

**CEMENTARNICA "USJE" AD SKOPJE**  
**FINANCIAL STATEMENTS**  
**FOR GROUP CONSOLIDATION REPORTING PURPOSES**  
**For the year ended 31 December 2013**

## Contents

	Pages
AUDITORS' REPORT	3
STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF CASH FLOWS	7
STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 39
SUPPLEMENTARY INFORMATION CONCERNING THE CALCULATION OF EBITDA	40



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## INDEPENDENT AUDITORS' REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

### To the Board of Directors of CEMENTARNICA "USJE" AD - Skopje

We have audited the accompanying special purpose financial statements of Cementarnica USJE A.D. Skopje ("the Company"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared solely to enable ultimate parent Titan Cement Company S.A. to prepare its consolidated financial statements for the year ended 31 December 2013 in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

#### *Management's Responsibility for the Special Purpose Financial Statements*

Management is responsible for the preparation of these special purpose financial statements in accordance with those requirements of IFRS, as adopted for use in the EU relevant for the preparation of such financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose 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 special purpose 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 about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the special purpose 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 special purpose financial statements.

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

*Opinion*

In our opinion, the special purpose financial statements of the Company for the year ended 31 December 2013 are prepared, in all material respects, in accordance with those requirements of IFRS as adopted for use in the EU relevant to the preparation of such statements.

*Restriction on Distribution and Use*

The special purpose financial statements have been prepared for purposes of providing information to Titan Cement Company S.A. to enable it to prepare its consolidated financial statements for the year ended 31 December 2013. As a result, the special purpose financial may not be suitable for another purpose. Our report is intended solely for the information and use of the Company's management and ultimate parent in conjunction with the preparation and audit of the consolidated financial statements of Titan Cement Company S.A. - Greece for the year ended 31 December 2013 and should not be used by or distributed to anyone for any other purpose.

  
Ernst & Young Certified Auditors Ltd.  
31 January 2014



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 MKD '000	2012 MKD '000
Sales	3a	3.309.976	3.518.585
Other revenue	3b	605.727	529.478
Cost of sales	3c	(2.148.854)	(2.396.858)
<b>Gross profit</b>		<b>1.766.849</b>	<b>1.651.205</b>
Other operating income	3d	41.900	80.900
Other operating expenses	3e	(37.557)	(80.890)
Selling and marketing expenses	3f	(25.897)	(29.123)
Administrative expenses	3g	(83.341)	(85.710)
Depreciation	5	(216.171)	(248.759)
<b>Operating profit</b>		<b>1.445.783</b>	<b>1.287.623</b>
Finance income		51.781	56.082
Finance costs		(8.945)	(14.424)
Net finance income	3h	42.836	41.658
<b>Profit before tax</b>		<b>1.488.619</b>	<b>1.329.281</b>
Income tax expense	4	(3.932)	(3.431)
<b>Profit for the year</b>		<b>1.484.687</b>	<b>1.325.850</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	6	55.325	-
<b>Total comprehensive income for the year</b>		<b>1.540.012</b>	<b>1.325.850</b>

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 MKD'000	2012 MKD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2.204.595	2.105.390
Investment properties	6	115.323	80.703
Investment in subsidiary		157.921	157.921
Exploration and evaluation assets		20.935	21.087
		<u>2.498.774</u>	<u>2.365.101</u>
<b>Current assets</b>			
Inventories	7	601.867	710.384
Trade and other receivables	8	304.874	351.243
Income tax receivable		4.707	7.889
Cash and short term deposits	9	2.539.582	1.518.125
		<u>3.451.030</u>	<u>2.587.641</u>
<b>TOTAL ASSETS</b>		<u><b>5.949.804</b></u>	<u><b>4.952.742</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	1.747.730	1.747.730
Additional paid in capital		(14.869)	(14.869)
Retained earnings		3.159.953	2.139.314
Revaluation reserves		207.829	207.829
Revaluation reserves - investment property	6	55.325	-
Legal reserves		349.620	349.620
		<u>5.505.588</u>	<u>4.429.624</u>
<b>Non-current liabilities</b>			
Provision for retirement benefits	11	56.272	57.745
Provision for rehabilitation of quarries		10.413	12.336
		<u>66.685</u>	<u>70.081</u>
<b>Current liabilities</b>			
Trade and other payables	12	368.642	442.587
Current portion of retirement benefit obligations	11	8.849	10.186
Income tax payable		-	227
Dividend payable		40	37
		<u>377.531</u>	<u>453.037</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5.949.804</b></u>	<u><b>4.952.742</b></u>

Authorized on behalf of the Board of Directors

Hrisafov Boris  
 Chief Executive Director



Olivera Vasilkovska  
 Finance Manager

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	<i>Notes</i>	2013 MKD '000	2012 MKD '000
<b>Cash flows from operating activities</b>			
Profit before income taxes		1.488.619	1.329.281
<i>Adjustments for:</i>			
(Gain)/Losses, net on disposal of property, plant and equipment		(2.591)	(22.214)
Depreciation of PPE and investment properties		216.171	248.759
Actuarial losses, net		8.719	4.584
Interest income		(46.850)	(44.881)
Dividend income		-	(4.118)
Shortage of goods in the warehouse		17	1.405
Interest expense and bank charges		4.249	2.539
Write off trade receivables		87	437
NBV of disposed and written off PPE		2.283	3.302
Provisional income from pallets		-	(11.998)
Other provision		-	30.750
<b>Operating profit before working capital changes</b>		<b>1.670.704</b>	<b>1.537.846</b>
Decrease / (Increase) in trade and other receivables		46.282	(112.307)
Decrease / (Increase) in inventories		108.501	(49.490)
(Decrease) in trade and other payables		(84.440)	(13.771)
<b>Cash generated from operations</b>		<b>1.741.047</b>	<b>1.362.278</b>
Interest expense and bank charges paid		(4.249)	(2.539)
Income tax paid		(3.932)	(227)
<b>Net cash flows generated from operations</b>		<b>1.732.866</b>	<b>1.359.512</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(296.334)	(229.311)
Expenditures for exploration and evaluation assets		(468)	(5.178)
Proceeds from sale of property, plant and equipment		2.591	22.214
Loan to associate		-	1.414.615
Dividend income received		-	4.118
Interest income received		46.850	37.323
<b>Net cash flows (used in) generated investing activities</b>		<b>(247.361)</b>	<b>1.243.781</b>
<b>Cash flows from financing activities</b>			
Dividends paid to group shareholders		(396.075)	(1.052.225)
Dividends paid to minority shareholders		(21.569)	(57.297)
Tax on dividend		(46.404)	(123.281)
<b>Net cash flows (used) in financing activities</b>		<b>(464.048)</b>	<b>(1.232.803)</b>
Net increase in cash and cash equivalents		1.021.457	1.370.490
Cash and cash equivalents at 1 January		1.518.125	147.635
<b>Cash and cash equivalents at 31 December</b>	9	<b>2.539.582</b>	<b>1.518.125</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
At 1 January 2013	1.747.730	(14.869)	2.139.314	349.620	207.829	4.429.624
Profit for the year	-	-	1.484.687	-	-	1.484.687
Other Comprehensive Income (See note 6)	-	-	-	-	55.325	55.325
Total Comprehensive income	-	-	1.484.687	-	55.325	1.540.012
Dividends, net	-	-	(417.644)	-	-	(417.644)
Tax on dividend	-	-	(46.404)	-	-	(46.404)
<b>At 31 December 2013</b>	<b>1.747.730</b>	<b>(14.869)</b>	<b>3.159.953</b>	<b>349.620</b>	<b>263.154</b>	<b>5.505.588</b>

On 13 May 2013, the Board of Directors brought a Decision for distribution of dividend for the year ended 2012 in accordance with the Company Law. The dividend declared was in amount of MKD 464.048 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 46.404 thousand.

Officially starting from 1 July 2013, Cementarnica USJE AD Skopje has become a listed company on the Macedonian Stock Exchange Inc. (under the sub-segment for mandatory listing). In order not to be created a false picture on the Stock Exchange, the listed companies has continuing obligations to publish all price sensitive information, information necessary for evaluating the current company's condition.

For the year ended 31 December 2012

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
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)
<b>As at 31 December 2012</b>	<b>1.747.730</b>	<b>(14.869)</b>	<b>2.139.314</b>	<b>349.620</b>	<b>207.829</b>	<b>4.429.624</b>



## 1. Corporate information

Cementarnica "Usje" A.D. - Skopje ("the Company") is incorporated in the Republic of Macedonia with the registered address at Boris Trajkovski 94, 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 2013 was 324 (31 December 2012: 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 except for investment properties that have been measured at fair value. 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 as endorsed by EU.

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 in these financial statements at cost less any impairment in value.

### New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended and new IFRSs which have been adopted by the Company as of 1 January 2013:

- *IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income.*
- *IAS 19 Employee Benefits (Revised)*
- *IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities*
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements to IFRSs – 2009 – 2011 Cycle*

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

### New and amended standards and interpretations (continued)

The amended IFRSs do not have impact on the annual financial statements or the interim condensed financial statements of the Company except for the following:

- *The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle*, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to 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 period 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.

### Standards issued but not yet effective

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**  
The Standard is effective for annual periods beginning on or after 1 January 2014. 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. It is not expected that this revised standard would be relevant for the Company.
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**  
The amendment is effective for annual periods beginning on or after 1 January 2014. 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 be relevant to the Company.
- **IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**  
IFRS 9, as issued, reflects the first phase of the IASBs 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 adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. 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.

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

### Standards issued but not yet effective (continued)

moved the mandatory effective date to 1 January 2015. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standard and subsequent amendments have not yet been endorsed by the EU.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

The new standard is effective for annual periods beginning on or after 1 January 2014. 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 judgment 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. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

- **IFRS 11 Joint Arrangements**

The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. 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. It is not expected that this standard would be relevant for the Company.

- **IFRS 12 Disclosures of Interests in Other Entities**

The new standard is effective for annual periods beginning on or after 1 January 2014. 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. The Company is in the process of assessing the impact of this standard on its financial statements.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidance is effective for annual periods beginning on or after 1 January 2014. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective

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

### Standards issued but not yet effective (continued)

adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. It is not expected that these amendments would be relevant for the Company.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The Company is in the process of assessing the impact of this standard on its financial statements.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. It is not expected that this amendment would be relevant for the Company.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This amendment has not yet been endorsed by the EU.

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

### Standards issued but not yet effective (continued)

- **IFRIC Interpretation 21: Levies**

The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.

This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU.

- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The IASB has issued the **Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

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

### Standards issued but not yet effective (continued)

- *IFRS 3 Business Combinations*: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- *IFRS 13 Fair Value Measurement*: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- *IAS 40 Investment Properties*: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

### b. Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### c. 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.

### d. 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

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

### d. Foreign currency translation (continued)

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.

### e. 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.

### f. 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. 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.

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

### e. Investment property (continued)

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. Any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value was treated in the same way as a revaluation in accordance with IAS 16.

### 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 and trade and other receivables.

##### *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



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

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

#### (i) Financial assets (continued)

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 flows 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 2013 and the year ended 31 December 2012.

#### **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 2013 and the year ended 31 December 2012.

#### **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

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

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

#### (i) Financial assets (continued)

##### Impairment of financial assets (continued)

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:

##### **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.

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

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

#### (ii) Financial liabilities (continued)

##### 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.

##### De-recognition

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.

### 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 2013 and 2012 is 10%.

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

### l. Taxation (continued)

#### *Taxes on non deductible 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.

For further details please refer to Note 4.

#### *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.

#### *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.

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:

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

**m. Employee benefits (continued)**

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 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.

*Additional benefits at retirement*

Starting from 31 December 2013, the actuarial calculation of defined benefits has been supplement with calculation of the present value of the newly introduced long term benefit for certain category of employees - additional benefits at retirement. The calculation is made on the basis of the average parameters of the mentioned population and total expected amount for payment, delivered by the enterprise.

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.

**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.

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

### 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:

#### *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.

### 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.

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

### s. Financial risk management (continued)

#### *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.

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 maturity less than one year is approximates their fair value.

### 3. Revenue and expenses

#### a) Sales

	2013 MKD '000	2012 MKD '000
<i>Gross sales</i>		
Domestic market	2.731.676	2.676.319
Foreign market	578.300	842.266
	<u>3.309.976</u>	<u>3.518.585</u>
<i>Domestic market</i>		
Income from cement	2.585.048	2.469.381
Income from RMC	70.798	139.194
Income from white cement	48.895	45.512
Income from limestone	27.791	23.849
Discount	(856)	(1.617)
	<u>2.731.676</u>	<u>2.676.319</u>
<i>Foreign market</i>		
Income from cement	527.213	602.715
Income from clinker	34.956	284.534
Income from white cement	15.971	6.567
Income from sand	177	101
Discount	(17)	(51.651)
	<u>578.300</u>	<u>842.266</u>

#### b) Other revenues

	2013 MKD '000	2012 MKD '000
Pet coke-export	492.542	364.330
Pet coke-domestic	39.636	49.055
Transport of cement - intercompany	36.234	76.885
Third part freight	32.189	27.154
Services	3.793	10.765
Sand	894	660
Additives	439	629
	<u>605.727</u>	<u>529.478</u>



### 3. Revenue and expenses (continued)

#### c) Cost of sales

	2013	2012
	<i>MKD'000</i>	<i>MKD'000</i>
<b>Distribution expenses</b>	<b>63.714</b>	<b>117.073</b>
<i>Variable costs</i>		
Kiln fuel	428.345	536.712
Electricity	262.923	308.369
Raw materials	155.042	147.484
Other variable cost	109.334	126.238
Admixtures - additives	18.756	23.519
Refractory	17.430	46.322
Grinding media	7.922	9.880
Fuel & oil	6.756	7.963
<b>Total Variable costs</b>	<b>1.006.508</b>	<b>1.206.487</b>
<i>Fixed costs</i>		
Salaries & other benefits	264.001	259.498
Third parties fees - contract labour	48.114	72.791
Maintenance & spare parts	47.357	54.914
Other plant utilities	33.289	55.917
Other fixed costs (quality, dispatch, etc.)	35.149	52.835
Lining	6.765	6.285
Insurance premium	6.384	5.021
Car related expenses	2.566	2.488
IT & Telecoms	2.505	3.065
Travelling & Entertainment	2.144	2.395
<b>Total Fixed costs</b>	<b>448.274</b>	<b>515.209</b>
Inventory change	(10.765)	(1.844)
Packing expenses	165.554	168.148
Cost of traded goods	475.569	391.785
	<b>2.148.854</b>	<b>2.396.858</b>

### 3. Revenue and expenses (continued)

#### d) Other operating income

	2013 MKD '000	2012 MKD '000
Rent income	15.802	12.692
Retention of paid salaries based on the Supreme court's decision	5.670	-
Fair value gain	5.101	-
Gain from disposed fixed assets	3.086	22.214
Actuarial gains and reversal of unused provision	2.511	4.247
Scrap	2.294	3.689
Income from re-exported equipment	1.510	3.034
Write off - trade creditors	1.183	103
Turnover discount for bags	1.060	-
Revenues from sold fixed assets	617	-
Income from other services	368	270
Collected damages from insurance companies	354	222
Revenues from sold materials	284	6.330
Revenues from vehicles at a standstill	-	14.757
Revenues from sold pallets	-	11.998
Others	2.060	1.344
	<u>41.900</u>	<u>80.900</u>

Rent income in amount of MKD 15.802 thousand consist of rented business premises space together with the re-invoiced utilities in amount of MKD 12.630 thousand all to third parties and RMC pump and silo trucks in amount of MKD 3.172 thousand.

The amount of MKD 5.670 thousand relates to retention of paid salaries to 17 people who are entitled to return to work in 2012, after the end of the court procedure that started in 2009 when some employees had their employment cancelled due to business reasons.

Fair value gain in amount of MKD 5.101 thousand relates to fair value re-measurement of the Investment property (See Note 6) as of 31 December 2013 recognised in the Company's profit and loss.

Gain from sales of fixed assets in amount of MKD 3.086 thousand relates to sale of feed loader caterpillar to Zobek Mining Group Doel based on an Agreement no. 03-1022 dated 06.06.2013 and the rest of MKD 3 thousand related to re-exported equipment to Sharrcem Kosovo.

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 2.511 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method (See Note 11).

### 3. Revenue and expenses (continued)

#### e) Other operating expenses

	2013 MKD '000	2012 MKD '000
Actuarial losses and provision	11.217	8.847
Staff leaving indemnities (including VELP)	5.310	6.200
Business premises costs	4.839	4.217
Fair value losses	4.192	-
Paid salaries based on the Supreme court's decision	3.005	-
Net book value of disposed fixed assets	2.127	3.053
Other losses	1.492	418
Promotion and advertisement	1.407	1.673
Compensation for vehicles at a standstill	1.241	14.757
Correction of accrued income for pallets	1.040	
Capital loss from sale of fixed assets	495	19
Withholding tax	155	13
Cost of sold materials	89	4.583
Write off - advance payment	87	
Shortage of goods in warehouse	9	1.405
Correction of value of stocks	8	12
Provision for unpaid salaries based on the Supreme court's decision	-	30.750
Penalties for non-fulfilment of obligations	-	2.216
Costs for Court Procedures	-	1.007
De-recognizing R&D cost		300
Other	844	1.420
	<u>37.557</u>	<u>80.890</u>

The amount of MKD 11.217 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 11).

The amount of MKD 5.310 thousand relates to several employees who applied for the voluntary leaved scheme and retire on pension.

Business premises costs in amount of MKD 4.839 thousand consist of MKD 3.999 thousand related to re-invoiced utilities from rented Property, Plant and Equipment and MKD 840 thousand related to water fee for the Cementarnica USJE's football club.

Fair value losses in amount of MKD 4.192 thousands relates to fair value re-measurement of the Investment property (See Note 6) as of 31 December 2013 recognised in the Company's profit and loss.

The amount of MKD 3.005 thousand relates to calculated provision with the year end 2012 for 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. In 2013, the people have been paid and the provision has been adjusted accordingly

### 3. Revenue and expenses (continued)

#### f) Selling and marketing expenses

	2013 MKD '000	2012 MKD '000
Salaries and related expenses	19.534	21.142
Car expenses	1.978	2.870
Accommodation	1.752	2.271
Promotion and advertisement	1.165	870
IT & Telecoms	854	1.005
Travel expenses	112	139
Other expenses	502	826
	<u>25.897</u>	<u>29.123</u>

#### g) Administrative expenses

	2013 MKD '000	2012 MKD '000
Salaries and related expenses	42.411	38.713
Third Party fees	15.411	20.516
Promotion and advertisement	10.755	7.388
Car expenses	3.627	3.225
Accommodation	3.262	5.633
Travel expenses	1.944	1.591
IT & Telecoms	1.277	1.604
Other expenses	4.654	7.040
	<u>83.341</u>	<u>85.710</u>

#### h) Net finance income

	2013 MKD '000	2012 MKD '000
Interest income	46.850	44.881
Dividend income	-	4.118
Bank charges	(2.306)	(2.454)
Interest expense	(1.943)	(4.802)
Net foreign exchange (losses)	235	(85)
	<u>42.836</u>	<u>41.658</u>

The interest income in amount of MKD 46.850 thousand relates to received interest related to the foreign currency time deposits in the banks and current operations.

#### 4. Income tax

The income tax comprises:

	<i>2013</i> <i>MKD'000</i>	<i>2012</i> <i>MKD'000</i>
Tax on non-deductible expenses	<u>3.932</u>	<u>3.431</u>
	<u>3.932</u>	<u>3.431</u>

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

	<i>2012</i> <i>MKD'000</i>
<i>Tax on non-deductible expenses:</i>	
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
	<u>3.431</u>

As of 31 December 2013, the tax on non-deductible expenses is as follows:

	<i>2013</i> <i>MKD'000</i>
<i>Tax on non-deductible expenses:</i>	
Other compensations to the employees	2.242
Expenses not related to the main activities	479
Entertainment	420
Penalties and WHT	211
Sponsorship and donations	109
Scholarship	458
Provision for bad debts	8
Other	5
	<u>3.932</u>

## 5. Property, plant and equipment

	<i>Land and Buildings MKD '000</i>	<i>Equipment MKD '000</i>	<i>Construction in progress MKD '000</i>	<i>Total MKD '000</i>
<b>Cost</b>				
At 1 January 2013	3.052.823	4.393.317	219.280	7.665.420
Additions	31.053	-	264.870	295.923
Transfers from CIP	44.190	145.811	(190.001)	-
Transfer to IP	(2.657)	-	-	(2.657)
Transfer from IP	7.309	-	-	7.309
Transfer from IP	24.271	-	-	24.271
Disposals and write offs	-	(93.413)	-	(93.413)
<b>At 31 December 2013</b>	<b><u>3.156.989</u></b>	<b><u>4.445.715</u></b>	<b><u>294.149</u></b>	<b><u>7.896.853</u></b>
<b>Depreciation</b>				
At 1 January 2013	2.042.683	3.517.347	-	5.560.030
Charge for the period	23.511	192.040	-	215.551
Transfer from IP	7.309	-	-	7.309
Disposals and write offs	-	(90.632)	-	(90.632)
<b>At 31 December 2013</b>	<b><u>2.073.503</u></b>	<b><u>3.618.755</u></b>	<b><u>-</u></b>	<b><u>5.692.258</u></b>
<b>Net book value at 31 December 2013</b>	<b><u>1.083.486</u></b>	<b><u>826.960</u></b>	<b><u>294.149</u></b>	<b><u>2.204.595</u></b>
<b>Net book value at 1 January 2013</b>	<b><u>1.010.140</u></b>	<b><u>875.970</u></b>	<b><u>219.280</u></b>	<b><u>2.105.390</u></b>

## 6. Investment property

	<i>2013 MKD '000</i>	<i>2012 MKD '000</i>
Opening balance at 1 January	80.703	83.361
Additions	-	-
Transfer from PPE (Note 5)	2.657	-
Transfer to PPE (Note 5)	(24.271)	(2.658)
Net gain from fair value adjustment	909	-
Revaluation reserves from fair value re-measurement	55.325	-
<b>Closing balance at period/year end</b>	<b><u>115.323</u></b>	<b><u>80.703</u></b>

Investment property principally comprise of land, production premises and construction object - restaurant, cafeteria room which is held for long-term rental yields and is not occupied by the Company.

## 6. Investment property (continued)

	2013 MKD'000	2012 MKD'000
Rental income derived from investment properties	8.614	6.625
Direct operating expenses (including repairs and maintenance) generating rental income	-	-
<b>Profit arising from investment properties carried at fair value</b>	<b>8.614</b>	<b>6.625</b>

During 2013, the Company has changed the use of certain properties, such as part of the land in amount of MKD 2.657 thousand and part of building from owner-occupied to investment property. Prior to their reclassification, they were carried in the Company's statement of financial position at cost less any accumulated depreciation. Furthermore, the Old Usjopor Building in amount of MKD 24.271 thousand has been transferred to Property, plant and equipment (see Note 5), since this building was used for own occupancy as of 01 July 2013.

As of 31 December 2013 the Company revalued its investment property on the basis of a valuation performed by an independent valuer, Grant Thornton Consulting Doo Skopje, who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation model in accordance with that recommended by International Valuation standards Committee has been applied.

The fair value measurement was made using valuation techniques for which the lowest level input that is significant to the fair measurement is unobservable (level 3).

Description of methodology used and key inputs to valuation on investment properties:

	Methodology	Inputs	Ranges
Buildings plot	Income method	Vacancy rate	0%
		Landlord costs	5%
		Capitalization rate	12,13%
Land plot	Market approach – sales comparison method	Asking prices of comparable land plots in the region of Municipality Kisela Voda	30 to 80 euro/m2

Significant increases (decreases) in the estimated landlord costs would result in a significant lower (higher) fair value of properties. Significant increases (decreases) in the capitalization rate in isolation would result in a significant lower (higher) fair value of properties.

As a result of the valuation, as at 31 December 2013 the carrying value of the Company's investment property is adjusted / increased for the amount of MKD 56.234 thousand. Part of the gain in the amount of MKD 55.325 thousand resulting from fair value re-measurement at the moment of change of use during 2013 from owner-occupied to investment property as explained above, has been recognized in other comprehensive income and presented in the revaluation reserve (See: Statement of Changes in Equity).

Remaining fair value gains in amount of MKD 5.101 thousand and fair value losses in amount of MKD 4.192 thousand, or net, in the amount of MKD 909 thousand has been recognized in the Company's profit and loss for the year ended 31 December 2013 (See Notes 3d and 3e).

## 7. Inventories

	2013 MKD '000	2012 MKD '000
Spare parts	252.007	266.347
Consumable stores	146.647	168.687
Finished goods	80.128	62.914
Raw materials and fuel	79.993	155.800
Semi-finished goods	32.100	38.548
Packing materials	10.771	17.432
Goods for resale	189	275
Prepayments for inventory purchase	32	381
	<u>601.867</u>	<u>710.384</u>

## 8. Trade and other receivables

	2013 MKD '000	2012 MKD '000
Trade debtors	250.142	273.372
Prepayments	18.017	24.245
Advances to suppliers	1.300	-
Other current assets	35.415	53.626
	<u>304.874</u>	<u>351.243</u>

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:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2013	250.142	222.191	11.498	14.839	495	-	1.119
2012	273.372	178.741	92.031	370	2.230	-	-

## 9. Cash and cash receivables

	2013 MKD '000	2012 MKD '000
Bank deposits	2.501.459	1.493.543
Cash at bank	38.094	24.563
Cash at hand	29	19
	<u>2.539.582</u>	<u>1.518.125</u>



## 10. Share capital

<i>Authorized, issued and fully paid</i>	<i>Number of shares</i>	<i>% holding</i>
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%
	<u>563.784</u>	<u>100%</u>

	<i>Amount MKD '000</i>
<b>Share capital as registered</b>	1.747.730
Less: Additional paid in capital	(14.869)
<b>At 31 December 2013 and 31 December 2012</b>	<u><b>1.732.861</b></u>

### *Dividends paid and proposed*

*MKD '000*

#### *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

#### *Declared and paid during the period ended 31 December 2013*

Final dividend for 2012:

MKD 740,78 per share

Declared:

417.644

Paid:

417.642

Dividends declared and paid for the year ended 31 December 2012 and year ended 31 December 2013 entirely relate to cash dividends on ordinary shares.

## 11. Provision for retirement benefits

	<i>2013 MKD '000</i>	<i>2012 MKD '000</i>
Defined retirement benefit obligations	23.122	24.706
Defined jubilee anniversary award obligations	18.813	21.564
Defined scholarship obligations	21.548	21.661
Defined retirement benefit provision - other	1.638	-
	<u>65.121</u>	<u>67.931</u>
<i>Analyzed as:</i>		
Non-current portion	56.272	57.745
Current portion	8.849	10.186
	<u>65.121</u>	<u>67.931</u>

## 11. Provision for retirement benefits (continued)

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

	2013 MKD'000	2012 MKD'000
At 1 January	67.931	70.281
Current service costs	3.942	5.043
Interest cost	3.223	3.467
Recognised actuarial (gains)/losses, net	(1.428)	(4.247)
Reservation for retention plan	1.639	-
	<u>75.307</u>	<u>74.544</u>
Benefits paid during the year	(11.516)	(6.951)
(Gains)/losses,- net, from reconciling the actuarial calculation	1.330	338
Unused provision reversed	-	-
At 31 December	<u>65.121</u>	<u>67.931</u>

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

	2013 MKD'000	2012 MKD'000
Current service costs	3.942	5.043
Interest cost	3.223	3.467
Recognised actuarial (gains)/losses, net	(1.428)	(4.247)
Reservation for retention plan	1.639	-
(Gains)/losses, net, from reconciling the actuarial calculation	1.330	338
	<u>8.706</u>	<u>4.601</u>

The principal actuarial assumptions used in 2013 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) The rate of fluctuation of employees is insignificant and it has not been taken into account in the calculation. On the basis of delivered information for leaving the company in the previous years, it can be determined that the influence of this category of employees is insignificant in relation to the total population of employees. Because of that, leaving the enterprise on this basis is not considered;
- c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female);
- d) The calculation is prepared only for the current population of employees in the enterprise, excluding all employees that will be employed in the future. It is based on the assumption for continuity of service of employees in this enterprise (assumption for continuity of service);
- e) The actuarial calculation also refers to the children that at the moment are provided scholarships according to the policy of the enterprise for payment of scholarships to the children of employees that are studying on regular graduate or postgraduate studies. Also, the calculation takes into account the children that are not yet at age for beginning of studies, with assumption that 100% of them will be enrolled at university in 2014, and 50% in the later years, and

## 11. Provision for retirement benefits (continued)

- f) Starting from 31 December 2013, the actuarial calculation of defined benefits has been supplemented with calculation of the present value of the newly introduced long term benefit for certain category of employees - *additional benefits at retirement*. The calculation is made on the basis of the average parameters of the mentioned population and total expected amount for payment, delivered by the company. The present value of future benefits is calculated applying the abovementioned demographic, financial and other assumptions.

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 2,35%;  
 Discount rate: 5,35%

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

## 12. Trade and other payables

	2013 MKD'000	2012 MKD'000
Trade creditors	280.230	349.129
Customer prepayments	7.023	7.841
Tangible assets creditors	55.652	66.861
Other current liabilities	25.737	18.756
	<u>368.642</u>	<u>442.587</u>

## 13. Contingences and Commitments

### Contingent liabilities

	2013 MKD'000	2012 MKD'000
Bank guarantees	110.940	78.597
Performance guarantees	308	919
Bill of exchange	20.000	-
	<u>131.248</u>	<u>79.516</u>

As of 31 December 2013, the Company has obtained a Bank payment guaranties from:

- Halk Banka in favour of Customs of MKD 5.000 thousand valid till 19 March 2015, in favour of MEPSO AD Macedonia of MKD 3.900 thousand for transmission of electricity valid till 15 January 2015, in favour of Makpetrol AD Skopje of MKD 5.000 thousand related to the purchase of natural gas valid till 15 February 2014;
- Ohridska Banka in favour of MOL Hungarian Oil and Gas PLC for pet coke of MKD 33.831 thousand valid until 15 March 2014;
- NLB Tutunska Banka in favour of Gen-I D.O.O for purchase of electricity in amount of MKD 36.292 thousand valid until 10 February 2014;
- Halk Banka in favour of Siemens Turkey for delivery of transformation station in amount of MKD 17.838 thousand valid until 28 February 2014, and
- Sparkase Banka in favour of Jaro Milo Sweden for purchase of SNCR system in amount of MKD 9.079 thousand valid until 31 January 2014.

### 13. Contingences and Commitments (continued)

In addition, the Company has 2 Bills of Exchange with statement of rights and liabilities of the signatories (the Company and OKTA AD Skopje) of the Bills of exchange in the form of a notarized Act issued by the Company in amount of MKD 20.000 thousand for purchase of oil derivatives.

Furthermore, the Company has obtained bank payment guarantee from NLB Tutunska Bank in amount of MKD 308 thousand in favour of the Ministry of Economy for realisation of concession agreement.

#### Commitments

##### Lease commitments - company as lessee

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

	2013 MKD'000	2012 MKD'000
Up to 1 year	5.727	4.564
Later than 1 year and not later than 5 year	9.301	9.483
	<u>15.028</u>	<u>14.047</u>

##### Purchase commitments

As at 31.December 2013, the Company has entered into contracts for the purchase of electricity amounting to MKD 55.453 thousand only for the first quarter of 2014.

### 14. 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

	2013 MKD'000	2012 MKD'000
<i>Parent:</i>		
Titan Cement Company-pet coke	20.730	-
Titan Cement Company-freight revenue	3.046	-
<i>Subsidiary:</i>		
Cement Plus Ltd - cement, sand and white cement	519.687	564.566
Cement Plus Ltd - freight revenue	25.968	22.591
Trojan Cem EOOD Sofija - cement	3.230	11.295
Trojan Cem EOOD Sofija - freight	2.564	-
<i>Associate:</i>		
SHARRCEM SH.P.K-pet coke	471.812	224.386
SHARRCEM SH.P.K-clinker	34.956	249.203
SHARRCEM SH.P.K-white cement	15.971	-
SHARRCEM SH.P.K- freight revenue	4.655	54.294
SHARRCEM SH.P.K- silos	1.513	3.065
SHARRCEM SH.P.K- materials and services	427	-
Titan Cementara Kosjeric - others	160	-
Titan Global Finance PLC London- interest income	-	18.821
SHARR Beteiligungs Gmbh-materials and services	-	4.517
SHARR Beteiligungs Pretstavnistvo Skopje - services	-	270
	<u>1.104.719</u>	<u>1.153.008</u>

## 14. Related party transactions (continued)

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

Receivables from related parties	2013 MKD'000	2012 MKD'000
<i>Subsidiary:</i>		
Trojan Cem EOOD SOFIJA - grey cement	2.099	4.676
<i>Associate:</i>		
SHARRCEM SH.P.K-pet coke	71.642	-
SHARRCEM SH.P.K-clinker	39.599	-
SHARRCEM SH.P.K-white cement	972	-
SHARRCEM SH.P.K-silos	755	-
SHARRCEM SH.P.K –materials and services	402	175.671
	<u>115.469</u>	<u>180.347</u>

b) Purchases of goods and services	2013 MKD'000	2012 MKD'000
<i>Parent:</i>		
Titan Cement Company - white cement and pet coke	483.543	682.411
Titan Cement Company-silos	4.511	-
Titan Cement Company-materials and services	1.600	-
Titan Cement Company - raw materials	-	260
<i>Associate:</i>		
Balkcem Limited - technical fee	8.618	16.945
SHARRCEM SH.P.K – cost of traded goods	468	25.118
SHARRCEM SH.P.K-other	15	-
Geospan Dooel - purchased aggregates	-	5.105
SHARRCEM SH.P.K- silos	-	3.065
SHARRCEM SH.P.K - grey cement	-	524
SHARRCEM SH.P.K- materials and services	-	80
Titan Zlatna Panega - materials	-	44
	<u>498.755</u>	<u>733.552</u>

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

Payables to related parties	2013 MKD'000	2012 MKD'000
<i>Parent:</i>		
Titan Cement Company - WC, pet coke and services	3.800	1.673
Titan Cement Company-silos	750	-
<i>Subsidiary:</i>		
Cement Plus Ltd. - prepayments	650	31
<i>Associate:</i>		
Balkcem Limited - technical fee	7.756	1.002
SHARR CEM SH.P.K-grey cement	118	-
SHARR CEM SH.P.K-Sharmal	-	5.747
SHARR CEM SH.P.K-services	-	2.345
Titan Zlatna Panega - grey cement	-	104
	<u>13.074</u>	<u>10.902</u>

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

## 15. 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 2013 and 31 December 2012 based on contractual undiscounted payments.

#### Period ended 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	267.156	-	-	-	267.156
Other payables	-	88.412	-	-	-	88.412
Payables to related parties	-	13.074	-	-	-	13.074

#### Year 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

## 15. 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 December 2013 and 31 December 2012.

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

	2013	2012
	<i>MKD'000</i>	<i>MKD'000</i>
EBITDA	<u>1.661.954</u>	<u>1.536.382</u>

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

## Appendix A

Financial Statements for the year ended 31 December 2013

## Supplementary information concerning the calculation of EBITDA

		<i>2013</i>
		<i>MKD '000</i>
Sales		3.309.976
Other revenue		605.727
Cost of sales		<u>(2.148.854)</u>
<b>Gross profit</b>		<b>1.766.849</b>
Other operating income		41.900
Other operating expenses		(37.557)
Selling and marketing expenses		(25.897)
Administrative expenses		(83.341)
Depreciation		<u>(216.171)</u>
<b>Profit from operating activities</b>	<b>EBIT</b>	<b>1.445.783</b>
Finance income		51.781
Finance costs		<u>(8.945)</u>
Net finance income		42.836
<b>Profit before tax</b>	<b>EBT</b>	<b>1.488.619</b>
Income tax expenses		(3.932)
<b>Profit for the year</b>		<u><b>1.484.687</b></u>
Other comprehensive income		<u>55.325</u>
<b>Total comprehensive income for the year</b>		<u><b>1.540.012</b></u>
<b>EBIT</b>		<b>1.445.783</b>
Depreciation and amortisation		216.171
<b>EBITDA</b>		<u><b>1.661.954</b></u>