

**FINTITAN S.R.L. SOCIETA' UNIPERSONALE**

**REPORTING FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

## INDEPENDENT AUDITOR'S REPORT

To the Quotaholder of  
FINTITAN S.r.l. Società Unipersonale

We have audited the accompanying financial statements of FINTITAN S.r.l. Società Unipersonale, which comprise the balance sheet as at December 31, 2013, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of FINTITAN S.r.l. Società Unipersonale in accordance with the Titan Group accounting principles and policies, as detailed in the explanatory notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Titan Group accounting principles and policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's 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 about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements of FINTITAN S.r.l. Società Unipersonale for the year ended December 31, 2013 are prepared, in all material respects, in accordance with the Titan Group accounting principles and policies, as detailed in the explanatory notes to the financial statements.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1.1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared by FINTITAN S.r.l. Società Unipersonale for the sole purpose of consolidation into the Titan Cement Company S.A. group financial statements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for FINTITAN S.r.l. Società Unipersonale and Titan Cement Company S.A. and should not be distributed to or used by parties other than FINTITAN S.r.l. Società Unipersonale or Titan Cement Company S.A..

Treviso-Italy

March 12, 2014

*Deloitte Ernst & Young SpA*

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## Statement of Financial Position as at December 31, 2013

| <i>(all amounts in Euro thousands)</i> | Notes | December 31,<br>2013 | December 31,<br>2012 |
|--|-------|----------------------|----------------------|
| <b>ASSETS</b>                          |       |                      |                      |
| Tangible assets                        | (3)   | 135                  | 121                  |
| Intangible assets                      | (4)   | 6                    | 1                    |
| Deferred tax assets                    | (5)   | 219                  | 219                  |
| <b>Total non-current assets</b>        |       | <b>360</b>           | <b>341</b>           |
| Inventories                            | (6)   | 688                  | 51                   |
| Trade receivables                      | (7)   | 4,255                | 4,270                |
| Other current assets                   | (8)   | 186                  | 181                  |
| Cash and cash equivalents              | (9)   | 99                   | 222                  |
| <b>Total current assets</b>            |       | <b>5,228</b>         | <b>4,724</b>         |
| <b>Total assets</b>                    |       | <b>5,588</b>         | <b>5,065</b>         |
| <b>LIABILITIES AND EQUITY</b>          |       |                      |                      |
| <b>QUOTAHOLDER'S EQUITY</b>            |       |                      |                      |
| Quota capital                          |       | 2,552                | 4,053                |
| Other reserves (IFRS Reserves)         |       | (7)                  | (10)                 |
| Accumulated losses                     |       | -                    | (1,509)              |
| Other reserves                         |       | -                    | 1                    |
| Profit (loss) of the year              |       | 8                    | 10                   |
| <b>Total Quotaholder's Equity</b>      | (10)  | <b>2,553</b>         | <b>2,545</b>         |
| <b>LIABILITIES</b>                     |       |                      |                      |
| Retirement benefit obligation          | (11)  | 85                   | 68                   |
| <b>Total non-current liabilities</b>   |       | <b>85</b>            | <b>68</b>            |
| Trade payables                         | (12)  | 2,823                | 2,276                |
| Other current liabilities              | (13)  | 127                  | 176                  |
| <b>Total current liabilities</b>       |       | <b>2,950</b>         | <b>2,452</b>         |
| <b>Total liabilities</b>               |       | <b>3,035</b>         | <b>2,520</b>         |
| <b>Total liabilities and equity</b>    |       | <b>5,588</b>         | <b>5,065</b>         |

## Income Statement for the year ended December 31, 2013

| <i>(all amounts in Euro thousands)</i> | Notes | 2013           | 2012            |
|--|-------|----------------|-----------------|
| Net Sales                              |       | 8,378          | 11,063          |
| Other Revenues                         |       | 81             | 35              |
| <b>Total Revenues</b>                  | (14)  | <b>8,459</b>   | <b>11,098</b>   |
| <b>Cost and expenses</b>               |       |                |                 |
| Cost of sales                          | (15)  | (6,625)        | (9,230)         |
| General and administrative expenses    | (16)  | (345)          | (325)           |
| Selling expenses                       | (17)  | (1,465)        | (1,491)         |
| <b>Total costs and expenses</b>        |       | <b>(8,435)</b> | <b>(11,046)</b> |
| <b>Operating Profit</b>                |       | <b>24</b>      | <b>52</b>       |
| Interest expenses, net                 | (18)  | (4)            | (2)             |
| <b>Income before taxes</b>             |       | <b>20</b>      | <b>50</b>       |
| Income taxes                           | (19)  | (12)           | (40)            |
| <b>Profit (loss) for the year</b>      |       | <b>8</b>       | <b>10</b>       |

### Statement of changes in equity for the year ended December 31, 2013

|   | Quota capital | Accumulated losses | Other reserves | Other reserves (IFRS Reserve) | Result for the period | Total Equity |
|---|---------------|--------------------|----------------|-------------------------------|-----------------------|--------------|
| <i>(All amounts in Euro thousands)</i>      |               |                    |                |                               |                       |              |
| <b>Balances at December 31, 2011</b>        | <b>4,053</b>  | -                  | 1              | (14)                          | (1,506)               | <b>2,534</b> |
| Imputation of the loss of previous year     |               | (1,506)            |                |                               | 1,506                 | -            |
| Other reserves (IFRS Reserve)               |               | (3)                |                | 4                             |                       | 1            |
| Profit for the year ended December 31, 2012 |               |                    |                |                               | 10                    | 10           |
| <b>Balances at December 31, 2012</b>        | <b>4,053</b>  | <b>(1,509)</b>     | <b>1</b>       | <b>(10)</b>                   | <b>10</b>             | <b>2,545</b> |
| Imputation of the profit of previous year   |               | 10                 |                |                               | (10)                  | -            |
| Accumulated losses coverage                 | (1,501)       | 1,501              |                |                               |                       | -            |
| Other reserves (IFRS Reserve)               |               | (2)                | (1)            | 3                             |                       | -            |
| Profit for the year ended December 31, 2013 |               |                    |                |                               | 8                     | 8            |
| <b>Balances at December 31, 2013</b>        | <b>2,552</b>  | -                  | -              | <b>(7)</b>                    | <b>8</b>              | <b>2,553</b> |

## Cash Flow Statement for the year ended December 31, 2013

| <i>(All amounts in Euro thousands)</i>   | 2013         | 2012        |
|--|--------------|-------------|
| Net profit (loss) for the year   | 8            | 10          |
| <b><i>Adjustment to reconcile net loss to net cash provided by operating activity:</i></b> |              |             |
| Amortization of intangible assets  | 5            | 2           |
| Depreciation of tangible assets  | 63           | 42          |
| Provision for retirement benefit   | 17           | 8           |
| Provision for inventory obsolescence   | 3            | (2)         |
| Deferred tax assets  | -            | 20          |
| <b><i>Changes in operating assets and liabilities:</i></b>                                 |              |             |
| Inventories  | (634)        | 133         |
| Trade receivables  | 15           | 730         |
| Other current assets   | (5)          | 68          |
| Trade payables   | 547          | (996)       |
| Other current liabilities  | (49)         | (82)        |
| <b>Cash flow from operating activities</b>   | <b>(30)</b>  | <b>(66)</b> |
| IFRS Reserve   | 3            | 1           |
| Purchases of fixed assets  | (77)         | (15)        |
| Purchases of intangible assets   | (20)         | (1)         |
| <b>Cash flow from investing activities</b>   | <b>(94)</b>  | <b>(15)</b> |
| Share capital paid by shareholders   | -            | -           |
| <b>Cash flow from financing activities</b>   | <b>-</b>     | <b>-</b>    |
| <b>Increase (decrease) in cash</b>   | <b>(123)</b> | <b>(81)</b> |
| Cash and cash equivalents at beginning of the year   | 222          | 303         |
| <b>Cash and cash equivalents at the end of the year</b>                                    | <b>99</b>    | <b>222</b>  |



## **Notes to Financial Statements for the year ended December 31, 2013**

### **1. General information and summary of significant accounting policies**

Fintitan S.r.l. Società Unipersonale (“Fintitan” or the “Company”) is a wholly owned subsidiary of Titan Cement Company S.A. and is engaged in the distribution of cement in the North of Italy. The Company is a limited liability company incorporated and domiciled in Italy.

The Company buys the cement from the Parent Company Titan Cement Company S.A. located in Greece.

#### **Going concern concept**

The Company obtained a net profit of Euro 8 thousand for the year ended December 31, 2013 but experienced significant losses in the previous years. As a consequence, the Company's ability to continue as a going concern depend on the financial support of the parent company Titan Cement Company S.A..

Management is informed that Titan Cement Company S.A. understand that the going concern concept is only applicable to the “Company” as long as the Parent Company continues to financially support Fintitan. This support is a firm commitment of the Parent Company and consists of continuing to provide the Company with adequate funds to enable it to continue operations and covering the losses that might be reported in the statutory financial statements.

#### **Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### **1.1 Basis of preparation**

These special purposes financial statements have been prepared by Company's management for purposes of consolidation into the Titan Cement Company S.A. consolidated financial statements, in accordance with the Titan Group accounting principles and policies for consolidation. As a result, these special purposes financial statements are not a complete set of financial statements of Fintitan in accordance with International Financial Reporting Standards as adopted by Titan Cement Company S.A. and do not include all the information and disclosures required by International Financial Reporting Standards. The specified forms may, therefore, not be suitable for another purpose.

The only non adopted Titan Group accounting principle is IAS 19, as the Retirement benefits obligation is accounted for under Italian GAAP. However the effect of such non compliance with the Titan Group accounting principles and policies for consolidation is estimated to be not significant.

The financial statement consists of balance sheet, income statement, statement of changes in equity and cash flow statement and a summary of significant accounting policies and other explanatory information.

These financial statements have been prepared under the historical cost convention basis and are expressed in Euro, rounded off to the thousand unless otherwise stated.

We draw attention to the fact that the statutory financial statements have not been finalized yet. Legal requirement allows the Company to finalize the statutory financial statements by the end of March 2014.

## **1.2 Changes in accounting policies**

No changes in accounting policies adopted by the Titan Group, comprising group accounting principles and disclosures are applicable to these special purposes financial statements. So the principal accounting policies adopted in the preparation of these special purposes financial statements are consistent with those adopted in the previous year.

## **1.3 Tangible assets**

Tangible assets are stated at historical cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Subsequent costs are depreciated over the remaining useful life of the related asset or to the date of the net major subsequent cost whichever is the sooner. Depreciation is calculated on the straight-line method to write off bring the assets to their residual values over their estimated useful lives as follows:

|  |                        |
|--|------------------------|
| Machinery and equipment                              | 12-15%                 |
| Office equipment and furniture                       | 12-20%                 |
| Other assets   | 12-20-100%             |
| Improvement on tangible assets owed by third parties | Over the rental period |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Interest costs on borrowings specifically used to finance the construction of property, plant and equipment are capitalised during the construction period.

#### **1.4 Intangible assets**

##### Computer software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. The cost of separately acquired software, which comprises its purchase price and any software for its intended use, is recognized as an intangible asset, when it concerns an identifiable and unique software product which will generate economic benefits beyond one year. Computer software costs recognized as intangible assets are amortized using the straight-line method over their useful lives (five years).

#### **1.5 Impairment of long lived assets**

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised, as an expense immediately, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value determined by comparable transactions less costs to sell and value in use as determined by discounted cash flows. Assets are grouped at the lowest possible levels.

#### **1.6 Leases – where the Company is the lessee**

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

Leases of tangible assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Tangible assets acquired under finance leases are depreciated over the useful life of the asset or the lease term.

#### **1.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated 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 realisable value and inventory losses are expensed in cost of sales in the period in which the write-downs or losses occur.

### **1.8 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all of the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in other expenses in the income statement.

### **1.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. The components of cash and cash equivalents have a negligible risk of change in value.

### **1.10 Income taxes**

Current income tax is calculated using the estimated taxable income along with the Italian tax law. The income tax charge consists of the current income tax calculated upon the results of the company, as it has been reformed in its taxation return applying the applicable tax rate. Deferred income tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that taxable profits and reversals of deferred tax liabilities will be available against which deductible temporary differences can be utilised. Deferred income taxation is determined using tax rates that have been enacted on the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also presented in equity.

### **1.11 Employee benefits**

#### Termination benefits

The liability for termination indemnities relates to the Company's employees. In accordance with the Italian severance pay statutes, an employee benefit is accrued for service to date and is payable immediately upon separation. The termination indemnity liability is calculated in accordance with local civil and labour laws based on each employee's length of service, employment category and remuneration. The termination liability is adjusted annually according to cost of living index provided

by the Italian Government. There is no vesting period or funding requirement associated with the liability. The liability recorded in the balance sheet is the amount that the employee would be entitled to if the employee separates immediately.

### **1.12 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the company becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided in advance.

Long-term provisions are determined by discounting the expected future cash flows and taking the risks specific to the liability into account.

### **1.13 Revenue recognition**

Revenue comprises the fair value for the sale of goods and services net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer (usually upon delivery and customer acceptance) and the realization of the related receivable is reasonably assured.

Revenue arising from services is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

## **2. Significant accounting estimates and judgments**

The preparation of the financial statements requires management to make estimations and judgments that affect the reported disclosures. On an ongoing basis, management evaluates its estimates, including those related to the estimated useful life of non financial assets, impairment of tangible and intangible assets. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These management's estimation and assumptions form the bases for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. 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 discussed below.

## **2.1 Income taxes**

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## **2.2 Useful lives of Tangible assets**

In addition, management makes estimations in relation to useful lives of amortized assets.

## **2.3 Contingent liabilities**

The existence of contingent liabilities requires from management making assumptions and estimates continuously related to the possibility that future events may or may not occur as well as the effects that those events may have on the activities of the Company.

## **3. Tangible assets**

The net book value of the Tangible assets as of December 31, 2013 and 2012 consisted of:

| <i>(Thousands of Euro)</i>                           | <b>December 31,<br/>2013</b> | <b>December 31,<br/>2012</b> |
|--|------------------------------|------------------------------|
| Furniture and fixtures                               | 7                            | 7                            |
| Machinery and equipment                              | 13                           | 11                           |
| Improvement on tangible assets owed by third parties | 115                          | 131                          |
| <b>Total tangible assets</b>                         | <b>135</b>                   | <b>149</b>                   |

Movements of costs of Tangible assets for the year ended December 31, 2013 consist of:

Fintitan S.r.l. Società Unipersonale  
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| <i>(Thousands of Euro)</i>                              | <b>January<br/>1, 2013</b> | <b>Additions</b> | <b>Reclassification</b> | <b>Disposals</b> | <b>December<br/>31, 2013</b> |
|---|----------------------------|------------------|-------------------------|------------------|------------------------------|
| Furniture & fixtures                                    | 112                        | 4                | -                       | -                | 116                          |
| Machinery and equipment                                 | 1,850                      | 8                | -                       | -                | 1,858                        |
| Transportation equipment                                | 78                         |                  | -                       | -                | 78                           |
| Improvement on tangible assets<br>owed by third parties | 620                        | 65               | -                       | -                | 685                          |
| <b>Total</b>  | <b>2,660</b>               | <b>77</b>        | <b>-</b>                | <b>-</b>         | <b>2,736</b>                 |

Movements of accumulated depreciation of Tangible assets for the year ended December 31, 2013 consist of:

| <i>(Thousands of Euro)</i>                              | <b>January<br/>1, 2013</b> | <b>Depreciation</b> | <b>Reclassification</b> | <b>Disposals</b> | <b>December<br/>31, 2013</b> |
|---|----------------------------|---------------------|-------------------------|------------------|------------------------------|
| Furniture & fixtures                                    | 106                        | 3                   | -                       | -                | 109                          |
| Machinery and equipment                                 | 1,841                      | 4                   | -                       | -                | 1,845                        |
| Transportation equipment                                | 78                         | -                   | -                       | -                | 78                           |
| Improvement on tangible assets<br>owed by third parties | 514                        | 56                  | -                       | -                | 570                          |
| <b>Total</b>  | <b>2,539</b>               | <b>63</b>           | <b>-</b>                | <b>-</b>         | <b>2,602</b>                 |

#### 4. Intangible assets

The net book value of the Intangible assets as of December 31, 2013 and 2012 consisted of:

| <i>(Thousands of Euro)</i>         | <b>December 31, 2013</b> | <b>December 31, 2012</b> |
|------------------------------------|--------------------------|--------------------------|
| Software and Trademarks registered | 6                        | 1                        |
| <b>Total intangible assets</b>     | <b>6</b>                 | <b>1</b>                 |

The intangible assets include software costs, which are amortized over a 5 years period.

## 5. Deferred tax assets

|                                  | December 31, 2013 | December 31, 2012 |
|----------------------------------|-------------------|-------------------|
| <i>(Thousands of Euro)</i>       |                   |                   |
| IRES deferred tax assets         | 219               | 219               |
| <b>Total deferred tax assets</b> | <b>219</b>        | <b>219</b>        |

Deferred tax assets as at December 31, 2013 related to the tax losses reported in the previous years and carried forward. Under Italian tax law, tax losses matured from the fiscal year 2006 can be used to offset future taxable profit without any time limit.

No income tax asset has been recognised on the tax loss reported in the year 2010 and 2011 and carried forward, amounting to Euro 2,950 thousand.

## 6. Inventories

Inventories as of December 31, 2013 and 2012 consisted of:

|                            | December 31, 2013 | December 31, 2012 |
|----------------------------|-------------------|-------------------|
| <i>(Thousands of Euro)</i> |                   |                   |
| Stock in hand              | 711               | 70                |
| Provision for obsolescence | (23)              | (19)              |
| <b>Total inventories</b>   | <b>688</b>        | <b>51</b>         |

The increase in inventories amount compared to prior year is mainly due to the higher quantities in stock as of December 31, 2013.

Moreover, in the last months of 2012 the Company incurred significant sales of cement to Cementi Crotone S.r.l..

Provision for obsolescence refers mainly to cement which is no longer saleable due to physical deterioration.



## 7. Trade receivables

Trade receivables as of December 31, 2013 and 2012 consisted of:

|                                | December 31, 2013 | December 31, 2012 |
|--------------------------------|-------------------|-------------------|
| <i>(Thousands of Euro)</i>     |                   |                   |
| Trade receivables              | 4,415             | 4,430             |
| Provision for doubtful account | (160)             | (160)             |
| <b>Total trade receivables</b> | <b>4,255</b>      | <b>4,270</b>      |

Trade receivables are substantially in line compared to prior year, despite the decrease in net sales of cement.

Trade receivables include a receivable from Cementi Crotone S.r.l. of Euro 228 thousand and a receivable from Cementi Antea S.r.l. of Euro 12 thousand.

Cementi Crotone S.r.l. and Cementi Antea S.r.l. are Titan Group entities.

The provision for doubtful accounts amounts to Euro 160 thousand as in prior year. The provision is considered to be adequate to cover any potential risks for bad debts. During the year the provision has not been used as the Company did not write off any receivable.

## 8. Other current assets

Other current assets as of December 31, 2013 and 2012 consisted of:

|                                   | December 31, 2013 | December 31, 2012 |
|-----------------------------------|-------------------|-------------------|
| <i>(Thousands of Euro)</i>        |                   |                   |
| Prepayments                       | 119               | 168               |
| VAT receivables                   | 61                | -                 |
| Other                             | 6                 | 13                |
| <b>Total other current assets</b> | <b>186</b>        | <b>181</b>        |

Prepayments represent the amount paid in advance in 2005 for the renewal of the plant lease contract. The new lease contract began on January 1, 2006 and expires on December 31, 2015. The cost paid in advance in 2005 was therefore deferred as prepayments and is charged to the income statement along the duration of the lease contract.

## 9. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2013 and 2012 consisted of:

|  | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
| <i>(Thousands of Euro)</i>             |                   |                   |
| Cash                                   | 1                 | 1                 |
| Bank accounts                          | 98                | 221               |
| <b>Total cash and cash equivalents</b> | <b>99</b>         | <b>222</b>        |

There are no restrictions over the use of bank accounts. Bank accounts include money deposited with financial institution that can be withdrawn without notice.

## 10. Quotaholder's equity

Following the resolutions of the Quotaholder's meeting held, the net profit of Euro 10 thousand for the year ended December 31, 2012 has been carried forward.

As the net accumulated losses at December 31, 2011 and 2012 were higher than 1/3 of the quota capital, according to the Italian law, it was mandatory for the Quotaholder to reduce the quota capital accordingly or to cover the accumulated loss as at December 31, 2012 exceeding the 1/3 of the quota capital. This decision was taken by the Quotaholder's meeting that on April 23, 2013.

## 11. Retirement benefit obligations

The following table shows the change in the retirement benefit obligation (employees termination indemnities) for the year ended December 31, 2013 and 2012:

|  | December 31, 2013 | December 31, 2012 |
|--|-------------------|-------------------|
| <i>(Thousands of Euro)</i>                           |                   |                   |
| Termination indemnities at the beginning of the year | 68                | 60                |
| Provisions   | 17                | 18                |
| Utilizations   | -                 | (10)              |
| <b>Total retirement benefit obligation</b>           | <b>85</b>         | <b>68</b>         |

The amount showed as retirement benefit obligation (TFR) was not calculated in accordance with IAS 19 requirements. The amount is defined according to the Italian law.

The table below states the number of employees at December 31, 2013 and 2012:

|                                  | December 31, 2013 | December 31, 2012 |
|----------------------------------|-------------------|-------------------|
| Workers                          | 4                 | 4                 |
| Employees                        | 3                 | 3                 |
| General manager                  | 1                 | 1                 |
| <b>Total number of employees</b> | <b>8</b>          | <b>8</b>          |

## 12. Trade payables

Trade payables as of December 31, 2013 and 2012 consisted of:

|   | December 31, 2013 | December 31, 2012 |
|---|-------------------|-------------------|
| <i>(Thousands of Euro)</i>                  |                   |                   |
| Trade payables to third parties             | 130               | 168               |
| Trade payables to Titan Cement Company S.A. | 2,693             | 2,108             |
| <b>Total trade payables</b>                 | <b>2,823</b>      | <b>2,276</b>      |

Trade payables to Titan Cement Company S.A. (Parent Company) as of December 31, 2013 consisted of payables for purchases of cement. The increase in this item is related to the timing of purchases and payments.

## 13. Other current liabilities

Other current liabilities as of December 31, 2013 and 2012 consisted of:

| <i>(Thousands of Euro)</i>             | <b>December 31, 2013</b> | <b>December 31, 2012</b> |
|--|--------------------------|--------------------------|
| VAT Payables                           | -                        | 60                       |
| Salaries and wages payable             | 55                       | 56                       |
| Social security contributions payable  | 41                       | 34                       |
| Current tax liabilities                | -                        | 19                       |
| Other                                  | 30                       | 7                        |
| <b>Total other current liabilities</b> | <b>127</b>               | <b>176</b>               |

Payables to social security institutions included chief executive officer's and employees' contributions due to social security institutions in relation to December wages, salaries and agents' commissions.

Salaries and wages payables included employee untaken vacation settled in the following year other than wages and salaries payed on January 2014.

#### **14. Net sales**

Net sales decreased compared to the prior year. The decrease was primarily due to the decrease in quantities sold (149,075 tons in 2013 versus 198,020 tons in 2012) despite the increase in the average selling price (56.34 Euro/tons in 2013 versus 55.89 Euro/tons in 2012).

The sales to the top ten customer accounts for almost 90% of Company's sales for the year 2013.

#### **15. Cost of sales**

The breakdown of the cost of sales for the years 2013 and 2012 can be detailed as follows:

| <i>(Thousands of Euro)</i> | <b>2013</b>  | <b>2012</b>  |
|----------------------------|--------------|--------------|
| Merchandise                | 7,169        | 8,954        |
| Changes in inventory       | (636)        | 130          |
| Taxes and duty             | 70           | 72           |
| Insurance                  | 21           | 26           |
| Disposal costs             | 1            | 48           |
| <b>Total Cost of sales</b> | <b>6,625</b> | <b>9,230</b> |

Cost of sales decreased compared to prior year. The decrease was primarily due to the decrease in quantities purchased and purchase price.

The direct costs attributable to the cost of sales are insurance, taxes and duty costs.

The “Merchandise” was bought entirely from Titan Cement Company S.A.. Therefore the entire amount of merchandise is to be considered as a related party transaction.

## 16. General and administrative expenses

General and administrative expenses for the years 2013 and 2012 consisted of:

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| <i>(Thousands of Euro)</i>                       | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
| Salaries   | 73          | 70          |
| Legal and audit expenses                         | 37          | 53          |
| Other advice                                     | 33          | 26          |
| General manager                                  | 59          | 48          |
| Other expenses                                   | 43          | 33          |
| Technical advice                                 | 27          | 26          |
| Social security on salaries                      | 22          | 21          |
| Energy, gas & water                              | 10          | 10          |
| Insurance  | 7           | 8           |
| Cleaning expenses                                | 7           | 6           |
| Phone and postal expenses                        | 6           | 6           |
| Petty consumable material                        | 3           | 3           |
| Provision for retirement benefit                 | 5           | 5           |
| Depreciation of tangible                         | 3           | 4           |
| Refectory costs                                  | 5           | 4           |
| Amortization of intangible                       | 5           | 2           |
| <b>Total General and administrative expenses</b> | <b>345</b>  | <b>325</b>  |

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## 17. Selling expenses

Selling expenses for the years 2013 and 2012 consisted of:

| <i>(Thousands of Euro)</i>          | <b>2013</b>  | <b>2012</b>  |
|-------------------------------------|--------------|--------------|
| Rental                              | 851          | 833          |
| Wages                               | 132          | 128          |
| Transportation                      | 55           | 83           |
| Maintenance                         | 32           | 41           |
| Energy, gas & water                 | 45           | 49           |
| Social security on wages            | 45           | 45           |
| Depreciation of tangible assets     | 60           | 38           |
| Insurance                           | 20           | 30           |
| Selling salaries                    | 35           | 33           |
| Fuel costs                          | 28           | 27           |
| General manager                     | 59           | 49           |
| Technical advice                    | 26           | 26           |
| Other expenses                      | 16           | 11           |
| Other rental                        | 17           | 20           |
| Provision for retirement benefit    | 12           | 12           |
| Social security on selling salaries | 11           | 11           |
| Losses on receivables               | -            | 31           |
| Refectory costs                     | 7            | 7            |
| Phone and postal expenses           | 4            | 5            |
| Petty consumable material           | 3            | 2            |
| Trip costs                          | -            | 2            |
| Legal advice                        | 4            | -            |
| Other advice                        | 3            | 8            |
| <b>Total Selling expenses</b>       | <b>1,465</b> | <b>1,491</b> |

## 18. Interest expenses

Interest expenses net for the years 2013 and 2012 are detailed as follows:

| <i>(Thousands of Euro)</i>          | <b>2013</b> | <b>2012</b> |
|-------------------------------------|-------------|-------------|
| Other                               | (4)         | (2)         |
| <b>Total Interest expenses, net</b> | <b>(4)</b>  | <b>(2)</b>  |

## 19. Income taxes

The income taxes are calculated on actual tax rate basis. Tax rates used to calculate IRES tax (corporate tax on income) and IRAP tax (regional tax on “added value”) are 27.5% and 3.9% respectively.

For the years 2011 no income taxes were charged, as the Company reported income tax losses both for IRES and IRAP tax purposes.

The years since 2009 are open for examination by the Tax Authorities.

## 20. Commitment and contingencies

### Financial and operating Lease Agreements

The Group entered into an operating lease agreement with Fabbrica Concimi S.r.l. regarding the lease of its plant. The amount of future lease payments under non-cancellable leases as of December 31, 2013 amounted to Euro 1,702 thousand (at December 31, 2012 Euro 2,500 thousand).

The Group entered into operating lease agreements regarding motor-vehicles. The amount of future lease payments as of December 31, 2013 amounted to Euro 10 thousand (Euro 24 thousand as of December 31, 2012).

## 21. Related parties

The following table provides details of the effects of transactions with related parties.

| <i>(Thousands of Euro)</i> | Sales     |              | Purchases    |              | Receivables |              | Payables     |              |
|----------------------------|-----------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
|                            | 2013      | 2012         | 2013         | 2012         | 2013        | 2012         | 2013         | 2012         |
|                            |           |              |              |              |             |              |              |              |
| Titan Cement Company S.A.  | -         | -            | 7,169        | 8,954        | -           | -            | 2,693        | 2,108        |
| Cementi Antea S.r.l.       | 10        | 10           | -            | -            | 12          | 12           | -            | -            |
| Cementi Crotone S.r.l.     | 23        | 1,093        | -            | -            | 228         | 1,323        | -            | -            |
| <b>Total</b>               | <b>33</b> | <b>1,103</b> | <b>7,169</b> | <b>8,954</b> | <b>240</b>  | <b>1,335</b> | <b>2,693</b> | <b>2,108</b> |

## **22. Events after the reporting period**

No significant event to be highlighted has occurred after December 31, 2013.