“TITAN CEMENTARA KOSJERIC” DOO

FINANCIAL STATEMENTS

FOR THE GROUP CONSOLIDATION PURPOSES

FOR THE YEAR ENDED 31 DECEMBER 2012

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PREPARED FOR THE GROUP CONSOLIDATION PURPOSES

CONTENTS

Director
Mr Miroslav Gligorijević

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AUDIT REPORT TO THE BOARD OF DIRECTORS OF

TITAN CEMENTARA KOSJERIC D.O.O. KOSJERIC

We have audited the condensed special purpose financial statements for group consolidation reporting purposes of Titan Cementara Kosjeric d.o.o. Kosjeric ("the Company"), which comprise the balance sheet as at 31 December 2012, and the income statement, statement of comprehensive income, 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 special purpose financial statements in accordance with Titan Group accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 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.

The scope of our audit procedures was established based on the tolerable error assigned for group reporting purposes.

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 and for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed special purpose financial statements referred to above have been prepared in all material respects in accordance with Titan Group accounting policies.

Restriction on use

The accompanying condensed special purpose financial statements are intended solely to assist the Parent Company in preparation of consolidated financial statements. As a result, they may not be suitable for any other purpose. Our report is intended solely for the use of the Company and the ultimate Parent Company and should not be used for any other purpose or by parties other than these specified parties.

Belgrade, 28 January 2013

Ernst & Young d.o.o. Beograd

Ernst & Young d.o.o. Beograd

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

Income Statement

	Notes	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Sales	3	4,243,572	4,287,509
Cost of sales	4	(2,411,220)	(2,485,505)
Gross profit		**1,832,352**	**1,802,004**
Other operating income	5	42,997	33,318
Selling expenses	6	(34,254)	(31,481)
Administrative expenses	7	(244,394)	(224,487)
Other operating expenses	5	(158,768)	(86,260)
Profit from operating activities		**1,437,933**	**1,493,094**
Finance income/(expenses), net	8	547,497	5,388
Profit before taxation		**1,985,430**	**1,498,482**
Taxation	9	(191,624)	(146,738)
Profit for the year		**1,793,806**	**1,351,744**

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

Statement of comprehensive income

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Profit for the year	**1,793,806**	**1,351,744**
Other comprehensive income	-	-
Total comprehensive income for the year	**1,793,806**	**1,351,744**

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

Balance sheet

	Notes	As at 31 December 2012	As at 31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,165,347	2,300,201
Construction in progress	10	116,376	98,414
Intangible Assets	11	15,773	14,770
Investment in subsidiary	12	7,966	1,659,878
Deferred tax assets	9	3,861	3,153
		2,309,323	**4,076,416**
Current assets			
Inventories	13	752,243	534,164
Trade receivables	14	217,556	222,119
Other receivables	15	49,153	69,758
Cash and cash equivalents	16	1,462,462	248,773
		2,481,414	**1,074,814**
Total assets		**4,790,737**	**5,151,230**
EQUITY AND LIABILITIES			
Capital and reserves			
Shares	17	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		-	780,259
Current period result		1,793,806	1,351,744
		4,465,489	**4,803,686**
Non-current liabilities			
Other non current liabilities	18	79,797	87,148
Deferred tax liabilities	9	1,426	1,038
Current liabilities			
Trade and other payables	19	244,025	259,358
Total Liabilities		**325,248**	**347,544**
Total equity and liabilities		**4,790,737**	**5,151,230**

The financial statements on pages 3 to 28 were signed on its behalf by:

Mr Miroslav Gligorijević
Director

Slavica Vukosavljević
Finance Director

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

Statement of Changes in Equity

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2011	**2,505,209**	**166,474**	**328,963**	**1,806,296**	**4,806,942**
Profit for the period	-	-	-	1,351,744	1,351,744
Other comprehensive income					
Total comprehensive income				**1,351,744**	**1,351,744**
Transfer to retained earnings	-	-	1,806,296	(1,806,296)	-
Dividends distribution	-	-	(1,355,000)	-	(1,355,000)
Balance at 31 December 2011	**2,505,209**	**166,474**	**780,259**	**1,351,744**	**4,803,686**
Profit for the period				1,793,806	1,793,806
Other comprehensive income				-	-
Total comprehensive income				**1,793,806**	**1,793,806**
Transfer to retained earnings			1,351,744	(1,351,744)	-
Dividends distribution			(2,132,003)		(2,132,003)
Balance at 31 December 2012	**2,505,209**	**166,474**	**-**	**1,793,806**	**4,465,489**

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

Cash Flow Statement

	Notes	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Cash flows from operating activities			
Profit after taxation		1,793,806	1,351,744
Adjustments for:			
Tax	9	191,624	146,738
Depreciation expense	10,11	197,879	195,007
Interest income	8	(28,036)	(10,696)
Interest expenses and Bank Charges		4,502	6,624
(Gain) / Loss on sale of property, plant and equipment		(2,494)	(800)
Fair value gains on Participation Investment in Subsidiary	12,8	(517,073)	-
Impairment Charge		14,129	-
Loss on disposals of fixed assets		119	227
Effects of exchange rate changes	8	(6,890)	(1,316)
Operating cash flows before working capital Changes		**1,647,566**	**1,687,528**
Changes:			
(Increase)/decrease in trade and other Receivables		25,168	(20,952)
(Increase)/decrease in inventory		(218,079)	30,388
Increase/(decrease) in trade and other payables		(22,684)	(77,659)
Decrease in other long term assets			
Cash generated from operations		**1,431,971**	**1,619,305**
Interest and Bank charges paid		(4,502)	(6,624)
Tax paid		(191,944)	(143,958)
Net cash from operating activities		**1,235,525**	**1,468,723**
Cash flows from investing activities			
Acquisition of subsidiary	12		
Disposal of Subsidiary, Net of Cash Disposed	12	1,651,912	-
Fair value gains on Participation Investment in Subsidiary		517,073	-
Purchase of property, plant and equipment	10	(82,499)	(49,894)
Purchase of intangible assets	11	(13,794)	(1,099)
Interest received		28,036	10,696
Proceeds from sale of property, plant and Equipment		2,549	1,311
Net cash used in investing activities		**2,103,277**	**(38,986)**
Cash flows from financing activities			
Proceeds from borrowings		97,266	145,712
Repayment of borrowings		(97,266)	(145,712)
Dividends paid		(2,132,003)	(1,355,035)
Net cash from financing activities		**(2,132,003)**	**(1,355,035)**
Effects of exchange rate changes		6,890	1,314
Net increase/(decrease) in cash		**1,213,689**	**76,016**
Cash at the beginning of period	16	**248,773**	**172,757**
Cash at the end of period	16	**1,462,462**	**248,773**

1 General information

Titan Cementara Kosjeric d.o.o. (the Company) is a limited liability company, domiciled in Kosjeric, Republic of Serbia. The address of its registered office is as follows: Zivojina Misica bb, 31 260 Kosjeric

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 Privatization 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. In November 2008 the owner purchased total state share package registered in the Privatization Register and increased its participation by 22.07%. Finally in April 2009, Tithys Limited bought the remaining shares from minority shareholders, and became owner of 100% of the Company's shares.

Until November 2009, the Company was operating as a joint stock company. In November 2009 the Company changed its legal form from Joint Stock Company to Limited Liability Company, and, consequently, delisted from Belgrade Stock Exchange. Subsequently, ownership was transferred from Tithys Ltd, Cyprus to AEAS Ltd, Netherland.

The principal activity of the Company is the production of cement. In addition, the Company provides cement transportation services.

The Company employed 261 people as at 31 December 2012.(as at 31 December 2011: 322 people)

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 consolidated financial statements according to the International Financial Reporting Standards.

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 as expressed in the paragraph above.

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

Property, plant and equipment

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

2. Accounting policies (continued)

Depreciation rates are set as follows:

	%
Quarry land	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 estimates 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 recognized for an asset in prior years is reversed if there have been the circumstances that led to the impairment.

Investments in subsidiaries

Investments in subsidiaries are accounted at cost.

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.

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at banks and short-term deposits with an original maturity of three months and less.

2. Accounting policies (continued)

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

The Company provides to its employees staff leaving indemnities on retirement and jubilee awards, which fall into category of other long-term benefits. The benefits for staff leaving indemnities on retirement are unfunded. The cost of providing these benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense immediately. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

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 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.

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

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 2012, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 113,7183 and as at 31 December 2011 EURO 1= RSD 104,6409. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

2. Accounting policies (continued)

Significant accounting judgments and estimates

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Retirement benefits and jubilee awards

Present value of liability for staff leaving indemnities on retirement and jubilee awards is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and employees turnover. In determining the appropriate discount rates management considers the interest rate equivalent to the rates on corporate bonds. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates.

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

3 Sales

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Sales revenue cement	3,788,358	3,855,558
Sales revenue transport	455,214	431,951
Total	**4,243,572**	**4,287,509**

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

4 Cost of sales

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Variable		
Kiln fuel	579,999	613,848
Raw material	137,396	156,945
Electricity power	205,641	213,075
Fuel and oil	56,215	51,796
Refractory	33,499	17,971
Grinding media	7,500	5,236
Explosives	-	638
Concession fees	13,412	7,322
Other variable costs	27,866	4,117
Total variable cost	**1,061,528**	**1,070,948**
Fixed		
Salaries	401,044	374,194
Training	4,444	2,588
Maintenance spare parts	70,654	57,462
Third parties services	32,426	51,761
Lining	1,070	2,529
Insurance and taxes	34,883	36,455
Other fixed costs	57,967	54,136
Total fixed cost	**602,488**	**579,125**
Packing		
Salaries	58,402	56,157
Training	495	249
Bags	60,238	62,387
Pallets and folio	52,569	58,602
Electricity power	2,453	2,448
Fuel and oil	1,225	1,399
Maintenance spare parts	10,578	9,297
Third parties maintenance	1,453	1,595
Insurance	708	508
Other expenses	4,714	5,764
Total packing cost	**192,835**	**198,406**
Inventory (Increase)/Decrease	**(81,914)**	**26,315**
Depreciation	**178,888**	**168,254**
Distribution Expenses		
Third parties services transportation	441,424	426,091
Custom and related expenses	4,024	5,557
Other	1,576	1,533
Total distribution costs	**447,024**	**433,181**
Cost of Trading Goods	**10,371**	**9,276**
Total Cost of Sales	**2,411,220**	**2,485,505**

Cost of trading 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.

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

5 Other operating income and expenses

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Revenue from sales of material	1,324	1,951
Collection of the receivables for which provision was made	2,580	8,050
Revenue from other operating activities	303	413
Profit on sales of fixed assets	2,494	801
Reversal of unused provisions for retirement	18	-
Reversal of unused provisions for jubilee awards	7,563	1,932
Reversal of unused provisions for legal cases	611	-
Other income	28,104	20,171
Total other operating income	**42,997**	**33,318**
Salaries	3,884	14,680
Depreciation	1,922	11,548
Impairment of accounts receivable	25,106	1,677
Provision for rehabilitation of quarries	455	-
Provision for legal cases	-	2,683
Provision for retirement benefits	984	2,260
Provision for jubilee awards	5,706	-
Other provisions	-	1,474
Staff leaving indemnities (including VELP)	81,140	20,038
Impairment losses of tangible assets	14,129	-
Other expenses	25,442	31,900
Total other operating expenses	**158,768**	**86,260**

6 Selling expenses

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Salaries	27,777	24,207
Training	462	870
Traveling and Entertainment expenses& Car Expenses	3,715	3,517
Other	1,964	2,257
Depreciation	336	630
	34,254	**31,481**

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

7 Administrative expenses

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Administrative and technical assistance fees – see Note 20	16,122	14,888
Salaries	104,028	101,466
Training and education	2,049	3,352
Donation to Municipality	2,102	4,716
Donations	17,948	12,401
Communication	3,760	4,285
Consulting services	6,749	7,034
Legal and court fees	7,643	4,932
Entertainment	5,644	5,727
Car expenses	11,450	9,431
Business trip	3,504	3,649
Other costs	46,662	38,031
Depreciation	16,733	14,575
	244,394	**224,487**

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

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Bank interest and related income	28,036	10,696
Interest expenses	(1,138)	(3,739)
Bank charges	(3,364)	(2,885)
Gain from sale of investments (Note 12)	517,073	-
Foreign exchange gain	87,065	40,644
Foreign exchange loss	(80,175)	(39,328)
	547,497	**5,388**

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

9 Taxation

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Current Income Tax	191,944	143,958
Deferred income tax expense / (income)	(320)	2,780
	191,624	**146,738**

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:

	For 12 months period ended 31 Dec 2012	For 12 months period ended 31 Dec 2011
Accounting profit for the 12 months period ended 31 December	**1,985,430**	**1,498,482**
Add back:		
Accounting depreciation	197,879	195,006
Provisions	5,706	2,683
Non business expenses	14,174	14,558
Penalties and capital loss	243	580
Write off/Impairment of assets	14,129	3,678
Impact of transfer pricing	550	15,048
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	1,183	3,734
Other	4,907	5,371
Less:		
Depreciation for tax purposes	(189,138)	(206,949)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(2,940)	(2,742)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(7,389)	(2,340)
Reversed unused long term provisions	(8,192)	
Tax basis	**2,016,542**	**1,527,109**
Tax at 10%	**201,654**	**152,710**
tax relief for investments in fixed assets	9,710	8,752
Current income tax	191,944	143,958

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

9. Taxation (continued)

Deferred income tax relates to the following:

	Income statement		*Balance sheet*	
	Jan-Dec 2012	*Jan-Dec 2011*	*31 December 2012*	*31 December 2011*
Deferred tax assets/liabilities				
Tax credits for investments in property, plant and equipment			-	-
Temporary differences between carrying amount of property, plant and equipment and their tax base	(388)	2,940	(1,426)	(1,038)
Temporary differences between carrying amount of retirement provision and its tax base	496	(140)	3,355	2,859
Temporary differences between carrying amount of unpaid tax liabilities and their tax base	212	(20)	506	294
Deferred tax liabilities, total			**(1,426)**	**(1,038)**
Deferred tax assets, total	**320**		**3,861**	**3,153**
Deferred income tax expense/(income)		**2,780**		

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

10. Property, plant and equipment

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
Cost								
At 31 December 2010	**50,688**	**133,121**	**2,358,463**	**3,156,521**	**302,804**	**6,001,597**	**203,137**	**6,204,734**
Additions during the period			9,301	33,353	3,050	**45,704**	4,190	**49,894**
Reclassification from/to another category	727		60,068	48,118		**108,913**	(108,913)	**-**
Transfer from advances to suppliers for fixed assets to fixed assets	15,944		93,865			**109,809**		**109,809**
Sales / write off during period			(940)	(9,629)		**(10,569)**	-	**(10,569)**
At 31 December 2011	**67,359**	**133,121**	**2,520,757**	**3,228,363**	**305,854**	**6,255,454**	**98,414**	**6,353,868**
Additions during the period	581	10,262	2,793	1,279	-	**14,915**	67,584	**82,499**
Reclassification from/to another category			37,507	12,115	-	**49,622**	(49,622)	**-**
Sales / write off during period	(13,863)	-	(76,362)	(15,171)	(18,093)	**(123,489)**	-	**(123,489)**
At 31 December 2012	**54,077**	**143,383**	**2,484,695**	**3,226,586**	**287,761**	**6,196,502**	**116,376**	**6,312,878**
Accumulated depreciation/depletion								
At 31 December 2010	**-**	**15,238**	**1,225,557**	**2,270,109**	**270,603**	**3,781,507**	**-**	**3,781,507**
Charge for the period		4,013	62,994	109,442	7,130	**183,579**	-	**183,579**
Sales/ write off during period			(430)	(9,403)	-	**(9,833)**	-	**(9,833)**
At 31 December 2011	**-**	**19,251**	**1,288,121**	**2,370,148**	**277,733**	**3,955,253**	**-**	**3,955,253**
Charge for the period	-	4,094	66,189	108,213	6,592	**185,088**	-	**185,088**
Sales/ write off during period	-	-	(76,259)	(14,890)	(18,037)	**(109,186)**	-	**(109,186)**
At 31 December 2012	**-**	**23,345**	**1,278,051**	**2,463,471**	**266,288**	**4,031,155**	**-**	**4,031,155**
Net book value								
At 31 December 2012	**54,077**	**120,038**	**1,206,644**	**763,115**	**21,473**	**2,165,347**	**116,376**	**2,281,723**
At 31 December 2011	**67,359**	**113,870**	**1,232,636**	**858,215**	**28,121**	**2,300,201**	**98,414**	**2,398,615**

Construction in progress includes strategic spare parts amounting to RSD 87,256 thousand.

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

11 Intangible Assets

	Computer Software	Total
Cost		
At 31 December 2011	**58,209**	**58,209**
Additions during the period	13,794	13,794
At 31 December 2012	**72,003**	**72,003**
Accumulated amortization		
At 31 December 2011	**43,439**	**43,439**
Charge for the period	12,791	12,791
At 31 December 2012	**56,230**	**56,230**
Net book value		
At 31 December 2012	**15,773**	**15,773**
At 31 December 2011	**14,770**	**14,770**

Computer software is related to licenses for the SAP ERP Package that the Company applied from January 2008. Construction in progress- Intangible assets in the amount of RSD 13,794 is related to the new licenses as well as to investment in development of SAP Software.

12 Investment in subsidiary

The Company has 100% ownership in its subsidiaries, both limited liability companies. Subsidiary TCK Montenegro d.o.o. Podgorica is dealing with sales of cement in the Republic of Montenegro. At the end of May 2012, the Company sold its participation in Subsidiary Holtitan B.V. Nederland. The sales price was EUR 18,600 thousand (RSD equivalent was 2,168,985 thousand) and the realized capital gain was RSD 517, 073 thousand.

Subsidiary	**31 Dec 2012**	**31 Dec 2011**
TCK Montenegro	7,966	7,966
Holtitan B.V. Netherland	-	1,651,912
Total	**7,966**	**1,659,878**

13 Inventories

	As at 31 December 2012	As at 31 December 2011
Material and fuel	260,627	121,757
Spare parts and other inventory	319,117	321,327
Packing materials	7,599	7,992
Work in progress	124,374	36,749
Finished products	40,344	46,054
Goods for resale	182	285
	752,243	**534,164**

Major portion of material and fuel as at 31 December 2012 amounting to RSD 130,963 thousand, RSD 57,583 and RSD 20,038 thousand relates to petrol coke, steam coal and slag, respectively.

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

14 Trade receivables

	As at 31 December 2012	As at 31 December 2011
Trade receivables	122,113	102,639
Trade receivables from related parties (Note 20)	142,456	143,855
Provision for impairment of receivables	(47,013)	(24,375)
	217,556	**222,119**

Movements in the provision for impairment of receivables were as follows:

	Provision for impairment of trade receivables
At 1 January 2011	**30,767**
Charge for the year	1,632
Unused amounts reversed	(323)
Utilized during the year	(7,701)
At 31 December 2011	**24,375**
At 1 January 2012	**24,375**
Charge for the year	24,931
Unused amounts reversed	(1,535)
Utilized during the year	(758)
At 31 December 2012	**47,013**

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

Year ended 31 December 2012		Past due but not impaired				
Description	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	71,704	14,714	18,514	13,969	6,354	18,153
Trade receivables-related parties	121,842	52,055	69,787	-	-	-
Total	**193,546**	**66,769**	**88,301**	**13,969**	**6,354**	**18,153**
Year ended 31 December 2011		Past due but not impaired				
Trade receivables	43,002	27,722	11,881	2,971	428	-
Trade receivables-related parties	109,860	50,468	59,392	-	-	-
Total	**152,862**	**78,190**	**71,273**	**2,971**	**428**	

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

15. Other receivables	**As at 31 December 2012**	**As at 31 December 2011**
Advances to suppliers for current assets	4,458	1,639
Other receivables form related parties (Note 20)	13,920	12,639
Receivables from employees	1,278	626
Accrued expenses	18,178	12,935
Receivables for funds lent to firms	6	1,381
Receivables for rent	71	148
Receivables for sales of property, plant and equipment	1,349	1,309
VAT receivable	3,911	-
Other receivables from the State	1,911	39,988
Other receivables	7,344	4,990
Other receivables, gross	**52,426**	**75,655**
Provision for advances to suppliers	(2,095)	(2,095)
Provision for receivables for funds lent to firms	(6)	(1,381)
Provision for receivables for sales of P,P&E and rent	-	(124)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(1,124)	(2,249)
Other receivables, net	**49,153**	**69,758**

As at 31 December 2012, other receivables at nominal value of RSD 3,273 thousand (2011: RSD 5,897 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	Provision for receivables for Fixed Assets Sales and rent	Provision for receivables for employee	Provision for impairment of other receivables
At 1 January 2011	**2,095**	**1,488**	**197**	**48**	**2,666**
Charge for the year	-				
Unused amounts reversed	-	(107)	(73)	-	(417)
At 31 December 2011	**2,095**	**1,381**	**124**	**48**	**2,249**
At 1 January 2012	**2,095**	**1,381**	**124**	**48**	**2,249**
Charge for the year	-	-	-	-	176
Unused amounts reversed	-	(671)		-	(374)
Utilized during the year		**(704)**	**(124)**		(927)
At 31 December 2012	**2,095**	**6**	**-**	**48**	**1,124**

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

16 Cash and cash equivalents

	As at 31 December 2012	As at 31 December 2011
Cash at bank	22,542	18,355
Cash at hand	-	-
Other short-term bank deposits	1,439,920	230,418
	1,462,462	**248,773**

Other short-term bank deposits relate to time deposits up to three months.

As at 31 December 2012 deposits that are placed with EFG Bank are EUR equivalent 1,737 thousand, EUR 1,578 thousand and RSD 97,080 thousand; with Vojvodjanska Bank EUR equivalent 2,004 thousand and EUR 1,014 thousand; with Societe Generale Bank EUR 5,474 thousand and with Raiffeisen bank RSD 23 thousand.

Interest rates for short-term deposits placed with EFG Bank are 1.25% per annum for deposits in EUR equivalent and 3.88% per annum for Euro deposits. For EUR deposits placed with Vojvodjanska Bank interest rate is 3.75% per annum. and for EUR equivalent deposits interest rate is 0.7% per annum. For EUR deposits placed with Societe Generale Bank interest rate is 2.47% per annum. Interest rates for deposits placed with Raiffeisen Bank is 8.91% per annum for RSD deposits.
The interest accrued for the period is recorded as interest income in the Income Statement.

17 Stakes in limited liability company

In November, 2009 The Company has changed its legal form from Joint Stock Company to Limited Liability Company. After that, ownership was transferred from Tithys Ltd, Cyprus to AEAS Ltd, Netherland.
As at 31 December 2012 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.
In 2012 the Company distributed and paid the dividend in the gross amount of RSD 2,132,002 thousand
(out of which the withholding tax was RSD 106,600 thousand)

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

18 Other non current liabilities and provisions

	As at 31 December 2012	As at 31 December 2011
Deferred tax liabilities	1,426	1,038
Retirement benefits	22,164	27,114
Provision for legal cases	2,079	3,078
Provision for jubilee awards	49,263	51,120
Provision for rehabilitation of quarries	6,291	5,836
	81,223	**88,186**

<u>Provisions for retirement benefits</u>

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 reword 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. According to the evaluation of the certified actuary, the present value of the provision on 31 December 2012 is RSD 22,363 thousand out of which RSD 22,164 thousand represents long-term portion. The principal actuarial assumptions used in calculation of provision are: discount rate – 10%, future salary increase – 7%.

Movements in the provision for retirement reword were as follows:

	For 12months period ended 31-Dec-12	For 12months period ended 31-Dec-11
As at 1 January	**27,114**	**25,986**
Utilized during the year	(5,916)	(1,132)
Unused amounts reversed (Note 5)	(18)	
Additional provision (Note 5)	984	2,260
Closing balance	**22,164**	**27,114**

<u>Provision for legal cases</u>

There are 17 ongoing pieces of litigation against the Company. In most cases the Company is sued by ex employees. There is also a claim for damages to crops and damage to property caused by explosions in quarries, as well as claim for unpaid services. 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 2012.

	For 12months period ended 31-Dec-12	For 12months period ended 31-Dec-11
As at 1 January	**3,078**	**993**
Utilized during the year	(388)	(598)
Unused amounts reversed (Note5)	(611)	-
Additional provision (Note 5)	-	2,683
Closing balance	**2,079**	**3,078**

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

18 Other non current liabilities and provisions (continued)

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^{th} and the15^{th} year of continuous employment, 1.5 average salary of the Company to the employee that completes the 20^{th} and the 25^{th} year of continuous employment, 2 average salaries of the Company to the employee that completes the 30^{th} and the35^{th} year of continuous employment and 2.5 average salaries of the Company to the employee that completes the 40^{th} of continuous employment. According to the evaluation of the certified actuary, on 31 December 2012 is RSD 54,206 thousand out of which RSD 49,263 thousand represents long-term portion. The principal actuarial assumptions used in calculation of provision are: discount rate – 10%, future salary increase – 7%.

	For 12months period ended 31-Dec-12	For 12months period ended 31-Dec-11
As at 1 January	**51,120**	**53,052**
Utilized during the year	-	
Unused amounts reversed (Note 5)	(7,563)	(1,932)
Additional provision (Note 5)	5,706	-
Closing balance	**49,263**	**51,120**

Provisions for Rehabilitation for quarries

	For 12-months period ended 31-Dec-12	For 12-months period ended 31-Dec-11
As at 1 January	**5,836**	**5,836**
Additional provision	455	-
Closing balance	**6,291**	**5,836**

The Company is obliged by the Law, to perform rehabilitation of limestone and marl quarries after exploitation is finished. According to the Study prepared by the experts in this area, and which contains dynamics and evaluation of involved expenses, calculation of the present value of the provision, is made using the discounting rate of 7%. Final value of the provision on 31 December 2009, in the amount of RSD 5,305 thousand is in proportion with the so far discovered surface on the quarries. After that, up to the end of 2012, the exploitation of the mineral reserves took place on the discovered surfaces for which the provision was made at the end of 2009.Consequently, at the end of 2010, 2011 and 2012, the provision has only been adjusted of the time value of money.

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

19 Trade and other payables

	As at 31 December 2012	As at 31 December 2011
Trade payables	129,476	186,720
Liabilities for donation to Municipality	-	2,985
Advances received	11,302	18,040
Other taxes payable	3,539	23,693
Payables for salaries	13,643	15,874
Social, insurance contributions on salaries	6,365	7,525
Income tax payable	51,959	-
Payables to related parties (Note 20)	21,274	1,842
Dividend payable	304	304
Provision for retirement- current portion (Note 18)	199	1,474
Provision for Jubilee award- current portion (Note 18)	4,943	-
Other payables	1,021	901
	244,025	**259,358**

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2012 based on contractual payments.

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2012				
Trade payables	111,391	7,650	10,435	**129,476**
Other payables	76,373	3	455	**76,831**
Payables to related parties	21,274	-	-	**21,274**
Total	**209,038**	**7,653**	**10,890**	**227,581**

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2011				
Trade payables	138,190	32,784	15,746	**186,720**
Other payables	50,827	130	325	**51,282**
Payables to related parties	1,842	-	-	**1,842**
Total	**190,859**	**32,914**	**16,071**	**239,844**

Concession fee

For the period January- May 2012,the Company was obliged by the Law to pay tax in the amount of RSD 22 per ton of extracted mineral resources of limestone and RSD 54 per ton of extracted marl stone, which are the basic ores for production of cement. From June 1st 2012, according to the new regulations, the Company is obliged to pay tax in the amount of RSD 20 per ton of extracted limestone and RSD 30 per ton of extracted marl. Total outstanding liability, included in trade payables, as of 31 December 2012 amounted to RSD 1,854 thousand. For 2011 concession fee was 12 RSD per ton of extracted both mineral resources (limestone and marl)

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

20 Related parties transactions

	For 12months period ended 31-Dec-12	For 12months period ended 31-Dec-11
Sales and services provided to related parties		
TCK Montenegro- Montenegro	651,385	675,495
Stari Silo Company doo	567	506
	651,952	**676,001**

	As at 31 December 2012	As at 31 December 2011
Purchase of goods and services from related parties		
Zlatna Panega-Bulgaria	16,522	1,151
Titan Cement Company S.A., Athens	7,207	6,498
Titan Cement Company S.A., Athens	1,332	1,270
Titan Cement Company S.A., Athens	1,346	-
Tithys Ltd, Cyprus- see Note 7	16,122	14,888
Sharrcem SH P.K. Kosovo	**977**	**-**
	43,506	**23,807**

	As at 31 December 2012	As at 31 December 2011
Trade and other receivables		
TCK Montenegro- Montenegro	142,456	143,855
Stari Silo Company doo	13,920	12,639
	156,376	**156,494**
Trade and other payables		
TITHYS Ltd, Cyprus	3,895	1,842
Titan Cement Company S.A., Athens	395	-
Zlatna Panega-Bulgaria	15,998	-
Sharrcem SH P.K. Kosovo	986	-
	21,274	**1,842**

Total compensation to key management personnel for 2012 amounted to 25,361 RSD thousand

21 Financial risk management objectives and policies

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. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

Currency risk

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Local currency was recently continually devaluating.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily in respect of trade receivables) and from its financing activities (deposits with banks, foreign exchange transactions and other financial instruments).

Credit risk related to receivables - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2012 are diversified. The maximum exposure of credit risk at the financial statement date is the carrying value of receivables stated in Note 14.

Credit risk related to cash and deposits – credit risk from balances with banks is managed in a way that surplus funds are made only with approved counterparties. Cash is placed with different banks in order to manage the risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding. The Company is not exposed to any liquidity risk.

Maturity profile of the Company's liabilities is disclosed in Note 19.

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 maximize 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 increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2012 and 31 December 2011.

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

21. Financial risk management objectives and policies (continued)

Capital management

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

	For 12 months period ended 31-Dec-12	For 12 months period ended 31-Dec-11
Profit for the period	**1,793,806**	**1,351,744**
Add back:		
Income tax	191,624	146,738
Depreciation expenses –cost of sales	178,888	168,254
Depreciation expenses –other operating expenses	1,922	11,548
Depreciation expenses –selling expenses	336	630
Depreciation expenses –administrative expenses	16,733	14,574
Impairment losses on tangible assets	14,129	-
Finance income and expenses, net	(547,497)	(5,388)
EBITDA	**1,649,941**	**1,688,100**

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

22. Potential liabilities and operational risks

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. The taxation system in the Republic of Serbia is undergoing continual revision and amendment. However, there are still different interpretations of the fiscal legislations. The tax authorities may have different approaches to certain issues in different circumstances, and assess additional tax liabilities, together with additional payment interest and penalties. The Company's management considers the tax liabilities presented in these financial statements are fairly stated.

Environmental matters

The enforcement of environmental regulation in Republic of Serbia 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 recognized 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.

Operating environment of the Company

The economy of Serbia 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 are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.