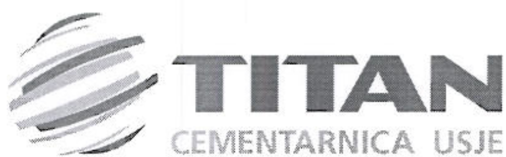
CEMENTARNICA “USJE” AD SKOPJE

CONDENSED FINANCIAL STATEMENTS FOR GROUP CONSOLIDATION REPORTING PURPOSES

For the year ended 31 December 2008



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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 2008, 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 €2,250,000.

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 2008 and of its financial performance and its cash flows 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 Certified Auditors Ltd.
3 February 2009, Skopje

INCOME STATEMENT
For the year ended 31 December 2008

	Notes	*2008 MKD'000*	*2007 MKD'000*
Sales	3a	4.625.088	4.334.345
Other revenue	3b	427.734	234.269
Cost of sales	3c	(3.094.905)	(2.249.271)
Gross profit		**1.957.917**	**2.319.343**
Other operating income	3d	91.419	128.391
Other operating expenses	3e	(75.152)	(36.626)
Selling and marketing expenses	3f	(38.898)	(36.710)
Administrative expenses	3g	(255.952)	(229.967)
Fly-ash write-off		(18.719)	(22.893)
Provision for rehabilitation of quarries	3i	-	(16.894)
Depreciation	5	(256.243)	(224.086)
Profit from operating activities		**1.404.372**	**1.880.558**
Net finance income	3h	25.300	66.853
Profit before income tax		**1.429.672**	**1.947.411**
Income tax expense	4	140.509	238.075
Net profit for the year		**1.289.163**	**1.709.336**

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
at 31 December 2008

	Notes	*2008 MKD'000*	*2007 MKD'000*
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.485.443	2.244.916
Investment properties		5.284	5.871
Investment in subsidiary	6	157.765	35.276
Deferred tax assets	7	6.928	-
		2.655.420	**2.286.063**
Current assets			
Inventories	8	1.234.900	1.054.107
Trade and other receivables	9	278.654	125.894
Income tax receivable		63.456	-
Cash and cash equivalents	10	466.287	1.016.918
		2.043.297	**2.196.919**
TOTAL ASSETS		**4.698.717**	**4.482.982**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	1.747.730	1.747.730
Additional paid in capital	11	(14.869)	(14.869)
Retained earnings		1.549.112	1.784.949
Revaluation reserves	12	207.829	207.829
Legal reserves	13	363.337	363.337
		3.853.139	**4.088.976**
Non-current liabilities			
Provision for retirement benefits	14	49.800	57.970
Provision for rehabilitation of quarries	3i	16.894	16.894
		66.694	**74.864**
Current liabilities			
Trade and other payables	15	758.586	293.265
Current portion of retirement benefit obligations	14	2.584	4.878
Income tax payable		17.701	20.970
Dividend payable		13	29
		778.884	**319.142**
TOTAL EQUITY AND LIABILITIES		**4.698.717**	**4.482.982**

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 2008

	Notes	2008 MKD'000	2007 MKD'000
Cash flows from operating activities			
Profit before income taxes		**1.429.672**	**1.947.411**
Adjustments for:			
(Gain) on disposal of property, plant and equipment		(14.207)	(111.627)
Depreciation of PPE and investment properties		256.243	224.086
Actuarial gains / losses, net		(5.957)	3.668
Fly ash written off		18.719	22.893
Interest income		(36.766)	(72.843)
Interest expense and bank charges		9.968	4.916
Other provision		10.977	16.894
Operating profit before working capital changes		**1.668.649**	**2.035.398**
(Increase) / Decrease in trade and other receivables		(152.760)	100.385
(Increase) / Decrease in inventories		(210.489)	(224.978)
(Decrease) / Increase in trade and other payables		460.815	16.697
Cash generated from operations		**1.766.215**	**1.927.502**
Interest expense and bank charges paid		(9.968)	(4.916)
Income tax paid		(214.163)	(247.344)
Net cash flows generated from operations		**1.542.084**	**1.675.242**
Cash flows from investing activities			
Purchase of property, plant and equipment		(528.185)	(471.192)
Proceeds from sale of property, plant and equipment		46.209	116.466
Interest income received		36.766	72.843
Net cash flows generated from / (used in) investing activities		**(445.210)**	**(281.883)**
Cash flows from financing activities			
Dividends paid to group shareholders		(1.446.240)	(2.666.973)
Dividends paid to minority shareholders		(78.776)	(145.209)
Investment in subsidiary		(122.489)	(22.946)
Net cash flows (used) in financing activities		**(1.647.505)**	**(2.835.128)**
Net increase in cash and cash equivalents		**(550.631)**	**(1.441.769)**
Cash and cash equivalents at 1 January		1.016.918	2.458.687
Cash and cash equivalents at 31 December	10	**466.287**	**1.016.918**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital MKD'000	*Additional paid in capital MKD'000*	*Retained earnings MKD'000*	*Legal reserves MKD'000*	*Reva-luaton reserves MKD'000*	*Total MKD'000*
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**

For the year ended 31 December 2008

	Share capital MKD'000	*Additional paid in capital MKD'000*	*Retained earnings MKD'000*	*Legal reserves MKD'000*	*Reva-luaton reserves MKD'000*	*Total MKD'000*
At 1 January 2008	**1.747.730**	**(14.869)**	**1.784.949**	**363.337**	**207.829**	**4.088.976**
Dividends declared	-	-	(1.525.000)	-	-	(1.525.000)
Net profit for the year	-	-	1.289.163	-	-	1.289.163
At 31 December 2008	**1.747.730**	**(14.869)**	**1.549.112**	**363.337**	**207.829**	**3.853.139**

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 2008 was 499.

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. 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 foreign subsidiary incorporated in Kosovo, Cement Plus for building materials DOO. Furthermore, on 2 January 2008, the Company acquired 100% ownership of new Company for production, construction, trade and services, RUDMAK DOOEL export-import Skopje for amount of EUR 875 thousand. The Company does not prepare consolidated financial statements as the consolidation will be followed by the Titan Group. These subsidiaries are accounted for these financial statements at cost less any impairment in value.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2008.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Agreements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the company's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes'.

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

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IFRS 8 Operating segments (effective from 1 January 2009). The IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 Segment reporting upon its effective date. 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.

- IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The company will apply IAS 23 (Revised) from 1 January 2009, but it is not expected to have any impact on the company's accounts.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard is issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard separates the owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The company will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the company's financial statements.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have any impact on the Company's financial statements.

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The company will apply IFRS 1 (Amendment) from 1 January 2009, as all subsidiaries of the company will transition to IFRS. The amendment will not have any impact on the company's financial statements.

- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Company will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

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2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalization of borrowing costs on qualifying assets from 1 January 2009.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognized for shoe mail order catalogues when the group has access to the catalogues and not when the catalogues are distributed to customers, as is the company's current accounting policy. The company will apply the IAS 38 (Amendment) from 1 January 2009 with an expected write-off of prepayments of C500 to retained earnings.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

  The Company will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3.1 for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.
- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. The company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the company's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the company's financial statements.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the company's accounts and have therefore not been analyzed in detail.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The company will apply IFRIC 16 from 1 January 2009. It is not expected to have a material impact on the company's financial statements.

2. Summary of significant accounting policies (continued)

b. Investments in subsidiaries

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.

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 expense 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.

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.

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2. Summary of significant accounting policies (continued)

e. Investment property

Investment property, comprising of land, 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 valued 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. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

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 three months or less.

i. Share capital

Ordinary shares are classified as equity.

j. Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Summary of significant accounting policies (continued)

k. Taxation

Current income tax

The tax expense for the period comprises current and deferred tax. 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 10% (2007: 12%) is calculated on the profit from the income statement, corrected for certain positions in accordance with the legislation.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of the goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in join ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in join ventures, deferred tax assets are recognized only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the balance sheet date.

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2. Summary of significant accounting policies (continued)

l. Employee benefits

Pension obligations

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 bellow:

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

Termination and retirement benefits (continued)

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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income or expense in the period in which they arise.

2. Summary of significant accounting policies (continued)

m. Provisions

Provisions are recognised and calculated when the Company has a present legal or constructive 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.

n. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific criteria must also be met before revenue is recognized:

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.

Rendering of services

Fees from services provided are recognized over the period in which the services are rendered and accepted by 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.

o. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

p. 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.

q. Subsequent events

Events after the balance sheet date, which provide evidence of conditions that exist as of the balance sheet date, are treated as adjustable events in these financial statements. Those that are indicative of conditions that arose after the balance sheet date have been treated as non-adjustable events.

TITAN CEMENTARNICA USJE

2. Summary of significant accounting policies (continued)

q. Financial risk management

Estimates and assumptions

The Company 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.

3. Revenue and expenses

a) Sales

	2008 *MKD'000*	*2007* *MKD'000*
Gross sales		
Domestic market	3.194.712	3.031.468
Foreign market	1.430.376	1.302.877
	4.625.088	**4.334.345**
Domestic market		
Income from cement	2.846.591	2.793.706
Income from usjepor	54.293	71.289
Income from RMC	177.043	88.391
Income from white cement	36.693	35.843
Income from use of own products	92.562	52.434
Discount	(12.470)	(10.195)
	3.194.712	**3.031.468**
Foreign market		
Income from clinker	309.210	148.892
Income from cement	1.099.457	1.126.370
Income from usjepor	2.668	14.250
Income from white cement	19.041	13.365
	1.430.376	**1.302.877**

b) Other revenues

	2008 *MKD'000*	*2007* *MKD'000*
Services	37.602	36.051
Transport of clinker	146.189	23.590
Third part freight	19.732	12.956
Pet coke	207.521	113.388
Sand	1.252	1.876
Limestone	11.146	44.478
Additives	310	398
Income from use of own products	3.982	1.532
	427.734	**234.269**

3. Revenue and expenses (continued)

c) Cost of sales

	2008 MKD'000	2007 MKD'000
Kiln fuel	880.150	618.576
Electricity	493.602	300.443
Salaries & other benefits	360.659	343.046
Raw materials	251.500	268.384
Packing expenses	197.686	209.082
Transportation services	183.643	62.315
Consumables	99.694	92.282
Own products	96.544	53.967
Spare parts	87.415	77.714
Other services	74.906	63.906
Deed contracts	69.746	64.888
Insurance premium	7.640	7.563
Cost of goods traded	276.614	146.909
Change of inventories	(136.845)	(178.001)
Other expenses	151.951	118.197
	3.094.905	**2.249.271**

d) Other operating income

	2008 MKD'000	2007 MKD'000
Income from sold business premises	31.845	4.602
Income from re-exported equipment	22.018	-
Gain from sale of fixed assets and investment property	14.207	111.627
Actuarial gains/losses net	5.957	-
Surplus of products	5.556	-
Scrap	5.095	2.547
Canteen	3.508	3.508
Other revenues from previous years	1.061	2.666
Rent income	635	1.659
Technical fee	614	-
Collected damages from insurance companies	466	343
Others	457	1.439
	91.419	**128.391**

Income from re-exported equipment in amount of MKD 22.018 thousand related to re-exported set of mechanical parts for packing of materials from Titan S.A. to Cement Plus for building materials Kosovo as related party transaction (as it is explained in Note 3e).

Capital gain from sale of fixed assets in amount of MKD 14.207 thousand consists of sold investment properties in amount of MKD 8.713 thousand, motor vehicles in amount of 2.498 thousand, building in amount of MKD 2.642 thousand and expropriated land from the state of MKD 354 thousand, all to third parties.

Actuarial gains/losses net in amount of MKD 5.957 thousand arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method (as it is explained in Note 14).

TITAN CEMENTARNICA USJE

3. Revenue and expenses (continued)

e) Other operating expenses

	2008 MKD'000	*2007 MKD'000*
Net book value of disposed and written off fixed assets	31.511	4.844
Net book value of disposed investment property	402	-
Cost of re-exported equipment	22.018	-
Staff leaving indemnities (including VELP)	13.261	23.051
Shortage of goods in warehouse	3.536	-
Business premises costs	576	542
Extraordinary losses	351	1.366
Withholding tax	321	72
Other	3.176	6.751
	75.152	**36.626**

f) Selling and marketing expenses

	2008 MKD'000	*2007 MKD'000*
Gross salaries and wages	25.655	19.145
Electricity, telephones, post expenses etc	4.294	2.541
Other taxes	2.671	2.387
Entertainment	1.391	638
IT consultancy fees and related expenses	697	843
Car expenses	653	410
Insurance	271	387
Donations	68	197
Legal fees	-	37
Other expenses	3.198	10.125
	38.898	**36.710**

g) Administrative expenses

	2008 MKD'000	*2007 MKD'000*
Technical fee	140.952	129.805
Gross salaries and wages	63.009	49.625
Electricity, telephones, post expenses etc	7.425	6.227
Promotion and advertisement	6.287	5.581
Entertainment	4.188	5.411
Other utilities	3.037	1.860
Donations	2.649	4.413
Audit fees	2.282	2.152
Legal fees	1.887	999
Car expenses	1.820	1.478
IT consultancy fees and related expenses	1.496	2.056
Insurance	1.006	1.117
Other expenses	19.914	19.243
	255.952	**229.967**

TITAN CEMENTARNICA USJE

3. Revenue and expenses (continued)

h) Finance income, net

	2008 MKD'000	2007 MKD'000
Interest income	36.766	72.843
Bank charges	(4.248)	(4.749)
Interest expense	(2.479)	(167)
Net foreign exchange (losses)	(1.498)	(1.074)
Leases	(3.241)	-
	25.300	**66.853**

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 in 2007 has recognised a provision for rehabilitation of quarries. No changes in the value of provision was identified in 2008 or reversal charges.

4. Income tax expense

The income tax expense comprises:

	2008 MKD'000	2007 MKD'000
Current income tax	147.437	238.075
Deferred income tax	(6.928)	-
	140.509	**238.075**

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 2008 and 31 December 2007 is as follows:

	2008 MKD'000	2007 MKD'000
Profit before income tax	1.429.672	1.947.411
At statutory income tax rate of 10% (2007:12%)	142.967	233.689
Tax on income not taxable for tax purposes	(426)	(2.835)
Tax on expenses not deductible for tax purposes	5.942	8.033
Tax relief on paid jubilee awards and retirements provided for in previous tax period	(1.046)	(812)
Tax relating to origination and reversal of temporary differences	(6.928)	-
	140.509	**238.075**

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4. Income tax (continued)

The income tax charged to the income statement during the year is as follows:

	2008 MKD'000	*2007 MKD'000*
Deferred tax is calculated according current tax rate of 10%		
At 1 January	-	
Deferred tax in income statement:		
Staff leaving indemnities	(5.239)	-
Rehabilitation provision	(1.689)	-
	(6.928)	-

5. Property, plant and equipment

	Land and Buildings MKD'000	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2008	**2.941.242**	**3.969.932**	**170.031**	**7.081.205**
Additions	41.211	-	486.974	528.185
Transfers from CIP	26.102	446.739	(472.841)	-
Disposals	(55.483)	(24.872)	-	(80.355)
At 31 December 2008	**2.953.072**	**4.391.799**	**184.164**	**7.529.035**
Depreciation				
At 1 January 2008	**1.931.366**	**2.904.923**	-	**4.836.289**
Charge for the year	47.880	208.363	-	256.243
Transfer to investment property	(185)	-	-	(185)
Disposals	(23.951)	(24.804)	-	(48.755)
At 31 December 2008	**1.955.110**	**3.088.482**	-	**5.043.592**
Net book value at 31 December 2008	**997.962**	**1.303.317**	**184.164**	**2.485.443**
Net book value at 1 January 2008	**1.009.876**	**1.065.009**	**170.031**	**2.244.916**

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6. Investments in subsidiaries

	2008 MKD'000	*2007 MKD'000*
Cement Plus LLC for buildings materials – Kosovo 65%	104.245	35.276
Rudmak Dooel export-import Skopje 100%	53.520	-
	157.765	**35.276**

The subsidiary in Kosovo, Cement Plus is 65% owned by the Company. The initial capital during 2008 was increased for MKD 68.969 thousand. No changes in the percentage of ownership happen as a result of the capital increase.

On 2 January 2008, the Company acquired 100% ownership of new company for production, construction, trade and services RUDMAK DOOEL export-import Skopje for amount of EUR 875 thousand.

7. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company has recognized only deferred income tax assets. The amounts are as follows:

Deferred tax assets:

	2008 MKD'000	*2007 MKD'000*
Deferred tax assets to be recovered after more than 12 months	6.670	-
Deferred tax assets to be recovered within 12 months	258	-
	6.928	**-**

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	*Provision for retirement benefits*	*Rehabilitation provision*
At 31 December 2007	-	-
(Credited)/charged to the income Statement	(5.239)	(1.689)
At 31 December 2008	**(5.239)**	**(1.689)**

8. Inventories

	2008 *MKD'000*	*2007* *MKD'000*
Raw materials	203.862	169.585
Spare parts and supplies	284.199	271.557
Semi-finished goods	387.528	276.834
Finished goods	90.911	64.760
Packing materials	30.729	41.499
Goods for resale	1.939	1.377
Consumable stores	224.347	215.596
Prepayments for inventory purchase	11.385	12.899
	1.234.900	**1.054.107**

9. Trade and other receivables

	2008 *MKD'000*	*2007* *MKD'000*
Trade debtors domestic	56.950	37.808
Trade debtors foreign	88.470	27.455
Advances to suppliers	5.593	40.222
Prepayments	69.845	18.663
Other current assets	57.796	1.746
	278.654	**125.894**

Included in other current assets are restricted time deposits held with Stopanska Banka AD Skopje of MKD 55.792 thousand related to the issued guarantees for electricity purchases and custom duties.

Trade receivables are non-interest bearing and are generally on 0 - 75 days terms.

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

		Neither past due nor	Past due but not impaired				
	Total	impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2008	145.420	142.473	2.947	-	-	-	-
2007	65.263	51.637	13.626	-	-	-	-

10. Cash and cash receivables

	2008 *MKD'000*	*2007* *MKD'000*
Bank deposits	456.721	884.684
Cash at bank	9.536	132.216
Cash at hand	30	18
	466.287	**1.016.918**

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11. Share capital

Authorized, issued and fully paid	*Number of shares*	*% holding*
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%**

	Amount MKD'000
Share capital as registered	1.747.730
Less: Additional paid in capital	(14.869)
At 31 December 2008 and 31 December 2007	**1.732.861**

Dividends paid and proposed

	MKD'000
Declared and paid during the period ended 31 December 2007	
Final dividend for 2006:	
MKD 1.951,10 and 3.037.00 per share	
Declared:	2.812.211
Paid:	2.812.182
Declared and paid during the period ended 31 December 2008	
Final dividend for 2007:	
MKD 540,98 and 2.163,95 per share	
Declared:	1.525.000
Paid:	1.525.016

Dividends declared and paid for the year ended 31 December 2007 and year ended 31 December 2008 entirely relate to equity dividends on ordinary shares.

12. 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.

13. 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.

14. Provision for retirement benefits

	2008 *MKD'000*	2007 *MKD'000*
Defined retirement benefit obligations	30.180	33.202
Defined jubilee anniversary award obligations	22.204	29.646
	52.384	**62.848**
Analyzed as:		
Non-current portion	49.800	57.970
Current portion	2.584	4.878
	52.384	**62.848**

The movement in the defined benefit obligation over the year is as follows:

	2008 *MKD'000*	2007 *MKD'000*
At 1 January	62.848	65.947
Current service costs	2.139	3.667
Interest cost	3.045	-
Recognised actuarial gains/losses	(11.141)	(2.138)
	56.891	67.476
Benefits paid during the year	(4.507)	(4.628)
At 31 December	**52.384**	**62.848**

The amounts recognised in the income statement are as follows:

	2008 *MKD'000*	2007 *MKD'000*
Current service costs	2.139	3.667
Interest cost	3.045	-
Recognised actuarial gains	(11.141)	(2.138)
Actuarial gains/losses net	(5.957)	1.529

The principal actuarial assumptions used were as follows:

a) Live probability and mortality by age and sex are determined according to the Mortality Table for the population of Republic of Macedonia for the period 1980-1982;
b) Turnover rate of employees is insignificant and it is not taken into consideration because percentage of leaving the company is almost none, and
c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female).

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 5.7%;
Discount rate: 6.5%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in the country.

15. Trade and other payables

	2008 *MKD'000*	*2007* *MKD'000*
Domestic trade creditors	218.960	120.334
Foreign trade creditors	394.653	28.359
Tangible assets creditors	65.626	65.811
Customer prepayments	32.202	36.713
Other current liabilities	47.145	42.048
	758.586	**293.265**

16. Contingences and Commitments

Contingent liabilities

	2008 *MKD'000*	*2007* *MKD'000*
Bank guarantees	55.792	-
	55.792	**-**

As of 31 December 2008 the Company has obtained a Bank payment guaranties from Stopanska Banka in favour of EFT Macedonia of EUR 734 thousand valid till 30 April 2009, to MEPSO AD Skopje of MKD 5.666 thousand valid till 15 February 2009 and to Customs of MKD 5.000 thousand valid till 19 January 2010.

Commitments

Lease commitments - company as lessee

The Company leases motor vehicles under lease agreements. The leases have varying terms and clauses. The lease expenditure charged to the income statement during the year is disclosed in note 3h.

	2008 *MKD'000*	*2007* *MKD'000*
Up to 1 year	4.333	-
Later than 1 year and not later than 5 years	12.150	
	16.483	**-**

17. 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

	2008 *MKD'000*	*2007* *MKD'000*
Titan Cement Company - clinker	-	28.304
Titan Cement Company - advance	-	56
Titan Kosjeric - services	-	275
Titan Kosjeric - clinker	43.952	-
Titan Zlatna Panega - clinker	338.935	144.177
Titan Zlatna Panega - services	-	317
Antea Cement SHA - grey cement	128.606	-
Cement Plus Ltd – cement, usjepor and white cement	384.399	-
Cement Plus Ltd – re-exported equipment	22.018	-
Cement Plus Ltd - technical fee	614	-
	918.524	**173.129**

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

Receivables from related parties

	2008 *MKD'000*	*2007* *MKD'000*
Titan Cement Company - advance	-	56
Titan Zlatna Panega - clinker	9.203	8.268
Titan Kosjeric - clinker	3.525	-
Antea Cement SHA - grey cement	8.136	-
Cement Plus Ltd – cement, usjepor and white cement	17.234	-
Cement Plus Ltd - technical fee	614	
	38.712	**8.324**

b) Purchases of goods and services

	2008 *MKD'000*	*2007* *MKD'000*
Titan Cement Company - white cement and pet coke	989.060	493.320
Balkcem Limited - technical fee	140.952	129.805
Titan Cement Company - re-exported equipment	22.018	-
Titan Zlatna Panega - grey cement	9.904	5.591
Titan Cement Company - spare parts and fixed assets	2.635	6.890
Titan Cement Netherlands B.V. - interest expense and bank charge	2.479	-
Titan Cement Company – geo humus	496	-
Titan Cement Company - services	245	81
Cement Plus Ltd. - interest expense and bank charge	107	
Titan Kosjeric - raw materials	-	650
	1.167.896	**636.337**

17. Related party transactions (continued)

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

Payables to related parties

	2008 *MKD'000*	*2007* *MKD'000*
Titan Cement Company - white cement and pet coke	325.561	625
Balkcem Limited - technical fee	17.532	4.067
Titan Zlatna Panega - grey cement	2.251	207
Titan Cement Company – fixed assets	55	-
	345.399	**4.899**

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

18. 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 2008 based on contractual undiscounted payments.

Year ended 31 December 2008

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	333.840	-	-	-	333.840
Other payables	-	97.062	-	-	-	97.062
Payables to related parties	-	345.399	-	-	-	345.399

18. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Year ended 31 December 2007

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

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 2008 and 31 December 2007.

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

	2008	*2007*
	MKD'000	*MKD'000*
EBITDA	**1.660.615**	**2.104.644**

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

19. Subsequent events

Commencing from 1 January 2009, new Pension Law were introduced in respect of gross salaries or "whole salaries" which may have positive impact on the future Company's liabilities and cash flows. It is expected that the Company will benefit from the above Government tax incentive.

Supplementary information concerning the calculation of EBITDA

		2008 *MKD' 000*
Sales		4.625.088
Other revenue		427.734
Cost of sales		(3.094.905)
Gross profit		**1.957.917**
Other operating income		91.419
Other operating expenses		(75.152)
Selling and marketing expenses		(38.898)
Administrative expenses		(255.952)
Fly-ash write-off		(18.719)
Provision for rehabilitation of quarries		-
Depreciation		(256.243)
Profit from operating activities	**EBIT**	**1.404.372**
Net finance income		25.300
Net profit before income tax	**EBT**	**1.429.672**
Income tax expense		140.509
Net profit for the period		**1.289.163**

EBIT	**1.404.372**
Depreciation and amortisation	256.243
EBITDA	**1.660.615**