

CEMENTARNICA “USJE” AD SKOPJE

CONDENSED FINANCIAL STATEMENTS FOR GROUP CONSOLIDATION REPORTING PURPOSES

For the year ended 31 December 2007



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CEMENTARNICA "USJE" AD - Skopje

We have audited the condensed financial statements for group consolidation reporting purposes of Cementarnica USJE A.D. Skopje ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes prepared for the sole purpose of consolidation into the Titan Cement Company S.A. consolidated financial statements, which are prepared in accordance with IFRS.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion based on the scope of our audit procedures. The scope of our audit procedures was established based on the tolerable error set for group reporting purposes, amounting to €3,750,000.

Opinion

In our opinion, based on the assigned tolerable error, for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed financial statements referred to above give a true and fair view of the financial position of the Company as of 31 December 2007 and of the results of its operations and its cash flows and changes in shareholders' equity for the year then ended in accordance with International Financial Reporting Standards.

This report is intended solely for the use of the Company and the ultimate Parent company and should not be used for any other purpose.

Ernst & Young

Ernst & Young Certified Auditors Ltd.
Skopje, 4 February 2008



INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 MKD'000	2006 MKD'000
Sales	3a	4.334.345	4.213.721
Other revenue	3b	234.269	336.370
Cost of sales	3c	<u>(2.249.271)</u>	<u>(2.338.810)</u>
Gross profit		2.319.343	2.211.281
Other operating income	3d	128.391	29.864
Other operating expenses	3e	(36.626)	(72.098)
Selling and marketing expenses	3f	(36.710)	(38.104)
Administrative expenses	3g	(229.967)	(227.332)
Fly-ash write-off		(22.893)	(16.632)
Provision for rehabilitation of quarries	3i	(16.894)	-
Depreciation	5	<u>(224.086)</u>	<u>(202.647)</u>
Profit from operating activities		1.880.558	1.684.332
Net finance income	3h	<u>66.853</u>	<u>278.920</u>
Net profit before income tax		1.947.411	1.963.252
Income tax expense	4	238.075	255.101
Net profit for the period		<u>1.709.336</u>	<u>1.708.151</u>

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
 at 31 December 2007

	Notes	2007 MKD'000	2006 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.244.916	2.007.731
Investment properties		5.871	789
Investment in subsidiary	6	35.276	12.330
		2.286.063	2.020.850
Current assets			
Inventories	7	1.054.107	852.022
Trade and other receivables	8	125.894	226.279
Cash and cash equivalents	9	1.016.918	2.458.687
		2.196.919	3.536.988
TOTAL ASSETS		4.482.982	5.557.838
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	1.747.730	1.747.730
Additional paid in capital	10	(14.869)	(14.869)
Retained earnings		1.784.949	2.887.864
Revaluation reserves	11	207.829	207.829
Legal reserves	12	363.337	363.337
		4.088.976	5.191.891
Non-current liabilities			
Provision for retirement benefits	13	57.970	60.652
Provision for rehabilitation of quarries	3i	16.894	-
		74.864	60.652
Current liabilities			
Trade and other payables	14	293.265	269.802
Current portion of retirement benefit obligations	13	4.878	5.295
Income tax payable		20.970	30.198
Dividend payable		29	-
		319.142	305.295
TOTAL EQUITY AND LIABILITIES		4.482.982	5.557.838

Authorized on behalf of the Board of Directors

Nikolopoulos Antonios

Chief Executive Officer



Olivera Vasilkovska

Finance Manager

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2007

	<i>Notes</i>	2007 MKD'000	2006 MKD'000
Cash flows from operating activities			
Net profit before income taxes		1.947.411	1.963.252
<i>Adjustments for:</i>			
(Gain) on disposal of property, plant and equipment		(111.627)	(10.217)
(Gain) on disposal of AFSFA		-	(238.019)
Depreciation of PPE and investment properties		224.086	202.647
Provision for retirement benefits		3.668	51.685
Fly ash written off		22.893	16.632
Bad debts collection		-	(6.592)
Interest income		(72.843)	(46.307)
Dividend income		-	(3.157)
Interest expense and bank charges		4.916	6.389
Other provision		16.894	7.479
Operating profit before working capital changes		2.035.398	1.943.792
(Increase) / Decrease in trade and other receivables		100.385	(117.160)
(Increase) / Decrease in inventories		(224.978)	(92.783)
(Increase) / Decrease in trading investments		-	232
(Decrease) / Increase in provision for retirement benefits		(6.766)	(1.247)
(Decrease) / Increase in trade and other payables		23.463	(27.731)
Cash generated from operations		1.927.502	1.705.103
Interest expense and bank charges paid		(4.916)	(6.389)
Income tax paid		(247.344)	(247.588)
Net cash flows generated from operations		1.675.242	1.451.126
Cash flows from investing activities			
Purchase of property, plant and equipment		(471.192)	(306.068)
Proceeds from sale of property, plant and equipment		116.466	10.848
Proceeds from sale of AFSFA		-	315.421
Interest income received		72.843	46.307
Dividends received		-	3.157
Net cash flows generated from / (used in) investing activities		(281.883)	69.665
Cash flows from financing activities			
Dividends paid to group shareholders		(2.666.973)	(248.562)
Dividends paid to minority shareholders		(145.209)	(13.438)
Investment in subsidiary		(22.946)	(12.330)
Net cash flows (used) in financing activities		(2.835.128)	(274.330)
Net increase in cash and cash equivalents		(1.441.769)	1.246.461
Cash and cash equivalents at 1 January		2.458.687	1.212.226
Cash and cash equivalents at 31 December	9	1.016.918	2.458.687

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
At 1 January 2006	1.747.730	(14.869)	1.441.713	363.337	382.083	3.919.994
Dividends declared	-	-	(262.000)	-	-	(262.000)
Fair value gain on available-for sale financial assets	-	-	-	-	88.788	88.788
Realized gain on disposal of available-for- sale financial assets	-	-	-	-	(261.855)	(261.855)
Deferred income tax on realized disposal of available-for- sale financial assets	-	-	-	-	(1.187)	(1.187)
Net profit for the year	-	-	1.708.151	-	-	1.708.151
At 31 December 2006	1.747.730	(14.869)	2.887.864	363.337	207.829	5.191.891

For the year ended 31 December 2007

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
At 1 January 2007	1.747.730	(14.869)	2.887.864	363.337	207.829	5.191.891
Correction on net profit from previous years	-	-	(40)	-	-	(40)
Dividends declared	-	-	(2.812.211)	-	-	(2.812.211)
Net profit for the year	-	-	1.709.336	-	-	1.709.336
At 31 December 2007	1.747.730	(14.869)	1.784.949	363.337	207.829	4.088.976

1. Corporate information

Cementarnica "Usje" A.D. - Skopje ("the Company") is incorporated in the Republic of Macedonia with the registered address at Prvomajska bb, Skopje.

The Company's main activity is production and trade with cement, masonry cement, ready mix concrete, clinker and other related products.

The Company is controlled by Titan Cement Netherlands B.V. registered in Netherlands, which has 94,84% shareholding in the Company. The Company's ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2007 was 515.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are in accordance with Titan Group accounting and reporting requirements and are set out below, except for the investment properties which are carried at cost opposed to the fair value model as required by the Group and inclusion of cash deposits with maturity of 6 months in the cash and cash equivalents as opposed to the requirement of the Group to include as cash only short term liquid investments with maturity of up to three months. Titan Group is preparing its financial statements according to the International Financial Reporting Standards.

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The presentation currency is Denar (MKD) being also the functional currency and all values are rounded to the nearest thousand (000 MKD) except when otherwise stated.

The financial statements have been prepared in accordance to the Group accounting policies which are based on the International Financial Reporting Standards.

The purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

The financial statements are the separate financial statements of the Company. The Company has one subsidiary, Cement Plus for building materials DOO - Kosovo. As the above subsidiary has not yet commenced its operations as at the balance sheet date, the Company does not prepare consolidated financial statements. This subsidiary is accounted for these financial statements at cost less any impairment in value.

Standards, amendment and interpretations effective in 2007

IFRS 7, Financial instruments: Disclosures, requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial statements and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed. The Company has disclosed in these condensed financial statements only selective disclosures of the IFRS 7 requirement which have been instructed by the Group. These selective disclosures are reflected in Note 16.

2. Summary of significant accounting policies

a. Basis of preparation (continued)

IAS 1, Presentation of financial statements - Capital disclosures, requires the company to make new disclosures to enable users of the financial statements to evaluate the company's objectives, policies and processes for managing capital. This new disclosures are shown in Note 16.

IFRIC 8, Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the company's financial statements.

IFRIC 10, Interim financial reporting and impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the company's financial statements.

Interpretation early adopted by the company

IFRIC 11, IFRS 2 - Group and treasury share transactions', was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the company's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the company's operations:

- IFRS 4, Insurance contracts;
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the company has not early adopted them:

- IFRS 8, Operating segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The company will apply IFRS 8 from 1 January 2009, but it is not expected to have any impact on the company's accounts.

2. Summary of significant accounting policies (continued)

Interpretations to existing standards that is not yet effective and not relevant for the company's Operations.

The following interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the company's operations because none of the group's companies provide for public sector services.

b. Investments in subsidiary

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

As it is also explained in note 2a above, the Company does not prepare consolidated financial statements since its subsidiary is not operational yet. This subsidiary is accounted for these financial statements at cost less any impairment in value.

c. Foreign currency translation

Transactions denominated in foreign currencies are recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Outstanding foreign currency monetary items at the balance sheet date are reported at the closing rate. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded in the period, are recognised as income or expenses for the period in which they arise.

d. Property, plant and equipment

Property, plant and equipment are stated as follows:

- those assets acquired up to 31 December 1998, the revaluation under the previous GAAP at the date of transition of the Group to IFRS (1 January 2004) was accepted as deemed cost since the revaluation was broadly comparable to depreciated cost under IFRS adjusted to reflect changes in general price index.
- those assets acquired after 31 December 1998 are stated at historical cost less accumulated depreciation and any subsequent accumulated impairment loss.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2. Summary of significant accounting policies (continued)

d. Property, plant and equipment (continued)

Depreciation of property, plant and equipment, with exception of quarries, is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives. The principal depreciation rates in use are:

Buildings	2.5 -10%
Equipment	5 - 25%

Land is stated in the balance sheet at cost less impairment and is not depreciated as it is deemed to have an infinite life, except quarries which are depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit of - production method.

e. Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Company. Investment property is measured under cost model which means that it is carried at cost, less accumulated depreciation and impairment loss, if any, in accordance with IAS 16 requirements in respect of property, plant and equipment and IAS 36 regarding impairment.

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, excluding distribution costs and administrative expenses. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Tools and consumable stores are written-off 100% when consumed.

g. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, the giro account and deposits held at call with banks with original maturities of up to six months or less.

i. Share capital

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (continued)

j. Taxation

The computation and payment of the income tax is in accordance with the Income tax Law. The payment of the monthly tax is in advance. The final tax with tax rate of 12% is calculated on the profit from the income statement, corrected for certain positions in accordance with the legislation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

k. Employee benefits

Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Pursuant to the Company's signed collective bargaining agreements the Company is obligated to pay retirement benefits in an amount equal to six average republic salaries and between one and three average republic salaries to be paid out as a jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table below:

Total number of Service Years	Number of Wages
10	1
20	3
30	3
35 (women)	3
40 (men)	3

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the amount of the six average salaries to be paid adjusted by the ratio reflecting the relation between years of experience of the employee and total service years. No actuarial valuation is performed for such benefits since management believes that there would not be any material difference if such a valuation be undertaken.

2. Summary of significant accounting policies (continued)

l. Provisions

Provisions are recognised and calculated when the Company has a present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

m. Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, discounts and after eliminating sales within the Company.

Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Interest income

The interest relates to time deposit are accounted for at the expired date of time deposit.

Dividend income

Dividend income is recognised when the right to receive payment is established.

n. Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

o. Financial risk management

Estimates and assumptions

The Group has recognised a provision for rehabilitation of quarries as a legal obligation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected costs to restore the land within 3 years after the closure of the mine site.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

p. Comparatives

Comparative figures have been reclassified where appropriate, to conform to changes in presentation in the current year. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3. Revenue and expenses

a) Sales

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Gross sales</i>		
Domestic market	3.031.468	3.251.349
Foreign market	1.302.877	962.372
	<u>4.334.345</u>	<u>4.213.721</u>
<i>Domestic market</i>		
Income from cement	2.793.706	3.006.165
Income from usjepor	71.289	56.078
Income from RMC	88.391	111.522
Income from white cement	35.843	22.308
Income from use of own products	52.435	59.302
Discount	(10.195)	(4.026)
	<u>3.031.468</u>	<u>3.251.349</u>
<i>Foreign market</i>		
Income from clinker	148.892	218.254
Income from cement	1.126.370	720.457
Income from usjepor	14.250	14.215
Income from white cement	13.365	9.446
Income from sand	-	-
	<u>1.302.877</u>	<u>962.372</u>

b) Other revenues

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Services	36.051	39.678
Transport of clinker	23.590	164.461
Third part freight	12.956	17.534
Pet coke	113.388	111.869
Sand	1.876	2.273
Limestone	44.478	85
Additives	398	125
Income from use of own products	1.532	345
	<u>234.269</u>	<u>336.370</u>

3. Revenue and expenses (continued)

c) Cost of sales

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Transportation services	62.315	190.635
Electricity and fuel	919.019	697.875
Raw materials	268.384	270.306
Consumables	92.282	99.841
Own products	53.967	59.647
Salaries & other benefits	343.046	343.910
Spare parts	77.714	82.915
Deed contracts	64.888	77.657
Insurance premium	7.563	7.001
Packing expenses	209.082	184.374
Change of inventories	(178.001)	12.324
Cost of goods traded	146.909	141.267
Other services	63.906	60.321
Other expenses	118.197	110.737
	<u>2.249.271</u>	<u>2.338.810</u>

d) Other operating income

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Canteen	3.508	3.835
Scrap	2.547	3.243
Collected written off receivables	-	6.592
Collected damages from insurance companies	343	473
Rent income	1.659	922
Other revenues from previous years	2.666	2.764
Gain from sale of fixed assets	111.627	9.808
Revenue from sold business premises	4.602	-
Others	1.439	2.227
	<u>128.391</u>	<u>29.864</u>

Gain from sale of fixed assets in amount of MKD 111.621 thousand relates to sale of building to a third party.

3. Revenue and expenses (continued)

e) Other operating expenses

	2007 MKD'000	2006 MKD'000
Net book value of disposed fixed assets	4.844	630
Business premises costs	542	557
Extraordinary losses	1.366	6.591
Staff leaving indemnities (including VELP)	23.051	60.184
Withholding tax	72	1.889
Other	6.751	2.247
	<u>36.626</u>	<u>72.098</u>

f) Selling and marketing expenses

	2007 MKD'000	2006 MKD'000
Gross salaries and wages	19.145	19.108
Electricity, telephones, post expenses etc	2.541	1.272
Other taxes	2.387	3.574
Entertainment	638	614
IT consultancy fees and related expenses	843	989
Car expenses	410	580
Insurance	387	371
Donations	197	-
Legal fees	37	5
Other expenses	10.125	11.591
	<u>36.710</u>	<u>38.104</u>

g) Administrative expenses

	2007 MKD'000	2006 MKD'000
Technical fees	129.805	129.300
Gross salaries and wages	49.625	52.968
Electricity, telephones, post expenses etc	6.227	4.530
Promotion and advertisement	5.581	2.710
Donations	4.413	2.011
Audit fees	2.152	2.694
IT consultancy fees and related expenses	2.056	2.326
Entertainment	1.975	1.416
Legal fees	999	1.355
Car expenses	1.478	1.942
Insurance	1.117	1.463
Utilities	1.860	2.771
Other expenses	22.679	21.846
	<u>229.967</u>	<u>227.332</u>

3. Revenue and expenses (continued)

h) Finance income, net

	2007 MKD'000	2006 MKD'000
Interest income	72.843	46.307
Dividend income	-	3.157
Bank charges	(4.749)	(6.384)
Interest expense	(167)	(6)
Net foreign exchange (losses)	(1.074)	(2.172)
Net gain from sale of available-for-sale financial assets	-	238.018
	<u>66.853</u>	<u>278.920</u>

Net gain from sale of available-for-sale financial assets related to the disposal of listed shares held in one local bank.

i) Provision for rehabilitation of quarries

According to the concession agreement the Company has a liability to restore the land on which it has undertaken mining activities. For this purpose the Company has recognised a provision for rehabilitation of quarries.

4. Income tax

The income tax comprises:

	2007 MKD'000	2006 MKD'000
Current income tax	238.078	251.196
Deferent Income tax	-	3.905
	<u>238.075</u>	<u>255.101</u>

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to Company's effective income tax rate for the years ended 31 December 2007 and 31 December 2006 is as follows:

	2007 MKD'000	2006 MKD'000
Net profit before income tax	<u>1.947.411</u>	<u>1.963.252</u>
At statutory income tax rate of 12% (2006:15%)	233.689	294.488
Tax on income not taxable for tax purposes	(2.835)	(11.245)
Tax on expenses not deductible for tax purposes	8.033	13.153
Tax relief on investment in fixed assets	-	(44.662)
Tax relief on paid jubilee awards and retirements provided for in previous tax period	(812)	(538)
Tax relating to origination and reversal of temporary differences	-	3.905
	<u>238.075</u>	<u>255.101</u>

4. Income tax (continued)

No deferred tax assets have been recognised in the financial statements since management believes that these would not have a material effect on the financial statements.

5. Property, plant and equipment

	<i>Land and Buildings MKD'000</i>	<i>Equipment MKD'000</i>	<i>Construction in progress MKD'000</i>	<i>Total MKD'000</i>
Cost				
At 1 January 2007	2.838.998	3.779.978	41.607	6.660.583
Additions	127.667	-	343.525	471.192
Transfers from CIP	17.340	197.761	(215.101)	-
Transfer to investment property	(5.284)	-	-	(5.284)
Disposals	(37.479)	(7.807)	-	(45.286)
At 31 December 2007	<u>2.941.242</u>	<u>3.969.932</u>	<u>170.031</u>	<u>7.081.205</u>
Depreciation				
At 1 January 2007	1.920.958	2.731.894	-	4.652.852
Charge for the period	43.285	180.600	-	223.885
Disposals	(32.877)	(7.571)	-	(40.448)
At 31 December 2007	<u>1.931.366</u>	<u>2.904.923</u>	<u>-</u>	<u>4.836.289</u>
Net book value at 31 December 2007	<u>1.009.876</u>	<u>1.065.009</u>	<u>170.031</u>	<u>2.244.916</u>
Net book value at 1 January 2007	<u>918.040</u>	<u>1.048.084</u>	<u>41.607</u>	<u>2.007.731</u>

6. Investments in subsidiary

	<i>2007 MKD'000</i>	<i>2006 MKD'000</i>
Cement Plus LLC for buildings materials - Kosovo	<u>35.276</u>	<u>12.330</u>

During July 2006, the Company established a new company in Kosovo. The new subsidiary is 65% owned by the Company. During 2007 the initial capital was increased for MKD 22.946.000,00. No changes in the percentage of ownership happen as a result of the capital increase.

7. Inventories

	2007 MKD'000	2006 MKD'000
Raw materials	169.585	234.574
Spare parts and supplies	271.557	251.196
Semi-finished goods	276.834	88.252
Finished goods	64.760	75.341
Packing materials	41.499	29.978
Goods for resale	1.377	1.302
Consumable stores	215.596	161.828
Prepayments for inventory purchase	12.899	9.551
	<u>1.054.107</u>	<u>852.022</u>

8. Trade and other receivables

	2007 MKD'000	2006 MKD'000
Trade debtors domestic	37.808	56.752
Trade debtors foreign	27.455	101.331
Advances to suppliers	40.222	1.468
Prepayments	18.663	64.172
Other current assets	1.746	2.556
	<u>125.894</u>	<u>226.279</u>

Trade receivables are non-interest bearing and are generally on 0 - 60 days terms.

As at 31 December, the aging analysis of trade receivables is as follows:

	Total	Past due but not impaired				
		< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2007	65.263	39.900	18.606	6.685	-	72
2006	158.083	92.860	45.466	19.850	-	(93)

9. Cash and cash receivables

	2007 MKD'000	2006 MKD'000
Bank deposits	884.684	2.440.370
Cash at bank	132.216	18.282
Cash at hand	18	35
	<u>1.016.918</u>	<u>2.458.687</u>

10. Share capital

<i>Authorized, issued and fully paid</i>	<i>Number of shares</i>	<i>% holding</i>
Titan Cement Netherlands B.V. - ordinary shares of MKD 3.100 each	534.667	94.84%
Other shareholders - ordinary shares of MKD 3.100 each	29.117	5.16%
	563.784	100%

	<i>Amount MKD'000</i>
Share capital as registered	1.747.730
Less: Additional paid in capital	(14.869)
At 31 December 2007 and 31 December 2006	<u>1.732.861</u>

Dividends paid and proposed

	<i>MKD'000</i>
<i>Declared and paid during the year ended 31 December 2006</i>	
Final dividend for 2005: MKD 464,7 per share	<u>262.000</u>
<i>Declared and paid during the period ended 31 December 2007</i>	
Final dividend for 2006: MKD 1.951,10 and 3.037.00 per share	
Declared:	<u>2.812.211</u>
Paid:	<u>2.812.182</u>

Dividends declared and paid for the year ended 31 December 2006 and year ended 31 December 2007 entirely relate to equity dividends on ordinary shares.

11. Revaluation reserves

Assets revaluation reserve

The asset revaluation reserves have resulted from the revaluation of property, plant and equipment in accordance with local regulations up to 31 December 1998 as it is also explained in paragraph 2d above. These reserves are not available for distribution of dividends and can be used for covering future losses and/or converted into share capital.

12. Legal reserves

Legal reserves are regulated by local Company Law, according to which companies are required to allocate to this reserve at least 15% of their annual net profit until the balance of the reserve reaches 20% of the company's share capital. The legal reserve may be used only for covering losses if the balance does not exceed 20% of the Company's share capital. The excess over 20% of the share capital may be used for dividend distribution, following a decision by the Assembly of the shareholders.

13. Provision for retirement benefits

	2007 MKD'000	2006 MKD'000
Retirement benefits	33.202	32.383
Jubilee anniversary awards	29.646	33.564
	<u>62.848</u>	<u>65.947</u>
<i>Analyzed as:</i>		
Non-current portion	57.970	60.652
Current portion	4.878	5.295
	<u>62.848</u>	<u>65.947</u>

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the amount of the six average salaries to be paid adjusted by the ratio reflecting the relation between years of experience of the employee and total service years. No actuarial valuation is performed for such benefits since management believes that there would not be any material difference if such a valuation be undertaken.

14. Trade and other payables

	2007 MKD'000	2006 MKD'000
Domestic trade creditors	120.334	112.377
Foreign trade creditors	28.359	79.988
Tangible assets creditors	65.811	18.764
Customer prepayments	36.713	31.892
Other current liabilities	42.048	26.781
	<u>293.265</u>	<u>269.802</u>

15. Related party transactions

Titan Cement Netherlands B.V. owns 94.84% of the Company's share capital.

The following transactions were carried out with the related parties:

a) Sales of goods and services

	2007 MKD'000	2006 MKD'000
Titan Cement Company - clinker	28.304	-
Titan Cement Company - advance	56	-
Titan Kosjeric - services	275	-
Titan Zlatna Panega - clinker	144.177	382.716
Titan Zlatna Panega - services	317	-
	<u>173.129</u>	<u>382.716</u>

15. Related party transactions (continued)

Outstanding balances arising from the transactions mentioned above are presented below:

Receivables from related parties

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Cement Company - advance	56	-
Titan Zlatna Panega - clinker	8.268	71.529
	<u>8.324</u>	<u>71.529</u>

b) Purchases of goods and services

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Cement Company - white cement and pet coke	493.320	548.394
Titan Cement Company - services	81	336
Titan Cement Company - spare parts and fixed assets	6.890	4.055
Titan Kosjeric - raw materials	650	-
Titan Zlatna Panega - services	-	275
Titan Zlatna Panega - grey cement	5.591	3.348
Balkcem Limited - technical fee	129.805	129.300
	<u>636.337</u>	<u>685.708</u>

Outstanding balances arising from the transactions mentioned above are presented below:

Payables to related parties

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Cement Company - white cement and pet coke	625	47.603
Titan Zlatna Panega - grey cement	207	585
Balkcem Limited - technical fee	4.067	6.410
	<u>4.899</u>	<u>54.598</u>

The Company enter into these transactions with the above related parties at mutually agreed terms.

16. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade payables. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

a) Interest risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

b) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. To manage the foreign exchange risk the Company provides enough cash in foreign currencies held in banks in order to maintain its future commercial transactions.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Trade payables	-	209.605	-	-	-	209.605
Other payables	-	99.760	-	-	-	99.760
Payables to related parties	-	4.899	-	-	-	4.899

Year ended 31 December 2006

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Trade payables	-	156.530	-	-	-	156.530
Other payables	-	88.871	-	-	-	88.871
Payables to related parties	-	54.599	-	-	-	54.599

16. Financial risk management objectives and policies (continued)

d) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral: bank guaranties and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial investments and other financial assets (non-current), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

The Company monitors its equity capital using earnings before interest, tax, depreciation and amortization (EBITDA) for the year.

	<i>2007</i>	<i>2006</i>
	<i>MKD'000</i>	<i>MKD'000</i>
EBITDA	<u><u>2.104.644</u></u>	<u><u>1.886.979</u></u>

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined at TITAN Group level.

17. Subsequent events

Commencing from 1 January 2008, new lower tax rates were introduced in respect of income tax and other taxes (from 12% to 10%) which may have positive impact on the future Company's assets, liabilities and cash flows. It is expected that the Company will benefit from the above Government tax incentive.

The Company, Rudmak Doel in Macedonia was acquired by Cementarnica "USJE" AD Skopje on 2 January 2008.