



**TITAN**  
CEMENTARA KOSJERIĆ

**“TITAN CEMENTARA KOSJERIC” A.D.  
FINANCIAL STATEMENTS  
FOR GROUP CONSOLIDATION REPORTING PURPOSES  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**TITAN CEMENTARA KOSJERIC A.D.  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2006  
PREPARED FOR GROUP CONSOLIDATION PURPOSES**

---

<b>CONTENTS</b>	<b>Pages</b>
<b>Audit Report</b>	<b>1-2</b>
<b>Financial Statements</b>	<b>3-6</b>
<b>Notes to the Financial Statements</b>	<b>7-26</b>

**GENERAL DIRECTOR**

Mr Miroslav Gligorijević

**Registered office**

Cementara "Kosjeric"  
Zivajina Misica bb  
31260 Kosjeric  
Serbia and Montenegro

**Auditor**

Ernst & Young d.o.o. Beograd  
Bulevar Mihajla Pupina 115d  
11 070 Beograd  
Serbia and Montenegro

---

## AUDIT REPORT TO BOARD OF DIRECTORS OF TITAN CEMENTARA KOSJERIC A.D. KOSJERIC

We have audited the condensed financial statements for group consolidation reporting purposes of Titan Cementara Kosjeric a.d. Kosjeric ("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 condensed financial statements in accordance with International Financial Reporting Standards in all material respects. 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the following paragraph, 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 auditors' 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 for 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.

The scope of our audit procedures was established based on the tolerable error set for group reporting purposes, amounting to €2,500,000.

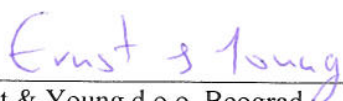
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 gives a true and fair view of the financial position of the Company as of December 31, 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.

Belgrade, 4<sup>th</sup> February 2008

  
Ernst & Young d.o.o. Beograd

**TITAN CEMENTARA KOSJERIC A.D.**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Income Statement**

	Notes	For 12 months period ended 31-Dec-07	For 12 months period ended 31-Dec-06
Sales	3	3,251,418	3,161,800
Cost of sales	4	<u>(1,998,871)</u>	<u>(2,123,680)</u>
<b>Gross profit</b>		<b>1,252,547</b>	<b>1,038,120</b>
Other operating income	5	72,360	57,262
Selling expenses	6	(26,557)	(23,121)
Administrative expenses	7	(227,819)	(245,494)
Other operating expenses	5	<u>(158,582)</u>	<u>(181,564)</u>
<b>Profit on ordinary activities before finance income and Taxation</b>		<b>911,949</b>	<b>645,203</b>
Finance income/(expenses), net	8	<u>103,292</u>	<u>(38,825)</u>
<b>Profit before taxation</b>		<b>1,015,241</b>	<b>606,378</b>
Taxation	9	(57,167)	(39,371)
<b>Profit for the period</b>		<b><u>958,074</u></b>	<b><u>567,007</u></b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Balance sheet**

	Notes	As at 31 December 2007	As at 31 December 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,293,259	2,460,013
Construction in progress	10	89,275	31,754
Advances to suppliers for fixed assets	10	24,213	7,960
Intangible Assets	11	43,772	12,269
Investment in subsidiary	12	7,966	-
Other long term assets	13	998	10,247
		<u>2,459,483</u>	<u>2,522,243</u>
<b>Current assets</b>			
Inventories	14	774,775	661,331
Trade receivables	15	100,400	97,195
Other receivables	16	68,092	51,448
Cash and cash equivalents	17	2,273,004	1,316,368
		<u>3,216,271</u>	<u>2,126,342</u>
<b>Total assets</b>		<u><u>5,675,754</u></u>	<u><u>4,648,585</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares	18	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		1,554,400	1,017,235
Current period result		958,074	567,007
		<u>5,184,157</u>	<u>4,255,925</u>
<b>Non current liabilities</b>			
Other non current liabilities	19	186,343	177,202
<b>Current liabilities</b>			
Trade and other payables	20	305,254	215,458
<b>Total Liabilities</b>		<u>491,597</u>	<u>392,660</u>
<b>Total equity and liabilities</b>		<u><u>5,675,754</u></u>	<u><u>4,648,585</u></u>

The financial statements on pages 3 to 26 were signed on its behalf by:

Mr Miroslav Gligorijević

General Director

Slavica Vukosavljević

Finance Director

**TITAN CEMENTARA KOSJERIC A.D.**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Statement of Changes in Equity**

	<b>Ordinary shares</b>	<b>Legal reserve</b>	<b>Retained earnings</b>	<b>Current period result</b>	<b>Total</b>
<b>Balance at 1 January 2006</b>	<b>2.505.209</b>	<b>134.849</b>	<b>475.676</b>	<b>603.276</b>	<b>3.719.010</b>
Transfer to retained earnings	-	-	603.276	(603.276)	-
Distribution of 2005 income	-	31.625	(31.625)	-	-
Paid dividends	-	-	(30.044)	-	(30.044)
Current period result	-	-	-	567.007	567.007
Transfer from Retained earnings	-	-	(48)	-	(48)
<b>Balance at 31 December 2006</b>	<b>2.505.209</b>	<b>166.474</b>	<b>1.017.235</b>	<b>567.007</b>	<b>4,255,925</b>
Transfer to retained earnings	-	-	567,007	(567,007)	-
Paid dividends	-	-	(29,842)	-	(29,842)
Current period result	-	-	-	958,074	958,074
Transfer from Retained earnings	-	-	-	-	-
<b>Balance at 31 December 2007</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,554,400</b>	<b>958,074</b>	<b>5,184,157</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Cash Flow Statement**

	Notes	For 12 months period ended 31-Dec-07	For 12 months period ended 31-Dec-06
<i>Cash flows from operating activities</i>			
Profit after taxation		958,074	567,007
Adjustments for:			
Tax	9	57,167	39,371
Depreciation expense	10	285,783	270,243
Interest income	8	(103,659)	(42,662)
Interest expense	8	0	287
(Gain) / Loss on sale of property, plant and equipment		-	(3,224)
Loss on disposals of fixed assets	10	1,209	4,331
Effects of exchange rate changes	8	367	81,200
<b>Operating cash flows before working capital changes</b>		<b>1,198,941</b>	<b>916,553</b>
Changes:			
(Increase)/decrease in trade and other receivables		(19,848)	(67,334)
(Increase)/decrease in inventory		(113,444)	24,181
Increase/(decrease) in trade and other payables		96,528	(38,786)
Trading Investments		-	-
Decrease in other long term assets		9,249	11,060
<b>Cash generated from operations</b>		<b>1,171,426</b>	<b>845,674</b>
Interest paid	8		(287)
Tax paid		(57,167)	(39,371)
<b>Net cash from operating activities</b>		<b>1,114,259</b>	<b>806,016</b>
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary	12	(7,966)	-
Purchase of property, plant and equipment	10	(194,012)	(121,200)
Purchase of intangible assets	11	(31,503)	(12,269)
Interest received		103,659	42,662
Proceeds from sale of property, plant and equipment		-	3,224
<b>Net cash used in investing activities</b>		<b>(129,822)</b>	<b>(87,583)</b>
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(27,434)	(30,092)
<b>Net cash from financing activities</b>		<b>(27,434)</b>	<b>(30,092)</b>
Effects of exchange rate changes		(367)	(81,200)
<b>Net increase/(decrease) in cash</b>		<b>956,636</b>	<b>607,141</b>
Cash at the beginning of period	16	1,316,368	709,227
<b>Cash at the end of period</b>	16	<b>2,273,004</b>	<b>1,316,368</b>



**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**1 General information**

Cementara "Kosjerić" a.d. (the Company) is a private company, domiciled in Kosjerić, Republic of Serbia. The address of its registered office is as follows:

Živojina Mišića bb  
31 260 Kosjerić

The Company was founded in 1975. 70% of the shares of the Company were acquired by Titan Group (the Group) domiciled in Greece, Athens and represented by Tithys Ltd, Cyprus. The purchase agreement was signed on 31 January 2002 with the Serbian Privatisation Agency and followed by a transfer of control on 2 April 2002.

In December 2004, the Company's owner purchased additional 4.28% of remaining shares in ownership of employees for which it was entitled by the SPA. After this action taken place, the Company's current ownership structure is as follows: Tithys Ltd. owns 74.28% of total shares, Privatisation register owns 22.07% of total shares and small shareholders own 3.65% of total shares.

The principal activity of the Company is the production of cement. In addition, the Company provides cement transportation services, owns one hotel, two grocery stores and one bakery.

The Company employed 384 people as at 31 December 2007.

**2 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. Titan Group is preparing its financial statements according to the International Financial Reporting Standards.

**(a) Basis of preparation**

The financial statements have been prepared on a historical cost basis. The presentation currency is Dinar (RSD) being also the functional currency and all values are rounded to the nearest thousand (000 RSD) except when otherwise indicated.

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.

**(b) Property, plant and equipment**

Property plant and equipment are carried at cost, less accumulated depreciation and impairment in value if any. Land is shown at cost less impairment if any.

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Depreciation is calculated on the straight-line method intended to write off the cost of each asset to their residual values over the estimated useful life.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**2 Accounting policies (cont.)**

**(b) Property, plant and equipment (cont.)**

Depreciation rates are set as follows:

	%
Mineral Reserves	1.57-4.37
Buildings (including raw mill and electricity transmission and pipelines)	2-5
Marl crusher	16.5
Plant machinery	10
Rotary kiln	7
Vehicles	15
Furniture	10-12.5

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company.

Repairs and renewals are charged directly to the income statement when the expenditure is incurred

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

At each reporting date the management assess whether there is any indication of impairment of property plant and equipment. If any such indication exists the management estimate the recoverable amount, which is determined as the higher of an asset's net selling price and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognized as an expense (impairment loss) in the Income Statement. An impairment loss recognised for an asset in prior years is reversed if there has been the circumstances that led to the impairment.

**(c) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Appropriate allowance is made for damaged, obsolete and slow-moving items. Write-downs to net realizable value and inventory losses are expensed in the period in which they occur.

**(d) Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original term of receivables. 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 and is recognized in the Income statement.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**2 Accounting policies (cont.)**

**(e) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with bank and deposits held at call with banks.

**(f) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made.

**(g) Revenue recognition**

Revenue, which excludes value added tax (V.A.T.) and discounts, represents the invoiced value of goods and services supplied and is recognized usually when significant risks and rewards and ownership of the goods are transferred to the buyer at the date on which the goods are shipped to customers.

**(h) Taxation**

Current income tax is calculated at the rate of 10% on taxable profit reported in tax returns.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

**(i) Foreign currency transactions**

The Company's functional currency is the RSD. Transactions denominated in a currency other than the RSD are recorded at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into RSD at the official exchange rate of the National Bank of Serbia at the balance sheet date. Foreign currency exchange differences arising from the translation of assets and liabilities and from the settlement of transactions are reflected in the income statement as foreign exchange gain/(loss).

At 31 December 2006, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 79.0 and as at 31 December 2007 EURO 1= RSD 79.3. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

**3 Sales**

	<b>For 12 months period ended 31-Dec-07</b>	<b>For 12 months period ended 31-Dec-06</b>
Sales revenue cement	3,241,581	2,924,146
Sales revenue clinker	9,837	237,654
<b>Total</b>	<b>3,251,418</b>	<b>3,161,800</b>

Revenue of RSD 34,317 th is coming from the sale of 6 th tons of cement to the Company's subsidiary TCK Montenegro D.O.O., and all clinker revenue is coming from the sale of clinker to the Titan's subsidiary Zlatna Panega (Note 20).

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**4 Cost of sales**

	For 12 months period ended 31-Dec-07	For 12 months period ended 31-Dec-06
<b>Variable</b>		
Kiln fuel	557,101	569,696
Raw material	200,965	197,771
Electricity power	171,237	143,849
Fuel and oil	41,025	39,612
Refractory	18,481	21,096
Grinding media	13,060	9,795
Explosives	8,648	5,490
Concession fees	7,353	10,425
Other variable costs	2,309	2,163
<b>Total variable cost</b>	<b>1,020,179</b>	<b>999,897</b>
<b>Fixed</b>		
Salaries	326,223	314,258
Maintenance spare parts	69,659	51,073
Third parties services	36,812	30,425
Lining	599	1,917
Insurance and taxes	17,285	19,291
Other fixed costs	47,364	43,385
<b>Total fixed cost</b>	<b>497,942</b>	<b>460,349</b>
<b>Packing</b>		
Salaries	25,443	24,438
Bags	72,085	69,515
Pallets and folio	35,208	29,759
Electricity power	1,187	941
Fuel and oil	1,342	1,121
Maintenance spare parts	8,978	6,767
Third parties maintenance	279	1,165
Insurance	67	78
Other expenses	4,920	2,826
<b>Total packing cost</b>	<b>149,509</b>	<b>136,610</b>
<b>Inventory (Increase)/Decrease</b>	<b>(97,871)</b>	<b>35,731</b>
<b>Depreciation</b>	<b>225,854</b>	<b>233,183</b>
<b>Distribution Expenses</b>		
Salaries	-	3,443
Fuel and oil	-	159
Maintenance spare parts	-	29
Third parties services transportation	193,500	244,875
Insurance	129	190
Other	6,032	7,218
<b>Total distribution costs</b>	<b>199,661</b>	<b>255,914</b>
<b>Cost of Traded Goods</b>	<b>3,597</b>	<b>1,996</b>
<b>Total Cost of Sales</b>	<b>1,998,871</b>	<b>2,123,680</b>

Cost of traded goods refers to the resale of white cement purchased from Titan Cement Company S.A. Third parties services- transportation relate to transportation services for goods sold.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**5 Other operating income and expenses**

	<b>For 12 months period ended 30-Dec-07</b>	<b>For 12 months period ended 31-Dec-06</b>
Income from hotel, restaurant and bakery	33,109	31,689
Revenue from sales of disposal material	17,472	10,939
Collection of the receivables for which provision was made	4,014	1,576
Revenue from other operating activities	2,318	1,533
Profit on sales of fixed assets	-	3,224
Other income	15,447	8,301
<b>Total other operating income</b>	<b>72,360</b>	<b>57,262</b>
Expenses from hotel, restaurant and bakery	26,635	26,199
Salaries	28,822	28,907
Employee redundancy expenses	-	14,404
Depreciation	52,483	29,333
Impairment of accounts receivable	2,512	4,068
Retirement benefit obligation	6,154	2,892
Litigation provision	6,132	13,366
Other expenses	35,844	62,395
<b>Total other operating expenses</b>	<b>158,582</b>	<b>181,564</b>

**6 Selling expenses**

	<b>For 12 months period ended 31-Dec-07</b>	<b>For 12 months period ended 31-Dec-06</b>
Salaries	16,169	15,920
Rental Expenses	2,520	268
Traveling expenses & Car Expenses	1,158	1,571
Other	5,711	4,401
Depreciation	999	961
	<b>26,557</b>	<b>23,121</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**7 Administrative expenses**

	<b>For 12 months period ended 31-Dec-07</b>	<b>For 12 months period ended 31-Dec-06</b>
Administrative and technical assistance fees – see Note 21	22,714	50,807
Salaries	64,262	61,788
Donation to Municipality – see Note 19	55,367	57,538
Donations	10,316	8,197
Communication	2,958	1,512
Consulting services	3,227	6,278
Legal and court fees	11,398	9,777
Representation	3,570	2,449
Car expenses	3,808	3,227
Business trip	4,551	3,077
Training and education	11,710	4,752
Other costs	27,491	29,326
Depreciation	6,447	6,766
	<b>227,819</b>	<b>245,494</b>

Administrative and technical assistance fees relate to the contract signed on 15 December 2003 between Tithys Limited, Cyprus, and the Company for the period of five years starting on 2 April 2002. This contract is to be renewed for an additional 5 years period, unless one of the contracted parties notifies the other, in writing, for non renewal of the contract three months prior to its expiration. According to the contract Tithys Limited, Cyprus will provide to the Company administrative and general technical assistance (commercial, human resources, financial, training etc), as well as provide the Company with technical expertise of the Titan Group.

**8 Finance income and expenses**

	<b>For 12 months period ended 31-Dec-07</b>	<b>For 12 months period ended 31-Dec-06</b>
Bank interest and related income	103,659	42,662
Foreign exchange gain	20,541	16,934
Bank interest and related expenses	-	(287)
Foreign exchange loss	(20,908)	(98,134)
	<b>103,292</b>	<b>(38,825)</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**9 Taxation**

	For 12 months period ended 31-Dec-07	For 12 months period ended 31-Dec-06
Current tax	57,167	39,371
Change in deferred tax (asset)/liability	-	-
	<u>57,167</u>	<u>39,371</u>

The tax on the Company's profit before tax differs from theoretical amounts that would arise using the basic tax rate of 10% as follows:

	2007	2006
<b>Accounting profit for the 12 months period ended 31 December</b>	<b>1,015,241</b>	<b>606,378</b>
<i>Add back:</i>		
Accounting depreciation	285,783	270,243
Provisions	39,220	60,494
Non business expenses	20,395	2,786
Penalties and capital loss	397	5,279
Write off of fixed assets	2,702	-
Impact of transfer pricing	1,574	43,437
<i>Less:</i>		
Depreciation for tax purposes	(221,969)	(231,048)
<b>Tax basis profit for the 12 months period ended 31 December</b>	<b>1,143,343</b>	<b>787,411</b>
<b>Tax at 10%</b>	<b>114,334</b>	<b>78,741</b>
<b>50% tax relief for investments</b>	<b>57,167</b>	<b>39,370</b>
<b>Current income tax</b>	<b>57,167</b>	<b>39,371</b>

The deferred tax assets are calculated based on the figures of temporary differences shown in the table below and application of a 10% tax rate according to local legislation.

	Gross temporary differences		Deferred tax asset/liability		Change for the period from 31 December 2006 to 31 December 2007	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006	Change of gross temporary differences	Change in deferred Tax
Temporary differences						
Differences in net carrying value of fixed assets between tax and accounting purposes	130,487	61,184	13,049	6,118	69,303	6,931
	<u>130,487</u>	<u>61,184</u>	<u>13,049</u>	<u>6,118</u>	<u>69,303</u>	<u>6,931</u>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**9 Taxation (cont.)**

As at 31 December 2007 a deferred tax asset of RSD 13,049 thousand has not been recognized for the deductible temporary differences arising from differences in depreciation rates and depreciation methods between tax and accounting purposes.

In addition the Company has available tax credit of RSD 134,033 thousand from which deferred tax asset may arise. The tax credit incurred in 2003 amounts to RSD 123,347 thousand and the tax credit incurred in 2004 amounts to RSD 10,686 thousand and can be carried forward for 10 years. However the Company decided not to recognize deferred tax assets from unused tax credit in these financial statements due to uncertainty of its utilization.

**10 Property plant and equipment**

	Land	Mineral Reserves	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Advances for fixed assets	Total
<b>Cost</b>									
<b>At 31 December 2006</b>	53,611	105,445	2,495,489	2,837,993	330,669	5,823,207	31,754	7,960	5,862,921
Additions during the period	5,680	8,063	2,154	55,310	-	71,207	97,440	25,365	194,012
Reclassification from/to another category	(171)	171	13,363	35,668	-	49,031	(39,919)	(9,112)	-
Sales / write off during period	-	-	-	(37,536)	(5,798)	(43,334)	-	-	(43,334)
<b>At 31 December 2007</b>	59,120	113,679	2,511,006	2,891,435	324,871	5,900,111	89,275	24,213	6,013,599
<b>Accumulated depreciation/depletion</b>									
<b>At 31 December 2006</b>			1,109,861	1,956,418	296,915	3,363,194	0	0	3,363,194
Charge for the period	-	3,354	106,371	168,587	7,471	285,783	-	-	285,783
Sales/ write off during period	-	-	-	(36,327)	(5,798)	(42,125)	-	-	(42,125)
<b>At 31 December 2007</b>	0	3,354	1,216,232	2,088,678	298,588	3,606,852	0	0	3,606,852
<b>Net book value</b>									
<b>At 31 December 2007</b>	59,120	110,325	1,294,774	802,757	26,283	2,293,259	89,275	24,213	2,406,747
<b>At 31 December 2006</b>	53,611	105,445	1,385,628	881,575	33,754	2,460,013	31,754	7,960	2,499,727



**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**10 Property plant and equipment (cont.)**

The table below shows age structure of given prepayments for the purchase of property plant and equipment.

	Year ended 31 December 2007			Total
	Past due but not impaired			
	Less than 3 months	3 to 12 months	> 1 year	
Prepayments for property plant and equipment	16,891	4,300	3,022	24,213

**Year ended 31 December 2006**

	Past due but not impaired			Total
	Past due but not impaired			
	Less than 3 months	3 to 12 months	> 1 year	
Prepayments for property plant and equipment	2,307	745	4,908	7,960

**11 Intangible Assets**

	Computer Software	Total
<b>Cost</b>		
At 31 December 2006	12,269	12,269
Additions during the period	31,503	31,503
At 31 December 2007	43,772	43,772
<b>Accumulated amortization</b>		
At 31 December 2006	-	-
Charge for the period	-	-
At 31 December 2007	-	-
<b>Net book value</b>		
At 31 December 2007	43,772	43,772
At 31 December 2006	12,269	12,269

Computer software is related to licenses for the SAP ERP Package that the Company is expecting to apply from January 2008.

**12 Investment in subsidiary**

This is related to the investment of the Company in its subsidiary "TCK MONTENEGRO D.O.O" (here and after the Subsidiary), a limited liability company, founded in order to facilitate, as distributor of cement, the Group activities in Montenegro. The Company is participating in the Subsidiary by controlling the 100% of its share capital. The share capital of the subsidiary is Euro 100 th. The Company shows the participation in its books at historical cost, which in the case is the Euro 100 th translated in RSD with the exchange rate of the date of the Subsidiary's foundation. The historical cost of the investment is RSD 7,966 thousand.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000\* RSD unless otherwise stated)

**13 Other long term assets**

	<b>As at 31 December 2007</b>	<b>As at 31 December 2006</b>
Borrowing to employees- long term portion	998	10,247
	<u>998</u>	<u>10,247</u>

Long term borrowings to employees mainly relate to funds borrowed to each employee in amount of RSD 86 thousand (EUR 1 thousand) in December 2005, with maturity of three years starting from January 2006. Total amount borrowed to employees was in RSD 31,317 thousand.

**14 Inventories**

	<b>As at 31 December 2007</b>	<b>As at 31 December 2006</b>
Material and fuel	194,390	209,831
Spare parts and other inventory	337,072	314,168
Packing materials	17,583	8,497
Work in progress	151,435	61,486
Finished products	74,176	66,253
Goods for resale	119	1,096
	<u>774,775</u>	<u>661,331</u>

Material and fuel in the amount of RSD 125,451 thousand, as at 31 December 2007, relates to petrol coke, and, the amount of RSD 20,493 thousand of raw materials relate to crude oil.

**15 Trade receivables**

	<b>As at 31 December 2007</b>	<b>As at 31 December 2006</b>
Trade receivables	75,637	69,980
Trade receivables from related parties (Note 20)	31,469	35,559
Provision for impairment of receivables	(6,706)	(8,344)
	<u>100,400</u>	<u>97,195</u>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**15 Trade receivables (cont.)**

As at 31 December 2007, trade receivables at nominal value of RSD 6,706 thousand (2006: RSD 8,344 thousand) were provided for impairment. Movements in the provision for impairment of receivables were as follows:

	<b>Provision for impairment of other receivables</b>
At 1 January 2006	<b>6,159</b>
Charge for the year	4,070
Unused amounts reversed	(1,576)
Utilised	(309)
<b>At 31 December 2006</b>	<b>8,344</b>
At 1 January 2007	<b>8,344</b>
Charge for the year	2,512
Unused amounts reversed	(4,014)
Utilised	(136)
<b>At 31 December 2007</b>	<b>6,706</b>

As at 31 December, the aging analyses if trade receivables is as follows:

<b>Year ended 31 December 2007</b>		<b>Past due but not impaired</b>				
Description	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	68.931	56.464	10.593	1.078	202	595
Trade receivables-related parties	31.469	11.270	14.236	2.653	441	2.868
<b>Total</b>	<b>100.400</b>	<b>67.734</b>	<b>24.829</b>	<b>3.731</b>	<b>643</b>	<b>3.463</b>
<b>Year ended 31 December 2006</b>		<b>Past due but not impaired</b>				
Trade receivables	61.636	47.891	8.066	2.868	904	1.908
Trade receivables-related parties	35.559	9.233	14.734	11.592	-	-
<b>Total</b>	<b>97.195</b>	<b>57.124</b>	<b>22.800</b>	<b>14.460</b>	<b>904</b>	<b>1.908</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**16 Other receivables**

	As at 31 December 2007	As at 31 December 2006
Prepayments for inventory	7,638	12,011
Provision for impairment of prepayments for inventory	(2,163)	(2,163)
Receivables from employees	24,805	21,873
Accrued expenses	11,571	5,518
Receivables for funds lent to firms	1,562	1,566
Provision for impairment of receivables for funds lent to firms	(1,562)	(1,566)
Receivables for fixed assets	-	2
VAT Receivable	19,634	6,734
Other receivables from state	1,345	325
Other receivables	5,262	7,148
	<b>68,092</b>	<b>51,448</b>

Receivables for employees in amount of RSD 11,980 thousand represent current portion of long term borrowings (Note 12). The remaining RSD 12,025 thousand relate to borrowings for six months, given to employees in December 2007.

As at 31 December 2007, other receivables at nominal value of RSD 3,725 thousand (2006: RSD 3,729 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of prepayments for inventory	Provision for impairment of receivables for funds lent to firms
<b>At 1 January 2006</b>	<b>2,163</b>	<b>1,595</b>
Charge for the year	-	-
Unused amounts reversed	-	-
Utilised	-	(29)
<b>At 31 December 2006</b>	<b>2,163</b>	<b>1,566</b>
<b>At 1 January 2007</b>	<b>2,163</b>	<b>1,566</b>
Charge for the year	-	-
Unused amounts reversed	-	-
Utilised	-	(4)
<b>At 31 December 2007</b>	<b>2,163</b>	<b>1,562</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**16 Other receivables (cont.)**

As at 31 December, the aging analyses of the prepayments for inventory has as follows:

**Year ended 31 December 2007**

	Past due but not impaired			Total
	Less than 3 months	3 to 12 months	> 1 year	
Prepayments for inventory	3,231	1,079	1,166	5,475

**Year ended 31 December 2006**

	Less than 3 months	3 to 12 months	> 1 year	Total
Prepayments for inventory	2,308	5,874	1,666	9,848

**17 Cash and cash equivalents**

	As at 31 December 2007	As at 31 December 2006
Cash at bank	30,545	10,622
Cash at hand	85	40
Other short-term bank deposits	2,242,374	1,305,706
	<b>2,273,004</b>	<b>1,316,368</b>

Other short-term bank deposits relate to time deposits up to three months both in local currency and EUR.

As at 31 December 2007 the deposits that are placed with National Bank of Greece are RSD 192,000 thousand and EUR 4,059 thousand, with Alpha Bank EUR 4,567 thousand, with EFG Bank EUR 15,490 thousand and with Societe Generale EUR 1,760 thousand.

Interest rates for short-term deposits placed with National Bank of Greece are 9.1% per annum for deposits in RSD and from 4.25% per annum for Euro deposits. For the Euro deposits placed with Alpha Bank interest rate varies from 4.55% to 4.65%. For EFG the interest rate for time deposits in Euro is in the range of 4.65% to 4.75% per annum. Finally for the Euro deposits placed in Societe Generale is ranging between 4.15% and 4.25%. The interest accrued for the period is recorded as interest income in the Income Statement.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**18 Ordinary shares**

	Number of shares	% of ownership	Value
Tithys Limited, Cyprus	2,658,369	74.28	1,860,858
Small shareholders	130,732	3.65	91,512
Privatisation register	789,769	22.07	552,839
	<b>3,578,870</b>	<b>100%</b>	<b>2,505,209</b>

Tithys Limited purchased 153.160 shares from employees in 2004 increasing its share from 70.00% in 2003 to 74.28% in 2004. As at 31 December 2005 the registered share capital of the Company is RSD 2,505,209 comprising 3.578.870 ordinary shares of RSD 700 each. All shares are fully paid.

**19 Other non current liabilities**

	As at 31 December 2007	As at 31 December 2006
Non current portion of liabilities for donation to Municipality	87,068	95,569
Retirement reward	29,958	23,804
Provision for legal cases	3,982	14,495
Provision for jubilee awards	65,335	43,334
	<b>186,343</b>	<b>177,202</b>

**Donation to Municipality**

According to the Sales and Purchase Agreement the investor committed to pay a contribution of Euro 511,292 in cash over the next ten years to the Municipality of Kosjeric. Furthermore, the investor has committed to contribute to the local community, health and education facilities by offering up to 5.000 tons of cement per year at a 70% discount. Also, the Company has been obliged by law to pay to local municipality for Environmental Tax amount of RSD 200 for each tone of cement sold.

As the Company had been refusing to pay to municipality such amount for Environmental Tax claiming that it is against State Law, both parties signed the Agreement on reprogram of obligations for social program stipulated by Sales and Purchase Agreement and Environmental Tax.

Under this Agreement the Company is obliged to pay amount of RSD 92,824 thousand less payment of 18,565 thousand till the year ended 2005 in the period of six years. Additionally, after the adoption from the Municipality of Kosjeric of the detailed regulation plan and until 2012, the Company agreed to pay the Municipality the monetary equivalent of 3,500 tons of Cement at 61 Euros per ton plus the amount 50 thousand Euros per year. The detailed regulation plan was adopted in 2007 and the Company started settling liabilities to Municipality in this respect.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**19 Other non current liabilities (cont.)**

The balance of the long term portion as at 31 December 2007 and 31 December 2006 will be granted to Municipality as follows:

	As at 31 December 2007	As at 31 December 2006
1 to 2 years	29,216	14,192
2 to 3 years	26,702	13,738
3 to 4 years	24,540	13,360
4 to 5 years	6,610	52,509
Over 5 years	-	1,770
	<b>87,068</b>	<b>95,569</b>

**Provisions for retirement reward**

The Company is obliged under the collective agreement to pay each employee: 1.5 average salary higher of the Company's average salary and employee's average salary plus 50% of average salary in Republic of Serbia as retirement reward if the calculated amount is not lower than the Company's obligation per Labor Law. In that case the Company is obliged to pay a minimum staff leaving indemnity equal to three average monthly gross salaries applicable in the country on the date of retirement. The Company estimation based on the employees' working life till the end of December 2007 amounted in RSD 29,958 thousand.

	For 12months period ended 31-Dec-07	For 12months period ended 31-Dec-06
<b>As at 1 January</b>	<b>23,804</b>	<b>20,912</b>
Utilized during the year	-	-
Unused amounts reversed	-	(903)
Additional provision	6,154	3,795
<b>Closing balance</b>	<b>29,958</b>	<b>23,804</b>

**Provision for legal cases**

There are about 10 ongoing pieces of litigation against the Company. In most cases the Company is sued for claims for damages to crops and damage to property caused by explosions in quarries and damages caused by cement dust. There are also litigation brought against the Company by employees and suppliers. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2007.

	For 12months period ended 31-Dec-07	For 12months period ended 31-Dec-06
<b>As at 1 January</b>	<b>14,495</b>	<b>12,438</b>
Utilized during the year	(15,623)	(9,700)
Unused amounts reversed	(1,022)	(1,609)
Additional provision	6,132	13,366

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

<b>Closing balance</b>	<b>3,982</b>	<b>14,495</b>
------------------------	--------------	---------------

**19 Other non current liabilities (cont.)**

**Provisions for Jubilee awards**

The Company is obliged under the collective agreement to pay each employee Jubilee awards when the employee completes 10, 15, 20, 25, 30, 35, and 40 years of continuous employment in the Company. The rewards have as follow: 1 average salary of the Company to the employee that completes the 10<sup>th</sup> and the 15<sup>th</sup> year of continuous employment, 1.5 average salary of the Company to the employee that completes the 20<sup>th</sup> and the 25<sup>th</sup> year of continuous employment, 2 average salaries of the Company to the employee that completes the 30<sup>th</sup> and the 35<sup>th</sup> year of continuous employment and 2.5 average salaries of the Company to the employee that completes the 40<sup>th</sup> of continuous employment. The Company's estimation based on the employees' working life till the end of December 2007 amounted in RSD 70,269 thousands out of which RSD 65,335 thousand represents the long-term portion.

	For 12 months period ended 31-Dec-07	For 12 months period ended 31-Dec-06
<b>As at 1 January</b>	<b>43,334</b>	-
Utilized during the year	-	-
Unused amounts reversed	-	-
Additional provision	22,001	43,334
<b>Closing balance</b>	<b>65,335</b>	<b>43,334</b>

**20 Trade and other payables**

	As at 31 December 2007	As at 31 December 2006
Trade payables	169,179	85,851
Liabilities for donation to Municipality- current portion (Note 18)	32,470	16,851
Advances received	25,806	18,594
Other taxes payable	2,213	1,980
Concession fee	23,596	22,710
Payables for salaries	13,972	12,935
Social Insurance, contributions on salaries	6,842	5,878
Income tax payable	21,061	6,670
Payables to related parties (Note 21)	1,488	1,867
Dividend payable	146	107
Provision for employees' profit share	-	29,842
Provision for rewards for Jubilee awards- current portion (Note 19)	4,934	5,601
Environmental tax	-	87
Other payables	3,547	6,485
	<b>305,254</b>	<b>215,458</b>



**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**20 Trade and other payables (cont.)**

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

**Year ended 31 December 2007**

	Past due but not impaired			Total
	Less than 3 months	3 to 12 months	> 1 years	
Trade payables	169,179	-	-	169,179
Other payables	110,234	24,353	-	134,587
Payables to related parties	1,488	-	-	1,488
<b>Total</b>	<b>280,901</b>	<b>24,353</b>	<b>-</b>	<b>305,254</b>

**Year ended 31 December 2006**

	Less than 3 months	3 to 12 months	> 1 years	Total
Trade payables	85,851	-	-	85,851
Other payables	115,102	12,638	-	127,740
Payables to related parties	1,867	-	-	1,867
<b>Total</b>	<b>202,820</b>	<b>12,638</b>	<b>-</b>	<b>215,458</b>

**Concession fee**

The Company is obliged by the Law to pay tax for usage of mineral resources based on consumption of limestone, marl, clay and limestone for correction which are the basic ores for production of cement. Total outstanding liability as of 31 December 2007 amounted in RSD 23,596 thousand.

**Liabilities to related parties**

Payables in amount of 1,488 thousand relate to outstanding payables to parent company, namely Tithys Ltd for technical services rendered in 2007 (Note 20).

**21 Related parties transactions**

	For 12months period ended 31-Dec-07	For 12months period ended 31-Dec-07
<b>Sales and services provided to related parties</b>		
TCK Montenegro- Montenegro	27,169	-
TCK Montenegro- Montenegro	7,148	-
Zlatna Panega-Bulgaria	5,098	112,664
Zlatna Panega-Bulgaria	4,739	124,990
Usje Cementarnica A.D. FYROM	848	-
	<b>45,002</b>	<b>237,654</b>

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**21 Related parties transactions (cont.)**

Company has been selling clinker to its related party Zlatna Panega. Total clinker sold in 2007 is in MT 2,542 for a price of RSD 2,005. Selling price of clinker sold to Bulgaria is lower than the cost of clinker on inventory as at 31 December 2007. However, the Company has calculated impact of transfer pricing in RSD 1,574 thousand and included it in tax balance sheet.

**Purchase of goods and services from related parties**

Usje Cementarnica A.D. FYROM  
Titan Cement Company S.A., Athens  
Tithys Ltd, Cyprus- see Note 6

	As at 31 December 2007	As at 31 December 2006
	356	-
	1,803	1,351
	22,714	50,807
	<b>24,873</b>	<b>52,158</b>

**Trade and other receivables**

TCK Montenegro- Montenegro  
Zlatna Panega-Bulgaria

	As at 31 December 2007	As at 31 December 2006
	31,469	-
	-	35,559
	<b>31,469</b>	<b>35,559</b>

**Trade and other payables**

TITHYS Ltd, Cyprus

	1,488	1,867
	<b>1,488</b>	<b>1,867</b>

**22 Contingencies, financial and operating risks**

**Market risk**

The Serbian economy is at an early stage of market development and there is a considerable degree of uncertainty surrounding its future direction.

**Currency risk**

The Company operates in a developing economy with high rates of inflation and significant historic currency devaluation. There is a consequent risk of loss in value in respect of net monetary assets held in RS Dinar.

**Credit risk**

The extent of the Company's credit exposure is represented by the aggregate balance of trade and other receivables (as they appear on the balance sheet). The Company's accounts receivable are reasonably diversified among its customers.

**Liquidity risk**

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

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

**22 Contingencies, financial and operating risks (cont.)**

**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.

	<b>For 12months period ended 31-Dec-07</b>	<b>For 12months period ended 31-Dec-07</b>
<b>EBITDA</b>	<b>1,197,732</b>	<b>915,446</b>

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

**Taxation**

The periods that remain open to review by the tax and customs authorities with respect to tax liabilities is for the last five years.

**Environmental matters**

The enforcement of environmental regulation in Republic of Serbia and Montenegro is evolving and the enforcement posture of government authorities is continually being reconsidered. The Titan Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Liability to Municipality**

According to the Sale and Purchase Agreement, the Company has the obligation to offer to Kosjeric Municipality the activities of bakery, hotel, etc., here and after the Other Activities, by the April 2012. In December 2005, the Company and the Municipality agreed, in the agreement that amended the obligations of the Company to Kosjeric Municipality stemming from the Sales and Purchase Agreement, to sell the Other Activities and to offer to Municipality the proceeds of the sale. In the agreement the time, the terms and the conditions of the sale of the Other Activities are not determined. Although, the Company has started discussions with Municipality Kosjeric in respect of this matter in 2007, the Company believes that transfer of assets related to hotel and sport center will not occur before 2012. Therefore, useful life of the assets is reduced to depreciate assets by April 2012. As of 31 December 2007 the net book value of these assets is RSD 98,997 thousand.

**TITAN CEMENTARA KOSJERIC A.D.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**  
**PREPARED FOR GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**22 Contingencies, financial and operating risks (cont.)**

**Operating environment of the Company**

The economy of Serbia and Montenegro continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of:

- currency controls;
- a low level of liquidity in the public and private debt and equity markets; and
- high inflation.

The prospects for future economic stability in Serbia and Montenegro are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.