



TITAN
CEMENTARA KOSJERIĆ

**“TITAN CEMENTARA KOSJERIC” DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

CONTENTS	Pages
Audit Report	2
Financial statements	3 - 7
Notes to the financial statements	8 - 38

Director

Mr. Miroslav Gligorijević



Registered office

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

Auditor

PricewaterhouseCoopers d.o.o.
Omladinskih brigada 88a
11070 Belgrade
Republic of Serbia



INDEPENDENT AUDITOR'S REPORT

To the owner of Titan Cementara Kosjerić d.o.o., Kosjerić

We have audited the accompanying financial statements of Titan Cementara Kosjerić d.o.o., Kosjerić (the "Company") which comprise the statement of financial position as of 31 December 2018 and the statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of 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.

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 Serbian Law 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 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 present fairly, in all material respects, the financial position of the Company as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Restriction of use

This Independent Auditor's Report has been prepared exclusively for management and owners of Titan Cementara Kosjerić d.o.o., Kosjerić 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 Kosjerić d.o.o., Kosjerić. Any disclosure of this report to a third party shall be made only with our prior written consent and against such party's acknowledgement that we have no obligation, responsibility or duty of care towards it.


Milivoje Nesović
Licensed Auditor


PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 12 February 2019

TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Income statement

	Notes	For 12 months period ended 31.12.2018.	For 12 months period ended 31.12.2017.
Sales	4	5,408,035	4,810,906
Cost of sales	5	<u>(3,340,309)</u>	<u>(2,760,156)</u>
Gross profit		2,067,726	2,050,750
Other operating income	6	34,986	18,284
Selling expenses	8	(35,230)	(29,239)
Administrative expenses	9	(302,245)	(301,400)
Other operating expenses	7	<u>(96,445)</u>	<u>(37,533)</u>
Profit from operating activities		1,668,792	1,700,862
Finance income/(expenses), net	11	<u>4,778</u>	<u>(52,296)</u>
Profit before taxation		1,673,570	1,648,566
Income tax expense	12	<u>(253,165)</u>	<u>(249,093)</u>
Profit for the period		1,420,405	1,399,473
Attributable to:		<u> </u>	<u> </u>
Owners of the parent		<u>1,420,405</u>	<u>1,399,473</u>

TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Statement of comprehensive income

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Profit for the period	1,420,405	1,399,473
Other comprehensive income	-	-
Total comprehensive income for the period	1,420,405	1,399,473
Attributable to:		
Owners of the parent	1,420,405	1,399,473

TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Statement of financial position

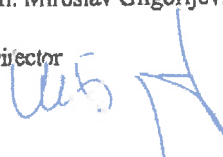
	Notes	As at 31 Dec 2018	As at 31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,687,802	1,780,745
Construction in progress	13	212,698	154,232
Intangible Assets in progress	14	12,791	9,401
Intangible Assets	14	1,189	-
Investment in subsidiary	15	7,966	7,966
Deferred tax assets-net	12	15,243	12,005
Other non-current assets		1,343	1,384
		<u>1,939,032</u>	<u>1,965,733</u>
Current assets			
Inventories	16	701,595	604,026
Trade receivables	17	250,187	432,858
Other receivables	18	51,708	56,257
Cash and cash equivalents	19	1,689,214	1,498,436
		<u>2,692,704</u>	<u>2,591,577</u>
Total assets		<u><u>4,631,736</u></u>	<u><u>4,557,310</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Basic capital	20	2,505,209	2,505,209
Reserves	20	166,474	166,474
Retained earnings/(losses)		-	-
Current period result		1,417,965	1,399,473
		<u>4,089,648</u>	<u>4,071,156</u>
Non-current liabilities			
Other non-current liabilities	21	63,440	57,319
Deferred tax liabilities-net	12	-	-
Current liabilities			
Trade and other payables	22	478,648	428,835
Total Liabilities		<u>542,088</u>	<u>486,154</u>
Total equity and liabilities		<u><u>4,631,736</u></u>	<u><u>4,557,310</u></u>

The accompanying notes on pages 8 to 38 are an integral part of these Financial Statements

The financial statements on pages 3 to 38 were signed on its behalf by:


Mr. Miroslav Gligorijević

Director




Slavica Vukosavljević

Finance Director



TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Statement of Changes in Equity

	Basic capital	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2017	2,505,209	166,474	-	1,211,328	3,883,011
Adjustment	-	-	-	363	363
Adjusted Balance at 1 January 2017	2,505,209	166,474	-	1,211,691	3,883,374
Profit for the period	-	-	-	1,399,473	1,399,473
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,399,473	1,399,473
Transfer to retained earnings	-	-	1,211,691	(1,211,691)	-
Dividends distribution	-	-	(1,211,691)	-	(1,211,691)
Balance at 31 December 2017	2,505,209	166,474	-	1,399,473	4,071,156
	Basic capital	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2018	2,505,209	166,474	-	1,399,473	4,071,156
Adjustment	-	-	-	(2,440)	(2,440)
Adjusted Balance at 1 January 2018	2,505,209	166,474	-	1,397,033	4,068,716
Profit for the period	-	-	-	1,420,405	1,420,405
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,420,405	1,420,405
Transition adjustment	-	-	2,440	(2,440)	-
Transfer to retained earnings	-	-	1,397,033	(1,397,033)	-
Dividends distribution	-	-	(1,399,473)	-	(1,399,473)
Balance at 31 December 2018	2,505,209	166,474	-	1,417,965	4,089,648

TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Statement of cash flow

	Notes	For 12 months period ended 31-Dec-18	For 12 months period ended 31- Dec-17
<i>Cash flows from operating activities</i>			
Profit after taxation		1,420,405	1,399,473
Adjustments for:			
Tax	12	253,165	249,093
Depreciation and amortization expense		172,648	184,775
Interest income	11	(13,430)	(13,262)
Interest expenses and Bank Charges	11	1,874	2,220
(Gain) / Loss on sale of property, plant and equipment			-
Loss on disposals of fixed assets		18	1
Accretion on provision for rehabilitation of quarries	11		6,193
Effects of exchange rate changes	11	6,778	57,145
Operating cash flows before working capital Changes		1,841,458	1,885,638
Changes:			
(Increase)/decrease in trade and other Reccivables		184,346	(142,109)
(Increase)/decrease in inventory		(97,568)	(131,556)
Increase/(decrease) in trade and other payables		67,105	45,903
Decrease in other long term assets			-
Cash generated from operations		1,995,341	1,657,876
Interest and Bank charges paid		(1,874)	(2,220)
Tax paid		(283,746)	(266,034)
Net cash from operating activities		1,709,721	1,389,622
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary			-
Disposal of Subsidiary, Net of Cash Disposed			-
Fair value gains on Participation Investment in Subsidiary			-
Purchase of property, plant and equipment		(121,582)	(161,136)
Purchase of intangible assets		(4,581)	(9,401)
Interest received		13,430	13,262
Decrease/(increase) in non-current receivables		41	-
Proceeds from sale of property, plant and Equipment		-	-
Net cash used in investing activities		(112,692)	(157,275)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(1,399,473)	(1,211,691)
Net cash from financing activities		(1,399,473)	(1,211,691)
Effects of exchange rate changes		(6,778)	(57,145)
Net increase/(decrease) in cash		190,778	(36,489)
Cash at the beginning of period	19	1,498,436	1,534,925
Cash at the end of period	19	1,689,214	1,498,436

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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, 31260 Kosjeric.

The Company was founded in 1975. Titan Group (the Group) domiciled in Greece, Athens and represented by Tithys Ltd, Cyprus, acquired 70% of the shares of the Company 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 majority owner purchased State's 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.

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 195 people as at 31 December 2018 (as at 31 December 2017: 219 people).

The financial statements for the year ended on 31 December 2018 were authorized for issuing by the Director's decision dated February 8th 2019.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2. Summary of significant accounting policies and accounting estimates

2.1. Basis of preparation

These Financial Statements for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of the Company. The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Financial Statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them 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 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.

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these Financial Statements.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note (3).

The accounting policies adopted are consistent with those of the previous financial year, except for the new or revised standards, amendments and/or interpretations that are mandatory for the periods beginning on or after 1 January 2018.

2.1.1. Accounting policies applied until 31 December 2017

IAS 18 Revenue

Since the Company adopted IFRS 15 on 1 January 2018 by using the modified retrospective approach, the comparative figures for 2017 are presented under requirements of IAS 18 as follows:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminating sales within the group.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods – wholesale

The Company manufactures and sells cement in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.1.1. Accounting policies applied until 31 December 2017 - IAS 18 Revenue (continued)

Freight revenue

The Company provides cement transportation services. Freight revenue is recognized at the date of transportation.

IAS 39 Financial Instruments: Recognition and Measurement

Since the Company adopted IFRS 9 on 1 January 2018, without restating comparative information, the comparative figures for 2017 are presented under requirements of IAS 39 as follows:

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement within "Other operating expenses" (note 7). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to "Other operating income" in the Income Statement (note 6).

2.1.2. New and amended standards adopted by the Company

- IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7
- IFRS 15 "Revenue from Contracts with Customers"

The impact of the adoption of the standards IFRS 9 and IFRS 15, in addition with the new accounting policies, are disclosed below in 2.1.3.

2.1.3. Changes in accounting policies

IFRS 15: Revenue from contracts with customers

IFRS 15 supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

On 1 January 2018, the Company adopted IFRS 15 by using the modified retrospective approach, meaning that the cumulative impact of the adoption was recognized in retained earnings and comparatives were not restated. However, the Company had no impact on its profitability, liquidity or financial position by applying IFRS 15 for the first time. Therefore, opening retained earnings for 2018 will not be adjusted.

Revenue is the amount of consideration expected to be received in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (value-added tax, other sales taxes etc.). Variable considerations are included in the transaction price and they are estimated using either the expected value method, or the most likely amount method.

Revenue is recognized when (or as) a performance obligation is satisfied by transferring the control of a promised good or service to the customer. A customer obtains control of a good or service if it has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Control is transferred over time or at a point in time.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.1.3. Changes in accounting policies - IFRS 15: Revenue from contracts with customers (continued)

Revenue from the sale of goods is recognized when control of the good is transferred to the customer, usually upon delivery and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The main product of the Company is cement.

Revenue arising from services is recognized in the accounting period in which the services are rendered, and it is measured using either output methods or input methods, depending on the nature of service provided. The main services the Company provides is transporting services.

A receivable is recognized when there is an unconditional right to consideration for the performance obligations to the customer that are satisfied.

A contract liability is recognized when there is an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer (prepayments) or there is an unconditional right to receive consideration before the Company transfers a good or a service (deferred income). The contract liability is derecognized when the promise is fulfilled and revenue is recorded in the Income statement.

IFRS 9: Financial Instruments

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

IFRS 9 was adopted without restating comparative information and therefore the adjustments arising from the new classification and impairment rules are not reflected in the statement of financial position on 31 December 2017, but are recognized in the opening statement of financial position on 1 January 2018.

The Company applied the IFRS 9 simplified approach to measure expected credit losses (ECLs) on the trade and other receivables balances at the date of initial application. The result of the new requirements was an increase in the Company's impairment allowances of RSD 2,871 thousand and increase in deferred tax assets of RSD 431 thousand with a corresponding impact in the opening retained earnings.

There was no impact from the classification and measurement of the financial liabilities of the Company.

The impact of the changes of classification and impairment on the Company's equity is as follows:

	Retained earnings
Balance at 31 December 2017 - IAS 39	1,399,473
Increase in provisions for trade receivables	(2,871)
Increase in net differed tax assets relating to provisions	431
Adjustment to Retained Earnings from adoption of IFRS9 on 1 January 2018	(2,440)
Restated balance at 1 January 2018 - IFRS 9	1,397,033

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.1.3. Changes in accounting policies - IFRS 9: Financial Instruments (continued)

a) Classification and measurement

Under IFRS 9, debt financial instruments are subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification is based on two criteria: a) the business model for managing the assets and b) whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the 'SPPI criterion').

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expenses. Trade receivables are initially measured at their transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company has only financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion and consequently measures these instruments at amortized cost. Therefore, the adoption of IFRS 9 by the Company has no impact on the classification of its financial instruments on 1 January 2018. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in the income statement.

(b) Impairment

The Company records an allowance for expected credit losses (ECLs) for all financial assets not held at FVPL.

The Company has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables
- other receivables

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables. This resulted in an increase of the loss allowance on 1 January 2018 by 2,871 RSD for trade receivables. The loss allowance decreased by 1,374 RSD for trade receivables and increased for other receivables for 1,234 RSD.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For, trade receivables the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.1.3. Changes in accounting policies (continued)

The following table summarizes the adjustments recognized for each individual line item of the statements of financial position on 1 January 2018, because of the adoption of IFRS 9 and IFRS 15:

	As at 31-Dec-17	IFRS 15 transition adjustments	IFRS 9 transition adjustments	As at 1-Jan-18
ASSETS				
Non-current assets				
Property, plant and equipment	1,780,745			1,780,745
Construction in progress	154,232			154,232
Intangible Assets in progress	9,401			9,401
Investment in subsidiary	7,966			7,966
Deferred tax assets-net	12,005		431	12,436
Other non-current assets	1,384			1,384
	<u>1,965,733</u>	<u>-</u>	<u>431</u>	<u>1,966,164</u>
Current assets				
Inventories	604,026			604,026
Trade receivables	432,858		(2,871)	429,987
Other receivables	56,257			56,257
Cash and cash equivalents	1,498,436			1,498,436
	<u>2,591,577</u>	<u>-</u>	<u>(2,871)</u>	<u>2,588,706</u>
Total assets	<u>4,557,310</u>	<u>-</u>	<u>(2,440)</u>	<u>4,554,870</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Shares	2,505,209			2,505,209
Reserves	166,474			166,474
Retained earnings/(losses)	1,399,473		(2,440)	1,397,033
	<u>4,071,156</u>	<u>-</u>	<u>(2,440)</u>	<u>4,068,716</u>
Non-current liabilities				
Other non-current liabilities	57,319			57,319
Deferred tax liabilities-net				
Current liabilities				
Trade and other payables	428,835			428,835
Total Liabilities	<u>486,154</u>	<u>-</u>	<u>-</u>	<u>486,154</u>
Total equity and liabilities	<u>4,557,310</u>	<u>-</u>	<u>(2,440)</u>	<u>4,554,870</u>

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.2. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD") irrespective of whether the RSD is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exceptionally, the effects of the currency clause and the effects of the translation differences that relate to foreign currency receivables and payables /amend as appropriate/ were, in accordance with the regulations of the Ministry of Finance, deferred and recognized in the Statement on financial position within accruals, in their net amounts. A pro rata share of the deferred effects of the currency clause and a pro rata share of the deferred translation differences /amend as appropriate/ will be recognized in the Income Statement as at the maturity date of the payable or receivable based on which these effects have been calculated.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the appropriate reserve within revaluation reserve in equity.

2.3. 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.

Land on which quarries are located is depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit-of-production method. Other land is not depreciated.

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

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.3. Property, plant and equipment (continued)

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 50,000 and are expected to be used more than one period. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

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

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

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

2.4. Intangible assets

Licenses

Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the development design and testing of identifiable and unique software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives which does not exceed five years.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.5. Cash and cash equivalent

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.

2.6. Investments in subsidiaries

Investments in subsidiaries are accounted at cost.

2.7. 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.

2.8. Provisions

Provisions for environmental restoration, employee benefit (as described under note 2.10) and legal claims are recognized 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 the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

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

2.9. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Income Statement, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2.10. 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.

2.11. Leases

(a) *The Company as the lessee*

The leases when the lesser retains more significant part of the risks and rewards of ownership are classified as operating leases. The payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *The Company as the lesser*

Assets leased under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on the basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

3. Critical accounting estimates and judgments

Estimates and judgements 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.

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

Retirement benefits and jubilee awards

The present value of the retirement benefits obligations and jubilee awards ("the obligations") depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and employees turnover. Any changes in these assumptions will impact the carrying amount of the obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in note 21.

Useful lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2018 would be to increase/decrease it by RSD 16,143 thousand (2017: RSD 16,008 thousand).

Depletion – estimated reserves

Land on which quarries are located depleted using the unit-of-production method. The unit-of production rates are based on proved mineral reserves estimated to be recovered from existing facilities using current operating methods.

Management engages independent appraiser for estimation of mineral reserves.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

4. Sales

	For 12 months period ended 31-Dec-18	For 12 months period ended 31- Dec-17
Sales revenue cement Serbia	3,629,424	3,302,073
Sales revenue cement Montenegro	1,673,204	1,398,016
Sales revenue cement Croatia	99,030	104,812
Sales revenue cement Kosovo	6,377	6,005
Total	5,408,035	4,810,906

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

5. Cost of sales

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Variable		
Kiln fuel	677,691	518,585
Raw material	202,409	180,347
Clinker purchased related parties	90,865	-
Clinker purchased third parties	81,375	-
Electricity power	435,432	361,769
Fuel and oil	37,232	33,263
Refractory	22,813	17,898
Grinding media	4,168	2,094
Concession fees	20,625	18,382
Third party Labor Quarry	88,704	83,860
Other variable costs	415	1,874
Total variable cost	1,661,729	1,218,072
Fixed		
Salaries	332,118	340,735
Training	4,802	3,964
Maintenance spare parts	66,802	52,077
Third parties services	47,945	39,575
Insurance and taxes	34,091	28,233
Plant utilities	5,868	5,885
Heating expenses	3,790	4,200
Other consumables	17,625	16,205
Cement quality control and certification	9,655	7,208
Health and safety at work	2,909	3,190
Car expenses	3,161	2,689
Environmental protection costs	6,526	4,225
Other fixed costs	7,176	9,519
Total fixed cost	542,468	517,705
Packing		
Salaries	49,474	50,720
Training	370	409
Bags and folio	77,878	100,234
Pallets	44,738	58,998
Electricity power	6,165	5,596
Fuel and oil	1,556	1,886
Maintenance spare parts & Third parties maintenance	14,656	11,020
Insurance	833	662
Other expenses	6,726	4,870
Total packing cost	202,396	234,395
Inventory (Increase)/Decrease	(23,771)	(77,042)
Depreciation	168,419	178,150
Distribution Expenses		
Third parties services transportation	774,307	668,380
Custom and related expenses	5,130	4,190
Total distribution costs	779,437	672,570
Cost of Trading Goods	9,631	16,306
Total Cost of Sales	3,340,309	2,760,156

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.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

6. Other operating income

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Revenue from sales of material	1,351	2,480
Collection of the receivables for which provision was made	9,480	2,846
Revenue from other operating activities	355	364
Reversal of unused provisions for retirement (long-term)	2,249	82
Reversal of unused provisions for jubilee awards (long-term)	1,484	-
Reversal of unused provisions for jubilee awards (short-term)	1,274	181
Internal revenue	3,425	4,299
Other income	15,368	8,032
Total other operating income	34,986	18,284

7. Other operating expenses

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Restructuring expenses*	73,509	1,833
Litigation provision	5,421	1,075
Provision for jubilee awards (long-term)	3,158	5,823
Provision for jubilee awards (short-term)	2,224	2,644
Provision for retirement (long term)	1,612	3,852
Impairments of account trade receivables	781	4,159
Impairments of accounts other receivables	774	2,851
Provision for retirement (short-term)	271	132
Other expenses	8,695	15,164
Total other operating expenses	96,445	37,533

* In order to improve the overall efficiency of operations and long term profit, the Company offered to its employees VELP program which has been accepted by 27 employees. In this regard, the paid amount by the Company was RSD 73,509 thousand.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

8. Selling expenses

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Salaries	26,116	24,123
Training	499	414
Traveling, Entertainment & Car Expenses	2,092	2,506
Other	6,054	1,755
Depreciation	469	441
	35,230	29,239

9. Administrative expenses

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Management fees – see Note 23	88,589	91,899
Salaries	106,182	107,382
Training and education	4,469	3,608
Donations	20,523	17,491
Communication	2,450	2,261
Consulting services	9,180	7,562
Legal and court fees	2,872	3,355
Entertainment	3,647	4,098
Car expenses	6,905	7,419
Business trip	4,225	2,763
Membership fees	4,037	4,501
Third party labor	20,048	18,544
Rents	5,171	4,583
Heating for offices	1,185	1,317
Fees and taxes	1,908	3,537
Cement Industry organization -services	2,030	2,084
Stationery	1,388	1,321
Advertising	1,213	1,023
Petty inventory and consumables	504	945
Electricity	1,585	1,425
Postal costs	1,023	1,488
Health and Safety	1,093	738
Trash removing	643	628
PR services	3,076	-
Other costs	4,539	5,244
Depreciation & Amortization	3,760	6,184
	302,245	301,400

Management fees relate to the contract signed on 31 July 2015 between TITAN Cement Company Greece and the Company. According to the contract TITAN Cement Company Greece 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.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

10. Expenses by nature

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Cost of energy	1,171,558	934,716
Transportation expenses	831,203	721,479
Cost of materials	520,077	357,489
Salaries	513,890	521,052
Depreciation & Amortization	172,648	184,775
Consultancy fees	99,625	100,801
Other expenses	84,718	82,174
Spare parts & Petty inventory	83,233	66,335
Restructuring cost	73,509	1,833
Third party services - maintenance	55,426	48,022
Taxes	49,583	43,662
Services related to mineral reserves exploitation	32,176	31,510
Stationary and consumables	16,202	14,168
Rent	14,908	14,797
Provisions	12,686	13,526
Cost of trading goods	11,048	16,306
Training	10,267	8,523
Donations	10,032	8,566
Insurance	9,135	6,993
Cement quality control	7,419	5,204
Hospitality	4,777	4,936
Grinding media & Lining	4,502	3,275
Membership fees	4,037	4,501
Cost of Health and Safety	3,786	3,717
Provision for bad and doubtful debts	1,555	7,010
Inventory (increase)/decrease	(23,771)	(77,042)
	3,774,229	3,128,328

11. Finance income and expenses

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Finance income		
Bank interest and related income	13,430	13,262
Foreign exchange gain	4,917	10,652
Total finance income	18,347	23,914
Finance expenses		
Accretion on provision for rehabilitation of quarries		(6,193)
Bank charges	(1,874)	(2,220)
Foreign exchange loss	(11,695)	(67,797)
Total finance expenses	(13,569)	(76,210)
Finance income /(expenses), net	4,778	(52,296)

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

12. Taxation

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Current Income Tax	255,972	253,939
Deferred tax expense / (income)	(2,807)	(4,846)
	253,165	249,093

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

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Accounting profit for the 12 months period ended 31 December	1,673,570	1,648,566
<i>Add back:</i>		
Accounting depreciation	172,648	184,775
Non business expenses	8,401	7,441
Penalties and capital loss	-	17
Impact of transfer pricing	113	189
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	1,883	3,984
Tax calculated but not paid in the tax period for which it filed tax statement	11,408	8,314
Rewords for Working Experience calculated but not paid in the tax period for which it filed tax statement	5,382	8,467
Employee Related Expenses calculated but not paid in the tax period for which it filed tax statement	381	386
Litigation Provision calculated but not paid in the tax period for which it filed tax statement	5,421	1,075
Other	1,350	640
<i>Less:</i>		
Depreciation for tax purposes	(156,309)	(159,470)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(328)	(126)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(8,314)	(5,167)
Rewords for Working Experience calculated in the previous and paid in the tax period for which it filed tax statement	(2,029)	(3,035)
Employee Related Expenses calculated in the previous and paid in the tax period for which it filed tax statement	(388)	(364)
Litigation Provision calculated in the previous and paid in the tax period for which it filed tax statement	-	(2,500)
Other	(6,708)	-
Reversed unused long term provisions	-	(263)
Tax basis	1,706,481	1,692,929
Tax at 15% (2017: 15%)	255,972	253,939
Current income tax	255,972	253,939
Deferred income tax expense/(income)	(2,807)	(4,846)
	253,165	249,093

The weighted average applicable tax rate was 15.29% (2017: 15.4%).

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

12. Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Employee benefits	Tax depreciation	Other DTA	Total
At 1 January 2017	5,293	408	1,458	7,159
Charged/(credited) to the income statement	1,354	3,263	229	4,846
As 31 December 2017	6,647	3,671	1,687	12,005
Charged/(credited) to the income statement	(14)	1,976	1,276	3,238
As 31 December 2018	6,633	5,647	2,963	15,243

	<u>2018</u>	<u>2017</u>
Deferred tax assets:		
- to be recovered after more than 12 months	13,532	10,123
- to be recovered within 12 months	1,711	1,882
Deferred tax liabilities:		
- to be recovered after more than 12 months	-	-
- to be recovered within 12 months	-	-
Deferred tax assets/liabilities (net)	<u>15,243</u>	<u>12,005</u>

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

13. Property, plant and equipment

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
Cost								
At 1 January 2017	54,120	164,140	2,626,715	3,462,844	288,597	6,596,416	94,120	6,690,536
Additions during the period				4,680		4,680	144,965	149,645
Reclassification from/to another category		13,759	1,893	82,960		98,612	(84,853)	13,759
Sales / write off during period				(13,126)		(13,126)		(13,126)
At 31 December 2017	54,120	177,899	2,628,608	3,537,358	288,597	6,686,582	154,232	6,840,814
Additions during the period	1,417	3,380		1,701		6,498	131,689	138,187
Reclassification from/to another category	15,520	(15,520)		72,409	814	73,223	(73,223)	
Sales / write off during period		(11)		(16,761)	(1,799)	(18,571)		(18,571)
At 31 December 2018	71,057	165,748	2,628,608	3,594,707	287,612	6,747,732	212,698	6,960,430
Accumulated depreciation/depletion								
At 1 January 2017		(40,042)	(1,558,214)	(2,860,287)	(277,614)	(4,736,157)		(4,736,157)
Charge for the period		(3,035)	(72,600)	(102,120)	(5,050)	(182,805)		(182,805)
Sales/ write off during period				13,125		13,125		13,125
At 31 December 2017		(43,077)	(1,630,814)	(2,949,282)	(282,664)	(4,905,837)		(4,905,837)
Charge for the period		(2,343)	(70,962)	(96,318)	(3,024)	(172,647)		(172,647)
Sales/ write off during period		1		16,754	1,799	18,554		18,554
At 31 December 2018		(45,419)	(1,701,776)	(3,028,846)	(283,889)	(5,059,930)		(5,059,930)
Net book value								
At 31 December 2018	71,057	120,329	926,832	565,861	3,723	1,687,802	212,698	1,900,500
At 31 December 2017	54,120	134,822	997,794	588,076	5,933	1,780,745	154,232	1,934,977

Depreciation expenses of RSD 172,647 thousand (2017: RSD 182,805 thousand) are charged under cost of sales and under administrative and selling expenses in income statement.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

14. Intangible Assets

	Computer Software acquired	Software in progress	Total
Cost			
At 1 January 2017	72,521	-	72,521
Additions during the period	-	9,401	9,401
At 31 December 2017	72,521	9,401	81,922
Accumulated amortization			
At 1 January 2017	(70,552)	-	(70,552)
Charge for the period	(1,969)	-	(1,969)
At 31 December 2017	(72,521)	-	(72,521)
Net book value			
At 31 December 2017	-	9,401	9,401
At 1 January 2017	1,969	-	1,969
Cost			
At 31 December 2017	72,521	9,401	81,922
Additions during the period	-	4,579	4,579
Reclassification from/to another category	1,189	(1,189)	-
At 31 December 2018	73,710	12,791	86,501
Accumulated amortization			
At 31 December 2017	(72,521)	-	(72,521)
Charge for the period	-	-	-
At 31 December 2018	(72,521)	-	(72,521)
Net book value			
At 31 December 2018	1,189	12,791	13,980
At 31 December 2017	-	9,401	9,401

15. Investment in subsidiary

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

Subsidiary	As at 31 Dec 2018	As at 31 Dec 2017
TCK Montenegro	7,966	7,966
Total	7,966	7,966

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

16. Inventories

	<u>As at 31 Dec 2018</u>	<u>As at 31 Dec 2017</u>
Material and fuel	99,122	63,079
Spare parts and other inventory	402,520	371,588
Packing materials	24,305	18,128
Work in progress	101,866	93,291
Finished products	71,763	56,566
Goods for resale	57	294
Advances for inventory	709	1,219
Provision for advances for inventory	(139)	(139)
Goods in transit	1,392	-
	<u>701,595</u>	<u>604,026</u>

Major portion of material and fuel as at 31 December 2018 amounting to RSD 61,389 thousand, RSD 7,695 thousand and RSD 7,573 thousand relates to petrol coke, heavy oil and lignite, respectively.

17. Trade receivables

	<u>As at 31 Dec 2018</u>	<u>As at 31 Dec 2017</u>
Trade receivables	208,539	242,787
Trade receivables from related parties (Note 23)	90,001	244,930
Provision for impairment of receivables	(48,353)	(54,859)
	<u>250,187</u>	<u>432,858</u>

For term and conditions relating to related party receivables, refer to Note 23.

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

As at 31 December 2018, trade receivables at nominal value of RSD 48,353 thousand were provided for impairment (31 December 2017: RSD 54,859 thousand). See below for the movements in the provision for impairment of receivables.

	<u>Provision for impairment of trade receivables</u>
At 1 January 2017	57,291
Charge for the year	4,721
Unused amounts reversed	(3,407)
Utilized during the year	(3,746)
At 31 December 2017	<u>54,859</u>
At 1 January 2018	54,859
Adjustment (IFRS9)	2,871
At 1 January 2018 adjusted	57,730
Charge for the year	781
Unused amounts reversed	(9,398)
Utilized during the year	(760)
At 31 December 2018	<u>48,353</u>

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

17. Trade receivables (continued)

As at 31 December, the aging analysis of trade receivables and its provision for impairment is as follows:

Year ended 31 December 2018			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	208,539	71,218	65,788	13,651	3,693	1,514	52,675
Trade receivables-related parties	90,001	90,001	-	-	-	-	-
Total	298,540	161,219	65,788	13,651	3,693	1,514	52,675

Year ended 31 December 2017

Trade receivables	242,787	52,797	54,313	33,846	40,231	3,156	58,444
Trade receivables-related parties	244,930	123,250	121,680	-	-	-	-
Total	487,717	176,047	175,993	33,846	40,231	3,156	58,444

Year ended 31 December 2018

Year ended 31 December 2018			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Provision of Trade receivables	48,353	85	156	368	16	119	47,609
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	48,353	85	156	368	16	119	47,609

Year ended 31 December 2017

Provision of Trade receivables	54,859	-	-	-	1,014	916	52,929
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	54,859	-	-	-	1,014	916	52,929

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

18. Other receivables

	As at 31 Dec 2018	As at 31 Dec 2017
Advances to suppliers for current assets	226	358
Other receivables from related parties (Note 23)	20,749	19,752
Receivables from employees	1,670	1,738
Accrued expenses	9,218	18,881
Receivables for funds lent to firms	6	6
Receivables for rent	-	71
VAT prepayment	10,753	7,797
Other receivables from the State	715	1,223
Other short term deposits	409	1,667
Other receivables	11,420	7,531
Other receivables, gross	55,166	59,024
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(6)	(48)
Provision for other receivables	(3,446)	(2,713)
Other receivables, net	51,708	56,257

As at 31 December 2018, other receivables at nominal value of RSD 3,458 thousand (2017: RSD 2,767 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 from employee	Provision for impairment of other receivables
At 1 January 2017	6	48	180
Charge for the year	-	-	2,713
Provision reversal	-	-	-
Utilized during the year	-	-	(180)
At 31 December 2017	6	48	2,713
At 1 January 2018	6	48	2,713
Charge for the year	-	-	773
Provision reversal	-	(42)	(40)
Utilized during the year	-	-	-
At 31 December 2018	6	6	3,446

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

19. Cash and cash equivalents

	<u>As at 31 Dec 2018</u>	<u>As at 31 Dec 2017</u>
Cash at bank	24,934	14,259
Short-term bank deposits	1,664,280	1,484,177
	<u>1,689,214</u>	<u>1,498,436</u>

Short-term bank deposits relate to time deposits up to three months.

As at 31 December 2018 deposits that are placed with EFG Bank EUR 7,663 thousand and RSD 143,661 thousand and with Societe Generale Bank EUR 4,670 thousand and RSD 66,500 thousand.

Average interest rate for short-term deposits in EUR is 1.14% per annum. For RSD deposits average interest rate is 2.85% per annum.

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

20. Stakes in Limited Liability Company and Legal Reserves

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 2018 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

In accordance with the legislation, effective by the end of 2003, a net profit portion in the minimal amount of 5% was allocated to Legal reserves until they reached 10% of the share capital.

In accordance with the Company Law, the Company is not obliged to allocate profit to legal reserves.

Legal reserves in the amount of RSD 166,474 thousand (2017: RSD 166,474 thousand) are presented as a separate item within Capital in the Statement of financial position

21. Other non-current liabilities and provisions

	<u>As at 31 Dec 2018</u>	<u>As at 31 Dec 2017</u>
Retirement benefits	17,248	18,081
Provision for legal cases	7,968	2,547
Provision for jubilee awards	24,472	22,798
Provision for rehabilitation of quarries	13,752	13,893
	<u>63,440</u>	<u>57,319</u>

Provisions for retirement benefits

In accordance with the Collective agreement valid from 1 December 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 2018 was RSD 17,519 thousand (2017: 18,213 thousand) out of which RSD 17,248 thousand represented long-term portion (2017: 18,081 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 5%, future salary increase 2 % per year up to 01.01.2024 and 4% per year after that.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

21. Other non-current liabilities and provisions (continued)

Movements in the provision for retirement reward were as follows:

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
As at 1 January	18,081	14,311
Utilized during the year	(196)	-
Unused amounts reversed	(2,249)	(82)
Additional provision	1,612	3,852
Closing balance	17,248	18,081

Provision for legal cases

There are 7 ongoing pieces of litigation against the Company. 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 2018.

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
As at 1 January	2,547	3,972
Utilized during the period	-	(2,500)
Unused amounts reversed	-	(460)
Additional provision	5,421	1,535
Closing balance	7,968	2,547

Provisions for Jubilee awards

Under the Collective agreement valid from 1 December 2014, the Company is obliged to pay Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment within the Company.

Also, at the moment when the employee (women only) completes 35 years of continuous employment and when the employee (men only) completes 40 years of continuous employment within the Company.

The rewards are defined as follows:

- a) 1 average salary of the Company to the employee that completes 10 years and 20 years of continuous employment in the Company and
- b) 2 average net 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 2018 amounted to RSD 26,696 thousand (2017: 26,102 thousand) out of which RSD 24,472 thousand represented long-term portion (2017: 22,798 thousand). The principal actuarial assumptions used in calculation of provision were: 5% discount rate, future salary increase 2 % per year up to 01.01.2024. and 4% per year after that.

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
As at 1 January	22,798	16,975
Unused amounts reversed	(1,484)	-
Utilized during the period	-	-
Additional provision	3,158	5,823
Closing balance	24,472	22,798

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

21. Other non-current liabilities and provisions (continued)

<u>Provisions for Rehabilitation for quarries</u>	<u>For 12 months period ended 31-Dec-18</u>	<u>For 12 months period ended 31-Dec-17</u>
As at 1 January	13,893	8,111
Utilized during the period	(109)	(86)
Additional provision	-	6,193
Unrealized exchange differences	(32)	(325)
Closing balance	<u>13,752</u>	<u>13,893</u>

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 6.5% for the period up to end of 2038, and 7.5% for the rest of the period according to the Study. Final value of the provision on 31 December 2017, in the amount of RSD 13,893 thousand was in proportion with the discovered surface on the quarries up to end of 2017.

Since the exploitation of the minerals continues to take place on the discovered surfaces for which the provision was made at the end of 2017, the additional adjustment was not made as of 31 December 2018.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

22. Trade and other payables

	As at 31 Dec 2018	As at 31 Dec 2017
Trade payables	353,013	282,252
Trade payables - related parties (Note 23)	21,550	33,029
Trade payables-tangible/intang. assets-related parties (Note 23)	2,911	-
Trade payables - tangible/intangibles assets	19,172	5,479
Contract liability - advances received *	20,620	18,441
Other taxes payable	7,165	5,239
Payables for salaries	15,076	14,379
Social insurance contributions on salarie	6,832	7,208
Accruals	3,725	5,522
Income tax payable	23,194	50,969
Provision for retirement- current portion	271	132
Provision for Jubilee award – current portion	2,224	3,304
Rehabilitation of quarries – current portion	35	213
Other payables	2,860	2,668
	478,648	428,835

For terms and conditions relating to related parties, refer to Note 23.

*The contract liability refers to received advance payments from customers for cement that will be transferred to them during 2019.

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2018 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>
Year ended 31 December 2018				
Trade payables	351,550	18,695	1,940	372,185
Other payables	31,667	-	301	31,968
Payables to related parties	22,265	2,196	-	24,461
Total	405,482	20,891	2,241	428,614
	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
Year ended 31 December 2017				
Trade payables	280,262	3,373	4,096	287,731
Other payables	29,406	-	301	29,707
Payables to related parties	33,029	-	-	33,029
Total	342,697	3,373	4,397	350,467

Concession fee

Since 1 January 2018 concession fee have been RSD 24.0 per ton of extracted limestone and RSD 34.5 per ton of extracted marl. Total outstanding liability included in trade payables, as of 31 December 2018 amounted to RSD 6,333 thousand (31 December 2017: 4,966 thousand), while Income Statement has been charged by RSD 20,625 thousand (2017: 18,382 thousand (under "variable cost", note 5).

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

23. Related parties transactions

The Company is ultimately controlled by AEAS Ltd, Netherland, which owns 100% of the Company's basic capital. Ultimate owner of AEAS is TITAN Cement Company S.A. Greece.

Total amount of transactions for the relevant reporting period (including the outstanding balances at December 31) which have been entered with the subsidiary company TCK Montenegro and other related companies within Titan Group may be summarized as follows:

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Sales and services provided to related parties		
TCK Montenegro - Montenegro	1,674,624	1,399,471
Stari Silo Company doo	702	679
	1,675,326	1,400,150
	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Purchase of goods and services from related parties		
Titan Cement Company S.A. Athens - cost of trading goods	6,921	11,512
Titan Cement Company S.A. Athens - Management fee	88,589	91,899
Zlatna Panega Cement AD Bulgaria - purchase of electricity	-	56
Zlatna Panega Cement AD Bulgaria - purchase of clinker	33,594	-
Cementarnica USJE AD Skopje - purchase of clinker	36,182	-
Sharrcem SH.P.K - purchase of clinker	20,627	-
TITAN Antea Cement - purchase of clinker	462	-
	186,375	103,467
	As at 31-Dec-18	As at 31-Dec-17
Trade and other receivables		
TCK Montenegro – Trade receivables	90,001	244,930
TCK Montenegro – Other receivables	236	361
Stari Silo Company – Other receivables	20,513	19,391
	110,750	264,682
Trade and other payables		
Titan Cement Company S.A., Athens	24,461	33,029
	24,461	33,029

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 period ended 31 December 2018 and 31 December 2017. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

Key management compensation

Key management includes directors (executive and non-executive). The total compensation paid or payable to key management for employee services is RSD 33,972 thousand (2017: 34,422 thousand).

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

24. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

In the normal course of its operations the Company has exposure to the following financial risks:

- a) market risk (including currency risk);
- b) credit risk; and
- c) liquidity risk.

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 time deposits in EUR. The Company manages its foreign currency risk by keeping assets in foreign currency which are much higher than the level of liabilities in foreign currencies, so the Company's exposure to this risk does not exist at the date of balance sheet.

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>
Year ended 31 December 2018	+10%	145,475
	-10%	-145,475
Year ended 31 December 2017	+10%	138,651
	-10%	-138,651

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 is 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 2018 are diversified. The maximum exposure of credit risk at the financial statements date is the carrying value of receivables stated in Note 17.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

24. Financial risk management objectives and policies – Credit risk (continued)

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Credit limit is established for each customer individually as maximum amount of credit risk taking into account a number of characteristics, such as:

- financial statements of the counterparty;
- scoring Serbian Business Register Agency,
- amount of registered pledges;
- data on customer's account blockade;
- history of relationships with the Company;
- planned sales volume;
- duration of relationship with the Company, including ageing profile, maturity and existence of any financial difficulties.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2018 and 48 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted with forward-looking information on macroeconomic factors as no correlation were identified that significantly affect ability of the customers to settle the receivables.

The Management of the Company regularly assesses the credit quality of trade and other receivables taking into account analysis of ageing profile of receivables and duration of relationships with the Company.

Management believes that not impaired trade and other receivables and other current assets are fully recoverable.

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, as stated in Note 19.

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 22.

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 period ended 31 December 2018 and 31 December 2017.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

24. Financial risk management objectives and policies – Capital management (continued)

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

	For 12 months period ended 31-Dec-18	For 12 months period ended 31-Dec-17
Profit for the period	1,420,405	1,399,473
<i>Add back:</i>		
Income tax	253,165	249,093
Depreciation expenses –cost of sales	168,419	178,150
Depreciation expenses –selling expenses	469	441
Depreciation expenses –administrative expenses	3,760	6,184
Finance income and expenses, net	(4,778)	52,296
EBITDA	1,841,440	1,885,637

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

25. Commitments and operational risks

Operating lease commitments

The ageing analysis of the future minimum lease payments under non-cancellable operating leases is as follows:

31 December 2018	Less than Y+1	Y+1	Y+2	Y+3	Y+4	Total
Operating lease commitments	9,909	8,062	4,215	2,684	821	25,691
31 December 2017	Less than Y+1	Y+1	Y+2	Y+3	Y+4	Total
Operating lease commitments	8,027	6,559	5,152	2,654	1,159	23,551

Overdraft and guaranties

	As at 31 Dec 2018	As at 31 Dec 2017
Bank guarantee letters - asset	188,556	166,154
Bank guarantee letters – liability	8,210	58,073
Overdraft facility with Raiffeisen bank (currently not in use)	240,000	240,000
Frame agreement for issuance of the letters of guarantee with Raiffeisen bank (unused)	133,624	84,095

Bank guarantee letters assets contain of guarantees received from customers in the amount of RSD 188,556 thousand, (in 2017: RSD 152,599 thousand), there is no other guarantees received in 2018.

Bank guarantee letters liability in the total amount of RSD 8,210 thousand (in 2017: RSD 58,073 thousand) have been issued in favor of suppliers.

TITAN CEMENTARA KOSJERIC DOO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

25. Commitments and operational risks (continued)

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. Also, the TP Study for 2018 has not been finished yet, but the Company's management estimates that taking into account the TP study for 2017 and despite the fact that in 2018 there were some new transactions, that will not be a material impact on the result.

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.

Events occurring after the reporting period

There were not significant events after the reporting period.

26. Standards and Amendments issued but not effective yet

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The company has set up a project team which has reviewed all of the company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of RSD 25,691 thousand. Of these commitments, approximately RSD 771 thousand relate to short-term leases and RSD 286 thousand to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the company expects to recognize right-of-use assets of approximately RSD 16,470 thousand on 1 January 2019, lease liabilities of RSD 16,470 thousand (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018) and there is no deferred tax assets effect. Overall net assets will be approximately RSD 16,470 thousand lower.

EBITDA results is expected to increase by approximately RSD 5,864 thousand within 2019, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease within 2019 year by approximately RSD 6,017 thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The company does not have any activities as a lessor. However, some additional disclosures will be required from next year.

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.