



**TITAN**  
CEMENTARA KOSJERIĆ

**“TITAN CEMENTARA KOSJERIC” DOO  
FINANCIAL STATEMENTS  
FOR THE GROUP CONSOLIDATION PURPOSES  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

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

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**Director**

Mr Miroslav Gligorijević



**Registered office**

Titan Cementara Kosjeric doo  
Zivojina Misica bb  
31260 Kosjeric  
Republic of Serbia

**Auditor**

Ernst & Young d.o.o. Beograd  
Spanskih Boraca 3  
11 070 Beograd  
Republic of Serbia

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Titan Cementara Kosjeric d.o.o. Kosjeric ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and the notes comprising summary of the accounting policies and other explanatory information.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Restriction and limitations on use***

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

Belgrade, 26 January 2015

  
Olivera Andrijašević  
Authorized Auditor

and for Ernst & Young d.o.o. Beograd



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**Income Statement**

	Notes	For 12 months period ended 31-Dec-14	For 12 months period ended 31-Dec-13
Sales	3	3,616,794	3,400,084
Cost of sales	4	<u>(2,189,052)</u>	<u>(2,152,111)</u>
<b>Gross profit</b>		<b>1,427,742</b>	<b>1,247,973</b>
Other operating income	5	43,534	69,485
Selling expenses	6	(32,178)	(31,709)
Administrative expenses	7	(216,753)	(210,135)
Other operating expenses	5	<u>(92,624)</u>	<u>(26,286)</u>
<b>Profit from operating activities</b>		<b>1,129,721</b>	<b>1,049,328</b>
Finance income/(expenses), net	8	<u>117,442</u>	<u>54,195</u>
<b>Profit before taxation</b>		<b>1,247,163</b>	<b>1,103,523</b>
Income tax expense	9	(194,364)	(148,989)
<b>Profit for the year</b>		<b><u>1,052,799</u></b>	<b><u>954,534</u></b>
Attributable to:			
<b>Owners of the parent</b>		<b><u>1,052,799</u></b>	<b><u>954,534</u></b>

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**Statement of comprehensive income**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Profit for the year</b>	<b>1,052,799</b>	<b>954,534</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>1,052,799</u></b>	<b><u>954,534</u></b>
Attributable to:		
<b>Owners of the parent</b>	<b><u>1,052,799</u></b>	<b><u>954,534</u></b>

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**Statement of financial position**

	Notes	As at 31 Dec 2014	As at 31 Dec 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,003,019	2,063,117
Construction in progress	10	116,078	124,325
Intangible Assets	11	7,560	10,539
Investment in subsidiary	12	7,966	7,966
Deferred tax assets	9	2,115	3,008
		<b>2,136,738</b>	<b>2,208,955</b>
<b>Current assets</b>			
Inventories	13	597,896	592,491
Trade receivables	14	277,789	240,657
Other receivables	15	34,228	175,611
Cash and cash equivalents	16	946,771	1,831,929
		<b>1,856,684</b>	<b>2,840,688</b>
<b>Total assets</b>		<b>3,993,422</b>	<b>5,049,643</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Shares	17	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		-	1,165,973
Current period result		1,052,799	954,534
		<b>3,724,482</b>	<b>4,792,190</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	18	31,943	36,856
Deferred tax liabilities	9	4,918	4,319
<b>Current liabilities</b>			
Trade and other payables	19	232,079	216,278
<b>Total Liabilities</b>		<b>268,940</b>	<b>257,453</b>
<b>Total equity and liabilities</b>		<b>3,993,422</b>	<b>5,049,643</b>

The financial statements on pages 3 to 31 were signed on its behalf by:

Mr Miroslav Gligorijević

Director



Slavica Vukosavljević

Finance Director

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**Statement of Changes in Equity**

	<b>Ordinary shares</b>	<b>Reserve</b>	<b>Retained earnings</b>	<b>Current period result</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	<b>2,505,209</b>	<b>166,474</b>	-	<b>1,793,806</b>	<b>4,465,489</b>
Profit for the period				954,534	954,534
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>					
Transfer to retained earnings			1,793,806	(1,793,806)	-
Dividends distribution			(627,833)		(627,833)
<b>Balance at 31 December 2013</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,165,973</b>	<b>954,534</b>	<b>4,792,190</b>
	<b>Ordinary shares</b>	<b>Reserve</b>	<b>Retained earnings</b>	<b>Current period result</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,165,973</b>	<b>954,534</b>	<b>4,792,190</b>
<b>Adjustment</b>				(101)	(101)
<b>Adjusted balance at 1 January 2014</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,165,973</b>	<b>954,433</b>	<b>4,792,089</b>
Profit for the period				1,052,799	1,052,799
Other comprehensive income					
<b>Total comprehensive income</b>					
Transfer to retained earnings			954,433	(954,433)	-
Dividends distribution			(2,120,406)		(2,120,406)
<b>Balance at 31 December 2014</b>	<b>2,505,209</b>	<b>166,474</b>	-	<b>1,052,799</b>	<b>3,724,482</b>



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**Cash Flow Statement**

	Notes	For 12 months period ended 31-Dec-14	For 12 months period ended 31-Dec-13
<i>Cash flows from operating activities</i>			
Profit after taxation		1,052,799	954,534
Adjustments for:			
Tax	9	194,364	148,989
Depreciation and amortization expense	10,11	187,286	187,890
Interest income	8	(24,444)	(33,378)
Interest expenses and Bank Charges		2,703	2,353
(Gain) / Loss on sale of property, plant and equipment		(211)	(212)
Loss on disposals of fixed assets		4,113	24
Effects of exchange rate changes	8	(95,701)	(23,170)
<b>Operating cash flows before working capital Changes</b>		<b>1,320,909</b>	<b>1,237,030</b>
Changes:			
(Increase)/decrease in trade and other Receivables		(27,780)	(17,687)
(Increase)/decrease in inventory		(5,405)	159,911
Increase/(decrease) in trade and other payables		364	(18,729)
<b>Cash generated from operations</b>		<b>1,288,088</b>	<b>1,360,525</b>
Interest and Bank charges paid		(2,703)	(2,353)
Tax paid		(50,414)	(329,232)
<b>Net cash from operating activities</b>		<b>1,234,971</b>	<b>1,028,940</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	10	(120,075)	(88,400)
Interest received	8	24,444	33,378
Proceeds from sale of property, plant and Equipment		211	212
<b>Net cash used in investing activities</b>		<b>(95,420)</b>	<b>(54,810)</b>
<i>Cash flows from financing activities</i>			
Dividends paid		(2,120,410)	(627,833)
<b>Net cash from financing activities</b>		<b>(2,120,410)</b>	<b>(627,833)</b>
Effects of exchange rate changes		95,701	23,170
<b>Net increase/(decrease) in cash</b>		<b>(885,158)</b>	<b>369,467</b>
<b>Cash at the beginning of period</b>	16	<b>1,831,929</b>	<b>1,462,462</b>
<b>Cash at the end of period</b>	16	<b>946,771</b>	<b>1,831,929</b>

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**1 General information**

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

The Company was founded in 1975. 70% of the shares of the Company were acquired by Titan Group (the Group) domiciled in Greece, Athens and represented by Tithys Ltd, Cyprus. The purchase agreement was signed on 31 January 2002 with the Serbian Privatization Agency and followed by a transfer of control on 2 April 2002.

In December 2004, the Company's owner purchased additional 4.28% of remaining shares in ownership of employees for which it was entitled by the SPA. In November 2008 the owner purchased total state share package registered in the Privatization Register and increased its participation by 22.07%. Finally in April 2009, Tithys Limited bought the remaining shares from minority shareholders, and became owner of 100% of the Company's shares.

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

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

The Company employed 234 people as at 31 December 2014 (as at 31 December 2013: 259 people).

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## **2 Basis of preparation**

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

### **Statement of compliance**

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

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

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

### **New standards, interpretations and amendments adopted by the Company**

The nature and the impact of each new standard/amendment are described below:

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

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Company.

#### **IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not relevant to the Company.

#### **IFRIC Interpretation 21 Levies (IFRIC 21)**

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

#### **IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39**

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

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**Property, plant and equipment**

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

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Depreciation is calculated on the straight-line method intended to write off the cost of each asset to their residual values over the estimated useful life.

Depreciation rates are set as follows:

	%
Quarry land	1.57-4.37
Buildings (including raw mill and electricity transmission and pipelines)	2-5
Marl crusher	16.5
Plant machinery	10
Rotary kiln	7
Vehicles	15
Furniture	10-12.5

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company.

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

Repairs and renewals are charged directly to the income statement when the expenditure is incurred.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

At each reporting date the management assess whether there is any indication of impairment of property plant and equipment. If any such indication exists the management estimates the recoverable amount, which is determined as the higher of an asset's net selling price and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognized as an expense (impairment loss) in the Income Statement. An impairment loss recognized for an asset in prior years is reversed if there have been the circumstances that led to the impairment.

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## **2 Basis of preparation (continued)**

### **Investments in subsidiaries**

Investments in subsidiaries are accounted at cost.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Appropriate allowance is made for damaged, obsolete and slow-moving items. Write-downs to net realizable value and inventory losses are expensed in the period in which they occur.

### **Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original term of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers and is recognized in the Income statement.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash at banks and short-term deposits with an original maturity of three months and less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less any credit balances on bank accounts.

### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Employee benefits**

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

### **Revenue recognition**

Revenue, which excludes value added tax (V.A.T.) and discounts, represents the invoiced value of goods and services supplied and is recognized when significant risks and rewards and ownership of the goods are transferred to the buyer at the date on which the goods are shipped to customers.

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**2 Basis of preparation (continued)**

**Taxation**

Current income tax is calculated at the rate of 15% on taxable profit reported in tax returns.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

**Foreign currency transactions**

The Company's functional currency is the RSD. Transactions denominated in a currency other than the RSD are recorded at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into RSD at the official exchange rate of the National Bank of Serbia at the balance sheet date. Foreign currency exchange differences arising from the translation of assets and liabilities and from the settlement of transactions are reflected in the income statement as foreign exchange gain/ (loss).

At 31 December 2014, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 120,9583 and as at 31 December 2013 EURO 1= RSD 114,6421. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

**3 Sales**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
Sales revenue cement Serbia	2,895,962	2,761,732
Sales revenue cement Montenegro	624,869	556,072
Sales revenue cement Croatia	59,240	55,127
Sales revenue cement Kosovo	36,723	27,153
<b>Total</b>	<b>3,616,794</b>	<b>3,400,084</b>

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**4 Cost of sales**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Variable</b>		
Kiln fuel	327,450	368,008
Raw material	131,922	116,792
Electricity power	199,851	224,516
Fuel and oil	46,463	43,969
Refractory	23,254	22,858
Grinding media	2,443	5,482
Concession fees	12,107	12,409
Third party Labor Quarry	25,267	20,324
Other variable costs	2,676	3,053
<b>Total variable cost</b>	<b>771,433</b>	<b>817,411</b>
<b>Fixed</b>		
Salaries	350,787	352,492
Training	3,581	3,462
Maintenance spare parts	53,793	61,868
Third parties services	35,834	34,756
Lining	2,742	872
Insurance and taxes	29,254	36,278
Plant utilities	3,977	4,615
Heating expenses	11,747	12,180
Petty inventory and consumables	10,998	12,637
Cement quality control and certification	6,626	10,352
Health and safety at work	4,113	5,205
Car expenses	2,707	2,733
Material for laboratory	2,826	2,622
Environmental protection costs	3,734	2,997
Stationery	3,108	2,884
Cleaning of offices	1,749	1,824
Rent of storage	1,339	1,309
Other fixed costs	2,507	5,615
<b>Total fixed cost</b>	<b>531,422</b>	<b>554,701</b>
<b>Packing</b>		
Salaries	49,916	50,297
Training	335	324
Bags	50,014	45,928
Pallets and folio	49,429	42,958
Electricity power	2,482	3,007
Fuel and oil	975	893
Maintenance spare parts	7,722	7,359
Third parties maintenance	2,816	1,972
Insurance	1,052	1,129
Other expenses	5,731	5,449
<b>Total packing cost</b>	<b>170,472</b>	<b>159,316</b>
<b>Inventory (Increase)/Decrease</b>	<b>42,950</b>	<b>19,464</b>
<b>Depreciation</b>	<b>180,481</b>	<b>178,800</b>
<b>Distribution Expenses</b>		
Third parties services transportation	476,831	406,227
Custom and related expenses	1,876	1,704

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Other	1,849	1,676
<b>Total distribution costs</b>	<b>480,556</b>	<b>409,607</b>
<b>Cost of Trading Goods</b>	<b>11,738</b>	<b>12,812</b>
<b>Total Cost of Sales</b>	<b>2,189,052</b>	<b>2,152,111</b>

**4 Cost of sales (continued)**

Cost of trading goods refers to the resale of white cement purchased from Titan Cement Company S.A. Third parties services- transportation relate to transportation services for goods sold.

**5 Other operating income and expenses**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
Revenue from sales of material	2,785	3,198
Collection of the receivables for which provision was made	634	5,289
Revenue from other operating activities	92	376
Profit on sales of fixed assets	211	212
Provision for retirement utilized during the year (long-term)	186	
Reversal of unused provisions for retirement (long-term)	5,999	7,709
Reversal of unused provisions for retirement (short-term)	563	
Reversal of unused provisions for jubilee awards (long-term)	1,150	35,114
Reversal of unused provisions for jubilee awards (short-term)	297	
Revenue from tax returns	10,821	4,881
Internal revenue	12,009	4,451
Other income	8,787	8,255
<b>Total other operating income</b>	<b>43,534</b>	<b>69,485</b>

Impairment of accounts receivable	18,844	9,491
Provision for retirement benefits	248	550
Provision for jubilee awards (long term)	2,220	-
Provision for jubilee awards (short term)	2,470	2,606
Staff leaving indemnities (including VELP)	54,010	-
Other expenses	14,832	13,639
<b>Total other operating expenses</b>	<b>92,624</b>	<b>26,286</b>

**6 Selling expenses**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
Salaries	26,383	25,535
Training	414	634
Traveling and Entertainment expenses& Car Expenses	3,618	3,657
Other	1,456	1,601
Depreciation	307	282



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**32,178**

**31,709**

**7 Administrative expenses**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
Administrative and technical assistance fees – see Note 20	17,483	18,005
Salaries	91,663	86,197
Training and education	2,923	1,423
Donation to Municipality	8,785	1,078
Donations	19,963	12,165
Communication	1,091	1,293
Consulting services	5,580	4,862
Legal and court fees	1,560	7,203
Entertainment	3,663	5,212
Car expenses	8,714	9,521
Business trip	2,763	1,959
Membership fees	4,123	4,507
Third party labour	16,763	15,671
Rents	5,472	5,664
Heating for offices	3,680	3,598
Fees	2,210	3,459
Cement Industry organization - consultancy fees	1,939	1,714
Stationery	1,402	1,710
Advertising	1,229	1,941
Petty inventory and consumables	1,204	957
Electricity	1,050	1,404
Postal costs	829	1,058
Health and Safety	768	281
Trash removing	504	625
Other costs	4,895	9,820
Depreciation	6,497	8,808
	<b>216,753</b>	<b>210,135</b>

Administrative and technical assistance fees relate to the contract signed on 15 December 2003 between Tithys Limited, Cyprus, and the Company for the period of five years starting on 2 April 2002. This contract is to be renewed for an additional 5 years period, unless one of the contracted parties notifies the other, in writing, for non-renewal of the contract three months prior to its expiration. In April 2014, the contractual parties have signed the Letter according to which the contract has been renewed by 2<sup>nd</sup> of April 2016. According to the contract Tithys Limited, Cyprus will provide to the Company administrative and general technical assistance (commercial, human resources, financial, training etc), as well as provide the Company with technical expertise of the Titan Group.

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**8 Finance income and expenses**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Finance income</b>		
Bank interest and related income	24,444	33,378
Foreign exchange gain	104,132	33,818
<b>Total finance income</b>	<b>128,576</b>	<b>67,196</b>
<b>Finance expenses</b>		
Bank charges	(2,703)	(2,353)
Foreign exchange loss	(8,431)	(10,648)
<b>Total finance expenses</b>	<b>(11,134)</b>	<b>(13,001)</b>
<b>Finance income and expenses, net</b>	<b>117,442</b>	<b>54,195</b>

**9 Taxation**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
Current Income Tax	192,872	145,243
Deferred income tax expense / (income)	1,492	3,746
	<b>194,364</b>	<b>148,989</b>

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

	<b>For 12 months period ended 31 Dec 14</b>	<b>For 12 months period ended 31 Dec 13</b>
<b>Accounting profit for the 12 months period ended 31 December</b>	<b>1,247,163</b>	<b>1,103,523</b>
<i>Add back:</i>		
Accounting depreciation	187,284	187,891
Provisions	4,690	-
Non business expenses	23,938	8,980
Penalties and capital loss	244	617
Write off/Impairment of assets	-	-
Impact of transfer pricing	3,654	680
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	-	-
Other	6,955	8,877
<i>Less:</i>		
Depreciation for tax purposes	(175,127)	(174,749)
Taxes calculated in the previous and paid in the tax period for	-	(3,373)

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which it filed tax statement	(4,853)	
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(186)	-
Reversed unused long term provisions	(7,946)	(37,969)
<b>Tax basis</b>	<b>1,285,816</b>	<b>1,094,477</b>
<b>Tax at 15% (2013: 15%)</b>	<b>192,872</b>	<b>164,172</b>
<b>Tax relief for investments in fixed assets</b>	-	18,929
<b>Current income tax</b>	<b>192,872</b>	<b>145,243</b>

**9. Taxation (continued)**

Deferred income tax relates to the following:

	<i>Income statement</i>		<i>Balance sheet</i>	
	<i>Jan-Dec 2014</i>	<i>Jan-Dec 2013</i>	<i>31Dec 2014</i>	<i>31Dec 2013</i>
<b>Deferred tax assets/liabilities</b>				
Temporary differences between carrying amount of property, plant and equipment and their tax base	599	2,893	4,918	4,319
Temporary differences between carrying amount of retirement provision and its tax base	1,003	1,074	(1,278)	(2,281)
Temporary differences between carrying amount of unpaid tax liabilities and their tax base	(110)	(221)	(837)	(727)
<b>Deferred tax liabilities, total</b>			<b>4,918</b>	<b>4,319</b>
<b>Deferred tax assets, total</b>			<b>(2,115)</b>	<b>(3,008)</b>
<b>Deferred tax, net</b>			<b>2,803</b>	<b>1,311</b>
<b>Deferred income tax expense/( income)</b>	<b>1,492</b>	<b>3,746</b>		

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**10. Property, plant and equipment**

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
<b>Cost</b>								
<b>At 31 December 2012</b>	<b>54,077</b>	<b>143,383</b>	<b>2,484,695</b>	<b>3,226,586</b>	<b>287,761</b>	<b>6,196,502</b>	<b>116,376</b>	<b>6,312,878</b>
Additions during the period	43	4,011	-	1,092	-	5,146	83,254	88,400
Reclassification from/to another category	-	-	45,306	29,999	-	75,305	(75,305)	-
Transfer from advances to suppliers for fixed assets to fixed assets								
Sales / write off during period	-	-	-	(4,680)	(1,191)	(5,871)	-	(5,871)
<b>At 31 December 2013</b>	<b>54,120</b>	<b>147,394</b>	<b>2,530,001</b>	<b>3,252,997</b>	<b>286,570</b>	<b>6,271,082</b>	<b>124,325</b>	<b>6,395,407</b>
Additions during the period	-	-	-	1,804	-	1,804	118,271	120,075
Reclassification from/to another category	-	-	16,910	105,515	-	122,425	(122,425)	-
Sales / write off during period	-	-	-	(1,586)	(1,035)	(2,621)	(4,093)	(6,714)
<b>At 31 December 2014</b>	<b>54,120</b>	<b>147,394</b>	<b>2,546,911</b>	<b>3,358,730</b>	<b>285,535</b>	<b>6,392,690</b>	<b>116,078</b>	<b>6,508,768</b>
<b>Accumulated depreciation/depletion</b>								
<b>At 31 December 2012</b>	-	23,345	1,278,051	2,463,471	266,288	4,031,155	-	4,031,155
Charge for the period	-	4,507	66,624	106,879	4,647	182,657	-	182,657
Sales/ write off during period	-	-	-	(4,656)	(1,191)	(5,847)	-	(5,847)
<b>At 31 December 2013</b>	-	27,852	1,344,675	2,565,694	269,744	4,207,965	-	4,207,965
Charge for the period	-	4,577	69,827	106,968	2,935	184,307	-	184,307
Sales/ write off during period	-	-	-	(1,566)	(1,035)	(2,601)	-	(2,601)
<b>At 31 December 2014</b>	-	32,429	1,414,502	2,671,096	271,644	4,389,671	-	4,389,671
<b>Net book value</b>								
<b>At 31 December 2014</b>	<b>54,120</b>	<b>114,965</b>	<b>1,132,409</b>	<b>687,634</b>	<b>13,891</b>	<b>2,003,019</b>	<b>116,078</b>	<b>2,119,097</b>
<b>At 31 December 2013</b>	<b>54,120</b>	<b>119,542</b>	<b>1,185,326</b>	<b>687,303</b>	<b>16,826</b>	<b>2,063,117</b>	<b>124,325</b>	<b>2,187,442</b>

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**11 Intangible Assets**

	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>		
<b>At 31 December 2012</b>	<b>72,003</b>	<b>72,003</b>
Additions during the period	-	-
<b>At 31 December 2013</b>	<b>72,003</b>	<b>72,003</b>
Additions during the period	-	-
<b>At 31 December 2014</b>	<b>72,003</b>	<b>72,003</b>
 <b>Accumulated amortization</b>		
<b>At 31 December 2012</b>	<b>56,230</b>	<b>56,230</b>
Charge for the period	5,234	5,234
<b>At 31 Dec 2013</b>	<b>61,464</b>	<b>61,464</b>
Charge for the period	2,979	2,979
<b>At 31 Dec 2014</b>	<b>64,443</b>	<b>64,443</b>
 <b>Net book value</b>		
<b>At 31 December 2014</b>	<b>7,560</b>	<b>7,560</b>
<b>At 31 December 2013</b>	<b>10,539</b>	<b>10,539</b>

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

**12 Investment in subsidiary**

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

<b>Subsidiary</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
TCK Montenegro	7,966	7,966
<b>Total</b>	<b>7,966</b>	<b>7,966</b>

**13 Inventories**

	<b>As at 31 Dec 2014</b>	<b>As at 31 Dec 2013</b>
Material and fuel	177,024	112,417
Spare parts and other inventory	307,671	319,253
Packing materials	9,857	15,063
Work in progress	52,402	91,832
Finished products	49,902	53,422
Goods for resale	221	338
Advances for inventory	2,914	2,261
Provision for receivables for advances to suppliers	(2,095)	(2,095)
	<b>597,896</b>	<b>592,491</b>

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Major portion of material and fuel as at 31 December 2014 amounting to RSD 105,365 thousand, RSD 15,523 and RSD 12,959 thousand relates to petrol coke, slag and hematite, respectively.

**13 Inventories (continued)**

	Provision for impairment of prepayments for inventory
<b>At 1 January 2013</b>	<b>2,095</b>
Charge for the year	-
Unused amounts reversed	-
Utilized during the year	-
<b>At 31 December 2013</b>	<b>2,095</b>
<b>At 1 January 2014</b>	<b>2,095</b>
Charge for the year	-
Unused amounts reversed	-
Utilized during the year	-
<b>At 31 December 2014</b>	<b>2,095</b>

**14 Trade receivables**

	As at 31 Dec 2014	As at 31 Dec 2013
Trade receivables	229,027	165,709
Trade receivables from related parties (Note 20)	115,097	124,102
Provision for impairment of receivables	(66,335)	(49,154)
	<b>277,789</b>	<b>240,657</b>

For term and conditions relating to related party receivables, refer to Note 20.

Trade receivables are non-interest bearing and are generally on terms of 5 to 60 days.

As at 31 December 2014, trade receivables at nominal value of RSD 18,523 thousand (31 December 2013: RSD 9,491 thousand) were provided for impairment. See below for the movements in the provision for impairment of receivables.

	Provision for impairment of trade receivables
<b>At 1 January 2013</b>	<b>47,013</b>
Charge for the year	9,491
Unused amounts reversed	(5,289)
Utilized during the year	(2,061)
<b>At 31 December 2013</b>	<b>49,154</b>
<b>At 1 January 2014</b>	<b>49,154</b>
Charge for the year	18,523
Unused amounts reversed	(612)
Utilized during the year	(730)
<b>At 31 December 2014</b>	<b>66,335</b>

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**14 Trade receivables (continued)**

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

<b>Year ended 31 December 2014</b>			<b>Past due but not impaired</b>				
Description	Total	Neither due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	162,692	16,334	78,144	31,971	18,388	10,837	7,018
Trade receivables-related parties	115,097	56,963	44,136	13,998	-	-	-
<b>Total</b>	<b>277,789</b>	<b>73,297</b>	<b>122,280</b>	<b>45,969</b>	<b>18,388</b>	<b>10,837</b>	<b>7,018</b>

  

<b>Year ended 31 December 2013</b>			<b>Past due but not impaired</b>				
Description	Total	Neither due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	116,555	32,899	43,772	13,011	7,678	1,806	17,389
Trade receivables-related parties	124,102	32,115	45,907	46,080	-	-	-
<b>Total</b>	<b>240,657</b>	<b>65,014</b>	<b>89,679</b>	<b>59,091</b>	<b>7,678</b>	<b>1,806</b>	<b>17,389</b>

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<b>15. Other receivables</b>	<b>As at 31 Dec 2014</b>	<b>As at 31 Dec 2013</b>
Advances to suppliers for current assets	3,142	12,553
Other receivables from related parties (Note 20)	16,055	15,360
Receivables from employees	1,245	392
Accrued expenses	4,463	10,238
Receivables for funds lent to firms	6	6
Receivables for rent	45	47
Receivables for sales of property, plant and equipment	1,429	1,448
Income tax prepayment	-	132,031
Other receivables from the State	1,061	255
Other short term deposits	6,048	-
Other receivables	1,683	3,933
<b>Other receivables, gross</b>	<b>35,177</b>	<b>176,263</b>
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(895)	(598)
<b>Other receivables, net</b>	<b>34,228</b>	<b>175,611</b>

As at 31 December 2014, other receivables at nominal value of RSD 949 thousand (2013: RSD 652 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of receivables for funds lent to firms	Provision for receivables for Fixed Assets Sales and rent	Provision for receivables for employee	Provision for impairment of other receivables
<b>At 1 January 2013</b>	<b>6</b>	-	<b>48</b>	<b>1,124</b>
Charge for the year	-	-	-	-
Unused amounts reversed	-	-	-	-
Utilized during the year				(526)
<b>At 31 December 2013</b>	<b>6</b>	-	<b>48</b>	<b>598</b>
<b>At 1 January 2014</b>	<b>6</b>	-	<b>48</b>	<b>598</b>
Charge for the year	-	-	-	320
Unused amounts reversed	-	-	-	(23)
Utilized during the year	-	-	48	-
<b>At 31 December 2014</b>	<b>6</b>	-	<b>895</b>	<b>895</b>



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**16 Cash and cash equivalents**

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Cash at bank	11,400	20,371
Other short-term bank deposits	935,371	1,811,558
	<b>946,771</b>	<b>1,831,929</b>

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

As at 31 December 2014 deposits that are placed with EFG Bank are EUR equivalent 722 thousand and EUR 775 thousand; with Vojvodjanska Bank EUR equivalent 284 thousand ; with Societe Generale Bank EUR 3,015 thousand; with Alpha bank EUR 1,517 thousand and with Raiffeisen bank EUR 1,420 thousand.

Average interest rates for short-term deposits in EUR equivalent is 0.47% per annum while for EUR deposits average interest rate is 0,71% per annum.

The interest accrued for the period is recorded as interest income in the Income Statement.

**17 Stakes in Limited Liability Company**

In November, 2009 The Company has changed its legal form from Joint Stock Company to Limited Liability Company. After that, ownership was transferred from Tithys Ltd, Cyprus to AEAS Ltd, Netherland.

As at 31 December 2014 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

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**18 Other non-current liabilities and provisions**

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Retirement benefits	8,270	14,455
Provision for legal cases	345	345
Provision for jubilee awards	15,219	14,149
Provision for rehabilitation of quarries	8,109	7,907
	<b>31,943</b>	<b>36,856</b>

**Provisions for retirement benefits**

In accordance with the Employment Rulebook which has replaced the expired Collective agreement since April 1<sup>st</sup> 2013, the Company was obliged to pay staff leaving indemnity according to the Labor Law.

Also, under the Collective agreement which has replaced the Employment Rulebook from March 24<sup>th</sup> 2014, as well under the New Collective agreement which has replaced the Collective agreement from December 1<sup>st</sup> 2014, the staff leaving indemnity will be pay according to Labor Law.

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2014 was RSD 8,518 thousand (2013: 15,204 thousand) out of which RSD 8,270 thousand represented long-term portion (2013: 14,455 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 10%, future salary increase 2 % per year up to 2019 and 4% after that.

Movements in the provision for retirement reword were as follows:

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>As at 1 January</b>	<b>14,455</b>	<b>22,164</b>
Utilized during the year	(186)	-
Unused amounts reversed (Note 5)	(5,999)	(7,709)
<b>Closing balance</b>	<b>8,270</b>	<b>14,455</b>

**Provision for legal cases**

There are 16 ongoing pieces of litigation against the Company, out of which 14 is initiated by ex-employees. There is also a claim for damages to crops and damage to property caused by explosions in quarries. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2014.

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**18 Other non-current liabilities and provisions (continued)**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>As at 1 January</b>	<b>345</b>	<b>2,079</b>
Utilized during the year	-	(1,734)
<b>Closing balance</b>	<b>345</b>	<b>345</b>

**Provisions for Jubilee awards**

In accordance with the Employment Rulebook which has replaced the expired Collective agreement since April 1<sup>st</sup> 2013, the Company on its discretion could pay each employee Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment in the Company.

Under the Collective agreement which has replaced the Employment Rulebook from March 24<sup>th</sup> 2014, as well as under the New Collective agreement which has replaced the Collective agreement from December 1<sup>st</sup> 2014, the Company is obliged to pay Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment in the Company as well as when the employee (women only) completes 35 years of continuous employment in the Company and when the employee (men only) completes 40 years of continuous employment in the Company. The rewards is as follows: 1 average salary of the Company to the employee that completes 10 years and 20 years of continuous employment in the Company and 2 average salary of the Company to the employee that completes 30 years , 35 years (for women) and 40 years (for men) of continuous employment in the Company.

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2014 amounted to RSD 17,690 thousand (2013: RSD 16,755 thousand) out of which RSD 15,219 thousand represented long-term portion (2013: RSD 14,149 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 10%, future salary increase 2, % per year up to 2019 and 4% after that.

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>As at 1 January</b>	<b>14,149</b>	<b>49,263</b>
Unused amounts reversed (Note 5)	(1,150)	(35,114)
Additional provision (Note 5)	2,220	-
<b>Closing balance</b>	<b>15,219</b>	<b>14,149</b>

**Provisions for Rehabilitation for quarries**

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>As at 1 January</b>	<b>7,907</b>	<b>6,291</b>
Additional provision	-	1,565
Unrealized exchange differences	202	51
<b>Closing balance</b>	<b>8,109</b>	<b>7,907</b>

The Company is obliged by the Law, to perform rehabilitation of limestone and marl quarries after exploitation is finished. According to the Study prepared by the experts in this area, and which contains dynamics and evaluation of involved expenses, calculation of the present value of the provision is made using the discounting rate of 10%. Final value of the provision on 31 December 2013, in the amount of RSD 7,907 thousand was in proportion with the discovered surface on the quarries up to end of 2013.

Since the exploitation of the minerals continues to take place on the discovered surfaces for which the provision was made at the end of 2013, the additional adjustment has not been made at the end of December 2014.

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**19 Trade and other payables**

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Trade payables	168,679	158,582
Advances received	6,353	3,430
Other taxes payable	4,563	10,778
Payables for salaries	13,860	12,037
Social insurance contributions on salaries	6,895	5,854
Accruals	11,340	-
Income tax payable	10,529	-
Payables to related parties (Note 20)	4,344	19,704
Dividend payable	300	304
Provision for retirement- current portion	248	749
Provision for Jubilee award- current portion	2,470	2,606
Other payables	2,498	2,234
	<b>232,079</b>	<b>216,278</b>

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

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2014 based on contractual payments.

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
<b>Year ended 31 December 2014</b>				
Trade payables	144,000	11,813	12,866	<b>168,679</b>
Other payables	26,468	1,324	323	<b>28,115</b>
Payables to related parties	1,300	1,724	1,321	<b>4,345</b>
<b>Total</b>	<b>171,768</b>	<b>14,861</b>	<b>14,510</b>	<b>201,139</b>
<b>Year ended 31 December 2013</b>				
Trade payables	141,906	4,977	11,699	<b>158,582</b>
Other payables	30,881	-	326	<b>31,207</b>
Payables to related parties	19,704	-	-	<b>19,704</b>
<b>Total</b>	<b>192,491</b>	<b>4,977</b>	<b>12,025</b>	<b>209,493</b>

**Concession fee**

For the period January- May 2012, the Company was obliged by the Law to pay tax in the amount of RSD 22 per ton of extracted mineral resources of limestone and RSD 54 per ton of extracted marl stone, which are the basic ores for production of cement. From June 1<sup>st</sup> 2012, according to the new regulations, the Company was obliged to pay tax in the amount of RSD 20 per ton of extracted limestone and RSD 30 per ton of extracted marl. For the period January - August 2013 concession fee was RSD 25 per ton of extracted limestone and RSD 35 per ton of extracted marl. Finally, since September 2013 concession fee was RSD 23 per ton of extracted limestone and RSD 33 per ton of extracted marl. Total outstanding liability, included in trade payables, as of 31 December 2014 amounted to RSD 2,725 thousand (31 December 2013: 2,536).

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**20. Related parties transactions**

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

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

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Sales and services provided to related parties</b>		
TCK Montenegro- Montenegro	624,868	556,071
Stari Silo Company doo	615	591
	<b>625,483</b>	<b>556,662</b>
<hr/>		
	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Purchase of goods and services from related parties</b>		
Titan Cement Company S.A., Athens-cost of trading goods	8,516	7,173
Titan Cement Company S.A., Athens-fixed assets and other purchases	952	1,922
Cementarnica Usje-spare parts	-	287
Tithys Ltd, Cyprus- see Note 7	17,483	18,383
Sharrcem SH P.K. Kosovo		2,159
	<b>26,951</b>	<b>29,924</b>
<hr/>		
	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Trade and other receivables</b>		
TCK Montenegro- Montenegro	115,097	124,480
Stari Silo Company doo	16,055	14,982
	<b>131,152</b>	<b>139,462</b>
<hr/>		
<b>Trade and other payables</b>		
TITHYS Ltd, Cyprus	562	18,383
Titan Cement Company S.A., Athens	3,782	1,321
	<b>4,344</b>	<b>19,704</b>
<hr/>		

Sales to and purchases from related parties are generally made at normal market prices and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. The Company has not raised any provision relating to amounts owed by related parties for the years ended 31 December 2014, and 31 December 2013. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

Total compensation to key management personnel for 2013 amounted to RSD 26,409 thousand.

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**21. Financial risk management objectives and policies**

**Market risk**

The Serbian economy is at an early stage of market development and there is a considerable degree of uncertainty surrounding its future direction. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

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

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has receivables, liabilities and monetary assets in EUR. The Company manages its foreign currency risk by keeping assets in foreign currency at the level of liabilities in foreign currencies, so that the Company's exposure to this risk at the balance sheet date is low.

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

	<i>Change in EUR rate</i>	<i>Effect on profit before tax in 000 RSD</i>
2014	+10%	99.825
	-10%	-99.825
2013	+10%	184,594
	-10%	-184,594

**Credit risk**

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

*Credit risk related to receivables* - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2014 are diversified. The maximum exposure of credit risk at the financial statement date is the carrying value of receivables stated in Note 14.

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

**Liquidity risk**

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

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

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**21. Financial risk management objectives and policies (continued)**

**Capital management**

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2014 and 31 December 2013.

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

	<b>For 12 months period ended 31-Dec-14</b>	<b>For 12 months period ended 31-Dec-13</b>
<b>Profit for the period</b>	<b>1,052,799</b>	<b>954,534</b>
<i>Add back:</i>		
Income tax	194,364	148,989
Depreciation expenses –cost of sales	180,481	178,800
Depreciation expenses –selling expenses	307	282
Depreciation expenses –administrative expenses	6,496	8,808
Finance income and expenses, net	(117,442)	(54,195)
<b>EBITDA</b>	<b>1,317,005</b>	<b>1,237,218</b>

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

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**22. Contingent assets, contingent liabilities and operational risks**

**Overdraft and guaranties**

	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
Bank guarantee letters - asset	185,714	33,000
Bank guarantee letters – liability	75,766	62,943
Overdraft facility with Raiffeisen bank	230,000	226,000
Frame agreement for issuance of the letters of guarantee with Raiffeisen bank(unused)	9,677	-

Bank guarantee letters assets contain of guarantees received from customers in the amount of RSD 168,054 thousand, (in 2013: RSD 33,000 th.), while the remaining amount of RSD 17,660 th. is related to guarantees received from suppliers for prepayments.

Bank guarantee letters liability in the total amount of RSD 75,766 th. (in 2013: RSD 62,943 th.) have been issued in favor of suppliers.

**Taxation**

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

**Environmental matters**

The enforcement of environmental regulation in Republic of Serbia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Titan Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Operating environment of the Company**

The economy of Serbia continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of:

- currency controls;
- a low level of liquidity in the public and private debt and equity markets; and
- inflation controls

The prospects for future economic stability in Serbia are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.



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**23. Standards issued but not yet effective**

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

**IFRS 9 Financial Instruments**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9. Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The Company does not expect that the adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities.