b>		<b>(475,931)</b>	<b>(281,350)</b>
Cash at the beginning of the year		1,147,420	1,428,770
Cash at the end of the year		671,489	1,147,420