“TITAN CEMENTARA KOSJERIC” DOO

FINANCIAL STATEMENTS

FOR THE GROUP CONSOLIDATION PURPOSES

FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS **Pages**

Director
Mr Miroslav Gligorijević

Registered office

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF TITAN CEMENTARA KOSJERIC D.O.O. KOSJERIC

We have audited the accompanying financial statements of Titan Cementara Kosjeric d.o.o. Kosjeric ("the Company"), which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and the notes comprising summary of the accounting policies and other explanatory information.

Management's Responsibility

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. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PIB: 101824091 • Matični broj: 17155270 • Upisan i unet osnovni kapital: 15.075,01 EUR
Registarski broj 47839 kod Agencije za privredne registre
Poslovni račun 160-0000000399176-13 kod Banca Intesa a.d. Beograd

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Restriction and limitations on use

This Independent Auditor's Report has been prepared exclusively for management and owners of Titan Cementara Kosjeric d.o.o. Kosjeric and is not suitable for use by any other party. No other party is entitled to rely on this report and we do not accept any responsibility or duty of care to any party other than management and owners of Titan Cementara Kosjeric d.o.o. Kosjeric. Any disclosure of this report to a third party shall be made only with our prior written consent and against such party's acknowledgment that we have no obligation, responsibility or duty of care towards it.

Belgrade, 31 January 2014

Olivera Andrijašević
Authorized Auditor
and for Ernst & Young d.o.o. Beograd

PREDUZEĆE ZA REVIZIJU
Ernst & Young
II
d.o.o. BEOGRAD

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

Income Statement

	Notes	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Sales	3	3,400,084	4,243,572
Cost of sales	4	(2,152,111)	(2,406,992)
Gross profit		**1,247,973**	**1,836,580**
Other operating income	5	69,485	42,997
Selling expenses	6	(31,709)	(34,254)
Administrative expenses	7	(210,135)	(248,622)
Other operating expenses	5	(26,286)	(158,768)
Profit from operating activities		**1,049,328**	**1,437,933**
Finance income/(expenses), net	8	54,195	547,497
Profit before taxation		**1,103,523**	**1,985,430**
Income tax expense	9	(148,989)	(191,624)
Profit for the year		**954,534**	**1,793,806**
Attributable to:			
Owners of the parent		**954,534**	**1,793,806**

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

Statement of comprehensive income

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Profit for the year	**954,534**	**1,793,806**
Other comprehensive income	-	-
Total comprehensive income for the year	**954,534**	**1,793,806**
Attributable to:		
Owners of the parent	**954,534**	**1,793,806**

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

Statement of financial position

	Notes	As at 31 Dec 2013	As at 31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,063,117	2,165,347
Construction in progress	10	124,325	116,376
Intangible Assets	11	10,539	15,773
Investment in subsidiary	12	7,966	7,966
Deferred tax assets	9	3,008	3,861
		2,208,955	**2,309,323**
Current assets			
Inventories	13	592,491	752,402
Trade receivables	14	240,657	217,556
Other receivables	15	175,611	48,994
Cash and cash equivalents	16	1,831,929	1,462,462
		2,840,688	**2,481,414**
Total assets		**5,049,643**	**4,790,737**
EQUITY AND LIABILITIES			
Capital and reserves			
Shares	17	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		1,165,973	-
Current period result		954,534	1,793,806
		4,792,190	**4,465,489**
Non-current liabilities			
Other non current liabilities	18	36,856	79,797
Deferred tax liabilities	9	4,319	1,426
Current liabilities			
Trade and other payables	19	216,278	244,025
Total Liabilities		**257,453**	**325,248**
Total equity and liabilities		**5,049,643**	**4,790,737**

The financial statements on pages 3 to 32 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 2012	**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**
	Ordinary shares	**Reserve**	**Retained earnings**	**Current period result**	**Total**
Balance at 1 January 2013	**2,505,209**	**166,474**	**-**	**1,793,806**	**4,465,489**
Profit for the period				954,534	954,534
Other comprehensive income					
Total comprehensive income					
Transfer to retained earnings			1,793,806	(1,793,806)	-
Dividends distribution			(627,833)		(627,833)
Balance at 31 December 2013	**2,505,209**	**166,474**	**1,165,973**	**954,534**	**4,792,190**

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

Cash Flow Statement

	Notes	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Cash flows from operating activities			
Profit after taxation		954,534	1,793,806
Adjustments for:			
Tax	9	148,989	191,624
Depreciation and amortization expense	10,11	187,890	197,879
Interest income	8	(33,378)	(28,036)
Interest expenses and Bank Charges		2,353	4,502
(Gain) / Loss on sale of property, plant and equipment		(212)	(2,494)
Fair value gains on Participation Investment in Subsidiary	12,8	-	(517,073)
Impairment Charge		-	14,129
Loss on disposals of fixed assets		24	119
Effects of exchange rate changes	8	(23,170)	(6,890)
Operating cash flows before working capital Changes		**1,237,030**	**1,647,566**
Changes:			
(Increase)/decrease in trade and other Receivables		(17,687)	25,168
(Increase)/decrease in inventory		159,911	(218,079)
Increase/(decrease) in trade and other payables		(18,729)	(22,684)
Decrease in other long term assets			
Cash generated from operations		**1,360,525**	**1,431,971**
Interest and Bank charges paid		(2,353)	(4,502)
Tax paid		(329,232)	(191,944)
Net cash from operating activities		**1,028,940**	**1,235,525**
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	(88,400)	(82,499)
Purchase of intangible assets	11	-	(13,794)
Interest received		33,378	28,036
Proceeds from sale of property, plant and Equipment		212	2,549
Net cash used in investing activities		**(54,810)**	**2,103,277**
Cash flows from financing activities			
Proceeds from borrowings		-	97,266
Repayment of borrowings		-	(97,266)
Dividends paid		(627,833)	(2,132,003)
Net cash from financing activities		**(627,833)**	**(2,132,003)**
Effects of exchange rate changes		23,170	6,890
Net increase/(decrease) in cash		**369,467**	**1,213,689**
Cash at the beginning of period	16	**1,462,462**	**248,773**
Cash at the end of period	16	**1,831,929**	**1,462,462**

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 259 people as at 31 December 2013 (as at 31 December 2012: 261 people).

2 Basis of preparation

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards and amendments became effective as of 1 January 2013:

- IFRS 1 First-time Adoption of International Financial Reporting Standards-Government Loans- Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures -Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Improvements to IFRSs - 2009-2011 Cycle:

- IFRS 1 – Repeat application of IFRS 1
- IFRS 1 – Borrowing Costs
- IAS 1 – Clarification of the requirement for comparative information
- IAS 16 – Classification of servicing equipment
- IAS 32 – Tax effects of distributions to holders of equity instruments
- IAS 34 – Interim financial reporting and segment information for total assets and liabilities

Not all of these standards and amendments impact the Company's financial statements. The adoption of the standards or interpretations is described below:

IFRS 1 Government Loans – Amendments to IFRS 1 (Amended)

The IASB added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS. The amendment did not have an impact on the financial position or performance of the Company.

2 Basis of preparation (continued)

IFRS 7 Financial Instruments: Disclosures -Offsetting Financial Assets and Financial Liabilities (Amended)

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures will 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 recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized 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. The Company does not have such arrangements so there has been no effect on the presentation of its financial statements.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities,* which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity).
The change had no impact on the currently held investments of the Company.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

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.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights entities. This change has no effect on the Company's financial statements.

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. IFRS 13 defines fair value as an exit price. The adoption of this interpretation had no effect on the financial statements of the Company.

2 Basis of preparation (continued)

IAS 19 Employee Benefits (Revised 2011)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, amounts recorded in profit or loss is limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognized in OCI with no subsequent recycling to profit or loss.
- Expected returns on plan assets are no longer recognized in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new and revised disclosure requirements. These new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- The distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

These amendments are considered to have a reasonable possible impact on the Company. However, the Company assessed that impact of this standard is not material.

IFRIC 20 Stripping Costs in the Production Phase of a Surface

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 Company assessed that impact of this standard is not material.

Improvements to IFRSs - 2009-2011 Cycle:
These improvements will not have an impact on the Company, but include:

IFRS 1 – Repeat application of IFRS 1
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.

IFRS 1 – Borrowing Costs
The amendment clarifies that, upon adoption of IFRS, an entity that capitalized borrowing costs in accordance with its previous GAAP, may carry forward, without adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Once an entity adopts IFRS, borrowing costs are recognized in accordance with IAS 23, including those incurred on qualifying assets under construction.

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.

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

2 Basis of preparation (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface (continued)

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.

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.

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.

Spare parts are capitalized within property, plant and equipment if their value is higher than EUR 35,000 and are expected to be used more than one period . The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

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.

2 Basis of preparation (continued)

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. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less any credit balances on bank accounts.

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.

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

2 Basis of preparation (continued)

Taxation

Current income tax is calculated at the rate of 15% 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 2013, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 114.6421 and as at 31 December 2012 EURO 1= RSD 113.7183. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

3 Sales

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Sales revenue cement	3,400,084	4,243,572
Total	**3,400,084**	**4,243,572**

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

4 Cost of sales

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Variable		
Kiln fuel	368,008	560,783
Raw material	116,792	137,396
Electricity power	224,516	205,641
Fuel and oil	43,969	56,215
Refractory	22,858	33,499
Grinding media	5,482	7,500
Concession fees	12,409	13,412
Third party Labor Quarry	20,324	24,055
Other variable costs	3,053	3,811
Total variable cost	**817,411**	**1,042,312**
Fixed		
Salaries	352,492	401,044
Training	3,462	4,444
Maintenance spare parts	61,868	70,654
Third parties services	34,756	32,426
Lining	872	1,070
Insurance and taxes	36,278	34,883
Other fixed costs	64,973	72,955
Total fixed cost	**554,701**	**617,476**
Packing		
Salaries	50,297	58,402
Training	324	495
Bags	45,928	60,238
Pallets and folio	42,958	52,569
Electricity power	3,007	2,453
Fuel and oil	893	1,225
Maintenance spare parts	7,359	10,578
Third parties maintenance	1,972	1,453
Insurance	1,129	708
Other expenses	5,449	4,714
Total packing cost	**159,316**	**192,835**
Inventory (Increase)/Decrease	**19,464**	**(81,914)**
Depreciation	**178,800**	**178,888**
Distribution Expenses		
Third parties services transportation	406,227	441,424
Custom and related expenses	1,704	4,024
Other	1,676	1,576
Total distribution costs	**409,607**	**447,024**
Cost of Trading Goods	**12,812**	**10,371**
Total Cost of Sales	**2,152,111**	**2,406,992**

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-13	For 12 months period ended 31-Dec-12
Revenue from sales of material	3,198	1,324
Collection of the receivables for which provision was made	5,289	2,580
Revenue from other operating activities	376	303
Profit on sales of fixed assets	212	2,494
Reversal of unused provisions for retirement	7,709	18
Reversal of unused provisions for jubilee awards	35,114	7,563
Reversal of unused provisions for legal cases	-	611
Other income	17,587	28,104
Total other operating income	**69,485**	**42,997**
Salaries	-	3,884
Depreciation	-	1,922
Impairment of accounts receivable	9,491	25,106
Provision for retirement benefits	550	984
Provision for jubilee awards	2,606	5,706
Staff leaving indemnities (including VELP)	-	81,140
Impairment losses of tangible assets	-	14,129
Other expenses	13,639	25,897
Total other operating expenses	**26,286**	**158,768**

6 Selling expenses

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Salaries	25,535	27,777
Training	634	462
Traveling and Entertainment expenses& Car Expenses	3,657	3,715
Other	1,601	1,964
Depreciation	282	336
	31,709	**34,254**

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

7 Administrative expenses

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Administrative and technical assistance fees – see Note 20	18,005	16,122
Salaries	86,197	104,028
Training and education	1,423	2,049
Donation to Municipality	1,078	2,102
Donations	12,165	17,948
Communication	1,293	3,760
Consulting services	4,862	6,749
Legal and court fees	7,203	7,643
Entertainment	5,212	5,644
Car expenses	9,521	11,450
Business trip	1,959	3,504
Other costs	52,409	50,890
Depreciation	8,808	16,733
	210,135	**248,622**

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-13	For 12 months period ended 31-Dec-12
Finance income		
Bank interest and related income	33,378	28,036
Gain from sale of investments (Note 12)	-	517,073
Foreign exchange gain	33,818	87,065
Total finance income	**67,196**	**632,174**
Finance expenses		
Interest expenses	-	(1,138)
Bank charges	(2,353)	(3,364)
Foreign exchange loss	(10,648)	(80,175)
Total finance expenses	**(13,001)**	**(84,677)**
Finance income and expenses, net	**54,195**	**547,497**

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

9 Taxation

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Current Income Tax	145,243	191,944
Deferred income tax expense / (income)	3,746	(320)
	148,989	**191,624**

The tax on the Company's profit before tax differs from theoretical amounts that would arise using the basic tax rate of 15% as follows:

	For 12 months period ended 31 Dec 13	For 12 months period ended 31 Dec 12
Accounting profit for the 12 months period ended 31 December	**1,103,523**	**1,985,430**
Add back:		
Accounting depreciation	187,891	197,879
Provisions	-	5,706
Non business expenses	8,980	14,174
Penalties and capital loss	617	243
Write off/Impairment of assets	-	14,129
Impact of transfer pricing	680	550
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	-	1,183
Other	8,877	4,907
Less:		
Depreciation for tax purposes	(174,749)	(189,138)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(3,373)	(2,940)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	-	(7,389)
Reversed unused long term provisions	(37,969)	(8,192)
Tax basis	**1,094,477**	**2,016,542**
Tax at 15% (2012: 10%)	**164,172**	**201,654**
Tax relief for investments in fixed assets	18,929	9,710
Current income tax	145,243	191,944

(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 2013	***Jan-Dec 2012***	***31Dec 2013***	***31Dec 2012***
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	(2,893)	(388)	(4,319)	(1,426)
Temporary differences between carrying amount of retirement provision and its tax base	(1,074)	496	2,281	3,355
Temporary differences between carrying amount of unpaid tax liabilities and their tax base	221	212	727	506
Deferred tax liabilities, total			**(4,319)**	**(1,426)**
Deferred tax assets, total			**3,008**	**3,861**
Deferred income tax expense/(income)	**3,746**	**(320)**		

(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 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)	-
Transfer from advances to suppliers for fixed assets to fixed assets								
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**
Additions during the period	43	4,011	-	1,092	-	**5,146**	83,254	**88,400**
Reclassification from/to another category	-	-	45,306	29,999	-	**75,305**	(75,305)	-
Sales / write off during period	-	-	-	(4,680)	(1,191)	**(5,871)**	-	**(5,871)**
At 31 December 2013	**54,120**	**147,394**	**2,530,001**	**3,252,997**	**286,570**	**6,271,082**	**124,325**	**6,395,407**
Accumulated depreciation/depletion								
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**
Charge for the period	-	4,507	66,624	106,879	4,647	**182,657**	-	**182,657**
Sales/ write off during period	-	-	-	(4,656)	(1,191)	**(5,847)**	-	**(5,847)**
At 31 December 2013	**-**	**27,852**	**1,344,675**	**2,565,694**	**269,744**	**4,207,965**	**-**	**4,207,965**
Net book value								
At 31 December 2013	**54,120**	**119,542**	**1,185,326**	**687,303**	**16,826**	**2,063,117**	**124,325**	**2,187,442**
At 31 December 2012	**54,077**	**120,038**	**1,206,644**	**763,115**	**21,473**	**2,165,347**	**116,376**	**2,281,723**

Construction in progress includes strategic spare parts amounting to RSD 98,634 thousand.

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

11 Intangible Assets

	Computer Software	Total
Cost		
At 31 December 2012	**72,003**	**72,003**
Additions during the period	-	-
At 31 December 2013	**72,003**	**72,003**
Accumulated amortization		
At 31 December 2012	**56,230**	**56,230**
Charge for the period	5,234	5,234
At 31 Dec 2013	**61,464**	**61,464**
Net book value		
At 31 December 2013	**10,539**	**10,539**
At 31 December 2012	**15,773**	**15,773**

Computer software is related to licenses for the SAP ERP Package that the Company applied from January 2008, as well as the new licenses and the new investment in development of SAP Software.

12 Investment in subsidiary

The Company has 100% ownership in TCK Montenegro d.o.o. Podgorica. The Subsidiary is dealing with sales of cement in the Republic of Montenegro.

Subsidiary	**31 Dec 2013**	**31 Dec 2012**
TCK Montenegro	7,966	7,966
Total	**7,966**	**7,966**

13 Inventories

	As at 31 Dec 2013	As at 31 Dec 2012
Material and fuel	112,417	244,723
Spare parts and other inventory	319,253	335,021
Packing materials	15,063	7,599
Work in progress	91,832	124,374
Finished products	53,422	40,344
Goods for resale	338	182
Advances for inventory	166	159
	592,491	**752,402**

Major portion of material and fuel as at 31 December 2013 amounting to RSD 64,887 thousand, RSD 10,448 and RSD 9,228 thousand relates to petrol coke, slag and mast, respectively.

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

14 Trade receivables

	As at 31 Dec 2013	As at 31 Dec 2012
Trade receivables	165,709	122,113
Trade receivables from related parties (Note 20)	124,102	142,456
Provision for impairment of receivables	(49,154)	(47,013)
	240,657	**217,556**

For term and conditions relating to related party receivables, refer to Note 20.
Trade receivables are non-interest bearing and are generally on terms of 5 to 60 days.

As at 31 December 2013, trade receivables at nominal value of RSD 9,491 thousand (31 December 2012: RSD 24,931 thousand) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

	Provision for impairment of trade receivables
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**
At 1 January 2013	**47,013**
Charge for the year	9,491
Unused amounts reversed	(5,289)
Utilized during the year	(2,061)
At 31 December 2013	**49,154**

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

Year ended 31 December 2013			Past due but not impaired				
Description	Total	Neither due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	116,555	32,899	43,772	13,011	7,678	1,806	17,389
Trade receivables-related parties	124,102	32,115	45,907	46,080	-	-	-
Total	**240,657**	**65,014**	**89,679**	**59,091**	**7,678**	**1,806**	**17,389**
Year ended 31 December 2012			Past due but not impaired				
Trade receivables	75,100	3,393	14,714	18,514	13,969	6,356	18,154
Trade receivables-related parties	142,456	20,614	52,055	69,787	-	-	-
Total	**217,556**	**24,007**	**66,769**	**88,301**	**13,969**	**6,356**	**18,154**

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

15. Other receivables	**As at 31 Dec 2013**	**As at 31 Dec 2012**
Advances to suppliers for current assets	12,553	6,393
Other receivables form related parties (Note 20)	15,360	13,920
Receivables from employees	392	1,278
Accrued expenses	10,238	18,178
Receivables for funds lent to firms	6	6
Receivables for rent	47	71
Receivables for sales of property, plant and equipment	1,448	1,349
VAT receivable	-	3,911
Income tax prepayment	132,031	-
Other receivables from the State	255	1,911
Other receivables	6,028	5,250
Other receivables, gross	**178,358**	**52,267**
Provision for advances to suppliers	(2,095)	(2,095)
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(598)	(1,124)
Other receivables, net	**175,611**	**48,994**

As at 31 December 2013, other receivables at nominal value of RSD 2,747 thousand (2012: RSD 3,273 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 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**
At 1 January 2013	**2,095**	**6**	**-**	**48**	**1,124**
Charge for the year	-	-	-	-	-
Unused amounts reversed	-	-	-	-	-
Utilized during the year					(526)
At 31 December 2013	**2,095**	**6**	**-**	**48**	**598**

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

16 Cash and cash equivalents

	As at 31 December 2013	As at 31 December 2012
Cash at bank	20,371	22,542
Other short-term bank deposits	1,811,558	1,439,920
	1,831,929	**1,462,462**

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

As at 31 December 2013 deposits that are placed with EFG Bank are EUR equivalent 237 thousand and EUR 4,006 thousand; with Vojvodjanska Bank EUR equivalent 1,502 thousand and EUR 1,497 thousand; with Societe Generale Bank EUR 6,438 thousand and with Alpha bank EUR 1,946 thousand and RSD 20,200 thousand.

Average interest rates for short-term deposits in EUR equivalent is 0.27% per annum. For EUR deposits average interest rate is 2,0% per annum and for RSD deposits e is 6,6% per annum.

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 2013 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

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

18 Other non-current liabilities and provisions

	As at 31 December 2013	As at 31 December 2012
Retirement benefits	14,455	22,164
Provision for legal cases	345	2,079
Provision for jubilee awards	14,149	49,263
Provision for rehabilitation of quarries	7,907	6,291
	36,856	**79,797**

Provisions for retirement benefits

The Company was obliged under 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. In accordance with the Employment Rulebook which has replaced the expired Collective agreement since April 1st 2013, the Company is obliged to pay staff leaving indemnity according to the Labor Law. According to the evaluation of the certified actuary, the present value of the provision on 31 December 2013 was RSD 15,204 thousand (2012: 22,363 thousand) out of which RSD 14,455 thousand represented long-term portion (2012: 22,164 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 10%, future salary increase 2, 25% per year up to 2018 and 4% after that.

Movements in the provision for retirement reword were as follows:

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
As at 1 January	**22,164**	**27,114**
Utilized during the year	-	(5,916)
Unused amounts reversed (Note 5)	(7,709)	(18)
Additional provision (Note 5)	-	984
Closing balance	**14,455**	**22,164**

Provision for legal cases

There are 11 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. 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 2013.

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

18 Other non-current liabilities and provisions (continued)

	For 6 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
As at 1 January	**2,079**	**3,078**
Utilized during the year	(1,734)	(388)
Unused amounts reversed (Note5)		(611)
Closing balance	**345**	**2,079**

Provisions for Jubilee awards

The Company was 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 were as follows: 1 average salary of the Company to the employee that completes the 10th and the15th year of continuous employment, 1.5 average salary of the Company to the employee that completes the 20th and the 25th year of continuous employment, 2 average salaries of the Company to the employee that completes the 30th and the35th year of continuous employment and 2.5 average salaries of the Company to the employee that completes the 40th of continuous employment.
However, in accordance with the Employment Rulebook which has replaced the expired Collective agreement since April 1st 2013, the Company on its discretion could pay each employee Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment in the Company. Furthermore, the Company intends to pay Jubilee awards when the employee (women only) completes 35 years of continues employment in the Company as well as when the employee(men only)completes 40 years of continues employment in the Company. According to the evaluation of the certified actuary, the present value of the provision on 31 December 2013 amounted to RSD 16,755 thousand (2012: RSD 54,206 thousand) out of which RSD 14,149 thousand represented long-term portion (2012: RSD 49,263 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 10%, future salary increase 2, 25% per year up to 2018 and 4% after that.

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
As at 1 January	**49,263**	**51,120**
Unused amounts reversed (Note 5)	(35,114)	(7,563)
Additional provision (Note 5)	-	5,706
Closing balance	**14,149**	**49,263**

Provisions for Rehabilitation for quarries	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
As at 1 January	**6,291**	**5,836**
Additional provision	1,565	455
Unrealized exchange differences	51	-
Closing balance	**7,907**	**6,291**

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 10%. Final value of the provision on 31 December 2013, in the amount of RSD 7,907 thousand is in proportion with the so far discovered surface on the quarries.

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

19 Trade and other payables

	As at 31 December 2013	As at 31 December 2012
Trade payables	158,582	129,476
Advances received	3,430	11,302
Other taxes payable	10,778	3,539
Payables for salaries	12,037	13,643
Social insu rance contributions on salaries	5,854	6,365
Income tax payable	-	51,959
Payables to related parties (Note 20)	19,704	21,274
Dividend payable	304	304
Provision for retirement- current portion (Note 18)	749	199
Provision for Jubilee award- current portion (Note 18)	2,606	4,943
Other payables	2,234	1,021
	216,278	**244,025**

For terms and conditions relating to related parties, refer to Note 20.

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2013 based on contractual payments.

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2013				
Trade payables	141,906	4,977	11,699	**158,582**
Other payables	30,881	-	326	**31,207**
Payables to related parties	19,704	-	-	**19,704**
Total	**192,491**	**4,977**	**12,025**	**209,493**

	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	24,414	3	455	**24,872**
Payables to related parties	21,274	-	-	**21,274**
Total	**157,079**	**7,653**	**10,890**	**175,622**

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 was obliged to pay tax in the amount of RSD 20 per ton of extracted limestone and RSD 30 per ton of extracted marl. For the period January - August 2013 concession fee was RSD 25 per ton of extracted limestone and RSD 35 per ton of extracted marl. Finally, for the period September - December 2013 concession fee was RSD 23 per ton of extracted limestone and RSD 33 per ton of extracted marl. Total outstanding liability, included in trade payables, as of 31 December 2013 amounted to RSD 2,536 thousand.

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

20. Related parties transactions

The Company is ultimately controlled by AEAS Ltd, Netherland, which owns 100% of the Company's basic capital.

Total amount of transactions for the relevant financial year (including the outstanding balances at December 31) which have been entered with the parent company and other companies within Titan Group as well as the Company's subsidiaries and associates may be summarized as follows:

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Sales and services provided to related parties		
TCK Montenegro- Montenegro	556,071	651,385
Stari Silo Company doo	591	567
	556,662	**651,952**

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Purchase of goods and services from related parties		
Zlatna Panega-Bulgaria	-	16,522
Titan Cement Company S.A., Athens-cost of trading goods	7,173	7,207
Titan Cement Company S.A., Athens-fixed assets and other purchases	1,922	2,678
Cementarnica Usje-spare parts	287	-
Tithys Ltd, Cyprus- see Note 7	18,383	16,122
Sharrcem SH P.K. Kosovo	2,159	977
	29,924	**43,506**

	For 12 months period ended 31-Dec-13	For 12 months period ended 31-Dec-12
Trade and other receivables		
TCK Montenegro- Montenegro	124,480	142,456
Stari Silo Company doo	14,982	13,920
	139,462	**156,376**
Trade and other payables		
TITHYS Ltd, Cyprus	18,383	3,895
Titan Cement Company S.A., Athens	1,321	395
Zlatna Panega-Bulgaria	-	15,998
Sharrcem SH P.K. Kosovo	-	986
	19,704	**21,274**

Sales to and purchases from related parties are generally made at normal market prices and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. The Company has not raised any provision relating to amounts owed by related parties for the years ended 31 December 2013, and 31 December 2012. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

Total compensation to key management personnel for 2013 amounted to RSD 24,798 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.

Except for the concentration of foreign currency risk, the Company has no significant concentration of market risk for other items.

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. The Company has receivables, liabilities and monetary assets in EUR. The Company manages its foreign currency risk by keeping assets in foreign currency at the level of liabilities in foreign currencies, so that the Company's exposure to this risk at the balance sheet date is low.

The following table illustrates sensitivity of the Company's profit before tax to a reasonable possible change in EUR exchange rate, at the assumption of constant values of all other factors:

	Change in EUR rate	*Effect on profit before tax in 000 RSD*
2013	+10%	184,594
	-10%	-184,594
2012	+10%	143,070
	-10%	-143,070

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 2013 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.

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

21. Financial risk management objectives and policies (continued)

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 2013 and 31 December 2012.

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-13	**For 12 months period ended 31-Dec-12**
Profit for the period	**954,534**	**1,793,806**
Add back:		
Income tax	148,989	191,624
Depreciation expenses –cost of sales	178,800	178,888
Depreciation expenses –other operating expenses	-	1,922
Depreciation expenses –selling expenses	282	336
Depreciation expenses –administrative expenses	8,808	16,733
Impairment losses on tangible assets	-	14,129
Finance income and expenses, net	(54,195)	(547,497)
EBITDA	**1,237,218**	**1,649,941**

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
- inflation controls

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.

23. 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.

IFRS 9 Financial Instruments
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 is addressing hedge accounting and impairment of financial assets. The Company does not expect that the adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to 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" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has not such transactions, so the amendment has no impact on the Company.