CEMENTARNICA "USJE" AD SKOPJE

FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING PURPOSES

For the year ended 31 December 2012

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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 statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information 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, 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 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 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 auditors consider 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, amounting to € 690 thousand which is different from the tolerable error we would have used had we been designing the audit to express an opinion on the financial statements of the component alone.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. The conclusions reached in forming our opinion are based on the tolerable error assigned for group reporting purposes in the context of the audit of the group financial statements.

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 2012 and of its financial performance and 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.

Kalina Sukarova-Savovska
Administrator

Jasna Dukovska – Jegeni
Certified Auditor

1 February 2013, Skopje

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	*2012 MKD'000*	*2011 MKD'000*
Sales	3a	3.518.585	4.409.896
Other revenue	3b	529.478	517.363
Cost of sales	3c	(2.396.858)	(2.566.362)
Gross profit		**1.651.205**	**2.360.897**
Other operating income	3d	80.900	36.878
Other operating expenses	3e	(80.890)	(78.978)
Selling and marketing expenses	3f	(29.123)	(30.427)
Administrative expenses	3g	(85.710)	(104.064)
Depreciation	5	(248.759)	(275.693)
Operating profit		**1.287.623**	**1.908.613**
Finance income		48.999	22.888
Finance costs		(7.341)	(2.464)
Net finance income	3h	41.658	20.424
Profit before tax		**1.329.281**	**1.929.037**
Income tax expense	4	(3.431)	(8.711)
Profit for the year		**1.325.850**	**1.920.326**
Other comprehensive income		-	-
Total comprehensive income for the year		**1.325.850**	**1.920.326**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 MKD'000	2011 Restated* MKD'000	As at 1 January 2011 Restated* MKD'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	2.105.390	2.118.044	2.204.137
Investment properties	6	80.703	83.361	84.757
Investment in subsidiary		157.921	157.921	157.921
Exploration and evaluation assets		21.087	23.347	13.013
		2.365.101	**2.382.673**	**2.459.828**
Current assets				
Inventories	7	710.384	660.905	650.700
Trade and other receivables	8	351.243	231.887	201.226
Short term loans receivable	9	-	1.414.615	153.750
Income tax receivable		7.889	8.954	15.220
Cash and short term deposits	10	1.518.125	147.635	24.713
		2.587.641	**2.463.996**	**1.045.609**
TOTAL ASSETS		**4.952.742**	**4.846.669**	**3.505.437**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	11	1.747.730	1.747.730	1.747.730
Additional paid in capital		(14.869)	(14.869)	(14.869)
Retained earnings		2.139.314	2.046.272	779.728
Revaluation reserves		207.829	207.829	207.829
Legal reserves		349.620	349.620	363.337
		4.429.624	**4.336.582**	**3.083.755**
Non-current liabilities				
Provision for retirement benefits	12	57.745	63.671	62.971
Provision for rehabilitation of quarries		12.336	14.946	16.894
		70.081	**78.617**	**79.865**
Current liabilities				
Trade and other payables	13	442.587	424.828	331.186
Current portion of retirement benefit obligations	12	10.186	6.610	8.234
Income tax payable		227	-	2.369
Dividend payable		37	32	28
		453.037	**431.470**	**341.817**
TOTAL EQUITY AND LIABILITIES		**4.952.742**	**4.846.669**	**3.505.437**

Authorized on behalf of the Board of Directors

Hrisafov Boris
Chief Executive Director

Cementarnica "USJE" AD Skopje

Olivera Vasilkovska
Finance Manager

**Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.a.*

STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	*2012* *MKD'000*	*2011* *MKD'000*
Cash flows from operating activities			
Profit before income taxes		**1.329.281**	**1.929.037**
Adjustments for:			
(Gain) on disposal of property, plant and equipment		(22.214)	(6.635)
Depreciation of PPE and investment properties		248.759	275.693
Actuarial (gains) / losses, net		4.584	7.738
Interest income		(44.881)	(14.008)
Dividend income		(4.118)	(8.879)
Shortage of goods in the warehouse		1.405	-
Interest expense and bank charges		2.539	1.925
Write off trade receivables		437	3.897
NBV of disposed and written off PPE		3.302	-
Provisional income from pallets		(11.998)	-
Other provision		30.750	1.520
Operating profit before working capital changes		**1.537.846**	**2.190.288**
(Increase) in trade and other receivables		(112.307)	(34.558)
(Increase) in inventories		(49.490)	(11.725)
(Decrease) / Increase in trade and other payables		(13.771)	82.940
Cash generated from operations		**1.362.278**	**2.226.945**
Interest expense and bank charges paid		(2.539)	(1.925)
Income tax paid		(227)	(4.814)
Net cash flows generated from operations		**1.359.512**	**2.220.206**
Cash flows from investing activities			
Purchase of property, plant and equipment		(229.311)	(175.173)
Expenditures for exploration and evaluation assets		(5.178)	(25.157)
Proceeds from sale of property, plant and equipment		22.214	8.519
Loan to associate		1.414.615	(1.260.865)
Dividend income received		4.118	8.879
Interest income received		37.323	14.008
Net cash flows generated (used in) investing activities		**1.243.781**	**(1.429.789)**
Cash flows from financing activities			
Dividends paid to group shareholders		(1.052.225)	(571.024)
Dividends paid to minority shareholders		(57.297)	(31.093)
Tax on dividend		(123.281)	(65.378)
Net cash flows (used) in financing activities		**(1.232.803)**	**(667.495)**
Net increase in cash and cash equivalents		**1.370.490**	**122.922**
Cash and cash equivalents at 1 January		147.635	24.713
Cash and cash equivalents at 31 December	10	**1.518.125**	**147.635**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 2012	**1.747.730**	**(14.869)**	**2.046.272**	**349.620**	**207.829**	**4.336.582**
Profit for the year	-	-	1.325.850	-	-	1.325.850
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1.325.850			1.325.850
Dividends, net	-	-	(1.109.527)	-	-	(1.109.527)
Tax on dividend	-	-	(123.281)	-	-	(123.281)
At 31 December 2012	**1.747.730**	**(14.869)**	**2.139.314**	**349.620**	**207.829**	**4.429.624**

On 14 May 2012, the Board of Directors brought a Decision for distribution of dividend for the year ended 2011 in accordance with the Company Law. The dividend declared was in amount of MKD 1.232.808 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 123.281 thousand.

For the year ended 31 December 2011 Restated*

	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 2011	**1.747.730**	**(14.869)**	**729.375**	**363.337**	**207.829**	**3.033.402**
Impact of change in accounting policy (Note 2.a)	-	-	50.353	-	-	50.353
As at 1 January 2011 (Restated)	**1.747.730**	**(14.869)**	**779.728**	**363.337**	**207.829**	**3.083.755**
Profit for the year	-	-	1.920.326	-	-	1.920.326
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1,920.326	-	-	1.920.326
Dividends, net	-	-	(588.404)	(13.717)	-	(602.121)
Tax on dividend	-	-	(65.378)	-	-	(65.378)
As at 31 December 2011 (Restated)	**1.747.730**	**(14.869)**	**2.046.272**	**349.620**	**207.829**	**4.336.582**

**Certain amounts shown here do not correspond to the 2011 financial statements and reflect adjustments made as detailed in Note 2.a.*

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 2012 was 331.

2. Basis of preparation and 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. 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. 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 Company has two foreign subsidiaries, Cement Plus for building materials DOO - Kosovo with 65% holding and TROJAN CEM EOOD, Bulgaria with 100% holding, and one domestic subsidiary, RUDMAK DOOEL export-import Skopje with 100% holding. 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

IAS 40 Investment Properties

The Company reassessed its accounting policy for investment properties with respect to the measurement model. The Company has previously measured the investment property using the cost model. During 2012, the Company elected to change its accounting policy use the fair value model after the initial recognition of the asset. The Company believes that using the fair value model provides more relevant presentation of these assets, assist user to better understand the risk associated with these assets and is consistent with industry practice in relation to these types of assets. The Company applied the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for a change in accounting policy. As a result, the changes have been applied retrospectively having impact on the prior year financial information.

2. Basis of preparation and summary of significant accounting policies (continued)

Changes in accounting policies (continued)

As a result of the accounting policy change, the following adjustments were made to the financial statements:

As of 1 January 2011:
Increase in opening retained earnings: MKD 50.353
Increase in opening investment property: MKD 50.353

As of 31 December 2011:
Decrease in investment property due to effect of loss from fair value adjustment: MKD 1.396

As of 31 December 2012:
Decrease in investment property due to effect of transfer to owner occupied assets: MKD 2.658

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

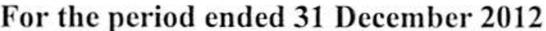
- *IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
- *IFRS 1 First -Time Adoption of International Financial Reporting Standards (Amendment- Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)*
- *IFRS 7 Financial Instruments : Disclosures - Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Company's financial position, performance or its disclosures.

IFRS 1 First - Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.



2. Basis of preparation and summary of significant accounting policies (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
  The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

- *IAS 19 Employee Benefits (Revised)*
  The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Company.

- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Company.

- *IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
  These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- *IFRS 1 Government Loans - Amendments to IFRS 1*
  These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

- *IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7*
  These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance

2. Basis of preparation and summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

with IAS *32 Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

- *IFRS 9 Financial Instruments: Classification and Measurement*
  IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements*
  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- *IFRS 11 Joint Arrangements*
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- *IFRS 12 Disclosure of Interests in Other Entities*
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- *IFRS 13 Fair Value Measurement*
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based

2. Basis of preparation and summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

- *IAS 1 Presentation of Financial Statements*
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

- *IAS 16 Property Plant and Equipment*
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

- *IAS 32 Financial Instruments, Presentation*
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

- *IAS 34 Interim Financial Reporting*
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

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.

2. Basis of preparation and summary of significant accounting policies (continued)

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. Monetary items of assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All 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 Company 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, net of accumulated depreciation and / or accumulated impairment loss, if any.

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 statement of financial position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

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 statement of financial position 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.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

2. Basis of preparation and summary of significant accounting policies (continued)

e. Investment property

Investment property, comprising of land, production premises with business offices and construction object - restaurant and cafeteria room, is held for long-term rental yields and is not occupied by the Company. As disclosed in note 2.a., during 2012, the Company elected to change it accounting policy in regard to the measurement model after the initial recognition. As a result, the investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by independent valuer using the income method and the market comparison method as primary valuation methods which are generally accepted in European valuation practice.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company's accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f. Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest (geographically specific to the concession, permit or mining license granted) is carried forward as an asset if a decision has been made that a mining operation is economically feasible and can be developed for commercial production. At the end of the reporting period, these costs include costs of acquisition of rights to explore. All other exploration and evaluation expenditures are charged to the profit or loss as incurred.

Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

g. Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, and short term loans.

2. Basis of preparation and summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortized cost using the effective interest rate method (EIR). The gains and losses are recognized in the income statement in the moment when the loans and receivables are reversed or when the value is decreased due to impairment, and through the amortization process.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method use effective interest rate which accurately discounts the estimated future cash follows thought the use full life of the financial asset to net financial value of the financial asset. The gains and losses are recognized in the income statement in the moment when the investments are reversed or when the value is decreased due to impairment, and through the amortization process. The Company did not have any investments held to maternity during the period ended 31 December 2011 and the year ended 31 December 2010.

Available-for-sale financial investments
Available-for-sale financial investments are non derivative financial assets which are determinate as available for sales or aren't classified in the previous three categories. After initial measurement, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income,or determined to be impaired, at which time the cumulative gain or loss is reclassified to the income statement. The Company did not have any available-for-sale financial investments during the period ended 31 December 2011 and the year ended 31 December 2010.

2. Basis of preparation and summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

2. Basis of preparation and summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

h. 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 estimated costs of completion and the estimated costs necessary to make the sale.

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

2. Basis of preparation and summary of significant accounting policies (continued)

i. 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.

j. Share capital

Ordinary shares are classified as equity.

l. Taxation

Current income tax

The income tax expense comprises the current income tax on: non-deductible items and taxes on dividend distribution. The tax rate for both 2011 and 2010 is 10%.

Taxes on non deducible items

The calculation and payment of the current income tax is in accordance with the Income Tax Law which include the model for taxation whose tax base are the specified non-deductible expenses, adjusted for tax credits and tax exemptions. The payment of the monthly tax is in advance only on the unrecognised expenses.

l. Taxation

Taxes on dividend distribution and other distributions of profit

The amount which is distributed as dividends and other types of profit distributions, in monetary or non-monetary form, is taxed at the moment of payment.

For further details please refer to Note 4.

Value added tax

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

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added 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 value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the statement of financial position.

m. Employee benefits

Pension

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

2. Basis of preparation and summary of significant accounting policies (continued)

m. Employee benefits (continued)

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

Termination and retirement benefits

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

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

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

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.

Employee's children scholarships

Starting from 31 December 2009, included in the actuarial calculation of the defined benefits are allowances for scholarships of Company employees children attending graduate or post graduate studies and for diseased employee children that are attending secondary school. Assumption is made that for the children who are still not eligible for scholarship under the scheme that 40% will continue with their graduate studies.

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

2. Basis of preparation and summary of significant accounting policies (continued)

n. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions comprise of provision for retirement benefits, jubilee awards, scholarships and provision for rehabilitation of quarries. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

o. 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:

o. Revenue recognition (continued)

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.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

p. 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 profit or loss on a straight-line basis over the period of the lease.

2. Basis of preparation and summary of significant accounting policies (continued)

q. 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.

r. Subsequent events

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

s. Financial risk management

Accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions for environmental restoration

Companies that operate quarries and processing sites are required to restore these quarries and processing sites at the end of their producing lives to a condition that is in line with the prevailing environmental legislation of the country in which the Company operates (to restore the land within 3 years after the closure of the mine site), to the level acceptable to the relevant authorities and to the level that is consistent with the Company's environmental policies and practices.

The provision for environmental restoration reflects the present value of the expected future restoration costs that are expected to be incurred for the areas that have been disturbed at the reporting date. The provision is determined as present value of expected future cash outflows to be incurred for sites rehabilitation. This includes determination of the amount based on rehabilitation project, discount rate and expected inflation rates. The provision is re-measured at every reporting date and is adjusted to reflect the present value of the future expenses required to fulfil the obligation.

The present value of estimated restoration costs (that is, original estimation as well as changes in the accounting estimates) are charged to the profit or loss unless they relate to property, plant and equipment that is on the site, in which case the costs are included within property, plant and equipment and depreciated over the useful life of the related item of property, plant and equipment. Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in the profit or loss.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

2. Basis of preparation and summary of significant accounting policies (continued)

s. Financial risk management (continued)

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers 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.

Other key assumptions for pension obligations are based in part on current market.

Fair value of financial instruments

The nominal value less estimated loss due to impairment of assets and payables with maternity less than one year is approximates their fair value.

3. Revenue and expenses

a) Sales

	2012	*2011*
	MKD'000	*MKD'000*
Gross sales		
Domestic market	2.676.319	3.322.941
Foreign market	842.266	1.086.955
	3.518.585	**4.409.896**
Domestic market		
Income from cement	2.469.381	3.146.360
Income from RMC	139.194	136.198
Income from white cement	45.512	43.425
Income from limestone	23.849	-
Discount	(1.617)	(3.042)
	2.676.319	**3.322.941**
Foreign market		
Income from cement	602.715	1.071.906
Income from clinker	284.534	-
Income from white cement	6.567	15.764
Income from sand	101	248
Discount	(51.651)	(963)
	842.266	**1.086.955**

b) Other revenues

	2012	*2011*
	MKD'000	*MKD'000*
Pet coke-export	364.330	418.293
Transport of cement - intercompany	76.885	3.458
Pet coke-domestic	49.055	7.816
Third part freight	27.154	23.939
Services	10.765	27.573
Sand	660	574
Additives	629	639
Limestone	-	35.071
	529.478	**517.363**

3. Revenue and expenses (continued)

c) Cost of sales

	2012	*2011*
	MKD'000	*MKD'000*
Distribution expenses	**117.073**	**38.544**
Variable costs		
Kiln fuel	536.712	646.920
Electricity	308.369	325.707
Raw materials	147.484	221.350
Other variable cost	126.238	78.949
Refractory	46.322	45.407
Admixtures - additives	23.519	24.033
Grinding media	9.880	9.254
Fuel & oil	7.963	23.713
Total Variable costs	**1.206.487**	**1.375.333**
Fixed costs		
Salaries & other benefits	259.498	261.439
Third parties fees - contract labour	72.791	80.802
Maintenance & spare parts	54.914	56.261
Other plant utilities	55.917	51.857
Other fixed costs (quality, dispatch, etc.)	52.835	46.057
Lining	6.285	4.156
Insurance premium	5.021	5.760
IT & Telecoms	3.065	4.699
Car related expenses	2.488	1.501
Travelling & Entertainment	2.395	3.377
Total Fixed costs	**515.209**	**515.909**
Inventory change	(1.844)	39.326
Packing expenses	168.148	193.974
Cost of traded goods	391.785	403.276
	2.396.858	**2.566.362**

3. Revenue and expenses (continued)

d) Other operating income

	2012 *MKD'000*	*2011* *MKD'000*
Gain from disposed fixed assets	22.214	6.635
Revenues from vehicles at a standstill	14.757	-
Rent income	12.692	9.428
Revenues from sold pallets	11.998	-
Revenues from sold materials	6.330	2.710
Actuarial gains and reversal of unused provision	4.247	4.593
Scrap	3.689	2.201
Income from re-exported equipment	3.034	-
Income from other services	270	920
Collected damages from insurance companies	222	109
Surplus of products	-	5.696
Technical fee	-	1.292
Revenues from sold fixed assets	-	1.884
Others	1.447	1.410
	80.900	**36.878**

Gain from disposed fixed assets in amount of MKD 22.214 thousand consist of sale of three damper caterpillars in amount of MKD 8.619 thousand, sale of two bulldozers caterpillars on amount of MKD 5.229 thousand, sale of front loader caterpillar in amount of MKD 3.075 and the rest of the balance consist of other machinery and equipment sold including vehicles (forklifts, compressors, drilling machine, electrical dredges, etc).

Revenues from vehicles at a standstill in amount of MKD 14.757 thousands refer to provisional income expected to be refunded by a Kosovo Customs related to compensation paid to transporters for vehicles at a standstill (see Note 3e).

Rent income in amount of MKD 12.692 thousand consist of rented business premises space together with the re-invoiced utilities in amount of MKD 9.761 thousand all to third parties and RMC pump and silo trucks in amount of 2.931 thousand.

Revenues from sold pallets in amount of MKD 11.998 refer to collect payment for not returned pallets in the guarantee period.

Revenues from sold materials in amount of MKD 6.330 thousand consist of MKD 3.959 thousand related to sold materials and MKD 465 thousand related to sell slag to related party in Kosovo, MKD 1.646 thousand related to sold plates and spare parts, and the rest of the balance consist of other materials (old iron, fly -ash (transit) etc).

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 4.247 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method.

3. Revenue and expenses (continued)

e) Other operating expenses

	2012 *MKD'000*	*2011* *MKD'000*
Provision for unpaid salaries based on the Supreme court's decision	30.750	-
Compensation for vehicles at a standstill	14.757	-
Actuarial losses and provision for scholarships	8.847	12.331
Staff leaving indemnities (including VELP)	6.200	44.835
Cost of sold materials	4.583	1.798
Business premises costs	4.217	2.902
Net book value of disposed fixed assets	3.053	1.767
Penalties for non-fulfilment of obligations	2.216	1.901
Promotion and advertisement	1.673	2.241
Shortage of goods in warehouse	1.405	-
Costs for Court Procedures	1.007	-
Other non mentioned losses	418	1.632
De-recognition of intangible assets	300	1.300
Withholding tax	13	1.274
Correction of value of stocks	12	1.520
Provision for impairment of advance payment	-	3.897
Cost for compensation to clients	-	481
Other	1.439	1.099
	80.890	**78.978**

Provision for unpaid salaries based on the Supreme court's decision in amount of 30.750 thousand which refers to 17 people who are entitled to return to work after the end of the court procedure that started in 2009 when some employees had their employment cancelled due to business reasons.

Compensation for vehicles at a standstill in amount of MKD 14.757 represents covered cost by USJE to transporters which vehicles were confiscated on a Kosovo border. At a same time accrued income was booked (see Note 3d).

The amount of MKD 8.847 thousand represents actuarial losses, additional finance costs and current service costs related to employees benefits which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit (see Note 12).

Business premises costs in amount of MKD 4.217 thousand consist of MKD 3.099 thousand related to re-invoiced utilities from rented PPE and MKD 1.118 thousand related to water fee for the Cementarnica football club.

3. Revenue and expenses (continued)

f) Selling and marketing expenses

	2012 *MKD'000*	*2011* *MKD'000*
Salaries and related expenses	21.142	21.771
Car expenses	2.870	3.385
Accommodation	2.271	3.520
IT & Telecoms	1.005	738
Promotion and advertisement	870	405
Other expenses	826	422
Travel expenses	139	182
Other taxes	-	4
	29.123	**30.427**

g) Administrative expenses

	2012 *MKD'000*	*2011* *MKD'000*
Salaries and related expenses	38.713	37.270
Third Party fees	20.516	36.999
Promotion and advertisement	7.388	9.825
Accommodation	5.633	5.907
Car expenses	3.225	2.899
IT & Telecoms	1.604	1.469
Travel expenses	1.591	1.934
Other expenses	7.040	7.761
	85.710	**104.064**

h) Net finance income

	2012 *MKD'000*	*2011* *MKD'000*
Interest income	44.881	14.009
Dividend income	4.118	8.879
Bank charges	(2.454)	(1.678)
Net foreign exchange (losses)	(4.802)	(538)
Interest expense	(85)	(248)
	41.658	**20.424**

The interest income in amount of MKD 44.881 thousand consist of intercompany interest income for the loan given to Titan Global Finance PLC in 2011 and returned during the first half in 2012 in amount of MKD 18.821 thousand, MKD 7.558 thousand related to accrued interest from time deposits and the rest of the balance is received interest related to the time deposits in the banks and current operations.

4. Income tax

The income tax comprises:

	2012 *MKD'000*	*2011* *MKD'000*
Tax on non-deductible expenses	3.431	8.711
	3.431	**8.711**

As of 31 December 2011, the tax on non-deductible expenses is as follows:

	2011 *MKD'000*
Tax on non-deductible expenses:	
Other compensations to the employees	5.450
Expenses not related to the main activities	860
Sponsorship and donations	467
Entertainment	441
Provision for bad debts	390
Penalties and WHT	342
Scholarship	137
Other	624
	8.711

As of 31 December 2012, the tax on non-deductible expenses is as follows:

	2012 *MKD'000*
Tax on non-deductible expenses:	
Other compensations to the employees	1.770
Expenses not related to the main activities	731
Entertainment	401
Penalties and WHT	232
Sponsorship and donations	129
Scholarship	123
Provision for bad debts	44
Other	1
	3.431

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 2012	2.993.352	4.480.376	171.611	7.645.339
Additions	27.850	-	201.473	229.323
Transfers from CIP	31.874	121.930	(153.804)	-
Reclassification from IP	2.658	-	-	2.658
Disposals	(2.911)	(208.989)	-	(211.900)
At 31 December 2012	**3.052.823**	**4.393.317**	**219.280**	**7.665.420**
Depreciation				
At 1 January 2012	2.012.663	3.514.632	-	5.527.295
Charge for the period	30.664	210.657	-	241.321
Disposals	(644)	(207.942)	-	(208.586)
At 31 December 2012	**2.042.683**	**3.517.347**	**-**	**5.560.030**
Net book value at 31 December 2012	**1.010.140**	**875.970**	**219.280**	**2.105.390**
Net book value at 1 January 2012	**980.689**	**965.744**	**171.611**	**2.118.044**

6. Investment property

	2012 MKD'000	*2011 Restated MKD'000*	*01 of January 2011 Restated MKD'000*
Opening balance at 1 January	83.361	84.757	34.404
Impact from change of accounting policy	-	-	50.353
Loss from fair value adjustment	-	(1.396)	-
Transfer to property, plant and equipment (Note 5)	(2.658)	-	-
Closing balance at period/year end	**80.703**	**83.361**	**84.757**

Investment property principally comprise of land, production premises with business offices and construction object - restaurant, cafeteria room and starting from 2011, production premises for pallets (including warehouse) which is held for long-term rental yields and is not occupied by the Company. During 2012, part of the land has being transferred to Property, plant and equipment (see Note 5), since the land was used for own occupancy.

7. Inventories

	2012 *MKD'000*	*2011* *MKD'000*
Spare parts	266.347	253.366
Raw materials and fuel	155.800	108.239
Consumable stores	168.687	184.388
Finished goods	62.914	55.896
Semi-finished goods	38.548	43.722
Packing materials	17.432	14.988
Goods for resale	275	227
Prepayments for inventory purchase	381	79
	710.384	**660.905**

8. Trade and other receivables

	2012 *MKD'000*	*2011* *MKD'000*
Trade debtors	273.372	190.677
Prepayments	24.245	4.279
Advances to suppliers	-	8
Other current assets	53.626	36.923
	351.243	**231.887**

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
2012	273.372	178.741	92.031	370	2.230	-	-
2011	190.677	175.161	11.650	3.866	-	-	-

9. Short term loans receivable

On 06 December 2011, the Company concluded a Credit Facility Agreement with TITAN Global Finance PLC ("the Borrower") representing revolving credit line agreement with a limit of EUR 30.000 thousand. The frame can be withdrawn upon written request of the Borrower in one or more tranches (each representing separate loan). The withdrawn facilities are repayable by the Borrower in whole or in part on demand by the Company at any time or at discretion of the Borrower, but not later than two years after the date of the Agreement. The Agreement is concluded for a period of one year and eleven months and the interest rate is EURIBOR for the relevant period plus 2,70 per cent p.a..

As of 31 December 2012, the Company has taken back the whole allowed loan in amount of MKD 1.414.615 thousand i.e. EUR 23.000 thousand.

10. Cash and cash receivables

	2012 *MKD'000*	*2011* *MKD'000*
Bank deposits	1.493.543	135.827
Cash at bank	24.563	11.779
Cash at hand	19	29
	1.518.125	**147.635**

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 2012 and 31 December 2011	**1.732.861**

Dividends paid and proposed

	MKD'000
Declared and paid during the period ended 31 December 2011	
Final dividend for 2010:	
MKD 1.068,00 per share	
Declared:	602.121
Paid:	602.117
Declared and paid during the period ended 31 December 2012	
Final dividend for 2011:	
MKD 1.968,00 per share	
Declared:	1.109.527
Paid:	1.109.522

Dividends declared and paid for the year ended 31 December 2011 and year ended 31 December 2012 entirely relate to cash dividends on ordinary shares.

12. Provision for retirement benefits

	2012 MKD'000	2011 MKD'000
Defined retirement benefit obligations	24.706	24.323
Defined jubilee anniversary award obligations	21.564	22.960
Defined scholarship obligations	21.661	22.998
	67.931	**70.281**
Analyzed as:		
Non-current portion	57.745	63.671
Current portion	10.186	6.610
	67.931	**70.281**

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

	2012 MKD'000	2011 MKD'000
At 1 January	70.281	71.205
Current service costs	5.043	6.675
Interest cost	3.467	3.717
Recognised actuarial (gains)/losses, net	(4.247)	505
	74.544	82.102
Benefits paid during the year	(6.951)	(8.662)
(Gains)/losses,- net, from reconciling the actuarial calculation	338	428
Unused provision reversed	-	(3.587)
At 31 December	**67.931**	**70.281**

The amounts recognised in the profit and loss are as follows:

	2012 MKD'000	2011 MKD'000
Current service costs	5.043	6.675
Interest cost	3.467	3.717
Recognised actuarial (gains)/losses, net	(4.247)	505
(Gains)/losses, net, from reconciling the actuarial calculation	338	428
	4.601	**11.325**

The principal actuarial assumptions used in 2012 by the independent actuaries 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, except for 2009, when the Company during the year decided to carry out program for decreasing the employees, and
c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female).

12. Provision for retirement benefits (continued)

d) The actuarial calculation also included the scholarships for the children of the Company's employees who attend graduate and post graduated studies as well as the children of the died employees attending secondary school or graduate studies. In addition, assumption is also made for the children who are still not eligible for scholarship under the assumption that 50% will registered at a university in 2012, i.e. 50% in the next periods.

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 4,5%;
Discount rate: 5,5%

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

13. Trade and other payables

	2012 *MKD'000*	*2011* *MKD'000*
Trade creditors	349.129	328.973
Customer prepayments	7.841	29.823
Tangible assets creditors	66.861	45.902
Other current liabilities	18.756	20.130
	442.587	**424.828**

14. Contingences and Commitments

Contingent liabilities

	2012 *MKD'000*	*2011* *MKD'000*
Bank guarantees	78.597	14.023
Performance guarantees	919	2.140
	79.516	**16.163**

As of 31 December 2012, the Company has obtained a Bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.043 thousand valid till 19 March 2014, in favour of MEPSO AD Macedonia of MKD 3.936 thousand for transmission of electricity valid till 15 January 2014,in favour of Makpetrol AD Skopje of MKD 5.043 thousand related to the purchase of natural gas valid till 15 February 2013 and Bank guaranties from Ohridska Banka in favour of MOL Hungarian Oil and Gas PLC for pet coke of MKD 64.575 thousand valid until 31 March 2013.

In addition, the Company has obtained bank payment guarantees from Alpha Bank in total of MKD 919 thousand in favour of the Ministry of Economy for realisation of concession agreements.

14. Contingences and Commitments (continued)

Commitments

Lease commitments - company as lessee

The Company leases motor vehicles under lease agreements. The leases have varying terms and clauses.

	2012 *MKD'000*	*2011* *MKD'000*
Up to 1 year	4.564	5.312
Later than 1 year and not later than 5 year	9.483	10.519
	14.047	**15.831**

Purchase commitments

As at 31.December 2012, the Company has entered into contracts for the purchase of electricity amounting to MKD 45.070 thousand only for the first quarter of 2013.

15. Related party transactions

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

The following transactions were carried out with the related parties:

a) Sales of goods and services

	2012 *MKD'000*	*2011* *MKD'000*
Cement Plus Ltd - cement, sand and white cement	564.566	1.069.731
SHARRCEM SH.P.K-Clinker	249.203	-
SHARRCEM SH.P.K-Pet Coke	224.386	412.254
SHARRCEM SH.P.K- Freight revenue	54.294	-
Cement Plus Ltd - Freight revenue	22.591	3.458
Titan Global Finance PLC London- Interest Income	18.821	3.210
Trojan Cem EOOD Sofija - cement	11.295	12.791
SHARR Beteiligungs Gmbh-materials and services	4.517	1.586
SHARRCEM SH.P.K- silos	3.065	-
SHARR Beteiligungs Pretstavnistvo Skopje - services	270	270
Antea Cement SHA - grey cement	-	852
Cement Plus Ltd - technical fee	-	1.292
	1.153.008	**1.505.444**

15. Related party transactions (continued)

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

Receivables from related parties

	2012 *MKD'000*	*2011* *MKD'000*
SHARRCEM SH.P.K –materials and services	175.671	96.222
Trojan Cem EOOD SOFIJA - grey cement	4.676	3.512
Titan Global Finance-short term loan	-	1.414.615
Cement Plus Ltd - cement and white cement	-	4.426
Titan Global Finance-interest	-	2.312
Cement Plus Ltd - technical fee	-	1.227
	180.347	**1.522.314**

b) Purchases of goods and services

	2012 *MKD'000*	*2011* *MKD'000*
Titan Cement Company - white cement and pet coke	682.411	896.725
SHARRCEM SH.P.K – cost of traded goods	25.118	-
Balkcem Limited - technical fee	16.945	31.107
Geospan Dooel - purchased aggregates	5.105	-
SHARRCEM SH.P.K- silos	3.065	-
SHARRCEM SH.P.K - grey cement	524	1.814
Titan Cement Company – raw materials	260	-
SHARRCEM SH.P K- materials and services	80	98
Titan Zlatna Panega - materials	44	2.535
Titan Cement Company – services	-	18
Titan Cement Company - purchased clinker	-	16.478
Titan Zlatna Panega - grey cement	-	2.304
	733.552	**951.079**

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

Payables to related parties

	2012 *MKD'000*	*2011* *MKD'000*
SHARR CEM SH.P.K-Sharmal	5.747	-
SHARR CEM SH.P.K-services	2.345	-
Titan Cement Company - WC, pet coke and services	1.673	66.076
Balkcem Limited - technical fee	1.002	6.370
Titan Zlatna Panega - grey cement	104	104
Cement Plus Ltd. - prepayments	31	-
Titan Cement Company - construction in progress	-	1.876
Beni Suef Cement Co - services	-	110
	10.902	**74.536**

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

16. Financial risk management objectives and policies

The Company's principal financial instruments comprise of 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's exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to selling and purchases are denominated in EURO, which was stable during this half year period.

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 2012 and 31 December 2011 based on contractual undiscounted payments.

Period ended 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	338.227	-	-	-	338.227
Other payables	-	93.458	-	-	-	93.458
Payables to related parties	-	10.902	-	-	-	10.902

Year ended 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	300.337	-	-	-	300.337
Other payables	-	49.953	-	-	-	49.953
Payables to related parties	-	74.538	-	-	-	74.538

16. Financial risk management objectives and policies (continued)

d) Credit risk

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

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

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the periods ended 31 December2012 and 31 December 2011.

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

	2012	*2011*
	MKD'000	*MKD'000*
EBITDA	**1.536.382**	**2.184.306**

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

Supplementary information concerning the calculation of EBITDA

		2012
		MKD'000
Sales		3.518.585
Other revenue		529.478
Cost of sales		(2.396.858)
Gross profit		**1.651.205**
Other operating income		80.900
Other operating expenses		(80.890)
Selling and marketing expenses		(29.123)
Administrative expenses		(85.710)
Depreciation		(248.759)
Profit from operating activities	**EBIT**	**1.287.623**
Finance income		48.999
Finance costs		(7.341)
Net finance income		41.658
Profit before tax	**EBT**	**1.329.281**
Income tax expenses		(3.431)
Profit for the year		**1.325.850**
Other comprehensive income		-
Total comprehensive income for the year		**1.325.850**
EBIT		**1.287.623**
Depreciation and amortisation		248.759
EBITDA		**1.536.382**